



rentenbank

Press release

25 April 2023

Rentenbank: Strong promotional activity in 2022

Frankfurt. Landwirtschaftliche Rentenbank encountered sharply higher demand for its promotional loans in 2022. The volume of new, low-interest special promotional loans increased by around 23% to EUR 6.9 billion (2021: EUR 5.6 billion), while the volume of total promotional business rose significantly to EUR 11.5 billion (2021: EUR 9.8 billion). To provide better financing options to agtech, foodtech, and bioeconomy start-ups, Rentenbank invested in venture capital funds for the first time in 2022. To fund its promotional activity, Rentenbank raised medium- and long-term funds totalling EUR 11.8 billion (2021: EUR 10.7 billion) in the capital market. The Bank's capital ratios were nearly as good as in the previous year. Rentenbank has gotten off to a successful start in 2023, having already granted new special promotional loans totalling EUR 1.7 billion.

"We fulfilled our promotional mandate very well again in 2022 despite the challenging environment", said Nikola Steinbock, Chairwoman of Rentenbank's Management Board. "The much higher demand for promotional loans shows that our programmes make a crucial contribution to infrastructure development in rural areas. In addition, there are projects in the context of environmental and climate protection, such as the expansion of renewable energy use. We intend to continue this work in the current year by addressing the future challenges of the agricultural sector with our targeted promotional programmes."

Substantial increase in the volume of new special promotional loans

The Rural Development promotional line accounted for the largest share of new special promotional loans granted in 2022. Propelled by much higher demand from the German federal states' development banks for loans to finance infrastructure development projects in rural areas, the volume of new loans granted in this promotional line rose by 71.1% to EUR 2.1 billion (2021: EUR 1.2 billion). Dynamic growth was also seen in the volume of new loans granted in the Renewable Energy promotional line, which rose by 47.6% to EUR 1.6 billion (2021: EUR 1.1 billion), mainly due to strong demand for wind power financing.

The volume of new loans granted in the Agriculture promotional line in 2022 came to EUR 2.0 billion (2021: EUR 2.5 billion). The decrease resulted from the lower volume of loans granted to finance investments in machinery and buildings. Loans granted to finance land acquisitions nearly reached the level of the previous year. At EUR 16.7 million, the overall demand for loans granted under the liquidity protection programmes was lower in 2022 than in the previous year. Particularly those agricultural enterprises that had increased liquidity needs as a result of the coronavirus pandemic or the war in Ukraine or that were affected by storms and flooding in 2021 took advantage of these loans in the reporting period.

Rentenbank increased the volume of new promotional loans granted in the Agribusiness and Food promotional line to EUR 1.2 billion (EUR 843.0 million), mainly due to the higher volume of promotional loans granted to finance machinery investments, which accounted for the largest share of new loans in this promotional line, representing 60% or EUR 717.1 million.

Continued strong demand in the "Agriculture Investment Programme"

Rentenbank was able in 2022 to replicate the success it enjoyed in the previous year from its participation in the programme launched by the German Federal Ministry of Food and Agriculture in 2021 under the title "Promotion of Investments under the Investment and Future Programme for Agriculture". The expression-of-interest procedure conducted in July 2022 proved that agricultural enterprises continue to take a strong interest in resource-conserving land management and greater climate and environmental protection. The planned investment volume of EUR 1.8 billion expressed in the 2022 procedure was higher than the investment volume expressed in April 2021 (EUR 1.3 billion). Rentenbank approved loans totalling EUR 237.1 million and grants totalling EUR 131.0 million in 2022.

New promotional programme "Future areas in focus"

To encourage agricultural enterprises to invest even more in climate and environmental protection projects, Rentenbank launched a new lending programme "Future areas in focus" featuring additionally subsidised terms in November 2022. The programme currently has four future areas which Rentenbank has identified as being especially worthy of promotion on the basis of the current social and political discourse. They are: expansion of regional food production, use of agrivoltaic systems, environmentally friendly farming, including a transition phase to ecological farming, and the establishment of agroforestry systems and paludiculture. By the end of 2022, the first promotional loans granted at "premium terms" amounted to EUR 2.1 million.

Rentenbank will continually broaden the future areas and adapt them as needed to promote the faster adoption of new solutions in practice.

Promoting innovation: Investment in two venture capital funds

From its Innovation Fund, Rentenbank promoted 19 project partners with grants totalling EUR 5.6 million in 2022 (2021: 11 project partners with EUR 2.5 million). Among the projects so promoted was the extension of the joint project "F.R.A.N.Z." ("Developing and Testing of Suitable Measures to Enhance Agricultural Biodiversity"). Under the Bank's start-up promotion programme, nine start-ups received EUR 5.4 million in subordinated loans and EUR 0.4 million in innovation vouchers from the Special-Purpose Fund of the Federal Republic of Germany.

