

Landwirtschaftliche Rentenbank Group

**Disclosure Report pursuant to Section 26a KWG as
of December 31, 2008**



rentenbank

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1 Disclosure pursuant to Section 26a KWG

The Regulation governing the capital adequacy of institutions, groups of institutions and financial holding groups (German Solvency Regulation – SolvV) of December 14, 2006 was published in the Federal Gazette (volume 2006, part I, no. 61, p. 2926 et seq.) on December 20, 2006 and came into force on January 1, 2007.

The Regulation transposes the European minimum equity capital requirements stipulated in the Banking Directive (2006/48/EC) and the Capital Adequacy Directive (2006/49/EC) and the corresponding equivalent requirements of the Basel Capital Accord ("Basel II") into national law.

SolvV replaces the previous Principal I (GS I) and specifies the adequacy of institutions' own funds demanded under Section 10 of the German Banking Act (KWG). By implementing the new version of Section 26a KWG in conjunction with the introduction of the Solvency Regulation, the extended disclosure requirements under Pillar III of the Basel Capital Accord ("Basel II") were transposed into national law as of January 1, 2007.

Landwirtschaftliche Rentenbank made use of the transitional regulations of Section 339 (9) SolvV and publishes its capital requirements for the first time as of December 31, 2008 – thereafter at annual intervals – within the scope of the disclosure requirements stipulated under Pillar III. The Bank complies with its disclosure obligations within the scope of this report. Individual aspects of the disclosure are also included in the group management report and the consolidated annual financial statements. Disclosure requirements that are not listed are not applicable to Rentenbank.

Landwirtschaftliche Rentenbank is the controlling company of the group of institutions within the meaning of Section 10a (1) Sentence 1 KWG. The disclosure takes place on a Group-level.

2 Scope of application (Section 323 SolvV)

In addition to the Bank as parent company, the two subsidiaries LR Beteiligungsgesellschaft mbH, Frankfurt am Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main, (DSV) were fully included in the consolidated financial statements of Landwirtschaftliche Rentenbank for the fiscal year 2008. There are no differences between IFRS circle of consolidation and regulatory circle of consolidation.

The business activities of LRB are limited to the administration of investments and securities. The business activities of DSV Silo- und Verwaltungsgesellschaft mbH encompass the settlement of pension obligations and the administration of its financial assets, which consist of financial investments and short-term cash deposits.

Two companies (Getreide-Import-Gesellschaft mbH, Frankfurt am Main and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt am Main) which are of subordinate significance for the evaluation of the Group's financial position and financial performance were not consolidated



due to materiality aspects. Shareholdings in those companies are reported under "financial investments."

Due to their low equity investment ratios in relation to the subscribed capital, it was not necessary to consolidate the remaining companies.

Description	Name	Regulatory consolidation	Consolidation under IFRS
		full	full
Banks	Landwirtschaftliche Rentenbank, Frankfurt/Main	X	X
Finance companies	LR Beteiligungsgesellschaft mbH, Frankfurt/Main	X	X
	DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt/Main	X	X

Description	Name	not consolidated	Shareholding in %
Banks	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	X	3,4
Other companies	Getreide-Import-Gesellschaft mbH, Frankfurt	X	100
	Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt	X	25,1
	LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten GmbH, Hanover	X	10,9
	Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	X	9,8
	Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	X	5,6
	Landgesellschaft Schleswig-Holstein mbH, Kiel	X	3,2
	Thüringer Landgesellschaft mbH, Erfurt	X	0,6

3 Risk management (Section 322 SolvV)

Due to the business activity of the subsidiaries and the letter of comfort issued to LR Beteiligungsgesellschaft mbH, all material risks are concentrated in Rentenbank and are therefore managed by the bank. The subsidiaries are funded exclusively by means of Group resources.

3.1 Organization of risk management process

3.1.1 Risk management

The bank's Board of Management has the overall responsibility for risk management. It determines the bank's overall risk strategy, taking into account the proposals of the cross-divisional Risk Management Committee, which consists of the organizational units. Risk management functions are also performed by the Treasury Department and the Department for Promotional Loan Business / Banks / Corporates. The Risk Manual provides a comprehensive

overview of all business risks on the basis of risk management and controlling processes.

The inclusion of transactions in new products, business types, sales channels or new markets requires the adherence to a New Product Process (NPP). Within the scope of the NPP, the organizational units concerned analyze the risk level and the main consequences of these transactions for the Bank.

3.1.2 Risk controlling

Risk controlling, which is part of the organizational unit of Accounting and Controlling, comprises the regular monitoring of the limits determined by the Board of Management as well as reporting on market price risks, operational risks, liquidity risks, and risk-bearing capacity; risk reporting is based on risk level and regulatory requirements. The Department for Promotional Loan Business / Banks / Corporates is responsible for monitoring credit risks. The Board of Management and the Advisory Board are informed about the overall risk situation at least quarterly. The instruments used for risk management and monitoring are subject to constant review and updates.

