



rentenbank

Press release

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Fiscal Year 2019 – Increase in new promotional business for agriculture

Frankfurt. Rentenbank can look back at 2019 as a year for strong promotional business. Within its core Agriculture promotional line, Rentenbank saw new business in its attractive low-interest special promotional loans increase by 2.7%. By contrast, the Renewable Energy promotional line experienced a decline. As a result, new business in special promotional loans dropped overall by around 10% to EUR 6.0 billion. Nevertheless, Rentenbank increased its total new promotional business by nearly 3% to EUR 10.6 billion.

'Given the drought and the negative interest rate environment, 2019 was not an easy year for the agricultural sector or banks. Our sustainable business model has proved itself even in these conditions. We were in a position to support more investments in agriculture than in the previous year, largely due to our excellent access to the capital markets,' said Horst Reinhardt, Chairman of the Management Board at Rentenbank.

Promotional funding increased for agriculture

2019 saw the lion's share of new promotional business go to the Agriculture promotional line with EUR 2.2 billion of special promotional loans (EUR 2.1 billion in 2018). While the demand for financing for machinery and land purchases increased, demand for promotional loans for buildings was slower.

In the Agribusiness promotional line, Rentenbank targets businesses operating upstream and downstream from agriculture. In this area, new promotional business remained stable at the prior-year level of EUR 1.2 billion, while funding for operating materials and equipment, and machinery increased, the demand for funding for buildings tapered off.

By contrast, the demand for special promotional loans within the Renewable Energy promotional line tailed off sharply. After new business levels were at EUR 1.4 billion in 2018, new business in 2019 only achieved EUR 0.9 billion. Changes to German Renewable Energy Sources Act (*Erneuerbare Energien Gesetz*) were behind this as was the case the previous year. Faltering authorisation processes compounded the decline in the expansion of wind energy on land. The demand for promotional loans for solar and biogas plants also slowed.

Likewise, new business in Rural Development promotional line weakened. It amounted to EUR 1.7 billion (EUR 2.0 billion in 2018). This was due to a decline in demand from the federal states' promotional banks for Rentenbank global loans, used for financing infrastructure projects in rural areas.

In the Forestry promotional line launched in the middle of 2019, new business amounted to EUR 25 million.

Euro medium term notes (EMTN) remain the most important funding instruments

In the 2019 financial year, Rentenbank raised EUR 10.3 billion of capital market funds with maturities of over two years (EUR 11.3 billion in 2018). As in the previous year, the euro was the most important currency of issuance with a share of 59%, followed by the pound sterling with 17% and the US dollar with 16%. 85% of Rentenbank issuances were placed with foreign investors. Commercial banks and central banks jointly made up our most important investors with 82% of the volume placed. The EMTN programme contributed 87% (EUR 9.0 billion) to the overall issuance volume (EUR 9.7 billion in 2018). Rentenbank continued to benefit across all its maturities from its excellent access to the market.

Enhanced operating profit with stalwart cost efficiency

The preliminary operating profit before provision for loan losses and valuation was slightly above the level of the previous year at EUR 210.1 million (EUR 207.1 million in 2018); this was specifically because the net interest income increased to EUR 300.6 million (EUR 295.1 million in 2018). Administrative expenses increased only marginally by 1.5% to EUR 72.9 million (EUR 71.8 million in 2018) mainly due to increased staff expenses.

'Our cost income ratio is only around 30% thanks to our streamlined processes and clear focus on our statutory promotional mandate. This low ratio underscores just how efficiently our banking operations are organised,' stressed Reinhardt.

Capital ratios at a constant high level

Rentenbank's capital ratios which are based on the EU CRR (Capital Requirements Regulation) have hardly changed. At year-end, the Tier 1 capital ratio increased to 30.1% (29.7% in 2018) while the aggregated capital ratio remained almost stable at 31.1% (31.2% in 2018). Therefore, the ratios continued to be significantly above the applicable regulatory requirements for Rentenbank.

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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 loans at favourable interest rates for agriculture-related investments via other banks on a competitively neutral basis. Rentenbank provides funding for banks, savings banks, and local authorities which are 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. It is subject to the German Banking Act (KWG) and is regulated by the Federal Financial Supervisory Authority (BaFin) and the Bundesbank. The bank is one of the few triple-A rated institutions in Germany and raises funds primarily in the international capital markets. Rentenbank does not receive any funds from the federal government budget but generates its own funds to keep fulfilling its statutory promotional mandate and its operations running.

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 required to update forward-looking statements after their publication.