



rentenbank

Press release

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Rentenbank first half 2021 - robust demand for loans in the Agriculture and Renewable Energy promotional lines

Frankfurt. Rentenbank saw a significant increase in demand for promotional loans in its Agriculture promotional line in the first six months of 2021. This can be attributed to the Agriculture Investment Programme which Rentenbank set up on behalf of the Federal Ministry of Food and Agriculture (BMEL). The programme combines special promotional loans for agriculture with grants from the BMEL for investments in environmentally and resource friendly technologies.

“The agricultural sector is facing up to the key challenges of land cultivation which uses as few resources as possible as well as increased efforts to protect the environment and climate and to improve biodiversity. That’s why we are so pleased that the uptake of the federal programme set up for these purposes has been so good. We are using our established infrastructure to support agricultural enterprises in setting their requisite course,” said Horst Reinhardt, Chairman of the Management Board at Rentenbank.

Significant demand for promotional loans for machinery; demand for wind power financing almost tripled

In the first half of 2021, the demand for loans in the Agriculture promotional line increased strongly due to the newly launched Agriculture Investment Programme by a third to EUR 1,301 million (EUR 986 million in 2020, hereinafter, figures in brackets refer to the respective prior-year period or date). As a result, there was particularly strong demand for the funding of agricultural machinery. A share of around 40% of new business in this promotional line went to machinery.

New business in promotional loans in the Renewable Energy promotional line also increased sharply by about a third to EUR 443 million (EUR 341

million). The introduction of a new type of loan which has a fixed interest rate over 10 years in September 2020 was the contributing factor. Funding for wind power almost tripled as a result from EUR 109 million to EUR 291 million during the reporting period.

The COVID-19 pandemic had much less of an impact on large sections within agriculture than in other economic sectors. This was reflected in the demand for loans in Rentenbank's Liquidity Assistance programme which had been opened to affected agricultural, horticultural and viticultural companies. In the first half of 2021, the volume of loans was EUR 19.1 million (EUR 18.1 million).

By contrast, new business in the Agribusiness promotional line fell. Due to a drop in demand for machinery and operational equipment, it was at EUR 432 million (EUR 540 million).

New business in the Rural Development promotional line also contracted in the first half of 2021 to EUR 587 million (EUR 1,124 million). This is due to the fall in demand by the federal states' development banks (*Landesförderinstitute*) for global loans from Rentenbank, which typically are subject to significant fluctuations during the course of a year.

Overall, new business in promotional loans in the first six months of 2021 amounted to EUR 2.9 billion, which was below the level of the first six months of 2020 (EUR 3.1 billion). In contrast, the number of approved loans increased by 54% to 13,432 (8,724) due to the high demand for promotional loans from the federal programmes.

The euro becomes the main 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 2021 in the amount of EUR 6.5 billion (EUR 6.9 billion). As such, the Bank already achieved more than half of its planned issuance volume of EUR 11 billion for 2021. The most important currency of issuance was the euro. Its share of the funding volume increased to 51% (25%). This comprises a 10-year green bond amounting to EUR 1 billion. The share of US dollars fell to 40% (56%). Commercial banks and central banks continued to be the most important investors with a 50%-share (51%) and a 24%-share (37%) of the funding volume respectively.

Operating profit decreases

Operating profit before provision for loan losses and valuation amounted to EUR 94.1 million in the first half of 2021, below the corresponding level of the previous year of EUR 102.2 million. Besides slightly lower interest income, the drop in earnings is essentially caused by higher administrative costs in the amount of EUR 42.6 million (EUR 35.9 million). The increase in costs can be attributed to the execution of the federal programmes, the leasing of an interim office building since October 2020 and expedited IT projects. Counted against this increase are reimbursement claims of approx. EUR 4 million for the execution of the federal programmes which are booked under other operating income.

Capital ratios up at a high level

Rentenbank's capital ratios based on the EU Capital Requirements Regulation (CRR) remained strong to the 2021 half-year end. The Tier 1 capital ratio was at 31.8% (31.0%) and the total capital ratio at 32.1% (31.5%).

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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 for 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 capital markets.