

## Press release

January 28, 2014

### **Fiscal year 2013 at Rentenbank: Record level of promotional loans for the agricultural sector**

**Demand for Landwirtschaftliche Rentenbank's promotional loans has continued to rise on the back of low interest rates and favorable economic conditions in agricultural markets. Special promotional loans reached a record high, with new lending of €7.2 billion in 2013 (2012: €6.5 billion). "Through our promotional loans, we are helping to create low-interest and stable funding conditions for the entire agricultural sector. Our promotional business therefore supports the progressive and sustainable development of agriculture and rural areas," said Horst Reinhardt, Speaker of the Board of Managing Directors of Rentenbank.**

In 2013, the promotional bank used €77.0 million (2012: €75.9 million) of its income to reduce the interest rates payable on its special promotional loans. The Bank further provided €3.0 million as grants for the program "Research on agricultural innovation". Rentenbank also used its net profit of €13.3 million for promotional purposes. Including the increase of the Rehwinkel Foundation's capital, which was also financed from Rentenbank's income and amounted to €3.0 million, the total income used for promotional purposes ("promotional performance") amounted to €96.3 million in 2013 (2012: €90.7 million).

#### **Growth in new business across all promotional lines**

Every promotional line saw a rise in demand for special promotional loans in 2013. Rentenbank generated new business worth €2.8 billion in the "Agriculture" promotional line, up by 16.6 percent compared with 2012. Financing for buildings and machinery was particularly in demand. Loans for land purchases achieved also a high level. By contrast, there was a decline in demand for liquidity assistance loans. Rentenbank granted €21.6 million for this purpose (2012: €38.0 million). Of this amount, €8.2 million was granted for losses suffered by the agricultural sector as a result of the flooding at the start of the summer.

The focus of investments in renewable energies is shifting. Within the "Renewable Energies" promotional line, wind power financing is growing at the fastest rate. Reaching €767.9 million in 2013 (2012: €83.4 million), for the first time it

accounted for the largest proportion of lending within this promotional line. New lending for biogas plants remained fairly stable at €563.2 million (2012: €554.0 million), whereas demand for financing for photovoltaic installations declined significantly – as expected – from €750.0 million in 2012 to €237.9 million in 2013. Rentenbank extended promotional loans with a total volume of €1.6 billion for capital expenditure on renewable energies in 2013 (2012: €1.4 billion).

### **Issuance business: euro most important issuance currency**

Rentenbank raised new medium- and long-term funding of approximately €10.2 billion (2012: €9.6 billion) in the domestic and international capital markets in 2013. Foreign investors accounted for 89 percent (2012: 73 percent). Rentenbank placed 46 percent (2012: 53 percent) of its issuance volume with banks and another 33 percent (2012: 26 percent) with central banks. The euro's share declined from 47 percent in 2012 to 34 percent in 2013. However, the euro continued to be the most important issuance currency, followed by the US dollar with a share of 28 percent (2012: 30 percent) and the Australian dollar with a share of 24 percent (2012: 12 percent).

### **Decline in operating result in line with expectations**

Initial calculations show that Rentenbank's financial performance in accordance with the German Commercial Code (HGB) was satisfactory. As expected, there was a decline in the operating result before provision for loan losses and valuation, although it was still far higher than the level before the financial crisis. Operating result amounted to €248.7 million as of December 31, 2013, which was a year-on-year decrease of €55.0 million or 18.1 percent mainly due to a decrease of net interest income and an increase in administrative expenses. The latter was due to higher expenses for IT projects and increased personnel costs, resulting from pay rise from collective wage agreements, a higher number of employees and rising pension provisions. After allowing for the provision for loan losses and valuation, the Board of Managing Directors expects Rentenbank to report net income for the year of €53.0 million (2012: €51.0 million). Of this net income, €13.3 million (2012: €12.8 million) is to be distributed for promotional purposes.

### **Slight decrease in total assets**

Initial calculations show that, at the end of 2013, total assets (HGB) stood at €78.3 billion (December 31, 2012: €79.2 billion). On the balance sheet, loans

and advances to banks amounted to €50.0 billion, which was slightly lower than the figure reported a year earlier (December 31, 2012: €51.2 billion). The contraction of the securities portfolio to €20.3 billion (December 31, 2012: €22.0 billion) reflected high redemptions in securitized lending business.

### **Sound capitalization: ratios further improved**

Rentenbank also disclosed that, according to initial calculations, own funds reported on the balance sheet (HGB) totaled €4.1 billion at the end of 2013 (December 31, 2012: €4.0 billion). The total capital ratio amounted to 31.3 percent (December 31, 2012: 27.5 percent), while the Tier 1 capital ratio came to 25.6 percent (December 31, 2012: 21.3 percent). Both ratios were calculated in accordance with the German Solvency Regulation (SolvV) and remained well above the regulatory requirements. "We strengthened our capital base in the past years in preparation for the stricter regulatory requirements that will apply from 2014," said Hans Bernhardt, the member of the Board of Managing Directors responsible for finance.

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**Service:**

*Landwirtschaftliche Rentenbank is Germany's development 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 competition neutrality. The appropriation of profits is subject to the promotional mandate as well. The bank is a public law institution whose 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.