



rentenbank

Press Release

February 1, 2019

Fiscal Year 2018: Sluggish wind power financings trigger lower demand for promotional loans from Rentenbank

Frankfurt. In 2018, Landwirtschaftliche Rentenbank saw falling demand for its special promotional loans, albeit from the high level registered in the previous year. This decrease was attributable to a sharp decline in wind power financings set off by an amendment to the German Renewable Energy Sources Act. The decline could only partially be compensated for by growth in the Agribusiness and Rural Development promotional lines. New business in the Agriculture promotional line remained largely stable. Overall, new business with special promotional loans from Germany's development agency for agribusiness and rural areas dropped to a total of EUR 6.7 billion (2017: EUR 7.4 billion).

Promotional business for machinery increased

At EUR 2.1 billion (2017: EUR 2.2 billion), the Agriculture promotional line accounted for the largest share of the total new business in special promotional loans in 2018. While the demand for financing of machinery rose, the demand for financing of buildings and land declined.

As a result of the extreme weather events in 2018, demand for liquidity assistance loans rose to EUR 30.8 million (2017: EUR 11.2 million). "Many enterprises were hit hard by the extreme weather conditions last year. We opened our Liquidity Assistance program in June 2018 in order to help them cope with liquidity shortages. However, these shortages often take a while to materialize, which is why the program will remain open for applications until at least December 2019," said Horst Reinhardt, Chairman of the Management Board of Rentenbank.

Rentenbank's Agribusiness promotional line is geared towards companies in agricultural upstream and downstream industries. New business continued to grow and amounted to EUR 1.2 billion (2017: EUR 1.1 billion) in 2018. Just as in the Agriculture promotional line, the financing needs for machinery increased significantly.

The demand for special promotional loans in the Rural Development promotional line increased as well. In 2018, new promotional loans amounted to almost EUR 2.0 billion (2017: EUR 1.8 billion). One reason was the higher demand for global loans from the promotional institutions of the federal states, which are used in particular to finance infrastructure measures in rural areas.

The demand for loans in the Renewable Energy promotional line declined, however, drastically. After new promotional business had risen sharply to EUR 2.4 billion in 2017, it accounted for only EUR 1.4 billion in 2018. This was mainly due to changes in the German Renewable Energy Sources Act and the associated substantial decline in financing of wind power. By contrast, the demand for the financing of photovoltaic installations more than doubled. The demand for promotional loans for biogas plants also rose significantly.

Slight increase in promotional contributions

In 2018, Rentenbank used EUR 63.2 million from its own income to reduce interest rates of its special promotional loans. Rentenbank also used all of the distributable profit of EUR 15.8 million for promotional purposes. In addition, EUR 5.0 million was allocated to the Research on Agricultural Innovation program. Including other promotional items, Rentenbank's overall promotional contributions totaled EUR 84.2 million (2017: EUR 83.4 million) in 2018.

Euro Medium Term Notes once again most important funding instrument

Rentenbank raised capital market funds of EUR 11.3 billion (2017: EUR 12.4 billion) with maturities of more than two years in 2018. As in the previous year, the euro was the most important issuance currency with a share of 54 % followed by the US dollar with 24 %. 83 % of Rentenbank's issues were placed with foreign investors. With a share of 39 %, commercial banks were the most important investor group. The Euro Medium Term Note program contributed EUR 9.7 billion (2017: EUR 9.4 billion) or 86 % to the total funding amount. Rentenbank continues to benefit from its excellent market access in all maturities.

Reduced operating profit

The preliminary operating result before provision for loan losses and valuation was down by 7.5 % to EUR 207.1 million (2017: EUR 223.8 million). This was partly

due to the 3.4 % reduction in net interest income to EUR 295.1 million (2017: EUR 305.6 million). The prolonged low-interest-rate environment had a negative impact on the asset margins as well as on the returns achievable on the investments of Rentenbank's own funds. Administrative expenses rose by 3.6 % to EUR 71.8 million (2017: EUR 69.3 million), mainly because of increased expenses for personnel and in connection with banking supervision.

After provision for loan losses and valuation as well as allocation to reserves, the Management Board expects to report net income of EUR 63.0 million for 2018 (2017: EUR 61.0 million).

Total assets almost unchanged – capital ratios increased

As at December 31, 2018, total assets amounting to EUR 90.2 billion remained almost unchanged compared to end of 2017 (EUR 90.8 billion). However, Rentenbank increased its capital ratios pursuant to the EU's CRR banking regulation again. The Tier 1 capital ratio rose to 29.7 % end of 2018 (end-2017: 27.8 %) and the total capital ratio to 31.2 % (end-2017: 29.7 %). The ratios thus remained well above the regulatory requirements for Rentenbank.

Internet: www.rentenbank.de

Contact:

*Dr. Christof Altmann, Tel.: +49 69/2107-393, Fax: + 49 69/2107-6447,
E-mail: altmann@rentenbank.de*

Service:

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.

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.