Annual Report 2015





Germany's development agency for agribusiness

rentenbank

Key figures

In accordance with the German Commercial Code (HGB)

Balance sheet in EUR billion	2015	2014
Total assets	83.9	80.1
Loans and advances to banks	55.7	51.5
Bonds and other fixed-income securities	18.3	20.2
Liabilities to banks	3.5	2.8
Securitized liabilities	67.3	65.8
Own funds	**4.7**	**4.3**

Income statement in EUR million	2015	2014
Net interest income	311.9	311.0
Special payout (intra-group)	49.8	–
Administrative expenses	59.8	56.6
Operating result before provision for loan losses and valuation	**283.3**	**242.7**
Provision for loan losses and valuation	226.3	187.7
Net income	57.0	55.0
Distributable profit	**14.3**	**13.8**
Cost/income ratio (%)	25.7*	22.6
Employees (year end)	269	265

* adjusted for the special payout

In accordance with International Financial Reporting Standards (IFRS)

Consolidated balance sheet in EUR billion	2015	2014
Total assets	93.3	88.8
Loans and advances to banks	55.5	51.4
Financial assets	19.9	21.7
Liabilities to banks	2.8	2.2
Securitized liabilities	71.5	69.2
Equity	3.7	3.3

Consolidated statement of comprehensive income in EUR million	2015	2014
Net interest income before allowance for credit losses/promotional contribution	331.0	324.8
Allowance for credit losses/promotional contribution	18.6	15.3
Administrative expenses	65.0	59.3
Operating result before fair value measurement and hedge accounting	**238.2**	**243.9**
Net gains/losses from fair value and hedge accounting	204.9	–183.5
Change in the revaluation reserve	–50.8	66.0
Group's total comprehensive income	**392.3**	**126.4**
Group's distributable profit	**14.3**	**13.8**

Capital ratios (%)	2015	2014
Total capital ratio	23.2	19.3
Tier 1 capital ratio	20.2	16.4

Rating

	Long-term Rating	Short-term Rating
Moody's Investors Service	Aaa	P-1
Standard & Poor's	AAA	A-1+
Fitch Ratings	AAA	F1+

Annual Report 2015

Contents

The English edition of the Annual Report 2015 is an abridged version of the German edition which was published in April 2016.

Company Profile: Landwirtschaftliche Rentenbank

As a promotional bank for agribusiness, Landwirtschaftliche Rentenbank provides low-interest loans for a variety of agriculture-related investments, including renewable energy. Our range of products is geared towards enterprises operating in agriculture, forestry, viticulture, and horticulture, as well as towards manufacturers of agricultural inputs, and agriculture-related trade and service companies. We also provide funds for projects in the food industry and the associated upstream and downstream industries. Furthermore, we promote investments by municipalities and other public bodies in rural areas as well as private sector involvement in rural development. We extend our loans via savings banks and other banks in a competitively neutral way.

We fund our promotional lending primarily through loans and the issuance of securities in the domestic and international capital markets and interbank markets. Rating agencies have assigned their highest ratings (AAA and Aaa) to Rentenbank's long-term obligations.

Rentenbank was established by law as the central refinancing institution for agribusiness in 1949, with its registered office in Frankfurt am Main. Rentenbank is a public law institution operating under a statutory promotional mandate. On January 1, 2014, Rentenbank's Governing Law was amended to include an explicit guarantee of the Federal Republic of Germany for the bank's obligations, which complements the existing institutional liability. In 2015, it was also amended to explicitly state that Rentenbank cannot be subject to insolvency proceedings. Rentenbank is subject to supervision by the European Central Bank (ECB), supported by the national competent authorities, the Federal Financial Supervisory Authority (BaFin) and the Bundesbank. Legal supervision is exercised by the Federal Ministry of Food and Agriculture (BMEL) in consultation with the Federal Ministry of Finance (BMF). Rentenbank is a member of the Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands e. V. – VÖB), Berlin, as well as of the European Association of Public Banks (EAPB).

The bank's capital base was provided by the German agricultural and forestry sectors between 1949 and 1958. Therefore, we use our distributable profit to promote agriculture and rural areas.

Foreword from the Board of Managing Directors

In today's interconnected world, many problems seem too complex to be solved by simple solutions. Yet sometimes the quest for a complex solution leaves one with no solution at all. In that case, it is helpful to focus on the root of the problem. And, even more importantly, to consider how it can be tackled using one's own resources.

Dr. Horst Reinhardt

Many people in rural areas take this pragmatic approach. Instead of waiting for drones to start delivering items ordered on the Internet, they would rather set up a village store, a mini-kindergarten, or a car-sharing scheme with a single vehicle for the local community. Each of these ideas is as unique as the people behind it. And therein lies the recipe for success.

The year 2015 can be described as challenging. Falling agricultural commodity prices put severe pressure on many agricultural enterprises. In response, we opened our liquidity assistance program, providing funds in the triple-digit millions of euros. At the same time, the prevailing low interest rate environment, combined with our excellent credit ratings, enabled us to offer our promotional loans on very favorable terms.

Hans Bernhardt

Digitalization has been – and remains – another challenge facing not only agribusiness but also the financial sector. New players and market platforms are emerging and the competition for customers is getting stronger. As a central refinancing institution with no direct business, we focus on digitizing the interface with our banking partners as well as on optimizing internal processes. We have made significant progress towards achieving these goals. In addition, the banking industry continued to operate in a constantly evolving regulatory environment. This does not only affect large commercial banks, but also Rentenbank as a government agency with a promotional mandate.

Imke Ettori

Despite the challenging environment, we are pleased to report an encouraging performance, with new promotional business at a record level. Once again, our success was driven by the clear focus on our promotional mandate as well as by our sustainable, risk-conscious business strategy. In fact, the latter is also typical for agriculture. There is a saying that the pope and a farmer know more than the pope alone. Whether it is true, we do not venture to say. However, we can confirm that the 'down-to-earth' experience of farmers does provide valuable insights for the banking business.

Dr. Horst Reinhardt

Hans Bernhardt

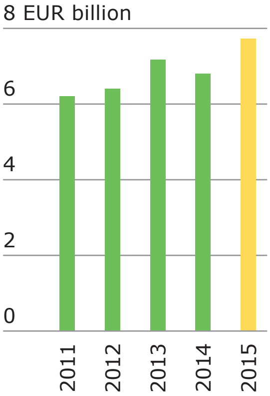
Imke Ettori

Fiscal year 2015 in review

Promotional activities for agribusiness

Special promotional loans: promotion reaches record level

New business in special promotional loans



Special low-interest promotional loans for the agricultural sector and rural areas take center stage in our promotional strategy. In 2015, the volume of new business amounted to EUR 7.8 billion, up 13.8 % on 2014. Despite the challenging economic situation in agribusiness, the volume of our promotional loans thus reached a record high, far in excess of our expectations. At the same time, the need for liquidity assistance loans in the agricultural sector increased, resulting in higher demand for loans in the Agriculture promotional line. New business was also up in the Agribusiness and Rural Development promotional lines, while the number of loan commitments in the Renewable Energy promotional line decreased.

New business in special promotional loans

(EUR million)	**2015**	**2014**
Agriculture	3 175	2 725
of which: at particularly low interest rates	*1 450*	*1 130*
Aquaculture and Fisheries	5	4
Agribusiness	794	545
Renewable Energy	1 512	2 006
Rural Development	2 299	1 559
Other special promotional loans (incl. Special Purpose Fund)	23	18
Total*	**7 807**	**6 858**

*Numbers may not add up to totals due to rounding.

Special promotional loans: sharp rise in new commitments

In 2015, the number of commitments for special promotional loans rose by 11.1 % to 27 905 (2014: 25 120). In the Agriculture promotional line, we granted 21 441 loans, a year-on-year increase of 18.9 %. They included 4 264 (2014: 37) liquidity assistance loans.

Agriculture promotional line: strong growth in liquidity assistance loans and land finance

In our Agriculture promotional line, we provided funds primarily for traditional agriculture-related capital investment, committing a total of EUR 3.2 billion (2014: EUR 2.7 billion). As a result of the low interest rates, many farmers invested in their businesses, despite the downward price trend in agricultural markets. The volume of funds provided for machinery remained flat at EUR 630.0 million (2014: EUR 634.6 million). In parallel with the rise in land prices, demand for land finance increased to EUR 772.7 million (2014: EUR 625.1 million). Promotional loans provided for buildings, particularly livestock housing, amounted to EUR 1.1 billion (2014: EUR 1.3 billion).

Challenging economic conditions: liquidity assistance loans in demand

In 2015, many agricultural enterprises faced liquidity constraints. In response, we opened our liquidity assistance program for forage growers in early July. At the beginning of October, the program was expanded to include processing operations and arable farms affected by drought.

The European Commission has agreed on an aid scheme for farmers challenged by the difficult market situation. The funds allocated to Germany amounted to EUR 69.2 million and were channeled via the Federal Ministry of Food and Agriculture (BMEL) to provide liquidity assistance. Livestock farmers who were able to prove that prices had fallen and who had taken out a liquidity assistance loan were eligible for applying for a subsidy from the Federal Office for Agriculture and Food (BLE). As a result, demand for our liquidity assistance loans increased significantly during the short application period for the federal program from November 21 to December 18, 2015. In the year under review, we committed a total of EUR 345.2 million (2014: EUR 4.9 million) for this purpose.

Growth in Agribusiness promotional line

In addition to our promotional loan products for our core agricultural segment, we also support businesses across the entire agricultural value chain from agricultural contractors to foodstuff processors. In the Agribusiness promotional line, we granted loans worth a total of EUR 793.5 million (2014: EUR 545.4 million). Of this volume, EUR 470.1 million (2014: EUR 348.9 million) was used for machinery and EUR 196.6 million (2014: EUR 164.2 million) for buildings. We also provided EUR 104.1 million (2014: EUR 13.1 million) for farm inputs.

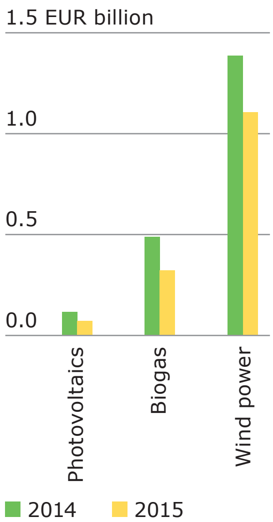
Renewable Energy promotional line: volumes decline in all segments

New business in our Renewable Energy promotional line amounted to EUR 1.5 billion (2014: EUR 2.0 billion), a 24.6 % decrease on 2014. Investing in renewable energy is strongly influenced by political decisions. As a consequence, our promotional business reflects changes in the German Renewable Energy Sources Act (EEG). In 2014, the amendment to the EEG was followed by a sharp slowdown in the pace of investment.

The focus of our promotional business in renewable energy remains on the financing of wind turbines, despite the decrease of 20.3 % to EUR 1 105.6 million (2014: EUR 1 386.5 million). Of this amount, EUR 480.8 million (2014: EUR 754.8 million) was accounted for by the Community Wind Farms program. This program enables us to extend our activities beyond our main agricultural target group to provide funds for wind farms involving financial participation of local residents and farmers.

Due to the reform of the EEG in 2014, the profitability of new biogas plants decreased significantly. The volume of our new loans for biogas plants was therefore lower than in the previous year, amounting to EUR 318.8 million (2014: EUR 490.6 million). As expected, financing for photovoltaic projects was also down, decreasing to EUR 68.2 million (2014: EUR 114.2 million).

New business in Renewable Energies



EUR 1.8 billion to promote sustainability projects

Supporting business practices that enhance environmental protection and animal welfare by offering loans at particularly low interest rates is at the heart of our promotional policy. Under our Sustainability program as well as our Environmental and Consumer Protection program, we promoted efforts to improve energy efficiency, reduce emissions, and enhance consumer protection, organic farming, and animal welfare. The volume of commitments related to animal husbandry totaled EUR 169.6 million (2014: EUR 223.4 million). This branch of agriculture calls for measures to be taken to reconcile societal demands with economic needs. We base our decisions on criteria for sound animal husbandry practices and promote such methods by offering loans at particularly low interest rates. We provided a total of EUR 324.4 million (2014: EUR 356.2 million) in funding for environmental protection, animal welfare, and consumer protection. The total volume of funds granted for sustainability projects, including renewable energy, amounted to EUR 1.8 billion (2014: EUR 2.4 billion).

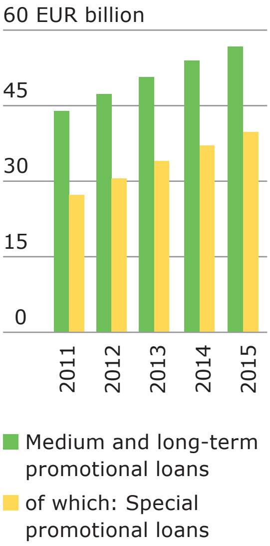
Rural Development promotional line: strong growth in new business

Our Rural Infrastructure program is aimed to promote rural development. The program supports rural municipalities, thus expanding the scope of our promotional offerings for the agricultural sector. Under this program, we offer global loans to the promotional institutions of the federal states. In the Rural Development promotional line, we provided a total of EUR 2.3 billion (2014: EUR 1.6 billion) in funding primarily for the improvement of rural infrastructure. Demand was up by 47.4 %.

Rise in total new promotional business

In addition to our special promotional loans for specific purposes, we also offer standard promotional loans. The borrowers are mostly banks, but they also include public-sector entities operating in rural areas. In 2015, we committed EUR 3.2 billion (2014: EUR 2.0 billion) in standard promotional loans. Securitized promotional business also increased, amounting to EUR 2.6 billion (2014: EUR 2.4 billion). In the reporting year, our new promotional business totaled EUR 13.6 billion (2014: EUR 11.3 billion).

Portfolio of medium and long-term promotional loans (HGB)



New promotional business

EUR billion	2015	2014
Special promotional loans	7.8	6.9
Standard promotional loans	3.2	2.0
Securitized promotional business	2.6	2.4
Total	**13.6**	**11.3**

Balance sheet (HGB): Proportion of promotional loans rises

The loan portfolio continued to grow, with disbursements of special promotional loans of EUR 7.8 billion exceeding redemptions of EUR 4.6 billion. As of December 31, 2015, the special promotional loans were valued in the balance sheet at EUR 40.1 billion (December 31, 2014: EUR 36.9 billion), a year-on-year increase of 8.7 %. The total value of the promotional loans portfolio grew by 6.3 % to EUR 57.2 billion (December 31, 2014: EUR 53.8 billion). Securitized promotional business, recognized in the balance sheet as bonds and other fixed-income securities, amounted to EUR 16.6 billion (December 31, 2014: EUR 19.0 billion).

Significant expansion in promotion of research and development

We are particularly committed to promoting innovation in agribusiness. For this purpose, we provide resources from the Special Purpose Fund of the Federal Government and the innovation fund of Rentenbank. In the reporting year, we significantly expanded our activities in this area. Grants provided by Rentenbank climbed to almost EUR 20 million (2014: EUR 12.5 million). The funds were used to promote applied research projects involving partners from trade and industry.

Appropriation of profits

In accordance with Rentenbank's Governing Law, the bank's distributable profit is used to promote agriculture and rural areas. The net profit for the year is divided equally between the Special Purpose Fund (Zweckvermögen) and the Promotional Fund (Förderungsfonds).

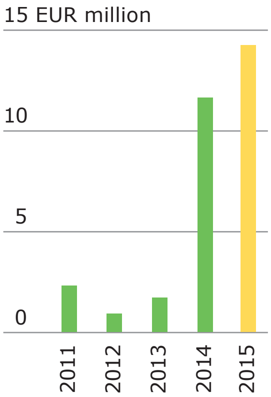
Special Purpose Fund promotes innovation

In addition to its special promotional loans, Rentenbank is particularly committed to promoting innovation. To this end, the bank provides low-interest loans and grants from the Special Purpose Fund. Rentenbank manages the fund, serving as a trustee of the German Federal Government. In 2015, a total of EUR 14.2 million of grants (2014: EUR 11.6 million) were awarded for the development of innovative agricultural products and processes. Following the approval of the Federal Ministry of Food and Agriculture, we also extended 2 loans (2014: 12) for innovative pilot projects, their total volume amounting to EUR 2.3 million (2014: EUR 7.2 million).

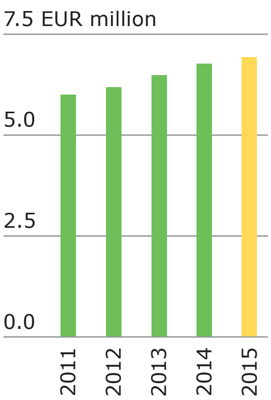
Promotional Fund focuses on research and training

In the year under review, the Promotional Fund had a total of EUR 7.2 million available to support individual projects as well as institutions operating in the agricultural sector and rural areas. Apart from agriculture-related research projects, the focus lies on practical pilot projects, training programs, and events. For several years, the fund has also supported rural youth work, activities for rural senior citizens as well as the German Rural Women's Association (LandFrauenverband).

Promotion of innovation through Special Purpose Fund (grants)



Allocations to the Promotional Fund



Funding of Rentenbank

Strong demand from investors seeking safety and liquidity

In the year under review, we continued to attract new investors. This was underpinned by the explicit guarantee of the Federal Republic of Germany for our obligations as well as by our privileged regulatory treatment. The latter includes, in particular, the zero-risk weighting under the Credit Risk Standardized Approach and the status of our bonds as Level 1 liquid assets. Our excellent credit ratings were also a contributing factor.

Our funding costs fell to a historic low, while the average maturity of our new issues reached a record high. The ECB purchase program resulted in a reduction of our costs for EUR-denominated bonds. For a period of time, Quantitative Easing also led to a significant decrease in currency basis swap costs, enabling us to obtain even more cost-effective funding via hedged foreign currency-denominated bonds. In the short-term funding segment, we continued to raise funds at very attractive rates under our Euro Commercial Paper (ECP) program.

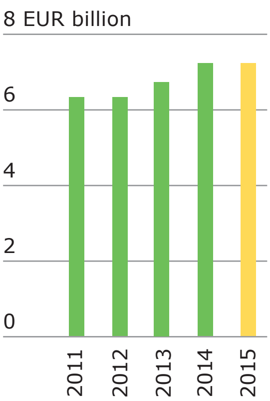
Medium and long-term issuance volume up on 2014

We raised EUR 13.0 billion (2014: EUR 10.9 billion) with maturities of more than two years in the domestic and international capital markets. The funding volume thus exceeded the planned EUR 10.5 billion target. The breakdown by funding instrument is shown in the table below.

Medium and long-term issuance volume (maturities of more than 2 years)

	EUR billion		Share (%)	
	2015	**2014**	**2015**	**2014**
EMTN	7.3	7.3	56.1	67.0
Global bonds	3.0	1.7	23.1	15.6
AUD MTN	2.2	1.5	16.9	13.8
International loans/promissory notes	0.4	0.2	3.1	1.8
Domestic capital market instruments	0.1	0.2	0.8	1.8
Total	**13.0**	**10.9**	**100.0**	**100.0**

EMTN issues



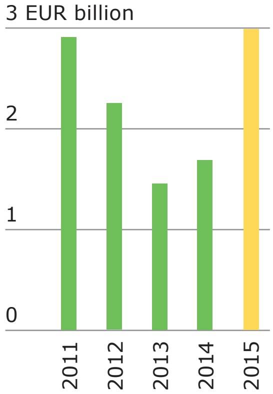
Crucial role of the EMTN program

Our EUR 60 billion Euro Medium Term Note (EMTN) program is our most important funding instrument. Its utilization reached EUR 40.2 billion at year end 2015 (December 31, 2014: EUR 38.9 billion). The EMTN program allows us to issue securities denominated in various currencies with different sizes, maturities, and structures using standard documentation. In the year under review, we used this program to obtain primarily medium and long-term funding. The volume of issues with maturities of more than two years amounted to EUR 7.3 billion (2014: EUR 7.3 billion), including a 7-year EUR 1.25 billion benchmark issue as well as transactions denominated in US dollars (USD) with an equivalent value of EUR 3.5 billion. Under this program, we also placed bonds denominated in five other currencies. In addition, in 2015 we issued a EUR 0.2 billion note (2014: EUR 0.0 billion) with a call option, exercisable within the first two years. The note was therefore allocated to the short-term segment.

Successful USD global bonds

Since 2001, we have used global bonds as a funding instrument. These bonds are registered with the US regulator Securities and Exchange Commission (SEC) and provide us the access to the US market. In the year under review, global bonds accounted for EUR 3.0 billion (2014: EUR 1.7 billion) or 23.1 % (2014: 15.6 %) of our total medium and long-term funding. In January, we issued a 10-year USD 2.0 billion global bond, representing our largest transaction in this maturity so far. In July, the placement of a further 10-year USD 1.5 billion bond was also very successful.

Issues of global bonds



Kangaroo market as a third funding pillar

Under our Australian dollar Medium Term Note (AUD MTN) program, we issued a total of AUD 3.1 billion of bonds and notes, with a total equivalent value of EUR 2.2 billion (2014: EUR 1.5 billion). At year end 2015, Rentenbank maintained its position as the third largest foreign issuer in this market segment, the volume of notes outstanding amounting to AUD 13.3 billion. The kangaroo market thus remains a key pillar of our funding.

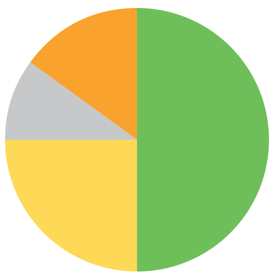
Rise in the average utilization of the ECP program

Issuances under our EUR 20 billion Euro Commercial Paper (ECP) program remain our most important source of short-term funding. They comprise bearer notes with maturities of less than one year, generally issued at a discount (i. e. without a coupon). Despite short-term interest rates at historic lows, or even in negative territory, investors seek exposure to borrowers of the highest credit quality. In 2015, this allowed us to raise funding through the ECP program at particularly low cost. The average program utilization in 2015 was EUR 6.9 billion (2014: EUR 6.3 billion). At year end 2015, the program utilization was EUR 3.4 billion (2014: EUR 5.8 billion).

Zero-risk weighting for Rentenbank bonds and notes

Under the Credit Risk Standardized Approach provided for in the CRR, banks in Germany and other EU countries do not have to hold capital against claims on Rentenbank. Due to the explicit guarantee of the Federal Republic of Germany, this rule also applies in many non-EU countries. Against the background of the new regulatory requirements for banks, the zero-risk weighting for our issuances has proven to be particularly advantageous, increasing our opportunities to place our securities with domestic and international investors.

Medium and long-term issues 2015 – breakdown by region



Europe 50 %
Asia 25 %
Americas 10 %
Other 15 %

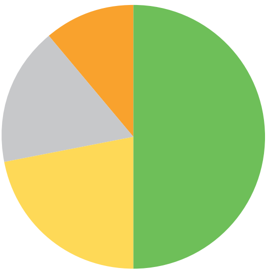
Banks remain the leading group of investors

In the year under review, 46 % (2014: 48 %) of our medium and long-term funding volume was placed with banks. This group of investors sought to minimize capital and risk costs by investing in zero-risk-weighted securities characterized by outstanding credit quality and attractive spreads. As part of the global implementation of the Basel III framework, banks are required to hold a buffer of high-quality liquid assets. Tighter liquidity rules thus tend to increase demand from banks. In addition, central banks and other official institutions play an important role in our funding activities. In 2015, their share of total funding increased to 35 % (2014: 31 %). Asset managers accounted for 14 % (2014: 13 %) of the funding volume, while the share of insurance companies, corporations, and pension funds declined slightly to 5 % (2014: 8 %).

In 2015, Rentenbank had a particularly well-diversified investor base in terms of geographical distribution. We placed 7 % (2014: 12 %) of our bonds and notes in Germany. The proportion of other European investors remained constant at 43 % (2014: 43 %). Furthermore, 25 % of our issues were placed with Asian investors, slightly up on 2014 (23 %). The proportion of investors from the Americas increased to 10 % (2014: 9 %). Of the remaining issuance volume, New Zealand and Australia accounted for 6 % (2014: 9 %), while the Middle East and Africa represented 9 % (2014: 4 %).

USD as the main issuance currency

Medium and long-term issues 2015 – breakdown by currency



- USD 50 %
- EUR 22 %
- AUD 17 %
- Other 11 %

In 2015, our medium and long-term funding was raised in eight currencies. USD remained the largest source of funding, representing 50 % (2014: 41 %) of total issuance. It was followed by EUR, which accounted for 22 % (2014: 27 %) of the funding volume. AUD retained the third position with a share of 17 % (2014: 14 %). The remaining 11 % of the issues were denominated in the following currencies: pound sterling, New Zealand dollar, Turkish lira, Brazilian real, and South African rand.

Rentenbank issues recognized as liquid assets …

Under the supervisory reporting framework set out in the CRR, bonds issued by promotional banks qualify as liquid assets in the EU. Our bonds are explicitly guaranteed by the Federal Republic of Germany and meet the operational requirements of Article 416 CRR. In accordance with point (c)(i) of Article 10 (1) of the delegated act on the Liquidity Coverage Requirement, they are recognized as level 1 assets without limitations.

In addition, our bonds are recognized as assets of the highest liquidity and credit quality by the central banks of the United States, Canada and Switzerland.

… and as repo-eligible assets

Our listed EUR-denominated issues fulfill the requirements of the European System of Central Banks (ESCB) for eligible tier one assets. Our bonds and notes fall under liquidity category II. Only securities issued by central banks and central governments are allocated to liquidity category I. Liquidity category II includes, inter alia, securities issued by supranational institutions and issuers classified as agencies. Furthermore, our kangaroo bonds are repo-eligible with the Reserve Bank of Australia. Similarly, our Kauri bonds are repo-eligible with the Reserve Bank of New Zealand. Our issues also enjoy a privileged status in private repo markets. For example, Eurex Repo GmbH accepts our issues as collateral for the GC Pooling ECB Basket.

Exception to the legal subordination of unsecured debt instruments

Based on Article 2 of the German Resolution Mechanism Act (Abwicklungsmechanismusgesetz – AbwMechG), the German Banking Act (KWG) was amended to include a special insolvency rule (Section 46f (5) KWG). In the case of bank insolvency, this provision makes certain unsecured debt instruments of banks subordinate to other senior liabilities. This does not include debt instruments issued by public law institutions, which cannot be subject to insolvency proceedings (Section 46f (6) sentence 2 KWG). This amendment to the German Banking Act raised the concern that it might trigger the loss of eligibility of our bonds as collateral.

According to the Governing Law of Landwirtschaftliche Rentenbank, the bank may only be dissolved by law. Furthermore, due to the institutional liability of the Federal Republic, insolvency proceedings regarding the bank's assets may not be opened. However, it was necessary to amend Rentenbank's Governing Law to state explicitly that Rentenbank cannot be subject to insolvency proceedings, although this did not change the prior interpretation of the relevant provisions.

To this end, Section 16 (1) of Rentenbank's Governing Law was amended to begin with the following sentence: "Insolvency proceedings with respect to the Bank's assets are inadmissible." This addition ensures that our unsecured debt instruments remain eligible and that we continue to be able to effectively fulfill our mandate as a promotional bank for agribusiness.

Rentenbank bonds included in key bond indices

Our liquid EUR and USD-denominated bonds issued in large volumes are included in the most important bond indices. These comprise, inter alia, the Markit iBoxx EUR Benchmark Index, the Barclays Euro Aggregate Bond Index, the Barclays U.S. Aggregate Bond Index, and the BofA Merrill Lynch US Broad Market Index.

These indices measure the performance of domestic or international market segments. Being included in an index improves the placement prospects of these bonds since bond indices are used as benchmarks for measuring the performance of many institutional investors. Accordingly, they serve as a basis for the investors' portfolio management and investment decisions.

Money market business

We use a variety of instruments to fund our short-term lending business, to manage liquidity, and to hedge short-term interest-rate risk. The funds are raised through the ECP and EMTN programs, overnight and term deposits in the interbank market, repo transactions with Eurex Clearing AG, and ECB funding facilities. We also use derivatives to manage interest rate risk. We accept deposits from non-banks only to a very limited extent and only as part of our promotional activities.

Equity trading

As a general rule, we do not trade in equities. Our portfolio of shares is therefore limited to our equity holdings.

Asset/liability management

Conservative liquidity risk management remains unchanged

Tighter liquidity requirements are a crucial element of the regulatory framework under Basel III. We continue to place a strong emphasis on efficient management of liquidity risk. Accordingly, liquidity risks of the bank are transparent and limited by the Board of Managing Directors. Foreign currency liquidity risk is eliminated by hedging. The measurement of liquidity risk is thus limited to EUR-denominated cash flows. All scheduled EUR inflows and outflows over a two-year horizon are netted on a daily basis in a short-term liquidity statement. Negative balances (liquidity gaps) must always be covered by liquidity reserves. This ensures that the bank maintains sufficient liquidity resources at all times. As part of our strategic liquidity management, we also analyze risk scenarios. In addition, we monitor medium and long-term liquidity risk. Cash flows from principal payments maturing in 2 to 15 years are aggregated into quarterly segments. The outstanding liquidity balance must not exceed a limit determined by the Board of Managing Directors.

During 2015, we complied with all liquidity limits. Neither individual nor cumulative shortages were identified in the calculation of monthly liquidity scenarios. Throughout 2015, we held eligible liquid assets in excess of the regulatory minimum coverage level for the Liquidity Coverage Ratio (LCR) which became effective in October 2015. As Rentenbank's assets and liabilities are broadly matched, the bank also exceeded the proposed standard for the upcoming Net Stable Funding Ratio (NSFR). We also meet all the requirements specified in the fourth amendment to the German Minimum Requirements for Risk Management (MaRisk).

Market risk management

Our fixed-rate loans and EUR-denominated issues are exchanged for floating-rate positions principally using interest rate swaps. We also use cross-currency swaps and currency basis swaps to exchange cash flows from assets and liabilities denominated in foreign currencies for EUR-denominated floating-rate positions. In addition, we use derivatives to hedge market risk (such as currency, equity, or option risk) arising from the issuance of structured bonds and notes. Similarly, fixed-rate exposures arising from special promotional loans are generally exchanged for floating-rate exposures using interest rate swaps. Short-term interest rate risks are managed on the money market desk.

Risks arising from money market and lending activities are monitored using a daily risk report, which determines, inter alia, market risk by applying a shift to the interest rate curve. Market risk is assessed in compliance with the MaRisk.

Market risk hedged by derivatives

In 2015, Rentenbank entered into swaps with a value of EUR 30.3 billion (2014: EUR 23.8 billion) to hedge interest rate and currency risk. Of the total amount, EUR 18.6 billion (2014: EUR 14.3 billion) related to interest rate swaps, while EUR 11.7 billion (2014: EUR 9.5 billion) represented cross-currency swaps or currency basis swaps. We also entered into FX swaps to hedge foreign currency exposures arising from our foreign currency-denominated ECP issues.

We use derivatives as micro or macro hedges exclusively to hedge known or expected market risk. In the case of micro hedges, each swap is linked to a specific balance sheet item. In contrast, macro swaps are entered into at a portfolio level to hedge market risk arising from our special promotional loans.

