



rentenbank

Press release

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Fiscal year 2016: Rentenbank's promotional business at near-record high

- Fiscal year 2016: Special promotional loans and new issuance at near-record highs, increased operating profit under HGB and IFRS, improved capital ratios
- First quarter 2017: Significantly higher demand for special promotional loans, successful issuance activities

Frankfurt. The Board of Managing Directors of Rentenbank, Germany's development agency for agribusiness, expressed its satisfaction with the bank's performance in 2016 at the annual press conference.

"Despite the economic headwinds in agriculture, new business in our low-interest special promotional loans almost reached the prior year's record high. This was driven by growth in the Renewable Energy, Agribusiness, and Rural Development promotional lines. In the second half of 2016, the agricultural sector saw a turnaround in challenging market conditions," said Horst Reinhardt, Speaker of the Board of Managing Directors.

The bank has continued its strong performance in the current fiscal year. In the first quarter of 2017, new business in special promotional loans amounted to almost EUR 2.0 billion, an increase of roughly 31% compared to the same period in 2016. With EUR 4.8 billion in new issuance, Rentenbank was able to raise more than a third of its planned annual funding volume during the first three months of 2017.

Special promotional loans: strong demand for renewable energy loans

In the fiscal year 2016, Rentenbank's new business in special promotional loans totaled EUR 7.7 billion, thus nearly reaching the prior year's record level (2015: EUR 7.8 billion). In particular, promotional loans for renewable energy projects increased considerably to EUR 1.9 billion (2015: EUR 1.5 billion). The focus of the Renewable Energy promotional line remains on wind turbine financing. The commitment volume amounted to EUR 1.5 billion (2015: EUR 1.1 billion), of

which EUR 0.5 billion (2015: EUR 0.5 billion) was accounted for by Rentenbank's Community Wind Farms program.

In the Agriculture promotional line, Rentenbank provides funds primarily for typical agricultural investments. Due to the challenging economic situation faced by some agricultural enterprises, commitments in agriculture financing of EUR 2.4 billion were markedly below the prior-year level (2015: EUR 3.2 billion). Promotional loans granted for buildings, particularly livestock housing, totaled EUR 814 million (2015: EUR 1.1 billion). Land finance amounted to EUR 626 million (2015: EUR 773 million) and funding for machinery to EUR 501 million (2015: EUR 630 million).

In addition, Rentenbank promotes rural development. The bank finances predominantly rural infrastructure projects, partly through global refinancing agreements with the promotional banks of the federal states. In 2016, Rentenbank committed a total of EUR 2.4 billion to investments in rural areas (2015: EUR 2.3 billion).

New issuance: banks remain the leading group of investors

To refinance its promotional business, Rentenbank raised EUR 12.7 billion (2015: EUR 13.0 billion) in medium and long-term funding in the domestic and international capital markets in 2016. Of this volume, 47% (2015: 46%) was placed with banks. The zero-risk weighting of Rentenbank bonds and notes makes the bank's issuances highly attractive to this group of investors. In addition, central banks and other official institutions continued to play an important role in Rentenbank's funding. In 2016, their share decreased slightly to 32 % (2015: 35%).

USD cemented its position as the main issuance currency, retaining its share of 50% (2015: 50%) of total issuance. It was followed by EUR, the share of EUR issuance amounting to 32% (2015: 22%). GBP ranked third with a share of 10% (2015: 5%).

Balance sheet (HGB): Steady growth in the share of special promotional loans

In 2016, total assets under HGB (German Commercial Code) increased to EUR 86.3 billion (2015: EUR 83.9 billion). In accordance with its competitive neutrality, Rentenbank extends its promotional loans via other banks. Hence, loans and advances to banks make up a large proportion of the asset side of

the bank's balance sheet. In 2016, they stood at EUR 57.8 billion (2015: EUR 55.7 billion), accounting for 67% of total assets (2015: 66%). The volume of special promotional loans in the balance sheet continued to grow as disbursements exceeded redemptions. At year-end 2016, special promotional loans were valued at EUR 41.9 billion (2015: EUR 40.1 billion).

