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Landwirtschaftliche Rentenbank

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Landwirtschaftliche Rentenbank

Major Rating Factors

Counterparty Credit Rating
AAA/Stable/A-1+

Strengths:

- Our view of an almost certain likelihood of extraordinary support from the German government in times of financial stress.
- Critical role in the pursuit of government policies and an integral link with the government.
- Low-risk operational strategy, a stable financial profile, and strong capitalization.

Weaknesses:

- Near impossibility of raising additional shareholder capital due to ownership structure.

Rationale

The ratings on Rentenbank, a specialized development bank with a public policy mandate to promote German agriculture (including forestry and fisheries), food sectors, and rural areas, are based on our assessment of an almost certain likelihood of timely and sufficient extraordinary support from the government of the Federal Republic of Germany (unsolicited AAA/Stable/A-1+). This means any rating or outlook change on Germany would lead to a similar rating action on Rentenbank. In line with our criteria for rating government-related entities (GREs), this reflects our view that Germany's support for its related entities is not doubtful. Our assessment of an almost certain likelihood of support to Rentenbank is based on our view of:

- Its integral link with the government. Although the government is not Rentenbank's legal owner, the legal concept of "Anstaltslast" (maintenance obligation) means that the government, as the creator of Rentenbank, is obliged to safeguard Rentenbank's economic foundation for the duration of its existence, providing support when necessary. In addition to the Anstaltslast, and effective from Jan. 1, 2014, a statutory guarantee is included in the legislation governing Rentenbank, through which the federal government expressly guarantees Rentenbank's obligations. Under this statutory guarantee, in the event of a payment default, holders of securities issued or guaranteed by Rentenbank can enforce their claims directly against the federal government without first recourse to the bank.
- Its critical public policy role as a specialized development bank for the German agricultural sector, which also includes promoting Germany's rural areas and contributing to ensure the constitutional mandate of equal living opportunities across the country.

Rentenbank's operational strategy is low risk, in our opinion. Intermediate banks assume credit risk and provide collateral to Rentenbank. In addition, we believe Rentenbank benefits from an outstanding track record of loan recovery, conservative capitalization, and a stable financial profile characterized by prudent strategies for comprehensively hedging currency and interest rate risks.

Rentenbank has supported the government's agricultural and rural policy objectives since 1949 through the provision of financing to the agriculture and food sectors. We expect its total assets to reach about €86 billion by year-end 2016.

The bank predominantly raises its funds in the international capital markets. It provides resources through intermediate banks, which onlend to the end borrower, assume the credit risk, and provide collateral.

Standard promotional loans are offered at competitive rates to banks in the EU and Norway, and further loans may be extended to banks in Switzerland, Australia, and Canada. Rentenbank has reduced its exposure to countries in the EU periphery, including Spain, Italy, and Portugal, and we understand it will do so with the U.K. going forward. Special promotional loans with favorable financial conditions are Rentenbank's key promotional instrument, but their use is restricted to financing programs and investments benefiting the German agricultural and food sector, as well as rural areas in general. Given the bank's public policy mandate, profitability is consciously low. However, its stable and risk-weighted capitalization remains comfortable, in our view.

Although the bank's capital was raised through a special levy on the German agricultural and forestry sector between 1949 and 1958, no natural or legal person possesses property rights over Rentenbank (rather, the bank belongs to the agricultural sector). Accordingly, a merger or takeover by another publicly-owned development bank is not viable. On the downside, the ownership structure makes it almost impossible for the bank to raise additional shareholder capital, meaning capital can only increase through retained earnings.

Government support for Rentenbank complies with the EU's rules on state aid, and in March 2002, an agreement between Germany and the European Commission confirmed this status. The agreement stated that German development banks could continue to benefit from state support to the extent that they are entrusted with promotional tasks in compliance with the EU's state aid rules. Rentenbank's obligations have been and will continue to be fully and unconditionally supported by the German government under Anstaltslast. While Anstaltslast creates an obligation of the federal government vis-à-vis Rentenbank, as of Jan. 1, 2014, a statutory guarantee is included in the legislation governing Rentenbank, through which the federal government expressly guarantees Rentenbank's obligations. This guarantee is identical to the one in place for KfW (AAA/Stable/A-1+), and is an obligation of the federal government vis-à-vis Rentenbank's creditors.