We enter into collateral agreements with all swap counterparties to mitigate credit risk resulting from the use of derivatives.

Rentenbank remains a non-trading book institution

Rentenbank does not have a trading book as defined in the German Banking Act (KWG) or in Article 4 (1) point (86) CRR. In 1998, the bank classified itself as a non-trading book institution, which was reported to the Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank. We do not hold any positions with trading intent as defined in Article 4 (1) point (85) CRR. All transactions are allocated to the banking book.

Sustainability

Sustainability is an integral part of the promotional mandate

As a public law institution under a statutory promotional mandate, Landwirtschaftliche Rentenbank has a particular responsibility to operate sustainably. This is even more important as the concept of sustainability was originally coined in forestry. Commitment to a sustainable approach to business runs deep in agriculture and forestry, taking into account soil as a non-reproducible resource as well as the needs of future generations. In addition, the activities within the agricultural sector offer numerous opportunities for enhancing sustainability. In particular, agriculture can contribute to global climate protection.

Corporate social responsibility and environmental protection have been at the core of our activities for many years. Our business model is based on promotional activities and long-term objectives, providing the foundation for our commitment to an economically stable and environmentally sound society. Key aspects of this sustainable approach were explicitly included in the bank’s promotional mandate when the fifth amendment to Rentenbank’s Governing Law came into force on August 1, 2002.

As described in our mission statement, we are committed to advancing sustainable economic, social and environmental development. Both the notion of sustainability that underpins our promotional policy and the sustainability aspects of our internal banking operations are an integral part of our mission statement.

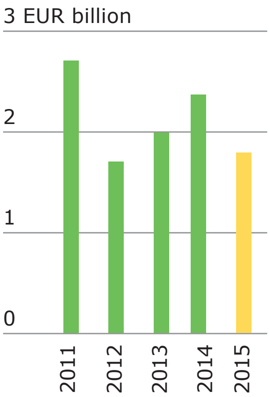
Particularly favorable terms for sustainable investments

For a number of years, Rentenbank has offered low-interest promotional loans to support sustainable investments in agribusiness. Our various special loan programs provide funds for agriculture-related investments in environmental protection, animal welfare and consumer protection as well as in the use of renewable resources. We also finance sustainable investments in emission reductions, energy efficiency, organic farming, and regional marketing. Promotional loans for sustainable investment projects are offered at very competitive rates.

Our Rural Energy loan program focuses on the generation of renewable energy, driven by the important role of the agricultural sector in achieving the climate policy goals of the German federal government and the European Union. These efforts are supported by Rentenbank. Our Community Wind Farms program provides funds for wind energy projects characterized by local financial participation. These projects are majority-owned by local stakeholders (i.e. citizens, businesses and landowners), thus ensuring that the added value primarily remains in rural areas. This also helps to increase the local acceptance of these projects.

Our promotional loans for rural development are also channeled via the promotional banks of the federal states. These investments comprise, inter alia, the extension of broadband coverage. We are thus contributing to the improvement of rural infrastructure.

New financings for sustainable projects



In the Aquaculture and Fisheries promotional line, we provide low-interest loans for investments in environmental protection and resource conservation. Sustainable fish farming, which aims to relieve the pressure on wild fish stocks resulting from an increased global demand for seafood, is a relatively new challenge for the German agribusiness.

In 2015, our promotional programs provided EUR 1.8 billion (2014: EUR 2.4 billion) in financing for investments in sustainability, including the sustainability projects of the Renewable Energy promotional line. Overall demand for loans in this promotional line decreased. In the future, we will continue to design our loan programs to promote investments in sustainability projects.

Sustainability at the focus of innovation support

Technological progress and innovation are crucial for the future viability and sustainable development of agribusiness. Innovation is the only means of meeting the increased societal demands on environmental and animal protection, while at the same time staying internationally competitive. We provide support for the entire innovation process, from conception to implementation, including the dissemination of particularly sustainable practices. In 2015, our funding by grants focused on innovations in animal husbandry with an amount of EUR 13.8 million. We supported, inter alia, grants provided by the Federal Ministry of Food and Agriculture for innovations in improving on-farm animal welfare. In addition, we provided EUR 2.2 million in funding for innovative projects to improve the resource efficiency of horticulture and arable farming.

Sustainability is also a key aspect of human resources policy

Work-life balance, employee health, together with professional, methodological and personal development, as well as executive development, are integral to Rentenbank's business approach. We offer our employees numerous opportunities in these areas.

Rentenbank places a priority on the overall well-being of its employees. Not only do we provide an ergonomic work environment to our employees, but we also actively advance their health. Our extensive health management program comprises corporate health days, influenza vaccinations, medical check-ups, and occupational integration management. We also offer various sports groups and subsidized gym memberships. Our on-site cafeteria serves healthy and well-balanced meals, prepared daily with fresh, seasonal ingredients.

Our executive development program includes a separate module on healthy management. Raising managers' awareness of the importance of health, both their own and that of their employees, is an integral part of our responsible health management.

Life coaching is available to our employees, offering the support of a neutral professional. Qualified counsellors, obliged to maintain absolute confidentiality at all times, provide assistance in resolving work or personal issues.

Reducing consumption of resources in internal bank operations

As a service provider, Rentenbank is committed to conducting its daily bank operations in an environmentally sustainable manner, saving energy and reducing the use of materials. Moreover, we seek to identify further opportunities to save resources and consider environmental aspects in our decision-making and code of conduct. Since 2010, the renovation of our employee housing has been an essential part of our environmental protection activities. Built in the late 1950s and early 1960s, the employees' apartments were further modernized during 2015. While taking these measures, close attention was paid to minimizing the consumption of resources.

Corporate Governance

Rentenbank is committed to compliance with the German Public Corporate Governance Code

Effective corporate governance is of particular importance for responsible and sustainable management. The Public Corporate Governance Code of the Federal Republic (Public Corporate Governance Kodex – PCGK, as of June 30, 2009) was therefore adopted by resolution of the Board of Supervisory Directors of Rentenbank on July 16, 2009. The PCGK is primarily aimed at private enterprises. However, corporations that are legal entities under public law – including Rentenbank as a public law institution – are also recommended to comply with the PCGK, unless otherwise precluded by law (e. g. the Governing Law of Landwirtschaftliche Rentenbank).

The Board of Managing Directors and the Board of Supervisory Directors of Rentenbank identify with and recognize the principles of the PCGK. Compliance with the PCGK's nationally and internationally recognized standards for good and responsible management is explicitly in the general interest of the German government with regard to Rentenbank's activities.

Any deviations from the recommendations of the PCGK are disclosed and explained in the declaration of conformity on an annual basis.

Management and control of the bank by the Board of Managing Directors and the Board of Supervisory Directors

The Board of Managing Directors and the Board of Supervisory Directors work closely together for the benefit of the bank, applying the principles of sound management. On a regular basis, at least quarterly, the Board of Managing Directors reports to the Board of Supervisory Directors on the course of business, including all relevant matters regarding the bank's planning, risk assessment, risk management, compliance with the regulatory requirements, and financial position. In addition, the Board of Managing Directors maintains regular contact with the Chairman and the Deputy Chairman of the Board of Supervisory Directors and consults with them on matters relating to management and strategy.

In the reporting year, the Board of Managing Directors informed the Board of Supervisory Directors of all matters relating to planning, risk assessment, risk management, compliance with regulatory requirements, results of operations, and financial position.

Board of Managing Directors

The Board of Managing Directors is responsible for managing the bank in accordance with the Governing Law of Landwirtschaftliche Rentenbank, the bank's statutes, and the terms of reference for the Board of Managing Directors. It is obliged to act in the interest of the bank and to comply with the statutory promotional mandate.

The division of responsibilities between the members of the Board of Managing Directors is based on a schedule of responsibilities. The respective responsibilities of each board member are detailed below by department:

- Dr. Horst Reinhardt, Speaker of the Board of Managing Directors: Promotional Business, Treasury, Legal Affairs and Human Resources, Public Relations and Economics
- Hans Bernhardt: Finance, IT and Organization, Collateral and Equity Holdings, Administration
- Imke Ettori: Financial Institutions, Operations Financial Markets

Board of Supervisory Directors

The Board of Supervisory Directors supervises and advises the Board of Managing Directors in its management of Rentenbank in accordance with the Governing Law of Landwirtschaftliche Rentenbank, the bank's statutes, and the terms of reference for the Board of Supervisory Directors. It appoints the members of the Board of Managing Directors and ensures with the Board of Managing Directors that long-term succession planning for the board is in place. The Board of Supervisory Directors may issue general or specific instructions to the Board of Managing Directors.

In accordance with Rentenbank's Governing Law, the Board of Supervisory Directors comprises 18 members. The Chairman of the Board of Supervisory Directors is elected by the Board of Supervisory Directors from the members appointed by the German Farmers' Association (DBV). In the year under review, Joachim Rukwied, President of the DBV, served as Chairman of the Board of Supervisory Directors. During the fiscal year 2015, the Board of Supervisory Directors had two female members.

In the reporting year, five members of the Board of Supervisory Directors attended fewer than half of the board meetings.

Supervision

In accordance with Section 11(1) of Rentenbank's Governing Law, Rentenbank is subject to supervision by the Federal Ministry of Food and Agriculture (supervisory authority) which makes its decisions in consultation with the Federal Ministry of Finance. The supervisory authority ensures that the bank operates in the interests of the public, especially with respect to the promotion of agriculture and rural areas, and that its activities are in line with Rentenbank's Governing Law and its statutes.

Efficiency review of the Board of Supervisory Directors

In accordance with Section 25d (11) sentence 2 No. 3 and 4 of the German Banking Act (KWG), the Board of Supervisory Directors assesses annually the structure, size, composition, and performance of the Board of Managing Directors and the Board of Supervisory Directors, as well as the knowledge, capabilities, and experience of the individual board members as well as of the respective boards collectively. In accordance with Section 9 (4) No. 2 (c) and (d) of the terms of reference for the Board of Supervisory Directors, the Administrative Committee supports the Board of Supervisory Directors in the assessment by preparing a list of questions at its autumn meeting.

In the year under review, 14 of the 18 members of the Board of Supervisory Directors took part in the review. The participation level thus was 78 %. The outcomes of the efficiency review as well as possible options for improvement were discussed by the Board of Supervisory Directors at its meeting on March 26, 2015.

Avoiding conflicts of interest

The members of the Board of Managing Directors and the Board of Supervisory Directors must perform their duties in the best interests of Rentenbank. Any potential conflicts arising in connection with the activities of the Board of Managing Directors and the Board of Supervisory Directors must be disclosed to the Chairman of the Board of Supervisory Directors or to the Board of Supervisory Directors. No conflicts of interest involving members of the Board of Managing Directors or the Board of Supervisory Directors arose during the reporting year.

Remuneration arrangements for the Board of Managing Directors and the Board of Supervisory Directors

The Board of Supervisory Directors determines the appropriate levels of remuneration for the members of the Board of Managing Directors, based on an assessment of individual performance. The total remuneration of the members of the Board of Managing Directors does not include any components that provide incentives for the members to enter into certain transactions or to take on certain risks.

The basis for calculating the variable remuneration, paid for the previous calendar year, is determined by the Board of Supervisory Directors according to the individual performance of each member of the Board of Managing Directors, the performance of all the members of the Board of Managing Directors as a whole, the economic situation as well as the long-term business success and future prospects of Rentenbank. Both quantitative and qualitative aspects are considered in order to apply these criteria at an operational level. There is no direct link between the amount of the variable remuneration paid to the members of the Board of Managing Directors and one or more of these criteria.

The remuneration of the members of the Board of Supervisory Directors is determined by resolution of the General Meeting, taking into account the members' responsibilities and the scope of their activities as well as Rentenbank's economic situation.

The individual remuneration of the members of the Board of Managing Directors and the Board of Supervisory Directors is disclosed in the notes to the consolidated financial statements on pages 109 and 110.

Transparency and information

Transparency and information are of particular importance to Rentenbank. The bank follows the principle of equal treatment of investors and other interested parties regarding information exchange. All relevant information published by Rentenbank is also available on the bank's website at www.rentenbank.de. In addition to the consolidated and annual financial statements, all of Rentenbank's press releases and ad-hoc announcements, together with the declaration of conformity with the PCGK, can be found on our website.

Financial reporting and auditing

Rentenbank has prepared its consolidated financial statements for the fiscal year 2015 in accordance with International Financial Reporting Standards (IFRS). Rentenbank has also prepared annual financial statements in accordance with the provisions of the German Commercial Code (HGB) for large corporations as well as with the relevant provisions of the German Credit Institutions Accounting Regulation (RechKredV). The Board of Supervisory Directors chooses the external auditor, issues the audit mandate, and fixes the remuneration of the external auditor. The Audit Committee, established by the Board of Supervisory Directors, monitors the independence of the external auditor.

Declaration of conformity by the Board of Managing Directors and the Board of Supervisory Directors

In the fiscal year 2015, Landwirtschaftliche Rentenbank has complied with the recommendations of the PCGK, as amended on June 30, 2009, with the following exceptions:

- As the remuneration of each member of the Board of Managing Directors and the Board of Supervisory Directors is disclosed by name in Rentenbank's Annual Report in a generally understandable way (notes to the consolidated financial statements, pages 109 and 110), these disclosures are not included in the Corporate Governance Report.
- In exceptional cases, the committees not only prepare the decisions of the Board of Supervisory Directors but also – in derogation of section 5.1.8 of the PCGK – make final decisions. This is done for reasons of practicality and efficiency.

Landwirtschaftliche Rentenbank intends to continue to comply with the PCGK (as amended on June 30, 2009), as set out above.

Landwirtschaftliche Rentenbank
April 2016

The Board of Managing Directors
The Board of Supervisory Directors

Combined Management Report

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Introduction

The combined management report consists of the group management report of Landwirtschaftliche Rentenbank (Group in accordance with IFRS) and the management report of Landwirtschaftliche Rentenbank (Rentenbank in accordance with HGB). As the parent company of the Rentenbank Group, Rentenbank has combined the management report pursuant to Section 298 of the German Commercial Code (Handelsgesetzbuch – HGB) in accordance with Section 315 (3) in conjunction with Section 298 (2) HGB with the group management report pursuant to Section 315a (1) in conjunction with Section 315 HGB. The disclosures provided in the combined management report are in line with the requirements of IFRS 7.

The difference between the Group and Rentenbank is negligible, given the minor significance of the consolidated subsidiaries LR Beteiligungsgesellschaft mbH (LRB), Frankfurt am Main, and DSV Silo- und Verwaltungsgesellschaft mbH (DSV), Frankfurt am Main. Therefore, the information provided in the combined management report generally applies to both the Group and Rentenbank. In the section on results of operations, financial position and net assets, the disclosures required under HGB relating specifically to Rentenbank are included at the end of the respective section.

General information on the Group

Group structure

Rentenbank is a public law institution, with its registered office in Frankfurt am Main. It has no branch offices.

All material risks are concentrated in Rentenbank and are managed by Rentenbank on a group-wide basis. The Group comprises Rentenbank and three subsidiaries: LR Beteiligungsgesellschaft mbH (LRB), DSV Silo- und Verwaltungsgesellschaft mbH (DSV), and Getreide-Import Gesellschaft mbH (GIG). The business activities of the subsidiaries are strictly limited. Rentenbank has issued a comfort letter to LRB. The subsidiaries are funded exclusively by the Group.

Promotional mandate

According to Rentenbank's Governing Law, the Group's mandate is to promote agriculture and rural areas. The Group's business activities are aligned with this promotional mandate. Rentenbank's Governing Law and its statutes primarily define the framework for the Group's risk structure.

As a promotional bank for agribusiness and rural areas, Rentenbank provides funds for a variety of agriculture-related investments. Rentenbank grants special promotional loans for projects in Germany via local banks (on-lending procedure) in a competitively neutral way. The range of products is geared towards enterprises operating in agriculture, forestry, viticulture, and horticulture, as well as in aquaculture, including fisheries. Rentenbank also provides funds for projects in the food industry and the associated upstream and downstream industries. We also promote investments in renewable energy and rural infrastructure.

Management system

Rentenbank's business strategy focuses on achieving the following objectives:

- Optimize the implementation of the promotional mandate and continually develop the promotional business,
- Provide promotional benefit from own funds,
- Generate an adequate operating result,
- Low risk tolerance.

The first three objectives are integrated into business operations using key performance indicators. The indicators are defined in more detail in this section. The report on expected developments and the section on the results of operations include information on targets and target achievement. The low risk tolerance is reflected in the risk appetite framework and the associated conservative limits which are described in the risk report.

Segments

The strategic objectives are presented in separate segments. The segments break down as follows:

- Promotional Business

The segment Promotional Business comprises the promotional lending business, the securitized promotional business as well as the long-term funding of the Group. The promotional lending business involves granting special promotional loans and standard promotional loans (e. g. in the form of promissory notes). The counterparties in the promotional business are almost exclusively banks and public sector institutions. The securitized promotional business comprises investments in securities. They serve to ensure Rentenbank's liquidity and to satisfy regulatory requirements on liquidity management. The Group does not hold securities or receivables with structured credit risks, such as ABSs (asset backed securities) or CDOs (collateralized debt obligations).

- Capital Investment

The Capital Investment segment includes the investments of equity reported in the balance sheet and the investments of non-current provisions. The investments are made primarily in securities and promissory notes as well as in registered debt securities issued by banks and public sector institutions.

- Treasury Management

Short-term liquidity and short-term interest rate risk are managed in the Treasury Management segment.

<u>Key performance indicators</u>

Financial key performance indicators are the key metrics used to measure the achievement of the strategic objectives within the internal management system. In addition, non-financial key performance indicators complement the management system.

The financial key performance indicators reflect operating activities based on financial reporting under HGB. The financial key performance indicators include:

- Operating result before provision for loan losses and valuation

The business activities of Rentenbank are not primarily aimed at generating profits, but are guided by business principles. This involves operating with sufficient profitability to ensure the Group's long-term ability to carry out promotional tasks. In light of increasing regulatory requirements, the operating result is used to establish an appropriate capital base through the retention of profits. Profitability and stable earnings are also a prerequisite for carrying out the promotional activities without having to rely on government subsidies. In order to raise funds at favorable conditions, Rentenbank uses its high credit quality as a public law institution, combined with its capital market strategy. In addition, the promotional activities benefit from income generated from the securitized promotional business and standard promotional business as well as from highly cost-efficient processes within the Group.

- Cost-income ratio

The cost-income ratio is a key performance indicator that measures the efficient use of Rentenbank's resources. This performance indicator is both influenced by changes in expenses (numerator) and income (denominator). Therefore, the indicator is, by definition, sensitive to short-term fluctuations in income. The cost-income ratio is monitored on an ongoing basis over a longer period of time and adjusted for changes in expenses on the basis of regular analyses.

- Promotional performance

Promotional performance is a key performance indicator reflecting the total quantitative promotional benefit provided within one fiscal year. It includes income used for granting special promotional loans at reduced interest rates. It also comprises the distributable profit and other promotional measures, such as donations to Rehwinkel Foundation or funds provided by Rentenbank as grants for the Research on Agricultural Innovation program.

The three financial key performance indicators and their main components are determined within the framework of monthly reporting and are compared with target values. They are also included as separate figures in the multi-year plans.

Non-financial key performance indicators comprise corporate citizenship, responsibility towards employees and compliance with legal and regulatory requirements. These are managed primarily on a qualitative basis within the context of the business strategy.

Further information on the financial key performance indicators is included in the sections on Rentenbank's results of operations, financial position and net assets as well as in the report on expected developments. The non-financial key performance indicators are described in more detail in the section 'Non-financial key performance indicators'.

Economic report

Macroeconomic and bank-specific environment

International interest rate and monetary policy

Overall, international interest rate and monetary policy remained highly expansionary in 2015 although central bank policy in the United States increasingly diverged from that in the eurozone towards the year-end.

In 2015, the European Central Bank (ECB) kept the interest rate on the main refinancing operations unchanged at 0.05 %. In light of potential deflation, the ECB announced an expanded asset purchase program in January. These purchases began in March, including bonds issued by euro area governments, inter alia. The volume of the combined monthly purchases under the program was determined to amount to EUR 60 billion, intended to be carried out until at least September 2016. Since inflation was lower than expected as well as to support the recovery of the eurozone economy, the ECB eased its monetary policy further in December. It cut the interest rate on the deposit facility from –0.20 % to –0.30 % and extended its asset purchase program until at least March 2017.

In contrast to the ECB, the US Federal Reserve started to slightly reverse its accommodative monetary policy in 2015. In December 2015, it raised the target range of the federal funds rate to between 0.25 % and 0.50 %. Since the end of 2008, the rates have ranged between 0.00 % and 0.25 %.

Diverging monetary policy on both sides of the Atlantic as well as substantially higher economic growth in the United States resulted in a further depreciation of the euro against the US dollar. At year end 2015, the ECB set the reference rate for the USD/EUR exchange rate at 1.09, which was around 10% lower than the rate of 1.21 at year end 2014.

Development of long-term interest rates

The yields for 10-year government bonds ended the year at 0.63 %, only slightly above the level at year-end 2014 (0.54 %). However, long-term interest rates were very volatile between those dates. Due to the ECB's asset purchase program, announced in January and effective from March, long-term yields gradually declined during the first quarter. By mid-April, the yield for 10-year government bonds fell to a historical low of 0.05 %, while the yield for shorter maturities was negative throughout this period. Nevertheless, yields subsequently increased significantly within a few weeks. By mid-June, the yields for 10-year government bonds reached an annual high of 1.06 %, but fell again towards the end of 2015.

Development of the German agricultural sector

The demand for our promotional loans largely depends on the volume of investments by the German agricultural sector in the segments relevant to our business. From 2010 to 2014, economic sentiment was very positive. A favorable regulatory and market environment, the benign economic conditions and the low interest rate level triggered an increase in agricultural investments and strong demand for our promotional loans. However, business sentiment has deteriorated since mid-2014 due to falling agricultural commodity prices. The prices for the most important agricultural products – grain, milk and pork – have declined considerably since then. Therefore, investments in dairy cattle barns and pigsties have decreased.

Business development

As expected, market conditions in the agricultural sector deteriorated, while the utilization of our special promotional loans increased. The demand for promotional loans was even higher than we predicted for 2015. Farmers continued to invest in various projects planned and started in previous years, despite the more challenging economic climate. In the second half of 2015, many agricultural enterprises experienced cash-flow difficulties, in particular due to the falling producer prices. Accordingly, demand for our liquidity assistance loans rose, gaining momentum through the federal liquidity assistance program at the end of November.

The pace of investment in the Renewable Energy promotional line is determined by the German Renewable Energy Sources Act (EEG). Due to the reform of the EEG in 2014, the number of new commitments in both the biogas and the photovoltaic segments continued to decline. Compared to the record set in the prior year, new wind energy installations and the demand for financing in the wind energy sector also declined slightly in 2015. The notional amounts of new promotional business were as follows:

	2015		2014	
	EUR billion	%	EUR billion	%
Special promotional loans	7.8	57.4	6.9	61.1
Securitized promotional business	3.2	23.5	2.4	21.2
Standard promotional loans	2.6	19.1	2.0	17.7
Total	**13.6**	**100.0**	**11.3**	**100.0**

In the year under review, new promotional business totaled EUR 13.6 billion (2014: EUR 11.3 billion), thus exceeding the volume of the previous year (the amounts in brackets correspond to the amounts as of December 31, 2014). This was especially due to an increase in the special promotional business. The total volume of special promotional loans amounted to EUR 7.8 billion (2014: EUR 6.9 billion), thus significantly exceeding the planned target. The portfolio of special promotional loans increased by EUR 3.3 billion or 9.0 % to EUR 40.0 billion (2014: EUR 36.7 billion). The recognized amount for the securitized promotional business fell by EUR 1.9 billion to EUR 19.8 billion. The balance decreased since the volume of new business was more than offset by redemptions.

Rentenbank raised the necessary funds again on favorable terms as financial investors preferred safe investments. In the reporting year, Rentenbank raised a total of EUR 13.0 billion (2014: EUR 10.9 billion) in funding in the domestic and international capital markets. As the volume of our new promotional business was far in excess of our expectations, the funding volume in 2015 was also higher than initially planned. The following instruments were used for debt issuance in the capital markets:

	2015		2014	
	EUR billion	%	EUR billion	%
Euro Medium Term Notes (EMTN)	7.3	56.1	7.3	67.0
Global bonds	3.0	23.1	1.7	15.6
AUD Medium Term Notes (MTN)	2.2	16.9	1.5	13.8
International loans/promissory notes	0.4	3.1	0.2	1.8
Domestic capital market instruments	0.1	0.8	0.2	1.8
Total	**13.0**	**100.0**	**10.9**	**100.0**

Net assets, financial position and results of operations

Result of operations

Group's results of operations

	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
1) Income statement			
Net interest income before allowance for credit losses/promotional contribution	331.0	324.8	6.2
Allowance for credit losses/promotional contribution	18.6	15.3	3.3
Administrative expenses	65.0	59.3	5.7
Net other income/expense	–9.2	–6.3	–2.9
Operating result	**238.2**	**243.9**	**–5.7**
Net gains/losses from fair value and hedge accounting	204.9	–183.5	388.4
Group's net income	**443.1**	**60.4**	**382.7**
2) Other comprehensive income			
Result from available-for-sale instruments	–56.5	92.5	–149.0
Actuarial gains/losses from pension obligations	5.7	–26.5	32.2
3) Group's total comprehensive income	**392.3**	**126.4**	**265.9**

Operating result

The operating result for the fiscal year 2015 decreased by EUR 5.7 million to EUR 238.2 million, down 2.3 % on 2014 (EUR 243.9 million). The increase in net interest income did not fully offset the increased expenses for the allowance for credit losses/promotional contribution, and the higher administrative expenses.

The operating result did not decline by 10 % as planned, which was due to two factors. Firstly, total margins declined less than expected, while new business strongly increased at the same time. Secondly, the increase in administrative expenses was considerably lower than planned. These factors are explained in more detail below.

Interest income, including income from equity holdings, amounted to EUR 3 734.4 million (2014: EUR 3 532.3 million). After deducting interest expenses of EUR 3 403.4 million (2014: EUR 3 207.5 million), net interest income amounted to EUR 331.0 million (2014: EUR 324.8 million). This unexpected increase of EUR 6.2 million or 1.9 % is attributable to the strong growth in new business generated early in the reporting year which was significantly above the planned target. For further details, please refer to the section on the operating result by segment.

Expenses for the allowance for credit losses/promotional contribution rose by EUR 3.3 million or 21.6 % to EUR 18.6 million. This was mainly due to an increase in promotional contribution of EUR 2.5 million, amounting to EUR 14.8 million (2014: EUR 12.3 million). Furthermore, additions to specific and portfolio valuation allowances increased by a total of EUR 0.8 million to EUR 3.8 million (2014: EUR 3.0 million), slightly up on 2014.

The promotional contribution comprises the interest rate reduction for the special promotional loans granted by Rentenbank. A promotional expense is recognized when it is incurred which is then amortized through profit or loss over the remaining time to maturity. The expense for the additions to the promotional contribution climbed by EUR 6.8 million to EUR 82.1 million (2014: EUR 75.3 million), while income from the utilization of the promotional contribution rose by EUR 4.3 million to EUR 67.3 million (2014: EUR 63.0 million).

In accordance with IFRS, impairments resulting from payment defaults are only recognized for losses already incurred. Since the Group extends loans almost exclusively via other banks, credit risks are identified in a timely manner. In the case of syndicated loans extended to companies, the Group is informed of relevant matters by the other syndicate lenders without delay. Based on a model of expected credit losses, a portfolio valuation allowance is recognized for loans and advances as well as for securities measured at (amortized) cost to account for any residual risk of not having identified losses already incurred. In the current fiscal year, a specific valuation allowance of EUR 2.2 million (2014: EUR 0.0 million) was recognized, while expenses from the portfolio valuation allowance fell by EUR 1.4 million compared with 2014, amounting to EUR 1.6 million in the fiscal year 2015 (2014: EUR 3.0 million).

Administrative expenses rose by 9.6 % to EUR 65.0 million in the fiscal year 2015 (2014: EUR 59.3 million). Of this amount, personnel expenses accounted for EUR 33.8 million (2014: EUR 34.4 million), a decrease of EUR 0.6 million compared to 2014.

Amortization of intangible assets and depreciation of property and equipment and investment property increased to EUR 6.2 million (2014: EUR 5.7 million). This was mainly due to the amortization of expenses for projects related to the implementation of new IT systems which had been capitalized previously.

Other administrative expenses rose by EUR 5.8 million or 30.2 % to EUR 25.0 million (2014: EUR 19.2 million). This was mainly attributable to IT expenses which increased by EUR 2.7 million to EUR 12.4 million (2014: EUR 9.7 million), charges from the cost allocation in relation to the new ECB supervision in the amount of EUR 1.0 million as well as the payment of the bank levy of EUR 1.1 million. Nevertheless, total administrative expenses increased less than expected as especially the conservatively estimated fees and levies were significantly lower.

Net other income/expense declined by EUR 2.9 million or 46.0 % to EUR –9.2 million (2014: EUR –6.3 million). In particular, this resulted from the capital increase of Rehwinkel Foundation of EUR 2.0 million as well as from the net result from taxes.

Operating result by segment

	Promotional Business		Capital Investment		Treasury Management		Total	
Jan. 1 to Dec. 31	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million
Net interest income before allowance for credit losses/ promotional contribution	190.5	192.5	116.7	114.2	23.8	18.1	331.0	324.8
Allowance for credit losses/ promotional contribution	18.6	15.3	0.0	0.0	0.0	0.0	18.6	15.3
Administrative expenses	49.1	45.0	9.4	8.6	6.5	5.7	65.0	59.3
Net other income/expense	–9.0	–6.3	0.0	0.0	–0.2	0.0	–9.2	–6.3
Operating result	**113.8**	**125.9**	**107.3**	**105.6**	**17.1**	**12.4**	**238.2**	**243.9**

The operating result of the Promotional Business segment fell to a total of EUR 113.8 million (2014: EUR 125.9 million). The considerable increase in demand for our special promotional loans led to higher recognized expenses for the interest rate reduction. Allowance for credit losses/promotional contribution increased to EUR 18.6 million (2014: EUR 15.3 million). Due to the high volume of new business in the promotional lines, which was particularly pronounced during the first weeks of 2015, as well as due to a high volume of maturing loans only towards the end of 2015, the income-relevant average portfolio balance could be increased compared to planning. Net interest income before the allowance for credit losses/promotional contribution of the Promotional Business segment declined less than planned and amounted to EUR 190.5 million (2014: EUR 192.5 million). Administrative expenses in the

Promotional Business segment, including depreciation and amortization, rose by EUR 4.1 million to EUR 49.1 million.