3.1.3 Internal audit

The Internal Audit Department is an instrument of, and reports directly to, the Board of Management. Notwithstanding the Board of Management's authority to issue instructions to cause additional reviews to be performed, the Internal Audit Department carries out its duties on its own and independently.

Based on a risk-based review planning, the Internal Audit Department generally reviews and assesses all activities and processes of the Group, including risk management and internal controlling system, on a risk-based and process-independent basis.

3.2 Risk categories – Individual risks

3.2.1 Credit risk

Definition

The granting of loans and the associated assessment and assumption of credit risk is an essential element of the Bank's business activity.

Credit risk is defined as the risk of a potential loss as a result of default or deterioration in the credit quality of business partners. The credit risk subsumes credit default risk, which comprises counterparty risk, issuer risk, country risk, and structural risk, as well as settlement and replacement risk.

Accordingly, loans for the promotion of the agricultural sector, the food industry, and rural areas are generally granted only to banks in the Federal Republic of Germany or in another country of the European Union that are engaged in business with companies in the agricultural sector or the food industry and with companies offering related upstream or downstream activities as well as activities in rural areas. The program-based loans, which require particularly large promotional resources, are limited to Germany as an investment location. Accordingly, the lending business of Rentenbank is almost exclusively limited to the refinancing of banks and other interbank business. Instruments used are global loans, general refinancing facilities, and specific refinancing loans. The



credit risk related to the ultimate borrower is borne by such borrower's principal bank. Risks associated with the ultimate borrower are borne by Rentenbank only in the case of the direct lending business (business with companies).

The range of promotional activities also comprises the possibility to provide equity capital to suitable companies in the food and agricultural industries. For this purpose, the bank launched a private equity fund in an amount of € 100 million in order to support established companies by acquiring minority shareholdings.

The Treasury Department is responsible for new business with regard to standard promotional loans and securitized promotional lending as well as money market transactions and derivatives. Derivatives are only entered into for hedging purposes and only with counterparties from OECD and EU countries. New business is only conducted with business partners where we have concluded a collateral agreement.

Organization of the transactions subject to credit risk

The bank's Board of Management defines the credit risk strategy on an annual basis and informs the Credit Committee, which is formed by the Advisory Board, about this strategy.

Credit risk monitoring and controlling is based on uniform principles and does not depend on the type of business from which these risks result. The relevant tasks are performed by the Board of Management and by the Department for Promotional Loan Business / Banks / Corporates. The Department for Promotional Loan Business / Banks / Corporates is responsible for establishing and implementing a uniform credit risk strategy and for controlling the bank's credit risks. This includes, among other things, analyzing credit risks, establishing internal rating categories, creating templates for credit approvals, issuing the back office (or risk management) vote, and controlling credit risks. The Treasury Department represents the front office (or market unit) within the loan business workflow.

In accordance with the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, MaRisk), certain tasks have to be performed outside the front office. A number of these so-called back office functions is performed by the Department for Promotional Loan Business / Banks / Corporates. It issues the independent second vote for lending decisions, reviews certain collateral within the meaning of the MaRisk provisions, and is responsible for intensified loan management as well as for the management of non-performing loans. Any necessary measures are agreed upon in cooperation with the Board of Management. The department monitors credit risks on the level of the overall loan portfolio as well as on borrower unit level and is responsible for risk reporting with regard to credit risks. In addition, it is responsible for methodological development, quality assurance, and monitoring the procedures used to identify and quantify credit risk. The functional and organizational separation of risk controlling and the Department for Promotional Loan Business / Banks / Corporates from the Treasury Department guarantees independent risk assessment and monitoring. The management and monitoring of credit risks is performed for individual transactions at borrower level as well as at borrower unit level and the level of the overall loan portfolio. The overall loan portfolio is managed and monitored by breaking down the loan portfolio into its various features, with transactions having similar structures being combined in several product groups.



Credit assessment

The rating category of Rentenbank, which is determined on the basis of the bank-internal credit ranking and takes into consideration external ratings, is a key risk management instrument for credit risks, which are reflected in the limit system. In addition, current information concerning negative financial data or a deterioration of the economic perspectives of a business partner may initiate a review or an adjustment of the credit ranking as well as an adjustment of the limit.

The internal credit ranking is performed by the Department for Promotional Loan Business / Banks / Corporates, which represents the back office. Individual business partners or types of transactions are allocated to currently twelve rating categories using an internally determined procedure. The rating category 1+ is the category with the highest credit quality, and rating category 5- is the category with the lowest credit quality. In addition, the bank introduced the rating category 6+ for higher levels of risk and the rating category 6- for exposures that are highly likely to default or exposures already in default. The credit ranking is carried out at least once per year within the context of the review of the counterparties' financial situation, based on annual financial statements or annual reports. The analysis also takes into account key performance indicators, so-called soft facts, the background of the company, and additional supporting data such as membership in a protection scheme or liability mechanisms provided by the government. If available, the credit ratings of the external rating agencies Standard & Poor's, Moody's, and Fitch are used to determine credit rankings. Specific business types such as accepting Pfandbriefe (covered bonds) are classified into a specific rating category. In addition, country risks are evaluated separately as a structural risk relevant to the bank. The internal credit ranking procedure is continuously developed and monitored annually.