Rentenbank's strong use of commercial paper (CP), with an average outstanding volume of roughly €7.7 billion in 2016, above average levels of 2015, demonstrates, in our view, that access to liquidity is not a concern for the bank. Even under the adverse market conditions in 2008, demand for Rentenbank's CP was strong, with over €16 billion of outstanding CP in mid-2008. Cash and balances with central banks are minimal. As a registered bank, Rentenbank has access to European Central Bank liquidity and in 2015 had eligible repurchase collateral of €16.9 billion, which could be used to access funds if there are disruptions in the short-term wholesale funding markets.

Outlook

The stable outlook reflects our expectation that Rentenbank will remain an integral part of the government's economic development policies. This should enable the bank to maintain its public law status and secure ongoing federal government support, either through Anstaltslast or through the explicit guarantee for the liabilities. We expect that Rentenbank will continue to generate modest but stable operating profits, consistent with its public policy mandate. In addition, we expect risk-adjusted capital ratios will remain very comfortable.

We think it highly unlikely that Rentenbank will undergo a change in its legal status in the coming two years. We believe that Rentenbank will remain a GRE and that the federal guarantee for its liabilities will stay in place in the future, given that the bank will likely remain an integral part of Germany's agricultural development objectives. Our expectation is consistent with the March 2002 agreement between Germany and the European Commission on future state support for German development banks. We could lower the ratings if we observed a material weakening of Rentenbank's role for, or link with, Germany, including changes to the legal guarantee, although we currently consider such a scenario unlikely.

Profile And Strategy: Mandate To Promote German Agriculture

- Rentenbank's public policy mandate to promote Germany's agriculture, food sector, and renewable energy sector, as well as to support the development of rural areas, characterizes its lending activities.
- Rentenbank does not lend directly to rural investors, but channels its resources through the banking system, which assumes the credit risk.

Rentenbank was founded in 1949 by the German government through Rentenbank's Governing Law (Gesetz über die Landwirtschaftliche Rentenbank), which defines its mandate and permitted operational activities. It established Rentenbank as the central refinancing agency for the agricultural sector, the food industry, rural areas and, increasingly, renewable energy.

The bank's mandate is the promotion and development of German agriculture business, either through agriculture (including forestry and fisheries) or renewable energy. Rentenbank raises financial resources, which are then channeled through the banking sector. The onlending banks bear the credit risk vis-à-vis the end-borrower and charge a spread for channeling funds to the final beneficiary. Rentenbank does not normally receive any funds from the federal or Länder (state) governments for its promotional activities. Nor does it accept deposits, or operate a direct credit window. With minor exceptions related to its promotional nonprofit mandate, Rentenbank does not take equity stakes, nor does it provide guarantees. The business model means that Rentenbank does not compete with, but rather complements, the activities of the commercial banking sector. Onlending banks are entrusted with credit risk appraisal and collateralization, and are liable for repayment to Rentenbank. This allows it to operate in a centralized fashion as a relatively small institution, with about 270 staff at its Frankfurt headquarters. Overall, new lending commitments decreased by 17% over the first three quarters of 2016, compared with the same time period in 2015. However, this development is in line with expectations, given the particularly strong performance in 2015. Exposure outside Germany still remains far below the share observed in 2010, with the share of external lending continuing to shrink further to 19.2% in 2016; it accounted for 23% of total new lending in the first three quarters of 2016. Broadly speaking, Rentenbank operates two loan windows:

- A standard promotional loan window. These loans are provided at competitive rates to banks, which have lending activities in rural areas or in agriculture. Loans are also granted to banks outside Germany as long as they are domiciled in an EU member state or Norway. €3.2 billion was granted in standard promotional loans in 2015, much higher than in 2014. Preliminary information indicates a reduction in 2016, as the total amount contracted in the first nine months of 2016 by almost €1.2 billion in a year-on-year comparison. In addition, the bank has in recent years increasingly relied on the purchase of fixed-income securities as an alternative to the standard promotional

