



rentenbank

## Press Release

### **Performance of promotional business in 2011 influenced by favorable investment climate and low interest rates**

**– Local banks' medium- and long-term financing needs rise with Basel III –**

***FRANKFURT, January 18, 2012.*** Landwirtschaftliche Rentenbank was again able to report a continued buoyant demand for promotional loans in the agricultural sector in 2011 and – despite the ongoing financial crisis – stable earnings. New business in special promotional lending granted by Germany's development agency for agribusiness reached a new record of €6.3 billion (2010: €6.0 billion). According to initial calculations, the bank's loan portfolio in this promotional segment grew by 17.4 percent to €27 billion (2010: €23 billion). Low-interest loans in the field of renewable energies were in great demand again in 2011, but there was a significant rise in financing for public infrastructure projects as well. "We continued to expand our collaboration with state development banks in 2011. In view of the heightened liquidity requirements imposed by Basel III, our range of promotional schemes is also playing an increasingly important role in stabilizing the supply of loans in the agricultural sector. This is because we provide local banks with the medium- and long-term financing they need to be able to refinance loans", said Horst Reinhardt, member of Rentenbank's Board of Managing Directors. In 2011, the bank used €73 million (2010: €79 million) of its income to reduce the interest rates payable by end-borrowers on its special promotional loans. The net profit of €12.3 million is also used for promotional purposes. Including the increase in the Edmund Rehwinkel Foundation's capital, which was also financed from Rentenbank's income and amounted to €2.7 million, the total income distributed for promotional purposes ('promotional benefit') amounted to around €88 million in 2011 (2010: €93 million).

#### ***Continued growth trend in renewable energies***

At almost 40 percent, promotional loans for financing of projects in the renewable energies area again accounted for the largest proportion of new business in 2011. The rise in commitments to €2.5 billion (2010: €2.3 billion) was primarily due to the continued strong growth in demand for loans to finance biogas plants. In 2011, the bank committed €1.5 billion (2010: €1.0 billion) for them, a year-on-year increase of 47 percent. "We thereby help companies in the agricultural sector to further support the transformation of the German energy sector", explained Horst Reinhardt. There was also significant growth in financing for wind power plants in 2011, with commitments rising from €113 million to €272 million. In contrast,

demand for photovoltaics financing at €0.7 billion was far lower than it had been in the previous year (2010: €1.2 billion). Loans to finance infrastructure projects in rural areas made up the second largest proportion of Rentenbank's promotional business in 2011. The volume of these loans, which were mainly issued through state development banks, increased to €1.8 billion (2010: €1.2 billion). They were followed by promotional loans for farm buildings in the amount of €1.0 billion (2010: €1.1 billion). Demand for promotional loans for land purchases and machinery went up in 2011. However, overall commitments for typical agricultural finance declined from €2.1 billion to €1.7 billion as demand for liquidity assistance loans decreased significantly compared to 2010 because of more favorable economic conditions in the agricultural markets. The bank's total new business came to €11.9 billion in 2011 (2010: €12.2 billion). Of this, €6.3 billion (2010: €6.0 billion) related to special promotional loans granted at particularly low interest rates, €1.8 billion (2010: €1.9 billion) to standard promotional loans, and €3.8 billion (2010: €4.3 billion) to debt securities. The promotional lending volume reported on the balance sheet at the end of 2011 amounted to €66.7 billion (December 31, 2010: €66.5 billion). The proportion of this volume accounted for by special promotional loans rose sharply to 40 percent (2010: 35 percent).

### ***Range of promotional schemes extended at start of 2012***

Rentenbank extended its range of promotional schemes for the agricultural sector again on January 1, 2012. As part of this, the bank introduced new loan types and opened up the choice of purposes for which the special promotional loans can be used. Businesses and municipalities can now obtain promotional loans for installing high-speed broadband in rural areas.

### ***Slight increase in net interest income and operating result***

The bank's earnings in 2011 were influenced by its highly stable financial performance. According to the preliminary results, net interest income (under German Commercial Code, HGB) increased by 2.0 percent to €417 million (2010: €409 million). After deduction of administrative expenses of €41 million (2010: €39 million), operating result (HGB) before valuation adjustments amounted to €370 million (2010: €366 million). After allowing for risk provisions and additions to reserves, the Board of Managing Directors expects Rentenbank to report a net income (HGB) of €49.0 million for 2011 (2010: €47.0 million). Of this net income, €12.3 million (2010: €11.8 million) is to be distributed for promotional purposes.

### ***Total assets at €81 billion***

According initial calculations, total assets stood at €81 billion at the end of 2011 (end of 2010: €79 billion). Loans and advances to banks reported on the asset side of the balance sheet amounted to €52 billion (2010: €50 billion) owing to the rise in the promotional lending volume. The contraction of the securities portfolio to €25 billion (2010: €27 billion) reflected the lower volume of new debt securities.

### ***Sound capital adequacy: ratios increased further***

As reported in the bank's first annual review, total capital in accordance with HGB totaled €3.6 billion at the end of 2011 (December 31, 2010: €3.1 billion) according to preliminary figures. This amount includes subordinated liabilities of 0.7 billion (December 31, 2010: €0.8 billion). The total capital ratio amounted to 25.7 percent (end of 2010: 24.5 percent), while the core capital ratio came to 16.7 percent (end of 2010: 15.5 percent). Both ratios were calculated in accordance with the German Solvency Regulation (SolvV) and remain well above the regulatory requirements. "Our current level of capitalization gives us a solid basis for meeting the heightened regulatory requirements that will be introduced with Basel III", said Hans Bernhardt, the member of the Board of Managing Directors responsible for finance.

### ***Issuance of bonds and notes: international investors account for almost 80 percent of funding volume***

The total amount of medium and long-term borrowings used for refinancing amounted to €63 billion at the balance sheet date (end of 2010: €59 billion). Rentenbank raised new medium- and long-term funds of approximately €12.0 billion (2010: €10.6 billion) in the domestic and international capital markets. The proportion of international investors declined slightly to 77 percent (2010: 82 percent). Rentenbank placed 44 percent of its issue volume with banks and another 30 percent with central banks. The euro was the most important issue currency with a share of 38 percent, followed by the U.S. dollar with a share of 36 percent. The Australian dollar accounted for 17 percent of the bank's financing volume.

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### **Service**

*Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness. Within the framework of its legal promotional mandate, the direct federal institution under public law 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. The bank mainly raises funds in international capital markets and is Triple A rated by the three major rating agencies.*

### **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.