



rentenbank

Press release

April 26, 2016

Fiscal year 2015: Rentenbank's special promotional loans at record level

- Fiscal year 2015: Special promotional loans and new issuance at record level, slight decrease in IFRS operating result, improved capital ratios.
- First quarter 2016: Sustained high demand for special promotional loans, successful new issuances.

Today in Frankfurt am Main, the Board of Managing Directors of Landwirtschaftliche Rentenbank – Germany's development agency for agribusiness – expressed its satisfaction with the bank's performance in 2015 at the press conference on annual results. "New business in special promotional loans reached a record high of EUR 7.8 billion. The increase is in part attributable to our liquidity assistance program for agricultural enterprises facing cash flow difficulties. This highlights the importance of our promotional loans especially in the current challenging market conditions," said Horst Reinhardt, Speaker of the Board of Managing Directors.

Rentenbank's promotional business has continued successfully in the current year. In the first quarter of 2016, new business in special promotional loans amounted to EUR 1.5 billion, only slightly (i.e. -1.2 %) below the level of the first quarter of 2015. With EUR 5.4 billion in new issuance, Rentenbank was able to raise nearly half of its planned annual funding volume during the first three months of 2016.

Special promotional loans: Liquidity assistance in strong demand

In 2015, Rentenbank's special promotional business reflected the economic situation in agribusiness marked by contrasts. On the one hand, demand was high for low-interest special promotional loans for capital investment. On the other hand, the agricultural sector had an increasing need for liquidity assistance loans. For the latter, Rentenbank committed a total of EUR 345.2 million (2014: EUR 4.9 million). This resulted in increased demand for loans in the Agriculture promotional line. The Rural Development and

Agribusiness promotional lines also saw growth in new business. In contrast, the number of new commitments decreased in the Renewable Energy promotional line. The total volume of new business in special promotional loans amounted to EUR 7.8 billion (2014: EUR 6.9 billion), up 13.8 % on 2014.

In the Agriculture promotional line, Rentenbank financed primarily traditional agriculture-related capital investment, committing a total of EUR 3.2 billion (2014: EUR 2.7 billion). Of this amount, EUR 1.4 billion (2014: EUR 1.1 billion) related to special promotional loans, extended on particularly favorable terms to young farmers, inter alia. Furthermore, EUR 1.1 billion (2014: EUR 1.3 billion) was provided for buildings, particularly livestock housing. Land finance accounted for 772.7 million (2014: 625.1 million) of the total volume, while funding for machinery amounted to 630.0 million (2014: 634.6 million).

In addition, Rentenbank promoted rural development, primarily by financing rural infrastructure projects. The total volume of loans extended for rural development amounted to EUR 2.3 billion (2014: EUR 1.6 billion). The funds were provided under the Rural Infrastructure and Rural Living programs as well as in the form of global loans to the promotional institutions of the federal states.

New business in the Renewable Energy promotional line decreased to EUR 1.5 billion (2014: EUR 2.0 billion). This was due to the 2014 amendment to the German Renewable Energy Sources Act (EEG). The focus of this promotional line remained on the financing of wind turbines, despite the decline to EUR 1.1 billion (2014: EUR 1.4 billion). Of this amount, EUR 0.5 billion (2014: 0.8 billion) was accounted for by the Community Wind Farms program.

New issuance in 2015: Banks remain the leading group of investors

To fund its promotional business, Rentenbank raised EUR 13.0 billion (2014: EUR 10.9 billion) in medium and long-term funding in the domestic and international capital markets in 2015. Of this volume, 46 % (2014: 48 %) was placed with banks. The zero-risk weighting applied to bonds and notes issued by Rentenbank makes the bank's issuances particularly attractive for this group of investors. Further, central banks and other official institutions played an important role in Rentenbank's funding activities. In 2015, their share of total funding increased to 35 % (2014: 31 %).

USD remained the largest source of funding, representing 50 % (2014: 41 %) of total issuance. It was followed by EUR which accounted for 22 % (2014:

27 %) of the funding volume. AUD retained the third position with a share of 17 % (2014: 14 %). Rentenbank maintained its position as the third largest foreign issuer in the kangaroo market, the volume of the notes outstanding amounting to AUD 13.3 billion.