loan business; and

- A special promotional loan window (Programmkredite). This is the main promotional lever at Rentenbank's disposal. It provides loans at preferential interest rates to recipients for purposes that have been identified as particularly worthy. Investments not located in Germany are ineligible. This window is also used to mitigate the economic impact of agricultural crises. Recent examples include responses to floods in 2013, crop failure due to frost in 2012, and price decline for agricultural products due to the world economic crisis in 2009-2010, and the milk crisis in 2016. In 2015, the bank granted €7.8 billion of promotional loans, representing a growth rate of 14% over 2014 figures and an all-time high for the bank, even exceeding the 2013 peak. In line with projections for 2016, current data shows that new promotional loans for 2016 are likely to be slightly lower compared with 2015. Rentenbank's ability to provide special promotional loans at reduced interest rates depends on its income from other areas, such as income from the standard promotional loan window and interest income from securities, and does not entail budgetary layouts by the federal or Länder governments. Occasionally, however, the federal government opts to provide interest rate reductions to support Rentenbank's lending activity. It did this in 2010 (€20 million) and 2009 (€25 million) in the context of the government's agricultural stimulus package. Individual Länder governments have repeatedly provided similar interest rate reductions for the agricultural sector within their jurisdictional boundaries.

Until 2014, Rentenbank had been steadily reducing its balance sheet. This decreasing trend was aimed at lowering credit risk. In turn, special promotional lending had accelerated markedly, a sign of continued demand for Rentenbank's promotional products, partially reflecting the inability of local banks to fund their longer-term investment lending to the agricultural sector. Total balance sheet at year-end 2015 was €83.9 billion, but had increased to €87.1 billion at September 2016 and we think the balance sheet volume at year-end 2016 should be about €85 billion (according to the German commercial code, Handelsgesetzbuch [HGB]).

Ownership And Legal Status: All Obligations Supported By The Federal Republic

- Although the German agricultural sector built up Rentenbank's capital, no natural or legal entity, including the federal and Länder governments, holds any property rights over the bank.
- The obligations of Rentenbank are fully and unconditionally supported by the creditworthiness of the sovereign, through the Anstaltslast.
- Since Anstaltslast is a specific German legal principle, effective from Jan. 1, 2014, a statutory guarantee was included in the legislation governing Rentenbank, through which the federal government expressly guarantees Rentenbank's obligations.

Rentenbank's equity was raised through direct contributions from the agricultural and forestry sector until 1958, rather than through government injections. This capitalization scheme distinguishes Rentenbank from other public development banks in Germany--such as KfW--where the government formally owns the banks. In Rentenbank's case, the advisory board (Verwaltungsrat) appoints the members of the Board of Managing Directors, which is in charge of day-to-day operations. The advisory board is presided over by a member elected from the ranks of the German Farmers' Association and includes representatives of agricultural interest groups, the federal Ministry of Finance, Länder governments, trade unions, and other banks. The federal government supervises Rentenbank through the Ministry of Food and Agriculture, together with the Ministry of Finance. In addition, Rentenbank is supervised by the

Federal Banking Supervisory Authority and has been included in the group of 127 banks that is subject to European Central Bank supervision since Nov. 4, 2014.

The government is not a shareholder in Rentenbank, but founded the bank as a public institution governed by special legislation. Under German public law, this means that the federal government has to safeguard Rentenbank's economic foundation and maintain the bank's ability to honor its obligations as they fall due. The material effect of Anstaltslast is that Rentenbank's obligations are fully and unconditionally supported by the creditworthiness of the sovereign.

Anstaltslast is a legal principle that obliges the guarantor (Anstaltsträger) to secure the economic basis of the entity (Anstalt), to maintain its functioning for the duration of its existence, and to cover possible financial gaps via the use of subsidies or other appropriate means. As a consequence, bankruptcy is practically impossible, which was also clarified in 2015 with a legal addendum to the Rentenbank legislation. From a strictly legal point of view, Anstaltslast only creates a liability in the internal relationship (Innenverhältnis) between Rentenbank and the sovereign, and creditors do not have a legal claim against the sovereign. Anstaltslast is limited neither in time nor in amount. The Anstalt is not required to pay remuneration for the state's maintenance obligation.

Under Anstaltslast, funds could be made available without parliamentary appropriation or consent. We consider the obligations of Rentenbank to be fully backed through Anstaltslast.

The main aim of the guarantee is to ensure that Rentenbank's debt will continue to benefit from zero–risk weighting under the Basel III capital rules, as it already does under Basel II. The government's response to a changing regulatory environment underlines our view of the sustained importance of Rentenbank's role for the federal government, and the government's ongoing support for Rentenbank's operations. This guarantee augments, but does not replace, Anstaltslast.

