

Press release

28 April 2021

Rentenbank - significant demand for promotional loans

- **New impetus from programmes for agriculture and forestry, instigated by the Federal Ministry of Food and Agriculture (BMEL)**
- **Green Bond Benchmark makes its debut**
- **Rentenbank enhances its resilience despite pandemic**

Frankfurt. Rentenbank saw sustained high demand for promotional loans in 2020. New business in low interest special promotional loans, which Rentenbank provides to end borrowers via their local banks on a competitively neutral basis (on-lending), remained steady at EUR 6.0 billion. Overall, Rentenbank increased its 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). The development agency created momentum for sustainable investments by setting up two programmes for agriculture and forestry commissioned by the Federal Ministry of Food and Agriculture (BMEL). Promoting innovation also experienced significant growth.

'Agribusiness is not only of systemic importance during times of crisis but also an important problem solver in our quest for a sustainable economy and society. We are providing the solid financial conditions in which much needed innovation and investment can be made,' said Horst Reinhardt, Chairman of the Management Board at Rentenbank.

2020 fiscal year sees new business in special promotional loans remaining stable

With new business in special promotional loans of EUR 2.1 billion (EUR 2.2 billion), the Agriculture promotional line remained Rentenbank's most important promotional line in 2020. While there was increased demand for funding for machinery, the demand for special promotional loans for buildings and land purchases slumped.

Rentenbank's Rural Development promotional line experienced growth. New business here increased by 7.1% to EUR 1.9 billion (EUR 1.7 billion), as the federal states' development banks (*Landesförderinstitute*) called for more global loans from

Rentenbank. These loans are mainly used for financing infrastructure projects in rural areas.

New business in the Agribusiness promotional line reached EUR 1.1 billion (EUR 1.2 billion). While funding for machinery was in higher demand too in this line, the demand for special promotional loans for buildings and operational equipment lessened.

In the Renewable Energy promotional line, new business was steady at EUR 0.9 billion (EUR 0.9 billion). A greater demand for wind power financing compensated for a decline in loans for photovoltaic and biogas power plants.

Rentenbank launches BMEL programmes

In March 2020, Rentenbank opened its Liquidity Assistance Programme to support enterprises operating within agribusiness which had been adversely affected by the COVID-19 pandemic. From April 2020, Rentenbank has additionally been providing guaranteed liquidity assistance loans on behalf of the Federal Ministry of Food and Agriculture (BMEL). Overall, Rentenbank provided EUR 55.2 million in Liquidity Assistance loans (EUR 10.2 million). Rentenbank also started the 'Grants towards Digitalisation and Technology for Sustainable Forestry Management' programme on behalf of BMEL in November 2020. The aim is to maintain forests and make adjustments for climate change. 'Through this programme, we are supporting a sector which is both suffering from climate change and making a major contribution to climate protection,' said Horst Reinhardt.

Promoting Innovation expanded significantly

Within Promoting Innovation, the number of projects funded and the promotional volume increased significantly. In the year under review, Rentenbank supported 90 project partners with grants in the amount of EUR 24.1 million. In 2019, the Bank supported 61 project partners with EUR 14.4 million. Furthermore, it approved additional funds in the amount of EUR 2.7 million (EUR 0.6 million) for on-going projects which had been initiated in previous years.

Q1 2021: huge demand for BMEL Agriculture Programme

New business in the Agriculture, Forestry and Renewable Energy promotional lines performed very well in the first quarter of 2021. The two promotional programmes which Rentenbank is commissioned to implement by the BMEL provided for agriculture

and forestry. There was a tremendous demand for the Agriculture Investment Programme which Rentenbank set up on behalf of the BMEL. The programme started in January 2021. A total of EUR 816 million is available for grants up to 2024. The aims are to promote more environmentally-friendly techniques for land cultivation, to protect the environment and climate and to improve biodiversity. The programme allows for a grant amounting up to 40% of the sum invested to be combined with a Rentenbank low-interest promotional loan to finance the remaining amount. In the first quarter of 2021, Rentenbank's overall new business in low-interest promotional loans was at EUR 1.3 billion (EUR 1.6 billion), below the corresponding prior-year level. This drop was particularly due to typically volatile new business in the Rural Development line.

Launch of Rentenbank's first Green Bond Benchmark attracts high demand

In order to fund its promotional loans, Rentenbank raised medium to long-term capital market funds in 2020 in the amount of EUR 11.4 billion (EUR 10.3 billion) on the capital markets. This comprises Rentenbank's first public Green Bond in 'benchmark' format with an issuance volume of EUR 1.75 billion. It is backed by a loans portfolio in renewable energy which, at the point of issuance, comprised more than 2,000 wind power funding projects and around 21,500 photovoltaic projects. Rentenbank had previously issued Green Bonds as private placements.

In the first three months of 2021, Rentenbank raised EUR 4.8 billion in medium and long-term funds on the capital markets. This means that 44% of Rentenbank's planned funding business has already been achieved for 2021.

Steady operating profit

Net interest income in 2020 was at EUR 296.9 million and thus around the prior-year level (EUR 300.6 million). This was despite the fact that DZ Bank did not pay a dividend, following the ECB's recommendation to banks not to do so because of the uncertainty caused by the pandemic. Administrative expenses increased to EUR 75.9 million (EUR 72.9 million), primarily due to IT projects being expedited and increased personnel costs. 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).

Rentenbank allocated EUR 175.4 million (EUR 177.6 million) to its contingency reserves. Net income increased from EUR 32.5 million to EUR 33.5 million. After allocating EUR 16.7 million to the principal reserve (*Hauptrücklage*), distributable profit,

which Rentenbank also uses completely for promotional purposes, amounted to EUR 16.8 million, slightly above the previous year's level of EUR 16.3 million.

Key indicators further improved

Rentenbank increased its Tier 1 capital ratio to 31.0% (30.1%) and the total capital ratio to 31.5% (31.1%) to year-end. 'Despite the COVID-19 pandemic of 2020, we have made Rentenbank even more resilient. With a capital ratio of above 30%, a cost/income ratio of below 30% and a collateralisation ratio for our loans portfolio of over 90%, we were able to maintain the 'perfect proportions' of a development agency even in times of hardship,' 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 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.