Securitized promotional business, recognized in the balance sheet as bonds and other fixed-income securities, amounted to EUR 15.9 billion (2015: EUR 16.6 billion). At year-end 2016, the securities portfolio was valued at EUR 17.8 billion (2015: EUR 18.3 billion).

Securitized liabilities of EUR 70.0 billion (2015: EUR 67.3 billion) represent the largest item on the liability and equity side of the balance sheet. In 2016, they comprised medium-term notes of EUR 50.2 billion (2015: EUR 50.0 billion), global bonds of EUR 14.0 billion (2015: EUR 13.9 billion) and euro commercial paper of EUR 5.7 billion (2015: EUR 3.4 billion).

In 2016, own funds reported in the balance sheet (HGB) rose to EUR 4.9 billion (2015: EUR 4.7 billion). Of this amount, EUR 3.1 billion (2015: EUR 2.9 billion) was allocated to the fund for general banking risks.

Increased operating profit under HGB

In 2016, the operating profit before loan losses and valuation (under HGB) reached EUR 254.4 million (2015: EUR 233.5 million). The prior-year figure was adjusted for the one-off effect due to an intra-group special payout in the amount of EUR 49.8 million. Net income after provision for loan losses and valuation climbed to EUR 59.0 million (2015: EUR 57.0 million). The distributable profit of EUR 14.8 million (2015: EUR 14.3 million) remaining after allocation to reserves is also used for promotional purposes. It is divided equally between the Special Purpose Fund of the Federal Republic of Germany and the Promotional Fund of Rentenbank.

Slight rise in operating profit under IFRS

The operating profit for the fiscal year 2016 amounted to EUR 239.1 million, slightly above the prior-year figure of EUR 238.2 million. The increased expenses for credit losses/promotional contribution, as well as the higher administrative expenses were more than offset by the increase in net interest income and the improvement in net other income/expenses.

Compared to net gains from fair value and hedge accounting of EUR 204.9 million in the prior year, Rentenbank recorded net losses from fair value and hedge accounting of EUR -235.0 million in 2016. This was mainly driven by measurement losses due to narrowing credit spreads on the bank's own issuances. Accordingly, the Group's total comprehensive income was also significantly down year-on-year, decreasing by EUR 384.4 to EUR 7.9 million as of year-end 2016 (2015: EUR 392.3 million). "As a non-trading book institution, Rentenbank follows a buy-and-hold strategy. Therefore, measurement gains and losses are only of a temporary nature. They are reversed at maturity of the relevant transactions, if no counterparty defaults," said Hans Bernhardt, Member of the Board of Managing Directors responsible for finance.

Strengthened capital ratios

Rentenbank's capital ratios in accordance with the CRR improved on the previous year. The Common Equity Tier 1 capital ratio ended the year at 23.2% (2015: 20.2%) and the total capital ratio at 25.7% (2015: 23.2%).

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Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness. Under its statutory promotional mandate, Rentenbank provides low-interest loans for agriculture-related investments via other banks on a competitively neutral basis. The appropriation of profits is also subject to the promotional mandate. The bank is a public law institution whose capital stock was formed by contributions paid by the German agricultural and forestry sectors. The bank is one of the few triple-A rated institutions in Germany and raises funds primarily in the international capital markets.

Forward-Looking Statements: This press release contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of the Board of Managing Directors and information currently available to it. These statements include, in particular, statements about our plans, strategies and prospects. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", and similar expressions are intended to identify such forward-looking statements. These statements are not to be understood as guarantees of future performance, but rather as being dependent on factors that involve risks and uncertainties and are based on assumptions that may prove to be incorrect. Unless required by law, we shall not be obligated to update forward-looking statements after their publication.