As a public law institution serving public policy objectives rather than pursuing profits, Rentenbank is exempt from corporate taxation, and its governing law does not provide for the payment of dividends. Earnings are allocated to reserves or are used for the promotion of German agriculture through Rentebank's special promotional loans, a promotional fund, and a special purpose fund administered by the bank as trustee for the Federal Republic. The dissolution of Rentenbank would require legislation, and any net assets would have to be used in accordance with its public policy mandate.

Asset Quality: Excellent

- Asset quality remains excellent, in our opinion.
- There are currently no impaired assets that are not fully provisioned and, even at the height of the financial crisis in 2008, Rentenbank's credit losses were limited to loan exposure of €35 million (of which 61% was ultimately recovered).
- Development-related assets represent some 90% of total balance-sheet assets.

Rentenbank's clearly defined and low-risk operations, coupled with a favorable interest rate environment, have fostered a period of steady growth in its balance sheet since the 2009 trough when assets shrank to €78 billion. The balance sheet indicated a preliminary high-point at more than €91 billion at mid-year 2012 and then declined in 2013.

Currently, assets have peaked at over €93 billion at year-end 2015 under International Financial Reporting Standards (IFRS). The principal asset components are receivables from intermediate banks (€56 billion) and fixed-income securities (€20 billion) that are mainly from financial entities within the EU. The remainder is in cash, overnight and time deposits, receivables from nonbanks, positive fair values of derivatives, and cash collateral. Balance sheet figures under HGB experienced less pronounced developments, with a balance sheet of €76 billion in 2009, moving to €84 billion in 2015. Current year developments indicate an increasing trend, with an estimated asset volume of €85 billion at year-end 2016.

Direct loans from Rentenbank require the explicit approval of the Board of Managing Directors. During a brief period in 2008-2009, the bank undertook a limited amount of direct lending to the agricultural sector, made up of special promotional loans extended directly to the agricultural sector. Since then, the bank has abandoned direct lending to the agricultural sector.

Rentenbank's accounts have traditionally been drawn up according to HGB. The adoption of IFRS in 2007--alongside HGB reporting, which will continue--makes year-on-year comparisons more complicated. In particular, the valuation changes of financial investments make the financial performance of Rentenbank appear much more volatile than in the past before the introduction of IFRS accounting (see "Profitability" section). On the other hand, because the bank has no financially important subsidiaries, the consolidation principle under IFRS has had only negligible effects.

Asset quality remains excellent, in our view, even though assets have increased by more than 70% since 2000. Nevertheless, in 2008, the financial crisis led to the bank suffering its first credit losses in many years: As a result, it had to provision a €35 million exposure, of which 61% or €21 million was ultimately recovered. Rentenbank currently has no impaired loans, after the last exposure--which had been fully provisioned--was redeemed in full in 2016. Two policy guidelines aim to mitigate borrower default risk:

- The intermediate banks, particularly in the special promotional loan window, not only routinely assume all credit risk related to the borrower, but usually provide and assign collateral to secure Rentenbank's exposure; and
- Rentenbank limits its exposure to any single bank by monitoring its onlending through an internal bank risk rating system. When banks' creditworthiness suffered during the financial crisis, Rentenbank curtailed its unsecured lending in order to mitigate rising counterparty risk.

We expect both the domestic and EU-wide expansion of Rentenbank's operations to continue in a gradual and financially prudent manner. We note that Rentenbank has eliminated all exposure to Greece and Ireland and has been actively reducing its exposure to Portugal, Spain, and Italy. The overall remaining maturities amounted to €1.2 billion in 2016, of which the majority is secured. In the past year, Rentenbank also suspended new business with the U.K., following the Brexit vote. Thus, together with its conservative risk management, we assume continued strong asset quality.

Rentenbank's balance sheet is almost entirely geared toward its developmental purpose. Development-related assets in the wider sense (comprising special promotional loans, and the majority of bonds and fixed-income securities held) account for almost 90% of balance-sheet assets. Special promotional loans, Rentenbank's main promotional instrument, account for some 50% of development-related assets.

Profitability: Pressured Due To Rising Expenditures

- Rentenbank posted €443 million of net profit in 2015.
- The valuation gains and losses reflect the switch to IFRS, which has made financial results more volatile, given that overall results have alternated between profit and loss every year since 2008-- with a steep reduction in 2014, followed by a high increase in 2015 and slightly negative results for the first nine months of 2016--despite a relatively consistent operating performance.
- The stability of loan demand, effective control over rates on special promotional loans, prudent asset-liability management, and a strong record of loan recovery make any future operational losses unlikely, in our view.

