



rentenbank

Press release

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Rentenbank: Satisfactory promotional activity in 2021, followed by a strong first quarter 2022

- **Especially strong increase in loan demand in the “Renewable Energy” and “Rural Development” promotional lines in the first three months of 2022**
- **More than half of the funding planned for 2022 was already raised at the end of March**
- **Capital ratios continue to be well above the regulatory requirements**

Frankfurt. Landwirtschaftliche Rentenbank experienced a sharp increase in demand for its promotional loans in the first three months of the current year. The volume of new low-interest special promotional loans reached approximately EUR 1.9 billion after EUR 1.3 billion in Q1 of the previous year. Rentenbank has already raised more than half of the funding planned for 2022 (EUR 11 billion), having placed medium- and long-term issues totalling EUR 6.3 billion in the first quarter of the year.

The volume of new special promotional loans granted in the “Agriculture” promotional line increased substantially in fiscal year 2021, mainly thanks to the “Agriculture Investment Programme” of the German Federal Ministry of Food and Agriculture (BMEL). The volume of new loans granted in the “Renewable Energy” promotional line also increased substantially as a result of strong demand for wind power financing. At EUR 9.8 billion, the total volume of new promotional loans was below the level of the previous year. The volume of new special promotional loans amounted to approximately EUR 5.6 billion.

Fiscal year 2021: Significantly higher loan commitments in the "Agriculture" promotional line

The volume of new loans granted in the "Agriculture" promotional line rose by 18% to EUR 2,452 million. This substantial increase is attributable to the BMEL's "Agriculture Investment Programme", which accounted for 16% of new loans in this promotional line. Machinery financing represented 38% or EUR 929.0 million, building financing 33% or EUR 813.7 million, and land financing 15% or EUR 366.3 million of the total new loans granted in the "Agriculture" promotional line in fiscal year 2021.

Substantial increase in wind power financing

There was also a sharp increase in the loans granted in the "Renewable Energy" promotional line, which rose by 21% to EUR 1,066 million. This increase is particularly attributable to the strong demand for wind power financing with fixed interest-rate periods of longer than 10 years. Wind power financing accounted for 64% or EUR 682.0 million of the new loans granted in this promotional line, followed by photovoltaics at 22% or EUR 230.7 million and biogas at 12% or EUR 127.4 million. The remaining 2% went to renewable raw materials.

Weaker demand in the "Agribusiness and Food" and "Rural Development" promotional lines

The volume of loans granted in the "Agribusiness and Food" promotional line declined to EUR 843 million in the past fiscal year, mainly due to lower machinery and operating resources financing. The demand of the federal states' development banks for Rentenbank's global loans also declined, reaching a volume of EUR 1,200 million. This typically volatile demand affected the development of the entire volume of new special promotional loans.

Sustainable investments accounted for one third of new special promotional loans

Rentenbank financed investments in environmental protection, animal welfare, and consumer protection in the total amount of EUR 823.3 million in 2021 (EUR 337.3 million). Including promotional loans for renewable energy in the amount of EUR 1.1 billion, the total amount of financing for sustainable projects came to EUR 1.9 billion (EUR 1.2 billion).

Sustainability is a key concern of Rentenbank. The Bank implemented several projects dealing with the opportunities and risks of ESG issues. The fundamental goal is to reduce sustainability risks and adverse impacts from the Bank's business activity and operations. Rentenbank is also integrating sustainability into its business strategy to a greater degree, having issued sustainability guidelines and launched a concrete sustainability programme in 2021, accordingly.

"Public policy and society are accepting the challenges associated with the transformation to a climate-friendly economic and social system, which will demand great effort on the part of everyone involved. As an essential part of both the problem and the solution, agriculture plays a key role in climate and environmental protection", said Nikola Steinbock, Speaker of Rentenbank's Management Board. "Therefore, agriculture itself will change. However, this transformation can only succeed if it is driven, shaped, and also supported by society and politics", she said. Nikola Steinbock added that Rentenbank is actively promoting and supporting this transformation.

Focus on the promotion of innovation and start-ups

Another way that Rentenbank supports sustainability is to facilitate the introduction of innovative and sustainable ideas to the market. Since July 2021, Rentenbank has promoted the early-stage financing of agriculture-related start-ups from the "Special-Purpose Fund of the Federal Republic of Germany" which is managed by Landwirtschaftliche Rentenbank. The promotion entails a low-interest subordinated loan for an amount of up to EUR 800,000 in combination with a grant for consulting services (Innovation Voucher). In the second half of the year, Rentenbank promoted three start-ups with subordinated loans totalling EUR 2.0 million and Innovation Vouchers totalling EUR 0.1 million from this Special-Purpose Fund.

