



Press release

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Rentenbank posts solid results and introduces new promotional loans in 2012

- *First quarter of 2012: Demand for special promotional loans rises, new promotional loans for wind turbine installations and broadband connections in rural areas, strong issuance activity, operating result (HGB and IFRS) significantly above prior-year level, positive measurement results.*
- *Fiscal year 2011: Double-digit growth of special promotional loan volume, net interest income influenced by increasing margins, Group operating result (IFRS) slightly below prior year, negative IFRS measurement results, capital ratios continue to improve (core capital ratio: 16.7%, total capital ratio: 25.7%).*

The Board of Managing Directors of Landwirtschaftliche Rentenbank, Frankfurt/Main, is very satisfied with the business development in the current fiscal year 2012 as well as with the financial results for fiscal year 2011, as stated at the press conference on financial statements of Germany's promotional bank for the agri-business. After having achieved record levels in fiscal year 2011, the demand for special promotional loans in the first quarter of 2012 was on the rise again, climbing from € 1.2 billion in the prior year to € 1.3 billion. Net interest income and operating result also were significantly above the prior-year level. "Our promotional lending programs are used to finance the progress in the agricultural sector and stabilize credit supply in rural areas. Our borrowers continue to benefit from the fact that we are able to raise funds on the capital markets at very favorable conditions," said Horst Reinhardt, member of Rentenbank's Board of Managing Directors. He was also satisfied with the issuing business achieved during the first three months: "We have raised funds at favorable conditions in the amount of € 4.4 billion (Q1 2011: € 4.6 billion), representing almost 50% of our total funding requirement for 2012." In the first quarter of 2012, the operating result as reported in accordance with the German Commercial Code (HGB) amounted to € 103.3 million (Q1 2011: € 91.9 million), which is significantly above the previous year's level and above the planned figure. The financial performance as reported under IFRS was also characterized by a substantial increase of the operating result, but also by large measurement gains. Hans Bernhardt, responsible for finance within the Board of Managing Directors, does not expect that financial performance will continue this trend for the entire year, "since the volatility of the market parameters remains extraordinarily high. Therefore, fair value measurement will lead to unpredictable results." He remains cautiously optimistic as regards further development in the current year: "We expect a slight weakening of the financial performance." "However, this will not have an impact on our ability to carry out our

promotional activities," Horst Reinhardt adds. "We have a solid basis for raising the required medium and long-term funds. Our promotional products enable local banks to service the loan demand from the agricultural sector despite the more strict Basel III requirements related to liquidity and to raise funds with matching maturities."

New promotional loan offerings

In 2011, the strong investment momentum together with increasing demand from local banks for long-term refinancing resulted in significantly higher new business. Special promotional loans set a new record at a volume of € 6.3 billion (2010: € 6.0 billion). Promotional loans for biogas plants and funds provided for public-sector infrastructure projects at low interest rates, primarily granted via the promotional banks of the German federal states (*Landesförderinstitute*), saw especially high demand. In the first months of 2012, Rentenbank expanded its range of promotional loans. Municipalities and business undertakings may now apply for promotional loans for powerful broadband connections in rural areas. Since mid-March, Rentenbank has been offering promotional funds for privately owned wind farms or wind farms owned by agricultural businesses. In April, Rentenbank opened its liquidity assistance program for agricultural businesses affected by the Schmallenberg virus and for cropping farms affected by frost.

Financial performance in 2011: net interest income (IFRS) rises by € 11 million

Due to higher margins, net interest income reported for the fiscal year 2011 was above the prior-year level, both under HGB and IFRS. Net interest income as reported under IFRS grew by 3.1% to € 362 million (2010: € 351 million). The Group's operating result before profit and loss from fair value measurement and hedge accounting under IFRS amounted to € 283 million, thus remaining roughly at the prior-year level of € 296 million. Administrative expenses at € 48 million were slightly below the previous year's figure of € 49 million.