The consequences of the international financial crisis are reflected in the changes of the credit quality of the Group's counterparties. Various counterparties received a 6+ rating for the first time and the related exposures were considered to have a high level of risk. In spite of several downgrades in response to the large amounts of write-downs required to be recognized by the Group's counterparties, the average credit quality of the Group's overall loan portfolio can still be classified as "good".

Quantification of credit risk

To ensure the good credit quality of the overall loan portfolio, the Group uses adequate controlling instruments that focus on the credit risk strategy in connection with the risk-bearing capacity concept.

The internal rating category system forms the basis of calculation for measuring potential credit default risks with the help of statistical procedures. In order to determine the cumulative potential default, historical probabilities of default as published by the rating agencies Standard & Poor's and Moody's are used. The historical probabilities of default in the Group cannot be relied upon due to the negligible number of defaults in the decades before the current financial crisis. The calculations are made at the end of each quarter. In order to assess credit risks, a standard scenario (annual, cumulative, potential default related to drawdowns) is supplemented by stress scenarios (annual, cumulative, potential default related to limits, assuming deteriorations of credit quality as well as increased probabilities of default). In accordance with the risk-bearing capacity



concept as set out in the Risk Manual, credit risks are allocated a certain portion of the risk cover. During the year under review, internally established limits were monitored daily to ensure compliance at all times.

Limitation and reporting

Risk assumption and risk limitation is a key element of the management of credit risk. Risk limitation ensures that the risk actually assumed is in line with the risk strategy determined in the Risk Manual and the Group's risk-bearing capacity. Within this context, limitation is made both at borrower level and at borrower unit level as well as at the level of the overall loan portfolio. The basis for limitation is the credit risk strategy, from which consistent sub-limits are derived.

Based on the proportion of the risk cover made available for credit risks as determined in the Risk Manual (risk-bearing capacity concept), an overall upper limit is calculated for all counterparty limits using statistical methods. In addition, country-based credit and transfer limits, an overall upper limit for securitized promotional lending as well as upper limits for unsecured facilities for each rating category have been established.

A limit system governs the level and the structure of all credit risks. Limits are recorded for all borrowers, issuers, and counterparties and sub-divided into groups by products and maturities. The internal credit ranking procedure represents the central basis for decisions related to the definition of limits. The restriction of the total number of limits granted to a particular business partner is determined on the basis of various internal upper grid limits, depending on the financial position of such business partner. In addition, an overall upper limit has been established, the utilization of which is determined depending on the individual types of business transactions. In addition, a certain minimum credit quality is required for particular types of business.

The limits granted are monitored on a daily basis by the back office. The utilization of the limits granted within the context of money market and promotional loan transactions is measured on the basis of the relevant carrying amounts. For securitized promotional lending, the level of utilization of the limits is calculated on the basis of current market prices and, in the case of derivatives, the positive fair values, taking into account collateral provided, if any. The responsible member of the Board of Management receives a daily report on the risk-relevant limits as well as their utilization. The Board of Management is informed promptly if limits are exceeded.

At the end of each quarter, a credit risk report is prepared by the Credit Risk Management desk, which is part of the Department for Promotional Loan Business / Banks / Corporates (Back Office). The report is submitted to the Board of Management and to the Credit Committee established by the Advisory Board and complies with MaRisk requirements. Among other things, the report includes quantitative and qualitative information about the performance of the overall loan portfolio, which is monitored on the basis of structural features such as rating categories, collateral, size classes, and maturities. In addition, the reports include statements on the extent of limits granted internally, new business development, foreign promotional business, direct lending business and equity investments, new products, new markets, new sales channels, new countries, and large loan exposures. Comparisons with prior years, changes and comments to these changes, and the performance of counterparties that are



subject to special monitoring measures or with a high likelihood of default are also included in the reports.

3.2.2 Market price risk

Definition

Market price risk arises in the form of interest rate risks, foreign exchange risks, and other price risks. Interest rate risks comprise risks from the widening of risk premiums (spread risks). It takes into account potential losses related to items held in the bank's portfolio as a result of changing market prices.

Organization of the transactions subject to market price risk

The bank, as a sub-entity of the Group, does not maintain a trading book within the meaning of Section 2 (11) of the German Banking Act. Open positions from transactions in the banking book are only entered into to a very limited degree.

The objective of risk management is the identification, qualitative assessment, and controlling of market price risks. Risk controlling focuses on quantifying market price risks, monitoring limits, reporting, and controlling.

