

Semi-Annual Report
as of
30th June, 2006



rentenbank

	<i>Long-term Rating</i>	<i>Short-term Rating</i>
<i>Moody's Investors Service</i>	<i>Aaa</i>	<i>P - 1</i>
<i>Standard & Poor's</i>	<i>AAA</i>	<i>A - 1+</i>
<i>Fitch</i>	<i>AAA</i>	<i>F1+</i>

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1. Business Trends

The first half of Landwirtschaftliche Rentenbank's business year 2006 was marked by buoyant new business activity and a slight improvement in profitability. New business in medium and long-term promotional lending was again higher in the first six months than in the same period of the previous year. It was possible to increase both net interest income and operating result due to higher lending business, low administrative expenses and ongoing favourable conditions in the money and capital markets. The continuing high demand for highest quality issues encouraged the funding business: three-quarters of the total anticipated € 10 billion requirement for medium and long-term issues has already been placed in the first half of the year.

2. New Business

Promotional Lending: Promotional business, including prolongations and interest-rate adjustments, amounted to a total of € 8.6 billion (7) in the first six months of the current year. The impulse for growth came, in the first instance, from the standard promotional loans for agriculture and rural areas. The increase in new business in this promotional segment compensated for the weaker demand for securitised lending. Prolongations and interest-rate adjustments also lay above the level of the previous year.

In the first half of 2006, our special loans for the promotion of special purposes reached the high level of the previous year in spite of a partially diminished demand for loans in the area of renewable energy. To the end of June, we had approved a total of € 1,159.9 million (1,158) in new special loans. Of this, € 218.4 million (322.6), i.e. 18.8 % (27.9) was accounted for by investments in renewable energies, whose promotion has been pooled in the newly-introduced special loan programme “Environmental protection and sustainability” since 01.07.2005.

A decline in loan approvals for photovoltaic systems to € 86.8 million (230.8) stands in contrast to an increase in the volume approved for the financing of

biogas systems which amounted to € 116.6 million (83.6). A further positive development was also displayed in the loans issued at favourable conditions to federal state promotional banks for the bundled refinancing of promotional initiatives in the respective states. In the first half year, we therefor approved € 208.6 million among other things for the financing of rural municipal infrastructure. Since this is also promoted within the context of our special loan programme “Rural structural development”, the volume of approvals in the special loan programme targeting public infrastructure initiatives in rural areas lay, with € 248.8 million (320) in the first half year, below the comparable level of the previous year. There was also a slight decline in the development of investment in machinery under the programmes “Agriculture” and “Young farmers” as well as the “Village renewal” programme. On the other hand, promotional loans for investment in buildings and the purchase of farmland reached almost the same level as in the first six months of the previous year.

In addition to our special loans for specific promotional purposes and assistance measures, we also issue standard promotional loans for agriculture and rural areas. In this promotional area, we approved € 2,983.1 million (1,826.6) in new loans to the end of

June, around 63 % more than in the same period of the previous year. With € 2,207.6 million (1,478.9), prolongations and interest-rate adjustments associated with medium and long-term loan agreements were also above the level of the respective period in the previous year. Interest-rate adjustments with a term of more than one year amounted to € 104.7 million. New business in securitised lending showed a decline of 13,1 %, dropping to € 2,220.5 million (2,554.9) in the first half of 2006.

New Issues: Three-quarters of the total anticipated requirement for medium and long-term issues, roughly € 10 billion for 2006, has already been placed in the first half of the year. To the end of June, medium and long-term issue volume amounted to € 7.5 billion (6.8). This figure includes all issues with maturities and non-call periods of more than two years. € 4.3 billion (3.9) thereof was accounted for by the Euro Medium Term Note Programme (EMTN). The second most important refinancing instrument in this maturity bracket were issues registered with the U.S. Securities and Exchange Commission (SEC), which increased to € 2.2 billion (1.7). With a volume of € 0.5 billion (0.9), issues within the framework of our

Australian Dollar Domestic Medium Term Note Programme (AUD-MTN) took third place. The US dollar remained the most important funding currency taking a share of 43.8 %, followed by the euro with 26 %. Interest-rate risks and currency risks have been hedged by financial derivatives, primarily swaps.

