



rentenbank

## Press release

April 26, 2010

### **Rentenbank's promotional lending continues to rise significantly in the first quarter of 2010**

#### **- Normalization of the earnings trend after two exceptionally good years -**

- *First quarter of 2010: Promotional loans granted at particularly low interest rates again significantly exceed the prior-year level; range of promotional lending for liquidity maintenance expanded; issuing business with a high ratio of international investors; operating result below prior-year level, but above the level achieved before the financial market crisis*
- *Fiscal year 2009: Promotional benefit funded by the bank's income exceeds that of record year 2008; total comprehensive income in accordance with IFRS rises significantly despite measurement losses; capital ratios in accordance with HGB continue to improve: Tier 1 ratio 15.3 %, total capital ratio 23.8 %*

***The Board of Managing Directors of Rentenbank, Frankfurt/Main, announced a positive promotional business trend in both the fiscal year 2009 and the beginning of 2010 at the press conference for the presentation of financial results of Germany's development agency for agribusiness. "In spite of the restrained investment sentiment in the agricultural sector, demand for our special promotional loans continued to be buoyant in the first quarter of 2010. Loans granted increased by 36 % to € 1.2 billion", said Dr. Horst Reinhardt, member of the Board of Managing Directors. He was also satisfied with the issuing business in the first quarter: "Our issues saw especially strong demand again from international investors. We have raised funds at favorable refinancing conditions in the amount of € 4.5 billion, representing almost 50 % of our total funding requirement for 2010." Hans Bernhardt, member of the Board of Managing Directors, said that the normalization of the earnings trend observed since mid-2009 continued in the first months of 2010 as expected. Therefore, the operating result for the first quarter***

***of 2010 in accordance with the German Commercial Code (HGB) was significantly below the exceptionally high levels achieved in fiscal years 2008 and 2009 and amounted to € 92.3 million (first quarter 2009: € 106.9 million). However, there was a slight increase of the operating result compared to the fourth quarter of 2009. The results as reported under IFRS are also in positive territory, although they are impacted by the highly volatile measurement result. Hans Bernhardt said that the outlook for the trend in the remainder of the year is positive: "On the basis of the earnings trend year-to-date, we are confident that we are able to adjust our promotional lending to an increasingly higher demand. Thus, we are making an important contribution to a stable supply of credit in the agricultural sector. We expect the earnings trend in the remainder of the year to remain positive as well. However, the results will be significantly below the two exceptionally good fiscal years 2008 and 2009."***

***Range of promotional lending expanded: strong demand for liquidity maintenance loans***

After the liquidity maintenance program, which was subject to additional interest subsidies provided by the German federal government, had been fully taken up within only a few days at the beginning of March, Rentenbank recently expanded its range of promotional lending with additional liquidity maintenance loans in view of the continuously difficult situation of many agricultural businesses. In addition to dairy and pig farmers, now arable and horticulture farmers as well as winegrowing estates are eligible to take out Rentenbank loans offered at particularly low interest rates. Moreover, agricultural businesses as well as other companies of the agribusiness sector can further improve their liquidity situation by follow-up financings granted at low interest rates for operating expenditures already made. Demand for liquidity maintenance loans had been strong in 2009 as well and, together with the increased financing volume in the renewable energies area, contributed to a considerable increase of new business in special promotional loans to € 5.4 billion (2008: € 4.0 billion).

***2009 earnings trend: group's operating result above prior-year level***

For the promotional bank, the earnings trend in fiscal year 2009 was again characterized by an overall very positive margin development on the financial markets. The group's operating result before profit or loss from fair value measurement and hedge accounting and after deducting administrative expenses amounted to € 291.8 million in accordance with IFRS, up from € 202.3 million in 2008. Despite a measurement loss of € 102.4 million, the group's total comprehensive income at € 190.4 million was significantly above the prior-year level of € 66.5 million. This measurement loss primarily reflects lower refinancing costs which reduce earnings as a result of the increased carrying amounts of securitized liabilities in accordance with IFRS. "These measurement losses are largely of a temporary nature as they will be reversed in subsequent years through changes in market data, reductions of remaining terms to maturity or redemption," said Hans Bernhardt. Rentenbank has accounted for the financial market crisis and the high volatility of the results reported under IFRS by recognizing appropriate risk provisions and increasing reserves.