In February 2022, Rentenbank participated in the European Circular Bioeconomy Fund (ECBF) to further speed up the pace of innovation while also developing and strengthening the bioeconomy and circular economy in agriculture and forestry.

Euro is the most important issue currency

In 2021, Rentenbank raised EUR 10.7 billion (EUR 11.4 billion) in the capital market. The most important funding instrument was the Euro Medium-Term Note Programme (EMTN Programme). The utilised programme capacity reached EUR 53.0 billion by the end of 2021 (EUR 51.8 billion). Total funds raised included Green Bonds in the amount of EUR 1.8 billion. "Green Bonds are an essential element of Rentenbank's sustainability

strategy. These funds support the expansion of the wind power portfolio, in which the volume of new loan commitments increased substantially in 2021", Nikola Steinbock said.

The most important issue currency was the euro, which accounted for 62% (41%) of total issues, followed by the US dollar at 25% (47%). Commercial banks and central banks were still the most important investor group, together accounting for 74% (79%) of the total volume placed.

Total assets nearly unchanged

The Bank's total assets amounted to EUR 95.5 billion as 31 December 2021 (EUR 95.3 billion). Because Rentenbank grants its loans in a competitively neutral way via other banks and savings banks, loans and advances to banks were the biggest line item of total assets, amounting to EUR 65.1 billion (EUR 61.8 billion).

The securitised liabilities amounting to EUR 82.6 billion (EUR 81.8 billion) were the biggest single item on the liabilities and equity side of the balance sheet. Medium Term Notes represented EUR 60.3 billion (EUR 58.9 billion), Euro Commercial Paper EUR 10.8 billion (EUR 9.5 billion), and global bonds EUR 11.1 billion (EUR 12.9 billion) of total securitised liabilities.

Lower operating result

Net interest income declined to EUR 285.7 million in 2021 (EUR 296.9 million). The technical process to pass through Rentenbank's borrowing cost at negative yields was finalised by the middle of 2021. This allowed the Bank to increase the amount of interest rate grants compared to the previous year, which reduced net interest income. Administrative expenses rose to EUR 90.0 million (EUR 75.9 million). The increase resulted mainly from the administration of two German federal government programmes, rental expenses for the interim building, and the accelerated implementation of major IT projects. The operating result before loan loss provisions and valuation effects came to EUR 187.7 million (EUR 208.9 million). The cost-income ratio was 32.9% (28.2%).

Rentenbank allocated EUR 153.2 million (EUR 175.4 million) to its loan loss provisions. Net income rose from EUR 33.5 million in the previous year to EUR 34.5 million in 2021. After allocating EUR 17.2 million (EUR 16.7 million) to the principal reserve, the distributable profit, which Rentenbank also uses completely for promotional purposes,

amounted to EUR 17.3 million, modestly higher than the previous-year figure (EUR 16.8 million).

Capital ratios continue to be well above the regulatory requirements

As 31 December 2021, Rentenbank's capital ratios, which are calculated on the basis of the EU Capital Requirements Regulation (CRR), were modestly higher than in the previous year. The Common Equity Tier 1 capital ratio improved to 31.8% (31.0%). The total capital ratio rose to 32.0% (31.5%). "Our capital ratios continue to be well above the regulatory requirements. Therefore, we are able at all times to satisfy a growing financing need of the agribusiness industry and particularly to service any further investment programmes of the German federal government", Nikola Steinbock concluded.

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Background:

Landwirtschaftliche Rentenbank is Germany's development agency for agribusiness and rural areas. Under its statutory mandate, Rentenbank promotes agriculture-related projects by granting low-interest rate loans via lending banks on a competitively neutral basis. Rentenbank provides funding to banks, savings banks and local authorities operating in rural areas. The utilisation of profits is also governed by the promotional mandate. The Bank is a federal institution under public law whose capital stock was formed by contributions from the German agriculture 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. As one of the few triple-A rated institutions in Germany, Rentenbank raises funds primarily in the capital markets.

This press release contains certain forward-looking statements that are based on current expectations, estimates, assumptions and projections of the Management Board and on the information currently available to it. These statements particularly include statements about our plans, strategies and prospects. Such forward-looking statements are identified by words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates' and similar expressions. These statements are not to be understood as guarantees of future performance; instead, they are dependent on factors that involve risks and uncertainties and are based on assumptions that may prove to be incorrect. Except where required by law, we assume no obligation to update forward-looking statements after the publication of the present press release.