Quantification of market price risks

The Group limits interest rate risk by refinancing assets recognized in the balance sheets through liabilities recognized in the balance sheet with matching maturities and by using derivatives to account for any maturity mismatches. Derivatives are generally entered into for hedging purposes on the basis of micro or macro hedge relationships.

Gains or losses from maturity transformation are realized from short-term cash deposits and refinancing and, to a lesser extent, from securities transactions and the lending business.

Changes in spreads have a direct effect on the measurement of open positions and influence the risk cover. The future effects of spread risks on profit or loss are simulated using scenario analyses and are covered with risk cover within the scope of the risk-bearing capacity analysis.

The Group's general policy is to eliminate foreign currency risks and other price risks by means of hedging transactions. Open currency positions mainly result from fractional amounts from settlement, but only to a very limited extent. There is no significant risk for any currency.

Standard scenarios

For all open transactions subject to interest rate risks related to the items "money market funding" and "promotional lending," the sensitivity of the present value is calculated each day, assuming a positive parallel shift of the interest rate curves by 100 basis points (Bp). The sensitivity of the present value is calculated separately for the items "money market funding" and "promotional lending" and is limited for each item.

Stress scenarios

In order to estimate risks from extreme market developments, we regularly calculate additional scenarios of interest rate changes individually for the items "money market funding" and "promotional lending." Apart from a further shift in the valuation curve, we also consider scenarios such as steeper and flatter curves in our analysis. The future risk premiums and risk discounts on the interbank market are simulated for the item "money market funding." An increase in costs for the swap of liquidity in different currencies in the derivatives market is also part of the calculation.

Value at Risk (VaR)

A risk indicator is calculated daily for money market funding on the basis of a VaR analysis in accordance with the variance/co-variance approach. The indicator shows the maximum loss from market-related developments assuming a holding period of one day and a prediction accuracy of 99%. The key risk factors for money market funding are euro interest rates. The value of the portfolio is determined by the interest rate curve for interbank loans (EURIBOR) and the interest rate curve for derivatives (EONIA). In addition to these interest rate curves, the corresponding volatilities of interest rates and correlations between the interest rates are also taken into account for the VaR calculation. These data are determined using a weighted 250 day history.

Limitation and reporting

The interest-rate risks from open positions may not exceed the risk limits determined by resolution of the Board of Management. Compliance with the limits is monitored daily and reported to the Board of Management. Sensitivity-, scenario- and VaR-analyses as well as back-testing processes are part of risk management and risk controlling. The Advisory Board is informed about the results of the risk analyses on a quarterly basis.

Back testing

The scenarios in the money market funding and promotional lending segments are regularly validated using historical interest rate trends. To do so, risk-based thresholds are compared with changes in the interest rate curves for short-term interbank loans (EURIBOR) and derivatives (EONIA) as well as long-term swap rates occurring within 10, 20, and 30 days.

The quality of the VaR model is reviewed daily using a back testing procedure. For this purpose, the daily results arising from the market trend observed on the following day are compared with the forecasted VaR indicator, under the assumption of unchanged positions.

The results from the daily scenario analyses for monitoring interest rate risks on the level of the entire bank are validated on a quarterly basis using a present-value-based model.

3.2.3 Liquidity risk

Definition

Liquidity risk is the risk of being unable to meet current or future payment obligations without restrictions or of being unable to raise the required funds under the expected terms and conditions.

Controlling and monitoring

The liquidity risks of the bank are monitored daily using a limit for cash balances set by the Board of Management and communicated to the responsible departments. In order to limit short-term liquidity risks, negative cash balances must remain within the limits of the relevant freely available refinancing facilities for a period of up to one year. For the purpose of monitoring medium and long-term liquidity, the scheduled maturities are presented for the following 15 years on a quarterly basis.

Stress scenarios

Stress scenarios are intended to examine the effects of unexpected events on the bank's cash position. The liquidity scenarios are an integral part of the internal controlling model. They are calculated and monitored on a monthly basis. The scenario analyses take into account either a price decline in securities belonging to the liquidity reserve, a simultaneous drawdown of all irrevocable loan commitments, or default by a major borrower within the context of performance risks.

The scenarios are regularly reviewed with respect to their significance for the bank and their presentation within the scope of strategic liquidity management.

Liquidity ratio pursuant to the German Liquidity Regulation

Pursuant to the regulatory requirements (German Liquidity Regulation, Liquiditätsverordnung), weighted cash is compared with the weighted payment obligations for the same payment period on a daily basis. The ratios are then extrapolated to encompass the due dates to be observed for reporting purposes. In the 2008 reporting year, the monthly reported liquidity ratio for the period of up to 30 days was between 1.59 and 2.90 and was thus significantly above the 1.0 ratio defined by regulatory requirements.