***Promotional benefit in 2009: € 95 million for the agriculture***

In 2009, Rentenbank used approx. € 82 million (2008: € 75 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. The net profit of € 11.3 million (2008: € 10.8 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*). The core activities of the Promotional Fund in fiscal year 2009 were benefits for agriculture-related research projects as well as advanced training measures for people employed in the agricultural sector. Thus, total promotional benefit financed from Rentenbank's income came to € 95 million (2008: € 86 million).

***Portfolio of special promotional loans increases by 22.5 %***

In the balance sheet, the volume of special promotional loans continued to grow at an above-average rate of 22.5 % and amounted to € 19.6 billion (2008:

€ 16.0 billion). Accordingly, the share of these loans in total medium and long-term loan portfolio increased to 47 % (2008: 40 %). These loans are offered for specific promotional purposes and assistance measures at very favorable interest rates. In total, the volume of medium and long-term promotional loans reported in the balance sheet reached € 41.8 billion (2008: € 40.4 billion). The securities portfolio also made a positive contribution to growth. Due to the new business in securitized lending, this balance sheet item slightly exceeded the prior-year level, reaching € 28.1 billion after € 27.7 billion in 2008. In total, the medium and long-term promotional lending volume reported in the balance sheet amounted to € 65.8 billion (2008: € 63.5 billion). As Rentenbank continued to reduce the volume of short-term loans and advances to banks and customers in 2009, in particular against the backdrop of the financial market crisis, total assets declined to € 76 billion (2008: € 88 billion), despite further growth of the promotional lending volume.

#### ***Normalization of refinancing conditions since April***

Securitized liabilities amounted to € 61.6 billion (2008: € 68.9 billion), representing the largest liability item in the balance sheet. In 2009, Rentenbank raised funds in an amount of € 10.0 billion (2008: € 11.2 billion) in order to refinance its medium and long-term lending activities. The rise of the costs for refinancing due to the increasing number of government bonds and government-backed bank issues continued in the first months of the reporting year. However, in the second quarter, the framework for issuing transactions started to return to normal levels, leading to continuously declining refinancing costs. In contrast to the trend in previous years, Rentenbank placed more than half of its issue volume with domestic investors. Nevertheless, the Euro Medium Term Note (EMTN) program represented the most important refinancing instrument with a volume of € 5.8 billion (2008: € 7.7 billion), followed by registered securities, which were placed primarily with domestic insurance companies. Proceeds from the issue of registered securities came to € 1.9 billion, thus exceeding funds raised through global bonds for the first time. Due to the high share of domestic investors, the foreign currency portion fell to approx. 35 % (2008: 80 %). To refinance its short-term lending activities, Rentenbank mainly uses the Euro Commercial Paper (ECP) program. Program utilization at year-end was € 10.5 billion (2008: € 13.3 billion).

**Solid capital base: ratios increase once more**

Total capital as reported in the balance sheet for 2009 amount to € 3.1 billion (2008: € 3.0 billion). This amount includes subordinated liabilities of € 1.1 billion (2008: € 1.1 billion). The capital stock, reserves and the fund covering general banking risks amounted to € 2.0 billion (2008: € 1.9 billion). Both the total capital ratio (2009: 23.8 %; 2008: 19.1 %), and the Tier 1 ratio (2009: 15.3 %; 2008: 12.3 %) which are calculated pursuant to the German Solvency Regulation (*SoLVV*), continued to significantly exceed the regulatory requirements. Thus, Rentenbank's capital base has been further improved.

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Service:

*Landwirtschaftliche Rentenbank is Germany's agency for agribusiness. Within the framework of its legal promotional mandate, Rentenbank 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 is a public law institution which capital stock was formed by contributions paid by Germany's agricultural and forestry sector. 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.*