



rentenbank

## Press release

April 22, 2013

### **Fiscal year 2012: Rentenbank's special promotional loans reach new record level**

- Fiscal year 2012: special promotional loans granted continue to rise, net interest income influenced by wider margins, Group's operating result (IFRS) above prior-year level, capital ratios improve further (core capital ratio: 21.3%; total capital ratio: 27.5%).
- First quarter of 2013: demand for special promotional loans almost on prior-year level, successful issuance activities.

**The Board of Managing Directors of Landwirtschaftliche Rentenbank, Frankfurt/Main, is very satisfied with the business development in the current fiscal year 2013 as well as with the financial results for fiscal year 2012, as stated at the financial statements press conference of Germany's development agency for agribusiness. "The year 2012 was an extraordinarily successful year for us. We achieved the best results in our history, both in terms of volume and financial performance. Thus, we succeeded in fulfilling our promotional mandate again," explained Horst Reinhardt, Speaker of Rentenbank's Board of Managing Directors.**

**In the first quarter of 2013, new business in special promotional loans stood at € 1.3 billion, almost reaching the high prior-year level. Reinhardt was also satisfied with Rentenbank's issuance activities in the first quarter: "We have raised funds at favorable conditions in the amount of € 4.5 billion, representing almost 50% of our total funding requirement for 2013."**

#### ***Fiscal year 2012:***

#### ***Rising demand for loans and new promotional products***

In 2012, the strong investment momentum within the agricultural sector resulted in a higher new business volume. Special promotional loans set a new record at a volume of € 6.5 billion (2011: € 6.3 billion). Promotional loans for traditional agricultural investments such as buildings, land and machinery saw especially high demand as well as funds provided at low interest rates for public-sector infrastructure measures, primarily granted through the promotional banks of the German federal states (*Landesförderinstitute*). As a result of the amendment to the German Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG), demand for loans used for investments in renewable energies declined. This was particularly true for biogas plants where demand

fell by almost two thirds. In line with the solid economic situation within the agricultural sector, a smaller volume of loans taken out to ensure liquidity supply was required in 2012. Liquidity assistance loans were mainly granted to agricultural businesses affected by thunderstorms and frost. In the current fiscal year, Rentenbank opened its liquidity assistance program to horticulture businesses which suffered from financial losses due to the cold weather conditions.

In fiscal year 2012, Rentenbank expanded its range of promotional products. Municipalities and commercial companies may now finance powerful broadband connections in rural areas with promotional loans granted by Rentenbank. In addition, Rentenbank also offers promotional loans for wind farms owned by farmers and residents.

***Balance sheet 2012 according to German Commercial Code (HGB):  
Special promotional loans represent two thirds of all promotional loans***

At year-end 2012, total promotional volume reported on the balance sheet amounted to € 67.1 billion (2011: € 66.7 billion), of which € 46.9 billion (2011: € 44.1 billion) were attributable to promotional loans. The growth impulses mainly came from special promotional loans, whose volume rose by 12.7% to € 30.2 billion (2011: € 26.8 billion). Thus, the proportion of these promotional loans offered for specific promotional purposes and assistance measures increased to almost 65% of all promotional loans. Securitized lending, which is reported in the balance sheet item "Debt securities and other fixed-income securities," declined to € 20.2 billion (2011: € 22.6 billion).

***Appropriation of profits in 2012:  
Net profit used for promotional purposes***

Appropriation of profits is based on the HGB financial statements. The operating result before provision for loan losses and valuation amounted to € 303.7 million under HGB. However, due to a change in presentation introduced at the end of June 2012, this figure is not comparable with the prior-year figure of € 369.8 million without reconciliation. Prior to the change in presentation, the operating result before provision for loan losses and valuation would have amounted to € 374.3 million, which is even slightly higher than the good previous year's figure. The change in presentation had no effect on net income. Net income for 2012 amounted to € 51.0 million (2011: € 49.0 million), representing an increase of € 2.0 million compared to the previous year. The net profit remaining after allocation to reserves of € 12.8 million (2011: € 12.3 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 Special Purpose Fund is used by Rentenbank to support the introduction of innovations to the market. The main focus of the Promotional Fund are grants for agriculture-related research projects as well as advanced training measures for people em-

