



rentenbank

Press release

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First half of 2018

Rentenbank: Promotional loans for machinery and buildings particularly in demand, wind energy financing faces headwinds

Frankfurt. In the first half of 2018, Landwirtschaftliche Rentenbank extended low-interest special promotional loans of EUR 3.3 billion (H1 2017: EUR 3.6 billion). The decline was almost entirely attributable to a lower volume of wind turbine financing. In contrast, Germany's development agency for agribusiness and rural areas saw growth in its Agribusiness and Rural Development promotional lines.

"With our promotional activities, we support agribusiness and rural areas. Both are crucial to the balanced development of the German economy and society at large," said Horst Reinhardt, Spokesman of Rentenbank's Board of Managing Directors.

Slight decline in new promotional business

In the first half of 2018, new business in the Agriculture promotional line decreased by 5% to EUR 1.0 billion. While demand for machinery loans grew to EUR 288 million (H1 2017: EUR 279 million), the volume of financing for buildings remained nearly flat at EUR 377 million (H1 2017: EUR 380 million). In contrast, land financing dropped to EUR 237 million (H1 2017: EUR 271 million).

In the Agribusiness promotional line, new business increased significantly by 44% to EUR 637 million (H1 2017: EUR 443 million), mostly propelled by stronger demand for loans for machinery and buildings.

New business in the Rural Development promotional line was also considerably above the prior-year level, amounting to EUR 803 million (H1 2017: EUR 533 million). This was driven by higher demand from the promotional banks of the federal states for Rentenbank's global loans, which are primarily used to finance rural infrastructure.

In contrast, new business in the Renewable Energy promotional line decreased as expected, dropping to EUR 669 million (H1 2017: EUR 1,481 million). Changes in the German Renewable Energy Sources Act (EEG) led to a significant decline in demand, especially for wind energy financing. New business of EUR 270 million (H1 2017: EUR 1,241 million) amounted to only about 22% of the volume achieved in the first half of 2017.

Compared with the first half of 2017, total new promotional business decreased by roughly 22% to EUR 5.2 billion. In addition to special promotional loans, this also includes funding for banks, savings banks, and local authorities related to rural areas through registered bonds, promissory notes, and securities.

EUR remains the major issuance currency

To refinance its promotional business, Rentenbank raised EUR 7.8 billion with maturities of more than two years in the capital markets in the first half of 2018 (H1 2017: EUR 7.2 billion). The funding volume thus covered more than two-thirds of the planned EUR 11 billion target for 2018. EUR remained the largest source of funding, continuing to account for 63% of total issuance. It was followed by USD and AUD, representing 22% (H1 2017: 12%) and 6% (H1 2017: 11%) of the funding volume, respectively. With a share of 37% (H1 2017: 43%), commercial banks remained the

main investors, followed by central banks with a share of 31% (H1 2017: 41%).

Total assets virtually unchanged

Total assets stood at EUR 90.2 billion at the end of June 2018, almost reaching the level recorded at year-end 2017 (December 31, 2017: EUR 90.8 billion). Loans and advances to banks, including cash and balances with central banks, rose to EUR 60.8 billion (December 31, 2017: EUR 60.6 billion), accounting for 67% (December 31, 2017: 67%) of total assets. Securitized liabilities of EUR 76.1 billion (December 31, 2017: EUR 76.9 billion) were the largest item on the liability and equity side of the balance sheet, representing a share of 84% (December 31, 2017: 85%). Equity (excluding interim net income), including the fund for general banking risks, amounted to EUR 4,430.1 million as of June 30, 2018. It was thus EUR 15.3 million or 0.3% lower than at year-end 2017, attributable to the distribution of the bank's net profit for 2017.

Earnings remain satisfactory

The operating profit before provision for loan losses and valuation amounted to EUR 104.1 million in the first half of 2018, down 7.5% compared with the corresponding figure in the first half of 2017 (EUR 112.5 million).

Net interest income decreased by 4.3% to EUR 146.2 million (H1 2017: EUR 152.8 million). This was mainly due to a decline in net interest income in the Capital Investment segment since the reinvestment rates of maturing own funds investments no longer achieved the level of returns generated by the previous investments. Administrative expenses increased slightly by 1.5% to EUR 34.6 million, driven primarily by higher expenses for personnel and banking supervision.

Interim net income of EUR 104.4 million (H1 2017: EUR 188.4 million) showed a significant year-on-year decline, since the corresponding figure in the first half of 2017 had been marked by positive one-off effects of EUR 75.9 million.

Further increase in capital ratios

Compared to year-end 2017, Rentenbank's capital ratios in accordance with the Capital Requirements Regulation (CRR) continued to increase moderately in the first half of 2018. The tier 1 capital ratio strengthened to 28.4% (December 31, 2017: 27.8%) and the total capital ratio increased to 30.0% (December 31, 2017: 29.7%). Both ratios were thus well in excess of the regulatory requirements applicable to Rentenbank.

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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.

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.