



rentenbank

Press release

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Fiscal year 2017: Promotional lending for renewable energy gathers pace

Landwirtschaftliche Rentenbank, based in Frankfurt am Main, reported continued high demand for its promotional loans in the fiscal year 2017. Germany's development agency for agribusiness and rural areas saw its new promotional business nearly reach the prior year's high level, totaling EUR 11.9 billion in 2017 (2016: EUR 12.4 billion). New business in special promotional loans amounted to EUR 7.4 billion (2016: EUR 7.7 billion). Renewable energy financing showed particularly strong growth.

"With our promotional activities, we help agricultural companies to remain economically competitive and at the same time to meet the ever-increasing requirements for climate protection and animal welfare," said Horst Reinhardt, Spokesman of Rentenbank's Board of Managing Directors.

Promotional loans for wind energy in strong demand

In the Renewable Energy promotional line, new business in special promotional loans increased significantly in 2017, growing by some 23 % to EUR 2.4 billion (2016: EUR 1.9 billion). This was mostly attributable to wind turbine finance: Rentenbank committed EUR 1.7 billion for wind energy projects, an increase of around 14 % compared with the previous year. While promotional loans for photovoltaic installations more than doubled to EUR 225 million, demand for the financing of biogas plants increased by a quarter to EUR 396 million.

Rentenbank's Agribusiness promotional line is geared towards companies in agricultural upstream and downstream industries. New business in this promotional line increased by around 10 % to EUR 1.1 billion (2016: EUR 954 million), particularly driven by a strong financing need for machinery.

In contrast, new business in the Agriculture promotional line decreased by around 7 % to EUR 2.2 billion (2016: 2.4 billion). The decline was primarily due to falling demand for liquidity assistance loans as economic conditions in agriculture improved.

Promotional contribution remains stable

In 2017, Rentenbank used EUR 64.0 million to reduce interest rates on special promotional loans. The bank also uses the distributable profit of EUR 15.3 million intended for distribution for promotional purposes, as prescribed by Rentenbank's Governing Law. In addition, Rentenbank provided EUR 4.0 million as grants for the Research on Agricultural Innovation program. The promotional contribution for 2017, including other promotional contributions, totaled EUR 83.4 million (2016: EUR 84.2 million).

Funding activities: EUR as the main issuance currency

In fiscal year 2017, Rentenbank raised EUR 12.4 billion of medium and long-term funding in the capital markets (2016: EUR 12.7 billion). Of the nine issuance currencies, EUR was the largest source of funding, representing 57 % (2016: 32 %) of total issuance. It was followed by USD with a share of 19 % (2016: 50 %). The share of foreign investors amounted to 77 % (2016: 82 %). Of the issuance volume, 39 % (2016: 47 %) was placed with commercial banks and 34 % (2016: 32 %) with central banks. The Euro Medium Term Note program remained the most important medium and long-term funding instrument, contributing EUR 9.4 billion (2016: EUR 9.0 billion) or 76 % (2016: 71 %) to total funding.

Decline in operating profit

The preliminary operating profit before provision for loan losses and valuation, reported in accordance with the German Commercial Code (HGB), decreased by 12 % to EUR 223.8 million (2016: EUR 254.4 million). This was attributable, among other things, to a 4.1 % decline in net interest income to EUR 305.6 million (2016: EUR 318.7 million). This reflects the large number of maturities with attractive margins that can no longer be achieved in new business. Administrative expenses increased by 13.4 % to EUR 69.3 million (2016: EUR 61.1 million), mostly owing to rising expenses for IT projects, personnel, and banking supervision.

After provision for loan losses and valuation as well as allocation to reserves, the Board of Managing Directors expects to report net income of EUR 61.0 million for 2017 (2016: EUR 59.0 million).

Growth in total assets

According to initial calculations, total assets (reported in accordance with HGB) amounted to EUR 90.8 billion at year-end 2017 (December 31, 2016: EUR 86.3 billion). Loans and advances to banks increased to EUR 60.5 billion (2016: EUR 57.8 billion). In contrast, the securities portfolio decreased to EUR 15.9 billion (2016: EUR 17.8 billion). Securitized liabilities rose to EUR 76.9 billion (2016: EUR 70.0 billion). Equity as reported on the balance sheet, plus the fund for general banking risks, increased to EUR 4.4 billion (2016: EUR 4.3 billion).

Solid capital base

While Rentenbank previously also prepared voluntary consolidated financial statements in accordance with IFRS, the bank will only prepare annual financial statements in accordance with the provisions of the German Commercial Code (HGB) from the fiscal year 2017 onwards. Therefore, the bank's capital ratios, which were reported for 2016 pursuant to IFRS, are now reported in accordance with HGB. Compared with the previous year, Rentenbank continued to strengthen its solid capital base in 2017. As of December 31, 2017, the Common Equity Tier 1 capital ratio (reported in accordance with HGB) was 27.8 % and the total capital ratio 29.7 %.

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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. The bank provides funds 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.

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.