



rentenbank

Press release

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Rentenbank - following a successful 2019, the focus for 2020 is on corona relief

Frankfurt. 2019 saw Rentenbank's new promotional business increase at EUR 10.6 billion, slightly above the prior-year level. The special promotional loans business which forms part of it dwindled, mainly because new business in the Renewable Energy promotional line dropped significantly. However, the German development agency for agribusiness and rural areas was in a position to expand its activities within its core area of agriculture.

In the first three months of the current year, Rentenbank increased its new business in low-interest promotional loans by 5% when compared with the respective prior-year level to EUR 1.6 billion (EUR 1.5 billion in Q1 2019; hereinafter, figures in brackets refer to the respective prior-year period or date). How the economic impact of the corona pandemic (Covid-19) will pan out largely remains to be seen.

Corona relief from Rentenbank

Since mid-March 2020, enterprises affected have been able to take out loans from the Rentenbank Liquidity Assistance programme to cushion the effects of the corona pandemic. These loans can also be combined with a surety (from mid-April). The programme is open to enterprises from the agriculture, viticulture, horticulture, forestry, aquaculture and fisheries sectors. 'Agribusiness is a byword for security of supply. It is now all the more important that healthy enterprises get through the crisis,' said Dr Horst Reinhardt, Chairman of the Management Board at Rentenbank at the press briefing on the 2019 financial results.

EUR 6.0 billion in new business from special promotional loans in 2019

New business in Rentenbank special promotional loans slipped in 2019 to EUR 6.0 billion (EUR 6.7 billion). The reason for this was primarily the sharp drop in demand for special promotional loans in the Renewable Energy promotional line which fell to EUR 0.9 billion (EUR 1.4 billion). Changes to the German Renewable Energy Sources Act (*Erneuerbare Energien Gesetz*) in 2017 and lengthy approval procedures continued to be behind this.

By contrast, new business in the Agriculture promotional line increased. In this line, Rentenbank primarily funds standard agricultural investments such as machinery, land purchases, livestock housing and operating materials and equipment. The development agency provided EUR 2.2 billion for this purpose (EUR 2.1 billion).

In the Rural Development promotional line, Rentenbank pledged EUR 1.7 billion in loans which was lower than the previous year (EUR 2.0 billion). In this line, the development agency primarily supports local authority infrastructure projects, as part of global funding agreements with the promotional banks of the German states, among others.

In the Agribusiness promotional line, Rentenbank targets enterprises operating upstream and downstream from agriculture. New promotional business was steady in this line and remained at EUR 1.2 billion in 2019.

New business amounted to EUR 25 million for the Forestry promotional line launched in the middle of 2019.

New business in registered bonds, promissory notes and securities to fund regional authorities, banks and savings banks operating in rural areas, increased to EUR 4.6 billion (EUR 3.6 billion). Consequently, Rentenbank's overall new promotional business in 2019 amounted to EUR 10.6 billion (EUR 10.3 billion).

Funding business - banks remain key investor group

In order to fund its promotional loans, Rentenbank raised medium to long-term capital market funds in 2019 in the amount of EUR 10.3 billion (EUR 11.3 billion) on the capital markets. The Bank acquired 44% of the funds from commercial banks (39%). The second most important investor group comprised central banks and other public sector entities. Its share increased to 38% (29%). In 2019, the euro remained Rentenbank's most important issuing currency with a share of 59% (54%) followed by the pound sterling which contributed 17% (9%) to the funding volume.

Slight increase in balance sheet total

Rentenbank's balance sheet total amounted to EUR 90.9 billion as at 31 December 2019 (EUR 90.2 billion). As Rentenbank provides its loans via other banks and savings banks on a competitively neutral basis, the loans to banks with EUR 60.4 billion (EUR 60.1 billion)

and a share of 66% (67%) carry particular weight on the asset side of the balance sheet.

On the liabilities side of the balance sheet, the securitised liabilities made up the largest individual item at EUR 77.5 billion (EUR 76.6 billion). Of this amount, EUR 62.8 billion were accounted for in Medium-Term Notes (EUR 60.1 billion), EUR 9.8 billion (EUR 10.6 billion) in global bonds and EUR 4.4 billion (EUR 5.4 billion) in Euro Commercial Papers.

Increase in operating profit

The net interest income increased year-on-year to EUR 300.6 million (EUR 295.1 million). The reason for this was the limited scope to pass on the benefits of Rentenbank's negative medium and long-term borrowing costs to the local banks arranging the funding. Administrative expenses increased marginally by 1.5% to EUR 72.9 million mainly due to increased expenditure for personnel and higher write-downs. Operating profit before provision for loan losses and valuation (operating result) amounted to EUR 210.1 million (EUR 207.1 million).

For risk provisioning, Rentenbank increased the amount allocated to contingency reserves to EUR 177.6 million (EUR 144.1 million). Accordingly, net income fell from EUR 63.0 million for 2018 to EUR 32.5 million. Distributable profit, which Rentenbank also uses completely for promotional purposes, remained unaffected by this. After allocating EUR 16.2 million (EUR 47.2 million) to the principal reserve, the distributable profit amounted to EUR 16.3 million as planned which was slightly above the previous year's level of EUR 15.8 million.

Promotional contributions lower due to the level of interest rates

In 2019, the promotional contributions made by the German development agency for agribusiness and rural areas came to a total of EUR 41.3 million (EUR 84.2 million). This amount which includes distributable profit was used to reduce the interest rates on special promotional loans, for grants towards the 'Research on Agricultural Innovation' programme as well as other promotional purposes. The decline year-on-year was due to interest rate trends in the second half of 2019. The negative issuing yields realised by Rentenbank have up to now not been passed on through negative funding costs for local banks. This is only possible to some extent with Rentenbank's promotional grant which has been significantly expanded.

Capital resources and efficiency at a constantly high level

Rentenbank's capital resources based on the EU Capital Requirements Regulation (CRR) continue to be high. The Tier 1 capital ratio amounted to 30.1% as at 31 December 2019 (29.7%) and the total capital ratio amounted to 31.1% (31.2%). 'Our cost/income ratio of less than 30% highlights just how efficiently our banking operations are organised,' 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 local authorities, banks and savings banks 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 financial markets. Rentenbank does not receive any funds from the federal government budget but generates its own funds to keep fulfilling its statutory promotional mandate and its operations running.

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 obliged to update forward-looking statements after their publication.