



rentenbank

Press release

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Rentenbank awards more promotional loans for agribusiness and rural development - wind power remains sluggish

Frankfurt. 2018 saw Rentenbank's new promotional business drop when compared with the prior-year level. The main reason for this was a sharp decline in wind power financing resulting from a change to the Renewable Energy Sources Act (EEG). New business was virtually stable in the Agriculture promotional line, while it rose in the Agribusiness and Rural Development promotional lines. The Management Board of Germany's development agency for agribusiness and rural areas was pleased with the results overall. 'The 2018 business year has shown that Rentenbank's promotional loans continue to be attractive for all types of investment in agriculture and rural areas,' underlined Horst Reinhardt, Chairman of the Management Board at Rentenbank.

In the first three months of the current year, the decline in wind power financing continued. Overall, new business with special promotional loans in the first quarter of 2019 was around EUR 1.5 billion, slightly below the level of the respective prior-year period (EUR 1.6 billion in 2017). Rentenbank's funding volume reached EUR 4.4 billion in the first three months of 2019, meaning that already 40% of the bank's planned funding for the year has been achieved.

EUR 6.7 billion in new business from special promotional loans in 2018

New business from special promotional loans slipped in 2018 from EUR 7.4 billion in the previous year to EUR 6.7 billion. The sharp decline in wind power financing was the main reason for this. Therefore, the demand for special promotional loans in the Renewable Energy promotional line fell substantially to EUR 1.4 billion (EUR 2.4 billion in 2017). However, the bank compensated in part for this drop with increases in the Agribusiness and Rural Development promotional lines.

In the Agriculture promotional line, new business remained virtually stable. This is where Rentenbank primarily funds standard agricultural investments. The promotional bank provided EUR 736 million (EUR 789 million in 2017) for buildings, in particular for livestock housing, EUR 580 million (EUR 558 million in

2017) for investments in machinery and EUR 490 million (EUR 539 million in 2017) for land purchases. The extreme weather conditions in 2018 pushed up the demand for Rentenbank liquidity assistance loans to EUR 31 million (EUR 11 million in 2017). All in all, new business in the Agriculture promotional line dropped marginally from EUR 2.2 billion to EUR 2.1 billion.

By contrast, in the Rural Development promotional line, Rentenbank pledged a higher volume of EUR 2.0 billion in loans than the previous year (EUR 1.8 billion in 2017). In this line, the bank primarily supports public sector infrastructure projects, through global funding agreements with the promotional banks of the *Länder* (German federal states) for instance.

In the Agribusiness promotional line, Rentenbank targets businesses operating upstream and downstream from agriculture. New business from promotional loans further increased and amounted to EUR 1.2 billion in 2018 (EUR 1.1 billion in 2017).

Rentenbank's new business in registered bonds, promissory notes and securities funding banks, savings banks, and local authorities connected with rural areas fell to EUR 3.6 billion (EUR 4.4 billion in 2017). Consequently, Rentenbank's overall new promotional business amounted to EUR 10.3 billion (EUR 11.9 billion in 2017).

Banks remain key investor group

In order to fund its promotional loans, Rentenbank raised medium to long-term capital market funds in 2018 in the amount of EUR 11.3 billion (EUR 12.4 billion in 2017) on the capital markets. Commercial banks were apportioned 39% (39% in 2017) of the funds acquired. The second most important investor group comprised central banks and other public sector entities. Their share fell to 29% (34% in 2017). In 2018, the euro remained Rentenbank's most important issuing currency with a share of 54% (57% in 2017) while the US dollar contributed 24% (19% in 2017) to the funding volume.

Further increase in the proportion of special promotional loans on the balance sheet

As of December 31, 2018, the balance sheet total amounted to EUR 90.2 billion (EUR 90.8 billion in 2017). As Rentenbank provides its loans via other banks and savings banks on a competitively neutral basis, the loans to banks with EUR 60.1 billion (EUR 60.5 billion) and/or a share of 67% (67% in 2017) carry particular weight on the asset side of the balance sheet. The special promotional loans amounted to EUR 44.8 billion at the 2018 year end (EUR 44.4 billion in 2017).

On the liabilities side of the balance sheet, the securitized liabilities formed the largest individual item at EUR 76.6 billion (EUR 76.9 billion in 2017). This comprises medium-term notes in the amount of EUR 60.1 billion (EUR 53.2 billion in 2017), EUR 10.6 billion (EUR 12.0 billion in 2017) in global bonds and EUR 5.3 billion (EUR 11.2 billion in 2017) in Euro Commercial Papers.

Fall in operating profit

Due to the on-going low interest rate environment, net interest income fell in the 2018 financial year to EUR 295.1 million (EUR 305.6 million in 2017). At the same time, administrative expenditure increased to EUR 71.8 million (EUR 69.3 million in 2017), which was specifically due to increased costs for staff and banking supervision. Operating profit before provision for loan losses and valuation dropped to EUR 207.1 million (EUR 223.8 million in 2017). Within the context of provision for loan losses, the bank's capital was further reinforced by the increase of open and hidden reserves. After provision for loan losses and valuation, the annual net profit increased to EUR 63.0 million (EUR 61.0 million in 2017). After allocating funds for the reserves, a distributable profit in the amount of EUR 15.8 million (EUR 15.3 million in 2017) remained, which Rentenbank puts entirely toward promotional purposes.

Slight increase in promotional contributions

In 2018, the promotional contributions made by the German development agency for agribusiness and rural areas, including the distributable profit, came to a total of EUR 84.2 million (EUR 83.4 million in 2017). This amount was used to reduce the interest rates on special promotional loans, for grants towards the 'Research on Agricultural Innovation' programme as well as other promotional purposes.

Capital base strengthened

Rentenbank further bolstered its capital base. The Tier 1 capital ratio amounted to 29.7% (27.8% in 2017) and the total capital ratio to 31.2% (29.7% in 2017) as of December 31, 2018.

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Background information:

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

This press release contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of the Management Board 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.