



9 August 2023

Press release

Rentenbank: Demand for special promotional loans levels off again after record volume in 2022.

Frankfurt. Compared to the high volume encountered in the first half of 2022, demand for the special promotional loans of Landwirtschaftliche Rentenbank declined in the first half of 2023, with the volume of new loans granted totalling EUR 3.2 billion. Strong growth was seen in the Rural Development promotional line. Rentenbank raised EUR 7.4 billion in the capital markets to fund its promotional activity. Germany's development agency for agribusiness and rural areas increased its operating profit considerably in the first half of 2023. The bank's capital ratios remained at high levels.

"Evidently, the uncertainties regarding the future political framework, the considerably higher interest rates, and market volatility are increasingly impacting the investment propensity of agricultural enterprises, especially in livestock farming. On top of that, we find ourselves in the middle of the transformation to a climate-neutral, more sustainable economic model. Much is uncertain and still under discussion. But one thing is certain: Agriculture can offer solutions for the transformation. And we will help. To ensure that forward-looking farmers can seize these opportunities, we are continually fine-tuning our line-up of promotional products in close consultation with the agricultural industry", said Nikola Steinbock, Chairwoman of Rentenbank's Management Board.

Strong growth in the Rural Development promotional line

At EUR 801 million, the volume of new promotional loans granted in the Agriculture promotional line was lower than in the first half of last year (H1 2022: EUR 1,104 million). In particular, agricultural enterprises took out fewer special promotional loans to finance land acquisition and farm buildings. Demand was likewise lower in the Agribusiness and Food promotional line, especially for special promotional loans to finance machinery and buildings. The volume of new promotional loans granted in this promotional line came to EUR 415 million

(EUR 613 million). On the other hand, the volume of special promotional loans granted in the Rural Development promotional line rose sharply, by around 75%, to EUR 1.6 billion (EUR 914 million). This increase was driven by stronger demand for Rentenbank's global loans on the part of the federal states' development banks. They use these loans particularly to finance infrastructure projects in rural areas. In the Renewable Energy promotional line, demand fell to EUR 339 million (EUR 1.0 billion) from the unusually high level in the first half of last year. There was less demand for wind power financing, for example, mainly as a result of last year's anticipatory effects due to the emerging trend of rising interest rates. Rentenbank's total promotional lending in the first half of 2023 amounted to EUR 3.2 billion (EUR 3.8 billion).

Expansion of special promotional lending

Rentenbank expanded its "Future Areas in Focus" programme in July by adding two new areas: "Female farm heirs and start-up founders in agriculture and forestry" and "Efficient irrigation and storage basins". Moreover, additional investment opportunities were created in two other future areas. In all future areas, agricultural enterprises benefit from additionally subsidised "LR premium" terms.

Rentenbank also updated and supplemented its two rural development promotional programmes. The promotional lending opportunities offered in the "Rural Living" programme were expanded to include investments in social infrastructure. And in the "Rural Infrastructure Development" programme, the Bank now offers daily updated standard terms in addition to individualised terms upon request and it streamlined the application process further.

In addition to its promotional lending activity, Rentenbank is also expanding the scope of its collaboration with the German federal government. Having already worked with the Agriculture Investment Programme of the German Federal Ministry of Food and Agriculture (BMEL), Rentenbank it is now working out the details of its planned collaboration with German Federal Ministry for Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), in which the Bank will administer specific promotional measures under the Action Plan on Nature-based Solutions for Climate and Biodiversity (ANK). The ANK is an important federal government programme to balance the needs of agriculture and climate protection to a greater degree.

Further expansion of innovation and start-up promotion

Rentenbank promotes innovation in all stages of the process, including the development, introduction to practical use, and dissemination of cutting-edge methods and products. In the first half of 2023, three agriculture-related start-ups received subordinated loans totalling EUR 1.6 million (EUR 1.3 million) and additional support in the form of innovation vouchers from the "Special-Purpose Fund of the German Federal Republic". From the Innovation Fund, moreover, Rentenbank supported eight project partners with grants totalling EUR 2.6 million (EUR 1.6 million).

As part of its venture capital activities, Rentenbank invested a total amount of EUR 15 million in the two venture capital Fonds Astanor und Zintinus in the first half of 2023. Astanor pursues a global investment approach in the agri-food tech sector. Zintinus rounds out Rentenbank's portfolio by way of its strict focus on food investment. Rentenbank plans to invest around EUR 140 million in VC funds by the end of 2024 as it continues to promote cutting-edge innovation for the transformation of agribusiness.

In collaboration with the German Federal Ministry of Food and Agriculture (BMEL) and Frankfurt-based TechQuartier, Rentenbank expanded the ag-tech and food-tech entrepreneurs programme "Growth Alliance" further in the current year to date. The now four different components of this programme address the phase-specific challenges of start-ups in all stages of the lifecycle. These programmes help the participating start-ups successfully tackle the problems and challenges of their business development. As a partner, moreover, Rentenbank supports numerous initiatives and programmes to advance innovative and sustainable ideas and promote networking in this sector.

Euro is still the most important currency of issuance

To fund its promotional activity, Rentenbank raised funds totalling EUR 7.4 billion (EUR 8.2 billion) in the international capital markets by issuing bonds with terms of more than two years in the first half of 2023. This amount represents roughly 67% of the planned issuance volume for the full year 2023, that being EUR 11 billion. The euro remained the most important currency of issuance, accounting for 65% (70%) of funds raised. This amount also contains a 7.5-year benchmark bond for EUR 1.5 billion. The US dollar's share rose to 25% (12%), particularly due to the issuance of a 5-year global bond for USD 1.25 billion. Commercial banks were the largest group of investors, accounting for 56% (69%) of the total issue volume, followed by central banks with 31% (15%).

Substantially higher operating result

In the first half of 2023, Rentenbank generated an operating result before provisions for loan losses and valuation effects of EUR 103.9 million, that being considerably higher than the corresponding figure for the year-ago comparison period (EUR 74.3 million). The increase was mainly driven by the higher level of interest rates, which led to higher net interest income. Administrative expenses rose to EUR 49.3 million (EUR 45.6 million), particularly as a result of higher IT investments under the IT Road Map 2026.

Capital ratios remain at high levels

At the end of the first half of 2023, Rentenbank again reported high capital ratios on the basis of the EU Capital Requirements Regulation (CRR). The Common Equity Tier 1 capital ratio came to 31.6% (31.12.2022: 31.7%) and the total capital ratio was 31.7% (31.12.2022: 31.7%).

Internet: www.rentenbank.de

Media contact:

Christian Pohl, Tel.: +49 (0)69 2107-376, Fax: +49 (0)69 2107-6447, email: pohl@rentenbank.de

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 promotion of start-ups, and the market introduction and practical use of new technologies and products. Rentenbank's promotional instruments are subsidies 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.