



rentenbank

Press release

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Fiscal Year 2020 – Strong promotional business for Rentenbank, fresh impetus for sustainable growth, enhanced resilience in the face of the COVID-19 pandemic

Frankfurt. Rentenbank can look back at 2020 as a year of strong promotional business. Germany's development agency for agribusiness and rural areas has increased its new promotional business to EUR 11.2 billion. Its new business in low interest special promotional loans achieved EUR 6 billion. Business in the Rural Development promotional line increased most markedly. Rentenbank created fresh impetus for sustainable growth through two programmes initiated by the Federal Ministry of Food and Agriculture for the agricultural and forestry sectors. Even during COVID-19 pandemic, exceptionally high capital and collateralisation ratios underline the Bank's resilience.

'The pandemic has shown that a secure food supply is vital and that agriculture is key to safeguarding it,' stressed Horst Reinhardt, Chairman of Rentenbank's Management Board. He went on to say that agricultural and forestry sectors could, at the same time, make a crucial contribution to protecting the climate and environment with modern, innovative technology. 'Businesses are ready to invest if the underlying conditions are right,' he added. This was reflected in the huge demand for funds from the two promotional programmes initiated by the Federal Ministry of Food and Agriculture, according to Reinhardt.

New promotional business is growing

Rentenbank increased its overall new promotional business by 3.5% to EUR 11.2 billion (EUR 10.8 billion in 2019; hereinafter, figures in brackets refer to the respective prior-year period or date). Funding of local authorities and banks operating in rural areas through registered bonds, promissory notes and securities grew from EUR 4.8 billion to EUR 5.2 billion. New business in special promotional loans achieved EUR 6.0 billion as in 2019.

Farmers are buying more machinery

2020 saw the lion's share of new business in special promotional loans go to the Agriculture line with EUR 2.1 billion (EUR 2.2 billion). Farmers called for more funding for machinery. By contrast, the demand for funding for buildings and land purchases slumped.

Increased demand for Liquidity Assistance, albeit at a moderate level

In March 2020, Rentenbank opened its Liquidity Assistance Programme to enterprises operating within agribusiness which had been adversely affected by the COVID-19 pandemic. From April 2020, Rentenbank has additionally been providing liquidity assistance loans guaranteed by the Federal Ministry of Food and Agriculture. In total, at EUR 55.2 million, Rentenbank provided significantly more Liquidity Assistance loans in 2020 than in 2019 (EUR 10.2 million). Nevertheless, the comparatively moderate level has also shown that broad sections of the agricultural and forestry sectors have coped better with the economic implications of the pandemic than initially feared.

Funding for infrastructure in rural areas has increased significantly

Rentenbank saw particularly strong growth in its Rural Development promotional line. New promotional business rose by well over 7% to EUR 1.9 billion. The federal states' development banks called for more global loans from Rentenbank. They use these loans mainly for financing infrastructure projects in rural areas.

In the Agribusiness promotional line, Rentenbank targets enterprises operating upstream and downstream from agriculture. New promotional business amounted to EUR 1.1 billion (EUR 1.2 billion). There was an increased demand for funding for machinery whereas the demand for loans for buildings and operational equipment lessened.

New business in the Renewable Energy promotional line was steady at EUR 0.9 billion (EUR 0.9 billion). A greater demand for wind power financing contrasted with a decline in demand for photovoltaic and biogas power plants.

In the Forestry promotional line, which was set up in May 2019, new business amounted to EUR 76.5 million (EUR 25.0 million). EUR 52.3 million of this was allotted to loans as part of the Federal Ministry of Food and Agriculture's Forest Management promotional programme.

US Dollar becomes most important currency of issuance

In the 2020 financial year, Rentenbank raised EUR 11.4 billion in funds on the capital market, an increase of 11% compared to the previous year (EUR 10.3 billion). The Bank agilely sought funding in various currencies in order to acquire the funds for its Promotional Business at as favourable a price as possible. This rendered the US dollar the most important currency of issuance at 47% (16%), followed by the euro at 41% (59%). The share of pound sterling (GBP) sank back to 5% (17%). Commercial banks and central banks jointly made up the most important group of investors with 79% (82%) of the volume placed.

Stable operating profit, IT upgrade fast-tracked

Operating profit before provision for loan losses and valuation reached EUR 208.9 million, about the level of the previous year (EUR 210.1 million). Net interest income dropped slightly by 1.2% to EUR 296.9 million (EUR 300.6 million), mainly due to DZ Bank withholding its dividend. DZ Bank has fallen in line with the ECB's urgent recommendation to banks to refrain from distributing

dividends in light of the Covid-19 pandemic. Administrative expenses increased by 4.1% to EUR 75.9 million (EUR 72.9 million), primarily due to major IT projects being expedited and increased personnel costs.

Capital ratios increased, resilience enhanced

At the end of the 2020 financial year, Rentenbank increased its Common Equity Tier 1 capital ratio in accordance with CRR to 31.0% (30.1%).

'With our reinforced capital base, a loan portfolio collateralisation ratio of over 90% and a cost/income ratio of under 30%, we kept our banking operations running highly efficiently while at the same time further increasing our resilience in defiance of the pandemic. This makes Rentenbank more crisis-proof than ever before,' said Reinhardt in closing.

Internet: www.rentenbank.de

Press contact:

Christof Altmann, Tel: +49-69/2107-393, Fax: +49-69/2107-6447
E-Mail: altmann@rentenbank.de

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 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 required to update forward-looking statements after their publication.