Reporting

The analysis of short-term liquidity, the scenario analyses, and the reporting of long-term liquidity were combined in a liquidity risk report. The Board of Management receives monthly information within the scope of the liquidity risk report. The Advisory Board is informed about the results of the risk analyses on a quarterly basis.

3.2.4 Operational risk

Definition

Operational risk refers to risks arising from non-working or defective systems or processes, human failure or external events. Operational risk primarily includes legal risks, outsourcing risks, operating risks, and event or environmental risks, but does not comprise strategic risks, business risks, and reputational risks.



Organizational structure of operational risk

The general framework for managing and controlling operational risk governs the procedures to be followed for handling operational risk at the bank.

The Group manages operational risk through various measures that it applies to eliminate the cause of the risk, to control the risk, or to limit damage. These measures include organizational precautions (separation of trading and settlement units as well as of front and back office operations, principle of dual control), detailed procedural instructions, and qualified personnel. An emergency manual describes the procedures to be followed for disaster prevention measures and in case of an actual disaster event. Further emergency plans govern the procedures to be used for potential business disruptions. Legal risks from business transactions are reduced, insofar as possible, by using standardized contracts. The legal department is consulted at an early stage regarding decisions that could result in legal obligations or benefits for the bank.

Quantification of operational risk

Operational risks are quantified within the scope of the risk-bearing capacity concept using a process based on the basic indicator approach.

Incident reporting data base

All incidents of the bank are systematically collected and analyzed in an incident reporting database. All current incidents and near-incidents are recorded on a decentralized basis by the relevant operational risk officers. The management of operational risks is performed in the individual business areas. This means that the measures to prevent and limit risks are primarily the responsibility of the organizational units. The analysis and aggregation of incidents as well as the methodological development of the instruments used is part of risk controlling.

Self assessment

The bank regularly carries out self-assessment procedures. The goal of such self assessment is to make use of knowledge to identify and evaluate risks in the business units in which these risks materialize. Workshops are held in which potential operational risk scenarios for material business processes are identified, based on a company-wide process map, and then assessed with respect to amount and frequency of incidents. Depending on the risk assessment, additional preventive measures are taken to reduce operational risk.

Self assessments are planned to be carried out for all the material business processes of the bank in 2009, i. e. use of this instrument to identify operational risks will be further expanded.

Reporting and limiting operational risk

The utilization of operational risk in standard scenarios amounts to € 5.7 million (48%) as of the reporting date. Reports are prepared on a quarterly basis and submitted to the Risk Management Committee, the Board of Management, and the Advisory Board.

4 Own funds (Sections 324, 325, 330, 331 SolvV)

4.1 Own funds structure

The Group's regulatory own funds are determined in accordance with the provisions of Sections 10 and 10a KWG. The determination of own funds is carried out pursuant to Section 64h (4) KWG, based on the individual HGB-based annual financial statements of the companies in the Group. Own funds comprise liable capital – consisting of core capital (Tier I) and supplementary capital (Tier 2) – k plus Tier III capital.

The subscribed capital in the amount of € 176 million includes the share capital of Landwirtschaftliche Rentenbank amounting to € 135 million, which was provided by the agriculture and forestry industry of the Federal Republic of Germany. Of the disclosed reserves in the amount of € 715 million, € 687 million concern the principal and guarantee reserves of Land-wirt-schaftliche Renten-bank.

Based on the HGB values, the subordinated liabilities amount to € 1,166 million as of December 31, 2008. The interest rates applied in this connection range up to 5.5% with respect to maturities ranging up to April 21, 2036. The subordinated liabilities include promissory note loans, loan agreements and bearer securities with global certificates. Of the long-term subordinated liabilities, € 953 million meet the prerequisites for being included as liable equity capital pursuant to Section 10 (5a) Sentence 2 KWG and preclude an early repayment or conversion. Taking the capping limit (50% of the core capital) into account, € 945 million of the subordinated liabilities are taken into account as liable equity capital pursuant to Section 10 (2) Sentence 4 KWG.

The composition of the consolidated regulatory own funds as of December 31, 2008, based on the HGB values, is presented in the following table:

	€ million
- Subscribed capital	176
- Disclosed reserves	715
- Fund for general bank risks	1.013
- Intangible assets	-1
- Losses carried forward	-13
Core capital (Tier I)	1.890
- Subordinated liabilities	945
- Other components	97
Supplementary capital (Tier II)	1.042
- Tier III capital	8
- thereof: Tier III capital utilized	1
Total own funds	2.933
Own funds for the large exposure limit in the overall business	2.940

The losses carried forward in terms of the German Commercial Code are allocable to the subsidiary DSV and are attributable to value adjustments made in previous years.

4.2 Adequacy of own funds

An essential part of the risk management system is the definition and monitoring of risk limits, which are based on the bank's risk-bearing capacity. The concept of risk-bearing capacity was developed in order to provide a statement on the risk situation that takes into account all material risks at Group level. It ensures that the risk-bearing capacity for credit, market price, liquidity, and operational risks is guaranteed at all times. Various risk scenarios are used to compare the total sum of the capital charges resulting from the Group's credit, market price, liquidity, and operational risks with a portion of the aggregate risk cover (internal capital).