Measurement results under IFRS affected by turmoil on the financial markets

The turmoil on the financial markets in connection with the European debt crisis caused measurement results to fluctuate strongly. While measurement results were still positive in mid-year, measurement results as of year-end were clearly in negative territory. Fair value measurement and hedge accounting resulted in a measurement loss of € 352 million (2010: € 144 million). In addition, the consolidated statement of comprehensive income for fiscal year 2011 includes measurement losses in the amount of € 360 million (2010: € 230 million) which were recognized in the revaluation reserve. The measurement losses reflect higher credit spreads for securities, leading to corresponding decreasing values in the IFRS financial statements, as well as measurement losses due to own issues being marked higher. "As a non-trading book institution (*Nichthandelsbuchinstitut*), we pursue a buy-and-hold strategy. Provided that no counterparty defaults, these measurement losses will be merely of a temporary nature. They will be reversed in subsequent years in form of measurement gains through changes in market prices, shortening of remaining time to maturity

or redemption," said Hans Bernhardt. In the first quarter 2012, the measurement gains of € 584 million already compensated the largest part of the measurement loss as of year-end 2011.

Net profit used for promotional purposes

Appropriation of profits is based on the HGB financial statements. In 2011, the operating result under HGB amounted to € 370 million (2010: € 366 million). After deducting depreciation, amortization and impairment, promotional contributions for special promotional loans and additions to reserves, net income for the year under HGB amounted to € 49 million (2010: € 47 million). The net profit of € 12.3 million (2010: € 11.8 million) is utilized exclusively for promotional purposes. One half of the accumulated profit is transferred to the Special Purpose Fund (*Zweckvermögen*) and the other half to the Promotional Fund (*Förderungsfonds*). The Special Purpose Fund is used to support the development and the introduction of innovations to the market. The main focuses of the Promotional Fund are grants for agriculture-related research projects as well as advanced training measures for people employed in the agricultural sector. In addition, Rentenbank used an amount of € 73 million (2010: € 79 million) from its income to reduce the interest rates of its special promotional loans. Furthermore, the capital of Edmund Rehwinkel Foundation was increased by € 2.7 million from Rentenbank's income. Thus, total promotional benefit of Rentenbank financed from its income came to € 88 million (2010: € 93 million).

60% of all promotional loans are special promotional loans

At year-end 2011, the promotional volume reported in the balance sheet amounted to € 66.7 billion (2010: € 66.5 billion), of which € 44.1 billion (2010: € 42.6 billion) were attributable to promotional loans. The growth impulses mainly came from special promotional loans which rose by 16.5% to € 26.8 billion (2010: € 23.0 billion). Thus, the proportion of these promotional loans granted for specific promotional purposes and assistance measures increased to 60% of the total loan portfolio. Securitized promotional business is reported in the balance sheet under "Debt securities and other fixed-income securities." Higher redemptions and a lower new business volume led to a decline of the securities portfolio to € 25.2 billion (2010: € 26.9 billion).

Rising capital ratios: solid basis for Basel III

Total capital reported in the balance sheet grew to € 3.6 billion in 2011 (2010: € 3.1 billion). Of that figure, € 1.9 billion (2010: € 1.3 billion) was attributable to the fund covering general banking risks which was increased by € 580.2 million (2010: € 178 million). Both the total capital ratio (2011: 25.7%; 2010: 24.5%), which is calculated pursuant to the German Solvency Regulation, and the core capital ratio (2011: 16.7%; 2010: 15.5%) are well above the legal requirements. "We have made good progress in strengthening our capital base. We therefore are well positioned to fulfill the regulatory requirements which will increase in the future due to the introduction of Basel III," emphasized Hans Bernhardt.

Issuing business: banks as the most important investor group

Securitized liabilities amounted to € 62.8 billion (2010: € 62.1 billion), representing the largest liability item of the balance sheet for 2011. This includes medium term notes in the amount of € 43.6 billion (2010: € 40.4 billion) as well as global bonds of € 12.2 billion (2010: € 11.5 billion) and Euro Commercial Papers of € 7.0 billion (2010: € 10.1 billion). In the reporting year, Rentenbank raised funds in the amount of € 12.0 billion (2010: € 10.6 billion) in order to refinance its medium and long-term promotional business, with international investors accounting for a share of 77% (2010: 82%). Almost one third (30%) of the issue volume is attributable to central banks and another 44% to banks. For banks, the zero-risk weight of Rentenbank's issues is particularly attractive. The most important issue currency was the euro with a share of 38%, followed by the U.S. dollar with a share of 36%. The Australian dollar continues to rank in third place with a share of 17%. Rentenbank continues to be the third-largest foreign issuer in the domestic Australian market with an outstanding volume of AUD 8.3 billion.

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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 competition 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 raised from 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.