Interest income from the Capital Investment segment increased as expected to EUR 116.7 million, representing an increase of EUR 2.5 million on 2014. Compared with higher yielding assets, the lower interest rates for new investments had, however, negative effects due to the prevailing low interest rate environment. Nevertheless, this effect was more than offset by the higher portfolio volume from the retention of profits, resulting in a slight increase in the segment's total interest income. Overall, the segment's operating result rose slightly to EUR 107.3 million (2014: EUR 105.6 million).

In the year under review, net interest income in the Treasury Management segment was again characterized by an increase in margins due to declining short-term funding costs. Although we had assumed a slight decline in the segment in our planning, we were able to increase net interest income by 31.5 % to EUR 23.8 million compared with 2014. This was due to increasing margins in connection with a larger portfolio. Accordingly, the segment's operating result rose to EUR 17.1 million (2014: EUR 12.4 million).

Net gains/losses from fair value and hedge accounting

All derivatives and certain non-derivative financial instruments are measured at fair value. Changes in fair value are recorded as unrealized gains or losses in net gains/losses from fair value and hedge accounting.

For hedged items in a hedging relationship, only fair value changes attributable to changes in the deposit/swap curve (changes in the hedged risk) are taken into account. With respect to the remaining financial instruments measured at fair value, changes in all market parameters, such as credit spreads, are included in their measurement.

Changes in interest rates and exchange rates do not have significant measurement effects due to refinancing at largely matching maturities as well as hedging through derivatives. Net gains/losses from fair value and hedge accounting are largely dominated by measurement gains from widening credit spreads for own issues and by positive measurement effects in relation to measurement losses recognized in prior years. It increased considerably to EUR 204.9 million as of the reporting date (2014: EUR –183.5 million).

Rentenbank is a non-trading book institution and follows a buy-and-hold strategy. Therefore, measurement gains or losses are only of a temporary nature if no counterparty default occurs. The accumulated measurement gains or losses are reduced to zero at the latest when the relevant transactions become due. Irrespective of this, the measurement results reported in the consolidated statement of comprehensive income pursuant to IFRS are the basis for calculating regulatory capital and the risk-bearing capacity. In the case of regulatory own funds, prudential filters are applied to compensate for the losses arising from the measurement of own issues at fair value.

Group's net income

Taking into account the positive net gains/losses from fair value and hedge accounting of EUR 204.9 million (2014: EUR -183.5 million), the Group's net income increased by EUR 382.7 million to EUR 443.1 million (2014: EUR 60.4 million).

Other comprehensive income

Other comprehensive income reflects changes in the revaluation reserve. It includes the results from the measurement of available-for-sale securities and the actuarial gains and losses from the measurement of pension provisions.

The fair value changes largely attributable to changes in credit spreads related to the securities in the available-for-sale category are recognized in other comprehensive income. As part of hedge accounting, the changes in the fair value of these securities attributable to fluctuations in the deposit/swap curve are reported in net gains/losses from fair value and hedge accounting. In addition, other comprehensive income includes the amortization of measurement results from securities that were reclassified to the held-to-maturity category in 2008, measured on the basis of their fair value at that date.

The credit spreads for securities increased compared to the prior year. The resulting decline in market values led to measurement losses of EUR 56.4 million (2014: measurement gains of EUR 92.3 million). The amortization of securities reclassified from the available-for-sale category to the held-to-maturity category resulted in expenses of EUR 0.1 million (2014: income of EUR 0.2 million).

Actuarial gains and losses from the measurement of pension obligations are caused by differences between the expected and actual actuarial assumptions of the prior period and from changes in expectations of future events. In the fiscal year 2015, actuarial gains reported in the financial statements amounted to EUR 5.7 million (2014: losses of EUR 26.5 million). These gains are mainly based on the higher discount rate which, in turn, led to lower pension provisions.

Group's total comprehensive income

The Group's total comprehensive income for the period ending December 31, 2015 amounted to EUR 392.3 million (2014: EUR 126.4 million), representing a significant decline of EUR 265.9 million compared with 2014. This is mainly attributable to an increase in net gains/losses from fair value and hedge accounting by EUR 388.4 million. The reduced other comprehensive income in connection with the measurement of available-for-sale instruments was more than offset by this increase.

Reconciliation to distributable profit

Pursuant to Rentenbank's Governing Law, net income reported under HGB is transferred to a guarantee reserve and a principal reserve, while the remaining amount is distributed. The amount of the distribution is shown as distributable profit. These items are shown as equity components under IFRS for information purposes. The remaining difference to the Group's net income is transferred to retained earnings.

In accordance with Section 2 (3) sentence 2 of Rentenbank's Governing Law, the guarantee reserve may not exceed 5% of the notional amount of the covered bonds outstanding at any given time. As the volume of covered bonds declined, an amount of EUR 23.1 million (2014: EUR 21.6 million) was withdrawn from the guarantee reserve and transferred to the principal reserve.

By analogy with the annual financial statements prepared under HGB, Rentenbank plans to transfer an additional amount of EUR 42.8 million (2014: EUR 41.2 million) from the Group's net income to the principal reserve, subject to approval by the relevant corporate bodies. In addition, the bank intends to transfer an amount of EUR 386.0 million to other retained earnings. The distributable profit remaining after the transfer to reserves amounts to EUR 14.3 million (2014: EUR 13.8 million).

Results of operations of Rentenbank

The results of operations in accordance with the annual financial statements prepared under HGB, as presented in the following table, were satisfactory:

	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Net interest income	311.9	311.0	0.9
of which expenses for interest rate reduction for special promotional loans	*77.2*	*72.3*	*4.9*
Special payout LRB	49.8	0.0	49.8
Net fee and commission income	−2.2	−1.6	−0.6
Administrative expenses	59.8	56.6	3.2
Other operating result	−16.4	−10.1	−6.3
Operating result before provision for loan losses and measurement	**283.3**	**242.7**	**40.6**
Provision for loan losses and measurement	226.3	187.7	38.6
Net income	**57.0**	**55.0**	**2.0**

The operating result before provision for loan losses and measurement rose considerably over the prior year. The increase was attributable to a positive one-time effect of EUR 49.8 million. This involves a special payout by our subsidiary LRB in the course of a restructuring of an existing equity holding. In accordance with the classification of items set out in the German Credit Institutions Accounting Regulation (RechKredV), the special payout is recognized in the income statement within current income from equity holdings. Adjusted for the aforementioned one-time effect, the operating result before provision for loan losses and measurement would have amounted to EUR 233.5 million and would have been below the prior-year figure of EUR 242.7 million, as expected.

This roughly corresponds to the slightly declining operating result under IFRS. However, in contrast to HGB, the aforementioned positive one-time effect is eliminated on consolidation and, accordingly, does not have an impact on the Group's total comprehensive income.

Otherwise, the development of the operating result before provision for loan losses and valuation (HGB) in structural terms corresponds to the development of the operating result under IFRS, except for the recognition and reversal of specific and general valuation allowances. Therefore, we refer to the general disclosures on the Group's results of operations.

The provision for loan losses and measurement primarily comprises specific and general valuation allowances under HGB and the additions to the fund for general banking risks. General valuation allowances rose by EUR 2.3 million to EUR 16.2 million (2014: EUR 13.9 million), while specific valuation allowances fell slightly to EUR 0.6 million. In the context of the aforementioned restructuring of an existing equity holding within the Group, a reversal of an impairment loss of EUR 49.6 million was recognized for the carrying amount of our subsidiary LRB. The fund for general banking risks (Section 340g HGB) was increased by EUR 279.2 million (2014: EUR 194.7 million).

The overall increase of net income amounted to EUR 2.0 million, resulting in net income of EUR 57.0 million (2014: EUR 55.0 million), of which an amount of EUR 42.7 million (2014: EUR 41.2 million) was transferred to the principal reserve. Distributable profit after the transfer to reserves amounts to EUR 14.3 million (2014: EUR 13.8 million) which will be used to promote agriculture and rural areas.

Financial key performance indicators

The operating result before provision for loan losses and measurement, adjusted for the aforementioned special payout, amounted to EUR 233.5 million (2014: EUR 242.7 million). Its volume decreased as expected, yet to a lesser extent than planned. On the one hand, net interest income did not decrease as much as expected since the volume of new promotional business volume and its margins were above plan. On the other hand, the increase in administrative expenses was lower than expected since IT expenses came in below expectations and some of the planned project activities were postponed to subsequent years. In addition, personnel expenses were below plan since additions to pension provisions declined and additional vacant posts were filled on a step-by-step basis. Moreover, the planning for 2015 included a conservative estimate due to the unclear structure and amount of the bank levy to be paid for the first time.

The developments described for the operating result also influenced the cost-income ratio, one of our key performance indicators. While expenses, in aggregate, increased to EUR 80.7 million (2014: EUR 70.7 million), adjusted income remained flat at EUR 314.2 million (2014: EUR 313.4 million). This resulted in an increase in the cost-income ratio from 22.6 % to 25.7 %, after adjusting for the special payout. However, the increase was lower than anticipated. Compared with peers, our cost-income ratio is still on a moderate level.

Promotional performance, a further key performance indicator, comprises the interest rate reduction of the special promotional loans from own income, inter alia. This amounted to EUR 63.6 million (2014: EUR 73.9 million) in nominal terms. In addition, as in the previous year, Rentenbank provided grants of EUR 3.0 million to its Research on Agricultural Innovation program. Rentenbank contributed EUR 2.0 million to the capital of Rehwinkel Foundation. The promotional performance, including the distributable profit of EUR 14.3 million intended for distribution, amounted to EUR 82.9 million (2014: EUR 90.7 million). As expected, the promotional performance was below the prior-year level. However, it exhibits the efficiency of our promotional activities since our special promotional loans reached a record high at the same time.

Financial position

Capital structure

Capital structure of the Group

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Liabilities			
Liabilities to banks	2 829.3	2 184.7	644.6
Liabilities to customers	4 408.3	4 954.7	–546.4
Securitized liabilities	71 544.9	69 178.8	2 366.1
Subordinated liabilities	729.4	691.8	37.6
Equity			
Subscribed capital	135.0	135.0	0.0
Retained earnings	3 474.9	3 046.1	428.8
Revaluation reserve	61.7	112.5	–50.8
Distributable profit	14.3	13.8	0.5

Liabilities

Liabilities to banks increased by 29.5% to EUR 2.8 billion (2014: EUR 2.2 billion), which was largely attributable to short-term borrowings and global bonds. Liabilities to customers decreased by EUR 0.5 billion or 11.0 % to EUR 4.4 billion (2014: EUR 4.9 billion), mainly due to maturing registered bonds.

Securitized liabilities rose by EUR 2.4 billion or 3.4 % to EUR 71.5 billion (2014: EUR 69.2 billion). The Medium Term Note (MTN) programs remained our main refinancing instruments, amounting to EUR 51.8 billion (2014: EUR 49.3 billion). The carrying amount of the global bonds amounted to EUR 16.2 billion (2014: EUR 13.8 billion) as of year-end. The carrying amount of Euro Commercial Paper (ECP) declined by EUR 2.4 billion to EUR 3.5 billion (2014: EUR 5.9 billion).

Subordinated liabilities remained at the prior-year level of EUR 0.7 billion (2014: EUR 0.7 billion).

All funds raised in the money and capital markets for refinancing purposes were obtained on market terms.

The following table presents a breakdown of liabilities by maturity, currency, and interest rate structure based on the IFRS carrying amounts:

	up to 1 year		1 to 5 years		more than 5 years	
	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Fixed interest rate						
EUR million	3 294.1	2 250.7	8 858.0	9 154.6	7 570.0	7 680.3
USD	4 255.5	3 021.9	10 147.6	12 003.6	6 773.7	2 412.1
AUD	786.0	1 041.0	4 460.6	3 418.5	4 515.0	4 421.4
JPY	0.0	35.9	246.2	209.4	369.7	253.2
CHF	390.4	297.1	763.4	1 055.3	113.0	101.6
NOK	286.0	405.4	499.2	719.8	0.0	123.5
GBP	836.6	0.0	1 616.6	1 670.1	0.0	14.8
Other	436.5	31.1	2 732,1	2 651,5	658.7	623.5
Zero coupon						
EUR million	37.8	419.9	44.3	78.7	972.2	921.9
USD	3 005.4	4 122.7	0.0	0.0	0.0	42.5
AUD	154.0	673.8	0.0	0.0	0.0	0.0
GBP	103.5	510.1	0.0	0.0	0.0	0.0
Other	251.4	217.7	0.0	0.0	0.0	0.0
Variable interest						
EUR million	1 539.0	1 863.3	4 854.3	4 905.4	1 808.6	3 213.3
USD	1 928.3	428.6	3 071.2	4 081.9	570.9	123.4
AUD	421.7	0.0	269.5	695.7	0.0	0.0
JPY	11.6	20.7	35.8	44.1	262.8	349.4
NOK	0.0	0.0	224.4	239.1	0.0	0.0
Other	152.4	127.6	183.9	333.9	0.0	0.0
Total	**17 890.2**	**15 467.5**	**38 007.1**	**41 261.6**	**23 614.6**	**20 280.9**

Equity

The increase in the Group's net income more than offset the reported measurement loss in the revaluation reserve. Accordingly, equity rose by a total of EUR 378.5 million to 3 685.9 million (2014: EUR 3 307.4 million).

Capital structure of Rentenbank

The financial position based on Rentenbank's financial statements in accordance with the provisions of HGB is as follows:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Liabilities			
Liabilities to banks	3 461.7	2 806.6	655.1
Liabilities to customers	3 963.3	4 264.8	–301.5
Securitized liabilities	67 304.9	65 843.8	1 461.1
Subordinated liabilities	608.4	599.2	9.2
Equity (including fund for general banking risks)			
Subscribed capital	135.0	135.0	0.0
Retained earnings	1 009.5	966.8	42.7
Distributable profit	14.3	13.8	0.5
Fund for general banking risks	2 911.2	2 632.0	279.2

Changes in liabilities under HGB and IFRS were similar in structural terms. The difference between the Group and Rentenbank results from the measurement at fair value and from hedge accounting required under IFRS. We therefore refer to the presentation of liabilities in the Group's capital structure.

The fund for general banking risks was increased by EUR 0.3 billion to EUR 2.9 billion (2014: EUR 2.6 billion). This resulted in an increase in equity by EUR 0.3 billion compared to 2014.

Capital expenditure

In the past years, Rentenbank heavily invested in the modernization of its application systems. Investments focused particularly on the development of the treasury system, risk management and limit system, the regulatory reporting software and the rating platform. In addition, we made further progress in the digitalization of customer and business partner interfaces (extranet). We also invested in systems and processes for the purpose of implementing new regulatory requirements. In the meantime, the preparations for the introduction of a new financial accounting system have started.

The aforementioned project activities are reflected in the current administrative expenses as well as in the changes in intangible assets. In the year under review, additions to the cost amounted to EUR 4.6 million (2014: EUR 2.3 million).

Liquidity

The liquidity analysis reflects the contractual redemption amounts:

Dec. 31, 2015	up to 3 months EUR million	more than 3 months to 1 year EUR million	more than 1 year to 5 years EUR million	more than 5 years or unspecified maturity EUR million
Liabilities to banks	325.9	340.4	880.0	1 190.0
Liabilities to customers	246.5	337.4	766.1	3 277.6
Securitized liabilities	8 868.0	8 054.3	35 125.2	18 160.3
Negative fair values of derivative financial instruments	179.0	56.0	918.0	517.0
Subordinated liabilities	7.7	17.8	134.8	507.0
Total	**9 627.1**	**8 805.9**	**37 824.1**	**23 651.9**

Dec. 31, 2014	up to 3 months EUR million	more than 3 months to 1 year EUR million	more than 1 year to 5 years EUR million	more than 5 years or unspecified maturity EUR million
Liabilities to banks	4.6	373.5	940.0	785.0
Liabilities to customers	170.8	201.1	1 306.5	3 414.6
Securitized liabilities	8 012.8	7 164.9	37 325.8	14 725.4
Negative fair values of derivative financial instruments	61.0	40.0	547.0	523.0
Subordinated liabilities	7.1	16.5	123.7	481.0
Total	**8 256.3**	**7 796.0**	**40 243.0**	**19 929.0**

The Group has sufficient cash funds and is able to meet its payment obligations at all times without restrictions.

Net assets

Net assets of the Group

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Loans and advances to banks	55 457.2	51 407.6	4 049.6
Loans and advances to customers	6 380.9	5 530.3	850.6
Financial assets	19 912.2	21 701.2	−1 789.0
Positive fair values of derivative financial instruments	7 238.9	5 958.4	1 280.5
Negative fair values of derivative financial instruments	7 152.9	6 810.6	342.3

Rentenbank generally extends its loans via banks in a competitively neutral way. Within the net assets, this is reflected in loans and advances to banks. As of December 31, 2015, they amounted to EUR 55.5 billion (2014: EUR 51.4 billion), accounting for 59.4 % (2014: 57.9 %) of total assets.

Loans and advances to customers mainly comprise promissory notes of the German federal states. Overall, they increased by EUR 0.9 billion to EUR 6.4 billion (2014: EUR 5.5 billion).

Financial assets, which consist almost exclusively of bank bonds, decreased by EUR 1.8 billion to EUR 19.9 billion (2014: EUR 21.7 billion) as redemptions exceeded new business.

The positive fair values of derivative financial instruments increased by EUR 1.3 billion to EUR 7.2 billion (2014: EUR 5.9 billion), while the negative fair values rose by EUR 0.3 billion to EUR 7.2 billion (2014: EUR 6.8 billion). Derivatives are exclusively entered into to hedge existing or expected market risks. Collateral agreements were concluded with all derivative counterparties. The Bank does not enter into credit default swaps (CDSs).

Net assets of Rentenbank

The net assets of Rentenbank's financial statements under HGB were as follows:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Loans and advances to banks	55 682.4	51 459.3	4 223.1
Loans and advances to customers	5 304.4	4 938.6	365.8
Bonds and other fixed-income securities	18 302.1	20 171.5	–1 869.4

Changes in the net assets under HGB and IFRS were similar in structural terms. The difference between the Group and Rentenbank results from the measurement at fair value and from hedge accounting required under IFRS. Therefore, we refer to the disclosures on the Group's net assets.

At year end, the securities portfolio included bank bonds classified as fixed assets in a notional amount of EUR 18.2 billion (2014: EUR 20.0 billion). As in the previous year, no securities were held in the liquidity reserve.

The Board of Managing Directors is satisfied with the performance of the business as well as with the development of results of operations, financial position and assets. This also applies to the achievement of the strategic objectives within the internal management system.

Non-financial key performance indicators

Corporate citizenship

As a public law institution with a promotional mandate, Rentenbank has a particular responsibility to be an active corporate citizen. It mainly supports local cultural institutions and selected projects in Frankfurt am Main, the location of its registered office. Grants are provided on a regular basis to Oper Frankfurt, Schirn Kunsthalle, Städel Museum, the English Theatre and the Städelschule (State Academy of Fine Arts), inter alia. In the case of the Städelschule, Rentenbank supports young talented artists by awarding a group prize as part of the annual 'Rundgang'. Rentenbank also supports various projects of churches, associations and societies with regular donations at Christmas.

Employees

The number of employees grew in the year under review. At year end 2015, Rentenbank employed 269 (2014: 265) employees. Taking into account trainees and interns, the total number of employees was 272 (2014: 269), of which 217 (2014: 223) were full-time employees. These figures include neither employees on parental leave nor the members of the Board of Managing Directors. The average seniority was approximately eleven years. The ratio of men and women was almost on par, with 53 % of the employees being male and 47 % being female. 89 % of the part-time employees were women.

Compliance with legal and regulatory requirements

Rentenbank prepares its consolidated financial statements in accordance with International Financial Reporting Standards, the annual financial statements and the combined management report in accordance with the requirements of the German Commercial Code as well as the German Accepted Accounting Principles (Grundsätze ordnungsgemäßer Buchführung – GoB) and the related supporting pronouncements. In this context, we pay attention to proper preparation as well as to compliance with publication deadlines. This is primarily ensured by an Internal Control System (ICS).

Regulatory requirements regarding own funds, liquidity, total assets, and risk-weighted assets have strategic relevance. Comprehensive compliance with all existing regulatory provisions is a top priority. Within the Group, the Regulatory Matters working group, which also comprises the Compliance desk, ensures that new regulatory requirements are identified at an early stage within the Group and that their implementation is managed and monitored.

Report on events after the balance sheet date

There were no events of material importance after the end of the fiscal year 2015.

Report on expected developments and opportunities

Development of business and underlying conditions

The economic development of Rentenbank primarily depends on the underlying conditions in the credit and financial markets.

These are mainly influenced by the monetary policy of the central banks, the changes in prices and exchange rates as well as the development of public sector finances. The demand for promotional loans is particularly influenced by both the interest rate trend and the situation in the agricultural markets.

At the beginning of 2016, the ECB confirmed its intention to keep the key interest rate at a low level for an indefinite period of time (forward guidance). In view of the increased risks to the further economic development and the sharp decline in oil prices, the ECB also announced that it would implement further monetary easing in the course of the year to counteract deflation in the eurozone. Against this backdrop, we expect money market rates to remain low and a flat interest-rate curve during the year.

As a result of the sharp decline in oil prices, the eurozone economy should stage a moderate recovery as price pressures remain low. Due to an expected more dynamic economic development in the United States and further possible interest rate increases introduced by the US Federal Reserve (Fed), Rentenbank expects the euro to remain weak against the US dollar.

According to Agrar, an indicator of the agricultural business sentiment, farmers plan to invest a total of EUR 3.3 billion in the first half of 2016. For the second consecutive year, this figure showed a decline, amounting to EUR 6.3 billion 2014 and to EUR 4.7 billion in 2015.

The current economic situation is assessed with greater pessimism than in the prior year in all types of businesses. The sentiment indicator has fallen to its lowest level since 2010. Above all, dairy cattle farmers and processing enterprises assess the situation to be substantially worse than in the prior year so that investments in livestock housing should decline further by a considerable degree. In the Agriculture promotional line, we expect demand for investment loans to decrease. In contrast, the liquidity assistance loans and working capital financings should remain at a high level as the economic situation remains challenging.

Irrespective of the good supply of agricultural products in the years 2014 and 2015 as well as the subdued demand from emerging markets, fundamentals indicate a stabilization of agricultural prices. The Food and Agriculture Organization of the United Nations (FAO) expects in its projection until 2024 that the international price levels for agricultural commodities will remain above the level before the price increase from 2007 to 2008.

New business in the Renewable Energy promotional line depends largely on the Renewable Energy Sources Act (EEG). The Act was amended in mid-2014, causing the demand for photovoltaic installations and biogas plants to decline. A further amendment to the EEG is planned for 2016. In this context, the system for promoting renewable energy is planned to be switched from fixed feed-in tariffs to a tender model with a limited total volume. Details as to the structure are not known yet.

Based on its conservative risk business policy, its triple-A ratings, its status as a German government agency and the associated excellent access to funding, Rentenbank anticipates that it will continue to fulfill its promotional mandate successfully.

Forecast of business development

Comprehensive annual plans and multi-year plans for an observation period of five years are prepared in order to project Rentenbank's future results of operations, financial position and net assets. These plans comprise planning for Rentenbank's new business, portfolio, equity, income and costs. In addition, the planning includes regulatory indicators relevant for control as well as a projection of the development of the risk-bearing capacity. In the following, the projections refer to the planning period of 2016.

Within the framework of our current planning, we assume that new business volume in the Promotional Business segment will be significantly below the level of the previous fiscal year. Due to the prevailing low interest rate environment and the expanded asset purchase program of the ECB, we expect a further decline in lending/funding margins. Overall, this should lead to significantly decreasing net interest income for the Promotional Business segment.

Special promotional loans will likely remain in the focus of the lending business. However, after the record volume achieved in the year under review, we expect that new business volume in 2016 will fall considerably due to various changes in our end borrowers' investment activities. Nevertheless, we expect that both the amount of special promotional loans as well as their percentage share in total assets will continue to rise.

In 2015, the portfolio of securities as well as standard promotional loans saw a significant decline of 8 % due to higher redemptions. The portfolio is expected to decline somewhat also in 2016.

We expect that interest income within the Capital Investment segment in 2016 will be slightly above the prior-year level. While the lower interest rates for new investments due to the low interest rate environment compared with higher yielding assets currently have negative effects, this effect can be more than offset by the higher portfolio volume from the retention of profits so that the segment‘s interest income will rise slightly in total.

In 2016, net interest income of the Treasury Management segment is likely to be below the prior-year level as we anticipate declining margins.

Net interest income of the three segments is expected to decline significantly in the fiscal year 2016.

Cost planning for 2016 in particular takes into account the necessary long-term investments for Rentenbank‘s infrastructure as well as the necessary adjustments to fulfill additional regulatory requirements. This includes investments for the further development of the trading, risk management, settlement and limit system, the introduction of a new financial accounting system as well as for the upgrade of hardware and software currently in use. Apart from that, multi-year planning takes into account investments for the modernization of the bank building. The numerous changes in the regulatory framework and the account-ing standards will continue to result in a significant increase in administrative expenses in the next year (2015: EUR 59.8 million), despite our rigorous cost management. This particularly applies to personnel expenses as new positions need to be created. Since the bank levy will be calculated from 2016 at a European level, the actual amount currently is uncertain. Therefore, we used conservative assumptions in our planning.

Against the backdrop of the development of income and costs, we expect the operating result to decline by around 25 % for 2016 (2015: EUR 233.5 million). This key performance indicator would still be at a historically satisfying level.

Despite declining results, we expect to be able to keep the promotional performance (2015: EUR 82.9 million) at an appropriate level, and anticipate an increase by up to 10 % in the next year for this key performance indicator.

Due to falling income coupled with the simultaneous increase (due to investment activities) in administrative expenses, the cost income ratio is expected to increase considerably (2015: 25.7 %). Nevertheless, the ratio will be at a satisfying level in comparison with other promotional banks.

The measurement result can only be projected on the basis of very uncertain assumptions due to the high volatility of the market parameters and the buy-and-hold strategy. Currently, we anticipate the measurement result to be negative in 2016.

Overall, for the fiscal year 2016, the Board of Managing Directors expects lower total comprehensive income, driven by declining operating income, higher administrative expenses and a negative measurement result.

Opportunities and risks

In comparison to the forecast results for 2016, additional opportunities and risks may occur for our business development due to changes in the business environment.

For example, the financial market crisis may intensify again, in particular due to increasing risks for the further economic development, which may have an impact on new business volume and margins in the lending and funding businesses. A deterioration in the economic environment would result in new business volume lower than planned. However, the financial market crisis has shown up to now that challenging situations may also offer opportunities, attributable to Rentenbank‘s superior credit ratings and its solid capital base. These opportunities may arise in the form of attractive funding opportunities as well as high margins in the securitized and standard promotional businesses.

The prevailing low-interest environment, primarily due to the ECB’s monetary policy, influences the demand of the agricultural sector for special promotional loans, but it also weighs on the result in the Capital Investment and Treasury Management segments and has an impact on the margins in the Promotional Business segment. Further measures introduced by the ECB within the scope of the expanded asset purchase program could lead to an additional charge on earnings due to falling asset yields and margins. A change in the low interest environment, e. g. in the wake of a strong rate hike, would be associated with both risks and opportunities for Rentenbank due to the aforementioned factors. The possible specific consequences depend on the extent and the speed of interest rate changes as well as from the respective segment and the selected observation period.

In the meantime, negative interest rates have emerged in some of the segments of the money and capital markets. This may lead to additional risks, but may also involve opportunities due to economic, legal or technical frameworks and restrictions.

Administrative expenses may be subject to additional burdens resulting from further regulatory requirements which are not yet known. This would have an impact on IT and personnel expenses. Apart from the investments already planned, further improvements to the IT and building infrastructure may become necessary. In the course of the European-wide harmonization of the bank levy, uncertainties still surround the actual amount in the fiscal year 2016.

Depending on the changes in market parameters, measurement losses may arise in the case of a widening of the lending/funding margins in the market. If the margins tighten, this may result in measurement gains. In addition, there are various scenarios which may present opportunities or pose risks.

Despite Rentenbank's risk-averse new business policy, it cannot be ruled out that additional information regarding the financial position of our business partners, and thus adversely affecting their credit quality, will be identified during the course of the current fiscal year. This can result in additional rating downgrades for exposures held in the portfolio and thereby burden the risk covering potential within the context of the risk-bearing capacity concept.

Further information on risks is included in the risk report.

Development in the current year

The net interest income of all three segments was slightly above the pro-rata projected figure. Net gains/losses from fair value and hedge accounting are negative, mainly due to fair value changes owing to credit spread changes regarding own issues in foreign currencies. Based on new business and the results achieved in the current fiscal year, the Board of Managing Directors is confident that planned volumes in the promotional business and the planned operating results will be achieved for the fiscal year 2016.

This report on expected developments contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections of the Board of Managing Directors 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 upon factors that involve risks and uncertainties and are based on assumptions which may prove to be incorrect. Unless required by law, we shall not be obligated to update forward-looking statements after their publication.

Risk report

All material risks are concentrated in Rentenbank and are managed by Rentenbank on a group-wide basis. The business activities of subsidiaries are strictly limited. The disclosures made in the risk report primarily relate to the Group. Essential bank-specific aspects of Rentenbank are presented separately.

Organization of risk management

The Board of Managing Directors determines the Group's sustainable business strategy on the basis of the company's mission derived from the relevant legislation. Rentenbank's business strategy is primarily defined by its promotional mandate and the measures taken to fulfill the mandate. In addition, targets and the measures to achieve them are set for the segments.

Within the framework of a risk inventory, the Group analyzes which risks may have a significant effect on its assets, capital resources, results of operations, or liquidity situation. In addition to the risk inventory, the Group's material risks are identified using risk indicators which are based on quantitative and qualitative risk characteristics and used for the purpose of early risk identification. Further procedures include self-assessments, the New Product Process (NPP), the ICS key controls as well as the daily monitoring activities. The risks are reviewed for any concentration effects.

The risks resulting from business activities are identified, limited and managed using a risk management system (RMS). Based on the risk-bearing capacity concept, the RMS was established specifically for this purpose. In this context, the Board of Managing Directors has defined a risk strategy, aligned with the overall business strategy, and the associated sub-strategies. These are reviewed at least annually and adjusted, if necessary, by the Board of Managing Directors. In addition, the strategies are discussed with the Risk Committee established by the Board of Supervisory Directors.

The implementation, management and monitoring of limits, which are in line with Rentenbank's risk-bearing capacity, are an integral part of the RMS. The risk-bearing capacity concept aims to ensure that the risk covering potential is sufficient to cover all material risks. It is based on the going concern approach.

The Group is an institution supervised by the ECB and is therefore subject to the Supervisory Review and Evaluation Process (SREP).

Rentenbank has established a recovery plan pursuant to the German Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz – SAG) and expanded its governance structure and risk management accordingly. The determined recovery indicators and their thresholds as well as the related phases of the governance and recovery process are key elements of the recovery plan. The recovery indicators allow Rentenbank to identify crisis situations at an early stage, so that mitigating actions can be taken.

Under the Risk Appetite Framework (RAF), Rentenbank defines the framework and guidelines for risk appetite which are presented centrally in the business and risk strategy as well as in the related sub-strategies.

