

Press release

April 24, 2018

Continued strong demand for Rentenbank's promotional loans in 2017

- *Fiscal year 2017: Wind energy booms*
- *First quarter of 2018: Growth in rural development loans, lower new business volume in wind energy*

The Board of Managing Directors of Landwirtschaftliche Rentenbank expressed its satisfaction with the bank's performance in 2017 at the annual press conference in Frankfurt am Main. "Even during the current period of low interest rates, Rentenbank's business model has proved its stability and continuity. Overall, our new promotional business remained at a high level. In particular, our wind energy financing enjoyed buoyant demand in rural areas," said Horst Reinhardt, Spokesman of the Board of Managing Directors of Germany's Development Agency for Agribusiness and Rural Areas.

In the fiscal year 2018, by contrast, demand for the bank's promotional loans has been slower so far. A decline in wind energy financing as well as in the Agriculture promotional line could not be offset by significant growth in the Rural Development promotional line. In the first quarter of 2018, new business in special promotional loans totaled around EUR 1.6 billion and was thus below the prior year's level (Q1 2017: EUR 2.0 billion). With EUR 3.7 billion in new issuance, Rentenbank was able to raise a third of its planned annual funding volume during the first three months of 2018.

New promotional business with EUR 11.9 billion stable at a high level in 2017

In 2017, Rentenbank's new promotional business totaled EUR 11.9 billion (2016: EUR 12.4 billion) and thus once again reached a very high level. Of this volume, EUR 2.5 billion (2016: EUR 2.3 billion) was accounted for by registered bonds and promissory notes, EUR 1.9 billion (2016: EUR 2.5 billion) by securities, and EUR 7.4 billion (2016: EUR 7.7 billion) by special promotional loans.

Special promotional loans: particularly strong demand for renewable energy

In the special promotional loan business, demand for renewable energy loans showed particularly strong growth, climbing to EUR 2.4 billion (2016: EUR 1.9 billion). The focus of this promotional line was on wind turbine financing which increased to EUR 1.7 billion (2016: EUR 1.5 billion). Of this volume, EUR 0.6 billion (2016: EUR 0.5 billion) was accounted for by new commitments for community wind farms.

In the Agriculture promotional line, Rentenbank finances mostly typical agricultural investments. The bank extended promotional loans of EUR 789 million (2016: EUR 814 million) for buildings (particularly livestock housing), EUR 558 million (2016: EUR 501 million) for machinery, and EUR 539 million (2016: EUR 626 million) for land purchases. The improved economic situation of many agricultural businesses resulted in a sharply reduced need for liquidity assistance loans. Overall, demand for financing decreased from EUR 2.4 billion to EUR 2.2 billion.

In 2017, Rentenbank committed EUR 1.8 billion to promote rural development (2016: EUR 2.4 billion). Within this promotional line, the bank finances primarily rural infrastructure projects, for example, through global refinancing agreements with the development agencies of the federal states.

New issuance: banks remain the leading group of investors

To refinance its promotional business, Rentenbank raised EUR 12.4 billion (2016: EUR 12.7 billion) in medium and long-term funding in the capital markets in 2017. Of this volume, 39 % (2016: 47 %) was placed with banks. Central banks and other official institutions were the second most important investor group. In 2017, their share was 34 %, a slight increase compared to the prior year (2016: 32 %).

With a share of 57 % (2016: 32 %), EUR became Rentenbank's largest source of funding in 2017, while USD accounted for only 19 % (2016: 50 %) of the issuance volume. AUD ranked third with a share of 10 % (2016: 4 %).

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

Total assets under HGB (German Commercial Code) stood at EUR 90.8 billion as of December 31, 2017 (December 31, 2016: EUR 86.3 billion). Since Rentenbank generally extends its promotional loans via other banks and savings banks in a competitively neutral way, loans and advances to banks make up a large proportion of the asset side of the bank's balance sheet. As of year-end 2017, they amounted to EUR 60.5 billion (year-end 2016: EUR 57.8 billion), accounting for 67 % of total assets (2016: 67 %). The portfolio of special promotional loans continued to grow as disbursements exceeded redemptions. At year-end 2017, special promotional loans were valued at EUR 44.4 billion (2016: EUR 41.9 billion).

Securitized liabilities of EUR 76.9 billion (2016: EUR 70.0 billion) represent the largest item on the liability and equity side of the balance sheet. In 2017, they comprised medium term notes of EUR 53.2 billion (2016: EUR 49.8 billion), global bonds of EUR 12.0 billion (2016: EUR 14.0 billion), and euro commercial paper of 11.2 billion (2016: EUR 5.7 billion).

Pressure on operating profit

Due to the prevailing low interest rate environment, net interest income declined to EUR 305.6 million in 2017 (2016: EUR 318.7 million). At the same time, administrative expenses rose to EUR 69.3 million (2016: EUR 61.1 million), mainly driven by higher

expenses for IT projects, personnel, and banking supervision. As a result, the operating profit before provision for loan losses and valuation (HGB) declined to EUR 223.8 million (2016: EUR 254.4 million). Within the framework of provision for loan losses, the bank's capital was further strengthened by an increase in reported and hidden reserves.

Net income after provision for loan losses and valuation increased to EUR 61.0 million (2016: EUR 59.0 million). The distributable profit remaining after allocation to reserves amounted to EUR 15.3 million (2016: EUR 14.8 million). Rentenbank uses it fully for promotional purposes.

Promotional contributions virtually unchanged

In 2017, the promotional contributions of Germany's development agency for agribusiness and rural areas totaled EUR 83.4 million (2016: EUR 84.2 million), including the distributable profit. It was used for interest rate reductions of special promotional loans, grants for the Research on Agricultural Innovation program as well as for other promotional purposes.

Strengthened capital base

The bank continued to strengthen its solid capital base. As of December 31, 2017, the Common Equity Tier 1 capital ratio in accordance with HGB was 27.8 % and the total capital ratio was 29.7 %. Starting from the fiscal year 2017, Rentenbank reports its financial results solely in accordance with HGB and no longer prepares its voluntary consolidated financial statements in accordance with IFRS. Consequently, these figures are comparable to those of the previous year only to a limited extent.

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Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness and rural areas. Under its statutory promotional mandate, the bank extends low-interest loans for agriculture-related investments via local banks on a competitively neutral basis. Rentenbank provides funding for banks, savings banks, and local authorities related to rural areas. 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 in the 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.