Since February 2022, Rentenbank has also relied on venture capital investments in various stages in its promotion of innovation. "Agriculture is one of the keys to the successful transformation to a sustainable economic system. Climate and environmental protection would hardly be conceivable without innovation, new technologies, and business models", Nikola Steinbock said. "And one of the most important drivers of innovation is growth capital. By investing in venture capital funds, we improve the financing options of agtech, foodtech, and bioeconomy start-ups. But we also raise their visibility to venture capital investors, which mobilises additional capital. This is important to ensure the financing of young, up-and-coming enterprises particularly now, when conditions are tough."

In February 2022, Rentenbank invested EUR 25 million in the European Circular Bioeconomy Fund, a European growth fund that invests in bioeconomy enterprises. And in December, the Bank invested EUR 5 million in the Green Generation Fund, which invests in foodtech and greentech enterprises in Europe and the United States at an early stage of their development.

Modest increase in funds raised

To fund its promotional activities, Rentenbank raised EUR 11.8 billion (EUR 10.7 billion) in medium- and long-term capital market funds in 2022. This total includes a green bond in the benchmark format with an issue volume of EUR 1.0 billion. Green bonds are used exclusively to fund loans in the special promotional lending programme "Energy from the Countryside" as an essential element of Rentenbank's sustainability strategy.

Lower operating result, higher net income compared to the previous year

Net interest income amounted to EUR 268.8 million in 2022 (EUR 285.7 million). It was particularly weighed down by the considerably higher volume of interest rate grants compared to the previous year. Administrative expenses rose to EUR 112.5 million (EUR 90.0 million). The increase is particularly attributable to the higher personnel expenses (plus EUR 14.8 million) resulting from a considerable increase in pension obligations due to inflation. The EUR 5.2 million increase in material expenses was driven by higher expenses for IT investments, external support of the transformation process, and personnel recruitment. The operating profit before provision for loan losses and valuation came to EUR 157.8 million (EUR 187.7 million). This result, which exceeded Rentenbank's expectations by a considerable margin, was especially due to the extremely high level of net interest income generated in the Treasury Management segment.

Rentenbank allocated a net amount of EUR 121.8 million to its loan loss provisions. Net income rose from EUR 34.5 million in the previous year to EUR 36.0 million in 2022. After the EUR 18.0 million (EUR 17.2 million) appropriation to the principal reserve, the distributable profit amounted to EUR 18.0 million, slightly more than the previous-year figure (EUR 17.3 million). Rentenbank uses the full amount of distributable profit to fund its promotional activities.

Capital ratios nearly unchanged

At 31 December 2022, the Common Equity Tier 1 capital ratio came to 31.7% (2021: 31.8%). The total capital ratio was likewise 31.7% (2021: 32.0%). As before, both capital ratios are well above the minimum regulatory requirements applicable to Rentenbank.

First quarter of 2023: Successful start to the current year

Rentenbank has gotten off to a successful start in 2023. The volume of new, low-interest special promotional loans granted in the first quarter amounted to EUR 1.7 billion (Q1 2022: EUR 1.9 billion). Thus, it was not quite as high as the record amount loaned in the first quarter of 2022, which was favoured by pull-forward effects in view of expected interest rate hikes. The volume of new promotional loans granted in the Rural Development promotional line, which is traditionally volatile, showed a very positive development, more than doubling from the first quarter of last year (Q1 2022: EUR 429.9 million) to EUR 886.6 million in the first quarter of the current year.

Rentenbank raised EUR 5.1 billion in medium- and long-term capital market funds in the first three months of 2023. This amount represents almost half of the funding planned for 2023.

“The good result for 2022 strengthens our capital base so that we can continue to fulfil our promotional mandate successfully. To do this more efficiently in the future, we are currently investing particularly in the modernisation of our IT landscape and the further digitalisation of our processes”, said Dr. Marc Kaninke, Chief Financial Officer and Chief Information Officer of Rentenbank’s Management Board.

More detailed information is provided in the 2022 annual report which can be found on Rentenbank’s homepage.

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Background:

Landwirtschaftliche Rentenbank is Germany’s development agency for agribusiness and rural areas. Its promotional mandate covers not only agriculture and forestry, but also the entire food value chain, the increased use of energy from renewable sources, and the promotion of bio-economy solutions. Rentenbank attaches particular importance to the promotion of innovation, including research and development in universities, the early-stage financing of agriculture-related start-ups, and the market introduction and practical use of new technologies and products. Rentenbank’s promotional instruments are grants, subordinated loans, and special promotional loans. The special promotional loans are granted via the local banks of the ultimate borrowers on a competitively neutral basis. Rentenbank provides funding to banks, savings banks, and local authorities operating in rural areas. 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 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.