As part of the planning process, potential risk scenarios are used to evaluate future net assets, financial position, and results of operations. Deviations between the target and actual performance are analyzed in an internal monthly report. The capital plan is defined on the basis of a time horizon of ten years. The risk-bearing capacity is planned using a 5-year projection.

The introduction of new products, business types, sales channels or new markets requires an NPP. Within the scope of the NPP, the organizational units involved analyze the risk level, the processes and the main consequences for risk management. If business processes, IT systems or structures change materially, the proposed changes are analyzed with respect to control procedures and control intensity, assessing the impact of these adjustment processes.

Based on the risk management and controlling processes, the risk manual of the Board of Managing Directors provides a comprehensive overview of all risks in the Group. Risk management functions are primarily performed by the Treasury and Promotional Business divisions (front office units according to the MaRisk) as well as the Collateral & Equity Holdings division (venture capital fund and equity holdings) within defined limits. Within the scope of the venture capital fund, the Group may invest in equity instruments. These only include company shares, silent participations, and all types of mezzanine capital, such as subordinated loans. Both members of the Board of Managing Directors who are responsible for the back office function are also responsible for the risk controlling function. The Finance division, including its Risk Controlling unit, and the Financial Institutions division, comprising its Credit Risk unit, report to these Board members. Both divisions are responsible for establishing the limit system. In the Finance division, the Risk Controlling unit is accountable for the regular monitoring of the limits approved by the Board of Managing Directors as well as for the reporting on market risks, liquidity risks, operational risks, regulatory and reputational risks as well as risk-bearing capacity. Risk reporting is based on the level of risk and regulatory requirements. The Financial Institutions division monitors the limits defined for credit risks and is responsible for reporting on credit risks, taking into account risk aspects and regulatory requirements.

The compliance risks relevant to Rentenbank are characterized primarily by the fact that non-compliance with material regulatory requirements may result in fines and penalties, claims for damages, and/or the nullity of contracts. This may put the assets of Rentenbank at risk. Rentenbank's compliance function, a part of the Internal Control System (ICS) and in collaboration with the organizational units, attempts to avoid risks that may arise from non-compliance with the relevant legislation.

The Board of Managing Directors as well as the Audit Committee and the Risk Committee, which are both established by the Board of Supervisory Directors, are informed of the risk situation at least quarterly. If material risk-relevant information or transactions become known and in the case of non-compliance with the MaRisk, the Board of Managing Directors, Internal Audit department and, if necessary, the heads of divisions or departments concerned must be notified immediately. The Board of Supervisory Directors is immediately informed of the material risk aspects by the Board of Managing Directors.

The Internal Audit department of Rentenbank is active at the group level, performing the function of a Group Audit department. It reviews and assesses the appropriateness of activities and processes as well as the appropriateness and effectiveness of the RMS and ICS on a risk-based and process-independent basis.

The Group Audit department reports directly to the Board of Managing Directors and carries out its duties independently and on its own initiative. The Board of Managing Directors may issue instructions to perform additional reviews. The members of the Audit Committee as well as the chairmen of the Board of Supervisory Directors and of the Risk Committee may request information directly from the head of Internal Audit.

The risks are monitored generally across segments. If risk monitoring is limited to individual segments, this is stated in the disclosures on the risk types.

Credit risk

Definition

Credit risk is the risk of a potential loss resulting from a default or a deterioration in the credit quality of business partners. Credit risk comprises credit default risk, settlement risk and replacement risk. Credit default risk includes counterparty risk, issuer risk, country risk, structural risk, collateral risk, and equity holding risk.

Issuer, counterparty, and original country risk refer to the potential loss due to defaults or deteriorations in the credit quality of business partners (i. e. counterparties, issuers, countries), taking into account the valuation of collateral. Derivative country risk results from the general economic and political situation in the debtor's country of incorporation. Derivative country risks are divided into transfer risks and redenomination risks. Transfer risk refers to the inability of a solvent foreign borrower to make interest and principal payments when they are due as a result of economic or political instability. Redenomination risk refers to the risk of converting the notional value of a receivable into another currency. In the case of a conversion into a weaker currency based on a fixed exchange rate, this may be equivalent to a partial disappropriation of the creditors.

Structural risks (e. g. cluster or concentration risks) result from the concentration of the lending business in regions, sectors or on borrowers. Collateral risk arises from the lack of recoverability of loan collateral during the loan term or from an incorrect valuation of collateral. Equity investment risk is the risk of losses incurred due to a negative performance within the portfolio of equity holdings.

The scope of the Group's business activities is largely defined by Rentenbank's Governing Law and its statutes. Accordingly, loans for the promotion of agriculture and rural areas are primarily granted to banks in the Federal Republic of Germany or in another EU country as well as Norway. A further prerequisite is that the banks are engaged in business activities with companies operating in the agricultural sector or in the associated upstream or downstream industries or in rural development. In addition, standard promotional business may also be conducted with the German federal states. The special promotional loans are limited to Germany as an investment location. Accordingly, Rentenbank's lending business is mostly limited to the refinancing of banks and institutions or credit institutions as defined in Article 4 CRR as well as other interbank transactions. The credit risk of the end borrower is borne by the end borrower's local bank.

Furthermore, all transactions directly related to the fulfillment of the bank's tasks may be carried out within the limits of Rentenbank's Governing Law and its statutes. This also includes the purchase of receivables and securities as well as transactions within the framework of the Group's treasury management and risk management.

Rentenbank is only exposed to company risks as part of the direct loan business. In 2015, no transactions were entered into with companies in this business segment or in the syndicated loan business.

Depending on the type of the transaction, the divisions Promotional Business or Treasury are responsible for new business in promotional lending. The Promotional Business division extends all special promotional loans. The Treasury division is responsible for the purchase of securities, promissory notes and registered bonds as well as for the direct loan business as part of the standard promotional business. It is also accountable for new business in the money market and for derivatives. Derivatives are only used as hedging instruments for existing or expected market risks. Furthermore, they are only entered into with counterparties with collateral agreements.

Organization

The Treasury and Promotional Business divisions, front office units according to the MaRisk, are actively involved in the operations of the standard promotional business and securitized promotional business (Treasury) as well as special promotional loans (Promotional Business). In accordance with the MaRisk, certain tasks are to be performed separately from the front office. These tasks (i. e. back office functions) are performed by the Financial Institutions and Collateral & Equity Holdings divisions, while the securitized promotional business is conducted by the Operations Financial Markets department. The Financial Institutions division has an independent second vote and processes new standard promotional loans. The Collateral & Equity Holdings division evaluates the collateral and administers payment instructions. Both divisions are also responsible for the intensified monitoring and management of non-performing loans. Any necessary measures are taken in consultation with the Board of Managing Directors. The members of the Board of Managing Directors responsible for the back office functions are responsible for the process.

The Financial Institutions division formulates a groupwide credit risk strategy and is responsible for its implementation. The credit risk strategy is approved annually by the Board of Managing Directors and discussed with the Risk Committee of the Board of Supervisory Directors. In addition, the Financial Institutions division analyzes credit and country risks, inter alia. Business partners and types of transactions are allocated using Rentenbank's own rating categories. In addition, this division prepares proposals for and has the second vote in credit decisions according to the MaRisk. It also monitors credit risks on an ongoing basis.

Credit risks are managed, monitored, and reported for individual transactions at the borrower level as well as at the level of the group of related customers, at the country level and the level of the total loan portfolio. The Financial Institutions division is also responsible for the methodological development, quality assurance, and monitoring of the procedures used to identify, assess and quantify credit risk. The functional and organizational separation of the Financial Institutions and Collateral & Equity Holdings divisions from the Treasury and Promotional Business divisions ensures independent risk assessment and monitoring. Within the framework of the overall loan portfolio management, the loan portfolio is subdivided by various characteristics. Similar transactions are clustered into product groups.

Credit assessment

The credit ratings are determined in accordance with the bank's internal risk rating system. They are a key instrument for managing credit risks and the relevant internal limits.

The Financial Institutions division (back office unit according to the MaRisk) is responsible for determining the credit ratings in terms of the bank's internal risk rating system. This involves allocating individual business partners or types of transactions to one of twenty rating categories. The ten best rating categories AAA to BBB- are assigned to business partners who are subject to low credit risk (Investment Grade). The seven further rating categories (BB+ to C) denote latent or increased latent risks and the final three rating categories (DDD to D) are reserved for non-performing loans or exposures in default.

The credit rankings of our business partners are reviewed at least annually based on the assessment of their annual financial statements and their financial position. In addition to the key performance indicators, the analysis also takes into account qualitative characteristics, the background of the company, and other relevant factors, such as protection schemes or state guarantees. Furthermore, country risk is included in the analysis as a relevant credit quality indicator. In the case of certain products, such as mortgage bonds, the associated collateral or cover assets are regarded as an additional assessment criterion. If new information concerning a deterioration in the financial position or in the economic prospects of a business partner becomes available, the Financial Institutions division also reviews the credit rating and, if necessary, adjusts the internal limits. The internal risk rating system is developed on an ongoing basis and monitored annually.

Quantification of credit risk

We measure credit default risks using statistical methods and classify them according to Rentenbank's rating system. Historical default rates as published by rating agencies are used to determine the expected loss. The Group does not have statistically significant historical data of its own due to the very small number of defaults or credit events in the past decades. In order to assess credit risks, the Group uses a standard scenario to determine the potential annual loss with regard to the loan exposure. The standard scenario is complemented by stress scenarios. These assume a deterioration in credit quality, lower recovery rates, and an increased probability of default. On the basis of these assumptions, the potential annual loss is estimated based on full utilization of the established internal limits. In line with its business model defined by Rentenbank's Governing Law and its statutes, the Group focuses on interbank business. This results in a material concentration risk. A lump-sum amount (risk buffer) is set aside for the sectoral concentration risk.

In accordance with the risk-bearing capacity concept defined in the risk manual, credit risks are assigned a certain amount of the risk covering potential. The established internal limits are monitored daily to ensure compliance with this amount at all times.

In addition to the stress scenarios, which primarily take into account country-specific effects that need to be backed by the risk covering potential, a further risk scenario determines the risk exposure amount for the gone concern approach. The methodology is based on the Gordy model (so-called One-Factor Model). Moreover, additional worst-case scenarios reflect concentration risks in the credit portfolio. These worst-case scenarios are included in neither of the two risk management approaches (i. e. the going concern approach and the gone concern approach). They are therefore not covered by the risk covering potential. In this context, the main aim is to critically evaluate the results and, if necessary, to determine the related measures, such as reducing internal limits or increasing monitoring intensity. Further stress scenarios can be used on an ad hoc basis to examine the effects of current developments on the risk covering potential.

Limitation and reporting

Risk limitation ensures that the risks assumed are in line with the business strategy, the risk strategy defined in the risk manual, and the Group's risk-bearing capacity. Within this context, limits are set both at the borrower level and at the level of a group of related customers as well as at the level of the overall loan portfolio.

A maximum limit for all credit risk limits as well as an upper limit for unsecured facilities are determined by the Board of Managing Directors. They thus represent upper limits for the granting of credit risk limits. The appropriateness of both upper limits is reviewed with respect to the risk-bearing capacity, taking into account risk buffers. In addition, country-specific credit and transfer limits have been established.

A limit system manages the level and the structure of all credit risks. Limits are defined for all borrowers, issuers, and counterparties and, if applicable, subdivided by product and maturity. Rentenbank's risk rating system forms the basis for decisions on establishing limits. In addition, a maximum limit has been set for each group of related customers. The utilization of the limits is determined according to the individual types of business transactions. Furthermore, a certain minimum credit quality is required for certain types of business or limits.

All limits are monitored daily by the relevant back office unit. For money market and promotional loan transactions as well as for equity holdings, the utilization of the limits is measured using the relevant carrying amounts. For the securitized promotional business, the level of utilization of the limits is calculated on the basis of current market prices and, in the case of derivatives, on the basis of the positive fair values of derivative portfolios, taking into account collateral received, if any. Limit reserves are used as a buffer for credit risk resulting from market price fluctuations. The member of the Board of Managing Directors responsible for this back office unit receives a daily report on the risk-related limits and their utilization. The Board of Managing Directors is notified immediately if the limits are exceeded.

Rentenbank has entered into collateral agreements with all counterparties of derivative transactions. These agreements provide for cash collateral denominated exclusively in euros to secure the positive fair values from derivatives in excess of the contractual allowance amounts and minimum transfer amounts. The cash collateral reduces the utilization of limits and thus credit risks.

At the end of each quarter, the Financial Institutions division (back office unit) reports the current credit risk development within the context of the overall risk report based on the MaRisk guidelines to the Board of Managing Directors and the Risk Committee established by the Board of Supervisory Directors.

Current risk situation

Pursuant to IFRS 7, the maximum exposure to credit risk is to be disclosed without taking into account collateral. Therefore, it corresponds to the carrying amounts or, in the case of irrevocable loan commitments, to the notional amounts of the relevant assets.

Maximum exposure to credit risk pursuant to IFRS 7:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Loans and advances to banks	55 457.2	51 407.6	4 049.6
Loans and advances to customers	6 380.9	5 530.3	850.6
Fair value changes of hedged items in a portfolio hedge	1 298.8	1 600.7	−301.9
Positive fair values of derivative financial instruments	7 238.9	5 958.4	1 280.5
Financial assets	19 912.2	21 701.2	−1 789.0
Irrevocable loan commitments	841.7	195.3	646.4
Total	**91 129.7**	**86 393.5**	**4 736.2**

The Group has received collateral in the form of assignments of receivables, guarantor liability as well as state guarantees for the majority of the risk exposures presented. The remaining risk positions mostly include covered bonds, such as German Pfandbriefe.

As regards the positive fair values of derivative financial instruments, the disclosed maximum exposure to credit risk of EUR 7 238.9 million (2014: EUR 5 958.4 million) represents the carrying amounts in the balance sheet at an individual contract level. In contrast, the risk-related economic collateralization is used for risk mitigation at the counterparty level. For transactions in derivative financial instruments, Rentenbank has concluded collateral agreements with all counterparties on the basis of master agreements with netting provisions. In accordance with IFRS 7, the maximum credit risk exposure to derivative financial instruments amounted to EUR 185.3 million as of December 31, 2015 (2014: EUR 316.6 million), taking into account netting agreements and cash collateral.

Exposure to credit risk by rating category:

Dec. 31, 2015

	AAA EUR million	AA EUR million	A EUR million	BBB EUR million	BB-B EUR million	CCC-C EUR million	DDD-D EUR million
Loans and advances to banks	16 327.4	2 172.3	28 309.1	8 635.2	0.0	13.2	0.0
Loans and advances to customers	6 378.3	0.0	0.0	0.0	0.0	0.0	2.6
Fair value changes of hedged items in a portfolio hedge	334.4	10.3	653.4	300.7	0.0	0.0	0.0
Positive fair values of derivative financial instruments	6.0	619.3	4 627.7	1 897.5	88.4	0.0	0.0
Financial assets	12 479.9	3 224.8	2 974.9	1 088.6	144.0	0.0	0.0
Irrevocable loan commitments	120.0	6.9	408.3	306.5	0.0	0.0	0.0
Total	**35 646.0**	**6 033.6**	**36 973.4**	**12 228.5**	**232.4**	**13.2**	**2.6**

Dec. 31, 2014

	AAA EUR million	AA EUR million	A EUR million	BBB EUR million	BB-B EUR million	CCC-C EUR million	D EUR million
Loans and advances to banks	13 231.9	5 105.4	28 779.1	4 275.5	15.7	0.0	0.0
Loans and advances to customers	5 508.6	0.0	13.0	8.3	0.0	0.0	0.4
Fair value changes of hedged items in a portfolio hedge	364.2	90.1	939.1	207.3	0.0	0.0	0.0
Positive fair values of derivative financial instruments	7.3	2 447.7	3 163.4	340.0	0.0	0.0	0.0
Financial assets	11 251.2	5 794.4	2 420.5	1 882.0	353.1	0.0	0.0
Irrevocable loan commitments	195.3	0.0	0.0	0.0	0.0	0.0	0.0
Total	**30 558.5**	**13 437.6**	**35 315.1**	**6 713.1**	**368.8**	**0.0**	**0.4**

The aggregation of carrying amounts in the following two tables is based on the country of incorporation and on the level of the legally independent business partner, without taking into account group relationships.

Risk concentration by country:

Dec. 31, 2015	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	53 903.6	59.2	1 297.8	1.4	255.8	0.3
Loans and advances to customers	6 350.9	7.0	30.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	1 292.6	1.4	6.2	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 491.5	1.6	5 747.4	6.3	0.0	0.0
Financial assets	3 869.5	4.3	14 369.1	15.8	1 673.6	1.8
Irrevocable loan commitments	835.4	0.9	0.0	0.0	6.3	0.0
Total	**67 743.5**	**74.4**	**21 450.5**	**23.5**	**1 935.7**	**2.1**

Dec. 31, 2014	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	49 526.0	57.4	1 881.5	2.2	0.1	0.0
Loans and advances to customers	5 500.3	6.4	30.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	1 595.3	1.8	5.4	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 301.0	1.5	4 338.2	5.0	319.2	0.4
Financial assets	5 798.7	6.7	15 400.6	17.8	501.9	0.6
Irrevocable loan commitments	195.3	0.2	0.0	0.0	0.0	0.0
Total	**63 916.6**	**74.0**	**21 655.7**	**25.0**	**821.2**	**1.0**

Risk concentration by group of counterparty:

Dec. 31, 2015

	Private sector banks/ other banks		Foreign banks		Public sector banks		Cooperative banks		Non-banks	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	8 650.4	9.5	1 553.6	1.7	32 790.1	36.0	12 463.1	13.7	0.0	0.0
Loans and advances to customers	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6 379.2	7.0
Fair value changes of hedged items in a portfolio hedge	228.9	0.3	6.2	0.0	625.4	0.7	438.3	0.5	0.0	0.0
Positive fair values of derivative financial instruments	1 078.2	1.2	4 982.4	5.5	244.3	0.3	168.4	0.2	765.6	0.8
Financial assets	2 672.1	2.9	14 461.8	15.9	616.7	0.7	130.9	0.1	2 030.7	2.2
Irrevocable loan commitments	220.8	0.2	6.3	0.0	316.5	0.3	298.1	0.3	0.0	0.0
Total	**12 852.1**	**14.1**	**21 010.3**	**23.1**	**34 593.0**	**38.0**	**13 498.8**	**14.8**	**9 175.5**	**10.0**

Dec. 31, 2014

	Private sector banks/ other banks		Foreign banks		Public sector banks		Cooperative banks		Non-banks	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	7 075.5	8.2	1 881.6	2.2	31 232.6	36.2	11 217.9	13.0	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5 530.3	6.4
Fair value changes of hedged items in a portfolio hedge	285.6	0.3	5.4	0.0	748.6	0.9	561.1	0.6	0.0	0.0
Positive fair values of derivative financial instruments	863.8	1.0	3 901.5	4.5	228.6	0.3	207.4	0.2	757.1	0.9
Financial assets	2 488.0	2.9	14 259.2	16.5	2 599.6	3.0	117.4	0.1	2 237.0	2.6
Irrevocable loan commitments	0.0	0.0	0.0	0.0	195.1	0.2	0.0	0.0	0.2	0.0
Total	**10 712.9**	**12.4**	**20 047.7**	**23.2**	**35 004.5**	**40.6**	**12 103.8**	**13.9**	**8 524.6**	**9.9**

Carrying amounts in the peripheral eurozone countries:

Dec. 31, 2015	Italy EUR million	Portugal EUR million	Spain EUR million	Total EUR million
Government bonds	319.6	79.9	93.2	492.7
Bonds and promissory notes of banks	448.4	94.2	1 381.8	1 924.4
Positive fair values of derivative financial instruments			4.7	4.7
Gross exposure	**768.0**	**174.1**	**1 479.7**	**2 421.8**
Collateral	377.6	94.2	1 381.7	1 853.5
Net exposure	**390.4**	**79.9**	**98.0**	**568.3**

Dec. 31, 2014	Italy EUR million	Portugal EUR million	Spain EUR million	Total EUR million
Government bonds	307.9	130.5	93.9	532.3
Bonds and promissory notes of banks	751.3	169.2	1 885.1	2 805.6
Positive fair values of derivative financial instruments			2.2	2.2
Gross exposure	**1 059.2**	**299.7**	**1 981.2**	**3 340.1**
Collateral	528.2	169.2	1 887.3	2 584.7
Net exposure	**531.0**	**130.5**	**93.9**	**755.4**

The peripheral eurozone countries are monitored closely due to their strained economic and fiscal situation.

There are no available credit limits or irrevocable loan commitments with counterparties located in the peripheral eurozone countries and there were no transactions of this type in 2015. The increase in the carrying amounts is exclusively attributable to fair value changes. Until further notice, only derivatives that are backed by cash collateral may be concluded with counterparties from Italy and Spain.

The government bonds of the peripheral eurozone countries as well as bonds and promissory notes issued by banks from these countries are assigned to the following measurement categories under IFRS:

	Government bonds		Bonds and promissory notes of banks	
	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Available for sale	308.0	299.7	1 823.4	2 484.5
Held to maturity	144.1	195.2	0.0	117.5
Loans and receivables	0.0	0.0	0.0	20.7
Designated as at fair value	40.6	37.4	101.0	182.9
Total	**492.7**	**532.3**	**1 924.4**	**2 805.6**

Allowances for credit losses

In the case of exposures at risk of default, allowances for credit losses are recognized at the level of individual exposures. In this context, impairments resulting from payment defaults are only determined for losses already incurred. The impairment is determined based on the difference between the carrying amount and the present value of the expected cash flows. The method is described in more detail in Note 9 to the consolidated financial statements.

At the level of the annual financial statements of Rentenbank, a specific valuation allowance was reduced from EUR 5.0 million to EUR 2.4 million. This valuation allowance is not recognized at the group level as the related exposure is measured at fair value through profit or loss in the consolidated financial statements. In the year under review, another specific valuation allowance was recorded on loans and advances, amounting to EUR 2.0 million under HGB and to EUR 2.2 million under IFRS. Accordingly, as of December 31, 2015, there were two specific valuation allowances of EUR 4.4 million related to Rentenbank and one specific valuation allowance of EUR 2.2 million related to the Group.

The Group recognized a portfolio valuation allowance of EUR 16.3 million (2014: EUR 14.7 million) based on an expected loss model. The method is described in Note 9 to the consolidated financial statements. Rentenbank recognized a general valuation allowance of EUR 16.2 million (2014: EUR 13.9 million) in its annual financial statements.

Standard scenarios

The basis of the calculations for measuring potential loss under the standard scenario is the annual potential loss related to the amount of utilization, taking into account 1-year probabilities of default. As of December 31, 2015, the cumulative potential loss amounted to EUR 67.7 million (2014: EUR 61.8 million), including a lump-sum amount of EUR 50 million (risk buffer) for sectoral concentration risks in the banking sector. The increase over the previous year is attributable to the credit deterioration of individual exposures as well as to more conservative model assumptions. In the fiscal year 2015, the average potential loss, calculated on a monthly basis, amounted to EUR 64.7 million (2014: EUR 62.7 million). In relation to the risk covering potential allocated to credit risks as of the reporting date, the average potential utilization was 24.9 % (2014: 24.1 %). The maximum utilization amounted to EUR 67.7 million (2014: EUR 70.8 million). It was thus below the limit of EUR 260 million approved by the Board of Managing Directors for the standard scenario. The lowest utilization during the reporting year amounted to EUR 63.3 million (2014: EUR 61.7 million).

Stress scenarios

In the first stress scenario, the potential loss is calculated based on the full utilization of all prescribed limits, taking into account 1-year probabilities of default. As of December 31, 2015, the potential loss under this stress scenario amounted to EUR 81.0 million (2014: EUR 71.5 million). Under two further scenarios, we simulate an increase of default probabilities by a country-specific factor (at least twice as high), deterioration of credit quality (by at least two notches), and lower recovery ratios for potential losses of collateralized transactions. The stress scenario simulating the highest risk exposure is included in the calculation of the risk covering potential, as part of determining the risk bearing capacity. As of the reporting date, the maximum potential loss calculated under the above stress scenarios was EUR 145.5 million (2014: EUR 126.5 million). The increase over the prior year is – by analogy with the standard scenario – attributable to the credit deterioration of individual exposures in the lower rating categories as well as more conservative model assumptions.

A lump-sum risk buffer of EUR 50.0 million for concentration risks within the banking sector is also included in the calculations to measure potential credit defaults in the stress scenarios.

Market risk

Definition

Market risks comprise interest rate risks, spread risks, foreign exchange risks, and other price risks. The potential loss is calculated by the Group based on the amount held in the portfolio and the changes in the given market parameters.

The Group makes a distinction between market risks in the form of interest rate risks and IFRS valuation risks.

Interest rate risks stem to a small extent from open fixed-interest positions. The major influencing factors are market rates as well as the amounts and terms of open positions. The risk is recognized in the operating result when the open positions are closed.

IFRS valuation risks arise in connection with hedged items recognized at fair value under IFRS and the associated hedges. The potential risks resulting from fair value measurement under IFRS are included in net gains/losses from fair value and hedge accounting. The market risk from IFRS measurement is realized if the buy-and-hold strategy is breached or a business partner defaults. Cash collateral has to be taken into account if a counterparty to a derivative defaults. Irrespective of this, these measurement results are also reflected in the consolidated statement of comprehensive income, in the risk-bearing capacity calculation and in the regulatory own funds. In the case of regulatory own funds, prudential filters are applied to compensate for the losses arising from the measurement of own issues at fair value.

Open currency positions result, to a very limited extent, from fractional amounts related to settlements in foreign currencies. Changes in exchange rates result in minor measurement effects when translating present values of foreign currency balances into the euro.

Organization

Rentenbank does not have a trading book pursuant to Article 4(1) No. 85 and 86 CRR.

The objective of risk management is the qualitative and quantitative identification, assessment, control, and monitoring of market risks. The Treasury division also manages the interest rate risk. The Risk Controlling unit of the Finance division quantifies market risks, monitors limits, and prepares the reports. The Operations Financial Markets department and the

Financial Institutions division control the market conformity of the transactions concluded.

Quantification of market risks

Interest rate risks

Interest rate risks are largely reduced at the group-level by hedging balance sheet items with derivatives. Derivatives are entered into on the basis of micro or macro relationships. The effectiveness of micro hedges is monitored daily using valuation units established for the hedging relationships. These economic micro or macro relationships are recognized in accordance with IFRS as hedging relationships accounted for in the balance sheet.

Gains or losses from maturity transformation are realized from money market transactions and, to a lesser extent, from the promotional lending business. Generating income by taking interest rate risks is not a part of Rentenbank's business strategy.

Gains or losses from maturity transformation result only from short-term open positions as some individual transactions in the promotional business are not instantly hedged due to their low volumes.

To monitor interest rate risks, the Group determines daily the present value sensitivity of all transactions that are subject to interest rate risks and are carried out in the Promotional Business and Treasury Management segments.

At the group level, all interest-sensitive positions are analyzed quarterly using a model based on present values. Banks are required to determine regularly the impact of sudden and unexpected interest rate changes on their open positions in the banking book as well as to report these to the German regulatory authority. The quarterly analysis of interest rate changes examines as of a specific date, whether a negative change in the present value exceeds 20 % of total own funds. The present value is calculated on the basis of scenario analyses, including all financial instruments across segments. However, this measurement does not take into account equity as a permanently available item.

Interest rate risks from open positions are measured on the basis of sensitivities. They may not exceed the risk limits determined by the Board of Managing Directors. Compliance with the limits is monitored daily and reported to the Board of Managing Directors.

IFRS valuation risks

Changes in market parameters in the case of cross-currency basis swap spreads, basis swap spreads, credit spreads, currency exchange rates as well as other prices impact the valuation of financial instruments. Balance sheet items are hedged against interest rate and currency risks using corresponding hedges. In order to recognize economic hedging relationships, the allocation of the hedged items denominated in foreign currencies is based on the fair value option. This involves measuring both the hedging instruments and the hedged items at fair value. The results of a measurement based on the aforementioned market parameters exhibit significant volatility, even if there is an economically perfect hedging relationship.

The potential effects of IFRS valuation risks on the measurement result are simulated in scenario analyses. They are taken into account in the risk covering potential as part of the risk-bearing capacity analysis.

Standard scenarios

Potential market price fluctuations are assumed in the standard scenario. In the case of the money market business and lending business portfolios, the present value sensitivity of each open, interest-sensitive transaction is calculated daily, assuming a parallel shift in the interest rate curve. The result is compared with the relevant limits. The calculation is based on the assumption that the predicted value changes will not be exceeded with a probability of 95 %.

Stress scenarios

In order to estimate risks arising from extraordinary market developments, additional scenarios for interest rate changes are calculated for the money market business and lending business portfolios on a regular and an ad hoc basis. Similarly to the standard scenario, the monthly stress scenario assumes a parallel shift in the interest rate curve.

To determine IFRS valuation risks, the calculations assume an increase in the basis swap spreads, the currency exchange rates, and in other prices as well as a reduction of cross-currency basis swap spreads and credit spreads. Correlation effects, arising from the aggregation of different types of risk, are taken into account.

The predicted risk values will not be exceeded with a probability of 99 %.

Risk buffer

A risk buffer is determined for the standard scenarios and stress scenarios to account for model risks. This also includes the yield risk from open cross-currency basis swaps.

Limitation and reporting

The risk covering potential and, accordingly, the risk limit allocated to market risk in the standard scenario amounts to EUR 19 million (2014: EUR 13 million). The risk buffer is EUR 7.0 million (2014: EUR 0.0 million). Interest rate risks from open positions may not exceed the defined risk limits. Compliance with the limits is monitored daily and reported to the Board of Managing Directors. The Audit Committee and the Risk Committee of the Board of Supervisory Directors are informed quarterly of the outcomes of the risk analyses.

Back testing

The methods used to assess market risks and the market parameters underlying the standard and stress scenarios are validated at least annually.

In the case of money market business and lending business, the scenario parameters are validated daily using historical interest rate trends.

To monitor interest rate risks at an overall bank level, the results from the daily scenario analyses are validated quarterly using a model based on present values.

Current risk situation

The assumptions and market parameters of the standard and stress scenarios were validated and adjusted during the 2015 fiscal year. The adjustments of the standard and stress scenarios are described in the following.

Standard scenarios

As of December 31, 2015, market risk in the money market business and lending business segments was EUR 10.4 million (2014: EUR 1.6 million) in the case of a parallel shift in the interest rate curve by 40 basis points (bps) (a non-parallel shift by 20 bps (overnight rates), 20 bps (6 months), 20 bps (12 months) and a straight-line increase by 40 bps (15 years)). This equals a utilization of the risk limit of 54.7 % (2014: 12.3 %). The average limit utilization in the fiscal year 2015 was EUR 3.2 million (2014: EUR 1.2 million) or 20.4 % (2014: 6.5 %). The maximum risk for the reporting year amounted to EUR 10.5 million (2014: EUR 5.2 million), while the lowest utilization was EUR 0.0 million (2014: EUR 0.02 million). No limits were exceeded in 2014 and 2015. Due to the adjustment of the standard scenario as part of the model validation in 2015, the risk limit also increased by EUR 6 million to EUR 19 million (2014: EUR 13 million). The newly introduced risk buffer amounted to EUR 7.0 million.

