

Milestones in the history of Landwirtschaftliche Rentenbank

Historical background and predecessors

During the course of the German 'peasant liberation' in the first half of the 19th century, state mortgage banks called '**Rentenbanks**' were established in the western provinces of Prussia and in many other German states. These banks enabled farmers, who had previously not been considered creditworthy, to take out mortgages on the land farmed by them. In return, these banks issued fixed-income, tradable securities (*Rentenbriefe*) to the landlords to offset the abolition of rental income from land which they had received since the Middle Ages. After these feudal obligations were removed, commercially independent agricultural enterprises came into existence. The productivity of the sector increased considerably and the supply of food to the population was significantly improved.

In October 1923, **Deutsche Rentenbank** was founded as a central bank to combat hyperinflation. The bank issued the **Rentenmark** as a currency which was, by law, covered by mortgages on agricultural, commercial and industrial real estate. This meant that the money supply was limited and therefore the value of the currency remained stable. Hyperinflation came to an abrupt halt (known as the 'Rentenmark miracle'). Rentenmark notes and coins remained in circulation along with the Reichsmark until the Deutsche Mark replaced the two currencies in 1948.

In 1925, **Deutsche Rentenbank-Kreditanstalt** (RKA) emerged from Deutsche Rentenbank. It operated as a key funding institute for agriculture, where a greater demand for funding was the dominant concern. That's because the agricultural enterprises had often found it difficult to pay back the mortgages they had taken out when the Rentenmark was created. RKA's revival failed to take effect after World War II and Landwirtschaftliche Rentenbank was established instead.

Landwirtschaftliche Rentenbank

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| 11 May 1949 | Landwirtschaftliche Rentenbank is established as a public law institution, with its registered office in Frankfurt am Main |
| 1949 to 1958 | The German agricultural and forestry sectors provides the bank's capital stock |
| The 1950s and 1960s | Rentenbank grants farm loans and offers financing for the improvement of the agricultural system |
| | The bank's promotional activities are funded primarily through public funds |



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- from 1952** The Federal Republic's Special Purpose Fund is set up. Rentenbank administers the fund, serving as a trustee of the German Federal Government
- 1953** The first Landwirtschaftsbriefe (covered fixed-income bearer bonds) are issued to fund promotional loans
- 1972** 'Rural Infrastructure' - Rentenbank's first low-interest promotional line is launched
- from 1973** The Federal Government introduces the 'Joint Task for the Improvement of Agricultural Structures and Coastal Protection' (*Gemeinschaftsaufgabe Agrarstruktur und Küstenschutz (GAK)*), which ushers in the end of the bank's funding through federal funds. Rentenbank then moves to rely on capital markets as its main source of funding
- 1975** The 'Agriculture' promotional line is launched
- 1985** As part of its 'Agriculture' promotional line, Rentenbank introduces particularly low interest rates for young farmers
- from 1987** Rentenbank's funding volume becomes increasingly more international
- 1991** In post-unification Germany, Rentenbank debuts a special promotional line geared toward the five new federal states (*Länder*)
- from 1991** Rentenbank's first unsecured debt securities are issued
- 1994** Rentenbank is awarded its first triple-A rating by Standard & Poor's, followed by Moody's and Fitch in 1995 and 1996 respectively
- The Euro Medium Term Note Programme (EMTN) is launched
- from 1994** Rentenbank starts granting loans to banks with agribusiness in other EU member states at standard market terms
- 2000** The Euro Commercial Paper Programme (ECP) is launched
- Rentenbank introduces a Medium Term Note Programme for the issuance of AUD-denominated bonds (Kangaroo bonds, AUD MTN)
- 2001** Rentenbank issues its first USD-denominated global bond, registered with the SEC under a special regulation of the Securities Act of 1933 (known as Schedule B) that can only be taken up by governments and their own issuers



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- 2002** An amendment to Rentenbank's Governing Law enhances the Federal Government's supervisory role over Rentenbank
- Rentenbank's institutional liability (*Anstaltslast*) is affirmed by an understanding between the European Commission and the Federal Government known as 'Understanding II'
- from 2005** Rentenbank expands its promotional offering to include environmental and consumer protection as well as renewable energy
- Rentenbank provides funding for public-sector investments through the promotional banks of the *Länder* (federal states)
- The Federal Republic's Special Purpose Fund focuses on promoting agricultural innovations
- from 2007** Zero-risk weighting: Under the Credit Risk Standardized Approach, banks in Germany and other EU member states are not required to hold capital against receivables from Rentenbank
- 2008** Rentenbank updates its promotional programmes, and introduces a risk-appropriate interest system
- 2009 to 2010** Rentenbank launches a stimulus package for agribusiness to stabilize agricultural enterprises' liquidity situation during the economic and financial crisis
- from 2010** Support is initiated for aquaculture and fisheries as one integrated promotional line
- from 2011** Funding of public sector investments through the promotional banks of the *Länder* (federal states) is used to expand broadband coverage
- from 2013** Rentenbank supports community wind farm projects
- Rentenbank furthers its commitment to agricultural innovation by introducing a programme which offers grants
- from 2014** An amendment to Rentenbank's Governing Law states that the Federal Government guarantees Rentenbank's obligations, thereby complementing the existing institutional liability (*Anstaltslast*)
- Rentenbank debuts promotional loans for rural tourism
- 2015** Rentenbank's Governing Law is amended to explicitly state that insolvency proceedings with respect to the bank's assets are inadmissible



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2016 A framework agreement is reached with the Institute for Federal Real Estate (*Bundesanstalt für Immobilienaufgaben* (BImA)) about the ecological use of 550 ha of forest in the Wetterau region of central Hesse

2018 Rentenbank supports agribusiness startups as part of an entrepreneurial accelerator initiative

2019 The standalone 'Forestry' promotional line is launched

2020 First public Green bond

Implementation of the 'Digitalisation and Technology for the Sustainable Forestry Management' programme on behalf of the German Federal Ministry of Food and Agriculture (BMEL)

from 2021 Implementation of the 'Agriculture Investment Programme' on behalf of the German Federal Ministry of Food and Agriculture (BMEL)

Promotion of agriculture related startups in the early funding stage by subordinated loans combined with grants. The funds come from the Special Purpose Fund which Rentenbank manages, serving as a trustee of the German Government

References

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