In compliance with its promotional policy and not-for-profit mandate, Rentenbank operates a special promotional loan window at the expense of overall profitability. IFRS accounting has created volatility in net income and comprehensive income as a result of fair value measurement and hedge accounting. In recent years, the swings have been fairly pronounced: In 2011, both net and comprehensive income were negative. In contrast, in both 2012 and 2013 Rentenbank posted large positive income on both measures. In turn, 2014 saw again a sharp reduction, albeit staying positive, with steep increases again for 2015. Preliminary results for 2016, again, show a negative trend with comprehensive income marginally positive for the first nine months of the year. This volatility is driven by valuation changes.

In contrast, operational results have remained fairly stable, but elevated since 2008 due to widened interest spreads. Rentenbank's interest rate spread over the entire balance sheet has increased, because its own refinancing costs remained largely unaffected. Rentenbank is in the unusual position of being able, within strict limits, to set its own margin by managing the financial conditions and volumes of its special promotional loans program. As a result, we think the underlying reasons for comparatively low profitability should be regarded as part of a deliberate strategy to enhance the bank's public policy role. This interest spread is beginning to decline and we expect Rentenbank's margins to gradually decline back toward pre-crisis levels. For 2016, we expect operating income to rise but remain comparable with 2015, and the bank's current planning for 2017 anticipates a similar trend.

In addition, operating expenses continue increasing, mainly due to higher regulatory demands on financial institutions, with a noticeable impact on a development bank of Rentenbank's operational size. In particular, the designation as a systemically important financial institution under European Central Bank supervision requires larger internal resources. As a result, the cost-to-income ratio has been rising. In 2015, it stood at 25.7%, slightly up from 22.6% in 2014 and with a more pronounced increase from 15% in 2012. Nonetheless, this is still much lower than most banks.

Under IFRS, fair value measurement and hedge accounting lead to swings in the income statement. In 2013, both figures were positive €221 million from fair value measurement and another €245 million from revaluation reserve, leading to overall positive income of €705 million. Since 2014, the two figures have been alternating between years with fair value measurement first being negative (negative €184 million), then positive in 2015 (€205 million) and turning negative again for the first nine months of 2016 (negative €223 million). In contrast, the results from revaluation of reserves were positive in 2014 (€66 million), before turning negative in 2015 (negative €51 million) and, in turn, showing a positive trend for the first three quarters of 2016 (€31 million).

Because Rentenbank has no trading book and holds securities and hedges until maturity, the valuation changes are not economically meaningful concepts, in our opinion. As financial securities and swaps mature, the valuation losses or gains will be reversed, unless counterparties actually default during the term of the contract. In short, we believe that Rentenbank's exposure to market risk is exaggerated by IFRS accounting conventions.

Over the medium term, we understand that Rentenbank's management aims to deliver a predictable and broadly stable level of operating income, and, at the same time, aims to strengthen balance-sheet capital. Short of a deterioration in counterparty risk beyond our current expectations, we think Rentenbank's strong track record in loan recovery, its effective control over rates on special promotional loans, and the stability of demand for its products give it sufficient maneuverability to maintain operational profits at low levels without incurring sustained losses. We maintain this view despite the potential for IFRS-mandated valuation effects to mask the underlying stability of its operations.

Asset And Liability Management And Liquidity: Very Prudent

- Debt issuance is fairly consistent. In 2015, medium- and long-term issuance totaled €13.0 billion, the highest figure in the past 10 years.
- Average term of maturity is currently at 7.6 years, at the higher end of its 10-year average.
- Currency risk is fully hedged; remaining interest and maturity risks are kept within conservative risk limits.
- Rentenbank's zero-risk weighting and high credit rating should secure low financing costs.
- Rentenbank has ample access to liquidity, in addition to a large portfolio of securities eligible for repurchase agreements (repos).

Rentenbank is a well-established issuer in the international capital markets. As a result of increasing risk aversion among investors, demand for highly-rated "safe haven" securities has risen markedly, which has been particularly beneficial for the bank. The bank runs a €20 billion commercial paper (CP) program, with an outstanding volume of €3.4 billion at year-end 2015.

Medium- and long-term financing amounted to €13.0 billion in 2015, above average levels since 2001. The bank continues to demonstrate a globally diversified funding strategy. Its €60 billion Euro Medium Term Note (EMTN) program remains the principal refinancing vehicle, and the EMTN program accounted for about 56% of refinancing in 2015, with the total amount at stable levels. This was complemented by issuance of global bonds, and issuance under an A$15 billion Medium Term Note program, making Rentenbank the third-largest foreign issuer in Australia in 2015.