Stress scenarios

In the case of stress scenarios, interest rate risk is calculated for the money market business and lending business portfolios. A parallel shift in the interest rate curve by 60 bps is assumed for each portfolio (a non-parallel shift in the interest rate curve by 30 bps (overnight rates), 30 bps (6 months), 30 bps (12 months) and a straight-line increase by 60 bps (15 years). As of the reporting date, the risk exposure amounted to EUR 15.4 million (2014: EUR 2.5 million).

The costs for interest rate basis swaps with different maturities and denominated in the same currency amounted to EUR 215.7 million (2014: EUR 199.8 million) based on a parallel increase in the basis swap spreads by 10 bps (2014: 11 bps) and a widening of OIS IBOR spreads by 79 bps (2014: 75 bps).

A decrease of the cross-currency basis swap spread by 109 bps (2014: increase by 124 bps) is assumed in relation to the costs for interest rate basis swaps with the same maturity and denominated in different currencies. This resulted in a sensitivity of EUR –1 336.0 million (2014: EUR 1 209.3 million).

The credit spreads are based on a debtor‘s credit (structural credit quality), collateralization of products and market-specific parameters (e. g. liquidity, spreads of government bonds, arbitrage opportunities). In order to measure sensitivity within the relevant rating category, the stress scenario for the lending business assumes a parallel shift of 89 bps (increase by 102 bps) and the stress scenario for the funding business a parallel shift of 118 bps (increase by 109 bps). The risk exposure was EUR 1 508.7 million (2014: EUR –1 013.6 million).

The potential measurement loss in the case of an increase in the swaption volatilities by 118 bps (2014: 9 bps) amounted to EUR 12.3 million (2014: EUR 1.7 million) and in the case of an increase in cap/floor volatilities by 237 bps (2014: 49 bps) to EUR 0.6 million (2014: EUR 1.6 million).

The risk exposure to the translation of foreign currency positions into the euro assuming an exchange rate change by 44 % (2014: absolute change of 104 bps) amounted to EUR 97.9 million (2014: EUR 1.7 million).

We increased the risk buffer to EUR 14.5 million (2014: EUR 6.0 million).

Interest rate risk at the level of the entire bank

In accordance with the BaFin Circular 11/2011 (BA), sudden and unexpected interest rate changes were simulated using a parallel shift of +(–)200 bps. As of the reporting date, the risk exposure in the case of rising interest rates amounted to EUR 417.0 million (2014: EUR 415.1 million). The ratio based on regulatory own funds amounted to 11.4 % (2014: 12.0 %). At no point during 2015 or 2014 did the ratio exceed the reporting threshold of 20 %.

Foreign currency risks

No material risk was identified for any currency in 2015 or 2014. The following table presents a breakdown of the notional amounts by foreign currency:

Dec. 31, 2015 Notional amounts in EUR million	**USD**	**AUD**	**GBP**	**NZD**	**CHF**	**CAD**	**NOK**	**Other**	**Total**
Assets									
Loans and advances to banks	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	688.9	50.3	2 272.5	0.0	765.2	224.2	0.0	223.3	4 224.4
Positive fair values of derivative financial instruments	30 187.3	9 949.2	2 536.1	2 235.8	1 190.4	838.2	958.0	1 985.9	49 880.9
Total assets	**30 876.3**	**9 999.5**	**4 808.6**	**2 235.8**	**1 955.6**	**1 062.4**	**958.0**	**2 209.2**	**54 105.4**
Liabilities									
Liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to customers	96.4	0.0	13.6	13.2	0.0	0.0	0.0	38.1	161.3
Securitized liabilities	29 820.7	9 949.2	2 521.9	2 222.6	1 190.6	838.2	958.0	1 642.0	49 143.2
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	381.5	381.5
Negative fair values of derivative financial instruments	959.1	50.3	2 273.1	0.0	765.0	224.2	0.0	147.6	4 419.3
Total liabilities	**30 876.2**	**9 999.5**	**4 808.6**	**2 235.8**	**1 955.6**	**1 062.4**	**958.0**	**2 209.2**	**54 105.3**
Net currency position	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

Dec. 31, 2014 Notional amounts in EUR million	**USD**	**AUD**	**GBP**	**NZD**	**CHF**	**CAD**	**NOK**	**Other**	**Total**
Assets									
Loans and advances to banks	0.1	0.0	0.0	0.0	49.9	0.0	0.0	0.0	50.0
Loans and advances to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	707.1	50.6	1 410.0	0.0	47.4	241.0	0.0	194.5	2 650.6
Positive fair values of derivative financial instruments	26 264.3	9 450.7	2 159.8	1 694.7	1 363.9	880.3	1 410.1	2 069.8	45 293.6
Total assets	**26 971.5**	**9 501.3**	**3 569.8**	**1 694.7**	**1 461.2**	**1 121.3**	**1 410.1**	**2 264.3**	**47 994.2**
Liabilities									
Liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to customers	111.2	0.0	12.8	0.0	0.0	0.0	0.0	34.4	158.4
Securitized liabilities	25 976.3	9 450.7	2 147.0	1 694.7	1 363.9	880.3	1 410.1	1 759.9	44 682.9
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	344.3	344.3
Negative fair values of derivative financial instruments	883.9	50.6	1 410.0	0.0	97.3	241.0	0.0	125.7	2 808.5
Total liabilities	**26 971.4**	**9 501.3**	**3 569.8**	**1 694.7**	**1 461.2**	**1 121.3**	**1 410.1**	**2 264.3**	**47 994.1**
Net currency position	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

Liquidity risk

Definition

Liquidity risk refers to the risk that the Group is not able to meet its current or future payment obligations without restrictions or that the Group is unable to raise the required funds on the expected terms and conditions.

Market liquidity risk is defined by the Group as the risk that assets may not be able to be sold instantaneously or that they can only be sold at loss. Market liquidity risk may have a negative effect on liquidity risk.

Controlling and monitoring

Rentenbank's open cash balances are limited by an amount defined by the Board of Managing Directors on the basis of the funding opportunities available to Rentenbank. The Finance division monitors the liquidity position and the utilization of the limits daily and submits reports to the Board of Managing Directors and the Treasury division.

Instruments available for managing the short-term liquidity position include interbank funds, collateralized money market funds, the issuance of ECP, and open-market transactions with the Deutsche Bundesbank. In addition, Rentenbank may purchase securities for liquidity management purposes. It may also borrow funds with terms of up to two years via the Euro Medium Term Note (EMTN) program or by issuing promissory notes, global bonds, and domestic financial instruments.

In order to limit short-term liquidity risks of up to one month, the calculatory liquidity requirement may not exceed the amount of liquid assets pursuant to the Liquidity Coverage Ratio (LCR). For terms of one month to two years, the calculatory liquidity requirement is limited to the freely available funding potential. In accordance with the MaRisk, the Group maintains liquidity reserves that are sufficient, sustainable, and highly liquid to meet the short-term funding needs of at least one week and to cover any additional liquidity needs arising from the stress scenarios.

In addition, for the purpose of calculating medium and long-term liquidity, expected cash inflows and outflows over the next 2 to 15 years are aggregated into quarterly segments and carried forward. The cumulative cash flows may not exceed the negative limit set by the Board of Managing Directors.

The appropriateness of the stress tests as well as the underlying assumptions and methods to assess the liquidity position are reviewed at least annually.

Under the risk-bearing capacity concept, liquidity risks are not covered by the risk covering potential, but by counterbalancing capacity or liquid assets. This is due to the fact that the Group has sufficient cash funds. Furthermore, Rentenbank's triple-A ratings, inter alia, enable it to raise additional funds in the interbank markets. In case of market disruptions, cash funds are also obtained from Eurex Clearing AG (collateralized money market funds in the form of securities repurchase agreements) and from the Deutsche Bundesbank (in the form of securities pledge and credit claims as eligible collateral in accordance with the KEV (Krediteinreichungsverfahren) procedure).

Special aspect: Rentenbank as issuer of LCR-qualifying bonds

In accordance with the LCR, the bonds issued by Rentenbank are classified as liquid assets in the EU. Our bonds also qualify as highly liquid assets in other jurisdictions, such as the United States and Canada. This offers us additional options for action in case of urgent liquidity needs.

Stress scenarios

Stress scenarios are intended to examine the effects of unexpected events on Rentenbank's liquidity position. The main liquidity scenarios are an integral part of the internal control model. They are calculated and monitored monthly. The scenario analyses take into account price declines of securities, simultaneous drawdowns of all irrevocable credit commitments, defaults by major borrowers and calls of cash collateral from collateral agreements, resulting from an increase in the negative fair values or a decrease in the positive fair values of the derivative portfolios. A scenario mix is used to simulate the cumulative occurrence of stress scenarios. Stress tests are also performed on an ad hoc basis if risk-related events occur.

Liquidity ratios pursuant to the Liquidity Regulation

Pursuant to the German Liquidity Regulation (Liquiditätsverordnung), cash balances and payment obligations are determined daily for the various cash-related on-balance sheet and off-balance sheet transactions. These are weighted according to regulatory requirements and a ratio is calculated. Moreover, these ratios are also calculated and extrapolated for future reporting. In the 2015 reporting year, the monthly reported liquidity ratio for the period of up to 30 days was between 2.40 and 3.65 (2014: 2.71 and 4.38, respectively), thus significantly exceeding the 1.0 ratio defined by regulatory requirements.

Liquidity ratios pursuant to the CRR

The liquidity ratios LCR and NSFR (Net Stable Funding Ratio) are used to limit liquidity risk. The objective is to enable banks to remain liquid even during periods of stress by holding a liquidity buffer and maintaining stable funding. Since October 2015, the minimum LCR requirement (i. e. the ratio of high-quality liquid assets to total net cash outflows) has been 0.6. The required ratio will increase annually until it reaches 1.0 in 2018. The NSFR is still in the observation period. The ratio measures the available amount of stable funding relative to the required amount of stable funding and is required to be over 100 %. The decision on implementing the NSFR in the year 2018 will be made at a later date. The minimum ratio of the LCR and the currently expected minimum ratio of NSFR were complied with in the reporting year 2015.

Reporting

The Board of Managing Directors is provided with a daily report on the short-term liquidity projection and with a monthly liquidity risk report on the medium and long-term liquidity. The latter also includes the results of the scenario analyses, the liquidity ratios LCR and NSFR, and the calculation of the liquidity buffer pursuant to the MaRisk. The Audit Committee and the Risk Committee of the Board of Supervisory Directors are informed on a quarterly basis.

Current risk situation

In general, Rentenbank attempts to ensure that its lending business is funded with matching maturities. Thus, liquidity risks are kept at a low level. The triple-A ratings and the status as a government agency enable Rentenbank to obtain short-term funding in the money and capital markets. In addition, the bank holds liquid assets. In case of market disruptions, funds may be raised in the amount of the freely available funding potential. This has always covered the bank's liquidity requirements for a period of up to two years.

The limit for medium and long-term liquidity requirements was not exceeded in the fiscal years 2015 and 2014.

Stress scenarios

Rentenbank also performs scenario analyses for liquidity risks. In these analyses, the liquidity requirements resulting from all scenarios are added to already known cash flows to examine the effects on Rentenbank's solvency. As in the prior year, the results of the scenario analyses demonstrated that as of the balance sheet date, the Group is able to meet its payment obligations at all times without restrictions.

Operational risk

Definition

Operational risks arise from failed or inadequate systems, processes, people, or external events. Operational risks include legal risks, risks from money laundering, terrorist financing or other criminal acts, risks from outsourcing, operating risks, and event or environmental risks. They do not comprise entrepreneurial risks, such as business risks, regulatory risks or reputational risks.

Organization

The Group manages operational risk by taking various measures to eliminate the cause of the risk, to control the risk, or to limit damage. These measures include organizational arrangements (e. g. separation of trading and settlement units as well as of front and back office units, principle of dual control), detailed work instructions, and qualified personnel.

Legal risk is managed and monitored by the Legal & Human Resources division. It informs the Board of Managing Directors of the current or potential legal disputes on an ad-hoc basis and as well as in semi-annual reports. The Group uses, as far as possible, standardized contracts to avoid legal risks arising from business transactions. The Legal department is involved early in decision-making and significant projects are to be carried out in collaboration with the Legal & Human Resources division. The Legal & Human Resources division is responsible for engaging and instructing external lawyers in Germany and abroad. Legal disputes are recorded immediately in the incident reporting database. They are monitored using a risk indicator for the purpose of early risk identification.

In addition, Rentenbank has established a Compliance function and a central unit for the prevention of money laundering, terrorist financing and other criminal acts. Risks arising from money laundering, terrorist financing and other criminal acts are identified on the basis of a hazard analysis in accordance with Section 25h KWG. As these may put the Group's assets at risk, organizational measures are defined to optimize risk prevention. For this purpose, the Group also analyzes whether general and bank-specific requirements for an effective organization are complied with.

Risks involved in outsourcing are regarded as operational risks. Rentenbank uses decentralized monitoring for outsourcing, comprising risk management and risk monitoring. A distinction is made between significant and insignificant outsourcing based on a standardized risk analysis. Significant outsourcing is subject to specific requirements, in particular with respect to the outsourcing contract, the intervals of the risk analysis, and reporting.

Operating risks as well as event or environmental risks are identified on a group-wide basis. They are managed and monitored based on their materiality.

The Group has appointed an Information Security Officer (ISO) and implemented an Information Security Management System (ISMS). The ISO monitors compliance with the requirements defined by the ISMS to ensure confidentiality, availability, and integrity of the information processing and storage systems. The ISO is involved in the case of critical IT-related incidents.

An emergency manual describes the disaster prevention measures and the emergency procedures in the event of a disaster. Further emergency plans are to be applied in the case of potential business disruptions. The outsourcing of time-critical activities and processes is also included in these plans.

Quantification of operational risk

As part of the risk-bearing capacity concept, operational risks are quantified using a process based on the regulatory basic indicator approach. The factors underlying the standard and stress scenarios were defined on the basis of business volume.

All incidents occurring in the Group are systematically recorded in an incident reporting database and subsequently analyzed. All current incidents and near-incidents are recorded by the relevant operational risk officers on a decentralized basis. The Risk Controlling unit is accountable for the analysis and aggregation of the incidents as well as for the methodological development of the instruments used.

Rentenbank also carries out self-assessments in the form of workshops. At least annually, material operational risk scenarios are analyzed and assessed with regard to the business processes that are significant for Rentenbank's business model. Fraud prevention aspects are also examined. Identified material operational risks are reduced by additional preventive measures.

The Group has defined risk indicators for contingent losses for all material risk types. This ensures an early response to changes in the Group's risk profile. This allows appropriate measures to be taken to manage risk.

Limitation and reporting

The limit for operational risks is derived using the modified regulatory basis indicator approach. Reports are prepared on a quarterly basis and submitted to the senior management, the Board of Managing Directors, the Audit Committee and the Risk Committee of the Board of Supervisory Directors.

Current risk situation

The risk value for operational risk in the standard scenario amounted to EUR 24.6 million as of the reporting date (2014: EUR 27.2 million). Under the stress scenario, the risk exposure amounted to EUR 49.2 million (2014: EUR 54.5 million) as of the reporting date.

In the fiscal year 2015, four significant incidents (valued at more than EUR 5 thousand) were entered into the incident reporting database with a potential net loss of EUR 1 466 thousand. In the previous year, there were three significant single losses from operational risks with a total net loss of EUR 68 thousand. This amount was reduced to EUR 35 thousand during the fiscal year 2015.

All risk indicators were below the defined thresholds as of the reporting date.

Regulatory and reputational risks

Definition

Regulatory risk is the risk that a change in the regulatory environment could adversely affect the Group's business activities or operating result and that regulatory requirements are not sufficiently met.

Reputational risks refer to the risk of negative economic effects from damages to the Group's reputation. Reputational risks may, inter alia, pose a threat Rentenbank's ability to fund its business.

Controlling and monitoring

Within the Group, the Regulatory Matters working group, which also comprises the Compliance desk, ensures that regulatory risks are identified and managed at an early stage.

Regulatory and reputational risks may adversely affect new business, especially funding and margins. Rentenbank's promotional mandate and the state guarantee are major factors contributing to the triple-A ratings. Therefore, regulatory and reputational risks need to be assessed against this background.

Apart from the monthly target/actual comparisons in the income statement, risks are also monitored using the entries in the incident reporting database and in the self-assessments. Potential incidents are characterized by a low probability of occurrence, but a potentially high loss amount.

Limitation and reporting

The Group determines the limit for regulatory and reputational risks on the basis of an income scenario. This involves determining and assessing the negative impact arising from certain risk scenarios. These scenarios assume, inter alia, a decline in new business volume or decreasing margins based on certain probabilities of occurrence. Reports are prepared on a quarterly basis and submitted to the senior management, the Board of Managing Directors, the Audit Committee and the Risk Committee of the Board of Supervisory Directors.

Current risk situation

As of the reporting date, the risk value determined for regulatory and reputational risks amounted to EUR 22.2 million in the standard scenarios and to EUR 44.5 million in the stress scenario.

As in the prior year, no loss incurring events related to regulatory or reputational risks occurred during the reporting period.

Risk-bearing capacity – going concern approach

The risk-bearing capacity calculation compares the sum of the capital charges resulting from the Group's credit, market, and operational risks as well as regulatory and reputational risks with an amount of the risk covering potential. In accordance with the risk-bearing capacity concept, liquidity risks are not included in the calculation. Instead, they are limited by the freely available funding potential and liquid assets.

The risk-bearing capacity concept is based on the going concern assumption. The length of an observation period is one year.

The going concern approach assumes that an enterprise will continue in operation for the foreseeable future. After deducting regulatory capital requirements and the regulatory adjustment items related to the risk covering potential, sufficient capital components must be available to cover the risks from the stress scenarios. The stress scenarios are defined using conservative parameters (i.e. the predicted risk value will not be exceeded with a probability of 99 %). Regulatory own funds were determined using a Common Equity Tier 1 ratio (CET 1 ratio) of 12.0%, based on the warning threshold defined in the recovery plan.

Risk covering potential

The risk covering potential is used to cover expected and unexpected losses. It is derived from the consolidated figures under IFRS. Risk covering potential 1 is used to cover risks from the standard scenarios, while risk covering potential 2 covers risks from the stress scenarios.

The following table provides a breakdown of the risk covering potential as of the balance sheet date:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Available operating result	187.8	205.0
Retained earnings (pro rata)	156.2	103.0
Risk covering potential 1	**344.0**	**308.0**
Retained earnings (pro rata)	1 118.9	947.3
Own credit risk and DVA	−0.1	0.0
Revaluation reserve	61.6	112.5
Undisclosed liabilities from securities	−3.7	0.0
Risk covering potential 2	**1 520.7**	**1 367.8**
Retained earnings (pro rata)	2 200.0	1 995.8
Subscribed capital	135.0	135.0
Risk covering potential 3	**3 855.7**	**3 498.6**

The operating result available in the amount of EUR 188 million (2014: EUR 205 million) can be derived from the planned result under IFRS. Due to the increased regulatory requirements under the going concern approach, the Group has increased the pro-rata retained earnings in the risk covering potential 3.

The allocation of the risk covering potential 1 to the risk types credit risk, market risk, and operational risk as well as regulatory and reputational risk is presented in the following table:

	Dec. 31, 2015		Dec. 31, 2014	
	EUR million	%	EUR million	%
Credit risk	260.0	75.6	260.0	84.4
Market risk	26.0	7.5	13.0	4.2
Operational risk	35.0	10.2	35.0	11.4
Regulatory and reputational risk	23.0	6.7	–	–
Total risk exposure	**344.0**	**100.0**	**308.0**	**100.0**
Risk covering potential 1	**344.0**	**100.0**	**308.0**	**100.0**

In the year under review, regulatory and reputational risks were included to be backed by the risk covering potential for the first time.

The risk covering potential 2 is used as an overall limit and not allocated to the individual risk types.

Risk scenarios

The calculation of the potential utilization of the risk covering potential is based on the analysis of standard and stress scenarios. In this context, the Group determines risk exposures to credit, market and operational risks as well as to regulatory and reputational risk in accordance with the selected scenarios.

Standard scenarios

The standard scenarios assume credit defaults, potential market price changes as well as the occurrence of significant operational, regulatory and reputational damages. The resulting change of the risk exposures is compared with the risk covering potential 1. The potential loss from the standard scenarios should not exceed the available operating result plus a portion of retained earnings (risk covering potential 1). In the case of standard scenarios for credit, market and operational risks as well as regulatory and reputational risk, the predicted risk value will not be exceeded with a probability of 95 %. The risks are monitored on a daily basis.

The risk exposures of the individual risk types as well as the utilization of the risk covering potential are presented in the following table:

	Dec. 31, 2015		Dec. 31, 2014	
	EUR million	%	EUR million	%
Credit risk	67.7	51.3	61.8	68.2
Market risk	17.4	13.2	1.6	1.8
Operational risk	24.6	18.7	27.2	30.0
Regulatory and reputational risk	22.2	16.8	–	–
Total risk exposure	**131.9**	**100.0**	**90.6**	**100.0**
Risk covering potential 1	**344.0**		**308.0**	
Utilization		**38.3**		**29.4**

A lump sum amount of EUR 50 million (risk buffer) is included in the credit risk scenarios to account for sectoral concentration risks. A risk buffer of EUR 7 million is held for the first time for the standard scenarios of market risks to account for model risks. This also includes the revenue risk from open cross-currency basis swaps.

The warning indicator (risk appetite) of 80 % each of the risk covering potential 1 for risks under the standard scenarios was not exceeded in 2015 and 2014.

Stress scenarios

The stress scenarios are used to analyze the effects of exceptional variations in parameters. As regards credit risk within the total loan portfolio, we assume full utilization of all internal counterparty limits, deteriorations in the credit quality of our counterparties, higher country-specific probabilities of default as well as higher loss given default percentages within the overall loan portfolio.

The stress scenarios for market risks include a parallel shift in the yield curve and a change in:

- the costs for interest rate basis swaps denominated in the same currency
- the costs for currency swaps denominated in different currencies
- credit spreads
- swaption volatilities
- cap/floor volatilities
- exchange rates

As regards operational risks and regulatory and reputational risks, we assume an amount of incidents that is twice as high under the stress scenario as under the standard scenario.

The projected risk exposure will not be exceeded with a probability of 99 %.

The risk exposures from the individual risk types (credit risk, market risk, operational risk, regulatory and reputational risk) are aggregated and compared with the risk covering potential 2. In the case of market risks, correlation effects are taken into account when aggregating individual risks, in particular IFRS valuation risks.

The following tables present the calculated utilization of the risk covering potential as well as risk exposures to market risks by risk type:

	Dec. 31, 2015		Dec. 31, 2014	
	EUR million	%	EUR million	%
Credit risk	145.5	18.9	126.5	21.7
Market risk	529.1	68.9	403.0	69.0
Operational risk	49.2	6.4	54.5	9.3
Regulatory and reputational risk	44.5	5.8	–	–
Total risk exposure	**768.3**	**100.0**	**584.0**	**100.0**
Risk covering potential 2	**1 520.7**		**1 367.8**	
Utilization		**50.5**		**42.7**

	Stress scenarios			
	Dec. 31, 2015		Dec. 31, 2014	
	EUR million	%	EUR million	%
Market risk (interest rate risks)	**15.4**	**2.9**	**2.5**	**0.6**
Market risk (IFRS valuation risks)	**499.2**	**94.4**	**394.5**	**97.9**
Of which cross-currency basis swap spreads	*–1 336.0*		*1 203.3*	
Of which basis swap spreads	*215.7*		*199.8*	
Of which credit spreads	*1 508.7*		*–1 013.6*	
Of which cap/floor volatilities	*0.6*		*1.6*	
Of which swaption volatilities	*12.3*		*1.7*	
Of which currency translation	*97.9*		*1.7*	
Market risk (risk buffer)	**14.5**	**2.7**	**6.0**	**1.5**

The warning indicator of 80 % of the risk covering potential 2 for risks under each of the stress scenarios was not exceeded in 2015 and 2014.

Going concern approach

After deducting regulatory capital requirements and adjustment items related to the risk covering potential, sufficient capital must be available to cover the risks from stress scenarios. This capital equals the risk covering potential 2.

After fulfilling the regulatory minimum capital ratios, the risk covering potential 2 available as of the reporting date was sufficient to cover risk exposures under the stress scenarios.

Under the 5-year-planning report of December 31, 2015, there is sufficient capital available to also cover the stress scenarios under the going concern approach after meeting the regulatory capital ratios.

Risk-bearing capacity – gone concern approach

As an additional risk management approach, risk-bearing capacity is monitored using the gone concern approach.

The gone concern approach focuses on creditor protection. Therefore, all hidden reserves and liabilities are taken into account in the risk covering potential. The remaining amount of the risk covering potential must be sufficient to cover the effects arising from the more conservative stress scenarios. Gone concern scenarios are simulated for credit, market, operational risks and regulatory and reputational risks based on a probability of 99.9 %. The scenarios are quantified using strict risk measures and parameters based on rare loss events.

The gone concern scenarios for credit risk and market risks are determined using the same assumptions as in the stress scenarios, but based on the higher probability of 99.9 %. As regards operational risk and regulatory and reputational risk, we assume a risk exposure that is four times higher under the gone concern scenario than under the standard scenario.

The maximum risk covering potential is determined in order to cover risks from the gone concern scenarios by the risk covering potential. Unplanned or unrealized profits (available operating result) are not taken into account. By contrast, hidden reserves and hidden liabilities are included in full.

The potential loss calculated under the gone concern scenarios should not exceed the risk covering potential. This risk management approach primarily serves to observe and critically evaluate the results. The monitoring did not result in any adjustments on the going concern approach. Under the gone concern approach, the risk-bearing capacity was maintained at all times during 2015 and 2014.

<u>Inverse stress tests and economic downturn</u>

Credit, market, liquidity, operational risks and regulatory and reputational risks were also subject to an inverse stress test. The starting point is the maximum loss to be borne in the amount of the risk covering potential. The assumed scenarios have a low probability of occurrence.

The effects of an economic downturn on the risk-bearing capacity are also assessed. The Group's risk-bearing capacity was not at risk under this scenario during 2015 and 2014.

Regulatory capital ratios

The Group applies the waiver provision by virtue of Article 7(3) CRR on an individual basis in accordance with Article 6(1) CRR. Eligible own funds and risk-weighted assets are presented in accordance with IFRS. Both total capital ratio and Tier 1 capital ratio of 23.2 % (2014: 19.3 %) and 20.2 % (2014: 16.4 %), respectively, were above regulatory requirements. In addition, Rentenbank complies with the minimum ratio of CET 1 pursuant to SREP.

Financial reporting process

The tasks of the financial reporting process range from account allocation and processing of transactions to preparation of the required annual and consolidated financial statements.

The objective of the accounting-related ICS/RMS is compliance with financial reporting standards and regulations as well as adherence of financial reporting with generally accepted accounting principles.

The consolidated financial statements of Rentenbank are prepared in accordance with all IFRS required to be applied in the EU for the reporting period and the additional requirements of German commercial law under Section 315a (1) HGB taking into account the uniform accounting policies set out in the Group Manual. Rentenbank prepares its financial statements in accordance with the HGB and the German Credit Institutions Accounting Regulation (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV).

The rules are documented in manuals and work instructions. The Finance division monitors these on a regular basis and adjusts them, if necessary, to take into account any changes in legal, regulatory and process-related requirements. The involvement of the Finance division in the New Product Process ensures that new products are included in the financial reporting system.

The documentation of the financial reporting process complies with German Accepted Accounting Principles (Grundsätze ordnungsmäßiger Buchführung – GoB) and is presented in a manner comprehensible to knowledgeable third parties. The relevant records are kept in accordance with the statutory retention periods.

There is a clear separation of functions of the organizational units primarily involved in the financial reporting process. Accounting for money market business, loans, securities, and liabilities is made in separate sub-ledgers in different organizational units. The data from the sub-ledgers are transferred to the general ledgers via automated interfaces. The Finance division is responsible for accounting, the definition of account allocation rules, methodology for booking transactions, parameterization of the accounting software, and the administration of the financial accounting system.

Fair value measurement is performed daily on an automated basis using external market prices or accepted valuation models.

The annual financial statements of the subsidiaries included in the consolidated financial statements are reconciled to IFRS, taking into account group-wide accounting policies, and are included in Rentenbank's consolidated financial statements by way of full consolidation. The entire process, including consolidation measures, is subject to the principle of dual control as well as to mandatory plausibility and consistency checks.

Rentenbank uses internally developed financial accounting software. The granting of authorizations for necessary tasks only is intended to protect the financial reporting process against unauthorized access. Plausibility checks are conducted to avoid errors. In addition, the principle of dual control, standardized reconciliation routines as well as comparison of plan data and actual figures are intended to ensure that errors are identified and corrected in a timely fashion. These measures also ensure the correct recognition, presentation and measurement of assets and liabilities.

Process-independent reviews performed by the Internal Audit department are conducted regularly to assess whether the accounting-related ICS/RMS is working efficiently.

Timely, reliable and relevant reports are provided to the responsible persons within the framework of the management information system. The Board of Supervisory Directors and its committees are regularly informed by the Board of Managing Directors about current business developments. In addition, information about extraordinary events is provided without delay.

