

## Press release

April 28, 2014

### **Fiscal year 2013: Rentenbank's special promotional loans reach record level**

- Fiscal year 2013: Special promotional loans granted continue to grow, new issuance on the rise, promotional performance increases further, capital ratios improve again.
- First quarter 2014: Demand for special promotional loans increased significantly, successful issuance activity continued.

**The Board of Managing Directors of Landwirtschaftliche Rentenbank, Frankfurt/Main, is very satisfied with the business development in the current fiscal year 2014 as well as with the financial results for fiscal year 2013, as stated at the press conference on annual results of Germany's development agency for agribusiness. "In the past year, new commitments within our special promotional lending business reached a new record level at a volume of €7.2 billion. Simultaneously, our promotional performance also set a new record," said Horst Reinhardt, Speaker of the Board of Managing Directors.**

**In the first quarter of 2014, new business in special promotional loans amounted to €1.5 billion, thus significantly exceeding the high level achieved in the previous year. Reinhardt was also satisfied with Rentenbank's issuing business: "We have raised funds in the amount of €4.4 billion, representing almost 50% of our total funding requirement for 2014."**

#### **Fiscal year 2013: Favorable economic conditions on agricultural markets led to an increasing demand for loans**

The continued favorable business environment on agricultural markets and the low interest rate level contributed to a strong demand for loans. Rentenbank achieved a new record level regarding new business with low-interest special promotional loans, amounting to a volume of €7.2 billion (2012: €6.5 billion).

Special promotional loans for traditional agricultural investments such as buildings, land and machinery saw especially high demand. Rentenbank's commitments in the promotional line Agriculture amounted to €2.8 billion, which represents an increase by 16.6% over the previous year.

Promotional loans granted by Rentenbank for investments in renewable energies came to €1.6 billion (2012: €1.4 billion). The new focus within this promo-

tional line was the financing of wind turbine installations, rising to €767.9 million (2012: €83.4 million). This includes commitments in the amount of €331.3 million (2012: €6.0 million) from a special promotional loan program for investments of citizens and farmers in wind turbine installations in rural areas, which was newly introduced by Rentenbank in 2012.

In addition, Rentenbank also promotes rural development, mainly by financing of local infrastructure measures. Overall, Rentenbank granted €2.1 billion (2012: €2.1 billion) within the context of its promotional line Rural Development as well as in the framework of global refinancing agreements concluded with the federal state promotional banks.

### **Issuing business 2013: Euro remains most important issuance currency**

In the reporting year, Rentenbank raised medium and long-term capital market funds in the amount of €10.2 billion (2012: €9.6 billion) on domestic and foreign capital markets in order to refinance its promotional business. 33% (2012: 26%) of the issuance volume was placed with central banks and 46% (2012: 53%) with banks. For banks, the zero-risk weight of Rentenbank's issues is particularly important.

The most important issuance currency was the euro with a share of 34% (2012: 47%), followed by the U.S. dollar with a share of 28% (2012: 30%). The Australian dollar continued to rank in third place with a share of 24% (2012: 12%). With an outstanding volume of AUD 10.6 billion, Rentenbank remained the third-largest foreign issuer in the Australian "Kangaroo" market at year-end.

### **Share of special promotional loans continues to increase in the balance sheet**

Total assets fell by 1.1% to €78.3 billion in 2013 (2012: €79.2 billion) in accordance with German Commercial Code (HGB). The asset side of the balance sheet primarily comprises loans and advances to banks due to the fact that the bank generally extends loans via other banks, in accordance with competition neutrality. As of the balance sheet date, this item amounted to €50.0 billion (2012: €51.2 billion) or a share of 63.9% (2012: 64.6%) in total assets. Due to the strong rise in new business, the portion of special promotional loans in the balance sheet continued to grow and amounted to €33.8 billion (2012: €30.2 billion) as of December 31, 2013.

