



rentenbank

Press release

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Rentenbank achieves a good start into fiscal year 2011

- Promotional benefit and operating result remain on a high level -
- *First quarter of 2011: Strong investment activity in the agricultural sector increases demand for special promotional loans in the area of traditional financing; demand for liquidity assistance loans declines significantly; new promotional loans for dioxin-affected agricultural businesses; strong issuing activity; operating result (HGB) at prior-year level*
- *Fiscal year 2010: Double-digit growth of special promotional loans; lower net interest income; group operating result (IFRS) at prior-year level; highly volatile IFRS measurement results; capital ratios continue to improve: core capital ratio 15.5%, total capital ratio 24.5%*

The Board of Managing Directors of Landwirtschaftliche Rentenbank, Frankfurt/Main, is satisfied with the business development in the current fiscal year 2011 as well as with the financial results for fiscal year 2010, as stated at the press conference for the presentation of financial results of Germany's promotional bank for the agribusiness. This is true for both the bank's promotional business and its financial performance. "The resurgence of investment activity in the agricultural sector resulted in a significant increase of promotional loans for buildings, machinery, land purchases and biogas plants in the first quarter of 2011," said Dr. Horst Reinhardt, member of Rentenbank's Board of Managing Directors. However, due to improved economic conditions, the demand for general liquidity assistance loans was considerably lower than in the previous year. Nonetheless, new business in special promotional loans amounted to €1.2 billion (2010: €1.2 billion), reaching the high prior-year level. Reinhardt was also satisfied with the issuing business in the first quarter: "Our issues saw especially strong demand again from international investors and central banks. We have raised funds at favorable conditions in the amount of €4.6 billion, representing almost 50% of our total funding requirement for 2011." Hans Bernhardt, member of the Board of Managing Directors, explained that net interest income and operating result remained at the

high level achieved in the prior year, in spite of the normalization of the bank's financial performance since mid-2009. In the first quarter of 2011, the operating result as reported in accordance with the German Commercial Code (HGB) amounted to €91.9 million, up from €91.3 million a year earlier. The operating result under IFRS was slightly below the high prior-year level. However, the IFRS financial statements are impacted by the highly volatile measurement results. Hans Bernhardt said that the outlook for the trend in the remainder of the year is positive: "In spite of its normalization, our financial performance remains on a high level. Therefore, we are well positioned for our promotional business and we are able to adjust our promotional lending to rising financing needs if necessary." "As a promotional bank, we are making an important contribution to a stable loan supply in the agricultural sector. Regardless of these facts, our medium and long-term refinancing instruments are becoming increasingly attractive for local banks in view of increased liquidity requirements due to the introduction of Basel III," stated Horst Reinhardt.

New promotional loans for dioxin-affected agricultural businesses

In fiscal year 2010, the recovery of the investment momentum in connection with increasing demand from local banks for long-term refinancing resulted in a significantly higher new business. Although demand from agricultural businesses for liquidity assistance loans decreased as a result of the more improved economic situation especially in the second half of the year, new business in special promotional loans rose by approx. 11% to €6.0 billion (2009: €5.4 billion). In aggregate, new business amounted to €12.2 billion (2009: €10.7 billion) in fiscal year 2010. In view of the more favorable economic conditions, Rentenbank had phased out its own economic stimulus package time-limited by the end of 2010. At the end of January 2011, the bank introduced a liquidity assistance program especially for dioxin-affected agricultural businesses. Loans granted under this assistance program until the end of March amounted to approx. €16 million.

Financial performance in 2010: operating result slightly above prior-year level despite lower net interest income

In fiscal year 2010, the group's operating result before profit and loss from fair value measurement and hedge accounting determined under IFRS tied in with the high prior-year level, amounting to €296 million (2009: €293 million), though net interest income declined to €351 million (2009: €381 million). After deducting the result from fair value measurement and from hedge accounting, Rentenbank reports a group's net income of €152 million (2009: net loss of €77 million) in its income statement. Besides, measurement losses of €230 million (2009: measurement gains of €267 million) were not recognized in

the measurement result, but directly in the revaluation reserve. These measurement losses largely reflect higher credit spreads for securities. "As a non-trading book institution (*Nichthandelsbuchinstitut*), we pursue a buy-and-hold strategy. Provided that no counterparty defaults, these measurement losses will solely be of a temporary nature as they will be reversed in subsequent years in form of measurement gains through changes in market prices, reductions of remaining terms to maturity or redemption," said Hans Bernhardt, responsible for finance within the Board of Managing Directors. Rentenbank has accounted for the high volatility of the measurement results reported under IFRS by recognizing appropriate provisions for loan losses and by increasing reserves.