The bank's short-term funding with maturities and non-call periods of up to two years decreased somewhat to € 11.7 billion (11.9). 70.9 % thereof was accounted for by the Euro Commercial Paper Programme (ECP), from which € 8.3 billion (8.8) was drawn in the first six months of the current year. The bank's total funding for the first half year amounted to € 19.2 billion (18.7).

3. Balance Sheet

As at 30.06.2006, total assets reached € 96.5 billion (87.6). This represents an increase of € 8.9 billion or 10.2 % compared to the level at the end of June 2005. Consistent with the bank's particular business structure, amounts due from banks make up the largest item on the asset side of the balance sheet. This item amounting to € 72.5 billion (66.2) on 30.06.2006 lay € 6.3 billion or 9.5 % higher than at end of the first half of 2005. New business in securitised lending is reflected in the securities portfolio, which increased to € 22 billion (19.7).

Due to buoyant issuing business in the first half of 2006, securitised liabilities compared to the end of June 2005 increased by € 6.7 billion to € 65.2 billion (58.5). Liabilities to banks amounted to € 23.9 billion (21.8) at the end of June.

Total capital in the balance sheet (including subordinated liabilities and the fund covering general banking risks) was reported at € 2,771.5 million (2,556) as at 30.06.2006, 8.4 % higher than at the end of the first half of 2005.

4. Profit and Loss Account

Profitability continued to develop favourably in the first half of 2006. Net interest and commission income as well as operating result slightly exceeded the level reached in the first half of the previous year. Net interest and commission income increased by 1.6 % to € 111.7 million (109.9). Compared to the first six months of the previous year, administrative expenses slightly decreased to € 18.5 million (18.7). The cost-income ratio improved to 16.4 % (17). Operating result before risk provisions and net valuation adjustments could be increased by 2.8 % to € 94.1 million (91.5) in the first half year.

5. Outlook

The positive development in profitability is also expected to continue in the coming months. However, a somewhat greater increase in administration expenses is expected in the second half of the year. Nevertheless, we are confident that the good results of the 2005 business year can be achieved again in the current year. As such, the conditions favour continuing our promotional activities at a high level commensurate with demand. Based on the business transactions concluded since the beginning of the year, we expect medium and long-term promotional business will continue to develop positively during the course of the current year.

	30.06.06 in € m	30.06.05 in € m	Change in %
New business			
<u>Promotional business</u>			
(medium and long-term)	8,571.1	7,018.4	22.1
thereof: Special loans incl.			
Special Purpose Fund	1,159.9	1,158.0	0.2
Standard promotional loans	2,983.1	1,826.6	63.3
Prolongations	2,207.6	1,478.9	49.3
Securitised lending	2,220.5	2,554.9	-13.1
<u>Issuing business</u>	19,235.1	18,734.9	2.7
thereof: Medium and long-term	7,491.6	6,814.7	9.9
Money-market related	2,061.8	2,183.5	-5.6
Short-term	9,681.7	9,736.7	-0.6

Selected Balance Sheet Items	30.06.06 in € bn	30.06.05 in € bn	Change in %
Total assets	96.5	87.6	10.2
Due from banks	72.5	66.2	9.5
Securities portfolio	22.0	19.7	11.7
Liabilities to banks	23.9	21.8	9.6
Securitised liabilities	65.2	58.5	11.5

	in € m	in € m	Change in %
Total capital in the balance sheet (including subordinated liabilities)	2,771.5	2,556.0	8.4

Profit and Loss Account	30.06.06 in € m	30.06.05 in € m	Change in %	
			compared to 30.06.05	compared to 6/12ths of the 2005 figure
Net interest and commission income	111.7	109.9	1.6	2.3
Administrative expenses	18.5	18.7	-1.1	-1.6
Operating result (before risk provisions and net valuation adjustments)	94.1	91.5	2.8	3.3
Cost-income ratio	16.4 %	17.0 %		

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