Securitized promotional business, which is reported in the balance sheet item 'Bonds and other fixed-income securities,' amounted to €19.2 billion (2012: €20.2 billion). The securities portfolio had a total volume of €20.3 billion as of year-end 2013 (2012: €22.0 billion).

Securitized liabilities amounted to €61.4 billion (2012: €62.2 billion), representing the largest liability item of the balance sheet in 2013. This includes Medium

Term Notes in the amount of €46.4 billion (2012: €45.1 billion) as well as global bonds of €11.0 billion (2012: €11.7 billion) and Euro Commercial Papers of €4.0 billion (2012: €5.3 billion).

### **Appropriation of profits in 2013: Distributable profit used for promotional purposes**

As expected, the operating result before provision for loan losses and valuation as reported under HGB in 2013 decreased to €248.7 million compared to the previous year (2012: €303.7 million). The decline was largely attributable to the decline in net interest income, but also to higher administrative expenses due to increased regulatory requirements. For this reason, especially the expenses for personnel and IT projects for necessary improvements of infrastructure increased.

Net income increased to €53.0 million in 2013 (2012: €51.0 million). The distributable profit remaining after transfers to reserves amounted to €13.3 million (2012: €12.8 million) and is utilized by Rentenbank exclusively for promotional purposes. One half of the distributable profit is transferred to the Special Purpose Fund (*Zweckvermögen*) and the other half to the Promotional Fund (*Förderungsfonds*).

Rentenbank used an amount of €77.0 million (2012: €75.9 million) from its net interest income to reduce the interest rates of its special promotional loans. In addition, Rentenbank provided grants in the amount of €3.0 million for the program Research on Agricultural Innovation. Furthermore, the capital of Edmund Rehwinkel Foundation was increased by €3.0 million. Overall, the portion of Rentenbank's income provided for promotional purposes (promotional performance) in 2013 amounted to €96.3 million (2012: €90.7 million).

### **IFRS financial performance 2013 with increased net income for the year**

In Rentenbank's IFRS consolidated financial statements, the operating result at €238.8 million (2012: €299.5 million) also declined. The main contribution came from the net interest income before allowance for credit losses/promotional contribution in the amount of €333.7 million (2012: €365.9 million). Due to the strong measurement gains from fair value measurement and from hedge accounting in the amount of €221.2 million (2012: measurement loss of €55.7 million), net income for the year amounted to €460.0 million which is a significant rise over the prior year (2012: €243.8 million).

Due to the continued stabilization of the capital markets, the credit spreads further tightened in 2013, above all for issuers particularly hit by the crisis. This had a positive impact especially on the measurement of Rentenbank's securities, above all in the revaluation reserve. Taking into account the change in the revaluation reserve in the amount of €244.6 million (2012: €565.8 million), the

Group's total comprehensive income amounted to €704.6 million (2012: €809.6 million).

"Rentenbank is a non-trading book institution. Therefore, we pursue a buy-and-hold strategy. Measurement gains and losses are merely of a temporary nature and will be reversed by the maturity date of the relevant transactions provided that no counterparty defaults," explained Hans Bernhardt, responsible for finance within the Board of Managing Directors.

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

Own funds as reported in the HGB balance sheet for 2013 grew to €4.1 billion (2012: €4.0 billion). Of that figure, €2.4 billion (2012: €2.2 billion) was attributable to the fund for general banking risks. Both the Tier 1 capital ratio (2013: 25.6%; 2012: 21.3%) and the total capital ratio (2013: 31.3%; 2012: 27.5%) which are calculated pursuant to the German Solvency Regulation are well above the prior-year figure.

The capital ratios at Rentenbank will become lower as a result of the fact that regulatory own funds are required to be reported based on IFRS since January 1, 2014 and the stricter provisions as regards capital requirements from the EU Capital Requirement Regulation (CRR). However, pursuant to preliminary calculations as of the end of March, the Tier 1 capital ratio at 16% as well as the total capital ratio at 19% still remain significantly above the increased new regulatory requirements.

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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.