Consolidated Financial Statements

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2015

	Notes	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million
1) Income statement			
Interest income		3 734.4	3 532.3
Interest expense		3 403.4	3 207.5
Net interest income	25	**331.0**	**324.8**
Allowance for credit losses/promotional contribution	26	18.6	15.3
Of which additions to promotional contribution		*82.1*	*75.3*
Of which utilization of promotional contribution		*67.3*	*63.0*
Net interest income after allowance for credit losses/ promotional contribution		**312.4**	**309.5**
Fee and commission income		0.2	0.2
Fee and commission expenses		2.4	1.8
Net fee and commission income	27	**−2.2**	**−1.6**
Administrative expenses	28	65.0	59.3
Other operating result	29	−4.4	−2.8
Net gains/losses from fair value and hedge accounting	30	204.9	−183.5
Net result from taxes	31	−2.6	−1.9
Group's net income		**443.1**	**60.4**
2) Other comprehensive income			
Items that may be reclassified subsequently to profit or loss in certain circumstances:			
Result from available-for-sale instruments	54	−56.5	92.5
Items that will not be reclassified to profit or loss:			
Actuarial gains/losses from pension obligations	51	5.7	−26.5
Other comprehensive income		**−50.8**	**66.0**
3) Group's total comprehensive income		**392.3**	**126.4**

For informational purposes: Reconciliation to distributable profit

	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million
Group's net income	443.1	60.4
Releases from retained earnings		
a) from guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law	23.1	21.6
b) from other retained earnings	0.0	0.0
Additions to retained earnings		
a) to principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law	65.9	62.8
b) to other retained earnings	386.0	5.4
Distributable profit	**14.3**	**13.8**

Consolidated balance sheet as of December 31, 2015

Assets	Notes	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Cash and balances with central banks	34	21.2	29.0
Loans and advances to banks	35	55 457.2	51 407.6
Of which promotional contribution	*37*	*–343.7*	*–326.4*
Loans and advances to customers	36	6 380.9	5 530.3
Of which promotional contribution	*37*	*0.0*	*0.0*
Fair value changes of hedged items in a portfolio hedge	38	1 298.8	1 600.7
Positive fair values of derivative financial instruments	39	7 238.9	5 958.4
Financial assets	40	19 912.2	21 701.2
Investment property	41	14.4	14.9
Property and equipment	42	22.6	22.3
Intangible assets	43	12.9	13.6
Current income tax assets	44	1.2	1.7
Deferred tax assets	45	0.0	0.2
Other assets	46	2 932.3	2 565.8
Total assets		**93 292.6**	**88 845.7**

Liabilities and equity	Notes	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Liabilities to banks	47	2 829.3	2 184.7
Liabilities to customers	48	4 408.3	4 954.7
Securitized liabilities	49	71 544.9	69 178.8
Negative fair values of derivative financial instruments	50	7 152.9	6 810.6
Provisions	51	161.1	164.0
Subordinated liabilities	52	729.4	691.8
Other liabilities	53	2 780.8	1 553.7
Equity	54	3 685.9	3 307.4
Subscribed capital		*135.0*	*135.0*
Retained earnings		*3 474.9*	*3 046.1*
Revaluation reserve		*61.7*	*112.5*
Distributable profit		*14.3*	*13.8*
Total liabilities and equity		**93 292.6**	**88 845.7**

Consolidated statement of changes in equity

EUR million	Subscribed capital	Retained earnings	Revaluation reserve	Distributable profit	Total equity
Jan. 1, 2015	**135.0**	**3 046.1**	**112.5**	**13.8**	**3 307.4**
Group's net income		428.8		14.3	443.1
Unrealized gains/losses from available-for-sale instruments			−56.5		−56.5
Actuarial gains/losses from pension obligations			5.7		5.7
Group's total comprehensive income	**0.0**	**428.8**	**−50.8**	**14.3**	**392.3**
Appropriation of distributable profit				−13.8	−13.8
Dec. 31, 2015	**135.0**	**3 474.9**	**61.7**	**14.3**	**3 685.9**

EUR million	Subscribed capital	Retained earnings	Revaluation reserve	Distributable profit	Total equity
Jan. 1, 2014	**135.0**	**2 999.5**	**46.5**	**13.3**	**3 194.3**
Group's net income		46.6		13.8	60.4
Unrealized gains/losses from available-for-sale instruments			92.5		92.5
Actuarial gains/losses from pension obligations			−26.5		−26.5
Group's total comprehensive income	**0.0**	**46.6**	**66.0**	**13.8**	**126.4**
Appropriation of distributable profit				−13.3	−13.3
Dec. 31, 2014	**135.0**	**3 046.1**	**112.5**	**13.8**	**3 307.4**

Consolidated cash flow statement

	Notes	2015 EUR million	2014 EUR million
Group's net income		**443.1**	**60.4**
Non-cash items included in Group's net income and reconciliation to cash flow from operating activities:			
Amortization, depreciation and allowance of intangible assets, property and equipment, and investment property	28	6.2	5.7
Allowance for credit losses/promotional contribution	26	16.7	15.1
Additions to/reversals of provisions	51	12.3	45.6
Gains/losses from the disposal of property and equipment		0.1	0.1
Change in other non-cash items		0.2	1.3
Net gains/losses from fair value and hedge accounting	30	−201.9	183.5
Net interest income	25	−331.0	−324.9
Subtotal		**−54.3**	**−13.2**
Changes in assets and liabilities after adjustment for non-cash items:			
Loans and advances to banks	35	−4 068.0	−1 674.1
Loans and advances to customers	36	−851.6	40.3
Positive fair values of derivative financial instruments	39	−1 280.5	−2 722.3
Financial assets	40	8.6	−835.1
Other assets		−63.6	−1 775.3
Liabilities to banks	47	644.6	−3 365.2
Liabilities to customers	48	−546.4	−194.1
Securitized liabilities	49	2 366.1	8 317.9
Negative fair values of derivative financial instruments	50	342.3	1 014.0
Other liabilities		1 201.3	1 051.2
Interest received	25	3 727.8	3 526.7
Dividends received	25	6.6	5.7
Interest paid	25	−3 403.4	−3 207.5
Valuation adjustments		201.9	−183.5
Cash flows from operating activities		**−1 768.6**	**−14.5**
Proceeds from repayment/disposal of:			
Financial assets	40	5 260.7	2 912.5
Property and equipment	42	0.1	0.2
Payments for acquisition of:			
Financial assets	40	−3 480.3	−2 885.1
Intangible assets and property and equipment	42, 43	−5.9	−3.3
Cash flows from investing activities		**1 774.6**	**24.3**
Subordinated liabilities	52	0.0	0.0
Appropriation of distributable profit pursuant to Section 9 of Rentenbank's Governing Law		−13.8	−13.3
Cash flows from financing activities		**−13.8**	**−13.3**
Cash and cash equivalents at beginning of period		**29.0**	**32.5**
Cash flows from operating activities		−1 768.6	−14.5
Cash flows from investing activities		1 774.6	24.3
Cash flows from financing activities		−13.8	−13.3
Cash and cash equivalents at end of period		**21.2**	**29.0**

The consolidated cash flow statement shows the changes in cash and cash equivalents for the fiscal years 2015 and 2014 from operating, investing, and financing activities. Cash and cash equivalents correspond to cash and balances with central banks reported in the consolidated balance sheet.

The reported cash flows from operating activities were determined using the indirect method. Under this method, the Group's net income is adjusted for non-cash items, such as depreciation, amortization, measurement gains or losses, and additions or reversals of provisions. The Group's adjusted net income is further adjusted for cash-related changes in assets and liabilities attributable to operating activities. Interest paid and received, together with dividends, are classified as cash flows from operating activities. The cash flows from investing and financing activities were directly derived from financial accounting.

The Group's liquidity management focuses on Rentenbank. The consolidated cash flow statement, prepared in accordance with IAS 7, is only of limited informative value as an indicator of the liquidity position. For further details on the Group's liquidity management, please refer to the information provided in the combined management report.

Notes to the consolidated financial statements

Accounting principles

The consolidated financial statements of Rentenbank were prepared in accordance with all International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) for the fiscal year 2015 and the additional requirements applicable under Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). They are based on Regulation No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 and the regulations through which IFRS were incorporated into EU law. IFRS encompass the individual standards referred to as IFRS as well as the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The consolidated financial statements comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements. In addition, a combined management report has been prepared, comprising the group management report and the management report of Landwirtschaftliche Rentenbank (Rentenbank). The consolidated financial statements and the combined management report were prepared by the Board of Managing Directors of Rentenbank. The consolidated financial statements and the combined management report are approved and authorized for issue by the Board of Supervisory Directors on April 7, 2016.

The presentation currency is the euro (EUR). The amounts presented in the consolidated financial statements are rounded to the nearest million euros unless otherwise indicated. Due to rounding, numbers presented in this document may not add up precisely to the totals provided. However, this does not affect the quality of the report. The reporting year corresponds to the calendar year.

Qualitative disclosures on credit, liquidity, and market risks resulting from financial instruments in accordance with IFRS 7.31-42 are summarized in the management report.

The expanded disclosure requirements on country-by-country reporting pursuant to Section 26a of the German Banking Act (Kreditwesengesetz – KWG) are presented in Note 63.

Application of new or amended standards and interpretations

Currently applicable IFRS

In the fiscal year 2015, the following standards and interpretations are required to be applied for the first time:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amended rules on employee benefits in relation to contributions from employees or third parties that are linked to the service period did not have an impact on Rentenbank's consolidated financial statements.

IFRIC 21 Levies

This interpretation provides guidance on accounting for levies payable to public authorities. It clarifies when and to what extent such levies are to be recognized. The first-time adoption of this interpretation did not have a material impact on the consolidated financial statements.

Annual Improvements to IFRS, 2010 – 2012 Cycle and 2011 – 2013 Cycle

This collection of standards published in the context of annual improvement projects are instruments employed by the IASB to introduce changes to the existing set of standards that are required, but not considered urgent. The changes may be editorial amendments, but they may also affect the recognition, presentation or measurement of assets and liabilities as well as the extent of disclosure requirements.

The first-time application of the Annual Improvements to IFRS 2010 – 2012 Cycle as well as of the Annual Improvements to IFRS 2011 – 2013 Cycle did not result in any changes in Rentenbank's consolidated financial statements.

IFRS applicable in future

The following IFRS pronouncements were not effective as of the reporting date. Unless otherwise noted, the relevant IFRS have already been endorsed by the EU. The related provisions are not applied early in Rentenbank's consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

This standard permits rate-regulated companies to continue to apply local GAAP to regulatory deferral accounts upon the transition to IFRS.

This standard is required to be applied for the first time in the fiscal year 2016. It does not have an impact on the consolidated financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

This standard clarifies that interests acquired in a joint operation in which the activity constitutes a business, as defined in IFRS 3, are generally subject to all of the provisions of IFRS 3.

The amendments are required to be applied for the first time in the fiscal year 2016. The amendments are not expected to have an impact on the consolidated financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

This standard clarifies that revenue-based methods for calculating depreciation and amortization on property, plant and equipment or intangible assets are not considered to be an appropriate manifestation of consumption. Under the revised provisions, intangible assets may be amortized using such revenue-based methods only in specified circumstances.

The amendments are required to be applied for the first time in the fiscal year 2016. The amendments are not expected to have an impact on the consolidated financial statements.

Amendments to IAS 16 and IAS 41: Agriculture – Bearer Plants

This standard permits bearer plants, such as grape vines, to be accounted for as property, plant and equipment if certain criteria are met.

The amendments are required to be applied for the first time in the fiscal year 2016. They do not have an impact on the consolidated financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

This standard allows the application of the equity method as an additional accounting option for investments in subsidiaries, joint ventures and associates in separate financial statements if the reporting entity prepares these statements in compliance with IFRS.

The amendments are required to be applied for the first time in the fiscal year 2016. They do not have an impact on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendment clarifies that in the case of transactions with an associate or joint venture, the amount of gain or loss to be recognized depends on the fact whether the sale or contribution of assets constitutes a business.

The effective date of these amendments has been postponed indefinitely. They are not expected to have an impact on the consolidated financial statements.

Annual Improvements to IFRS 2012-2014 Cycle

The amendments from the Annual Improvements to IFRS 2012–2014 Cycle are required to be applied for the first time in the fiscal year 2016. No material impact is expected.

Amendments to IAS 1: Disclosure Initiative

The amendments clarify the assessment of the materiality of disclosure requirements as well as presentation and structuring issues.

They are required to be applied for the first time in the fiscal year 2016. They are not expected to have an impact on Rentenbank's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IFRS 28: Investment Entities – Applying the Consolidation Exception

The amendments clarify the application of the exception to the requirement to consolidate subsidiaries in accordance with IFRS 10 as well as the corresponding disclosure requirements in accordance with IFRS 12. They apply to parent companies that meet the criteria of an investment entity as defined in this standard.

The amendments are required to be applied for the first time in the fiscal year 2016 and do not have an impact on the consolidated financial statements. The amendments have yet to be endorsed by the EU.

IFRS 9 Financial Instruments

This standard provides guidance for the accounting for financial instruments and replaces large portions of IAS 39. In future, classification and measurement of financial assets will be based on the underlying business model and the contractual cash flow characteristics of the instrument. The relevant category and, in particular, subsequent measurement are determined depending on these factors. Loss allowances will no longer be restricted to losses already incurred, but will also extend to expected losses. The presentation of recognized hedging relationships is also subject to new regulations under IFRS 9 and will be more strongly based on risk management.

The standard is likely required to be applied for the first time in the fiscal year 2018. The required reclassifications are expected to result in corresponding changes in net gains/losses from fair value and hedge accounting as well as in the revaluation reserve. The new expected loss impairment model will lead to an increase in the allowance for credit losses. The specific effects on the consolidated financial statements from the first-time application are currently being assessed and are not yet quantified. The standard has yet to be endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers

The standard includes the new regulations as regards revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as some of the associated interpretations. IFRS 15 applies to contracts with customers in relation to the sale of goods or the provision of services. Exceptions have been introduced for financial instruments and leases, inter alia.

The amendments are expected to become effective in the fiscal year 2018. The effects on the consolidated financial statements from the first-time application are currently being assessed. The standard has yet to be endorsed by the EU.

Accounting policies

(1) General disclosures

The Group's accounting policies are based on the going concern assumption. In accordance with IFRS 10.19, the Rentenbank Group prepares its consolidated financial statements using uniform accounting policies. These policies have been consistently applied for the reporting periods presented unless otherwise indicated. The annual financial statements of the consolidated companies are included as of the reporting date in the consolidated financial statements of Rentenbank.

The measurement of items included in the consolidated financial statements is based on both fair values and (amortized) cost. Income and expenses are recognized and reported on an accrual accounting basis in the period in which they are earned or incurred. In the case of financial instruments, directly attributable transaction costs (e. g. commissions) as well as interest components paid on a one-off basis (e. g. premiums and discounts, upfront/back-end payments for derivatives) are amortized through profit or loss over the term of the relevant financial instrument based on the effective interest method and directly offset against the respective balance sheet item. Pro-rata interest is reported in the balance sheet item in which the underlying financial instrument is recognized.

(2) Accounting estimates and judgments

For the purpose of determining the assets, liabilities, income and expenses reported in the consolidated financial statements, estimates and assumptions were made in accordance with the relevant financial reporting standards. These are based on past experience as well as on factors such as planning and expectations of future events. The judgments are validated on an ongoing basis. They may be subject to change and may have a material impact on the financial position and results of operations.

In particular, estimates materially affect:

- the recoverability of assets,
- the determination of the allowance for credit losses,
- the determination of the fair value of financial instruments, especially taking into consideration Credit Valuation Adjustments (net exposure of derivatives with a positive fair value) and Debit Valuation Adjustments (net exposure of derivatives with a negative fair value), and
- the calculation of pension obligations.

To the extent that the estimates were material, the assumptions made are explained in detail within the context of the relevant accounting policies.

Judgments made concerning available accounting options are described in the relevant sections.

(3) Scope of consolidation

The consolidated financial statements of Rentenbank for the fiscal year 2015 include Rentenbank as the Group's parent company and its two subsidiaries, LR Beteiligungsgesellschaft mbH (LRB), Frankfurt am Main, and DSV Silo- und Verwaltungsgesellschaft mbH (DSV), Frankfurt am Main. A detailed list of Rentenbank's equity holdings is included in Note 66.

Two companies (Getreide-Import-Gesellschaft mbH, Frankfurt am Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH (DGL), Frankfurt am Main) were not included in the consolidated financial statements as a subsidiary or an associate, respectively, due to their minor significance for the assessment of the Group's financial position and results of operations. The interests held in these companies are reported as financial assets. Based on the data from the financial statements of these two companies, their share of the Group's total assets and the Group's net income amounted to less than 0.05 % each. These data are based on the financial statements for the fiscal year ended December 31, 2015 for Getreide-Import-Gesellschaft mbH, Frankfurt am Main, and on the financial statements for the fiscal year ended December 31, 2014 for Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH (DGL), Frankfurt am Main. The financial statements of DGL for the fiscal year 2015 were not available, but they are not expected to deviate significantly from the previous year.

Further information on the associates and consolidated companies is included in Note 66.

(4) Consolidation principles

The consolidation of subsidiaries is based on IFRS 10.B86. Intra-group receivables and liabilities are eliminated on consolidation, as are expenses, income and intercompany profits or losses arising from intra-Group financial and services transactions.

(5) Financial instruments

Financial assets and financial liabilities are initially recognized when the company becomes a party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities, including all derivative financial instruments, are recognized in the balance sheet in accordance with IAS 39. Spot transactions of non-derivative financial instruments are recognized on the settlement date and spot transactions of derivative instruments on the trade date. Financial instruments are measured at fair value which usually equals the purchase or sale price (middle rate) on the transaction date. Subsequent measurement of financial assets and liabilities depends on the classification in accordance with IAS 39. For details on the determination of fair value, please refer to Note 6.

Financial assets are derecognized when the contractual rights to cash flows from the financial assets expire or when they are transferred to third parties and no substantial risks and rewards associated with the financial assets are retained. Financial liabilities are derecognized when they are extinguished.

Categories of financial instruments

Financial assets/liabilities at fair value through profit or loss

This category comprises two sub-categories:

- Financial assets or liabilities held for trading
- Financial assets or liabilities designated as at fair value

The held for trading sub-category includes all derivatives as well as financial assets or liabilities acquired or incurred for the purpose of selling them in the near term. In the Group, these comprise derivatives, including embedded derivatives required to be separated. Derivatives are used exclusively to hedge existing or expected market risks (mainly interest rate and currency risks).

Certain financial assets or liabilities can be designated as at fair value upon initial recognition (fair value option). In accordance with IAS 39, the fair value option may only be applied if:

- Its application eliminates or reduces accounting mismatches that would otherwise arise; or
- The financial assets and/or liabilities are part of a portfolio managed on a fair value basis; or
- The financial assets or financial liabilities contain embedded derivatives required to be separated.

If there is an economic hedging relationship between financial assets or liabilities and derivatives and if the restrictive hedge accounting provisions (Note 7) cannot be applied on a permanent basis, the fair value option is used for these financial assets and liabilities. The classification to the fair value option is primarily in the context of hedging relationships where foreign currency instruments or products with option features. These financial assets and liabilities would otherwise be measured at amortized cost or at fair value, with changes in fair value recognized outside profit or loss, whereas hedging derivatives have to be measured at fair value through profit or loss. This potential accounting mismatch is eliminated by applying the fair value option.

The financial assets or liabilities classified as financial assets/liabilities at fair value through profit or loss are measured at fair value through profit or loss. Gains or losses from fair value changes are recognized in net gains/losses from fair value and hedge accounting. Any impairment losses or reversals of impairment losses are reflected in the measurement. Income or expenses from the amortization of premiums or discounts are reported as accrued interest in net interest income.

Loans and receivables

The loans and receivables category includes all financial assets that meet all of the following criteria:

- Not a derivative
- Not quoted in an active market
- Fixed or determinable payments

This category does not include the following:

- Financial assets held for trading and financial assets to which the fair value option was applied
- Financial assets designated as available for sale upon initial recognition
- Financial assets for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration (e. g. index certificates whose repayment depends on the development of the relevant index)

Financial assets classified as loans and receivables are measured at amortized cost. Any premiums or discounts as well as other transaction costs are added directly to or deducted directly from the relevant balance sheet item and amortized using the effective interest method. Income or expenses from amortization are reported as accrued interest in net interest income. Any impairment losses or reversals of impairment losses are offset directly against the carrying amount and recognized in the consolidated statement of comprehensive income within the allowance for credit losses.

Held to maturity

The held-to-maturity category includes all financial assets that meet all of the following criteria:

- Not a derivative
- Fixed or determinable payments
- Positive intention and ability to hold these financial assets to maturity

This category does not include the following:

- Financial assets designated as at fair value or available for sale upon initial recognition
- Financial assets which are, by definition, classified as loans and receivables

Financial assets of the held-to-maturity category are measured at amortized cost. Any premiums and discounts as well as other transaction costs are added directly to or deducted directly from the relevant balance sheet item and amortized using the effective interest method. Income or expenses from amortization are reported as accrued interest in net interest income. Any impairment losses or reversals of impairment losses are offset directly against the carrying amount and recognized in the consolidated statement of comprehensive income within the net result from financial assets.

Available for sale

The available-for-sale category includes all financial assets that are not allocated to any of the other categories for financial assets. In the Group, these assets primarily include fixed-income securities that are hedged against interest rate risks through hedging instruments. In addition, this category includes equity holdings.

Available-for-sale financial assets are measured at fair value outside profit or loss. Gains or losses from fair value changes are recognized in the revaluation reserve in equity or outside profit or loss in other comprehensive income presented in the consolidated statement of comprehensive income. Income or expenses from the amortization of premiums or discounts are reported as accrued interest in net interest income.

On disposal or in the case of impairment, the cumulative gains or losses recorded in the revaluation reserve are reclassified to the net result from financial assets reported in the consolidated statement of comprehensive income. Unquoted equity instruments whose fair value cannot be reliably determined are measured at cost less any impairment losses. In the Group, this relates to equity holdings included in financial assets.

Other liabilities

Other liabilities include all financial liabilities that do not fall into the category of financial liabilities at fair value through profit or loss.

Financial liabilities classified as other liabilities are measured at amortized cost. Any premiums and discounts as well as other transaction costs are added directly to or deducted directly from the relevant balance sheet item and amortized using the effective interest method. Income or expenses from amortization are reported as accrued interest in net interest income.

Overview of classes of financial instruments used within the Group

Financial assets

Class	Measurement category
Cash and balances with central banks	Loans and receivables
Loans and advances to banks – Promissory notes/ registered bonds – Special promotional loans – Other	 Loans and receivables Designated as at Fair Value
Loans and advances to customers	Loans and receivables Designated as at Fair Value
Fair value changes of hedged items in a portfolio hedge	Loans and receivables
Positive fair values of derivative financial instruments	Held for trading
Financial assets	Available for Sale Held to Maturity Designated as at Fair Value
Other assets (cash collateral)	Loans and receivables
Irrevocable loan commitments	–

Financial assets

Class	Measurement category
Liabilities to banks	Other Liabilities Designated as at Fair Value
Liabilities to customers	Other liabilities Designated as at Fair Value
Securitized liabilities – Medium-term notes – Global bonds – ECP – Other	 Other liabilities Designated as at fair value
Negative fair values of derivative financial instruments	Held for trading
Subordinated liabilities	Other Liabilities Designated as at Fair Value
Other liabilities (cash collateral)	Other liabilities

<u>Reclassification of financial assets</u>

In accordance with IAS 39, non-derivative financial assets that were originally acquired for trading purposes and which are no longer intended for sale in the near term may be reclassified from the held-for-trading category only in exceptional circumstances. As Rentenbank does not have a trading book, only derivative hedging instruments are included in the held-for-trading category. Reclassification to another category is not possible.

Financial assets that would have met the definition of loans and receivables upon initial recognition (e. g. promissory notes) may be reclassified from the held-for-trading and available-for-sale categories if the reporting entity has the intention and the ability to hold such financial assets for the foreseeable future or to maturity.

Financial assets of the available-for-sale category may be reclassified to the held-to- maturity category if the reporting entity has the intention and the ability to hold such financial assets to maturity. A reverse reclassification from the held-to-maturity category to the available-for-sale category is only possible in certain circumstances.

(6) Determination of the fair value for financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices are determined using various valuation techniques and inputs. The inputs used are assigned to one of the following three levels in accordance with IFRS 13:

- Level 1: quoted prices for identical assets or liabilities in active markets, excluding mixed prices
- Level 2: quoted prices (other than quoted prices included in Level 1) calculated on the basis of observable inputs, taking into account mixed prices
- Level 3: quoted prices determined on the basis of unobservable inputs, taking into account mixed prices

For financial instruments for which there are no quoted prices for identical assets or liabilities in active markets, the fair value is determined using the following valuation techniques and parameters:

- Quoted prices for similar assets or liabilities in active markets (Level 2)
- Quoted prices for identical or similar assets or liabilities in markets that are not active (Level 2)

- Generally accepted valuation models that are based significantly on observable (Level 2) or unobservable (Level 3) inputs for the asset or liability concerned

Quoted prices are obtained from pricing services as middle rates. In terms of the allocation of quoted prices to the hierarchy levels, additional information about the pricing source used is taken into account (e. g. sales volume). In accordance with IFRS 13, no mixed prices – such as those calculated by Bloomberg – were used as Level 1 quoted prices.

In the absence of quoted prices, the fair value of contracts without option features is determined on the basis of the discounted expected future cash flows (the discounted cash flow (DCF) method). In the case of non-derivative financial assets and liabilities, the deposit/swap curve plus a transaction-specific credit spread is used for discounting. Credit spreads are distinguished by rating, maturity, currency, and the degree of collateralization. The credit quality of the Federal Republic of Germany is taken into account in the credit spreads for Rentenbank's own financial liabilities by way of the institutional liability and the statutory refinancing guarantee. Assets with a rating of DDD to D (non-performing loans) are discounted on the basis of the deposit/swap curve since defaults are already taken into account in the estimate of the expected future cash flows. Deciding which sources of market data may be used to derive credit spreads leaves scope for discretion. Changes in the market data sources affect the fair values of the financial instruments presented in the consolidated financial statements. Moreover, determining expected future cash flows for the rating categories of DDD to D also requires making judgments.

As a result of the existing collateral agreements with all business partners, the discounting of derivatives is based on the OIS (Overnight Interest Rate Swap) curve as well as on basis swap spreads and cross-currency (CCY) basis swap spreads. They are distinguished by maturity and currency and obtained from external market data providers.

Measurement of contracts with option features (option-based contracts) is based on standard option pricing models. Apart from the interest rate curves and spreads mentioned above, volatilities and correlations between observable market data are also taken into account in the calculation.

In order to account for the potential credit risk with respect to the business partner's credit quality, a Credit Valuation Adjustment (CVA) for counterparty credit risk and a Debit Valuation Adjustment (DVA) for own credit risk are taken into account. The calculation of CVA and DVA is based on the expected loss model. The probabilities of default used in the model have matching maturities and are based on data published by rating agencies.

An increase in own credit spreads leads to valuation gains as the value of the liabilities decreases. In contrast, declining credit spreads result in valuation losses as the value of the liabilities increases. For financial assets, increasing credit spreads lead to valuation losses, and declining credit spreads to valuation gains.

Under hedge accounting, only the changes in the fair value of the hedged item attributable to the hedged risk are taken into account. In this context, the hedged risk within the Group is limited to the interest rate risk of the deposit/swap curve. The fair value based on interest rate changes is determined by discounting contractual cash flows using the deposit/swap curve plus the constant transaction-specific margin.

The valuation processes, including the definition of valuation techniques and the determination of the inputs are defined by the Finance division. The Finance division also analyzes the results from fair value measurement and reports these to the Board of Managing Directors and the relevant managers. The plausibility of the measurement results is verified daily based on changes in the underlying market data.

The inputs used in the valuation models are validated on an ongoing basis. For this purpose, the fair value of a transaction calculated using the valuation model on the trade date is compared with the transaction price.

For settlement (clearing system) and legal reasons (e. g. the definition of a loan in accordance with the German Civil Code – BGB), interest rates for floating rate transactions are floored at zero without having been explicitly agreed upon (virtual floor). Negative interest affects the measurement of floating rate transactions with a virtual floor. In substance, the virtual floor corresponds economically to a floor option with a corresponding option value. Interest that does not have to be paid results in a positive option value (lending business) or a negative option value (funding business).

Rentenbank has implemented a process to determine the option value of the zero floors.

(7) Hedge accounting

Rentenbank enters into derivatives only for the purpose of hedging existing or anticipated market risks. Derivatives are always measured at fair value through profit or loss. By contrast, the hedged items are initially measured either at amortized cost or at fair value, with changes in fair value recognized outside of profit or loss in the revaluation reserve. The different approaches result in accounting mismatches and thus in fluctuations in the income statement.

IFRS permit these economic hedging relationships to be accounted for under hedge accounting rules. If the associated very restrictive requirements cannot be met on a permanent basis, the hedged items are designated by Rentenbank as at fair value upon initial recognition.

Hedging relationships accounted for in the balance sheet are divided into fair value hedges and cash flow hedges. According to Rentenbank's business strategy, interest rate risks are transformed into a floating, EUR-denominated interest rate mainly by using derivatives. Accordingly, only fair value hedges are used to account for these hedging relationships.

The Group uses fair value hedges exclusively to hedge interest rate risks. The changes in the fair value of the hedged item attributable to the hedged interest rate risk are recognized in profit or loss, irrespective of the category. In this way, the changes in the fair value of the derivatives recognized in profit or loss are largely compensated.

Large-volume transactions are generally hedged on an individual basis (micro hedges). The special promotional loans issued under the promotional mandate were mainly hedged on a portfolio basis (macro hedges) due to the small volume of individual transactions.

When a transaction is entered into, the relationship between the hedged item and the hedging instrument is documented, including the nature of the risk being hedged. In addition, an assessment whether the hedge is highly effective is documented both at inception (ex-ante effectiveness) and on an ongoing basis (ex-ante and ex-post effectiveness).

Micro hedges involve one or more similar hedged items forming a hedging relationship with one or more derivative hedging instruments. Ex-ante effectiveness is assumed from the beginning of the hedging period if the material features of the hedging derivative are in line with those of the hedged item (critical terms match). Any changes arising from transactions during the hedging period are also reviewed under the critical terms match method. Ex-ante effectiveness is thus permanently demonstrated. Ex-post effectiveness is measured as of the balance sheet dates using a regression analysis. A hedging relationship is deemed effective when the slope of the linear regression line, determined on the basis of the changes in the fair value of the hedged items and hedging instruments attributable to interest rate changes, is between 0.8 and 1.25. In addition, the quality of the regression, measured by the coefficient of determination, must be equal to or greater than 0.8. The semi-annual regression analysis is based on data from the preceding six months. In the case of effective hedges, the carrying amount of the hedged items is adjusted for the change in the fair value attributable to interest rate changes and, together with the changes in the fair value of the hedging instrument, recognized in net gains/losses from fair value and hedge accounting.

Hedge accounting requirements may not be applied for ineffective hedging relationships in the relevant period. For this period, the hedged item is measured according to its category. The changes in the fair value of the designated hedged item, attributable to interest rate changes and recognized in the previous effective hedging periods, are amortized over their remaining term using the effective interest method. These fair value changes are recognized in net gains/losses from fair value and hedge accounting.

Items hedged using portfolio-based fair value hedges (**macro hedges**) are allocated to quarterly maturity bands at the beginning of each hedging period. The allocation is based on the maturities of the individual expected cash flows. For each maturity band, interest rate swaps are determined as hedging instruments at an amount equal to or less than the notional amount of the accumulated underlying hedged items. The length of the hedging period is usually one month. If new business within a particular maturity band exceeds a certain volume during the hedging period, the hedging relationship for this maturity band may be terminated early and redefined.

In contrast to micro hedges, the ex-ante effectiveness for macro hedges is determined on the basis of a sensitivity analysis, involving a 100 basis points parallel shift in the relevant interest rate curve. The ex-post effectiveness is assessed on the basis of the dollar-offset method. Under this method, the fair value changes of the hedged item attributable to interest rate changes are compared with those of the hedging instrument. The hedge is deemed effective if the ratio of the fair value changes of the hedged item to those of the hedging instrument is within a range of 80 % to 125 %.