As demonstrated in the overall banking strategy and the risk-bearing capacity concept, the risk cover is sufficient for covering the present and future risks. The results from the calculations of the risk-bearing capacity reflect the risk strategy, which is based on sustainability and stability.

4.2.1 Capital requirements for credit risk and for equity exposures

For the determination of the regulatory capital requirements for credit risk, the Credit Risk Standardized Approach (CRSA) is used for all exposure classes.

The risk weights stipulated by the Supervisory Authority are applicable with respect to the capital requirements for credit risk. With regard to the exposure classes "Central Governments" and "Corporates," the risk weight is dependent on the external rating. The risk weight for the category "Institutions" is dependent on the external rating of the country of domicile.

The following table shows the capital requirements for credit risk in accordance with the CRSA per exposure class as of December 31, 2008:

	€ million
- Institutions	1.116
- Corporates	13
- Equity exposures	13
- Covered bonds issued by credit institutions	45
- Other items	2
Capital requirements for credit risk	1.189

4.2.2 Capital requirements for market risk

Risks relating to commodities, trading book and other market risk exposures do not exist. Own risk models are not being employed.

The total currency exposure is calculated in order to determine the capital adequacy requirements for currency risk. This exposure amounted to € 1 million as of December 31, 2008, based on the Standardized Approach.

4.2.3 Capital requirements for operational risk

In the year under review, the regulatory operational risk was determined by using the basic indicator approach. The capital requirement determined for operational risk amounted to € 27 million as of December 31, 2008.

4.2.4 Capital requirements and capital ratios

The equity capital requirements for the whole Group as of December 31, 2008 were as follows:

	€ million
Risk-weighted assets	14.859
Capital requirements	
- Credit risk	1.189
- Market risk	1
- Operational risk	27

The following summary includes the Bank's total capital and core capital ratios on a Group- and institution-level as of December 31, 2008:

	Total capital ratio in %	Core capital ratio in %
Landwirtschaftliche Rentenbank (Group)	19,3	12,4
Landwirtschaftliche Rentenbank (Institution)	19,1	12,3

5 Credit risk (Sections 326 through 329, 336 SolvV)

The following tables present the credit risk exposures as of December 31, 2008, differentiated by region, sector and remaining maturities, without taking into account credit risk mitigation techniques. The item "Loans" also includes pending approvals and other off-balance-sheet lending business.

The figures presented relate to the gross carrying amount in accordance with IFRS 7.B9, which corresponds to the carrying amount of the relevant balance sheet item stated in the IFRS consolidated financial statements. Contingent liabilities were recognized at their nominal amounts.

5.1 Gross lending volume by exposure class

Gross lending volume in € million	Loans	Financial investments	Derivative financial instruments
Total	60.661	27.544	2.894

5.2 Gross lending volume by exposure class and region

	Loans		Financial investments		Derivative financial instruments	
	€ million	%	Mio €	%	Mio €	%
Banks						
Germany	38.781	63,9	8.343	30,3	318	11,0
Other EU countries	14.822	24,5	18.635	67,6	1.812	62,6
OECD countries	15	0,0	107	0,4	328	11,3
Total banks	53.618	88,4	27.085	98,3	2.458	84,9
Other counterparties						
Germany	6.951	11,4	58	0,2	0	0,0
Other EU countries	92	0,2	401	1,5	356	12,3
OECD countries	0	0,0	0	0,0	80	2,8
Total other counterparties	7.043	11,6	459	1,7	436	15,1
Total	60.661	100,0	27.544	100,0	2.894	100,0

5.3 Gross lending volume by exposure class and sector

	Loans		Financial investments		Derivative financial instruments	
	€ million	%	€ million	%	€ million	%
Private-sector banks/other banks	10.223	16,8	3.289	11,9	281	9,7
Foreign banks	14.837	24,5	18.742	68,0	2.139	73,9
Public-sector banks	23.294	38,4	4.726	17,2	28	1,0
Cooperative banks	5.264	8,7	328	1,2	10	0,3
Non-banks	7.043	11,6	459	1,7	436	15,1
Total	60.661	100,0	27.544	100,0	2.894	100,0

5.4 Gross lending volume by exposure class and remaining maturity

	Loans		Financial investments		Derivative financial instruments	
	€ million	%	€ million	%	€ million	%
< 1 year	24.702	40,9	6.454	23,1	98	12,8
1 year - 5 years	17.695	29,3	15.228	54,6	570	74,2
> 5 years to unspecified maturity	18.011	29,8	6.229	22,3	100	13,0
Total	60.408	100,0	27.911	100,0	768	100,0

The amounts stated in the table represent the contractually agreed cash flows, rather than the partially discounted cash flows. Such undiscounted cash flows may differ from the amount reported in the balance sheet because the latter is partially based on discounted cash flows.