Rentenbank's loans are almost exclusively denominated in, or swapped into, euros. The share of euro-denominated issuance has typically hovered at 25%-50% and dipped slightly below that range in 2015. Accordingly, Rentenbank follows a policy of hedging all foreign currency exposure. In addition, it uses interest rate and cross-currency swaps to eliminate risk. It uses derivatives strictly to eradicate balance-sheet risk, and speculative trading is prohibited. Similarly, and as a matter of principle, Rentenbank does not trade in equities. The comprehensive hedging strategy reduces the bank's exposure to default by swap counterparties and intermediate banks onlending its funds.

Claims on Rentenbank were assigned a zero-risk weighting in January 2007, related to capital requirements of Basel II. Ongoing zero-risk weighting under Basel III is ensured by the statutory federal guarantee.

The continued strong usage of euro-denominated CP--with an outstanding volume of €8.4 billion as of September 2016--demonstrates, in our view, that access to liquidity is not a concern for Rentenbank. The brief surge to over €16 billion in mid-2008 showed that even under adverse market conditions, access was available. Cash and balances with central banks are minimal. As a registered bank, Rentenbank has access to European Central Bank liquidity and in 2015 had eligible repo collateral of €16.9 billion, which could be used to access funds if there are disruptions in the short-term wholesale funding markets.

Capitalization: Comfortably Above Legal Requirements

- Headline capitalization is at comfortable levels, given the bank's risk profile.
- The risk weighting of the bank's assets shows capital adequacy indicators have increased considerably over the past two years, exceeding legal requirements.
- We believe its core capital and total equity ratios will comfortably remain above legal requirements.

We regard Rentenbank as comfortably capitalized, once the low-risk profile of its business is taken into account. Shareholders' equity amounted to €3.7 billion at year-end 2015 (under IFRS), excluding subordinate liabilities (€0.7 billion). The core capital ratio was 20.2%, well above the required 5.5%. Similarly, the total equity ratio of 23.2% at year-end 2015 substantially exceeded the required 8%. We do not expect the tighter capital requirements envisaged under Basel III to pose a problem for Rentenbank, with expected and planned levels for 2016 and 2017, respectively, well above regulatory requirements.

As we expect the bank's capital endowment to remain robust, we do not believe the bank needs to raise fresh capital. Moreover, management is conscious that a conservative approach to capitalization is required because its idiosyncratic ownership structure makes it almost impossible to raise additional shareholder equity.

Table 1

Landwirtschaftliche Rentenbank - Key Financial results

	2015	2014	2013	2012	2011
(Mil. €)					
Assets	93,292.6	88,845.7	81,932.4	88,397.5	88,877.1
Loans to banks	55,457.2	51,205.0	49,244.9	49,969.7	50,965.8
Equity (2)	3,685.9	3,307.1	3,194.3	2,521.0	1,705.7
Operating result (1)	238.2	243.9	238.8	299.5	283.1
Net income	443.1	60.4	460.0	243.8	-69.3
Comprehensive income (3)	392.3	126.4	704.6	809.6	-429.1

(1) Before risk provision and valuation. (2) To allow comparability exluding fund for general banking risks in earlier years, which under IFRS accounting is no longer applicable. (3) Data available only from 2008.