As regards effective maturity bands, the fair value changes of the hedged items attributable to interest rate changes are recognized in the income statement in net gains/losses from fair value and hedge accounting together with the offsetting changes in the fair value of the hedging instruments at the end of the hedging period. In contrast to micro hedge accounting, the carrying amount of the individual hedged items is not adjusted. Instead, the adjustments to the carrying amounts of the hedged items are reported separately in the balance sheet as fair value changes of hedged items in a portfolio hedge. These fair value changes are amortized over the terms of the relevant time bands and charged against net gains/losses from fair value and hedge accounting or, in the case of an unscheduled repayment of financial instruments, derecognized on a pro rata basis. Fair value changes of hedged items attributable to interest rate changes are not recognized for ineffective maturity bands.

(8) Hybrid financial instruments (embedded derivatives)

Hybrid financial instruments are transactions that comprise a host contract and one or more derivative financial instruments.Embedded derivatives are an integral component of the host contract and cannot be traded separately.

Certain embedded derivatives are accounted for as stand-alone derivatives if their economic characteristics and risks are not closely related to those of the host contract. Furthermore, separation is required when derivative components of hybrid financial instruments are also traded in the market as stand-alone derivatives. A prerequisite is that the hybrid financial instrument is not already measured at fair value through profit or loss.

The Group generally allocates all structured products with embedded derivatives, all of which are hedged by hedging derivatives and otherwise required to be separated, to the designated as at fair value category. They do not include liquidity assistance loans which are callable daily and where the host contract belongs to the loans and receivables category.

In the case of embedded derivatives that are not required to be separated from the host contract (e. g. interest cap options), the measurement of the entire structured product is based on the category of the host contract. Embedded derivatives required to be separated are measured at fair value through profit or loss.

Embedded derivatives not required to be separated are reported in the relevant consolidated balance sheet item, together with the associated host contract. Based on their current market value, embedded derivatives required to be separated are reported either in positive fair values of derivative financial instruments or in negative fair values of derivative financial instruments.

(9) Impairment of financial assets

As of each balance sheet date, Rentenbank assesses whether there is any objective evidence that all interest and principal payments may not be made in accordance with the contractual terms. The assessment is based on the following criteria:

- Credit rating as non-investment-grade
- Non-performing, forborne or restructured exposures
- Significant deterioration in the business partner's credit quality
- Significant deterioration in the credit quality of the business partner's country of incorporation

Judgment is required to determine the materiality aspect of a credit quality deterioration and the criteria for the credit ratings. The criteria for monitoring credit risks and for determining credit ratings are set out in detail in the combined management report.

Due to the measurement at fair value, financial assets of the designated as at fair value category do not have to be assessed for impairment separately since these are already taken into account and recognized in profit or loss.

Loans and advances and financial assets measured at (amortized) cost

Rentenbank assesses the recoverability of individually significant receivables for significant single exposures and securities as well as of receivables of small amounts on an individual basis. If there is objective evidence of impairment, the impairment loss is determined as the difference between the carrying amount and the present value of the expected cash flows. The expected cash flows are determined on the basis of qualified estimates. They take into account the business partner's financial position as well as the liquidation of collateral and other relevant factors, such as protection schemes or state guarantees. The original effective interest rate is used as the discount rate for fixed-interest loans and advances as well as for the fixed-interest securities. In contrast, floating-rate loans and advances and floating-rate securities are discounted at the current effective interest rate. In the case of equity holdings measured at cost, the discount rate is the current market rate of return for a similar financial asset. The adjustments to the valuation of loans and advances are recognized in the income statement within the allowance for credit losses/promotional contribution, while held-to-maturity securities and equity holdings are included in the net result from financial assets. In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred. Since Rentenbank extends loans almost exclusively to other banks, any potential losses are identified in a timely manner. Based on a model of expected credit losses, a portfolio valuation allowance is recognized for loans and advances as well as for securities measured at (amortized) cost to account for any existing residual risk of not having identified risks already materialized. In this context, a distinction is made between portfolios for credit institutions, corporates, and governments. The carrying amounts of the portfolios are weighted using probabilities of default and recovery rates, derived from the product rating or the business partner's rating. Since the number of defaults within the Group is statistically insignificant, default probabilities are determined on the basis of external data provided by rating agencies. Recovery rates, in contrast, are determined using regulatory standards.

Available-for-sale financial assets measured at fair value

If there is objective evidence that financial assets are impaired, the amount of the impairment loss is measured as the difference between the amortized cost and current fair value. The loss calculated in this manner is recognized as an adjustment to the revaluation reserve in the net result from financial assets.

If the conditions giving rise to the impairment of debt instruments no longer apply, the impairment loss has to be reversed through profit or loss.

(10) Currency translation

Monetary foreign currency positions are translated daily using the closing rate. The Group does not hold any non-monetary items (e.g. property and equipment) denominated in foreign currencies.

The results from currency translation are recognized in the consolidated statement of comprehensive income. Hedged currency exposures are included in net gains/losses from fair value and hedge accounting, while open currency positions from payment settlement accounts are recorded in other operating result.

Expenses and income are translated at the closing rate ruling on the date upon which they affect profit or loss.

(11) Genuine repurchase agreements, collateralized loans, and securities lending transactions

In addition to collateralized loans with the Deutsche Bundesbank, genuine repurchase agreements (repo agreements) are entered into with Eurex Clearing AG. These repo agreements are characterized by the borrowing or lending of funds against the provision or receipt of collateral from a pool of deposited securities (basket of securities), see Note 64.

(12) Accounting for leases

In accordance with IAS 17, leases have to be classified as either finance leases or operating leases. The allocation is based on an assessment of the economic substance in relation to the risks and rewards of the lessee and the lessor. A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to ownership of the leased asset from the lessor to the lessee. The discriminating factor is solely the economic ownership, not the ownership under civil law. In all other cases, the lease is classified as an operating lease.

The Group acts as a lessee. The contracts concluded are classified as operating leases and relate to office equipment and motor vehicles. The lease payments are recognized as administrative expenses. There were no subleases.

(13) Allowance for credit losses/promotional contribution

Allowance for credit losses/promotional contribution, reported in the consolidated statement of comprehensive income, primarily includes the discounted promotional expenses of the special promotional loans as well as their utilization over the remaining term. The promotional expenses are calculated as the difference between the interest rate of the special promotional loan granted at a reduced rate of interest and the funding rate at the date of the loan commitment plus an administrative cost rate.

In addition, this item comprises valuation allowances and write-downs of loans and advances as a result of payment defaults, as well as income from recoveries of loans and advances previously written off.

(14) Investment property

Property rented to third parties and property acquired for investment purposes (i.e. for generating yield) are reported separately in the balance sheet as investment property in accordance with IAS 40, provided that they are held with the intention to earn rentals and/or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. Similar to property and equipment, investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation and impairment losses are recognized as administrative expenses.

(15) Property and equipment

Property and equipment includes owner-occupied land and buildings as well as operating and office equipment.

Property and equipment is recognized initially at cost and subsequently measured at amortized cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, ranging from 33 to 50 years for buildings and from 3 to 6 years for operating and office equipment. Land is not subject to depreciation.

Low-value assets are recognized as expenses immediately.

Depreciation and impairment losses are recognized in administrative expenses.

(16) Intangible assets

Intangible assets include purchased and internally generated software.

They are recognized at cost and amortized on a straight-line basis over a period of four years. Any impairment losses are recognized in the income statement. Amortization and impairment losses are recognized in administrative expenses.

(17) Impairment of non-financial assets

Property and equipment, investment property, and intangible assets are tested for impairment at each balance sheet date. If there are impairment indicators, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is determined and compared with the carrying amount. If the recoverable amount is less than the carrying amount, the difference is recognized as an impairment loss in administrative expenses.

(18) Other assets

Other assets include cash collateral provided within the framework of collateral agreements for derivatives. They also comprise assets that are not material individually as regards the amount of total assets and that cannot be allocated to other balance sheet items. They are recognized at cost which corresponds to their notional amounts.

(19) Tax assets/liabilities

Tax assets and tax liabilities comprise current income tax assets/liabilities and deferred tax assets/liabilities and can only occur at the consolidated subsidiaries LRB and DSV. Rentenbank is exempt from corporation tax in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz – KStG) and municipal trade tax in accordance with Section 3 No. 2 of the German Trade Tax Act (Gewerbesteuergesetz – GewStG).

Current income tax assets, which are refunded by the taxing authority, are calculated using the current tax rates. Deferred tax assets and liabilities result from the differences between the carrying amounts of assets and liabilities recognized in the IFRS consolidated balance sheet and their tax bases. Existing tax loss carryforwards are also taken into account. The calculation is based on the tax rates expected to apply to the subsidiaries.

(20) Provisions for pensions and similar obligations

Pension obligations are based on direct commitments. These commitments provide for (early) old-age pensions, disability pensions, surviving dependent benefits, and continuation of salary payments in the event of death. In addition to the pension obligations to the members of the Board of Managing Directors based on individual agreements, there are obligations to employees based on various benefit plans depending on the employee's date of entry.

The amount of the retirement benefits depends on the relevant length of service and the pensionable remuneration. After commencement of the benefit payments, the pensions will be increased based on various factors, such as adjusted collective wage agreements, inflation adjustments or a fixed percentage. Accordingly, pension obligations depend particularly on the development of income and inflation. In the case of benefit commitments where payments from statutory pension schemes and, in some cases, further pension payments are taken into account, the obligation is directly linked to the development of statutory pension schemes.

All pension obligations are funded internally. There are no plan assets.

The amount of the provisions recognized for defined benefit obligations is based on the present value of the volume of pension obligations as of the balance sheet date. The amount of the pension obligations is determined annually by an independent actuary using the projected unit credit method.

Changes in provisions are recognized in profit or loss as current service cost and interest cost as part of personnel expenses. They are also recognized outside profit or loss in other comprehensive income (i. e. in equity) as actuarial gains or losses. Current service cost represents the benefits earned in the current service period. Interest cost represents the present value effect that is attributable to the reduction of the period until fulfillment of the obligations by one year. Actuarial gains and losses arise from differences between the actual and the expected development of the measurement bases and the parameters.

The present value of the pension obligations depends on various parameters that require making assumptions and estimates. Changes in these assumptions and estimates affect the carrying amount of the reported pension provisions. One of the most significant parameters is the interest rate used to discount the pension obligations. This rate is based on the interest rate applicable as of the balance sheet date for EUR-denominated, high-quality corporate bonds with residual maturities that match those of the pension obligations.

(21) Other provisions

Provisions are recognized for uncertain obligations to third parties and onerous contracts. The amount recognized is based on the best estimate of the expenditure required to settle the obligation. Changes in these estimates affect the carrying amount of the reported provisions. Non-current provisions are discounted when the effect of the time value of money is material. Provisions are recognized and reversed through profit or loss in administrative expenses or in other operating result.

(22) Other liabilities

Other liabilities comprise cash collateral received within the framework of collateral agreements for derivatives. In addition, the measurement of the outstanding commitments for special promotional loans is recognized in other liabilities. They also include liabilities that are not material individually as regards total liabilities and that cannot be allocated to other balance sheet items. Other liabilities are recognized at cost, except for the discounted promotional contribution for the outstanding special promotional loan commitments.

(23) Equity

In accordance with IFRS, equity consists of subscribed capital, retained earnings, the revaluation reserve, and distributable profit.

Subscribed capital represents paid-in capital. It was formed by contributions provided by the German agricultural and forestry sectors between 1949 and 1958. Subscribed capital is not linked with any rights. Retained earnings comprise the principal reserve and the guarantee reserve, formed in accordance with Rentenbank's Governing Law and transferred from the financial statements prepared under HGB, as well as other retained earnings.

The revaluation reserve primarily includes actuarial gains or losses from pension obligations (see Note 20) and the changes in the fair value of available-for-sale securities attributable to changes in credit spreads. Fair value changes attributable to changes in credit spreads result from changes in risk premiums. Fair value changes attributable to interest rate changes in relation to these securities which are part of effective hedging relationships are reported in net gains/losses from fair value and hedge accounting, together with the fair value changes of the related hedging derivatives.

(24) Contingent liabilities and other commitments

Contingent liabilities arise from past events that either

- lead to possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group (e. g. indemnities); or
- result in a present obligation which is not likely to result in a reduction of net assets or where the settlement amount cannot be estimated with sufficient reliability (e. g. pending litigation).

These obligations are not recognized pursuant to IAS 37.27. Contingent liabilities are disclosed in Note 65.

(25) Net interest income	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Interest income from			
Loans and advances to banks and customers	1 159.2	1 243.9	–84.7
Derivative financial instruments	2 013.1	1 701.6	311.5
Financial assets	555.5	581.1	–25.6
Current income from			
Equity holdings	6.6	5.7	0.9
Total interest income	**3 734.4**	**3 532.3**	**202.1**
Of which income from financial instruments that are not measured at fair value through profit or loss	*1 551.2*	*1 672.3*	*–121.1*
Interest expenses for			
Liabilities to banks and customers	191.4	212.0	–20.6
Securitized liabilities	1 641.6	1 541.3	100.3
Derivative financial instruments	1 552.6	1 435.9	116.7
Subordinated liabilities	17.4	17.6	–0.2
Other	0.4	0.7	–0.3
Total interest expenses	**3 403.4**	**3 207.5**	**195.9**
Of which expenses from financial instruments that are not measured at fair value through profit or loss	*452.5*	*507.0*	*–54.5*
Net interest income	**331.0**	**324.8**	**6.2**

Interest expenses are reported net of positive interest of EUR 3.7 million from money market liabilities and collateral received (i.e. reducing expenses by this amount). Interest income is reported net of negative interest of EUR 5.5 million from loan and money market receivables as well as from collateral provided (i.e. reducing income by this amount). For reasons of materiality, the income statement items are not further broken down.

(26) Allowance for credit losses/promotional contribution	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Expenses for additions to promotional contribution	82.1	75.3	6.8
Income from the utilization of promotional contribution	67.3	63.0	4.3
Additions to portfolio valuation allowances	2.1	3.0	–0.9
Reversal of portfolio valuation allowances	0.5	0.0	0.5
Additions to specific valuation allowances	2.2	0.0	2.2
Allowance for credit losses/promotional contribution	**18.6**	**15.3**	**3.3**

Allowance for credit losses/promotional contribution primarily includes the discounted future expenses for special promotional loans (i.e. additions to promotional contribution) as well as their utilization over the remaining term. The additions to specific valuation allowances refers to promissory notes/registered bonds included in loans and advances to banks.

(27) Net fee and commission income

	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Fee and commission income from			
Compensation for administrative expenses	0.2	0.2	0.0
Total fee and commission income	**0.2**	**0.2**	**0.0**
Of which income from financial instruments that are not measured at fair value through profit or loss	*0.2*	*0.2*	*0.0*
Fee and commission expenses for			
Custody fees	1.9	1.6	0.3
Other	0.5	0.2	0.3
Total fee and commission expenses	**2.4**	**1.8**	**0.6**
Of which expenses from financial instruments that are not measured at fair value through profit or loss	*1.6*	*1.3*	*0.3*
Net fee and commission income	**–2.2**	**–1.6**	**–0.6**

(28) Administrative expenses

	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Personnel expenses	**33.8**	**34.4**	**–0.6**
Depreciation and amortization			
Intangible assets	4.9	4.6	0.3
Of which internally generated software	*0.1*	*0.1*	*0.0*
IT equipment	0.6	0.5	0.1
Residential and office buildings	0.5	0.4	0.1
Office equipment and vehicles	0.1	0.1	0.0
Technical and other equipment	0.1	0.1	0.0
Total depreciation and amortization	**6.2**	**5.7**	**0.5**
Other administrative expenses			
IT licenses, fees, consulting services	10.9	8.8	2.1
Software maintenance	1.5	0.9	0.6
Public relations	1.8	2.0	–0.2
Audits, contributions, donations	3.5	3.5	0.0
Funding	1.4	1.3	0.1
Occupancy cost	1.1	1.2	–0.1
Other	4.8	1.5	3.3
Total other administrative expenses	**25.0**	**19.2**	**5.8**
Administrative expenses	**65.0**	**59.3**	**5.7**

Other administrative expenses include lease expenses of EUR 193.5 thousand (2014: EUR 167.7 thousand).

Future lease payments can be broken down as follows:

	Jan. 1 to Dec. 31, 2015 EUR thousand	Jan. 1 to Dec. 31, 2014 EUR thousand	Change in EUR thousand
Future lease payments			
up to 1 year	44.8	96.4	–51.6
more than 1 year up to 5 years	135.9	145.6	–9.7
more than 5 years	0.0	0.0	0.0

The payments are minimum lease payments (fixed lease payments). There were no restrictions imposed by lease agreements. As of year-end 2015, the Group had 20 (2014: 19) lease agreements. Some of the leases for operating and office equipment provide for renewal or purchase options.

(29) Other operating result	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Other operating income			
Rental income	1.8	1.8	0.0
Reversals of provisions	0.8	0.9	–0.1
Reimbursements of expenses from third parties	0.3	0.2	0.1
Other income	1.1	0.5	0.6
Total other operating income	**4.0**	**3.4**	**0.6**
Other operating expenses			
Capital increase of Rehwinkel Foundation	2.0	0.0	2.0
Additions to provisions	4.9	4.7	0.2
Of which promotion of research and innovation	*3.0*	*3.0*	*0.0*
Bank-owned housing	0.6	0.6	0.0
Other expenses	0.9	0.9	0.0
Total other operating expenses	**8.4**	**6.2**	**2.2**
Other operating result	**–4.4**	**–2.8**	**–1.6**

(30) Net gains/losses from fair value and hedge accounting	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Measurement result			
Fair value measurement			
Hedged items	225.2	–352.2	577.4
Derivatives	–27.5	256.3	–283.8
Result from currency translation	5.7	–5.1	10.8
Fair value measurement, total	**203.4**	**–101.0**	**304.4**
Micro hedge accounting			
Hedged items	66.4	124.5	–58.1
Hedging instruments	–65.5	–159.2	93.7
Micro hedge accounting, total	**0.9**	**–34.7**	**35.6**
Macro hedge accounting			
Hedged items	87.4	1 217.1	–1 129.7
Hedging instruments	–89.8	–1 264.9	1 175.1
Macro hedge accounting, total	**–2.4**	**–47.8**	**45.4**
Total measurement result	**201.9**	**–183.5**	**385.4**
Total realized gains/losses	**3.0**	**0.0**	**3.0**
Net gains/losses from fair value and hedge accounting	**204.9**	**–183.5**	**388.4**

Derivatives and financial instruments of the financial assets/liabilities at fair value through profit or loss category are measured at fair value. Changes in fair value are recognized in profit or loss as unrealized gains or losses in net gains/losses from fair value and hedge accounting.

Net gains/losses from fair value and hedge accounting also include the changes in the fair value of hedged items in effective hedging relationships attributable to changes in the deposit/swap curve. In the case of ineffectiveness, hedge accounting is discontinued and the previously recognized fair value changes of the hedged items attributable to interest rate changes are amortized over the remaining term.

The Group has no open foreign currency positions. However, measurement at fair value leads to differences in currency translation shown in the above table.

Results from the sale or repurchase of financial instruments of the financial assets/liabilities at fair value through profit or loss categories are recognized as realized gains or losses in net gains/losses from fair value and hedge accounting. This also applies to financial instruments that are part of a recognized hedging relationship.

Income and expenses from the amortization of premiums/discounts and upfront payments which represent part of the fair value changes, are recognized in net interest income as they are similar in nature to interest.

(31) Net result from taxes	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Deferred taxes on tax loss carryforwards	0.0	–1.4	1.4
Deferred taxes on temporary differences	–0.2	0.0	–0.2
Current income taxes	–2.4	–0.5	–1.9
Net result from taxes	**–2.6**	**–1.9**	**–0.7**

Segment reporting

(32) Disclosures on segment reporting

In accordance with IFRS 8, significant results are to be presented by operating segment and country. The segments were defined on the basis of the Group's organizational and management structure as well as on its internal financial reporting. Our operating segments are as follows:

- Promotional Business:
  This segment comprises the promotional business and the related funding activities. Promotional business activities are also presented in the Capital Investment segment. The Promotional Business segment includes the earnings of Rentenbank and of all its subsidiaries, including those of their equity holdings.

- Capital Investment:
  This segment includes the contributions from the investment of Rentenbank's total capital and of medium to long-term provisions in the form of securities, promotional loans and the direct shareholdings of Rentenbank.

- Treasury Management:
  This segment comprises the results of the Group's activities securing and managing its liquidity as well as of its short-term interest rate management. Transactions made in this segment have a fixed-interest period of up to one year (e. g. overnight and term deposits, Euro Commercial Paper (ECP), securities, and promissory notes).

The segments are managed exclusively in Frankfurt am Main on a centralized basis. All income and expenses are generated at this location. Consequently, we do not present information by geographical region as required by IFRS 8.

The results in the segment report are presented net in accordance with the spread-based management approach of Rentenbank. Segment assets and liabilities relate to transactions with third parties. Accordingly, the results are generated exclusively with external counterparties. There are no intra-group transactions between the segments. There are no material differences between the internal reporting and financial reporting under IFRS. Due to the lack of intra-group transactions and due to the agreement between the internal reporting lines and the external financial reporting, further reconciliations have not been included.

The distribution of the components of net interest income, net fee and commission result, and net result from financial assets as well as of net gains/losses from fair value and hedge accounting is made on the basis of individual transactions. Administrative expenses, other operating result, and net result from taxes from the consolidated subsidiaries are allocated to the relevant segments either directly or indirectly using allocation keys. These keys are mainly based on the number of the respective employees, consumption of resources, and other allocations of resources.

Segment assets and liabilities are allocated to the individual segments according to their contributions to the income statement.

(33) Segments

Jan. 1 to Dec. 31	Promotional Business 2015 EUR million	Promotional Business 2014 EUR million	Capital Investment 2015 EUR million	Capital Investment 2014 EUR million	Treasury Management 2015 EUR million	Treasury Management 2014 EUR million	Total 2015 EUR million	Total 2014 EUR million
Net interest income before allowance for credit losses/ promotional contribution	190.5	192.5	116.7	114.2	23.8	18.1	331.0	324.8
Allowance for credit losses/ promotional contribution	18.6	15.3	0.0	0.0	0.0	0.0	18.6	15.3
Net fee and commission income	−2.0	−1.6	0.0	0.0	−0.2	0.0	−2.2	−1.6
Administrative expenses	49.1	45.0	9.4	8.6	6.5	5.7	65.0	59.3
Other operating result	−4.4	−2.8	0.0	0.0	0.0	0.0	−4.4	−2.8
Net result from taxes	−2.6	−1.9	0.0	0.0	0.0	0.0	−2.6	−1.9
Operating result	**113.8**	**125.9**	**107.3**	**105.6**	**17.1**	**12.4**	**238.2**	**243.9**
Net gains/losses from fair value and hedge accounting	201.6	−184.8	0.0	0.0	3.3	1.3	204.9	−183.5
Group's net income	**315.4**	**−58.9**	**107.3**	**105.6**	**20.4**	**13.7**	**443.1**	**60.4**

Dec. 31,	2015 EUR billion	2014 EUR billion	2015 EUR billion	2014 EUR billion	2015 EUR billion	2014 EUR billion	2015 EUR billion	2014 EUR billion
Segment assets	**81.2**	**79.5**	**4.4**	**3.9**	**7.7**	**5.4**	**93.3**	**88.8**
Segment liabilities (incl. equity)	**82.1**	**77.4**	**4.4**	**3.9**	**6.8**	**7.5**	**93.3**	**88.8**

As in the previous year, interest income generated from transactions with a single counterparty did not account for 10% or more of total interest income.

Notes to the balance sheet

(34) Cash and balances with central banks	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Cash on hand	0.1	0.1	0.0
Balances with central banks	21.1	28.9	−7.8
Total	**21.2**	**29.0**	**−7.8**

As in the previous year, balances with central banks consist of balances with the Deutsche Bundesbank.

(35) Loans and advances to banks

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Repayable on demand	2.4	1.0	1.4
Term deposits	2 627.7	955.7	1 672.0
Promissory notes/registered bonds	13 038.2	13 713.0	–674.8
Special promotional loans	39 688.9	36 436.2	3 252.7
Of which promotional contribution	*–343.7*	*–326.4*	*–17.3*
Global refinancing loans	0.0	201.6	–201.6
Other	100.0	100.1	–0.1
Total	**55 457.2**	**51 407.6**	**4 049.6**
Of which due after more than 12 months	*48 704.1*	*46 556.1*	*2 148.0*

(36) Loans and advances to customers

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Repayable on demand	0.1	0.2	–0.1
Medium and long-term loans	30.0	29.9	0.1
Promissory notes	6 096.4	5 205.4	891.0
Of which municipal loans	*6 093.9*	*5 183.7*	*910.2*
Special promotional loans	252.7	293.2	–40.5
Of which promotional contribution	*0.0*	*0.0*	*0.0*
Other	1.7	1.6	0.1
Total	**6 380.9**	**5 530.3**	**850.6**
Of which due after more than 12 months	*5 900.8*	*4 587.8*	*1 313.0*

(37) Allowance for credit losses/promotional contribution in the lending business

	Promotional contribution		Specific valuation allowances		Portfolio valuation allowances	
	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million
As of Jan. 1	343.3	331.0	0.0	0.0	14.7	11.7
Additions	82.1	75.3	2.2	0.0	2.1	3.0
Utilization	67.3	63.0	0.0	0.0	0.0	0.0
Reversals	0.0	0.0	0.0	0.0	0.5	0.0
As of Dec. 31	**358.1**	**343.3**	**2.2**	**0.0**	**16.3**	**14.7**
Of which:						
Loans and advances to banks	343.7	326.4	2.2	0.0	14.0	12.9
Loans and advances to customers	0.0	0.0	0.0	0.0	1.1	0.1
Loan commitments	14.4	16.9	0.0	0.0	0.3	0.8
Financial assets	0.0	0.0	0.0	0.0	0.9	0.9

(38) Fair value changes of hedged items in a portfolio hedge

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Fair value changes of loans attributable to interest changes (macro hedge accounting)	1 298.8	1 600.7	–301.9
Of which due after more than 12 months	*1 283.2*	*1 588.0*	*–304.8*

(39) Positive fair values of derivative financial instruments

The following table provides a breakdown of derivatives classified by economic hedging relationship:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
As hedging instruments for:			
Hedged items in hedge accounting (fair value hedge)	1 355.4	1 538.9	–183.5
Hedged items designated as at fair value	5 886.4	4 345.2	1 541.2
Other hedged items	22.9	83.9	–61.0
Credit Value Adjustment	–25.8	–9.6	–16.2
Total	**7 238.9**	**5 958.4**	**1 280.5**
Of which due after more than 12 months	*5 216.8*	*4 623.0*	*593.8*

Derivatives used to hedge other hedged items mainly result from hedging relationships that were ineffective in accordance with the hedge accounting criteria.

(40) Financial assets

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Bonds and debt securities	19 793.2	21 582.2	–1 789.0
Equity holdings	118.8	118.8	0.0
Other financial assets	0.2	0.2	0.0
Total	**19 912.2**	**21 701.2**	**–1 789.0**
Of which:			
due after more than 12 months	*16 212.5*	*16 129.6*	*82.9*
eligible as collateral	*16 903.3*	*19 843.9*	*–2 940.6*

Equity holdings were recognized at cost due to the absence of both quoted prices and relevant measurement parameters in accordance with IAS 39.46 (c). No write-downs were necessary as of December 31, 2015.

(41) Investment property

Investment property includes one property that is fully leased to third parties. The estimated useful life is 33 years.

There were no restrictions that could impede a disposal of this property.

The impairment test required by IAS 36 did not result in an impairment loss on investment property. Changes in investment property were as follows:

	2015 EUR million	2014 EUR million
Cost as of Jan. 1	**19.8**	**19.8**
Additions	0.0	0.0
Disposals	0.0	0.0
Balance as of Dec. 31	**19.8**	**19.8**
Accumulated depreciation and impairment as of Jan. 1	**–4.9**	**–4.4**
Depreciation	–0.5	–0.5
Balance as of Dec. 31	**–5.4**	**–4.9**
Carrying amount as of Dec. 31	**14.4**	**14.9**

The fair value of the property amounted to EUR 20.3 million (2014: EUR 19.9 million). It was determined on the basis of an independent expert evaluation using the income approach. The approach is reviewed annually and developed on an ongoing basis.

Rental income of EUR 0.9 million (2014: EUR 0.9 million) was reported in other operating income. Expenditures directly attributable to the property in the amount of EUR 58.2 thousand (2014: EUR 12.5 thousand) as well as real property tax of EUR 35.9 thousand (2014: EUR 35.9 thousand) were reported in other operating expenses.

(42) Property and equipment

Land and buildings include the owner-occupied office building at Hochstrasse 2, Frankfurt am Main, Germany. In addition, Rentenbank owns housing for employees that is not classified as investment property in accordance with IAS 40.9 (c). Instead, it is subject to the requirements of IAS 16 and thus classified as property and equipment.

Changes in property and equipment were as follows:

	Land and buildings		Operating and office equipment		Total	
	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million
Cost as of Jan. 1	**23.1**	**23.1**	**10.9**	**10.5**	**34.0**	**33.6**
Additions	0.0	0.0	1.3	0.9	1.3	0.9
Disposals	0.0	0.0	0.5	0.5	0.5	0.5
Balance as of Dec. 31	**23.1**	**23.1**	**11.7**	**10.9**	**34.8**	**34.0**
Accumulated depreciation as of Jan. 1	**−1.8**	**−1.8**	**−9.9**	**−9.5**	**−11.7**	**33.6**
Depreciation	0.0	0.0	−0.8	−0.7	−0.8	−0.7
Disposals	0.0	0.0	0.3	0.3	0.3	0.3
Balance as of Dec. 31	**−1.8**	**−1.8**	**−10.4**	**−9.9**	**−12.2**	**−11.7**
Carrying amount as of Dec. 31	**21.3**	**21.3**	**1.3**	**1.0**	**22.6**	**22.3**

Land was tested for impairment on the basis of current standard land values. As in the previous year, the impairment test did not indicate any impairment losses for 2015.

(43) Intangible assets

Intangible assets held in the Group comprise purchased and internally generated software.

Amortization is recognized in administrative expenses. As in the previous year, no impairment losses were required to be recognized in accordance with IAS 36.

Changes in intangible assets were as follows:

	Acquired software		Internally generated software		Total	
	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million
Cost as of Jan. 1	**22.4**	**20.4**	**3.3**	**5.5**	**25.7**	**25.9**
Additions	4.6	2.3	0.0	0.0	4.6	2.3
Disposals	−0.5	−0.3	−1.9	−2.2	−2.4	−2.5
Balance as of Dec. 31	**26.5**	**22.4**	**1.4**	**3.3**	**27.9**	**25.7**
Accumulated amortization as of Jan. 1	**−9.3**	**−5.1**	**−2.8**	**−4.9**	**−12.1**	**−10.0**
Amortization	−4.8	−4.5	−0.1	−0.1	−4.9	−4.6
Disposals	0.1	0.3	1.9	2.2	2.0	2.5
Balance as of Dec. 31	**−14.0**	**−9.3**	**−1.0**	**−2.8**	**−15.0**	**−12.1**
Carrying amount as of Dec. 31	**12.5**	**13.1**	**0.4**	**0.5**	**12.9**	**13.6**

(44) Current income tax assets

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Tax refund claims	1.0	1.4	–0.4
Income tax assets	0.2	0.3	–0.1
Total	**1.2**	**1.7**	**–0.5**

Tax refund claims against the tax authorities resulted from transactions subject to capital gains tax. In addition, current income tax assets resulted from the prepayments of tax in excess of the taxes owed as stated in the tax assessment notice. Payment is expected to be received in the fiscal year 2016.

