



rentenbank

Press release

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Fiscal year 2014: Rentenbank's special promotional loans close to prior year's record level

- Fiscal year 2014: Significant increase in special promotional loans for wind power, new issuance on the rise, increase in IFRS-operating result, capital ratios far in excess of regulatory requirements.
- First quarter 2015: Increase in demand for special promotional loans, successful issuance activity.

The Board of Managing Directors of Landwirtschaftliche Rentenbank, Frankfurt/Main, Germany's development agency for agribusiness, stated its full satisfaction with the financial results for 2014 at the bank's press conference on annual results. "With EUR 6.9 billion of new commitments in the past year, our special promotional lending business came close to the record level of the previous year," said Horst Reinhardt, Speaker of the Board of Managing Directors.

In the first quarter of 2015, new business in special promotional loans amounted to EUR 1.5 billion, 5.1 % above the same period of the previous year. In its issuing activities, Rentenbank raised EUR 5.0 billion during the first three months of the year, representing almost 50 % of its total funding requirement for 2015.

Special promotional loans in 2014: Significant increase in wind power financing

Despite low interest rates, trends in the agricultural markets led to a decline in investments in agriculture in 2014. As a result, demand for Rentenbank's special promotional loans fell in the Agriculture and Rural Development promotional lines. By contrast, new commitments rose in the Renewable Energies promotional line. With total new business of EUR 6.9 billion (2013: EUR 7.2 billion) in low-interest special promotional loans, Rentenbank came close to the record level of the previous year.

Promotional loans granted by Rentenbank for investments in renewable energies increased significantly to EUR 2.0 billion (2013: EUR 1.6 billion). The focus within this promotional line was the financing of wind turbine installations, rising to EUR 1.4 billion (2013: EUR 0.8 billion). This included commitments of EUR 0.8 billion (2013: EUR 0.3 billion) from a special loan program for investments of citizens and farmers in rural areas in wind turbine installations.

In the Agriculture promotional line, Rentenbank focused on financings for conventional agriculture-related capital investments, committing a total of EUR 2.7 billion in 2014 (2013: EUR 2.8 billion). Of that amount, EUR 1.1 billion (2013: EUR 1.2 billion) related to special promotional loans granted with particularly low interest rates to groups such as young farmers. The bank provided EUR 1.3 billion (2013: EUR 1.5 billion) for buildings (particularly buildings for livestock), EUR 634.6 million (2013: EUR 577.0 million) for investments in machinery, and EUR 625.1 million (2013: EUR 571.4 million) for land purchases.

Rentenbank also promotes rural development, mainly by financing municipal infrastructure measures. Overall, Rentenbank granted EUR 1.6 billion (2013: EUR 2.1 billion) via its programs 'Räumliche Strukturmaßnahmen' and 'Leben auf dem Land', and within its global refinancing agreements with the promotional banks of federal states.

Issuing activities in 2014: Banks remain most important investor group

Rentenbank raised medium and long-term funding of EUR 10.9 billion (2013: EUR 10.2 billion) in the domestic and foreign capital markets to refinance its promotional business. 48 % (2013: 46 %) of the funding volume was placed with banks to which the regulatory zero-risk weighting for Rentenbank's issues is of particular importance. Central banks and other official institutions also play an important role in the funding of the bank. They accounted for 31 % of total funding in 2014, almost reaching the level of 2013 (33 %).

The US dollar, accounting for 41 % (2013: 28 %) of the funding, took over as the most important issuance currency, replacing the euro, which accounted for 27 % (2013: 34 %). The Australian dollar (AUD) again ranked in third place with a share of 14 % (2013: 24 %). At the end of 2014, Rentenbank was the third-largest foreign issuer in the 'Kangaroo' market, the volume of its notes outstanding amounting to AUD 11.6 billion.