Share of special promotional loans in the balance sheet increases

In 2015, total assets (in accordance with the German Commercial Code – HGB) increased by 4.7 % to EUR 83.9 billion (2014: EUR 80.1 billion). On the asset side of the balance sheet, loans and advances to banks accounted for 66.4 % (2014: 64.3 %) of total assets. Their large share is attributable to Rentenbank's on-lending procedure (i.e. extending loans via other banks in a competitively neutral way). The share of special promotional loans in the balance sheet continued to grow as disbursements exceeded redemptions. At year end 2015, special promotional loans were valued in the balance sheet at EUR 40.1 billion (2014: 36.9 billion).

Securitized promotional business, recognized in the balance sheet as bonds and fixed-income securities, amounted to EUR 16.6 billion (2014: 19.0 billion). At year end 2015, the securities portfolio was valued at EUR 18.3 billion (2014: EUR 20.2 billion).

Securitized liabilities amounted to EUR 67.3 billion (2014: EUR 65.8 billion), representing the largest item on the liability and equity side of the balance sheet. They comprised medium-term notes of EUR 50.0 billion (2014: EUR 47.3 billion), global bonds of EUR 13.9 billion (2014: EUR 12.7 billion) and commercial paper of EUR 3.4 billion (2014: EUR 5.7 billion).

In 2015, own funds reported in the balance sheet (HGB) increased to EUR 4.7 billion (2014: EUR 4.3 billion). Of this amount, EUR 2.9 billion (2014: EUR 2.6) was allocated to the fund for general banking risks.

Operating result increases significantly due to a one-off effect

The operating result before loan losses and valuation (in accordance with HGB) amounted to EUR 283.3 million (2014: EUR 242.7 million), representing a significant year-on-year increase. This was attributable to a special payout of EUR 49.8 million within the Group. Adjusted for this non-recurring item, the operating result of EUR 233.5 million would have been slightly below the level of the previous year.

Net income after provision for loan losses and valuation increased to EUR 57.0 million (2014: EUR 55.0 million). The distributable profit of EUR 14.3 million (2014: EUR 13.8 million) remaining after additions to reserves was also used for promotional purposes. It was divided equally between the Special Purpose Fund of the Federal Republic of Germany and the Promotional Fund of Rentenbank.

In 2015, Rentenbank used EUR 63.6 million (2014: EUR 73.9 million) of its income to offer interest rate reductions on its special promotional loans. The bank also provided a total of EUR 3.0 million (2014: EUR 3.0 million) in grants to the Research on Agricultural Innovation program. In addition, Rentenbank contributed EUR 2.0 million to the capital increase of Rehwinkel Foundation whose total capital thus increased to EUR 17.0 million.

In 2015, the total income provided by Rentenbank for promotional purposes (promotional performance) amounted to EUR 82.9 million (2014: 90.7 million).

IFRS financial statements: Slight decline in operating result

The IFRS operating result for 2015 decreased slightly to EUR 238.2 million (2014: EUR 243.9 million) as income was more than offset by expenses. Administrative expenses increased by EUR 5.7 million and expenses for allowance for credit losses/promotional contribution by EUR 3.3 million, while net interest income increased only by EUR 6.2 million.

The Group's total comprehensive income increased significantly on the previous year, amounting to EUR 392.3 million (2014: EUR 126.4 million). In addition to the operating result, the Group's total comprehensive income was affected by the positive effects of EUR 148.4 million from the measurement of financial instruments (2014: negative measurement effects of EUR 91.0 million). The measurement effects consisted of net gains/losses from fair value and hedge accounting as well as of the change in the revaluation reserve for available-for-sale instruments. Net gains/losses from fair value and hedge accounting improved by EUR 204.9 million (2014: a decrease of EUR 183.5 million), driven in particular by measurement gains from an increase in credit spreads on Rentenbank's issuances as well as by recoveries of measurement losses accounted for in the previous years. Due to an increase in credit spreads on the securities held in the securities portfolio, the revaluation reserve for available-for-sale instruments decreased from EUR 163.3 million to EUR 106.8 million, a decline of EUR 56.5 million (2014: an increase of EUR 92.5 million).

Improved capital ratios

Rentenbank's capital ratios improved on the previous year. At year end 2015, the Tier 1 capital ratio was 20.2 % (2014: 16.4 %) and the total capital ratio 23.2 % (2014: 19.3 %).

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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 competitive 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 sectors. The bank mainly raises funds in the 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.