Table 2

Landwirtschaftliche Rentenbank: Key Financials

	2015	2014	2013	2012	2011
(Mil.€)					
BALANCE SHEET FIGURES					
Assets					
Cash, due on demand from banks and customers	23.7	30.2	337.0	1,013.0	788.9
Bonds and other fixed income securities	19,793.0	21,582.2	20,775.2	22,469.7	24,618.7
of which gross development securities (2)	16,600.0	19,000.0	19,200.0	20,200.0	22,600.0
of which eligible as repo collateral (1)	16,903.3	19,843.9	19,474.0	21,192.0	22,533.0
Gross development loans	61,835.6	56,936.7	55,017.0	55,007.8	54,226.6
of which to banks	55,457.2	51,205.0	49,244.9	49,969.7	50,965.8
Provision for losses on loans	0.0	0.0	0.0	0.0	0.0
Gross equity investments	118.8	118.8	118.8	118.8	118.8
Other assets	14,714.5	12,760.0	7,259.6	12,057.9	11,142.8
Total assets	93,292.6	88,845.7	81,932.4	88,397.5	88,877.1
Liabilities					
Deposits	0.0	0.0	0.0	0.0	0.0
Other short-term funding (4)	18,880.8	16,805.8	17,017.0	18,604.3	19,659.3
Long-term funding (4)	67,784.0	67,013.3	61,025.8	63,455.2	62,933.5
Other liabilities	2,941.9	1,717.7	695.1	3,816.8	4,579.5
Total liabilities	89,606.7	85,538.6	78,738.1	85,876.5	87,171.4
Capital					
Paid-in capital	135.0	135.0	135.0	135.0	135.0
Other capital	3,550.9	3,172.1	3,059.3	2,386.0	1,570.7
Total shareholders' equity	3,685.9	3,307.1	3,194.3	2,521.0	1,705.7
OTHER ITEMS:					
Nonaccrual/nonperforming loans	0.0	0.0	0.0	0.0	0.0
Guarantees	1.3	1.6	2.0	3.0	3.1
Provision for losses on guarantees	0.0	0.0	0.0	0.0	0.0
Operating Income (3)	238.2	243.9	238.8	299.5	283.1
Net income	443.1	60.4	460.0	243.8	(69.3)
Comprehensive income (5)	392.3	126.4	704.6	809.6	(429.1)

(1) For repo transaction with Deutsche Bundesbank. (2) Securities purchased for policy purposes. (3) Before risk provision and valuation. (4) At residual maturity; from 2006 onwards including negative fair value of derivative financial instruments. (5) Data available only from 2008.

Table 3

Landwirtschaftliche Rentenbank: Key Ratios

(%)	2015	2014	2013	2012	2011
Gearing					
Development securities, outstanding loans, equity investments/total assets	84.2	85.6	90.7	85.2	86.6
Provisions for losses plus shareholders' equity/total assets plus guarantees	22.1	26.1	27.7	26.8	27.3
Nonperforming loans/gross outstanding loans	0.0	0.0	0.0	0.0	0.0

Table 3

Landwirtschaftliche Rentenbank: Key Ratios (cont.)

(%)	2015	2014	2013	2012	2011
Tier I equity ratio	20.2	16.4	23.9	21.9	17.2
Tier II equity ratio	23.2	19.3	29.3	28.2	26.4
Funding and Liquidity					
Liquid assets/total assets	0.0	0.0	0.4	1.1	0.9
Liquid assets/gross debt	0.0	0.0	0.4	1.2	1.0
Profitability					
Operating income/average assets and guarantees (bps)	26.2	28.6	28.0	33.8	32.8
Net income/average assets and guarantees (bps)	48.7	7.1	54.0	27.5	(8.0)
Comprehensive income/average assets and guarantees (bps)	43.1	14.8	82.7	91.3	(49.7)
Operating income/average shareholders' equity (%)	6.8	7.5	8.4	14.2	14.7
Net income/average shareholders' equity (%)	12.7	1.9	16.1	11.5	(3.6)
Comprehensive income/average shareholders' equity (%)	11.2	3.9	24.7	38.3	(22.3)
Operating expenses/net income	25.7	22.6	21.2	14.5	11.8
Other credit indicators					
Growth in development securities, loans, equity investments, and guarantees (%)	3.3	2.3	(1.3)	(2.1)	4.0

Related Criteria And Research

Related Criteria

- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Sovereigns And Equalized GREs Commercial Paper Rating Methodology, March 29, 2012

Related Research

- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, Dec. 16, 2016

Ratings Detail (As Of January 31, 2017)

Landwirtschaftliche Rentenbank		
Counterparty Credit Rating		AAA/Stable/A-1+
Senior Unsecured		AAA
Short-Term Debt		A-1+
Subordinated		AAA
Counterparty Credit Ratings History		
17-Jan-2012	*Foreign Currency*	AAA/Stable/A-1+
07-Dec-2011		AAA/Watch Neg/A-1+
01-Sep-1999		AAA/Stable/A-1+
17-Jan-2012	*Local Currency*	AAA/Stable/A-1+
07-Dec-2011		AAA/Watch Neg/A-1+
01-Sep-1999		AAA/Stable/A-1+
Sovereign Rating		
Germany (Federal Republic of)		AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable

Ratings Detail (As Of January 31, 2017) (cont.)

across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:

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