



rentenbank

Press release

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Rentenbank proves a reliable funding partner with robust performance amid pandemic

Frankfurt. Rentenbank's first six months of 2020 were characterised by the coronavirus pandemic. Germany's development agency for agribusiness and rural areas opened up its Liquidity Assistance Programme to affected enterprises and has introduced a guarantee programme in collaboration with the Federal Ministry of Food and Agriculture. The demand for Rentenbank low interest promotional loans remained steady. Total new promotional business rose by 15.6% to EUR 6.8 billion. Capital ratios, collateralisation and quality of the lending portfolio as well as the efficiency of Rentenbank's banking operations remained constantly high.

Demand for promotional loans stable

In the Rural Development promotional line, demand from federal states' promotional institutions for Rentenbank global loans was significantly higher. New business in this line increased by a good quarter to EUR 1,124 million (EUR 881 million in H1 2019; hereinafter, figures in brackets refer to the respective prior-year period or date).

By contrast, a certain investment reserve was palpable in the Agriculture promotional line. Rentenbank granted loans amounting to EUR 986 million (EUR 1,088 million). While there was slightly stronger demand for funding of machinery, the demand for funding of livestock housing and land purchases tailed off.

In the Agribusiness promotional line, Rentenbank targets enterprises operating upstream and downstream from agriculture. Here, Rentenbank granted promotional loans of EUR 540 million; in the first half of the previous year, it was EUR 583 million.

The development of the Renewable Energy promotional line continued to be shaped by changes to the German Renewable Energy Act in 2016 and

2017. As anticipated, funding for wind, photovoltaic and biogas power plants was less sought-after. New business hit EUR 341 million (EUR 504 million).

Given the economic impact of the coronavirus pandemic on agribusiness, Rentenbank opened up its Liquidity Assistance Programme to affected enterprises in March 2020. From April 2020, Rentenbank has also been providing guaranteed loans to safeguard liquidity in collaboration with the Federal Ministry of Food and Agriculture. In the first half of 2020, Rentenbank granted Liquidity Assistance loans amounting to EUR 18.1 million (EUR 6.7 million).

'We were quick to respond to this crisis with our Liquidity Assistance Programme. These difficult times have shown how robust and reliable we are as a funding partner to companies in agribusiness and rural areas,' stressed Dr Horst Reinhardt, chairman of Rentenbank's Management Board.

In the first half of 2020, the demand for low interest special promotional loans reached EUR 3.14 billion (EUR 3.18 billion). There was an increase to EUR 6.8 billion (EUR 5.9 billion in 2019) in total new promotional business, which also comprises financing local authorities and banks in rural areas via registered bonds, promissory notes and securities.

US Dollar becomes most important currency of issuance

In order to fund its promotional activities, Rentenbank raised funds on the capital markets with maturities of more than two years in the first six months of 2020 in the amount of EUR 6.9 billion (EUR 6.4 billion). As such, the Bank already achieved more than half of its planned issuance volume of EUR 11 billion for 2020. The most important currency of issuance was the US dollar. Its share of the funding volume increased to 56% (4%), followed by the euro at 25% (74%). Commercial banks and central banks continued to be the most important investors with a 51%-share (43%) and a 37%-share (36%) of the funding volume respectively.

Increase in total assets

At the end of June 2020, total assets were at EUR 94.1 billion, i.e. above the 2019 year-end level of EUR 90.9 billion. This included promotional

loans in the amount of EUR 43.6 billion (EUR 43.6 billion). As at 30 June 2020, capital including the fund for general banking risks was at EUR 4.6 billion – the same level as at the end of 2019.

Improved operating profit

Operating profit before provision for loan losses and valuation amounted to EUR 102.2 million in the first half year of 2020, above the corresponding prior-year level (EUR 96.5 million). Net interest income increased to EUR 144.0 million (EUR 140.0 million). Administrative expenses reduced to EUR 35.9 million (EUR 37.5 million) which was mainly due to the removal of the bank levy. In line with operating profit, interim net income rose to EUR 102.1 million (EUR 96.6 million).

Capital ratios at a constantly high level

Rentenbank's capital ratios based on the EU Capital Requirements Regulation (CRR) remained strong to the half-year end 2020. The Tier 1 capital ratio was at 30.0% (30.1%) and the total capital ratio at 30.7% (31.1%). The ratios will therefore also cover any conceivable increase to capital requirements.

Highly secure and efficient

'The pandemic does not stop short of the financial markets. With our high capital ratios and a lending portfolio entirely in investment grade and collateralised at over 90%, we are rock solid. What's more, our cost/income ratio of scarcely 27% highlights just how efficiently our banking operations are organised,' said Reinhardt in closing.

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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 operating in rural areas. The appropriation of profits is also subject to the promotional mandate. The Bank is a federal 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 financial 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, business 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.