The positive fair values of derivative financial instruments were allocated in accordance with their fair value. Thus, it is possible that liquidity-relevant repayments may reflect a negative fair value.

5.5 Provisions for loan losses

With respect to the financial instruments categorized as "Loans and receivables," which are included in the balance sheet items "Loans and advances to banks" and "Loans and advances to customers," an assessment is made at every balance sheet date as to whether there is objective evidence indicating that not all interest and principal payments can be made in line with the contractual agreements. A financial instrument is considered to be "defaulting" when, in particular, the following criteria are met:

- Interest or principal payments overdue more than 90 days "(in default)"
- Significant downgrade in the internal rating system, resulting in transfer of the exposure to intensified loan management rather categorization as problem loan

The Bank assesses the recoverability of significant individual receivables as well as individual receivables of subordinate significance (promotional lending) on an

individual basis. If the individual examination should not indicate any impairment, the receivables are also examined as to impairment on a portfolio-level. To this effect, the loans and advances are grouped in homogeneous portfolios with comparable credit risk characteristics.

The item "provision for loan losses/promotional contribution" as of December 31, 2008 does not include specific or general provisions. It does include the discounting of the future expenses for the special promotional loans (addition to promotional contribution) as at the day of their utilization and their amortization over the remaining term.

	31.12.2008 € million	31.12.2007 € million	Change in € million
Expenses for additions to promotional contribution	57,5	45,5	12,0
Income from amortization of promotional contribution	34,2	27,9	6,3
Write-off of loans and advances	35,0	0,0	35,0
Recoveries on loans and advances previously written off	0,1	0,2	-0,1
Provisions for losses	58,2	17,4	40,8

Due to debt deferrals and insolvencies, two loans and advances to banks in the amount of € 35 million and an equity investment in the amount of € 48.9 million relating to the banking and insurance sector were written-down in 2008. Further specific provisions or allowances were not recognized. The creation of portfolio-based provisions for losses concerning the lending business was not required as of the balance sheet date. Loans are primarily granted to banks or other counterparties that have an excellent credit standing. Recoveries on loans and advances previously written off in the amount of € 0.1 million concern one item of loans and advances to banks previously written off.

5.6 Exposure amounts with risk weights prescribed by the Supervisory Authority

Only external ratings of Moody's Investors Service relating to the exposure classes "Corporates," "Institutions," and "Central Governments" are used in determining the capital requirements for credit risk based on the CRSA.

The risk weight for covered bonds issued by banks which are included in the assets portfolio is determined in accordance with Section 32 in conjunction with Section 31 SolvV.

The following table shows the credit risk exposure levels before and after credit risk mitigation based on the regulatory risk weights stipulated in the CRSA as of December 31, 2008. Substitution effects are the reason why exposure amounts with initially high risk weights are replaced by those with low risk weights.

Risk weights in %	Total amount of receivable outstanding	
	before credit risk mitigation € million	after credit risk mitigation € million
0	5.090	13.247
10	5.641	5.641
20	72.313	69.815
50	205	205
100	5.925	266
Total CRSA	89.174	89.174

5.7 Derivative credit risk exposures and netting positions

As a general rule, derivatives are only entered into for hedging purposes and only with counterparties from OECD and EU countries.

The Bank has concluded collateral agreements with the majority of counterparties with which it enters into derivative transactions. These agreements provide for cash deposits denominated in euros to secure the positive fair values from derivatives exceeding the contractually agreed allowance amounts and minimum transfer amounts, which depend on the credit quality.

The credit risk exposure from all derivative transactions amounted to € 1,569 million (credit equivalent value) as of December 31, 2008. The determination of this exposure is based on the mark-to-market approach. The utilization of netting options connected to standardized and officially recognized (by the Supervisory Authorities) netting arrangements with generally all counterparties reduces the positive replacement values.

The following summary shows the positive replacement values from derivative transactions as of December 31, 2008, before and after the utilization of netting and eligible collateral:

in € million	Positive replacement values before netting and collateral	Netting arrangements	Eligible collateral	Positive replacement values after netting and collateral
Interest rate contracts	1.339	—	—	—
Foreign exchange contracts	1.553	—	—	—
Equity-/index-related contracts	2	—	—	—
Total	2.894	2.454	303	137

The limitation of derivative risk exposures per counterparty takes place within the scope of the processes for the controlling and monitoring of counterparty-based credit risks. The possibility of taking interdependencies/correlation effects between the risk types into account is not being made use of. The aggregation of the capital requirements relating to the individual risk types takes place on the basis of a conservative correlation assumption of +1, while correlation effects concerning the market price risk are calculated and correspondingly taken into account.

The allowance amounts granted to Rentenbank relating to collateral agreements are linked to the Bank's legal mandate and the corresponding special liability clauses. The scenario involving a rating downgrade in connection with the providing of further collateral relating to collateral agreements is not substantial.

