



rentenbank

Press Release

Promotional lending volume and promotional benefit remain high in 2010 fiscal year

- Financial performance returns to normal after two exceptionally strong years -

FRANKFURT, January 17, 2011. Landwirtschaftliche Rentenbank's business in 2010 was characterized by a continued strong demand for promotional loans while the bank's financial performance returned to normal levels. As capital expenditure in the agricultural sector started to pick up again, Germany's development agency for agribusiness continued to increase the promotional lending volume in 2010. According to initial calculations, the bank's portfolio of special promotional loans grew by 17.3 percent to €23 billion. "Our promotional strategy focuses on our special promotional loans that are granted at particularly low interest rates. Because they can be used for a wide range of purposes, our promotional loans ensure stable financing conditions in the agricultural sector both during times of crisis and in economic recoveries," explained Dr. Horst Reinhardt, member of Rentenbank's Board of Managing Directors. In 2010, the bank used €79 million (2009: €82 million) of its income to reduce the interest rates payable on its special promotional loans. The net profit of €12 million is also used for promotional purposes. Including the increase in Edmund Rehwinkel Foundation's capital, which was also financed from the bank's income, the total income distributed for promotional purposes ('promotional benefit') amounted to €93 million in 2010 (2009: €95 million).

Boom in promotional loans granted for renewable energies

The brisk new business in biogas plants and photovoltaic installations continued to provide strong growth stimulus in 2010. Promotional loans granted for renewable energies hit a new record high of €2.3 billion in the reporting year (2009: €1.6 billion). The financing of biogas plants grew particularly sharply, with Rentenbank granting promotional loans worth approximately €1 billion (2009: €0.4 billion) for a total of 1,833 (2009: 944) projects. "Given that the German Biogas Association expects capital expenditure in this sector to remain buoyant this year, demand for financing of biogas plants is likely to remain high in 2011. During the reporting year we financed approximately 70 percent of total capital spending on biogas plants in Germany", stressed Horst Reinhardt. He

pointed out that the use of leases had increased significantly in the field of renewable energies, although this form of financing still amounted to relatively low €115 million (2009: €39.0 million).

Financing of buildings, machinery and operating expenditures achieves double-digit growth rates

Rentenbank achieved double-digit growth rates also in its financing of buildings, machinery and operating expenditures in 2010. By contrast, demand for financing of land purchases and promotional loans granted for rural development was fairly subdued. Demand for liquidity assistance loans fell against a backdrop of rising prices in many agricultural markets in the second half of 2010. The amount of these loans the interest rates of which were subsidized predominantly by German federal government funds shrank to €456 million (2009: €730 million). Consequently, Rentenbank decided not to extend the term of its economic stimulus package. It was launched in spring of 2009 and initially due to expire at the end of 2010 and it facilitated access to liquidity assistance and follow-up financing. By the end of 2010, the bank had granted new special promotional loans totaling €6.0 billion (2009: €5.4 billion), standard promotional loans worth €1.9 billion (2009: €1.5 billion) and securitized loans amounting to €4.3 billion (2009: €3.8 billion). New business totaled €12.2 billion (2009: €10.7 billion), which was a year-on-year increase of 14 percent. Promotional lending volume reported on the balance sheet at the end of 2010 had grown by 1.1 percent to €66.5 billion (end of 2009: €65.8 billion). The share of special promotional loans continued to increase, accounting for 35 percent (end of 2009: 30 percent) of the total promotional lending volume.

Net interest income slightly down on record figures of the previous two years

The bank's earnings trend in 2010 was characterized by normalization. According to preliminary figures, net interest income (under German Commercial Code [HGB]) fell by approximately 3.4 percent to €409 million (2009: €423 million) following exceptionally strong results in the previous two years. Nonetheless, operating result (HGB) before measurements and after deduction of administrative expenses hit a new record high of €366 million (2009: €347 million).

Year-on-year increase in operating result due to lower administrative expenses

"Despite the fall in net interest income and contrary to our forecasts at the beginning of last year, we achieved a further increase in operating result. This was solely attributable to a sharp decline in our administrative expenses from €75

million to €39 million", explained Hans Bernhardt, the member of the Board of Managing Directors responsible for finance. The measurement adjustment of pension obligations to the international accounting standards of IAS 19 led to an exceptionally large one-off increase of administrative expenses in 2009. Once these figures had been restated, the decrease in pension provisions had compensated for the fall in net interest income. "Both our net interest income and our operating result are still well above the levels during the years prior to the financial crisis. We expect our financial performance to continue to return to normal levels this year", concluded Bernhardt. After allowing for risk provisions and additions to reserves, the Board of Managing Directors expects Rentenbank to report a net income (HGB) of €47.0 million for 2010 (2009: €45.0 million). Thereof, €11.8 million (2009: €11.3 million) is to be distributed for promotional purposes.

Total assets at €79 billion: growth in promotional lending volume

The bank also disclosed in its first annual review that its total assets amounted to €79 billion at the end of 2010 (end of 2009: €76 billion). This year-on-year increase partly reflects the growth in promotional lending volume. The loans and advances to banks reported on the asset side of the balance sheet climbed to €50 billion (2009: €46 billion). Despite a slight increase in new business in securitized lending, the securities portfolio declined slightly to €27 billion (2009: €28 billion).

Comfortable capital base

According to preliminary figures, total capital reported on the balance sheet (HGB) totaled €3.1 billion at the end of 2010 (end of 2009: €3.1 billion). This amount includes subordinated liabilities of €0.8 billion (end of 2009: €1.1 billion). The total capital ratio amounted to 24.5 percent (end of 2009: 23.8 percent), while the core capital ratio came to 15.5 percent (end of 2009: 15.3 percent). Both ratios were calculated in accordance with the German Solvency Regulation (SolvV) and remained well above the regulatory requirements. "We therefore have a strong capital base, even allowing for the fact that capital requirements to become more stringent once Basel III is introduced", commented Horst Reinhardt.

Issuance of bonds and notes: share of international investors returns to pre-crisis levels

The total amount of medium and long-term borrowings used for refinancing amounted to €59 billion (2009: €59 billion). Rentenbank raised new medium and long-term funds of €10.6 billion (2009: €10.0 billion) in the domestic and

international capital markets. The share of foreign investors grew to 82 percent (2009: 48 percent). The percentage of foreign-currency issuance increased as a result of this trend. At 42 percent (2009: 21 percent), the US dollar took the first rank again. By contrast, the share of euro-denominated issues decreased to 35 percent (2009: 65 percent).

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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.