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Press release

August 10, 2017

First half of 2017

Rentenbank's promotional business gains momentum as wind energy booms and agricultural markets stabilize

Frankfurt am Main. In the first half of 2017, Rentenbank extended low-interest special promotional loans of EUR 3.6 billion. Germany's development agency for agribusiness and rural areas was thus able to increase its new business in special promotional loans by 7.8% compared to the same period in 2016. This was propelled by growth in the Renewable Energy promotional line, which saw its loan commitments double.

„Wind energy is booming in rural areas. Concurrently, agricultural markets have stabilized. The latter is reflected in our Agriculture promotional line: demand for liquidity assistance loans has fallen significantly, while we see the pace of investments accelerating slightly," said Horst Reinhardt, Spokesman of Rentenbank's Board of Managing Directors.

In the Renewable Energy promotional line, new business in special promotional loans doubled, climbing from EUR 0.7 billion to EUR 1.5 billion. Of this volume, EUR 1.2 billion was accounted for by wind turbines (H1 2016: EUR 0.6 billion). Thereof, EUR 425 million (H1 2016: EUR 179 million) was attributable to the Community Wind Farms program, involving financial participation of local residents and farmers. The financing of photovoltaic installations and biogas plants also exceeded the figure for the previous year.

In the Agriculture promotional line, demand for loans for buildings and machinery as well as land finance was on the rise compared to the first half of 2016. However, new business in this promotional line declined by 2.7% to EUR 1.1 billion as only a small number of agricultural enterprises were in need of liquidity assistance loans. The demand dropped from EUR 89 million in the prior-year period to EUR 6 million in the first half of 2017.

In the Agribusiness promotional line, Rentenbank committed a total of EUR 443 million (H1 2016: EUR 508 million), primarily for machinery, buildings, and production inputs. In the Rural Development promotional line, new business of EUR 533 million was also below the previous year's high figure (H1 2016: EUR 906 million).

EUR as the main issuance currency

To refinance its promotional business, Rentenbank raised EUR 7.2 billion in medium and long-term funding in the first half of 2017 (H1 2016: EUR 7.4 billion). The funding volume thus covered approximately two-thirds of the planned EUR 11 billion target for 2017. The Euro Medium Term Note program (EMTN) remained the most important funding instrument, contributing EUR 5.9 billion (H1 2016: EUR 6.9 billion) or more than 80% to total funding. In the first half of 2017, EUR was the largest source of funding, representing 63% (H1 2016: 39%) of total issuance. It was followed by USD and AUD, accounting for 12% (H1 2016: 37%) and 11% (H1 2016: 5%) of the funding volume, respectively.

Earnings remain satisfactory

In the first half of 2017, the operating profit before provision for loan losses and valuation (in accordance with the German Commercial Code, HGB) amounted to EUR 112.5 million, down by 17.8% compared to the prior-year period (H1 2016: EUR 136.9 million). Net interest income fell by 7.0% to EUR 152.8 million in the first half of 2017 (H1 2016: EUR 164.3 million), mainly due to higher margins on maturing securities and loans, and lower margins within new business in standard promotional loans and securitized promotional business, as well as higher expenses on the promotional contribution for the special promotional loans. Administrative expenses increased by 8.3% to EUR 34.1 million, largely driven by higher expenses related to IT projects, banking supervision, and personnel. Other operating income/expenses decreased by EUR 9.9 million year-on-year, the first half of 2016 having been marked by one-off effects. In contrast, there were no corresponding one-off effects in the first half of 2017.

Net interim income increased significantly to EUR 188.4 million (H1 2016: EUR 136.1 million). Apart from the operating profit before provision for loan losses and valuation (down on H1 2016), it included positive one-off effects of

EUR 75.9 million in total (H1 2016: EUR -0.8 million). A parameter change led to a significant reduction in the portfolio valuation allowance by EUR 15.0 million to EUR 3.6 million. Furthermore, an intragroup transaction as well as the sale of EU government bonds, which was conducted to further mitigate credit risk, resulted in one-off income of EUR 60.9 million.

Continued growth in total assets

Total assets (HGB) stood at EUR 87.5 billion at the end of June 2017, a slight increase compared to EUR 86.3 billion at year-end 2016. Loans and advances to banks, including cash and balances with central banks, rose to EUR 59.1 billion (December 31, 2016: EUR 57.8 billion), accounting for 68% of total assets (December 31, 2016: 67%). Securitized liabilities of EUR 72.8 billion (December 31, 2016: EUR 70.0 billion) were the largest item on the liability and equity side of the balance sheet, representing a share of 83% (December 31, 2016: 81%). Own funds reported on the balance sheet (including subordinated liabilities) decreased by 4.3% compared to year-end 2016, due to maturing subordinated liabilities. As of June 30, 2017, own funds reported on the balance sheet amounted to EUR 4.7 billion.

Operating profit under IFRS

As key drivers of operating profit, net interest income declined and administrative expenses rose in line with the changes reported under HGB. In accordance with IFRS, the one-off effects arising from the sale of government bonds and the reversal of allowance for credit losses were taken into account in the operating profit, which thus saw an overall increase.

Improved capital ratios

Compared to year-end 2016, the capital ratios in accordance with the Capital Requirement Regulation (CRR) increased, resulting from the addition of the previous year's net profit in Q2 2017. The Tier 1 capital ratio strengthened to 26.7% (December 31, 2016: 23.2%), the total capital ratio to 29.0% (December 31, 2016: 25.7%). Both ratios were thus well in excess of the regulatory requirements applicable to Rentenbank.

The leverage ratio increased to 4.5% (December 31, 2016: 4.0%), mainly owing to the addition of the previous year's net profit to Tier 1 capital. It was thus above the proposed regulatory minimum of 3.0%, which is currently being discussed in the context of the adoption of CRR II.

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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.