Special promotional loans share of the balance sheet continues to increase

Total assets (in accordance with the German Commercial Code (HGB)) increased by 2.3 % to EUR 80.1 billion in 2014 (end-2013: EUR 78.3 billion). Because Rentenbank generally extends loans via other banks due to its competition neutrality, its loans and advances to banks were the largest item on the asset side of the balance sheet, accounting for 64.3 % (end-2013: 63.9 %) of total assets or EUR 51.5 billion (end-2013: EUR 50.0 billion). The share of special promotional loans of the balance sheet continued to grow as disbursements exceeded redemptions. At end-2014 special promotional loans amounted to EUR 36.9 billion (end-2013: EUR 33.8 billion).

Securitized promotional business, which is reported on the balance sheet under 'Bonds and other fixed-income securities', amounted to EUR 19.0 billion (end-

2013: EUR 19.2 billion). The securities portfolio at end-2014 amounted to EUR 20.2 billion (end-2013: EUR 20.3 billion).

Securitized liabilities amounted to EUR 65.8 billion (end-2013: EUR 61.4 billion), representing the largest single item on the liabilities and equity side of the balance sheet. This included medium-term notes of EUR 47.3 billion (end-2013: EUR 46.4 billion), EUR 12.7 billion (end-2013: EUR 11.0 billion) of global bonds and EUR 5.7 billion (end-2013: EUR 4.0 billion) of commercial paper.

Own funds reported on the balance sheet (HGB) grew from EUR 4.1 billion at end-2013 to EUR 4.3 billion, of which EUR 2.6 billion (end-2013: EUR 2.4 billion) related to the fund for general banking risks.

Appropriation of profits in 2014: Distributable profit used for promotional purposes

The operating result before provision for loan losses and valuation as reported in accordance with HGB decreased to EUR 242.7 million in 2014, slightly below the level of the previous year (2013: EUR 248.7 million). This decline was largely attributable to the rise in administrative expenses resulting from increased regulatory requirements, but also to the slight decrease in net interest income.

Net income for the year after provision for loan losses and valuation increased to EUR 55.0 million (2013: EUR 53.0 million). The distributable profit remaining after additions to reserves amounted to EUR 13.8 million (2013: EUR 13.3 million) and was also utilized for promotional purposes by Rentenbank. Half of it was transferred to the Special Purpose Fund (Zweckvermögen) and the other half to the Promotional Fund (Förderungsfonds).

Rentenbank utilized EUR 73.9 million (2013: EUR 77.0 million) from its income to reduce the interest rates payable on its special promotional loans. It also provided grants of EUR 3.0 million (2013: EUR 3.0 million) for the 'research for innovations in agriculture' program.

The total income provided by Rentenbank for promotional purposes (promotional performance) in 2014 amounted to EUR 90.7 million (2013: EUR 96.3 million).

2014 IFRS financial statements: Slight increase in operating result

The IFRS-operating result for 2014 rose slightly by 2.1 % to EUR 243.9 million (2013: EUR 238.8 million). Lower expenses for the promotional contribution and a decrease in the allocation to the portfolio loan loss allowance compensated for lower net interest income and increased administrative expenses.

The Group's total comprehensive income of EUR 126.4 million at the end of 2014 was significantly down on the previous year (2013: EUR 704.6 million). The decrease is primarily attributable to measurement losses of EUR 183.5 million from fair value measurement and from hedge accounting (2013: measurement gains of EUR 221.2 million), and to a smaller increase in the revaluation reserve. The measurement losses were primarily the result of tighter credit spreads on the bank's own issuances. "Total comprehensive income continues to be characterized by volatile measurement results and is thus not meaningful," explained Hans Bernhardt, member of the Board of Managing Directors with responsibility for finance.

Capital ratios far in excess of requirements, even after introduction of CRR

Since January 1, 2014 capital ratios have been calculated in accordance with the Capital Requirement Regulation (CRR). A comparison with the previous year would therefore not be meaningful. Both the Tier 1 capital ratio of 16.4 % and the total capital ratio of 19.3 % for the Group at the end of 2014 were significantly above the statutory minimum requirements under CRR of 5.5 % and 8 % respectively.

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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 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.