



Press release

August 22, 2019

First half of 2019

Rentenbank: More promotional loans for agriculture and rural areas, capital ratios further increased

Frankfurt. In the first half of 2019, Rentenbank granted special promotional loans in the amount of EUR 3.2 billion (EUR 3.3 billion in the first half of 2018). Germany's development agency for agri-business and rural areas made gains in the Agriculture and Rural Development promotional lines. However, the demand for wind farm financing dwindled again. Total new business in special promotional loans and in the form of registered bonds, promissory notes, and securities with a link to rural areas increased to EUR 5.8 billion in the first half of 2019.

New business in special promotional loans remained stable overall

In the Agriculture promotional line, new business in the first six months of 2019 amounted to EUR 1.1 billion which was above the level of the first six months of 2018 (EUR 1.0 billion). Whereas financing of buildings fell to EUR 346.6 million Euro (EUR 376.6 million in H1 2018), the financing of land purchases increased to EUR 261.8 million (EUR 236.8 million in H1 2018). In addition, the demand for financing of machinery was EUR 308.0 million which is more than in the previous year (EUR 288.3 million in H1 2018).

In the Rural Development promotional line, new business increased to EUR 881.3 million (EUR 802.8 million in H1 2018). The reason for this was a greater demand from the federal states' promotional institutions for Rentenbank global loans. They are mainly used to fund infrastructure projects in rural areas.

By contrast, new business in the Agribusiness promotional line dropped to EUR 582.7 million (EUR 637.4 million in H1 2018) as the financing volume for buildings and machinery was on a downward trend.

The development of the Renewable Energy promotional line continued to be affected by changes to the German Renewable Energy Act. As expected, new business in financing of wind farms declined even further. At EUR 126.4 million (EUR 269.5 million in H1 2018), it came in at only just under half of the level when compared with the corresponding period for 2018. Photovoltaics and biogas were also not so much in demand. Overall, new business in this promotional line tapered off to EUR 503.6 million (EUR 669.5 million in H1 2018).

In May 2019, Rentenbank consolidated its promotion of forestry into one separate promotional line. This allows Rentenbank to focus on the challenges within forestry in a much more targeted way and to support initiatives which allow the forest to be brought into harmony with its environment and render it more robust.

Share of the euro as an issuance currency increased

In order to fund its promotional loans, Rentenbank raised funds on the capital markets with maturities of more than two years in the first six months of 2019 in the amount of EUR 6.4 billion (EUR 7.8 billion in H1 2018). As such, the bank already achieved more than half of its planned issuance volume of EUR 11 billion for 2019. The euro remained the most important issuance currency. Its share of the funding volume increased to 74% (63% in H1 2018), followed by the pound sterling at 15% (4% in H1 2018). Commercial banks followed by central banks continued to be the most important investors with a 43%-share (37% in H1 2018) and a 36%-share (31% in H1 2018) of the funding volume respectively.

Total assets virtually unchanged

At EUR 91.1 billion, total assets were scarcely above the 2018 year-end level of EUR 90.2 billion. Loans to banks (including cash and balances with central banks) rose to EUR 60.7 billion (EUR 60.2 billion as of Dec 31, 2018) and achieved a share of 67% (67% as of 2018) of the total assets.

On the liabilities side of the balance sheet, the securitized liabilities formed the largest individual item at EUR 78.0 billion (EUR 76.6 billion as of Dec 31, 2018), a share of 86% (85% as of Dec 31, 2018). Equity including the fund for general banking risks amounted to EUR 4,522.8 million as of 30 June 2019 and was therefore at 2018's year-end level.

Earnings trend continues to be satisfactory

Operating profit before provision for loan losses and valuation amounted to EUR 96.5 million in the first half year of 2019, below the level of the previous year (EUR 104.1 million in H1 2018). The net interest income dropped to EUR 140.0 million (EUR 146.2 million in H1 2018). This was due to the lingering low-interest environment. Administrative expenses increased to EUR 37.5 million, due to higher regulatory charges relating to the bank levy and banking supervision. In line with the operating profit, the interim net income was below the value for the corresponding period at EUR 96.6 million (EUR 104.4 million in H1 2018).

Capital ratios further increased

Rentenbank slightly increased its capital ratios based on the EU Capital Requirements Regulation (CRR) further in the first half year of 2019 in comparison with the 2018 year end. The Tier 1 capital ratio amounted to 30.3% (29.7% as of Dec 31, 2018) and the aggregated capital ratio to 31.6% (31.2% as of Dec 31, 2018). The ratios therefore 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 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 with regard 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). 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.