Credit derivatives are not included in the portfolio.

5.8 Credit risk mitigation techniques

Collateral and netting arrangements are used for reducing credit risk. In principle Rentenbank accepts all types of collateral commonly accepted. Maintenance obligations (requirement that the owner of a public entity ensures its solvency at all time [Anstaltslast]), liabilities of guarantors (Gewährträgerhaftung) and separate cover funds, used for example with regard to Pfandbriefe (covered bonds), may also be used as collateral. The Department for Promotional Loan Business / Banks / Corporates is responsible for collateral management. All collateral provided to LR is reviewed as to its intrinsic value on an annual basis per business partner and with a view to the collateral type.

The Bank only takes liabilities of guarantors – in particular guarantees and indemnities and financial collateral relating to collateral agreements – into account with respect to risk-mitigating collateral within the scope of SolvV.

Guarantors are exclusively the Federal Government, Federal States and local authorities.

The CRSA as of December 31, 2008 takes the following collateral into account:

Portfolio in € million	Financial collateral	Guarantees
Federal Republic of Germany	—	5.591
German Federal States (Bundesländer) and local authorities of the Federal Republic of Germany	—	1.958
Institutions	416	—
Corporates	192	—
Total	608	7.549

6 Market price risk (Section 333 SolvV)

6.1 Interest rate risks in the banking book

Within the context of monitoring interest rate risks on the level of the entire bank, the bank determines, on a daily basis, present value sensitivities for all transactions subject to interest rate risks of the "Promotional Business" and "Treasury Management" segments and additionally measures, on a quarterly basis, interest rate risks for all open positions of the bank exposed to such interest rate risks using a present-value-based model. This analysis examines the effects of changes in market interest rates as of a particular date on the visible net income contributions for all future periods by closing all open fixed

interest positions. Finally, the risk exposures determined for different interest rate change scenarios are analyzed in relation to regulatory equity capital in accordance with Section 10 of the German Banking Act (KWG).

Early loan repayments are accounted for until the contractual termination date. Further assumptions concerning early loan repayments have not been made. Deposits with unspecified maturities are not taken into account. The calculation of the present value does not take into account items that are not subject to interest rate risks, such as "valuation allowances," "equity investments," "non-current assets held for sale," "investment property," "property and equipment," "intangible assets," "current income tax assets," "other assets," "provisions," "other liabilities," and "equity capital."

An interest rate shock of -100 Bp would lead to a decline in value of € 5.4 million in the banking book. The analysis also includes the sudden and unexpected interest rate changes as prescribed by the German Financial Supervisory Authority of currently +130 bp (€ +6.3 million) and -190 bp (€ 10.7 million). The bank does not perform further scenario calculations. This does not result in any material equity capital charges.

Since, as a general rule, the Group does not maintain any open currency positions, a categorization according to individual currencies is not made. In principal, it is not permitted to take open currency positions. Open currency positions mainly result from settlement fractions, but only to a very limited extent. Exchange rate risks from loans denominated in a foreign currency or securities issued in a foreign currency are hedged by means of currency derivatives or on-balance sheet offsetting transactions. There are no significant risks for any currencies.

7 Equity investments (Section 332 SolvV)

7.1 Equity investments in the banking book

The item "financial assets" stated in the IFRS consolidated financial statements include equity investments, inter alia. The investments are motivated by Rentenbank's legal mandate. Promotional lending is the principal focus of the investment strategy, not profit maximization. The strategic investments are made by acquiring equity capital stakes. Due to the very limited business activities of the subsidiaries and the letter of comfort issued to LR Beteiligungsgesellschaft mbH, all material risks are concentrated in Rentenbank and are also managed by the same.

Description	Name	Subscribed capital in € million	Shareholding in %
Banks	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt	3.028,4	3,4
Other companies	Getreide-Import-Gesellschaft mbH, Frankfurt	7,7	100
	Deutsche Bauernsiedlung - Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt	8,7	25,1
	LAND-DATA Gesellschaft für Verarbeitung landwirtschaftlicher Daten GmbH, Hannover	0,8	10,9
	Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	10,2	9,8
	Landgesellschaft Sachsen-Anhalt mbH, Magdeburg	9,2	5,6
	Landgesellschaft Schleswig-Holstein mbH, Kiel	27,5	3,2
	Thüringer Landgesellschaft mbH, Erfurt	7,7	0,6

7.2 Carrying amounts for equity exposures

Equity investments are measured at cost since they do not concern listed companies and a reliable estimation of the fair value is not possible.

The carrying amount under IFRS of the investments in non-listed companies stands at € 105 million as of December 31, 2008.

7.3 Realized and unrealized gains/losses from equity exposures

The impairment test conducted as of December 31, 2008 led to a write-down in the amount of € -48.9 million concerning one equity investment, which was recognized under "net result from financial investments".