Net profit used for promotional purposes

Appropriation of profits is based on the HGB financial statements. The operating result under HGB amounted to €366 million (2009: €347 million) in 2010. After deducting promotional contributions for special promotional loans and additions to reserves, net income for the year under HGB amounted to €47 million (2009: €45 million). The net profit of €11.8 million (2009: € 11.3 million) is utilized exclusively for promotional purposes. One half of the net profit is transferred to the Special Purpose Fund (*Zweckvermögen*) and the other half to the Promotional Fund (*Förderungsfonds*). In fiscal year 2010, benefits for agriculture-related research projects as well as advanced training measures for people employed in the agricultural sector were the main focus of the Promotional Fund. In addition, Rentenbank used an amount of €79 million (2009: €82 million) from its income to reduce the interest rates of its special promotional loans. Furthermore, the capital of Edmund Rehwinkel Foundation was increased by €2 million from Rentenbank's income. Thus, total promotional benefit of the bank financed from its own income came to €93 million (2009: €95 million).

Portion of special promotional loans in loan portfolio exceeds 50% for the first time

As a result of very brisk new business, which grew at double digit rates, the portfolio of special promotional loans in fiscal year 2010 grew above average in the balance sheet, too. These loans, which are offered for specific promotional purposes and assistance measures at very favorable interest rates, amounted to €23.0 billion (2009: €19.6 billion), representing an increase of 17.3% above the prior year. For the first time, the share of these loans in the total medium and long-term loan portfolio exceeded 50%. In total, the portfolio of medium and long-term promotional loans in the balance sheet amounted to €42.6 billion (2009: € 41.8 billion). Despite slight growth in new business in securitized lending, the securities portfolio declined slightly compared to the prior year to

€27 billion (2009: €28 billion). The promotional lending volume as reported in the balance sheet grew by 1.1% to a total of €66.5 billion (2009: €65.8 billion).

Solid capital base: ratios increase once more

Regulatory capital including subordinated liabilities of €0.8 billion (2009: €1.1 billion) amounted to €3.2 billion (2009: €3.0 billion). Both the total capital ratio (2010: 24.5%; 2009: 23.8%), which is calculated pursuant to the German Solvency Regulation, and the core capital ratio (2010: 15.5%; 2009: 15.3%) are well above the legal requirements. "We therefore are well positioned to fulfill the increasing requirements under Basel III," commented Horst Reinhardt.

Central banks buy more Rentenbank issues

Securitized liabilities amounted to €62.1 billion (2009: €61.6 billion), representing the largest liability item of the balance sheet. In 2010, Rentenbank raised funds in the amount of €10.6 billion (2009: €10.0 billion) in order to refinance its medium and long-term lending business, with international investors accounting for a share of 82% (2009: 48%). Almost one third of the issue volume is attributable to central banks and other public-sector institutions, which had played a significantly less prominent role in the prior-year with a share of 12%. The issue volume placed with banks also exceeded the prior-year level, climbing from 42% to 47%. In contrast, insurance companies, corporations and pension funds invested fewer funds in Rentenbank issues. At 42% (2009: 21%), the U.S. dollar took the first rank again, followed by the euro, which accounted for a share of 35% (2009: 65%) of the issue volume. The Euro Medium Term Note (EMTN) program remained the most important refinancing instrument with an issue volume of €7.0 billion (2009: €5.8 billion). Funds raised through two global bonds totaled €2.0 billion. Issues under the Australian Dollar MTN program ranked in third place. Rentenbank is the third-largest issuer in this market with an outstanding volume of AUD 7.4 billion. Rentenbank mainly uses the Euro Commercial Paper (ECP) program to refinance its short-term lending activities. Average program utilization for the year under review was €10.3 billion (2009: €8.9 billion).

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Service: Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness. Within the framework of its legal promotional mandate, the bank provides low-interest loans for agriculture-related investments via other banks in line with its competitive neutrality. The appropriation of profits is subject to the promotional mandate as well. Rentenbank is a public law institution whose capital was formed by contributions paid by the German agricultural and forestry sector. The bank mainly raises funds in international capital markets and is one of the few Triple A-rated banks in Germany.

Forward-Looking Statements: This press release contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of Rentenbank's management and currently available information. Such statements include, in particular, statements about our plans, strategies and prospects. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", variations of such words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Except as required by law, Rentenbank does not have any intention or obligation to update publicly any forward-looking statements after they are made, whether as a result of new information, future events or otherwise.