ployed in the agricultural sector. In addition, Rentenbank used an amount of € 75.9 million (2011: € 73.4 million) from its income to reduce the interest rates of its special promotional loans. Furthermore, the capital of Edmund Rehwinkel Foundation was increased by € 2.0 million. Thus, total promotional benefit of Rentenbank financed from its income came to € 90.7 million (2011: € 88.4 million).

### ***IFRS financial performance 2012: net interest income increases slightly***

Net interest income for the fiscal year 2012 was slightly above the prior-year level, which was attributable to higher margins. Net interest income as reported under IFRS grew by 1.1% to € 365.9 million (2011: € 361.9 million). The Group's operating result before the result from fair value measurement and from hedge accounting under IFRS shows a stable positive development in the longer term and amounted to € 299.5 million, which is a rise of € 16.4 million compared to the previous year. Administrative expenses at € 48.9 million were slightly above the previous year's figure of € 48.0 million.

### ***Measurement results under IFRS affected by the ongoing debt crisis***

The different measures to curtail the European sovereign debt crisis resulted in decreasing risk premiums, even for borrowers in countries that were particularly affected by the crisis. This led to significant measurement gains in the revaluation reserve where gains of € 584 million (2011: measurement losses of € 360 million) were recognized not affecting profit or loss. In contrast, own issues being valued higher led to measurement losses. As of year-end, the bank reported losses from fair value measurement and from hedge accounting in the amount of € 56 million (2011: measurement losses of € 352 million) in the income statement. "As a non-trading book institution (*Nichthandelsbuchinstitut*), we pursue a buy-and-hold strategy. Provided that no counterparty defaults, these measurement gains and losses will be merely of a temporary nature. They will be reversed at the latest at maturity of the relevant transactions," stated Hans Bernhardt, responsible for finance within the Board of Managing Directors.

### ***Rising capital ratios: solid basis for Basel III***

Own funds reported in the balance sheet 2012 grew to € 4.0 billion (2011: € 3.6 billion). Of that figure, € 2.2 billion (2011: € 1.9 billion) was attributable to the fund covering general banking risks which was increased by € 291.0 million (2011: € 580.2 million). Both the core capital ratio (2012: 21.3%; 2011: 16.7%), which is calculated pursuant to the German Solvency Regulation, and the total capital ratio (2012: 27.5%; 2011: 25.7%) are well above the legal requirements. "The changes in the regulatory framework resulting from Basel III are taken into account in our planning. Based on our simulations, we expect that Rentenbank will fulfill the Basel III requirements implemented by the CRD IV law," said Hans Bernhardt.

### **Refinancing 2012: Euro most important issuance currency**

In the reporting year, Rentenbank raised funds in the amount of € 9.6 billion (2011: € 12.0 billion) in order to refinance its medium and long-term promotional business. International investors accounted for a share of 73% (2011: 77%). Approximately one fourth (26%) of the primary distribution is attributable to central banks and 53% to banks. For banks, the zero-risk weight of Rentenbank's issues is particularly attractive. The most important issuance currency was the euro with a share of 47%, followed by the U.S. dollar with a share of 30%. The Australian dollar continues to rank in third place with a share of 12%. With an outstanding volume of AUD 9.7 billion, Rentenbank remained the third-largest foreign issuer in the Australian "Kangaroo" market.

The securitized liabilities amounted to € 62.2 billion (2011: € 62.8 billion), representing the largest liability item on the balance sheet in 2012. This includes medium term notes in the amount of € 45.1 billion (2011: € 43.6 billion) as well as global bonds of € 11.7 billion (2011: € 12.2 billion) and Euro Commercial Papers of € 5.3 billion (2011: € 7.0 billion).

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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.