(45) Deferred tax assets

The Group's consolidated subsidiaries are subject to tax. Rentenbank is exempt from corporation tax in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz – KStG) and trade tax in accordance with Section 3 No. 2 of the German Trade Tax Act (Gewerbesteuergesetz – GewStG).

The components of Rentenbank's deferred tax assets were as follows:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Deferred tax assets from			
tax loss carryforwards	0.0	0.0	0.0
temporary differences	0.0	0.2	–0.2
Total	**0.0**	**0.2**	**–0.2**

According to the most recent tax assessments of the subsidiaries as of December 31, 2014, tax loss carryforwards amounted to EUR 116.1 million (2014: EUR 120.9 million). Of this amount, EUR 91.0 million (2014: EUR 93.7 million) related to corporation tax and EUR 25.1 million (2014: EUR 27.2 million) to trade tax. The loss carryforwards mainly stem from valuation allowances recognized in prior years as well as from the amortization of equity holdings until the fiscal year 1999.

Deferred taxes on tax loss carryforwards were calculated at the subsidiaries on the basis of a time horizon of 20 years (starting January 1, 2006) for the settlement of the pension obligations and the average earnings in recent years. Due to the expected negative earnings in the future, no deferred taxes were recognized on corporation tax or trade tax. Deferred tax assets arising from the temporary difference between the amounts reported for pension provisions in the tax accounts and the IFRS balance sheet were fully reversed.

	Dec. 31, 2014 EUR million	Utilization EUR million	Reversals EUR million	Additions EUR million	Dec. 31, 2015 EUR million
Deferred taxes from					
Corporation tax	0.1	0.0	0.1	0.0	0.0
Trade tax	0.1	0.0	0.1	0.0	0.0
Total	**0.2**	**0.0**	**0.2**	**0.0**	**0.0**

(46) Other assets

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Cash collateral from collateral management (payable on demand)	2 930.4	2 563.6	366.8
Prepaid expenses	1.6	1.2	0.4
Other	0.3	1.0	–0.7
Total	**2 932.3**	**2 565.8**	**366.5**

(47) Liabilities to banks

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Repayable on demand	0.1	1.0	–0.9
Term deposits	290.0	0.0	290.0
Open market operations	0.0	0.0	0.0
Registered bonds and promissory notes	1 219.7	1 066.8	152.9
Global loans	1 319.5	1 116.9	202.6
Total	**2 829.3**	**2 184.7**	**644.6**
Of which due after more than 12 months	*2 452.0*	*1 802.1*	*649.9*

(48) Liabilities to customers

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Repayable on demand	135.2	112.3	22.9
Term deposits	30.1	20.9	9.2
Registered bonds and promissory notes	4 184.8	4 760.1	–575.3
Loan agreements	40.5	37.0	3.5
Other	17.7	24.4	–6.7
Total	**4 408.3**	**4 954.7**	**–546.4**
Of which due after more than 12 months	*3 833.6*	*4 591.9*	*–758.3*

(49) Securitized liabilities

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Medium-term notes	51 777.6	49 340.0	2 437.6
Global bonds	16 192.3	13 848.9	2 343.4
Euro commercial paper	3 514.4	5 924.4	–2 410.0
Bearer bonds	60.6	65.5	–4.9
Total	**71 544.9**	**69 178.8**	**2 366.1**
Of which due after more than 12 months	*54 528.7*	*53 925.0*	*603.7*

(50) Negative fair values of derivative financial instruments

The following table presents a breakdown of derivatives by economic hedging relationship:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
As hedging instruments for:			
Hedged items hedge accounting (fair value hedge)	4 780.4	4 917.5	–137.1
Hedged items designated as at fair value	2 198.5	1 566.3	632.2
Other hedged items	174.1	328.3	–154.2
Debit Valuation Adjustment	–0.1	–1.5	1.4
Total	**7 152.9**	**6 810.6**	**342.3**
Of which due after more than 12 months	*6 244.6*	*6 006.8*	*237.8*

Derivatives used to hedge other hedged items mainly result from hedging relationships that were ineffective in accordance with the hedge accounting criteria.

(51) Provisions

	Dec. 31, 2014 EUR million	Reclassification EUR million	Utilization EUR million	Reversals EUR million	Additions EUR million	Dec. 31, 2015 EUR million
Pension provisions and similar obligations	144.1	0.0	5.9	0.0	1.1	139.3
Other provisions	19.9	–0.5	8.8	0.9	12.1	21.8
Total	**164.0**	**–0.5**	**14.7**	**0.9**	**13.2**	**161.1**

a) Provisions for pensions and similar obligations

The following table shows changes in the present value of pension obligations and deferred compensation as well as the amounts recognized in the consolidated statement of comprehensive income:

	Jan. 1 to Dec. 31, 2015 EUR million	Jan. 1 to Dec. 31, 2014 EUR million	Change in EUR million
Present value of pension obligations as of Jan. 1	**144.1**	**116.5**	**27.6**
Current service cost	3.8	2.6	1.2
Interest cost	2.8	3.6	–0.8
Deferred compensation	0.2	0.4	–0.2
Actuarial gains (–)/ losses (+) from changes in			
demographic assumptions	1.9	2.3	–0.4
financial assumptions	–7.6	24.2	–31.8
Pension benefits paid	–5.9	–5.5	–0.4
Present value of pension obligations as of Dec. 31	**139.3**	**144.1**	**–4.8**

Current service cost and interest cost are recognized as administrative expenses, while deferred compensation is reported as part of net interest income. Actuarial gains or losses are included in the revaluation reserve.

The breakdown of the present value of the pension obligations by beneficiary is as follows:

	Dec. 31, 2015	Dec. 31, 2014
Active employees	57.4	62.6
Leavers with vested benefits	4.2	5.3
Pensioners	77.7	76.2
Total	**139.3**	**144.1**

Of the pension provisions, EUR 133.4 million (2014: EUR 138.5 million) were due after more than twelve months.

Pension obligations were primarily calculated on the basis of the following actuarial assumptions:

	Dec. 31, 2015	Dec. 31, 2014
Discount rate	2.18 %	2.00 %
Expected rate of salary increases		
Increase based on collective wage agreement	2.25 %	2.25 %
Career trend until the age of 45	1.00 %	1.00 %
Expected rate of pension increases	1.50 %	2.00 %
Rate of inflation	1.50 %	2.00 %
Employee turnover	2.00 %	2.00 %

The values were calculated using the 2005G mortality tables (© Richttafeln 2005G), developed by Klaus Heubeck and fully adjusted in 2011.

The sensitivity analysis shows how the pension obligations would have been affected by changes in the significant measurement assumptions as of December 31, 2015:

	Scenario	Impact on pension obligations Dec. 31, 2015 EUR million	Impact on pension obligations Dec. 31, 2014 EUR million
Discount rate [1]	0.75 %	−14.2	−10.0
	−0.75 %	17.1	11.4
Rate of salary increases	0.50 %	8.9	9.3
	−0.50 %	−8.0	−8.3
Rate of inflation/rate of pension increases [2]	0.50 %	1.8	1.8
	−0.50 %	−1.7	−1.7
Life expectancy	+ 1 year	8.4	8.4
	−1 year	−8.3	−8.4

[1] In the prior year, the calculation was based on a scenario of +/−0.50 %

[2] In the prior year, the calculation was based on a scenario of +/−0.25 %

The non-parallel gradient (e. g. in the case of a reduction or an increase of the discount rate) is primarily attributable to the compounded interest effect which has corresponding effects if maturities of 16 years are assumed.

The maturity profile shows which cash flows are likely to be associated with the pension obligations:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Expected benefit payments during the year [1]		
2016	5.9	5.6
2017	6.0	5.8
2018	6.1	5.9
2019	6.0	6.0
2020	6.1	5.9
2021 to 2025	30.8	30.3
Weighted average duration	16 years	16 years

[1] in 2014: 2015 to 2024

b) Other provisions

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Rundown of a former equity holding	6.2	6.5	−0.3
Promotion of agriculture	11.6	9.0	2.6
Other provisions	4.0	4.4	−0.4
Total	**21.8**	**19.9**	**1.9**

The provisions for the rundown of a former equity holding relate to Rentenbank's contractual obligation to cover the pension benefit payments of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main, which is currently in liquidation. Rentenbank, together with the other shareholders of DGL, has undertaken to contribute pro-rata contributions to secure the solvency of DGL until its expected liquidation in approximately 45 years.

Provisions for the promotion of agriculture relate to unallocated amounts from the promotional fund and the Research on Agricultural Innovation program. Other provisions primarily included provisions for potential payments for service anniversaries and litigation costs.

Of other provisions, EUR 14.4 million (2014: EUR 12.1 million) have a remaining term of less than twelve months.

(52) Subordinated liabilities

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Medium-term notes	542.4	513.2	29.2
Loan agreements	120.2	109.8	10.4
Promissory notes	66.8	68.8	–2.0
Total	**729.4**	**691.8**	**37.6**
Of which due after more than 12 months	*725.1*	*687.5*	*37.6*

(53) Other liabilities

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Cash collateral from collateral management (payable on demand)	2 755.5	1 524.7	1 230.8
Discounted promotional contribution	14.4	16.8	–2.4
Deferred income	3.1	4.7	–1.6
Accruals	4.9	4.6	0.3
Other liabilities	2.9	2.9	0.0
Total	**2 780.8**	**1 553.7**	**1 227.1**

Rentenbank received cash collateral from collateral agreements. For each counterparty, the amount of cash collateral is determined on the basis of positive fair values, taking into account the contractual allowance and minimum transfer amounts.

Discounted promotional contributions relate to the interest subsidies and lump-sum administrative costs for committed special promotional loans that have not yet been disbursed.

Deferred income includes the discounted prepayments of interest rate reductions. These interest rate reductions lower interest cost and are granted by the German federal states within the framework of investment promotion programs. The reduced interest rates are passed on to the agricultural sector in the form of Rentenbank's promotional loans.

Accruals mainly include obligations related to supplementary grants to employees.

Other liabilities primarily include liabilities to the tax authorities amounting to EUR 1.1 million (2014: EUR 1.1 million).

(54) Equity

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Subscribed capital	135.0	135.0	0.0
Retained earnings			
Principal reserve	986.9	921.0	65.9
Guarantee reserve	22.7	45.8	–23.1
Other retained earnings	2 465.3	2 079.3	386.0
Total retained earnings	3 474.9	3 046.1	428.8
Revaluation reserve			
Unrealized gains/ losses from available-for-sale instruments	106.8	163.3	–56.5
Actuarial gains/ losses from pension obligations	–45.1	–50.8	5.7
Revaluation reserve, total	61.7	112.5	–50.8
Distributable profit	14.3	13.8	0.5
Total	**3 685.9**	**3 307.4**	**378.5**

In accordance with Rentenbank's Governing Law, the principal reserve and the guarantee reserve are transferred from Rentenbank's annual financial statements to the consolidated financial statements. The remaining net income is transferred to other retained earnings after deducting distributable profit.

(55) Reconciliation of carrying amounts to categories

In the following tables, the financial instruments are classified by measurement category.

Dec. 31, 2015	Loans and receivables EUR million	Available for sale EUR million	Held to maturity EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Balances with central banks	21.1					21.1
Loans and advances to banks	48 552.4				6 904.8	55 457.2
Loans and advances to customers	6 378.3				2.6	6 380.9
Fair value changes of hedged items in a portfolio hedge	1 298.8					1 298.8
Positive fair values of derivative financial instruments				7 238.9		7 238.9
Financial assets		11 681.0	3 260.5		4 970.7	19 912.2
Other assets	2 930.4					2 930.4
Total assets	**59 181.0**	**11 681.0**	**3 260.5**	**7 238.9**	**11 878.1**	**93 239.5**

	Other liabilities EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Liabilities to banks	1 826.5		1 002.8	2 829.3
Liabilities to customers	2 975.6		1 432.7	4 408.3
Securitized liabilities	21 298.3		50 246.6	71 544.9
Negative fair values of derivative financial instruments	0.0	7 152.9		7 152.9
Subordinated liabilities	66.8		662.6	729.4
Other liabilities	2 755.5			2 755.5
Total liabilities	**28 922.7**	**7 152.9**	**53 344.7**	**89 420.3**

Dec. 31, 2014	Loans and receivables EUR million	Available for sale EUR million	Held to maturity EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Balances with central banks	28.9					28.9
Loans and advances to banks	44 254.9				7 152.7	51 407.6
Loans and advances to customers	5 229.9				300.4	5 530.3
Fair value changes of hedged items in a portfolio hedge	1 600.7					1 600.7
Positive fair values of derivative financial instruments				5 958.4		5 958.4
Financial assets		12 535.2	3 501.6		5 664.4	21 701.2
Other assets	2 563.6					2 563.6
Total assets	**53 678.0**	**12 535.2**	**3 501.6**	**5 958.4**	**13 117.5**	**88 790.7**

	Other liabilities EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Liabilities to banks	1 270.0		914.7	2 184.7
Liabilities to customers	3 438.6		1 516.1	4 954.7
Securitized liabilities	22 262.4		46 916.4	69 178.8
Negative fair values of derivative financial instruments		6 810.6		6 810.6
Subordinated liabilities	68.8		623.0	691.8
Other liabilities	1 553.7			1 553.7
Total liabilities	**28 593.5**	**6 810.6**	**49 970.2**	**85 374.3**

(56) Financial instruments designated as at fair value

	Loans and advances		Financial assets		Liabilities	
	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million
Maximum exposure to credit risk as of Dec. 31	6 907.4	7 453.1	4 970.7	5 664.4	–	–
Fair value changes attributable to changes in credit risk						
– during the period	6.7	0.2	–0.2	0.0	0.0	0.0
– accumulated	3.4	–2.9	–1.2	–1.9	0.0	0.0

Fair value changes attributable to changes in credit risk are determined as the amount of the fair value changes that is not attributable to changes in market risk. This means that the amount is determined on the basis of measurement effects resulting from changes in the credit rating of business partners or businesses or in the bank's own credit rating.

In the year under review and previous years, the measurement of liabilities only included market-related changes. The credit rating of Rentenbank, and hence that of its liabilities, did not change in 2015 or in previous years.

	Liabilities		
	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Carrying amount	52 590.1	49 504.7	3 085.4
Repayment at maturity	52 268.9	48 843.9	3 425.0
Difference	**–321.2**	**–660.8**	**339.6**
Of which capitalization of future due interest	*–737.6*	*–954.6*	*217.0*

The difference between the carrying amount and the contractual repayment at maturity results from measurement at fair value and, particularly in the case of zero bonds, from the capitalization of due interest.

(57) Net gains or losses by measurement category

	Income Statement		Other comprehensive income	
	Net gains/losses from fair value and hedge accounting		Result from available-for-sale instruments	
	2015 EUR million	2014 EUR million	2015 EUR million	2014 EUR million
Held for trading	–183.0	–1 173.5	0.0	0.0
Designated as at fair value	647.9	–30.0	0.0	0.0
Loans and receivables	–382.1	1 414.5	0.0	0.0
Available for sale	–179.0	182.9	–56.4	92.3
Held to maturity	0.0	0.0	–0.1	0.2
Other liabilities	301.1	–577.4	0.0	0.0
Total	**204.9**	**–183.5**	**–56.5**	**92.5**

Reconciliation to Note (30)

Amortized amounts from ineffective hedging relationships are included in fair value measurement as part of net gains/losses from fair value and hedge accounting. The amortized amounts relate to hedged items of the loans and receivables and other liabilities categories. A reconciliation of the item 'fair value measurement' included in net gains/losses from fair value and hedge accounting to the categories shown here is only possible in aggregate amounts.

The result from currency translation of EUR 5.7 million (2014: EUR –5.1 million) set out in Note 30 comprises hedges of EUR –0.2 million (2014: EUR –5.8 million) classified as held for trading and hedged items designated as at fair value of EUR 5.9 million (2014: EUR 0.7 million).

(58) Disclosures on the fair value of financial instruments measured at fair value

The following table provides an overview of the balance sheet classes of the financial instruments measured at fair value, presented by valuation method:

Dec. 31, 2015	Fair Value EUR million	Quoted prices in active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	6 904.8	0.0	4 135.9	2 768.9
Promissory notes and registered debt securities	1 508.1	0.0	1 508.1	0.0
Special promotional loans	2 669.9	0.0	0.0	2 669.9
Other	2 726.8	0.0	2 627.8	99.0
Loans and advances to customers	2.6	0.0	0.0	2.6
Positive fair values of derivative financial instruments	7 238.9	0.0	7 238.9	0.0
Financial assets	16 532.9	9 024.7	7 446.9	61.3
Total assets	**30 679.2**	**9 024.7**	**18 821.7**	**2 832.8**
Liabilities to banks	1 002.8	0.0	1 002.8	0.0
Liabilities to customers	1 432.7	0.0	203.0	1 229.7
Securitized liabilities	50 246.6	24 078.1	26 106.7	61.8
Medium-term notes	30 479.5	11 043.5	19 374.2	61.8
Global bonds	16 192.5	13 034.6	3 157.9	0.0
Euro commercial paper	3 514.4	0.0	3 514.4	0.0
Other	60.2	0.0	60.2	0.0
Negative fair values of derivative financial instruments	7 152.9	0.0	7 152.9	0.0
Subordinated liabilities	662.6	0.0	0.0	662.6
Total liabilities	**60 497.6**	**24 078.1**	**34 465.4**	**1 954.1**

Financial assets do not include equity holdings in two banks and several companies at a total carrying amount of EUR 118.8 million (2014: EUR 118.8 million). They are measured at cost as their fair value cannot be reliably determined. Since the equity holdings are not traded in an active market, no quoted prices are available. A model-based measurement is not possible either as the future cash flows cannot be reliably estimated. There is no intention to dispose of these equity holdings.

Dec. 31, 2014

	Fair Value EUR million	Quoted prices in active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	7 152.7	0.0	3 632.8	3 519.9
Promissory notes and registered debt securities	2 677.1	0.0	2 677.1	0.0
Special promotional loans	3 420.9	0.0	0.0	3 420.9
Other	1 054.7	0.0	955.7	99.0
Loans and advances to customers	300.4	0.0	300.0	0.4
Positive fair values of derivative financial instruments	5 958.4	0.0	5 958.4	0.0
Financial assets	18 080.8	9 774.1	8 262.7	44.0
Total assets	**31 492.3**	**9 774.1**	**18 153.9**	**3 564.3**
Liabilities to banks	914.7	0.0	914.7	0.0
Liabilities to customers	1 516.1	0.0	211.0	1 305.1
Securitized liabilities	46 916.3	24 486.4	22 429.9	0.0
Medium-term notes	27 081.6	12 458.8	14 622.8	0.0
Global bonds	13 848.7	12 027.6	1 821.1	0.0
Euro commercial paper	5 924.4	0.0	5 924.4	0.0
Other	61.6	0.0	61.6	0.0
Negative fair values of derivative financial instruments	6 810.6	0.0	6 810.6	0.0
Subordinated liabilities	623.0	0.0	0.0	623.0
Total liabilities	**56 780.7**	**24 486.4**	**30 366.2**	**1 928.1**

Since the last reporting date, the following transfers occurred between Levels 1 and 2 of the fair value hierarchy:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Transfers from Level 1 to Level 2		
Financial assets	1 781.5	2 232.8
Securitized liabilities	4 260.6	3 087.6
Medium-term notes	4 260.6	2 313.0
Global bonds	0.0	774.6
Transfers from Level 2 to Level 1		
Financial assets	2 393.9	975.0
Securitized liabilities	2 651.1	3 792.9
Medium-term notes	1 491.0	3 792.9
Global bonds	1 160.1	0.0

The transfers were made due to the availability or the absence of quoted prices in active markets.

Changes in Level 3

The following table shows the amounts and results of the financial instruments measured at fair value which were determined using valuation techniques and include significant unobservable inputs (Level 3). The changes are presented by class:

2015	Loans and advances to banks		Loans and advances to customers	Financial assets
	Special promotional loans	Other		
	EUR million	EUR million	EUR million	EUR million
Fair value as of Jan. 1	**3 420.9**	**99.0**	**0.4**	**44.0**
Transfers to Level 3	0.0	0.0	0.0	55.2
Transfers from Level 3	0.0	0.0	0.0	35.9
Gains and losses recognized				
in net gains/losses from fair value and hedge accounting (income statement)	8.4	0.0	2.4	–0.6
in the result from available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0	–1.4
Additions from purchases	0.0	0.0	0.0	0.0
Disposals from sales	0.0	0.0	0.0	0.0
Settlements	758.8	0.0	0.2	0.0
Change in accrued interest	–0.6	0.0	0.0	0.0
Fair value as of Dec. 31.	**2 669.9**	**99.0**	**2.6**	**61.3**
Unrealized gains and losses recognized in the income statement relating to assets held as of Dec. 31	4.5	0.0	2.4	–0.6

2015	Liabilities to customers	Securitized liabilities	Subordinated liabilities
		Medium term notes	
	EUR million	EUR million	EUR million
Fair value as of Jan. 1	**1 305.1**	**0.0**	**623.0**
Transfers to Level 3	0.0	0.0	0.0
Transfers from Level 3	0.0	0.0	0.0
Gains and losses recognized			
in net gains/losses from fair value and hedge accounting (income statement)	–0.9	4.5	–39.7
in the result from available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0
New issues	14.0	65.8	0.0
Settlements	89.9	0.0	0.0
Change in accrued interest	–0.4	0.5	–0.1
Fair value as of Dec. 31	**1 229.7**	**61.8**	**662.6**
Unrealized gains and losses recognized in the income statement relating to liabilities held as of Dec. 31	–2.6	4.5	–39.7

2014	Loans and advances to banks		Loans and advances to customers	Financial assets
	Special promotional loans	Other		
	EUR million	EUR million	EUR million	EUR million
Fair value as of Jan. 1	**3 610.2**	**98.5**	**1.6**	**49.2**
Transfers to Level 3	0.0	0.0	0.0	15.2
Transfers from Level 3	0.0	0.0	0.0	0.0
Gains and losses recognized				
in net gains/losses from fair value and hedge accounting (income statement)	16.7	0.5	0.3	–0.5
in the result from available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0	0.1
Additions from purchases	0.0	0.0	2.5	0.0
Disposals from sales	0.0	0.0	0.0	0.0
Settlements	205.5	0.0	4.0	19.5
Change in accrued interest	–0.5	0.0	0.0	–0.5
Fair value as of Dec. 31.	**3 420.9**	**99.0**	**0.4**	**44.0**
Unrealized gains and losses recognized in the income statement relating to assets held as of Dec. 31	15.5	0.5	–2.2	0.0

2014	Liabilities to customers	Securitized liabilities	Subordinated liabilities
		Medium term notes	
	EUR million	EUR million	EUR million
Fair value as of Jan. 1	**1 258.0**	**156.4**	**621.6**
Transfers to Level 3	0.0	0.0	0.0
Transfers from Level 3	17.5	156.4	0.0
Gains and losses recognized			
in net gains/losses from fair value and hedge accounting (income statement)	–100.7	0.0	–2.0
in the result from available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0
New issues	0.0	0.0	0.0
Settlements	35.0	0.0	0.0
Change in accrued interest	–1.1	0.0	–0.6
Fair value as of Dec. 31	**1 305.1**	**0.0**	**623.0**
Unrealized gains and losses recognized in the income statement relating to liabilities held as of Dec. 31	–101.1	0.0	–2.0

Transfers are always recognized at the beginning of the reporting period, irrespective of the actual time of the event that triggered the transfer.

The following is a summary of the unobservable inputs used in the valuation of the Level 3 instruments. Unless otherwise stated, the results are recognized through profit or loss in net gains/losses from fair value and hedge accounting:

Dec. 31, 2015	Fair Value EUR million	Valuation technique	Significant unobservable inputs	Range (weighted average) in bps	Scenario +40bps EUR million
Loans and advances to banks	2 768.9	Discounted cash flow	Credit spread for loans	−10 to 68 (5.1)	−20.3
Special promotional loans	2 669.9	Discounted cash flow	Credit spread for loans	−10 to 68 (5.8)	−19.7
Other	99.0	Discounted cash flow	Credit spread for loans	64 to 64 (64)	−0.6
Loans and advances to customers	2.6	Discounted cash flow	Credit spread for loans	1 290 to 1 290 (1 290)	0.0
Financial assets	8.4	Discounted cash flow	Credit spread for bonds with indemnity agreements	−12 to −12 (−12)	0.0
Of which net gains/losses from fair value and hedge accounting (income statement)	8.4	Discounted cash flow	Credit spread for loans		0.0
Financial assets	52.9	Bloomberg	Significant portion of unobservable inputs in relation to the Bloomberg price		−0.7
Of which result from available-for-sale instruments (other comprehensive income)	52.9				−0.7
Liabilities to customers	1 229.7	Discounted cash flow	Credit spread for own issues in EUR for terms to maturity of > 9 years	−24 to 3 (−18.3)	100.6
		Discounted cash flow	Credit spread for own issues in NZD	64 to 64 (64)	0.3
Securitized liabilities	61.8	Discounted cash flow	Credit spread for own issues in BRL	32 to 32 (32)	1.0
Medium-term notes	61.8	Discounted cash flow	Credit spread for own issues in BRL	32 to 32 (32)	1.0
Subordinated liabilities	662.6	Discounted cash flow	Credit spread for subordinated issues	−7 to 41 (5)	26.0

Dec. 31, 2014	Fair Value EUR EUR million	Valuation technique	Significant unobservable inputs	Range (weighted average) in bps	Scenario +40bps EUR million
Loans and advances to banks	3 519.9	Discounted cash flow	Credit spread for loans	–7 to 37 (–1.8)	–31.0
Special promotional loans	3 420.9	Discounted cash flow	Credit spread for loans	–7 bis 2 (–4.9)	–30.1
Other	99.0	Discounted cash flow	Credit spread for loans	37 to 37 (37)	–0.9
Loans and advances to customers	0.4	Discounted cash flow	Credit spread for loans	1 293 to 1 293 (1 293)	0.0
Financial assets	28.8	Discounted cash flow	Credit spread for bonds with indemnity agreements	–17 to –15 (–15.6)	–0.3
Of which net gains/ losses from fair value and hedge accounting (income statement)	8.1				–0.1
Of which result from available-for-sale instruments (other comprehensive income)	20.7				–0.2
Financial assets	15.2	Bloomberg BVAL	Significant portion of unobservable inputs in relation to the Bloomberg BVAL price		–0.1
Of which result from available-for-sale instruments (other comprehensive income)	15.2				–0.1
Liabilities to customers	1 305.1	Discounted cash flow	Credit spread for own issues in EUR for terms to maturity of > 10 years	–11 to 10 (–3.3)	119.3
Subordinated liabilities	623.0	Discounted cash flow	Credit spread for subordinated issues	–3 to 26 (5.1)	25.9

(59) Disclosure of the fair value of financial instruments measured at amortized cost

For financial instruments not carried at fair value in the balance sheet, the carrying amount is compared with the fair value.

	Dec. 31, 2015			Dec. 31, 2014		
	Fair value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Cash and balances with central banks	21.1	21.1	0.0	28.9	28.9	0.0
Loans and advances to banks	48 900.2	48 552.4	347.8	45 176.6	44 254.9	921.7
Loans and advances to customers	6 553.4	6 378.3	175.1	5 413.6	5 229.9	183.7
Fair value changes of hedged items in a portfolio hedge	1 298.8	1 298.8	0.0	1 600.7	1 600.7	0.0
Financial assets	3 445.3	3 260.5	184.8	3 725.5	3 501.6	223.9
Other assets	2 930.4	2 930.4	0.0	2 563.6	2 563.6	0.0
Total assets	**63 149.2**	**62 441.5**	**707.7**	**58 508.9**	**57 179.6**	**1 329.3**
Liabilities to banks	1 856.5	1 826.5	30.0	1 305.1	1 270.0	35.1
Liabilities to customers	3 047.0	2 975.6	71.4	3 541.6	3 438.7	102.9
Securitized liabilities	21 428.3	21 298.3	130.0	22 409.9	22 262.4	147.5
Subordinated liabilities	67.2	66.8	0.4	68.9	68.8	0.1
Other liabilities	2 755.5	2 755.5	0.0	1 553.7	1 553.7	0.0
Total liabilities	**29 154.5**	**28 922.7**	**231.8**	**28 879.2**	**28 593.6**	**285.6**

Positive differences for assets and negative differences for liabilities represent unrealized gains, while negative differences for assets and positive differences for liabilities represent unrealized losses.

The fair values disclosed are assigned to the following hierarchy levels:

Dec. 31, 2015	Fair value EUR million	Quoted prices in active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	48 900.2	0.0	11 509.0	37 391.2
Promissory notes and registered debt securities	11 749.4	0.0	11 506.6	242.8
Special promotional loans	37 148.4	0.0	0.0	37 148.4
Other	2.4	0.0	2.4	0.0
Loans and advances to customers	6 553.4	0.0	3 598.8	2 954.6
Fair value changes of hedged items in a portfolio hedge	1 298.8	0.0	1 298.8	0.0
Financial assets	3 445.3	1 193.4	2 203.1	48.8
Investment property	20.3	0.0	0.0	20.3
Total assets	**60 218.0**	**1 193.4**	**18 609.7**	**40 414.9**
Liabilities to banks	1 856.5	0.0	1 702.9	153.6
Liabilities to customers	3 047.0	0.0	2 196.3	850.7
Securitized liabilities	21 428.3	12 411.8	8 983.3	33.2
Medium-term notes	21 428.0	12 411.8	8 983.0	33.2
Global bonds	0.0	0.0	0.0	0.0
Euro commercial paper	0.0	0.0	0.0	0.0
Other	0.3	0.0	0.3	0.0
Subordinated liabilities	67.2	0.0	0.0	67.2
Total liabilities	**26 399.0**	**12 411.8**	**12 882.5**	**1 104.7**

Dec. 31, 2014	Fair value EUR million	Quoted prices in active markets (Level 1) EUR million	Significant observable inputs (Level 2) EUR million	Significant unobservable inputs (Level 3) EUR million
Loans and advances to banks	45 176.6	0.0	11 252.7	33 923.9
Promissory notes and registered debt securities	11 106.1	0.0	11 033.0	73.1
Special promotional loans	34 070.5	0.0	0.0	34 070.5
Other	0.0	0.0	0.0	0.0
Loans and advances to customers	5 413.6	0.0	3 797.3	1 616.3
Fair value changes of hedged items in a portfolio hedge	1 600.7	0.0	1 600.7	0.0
Financial assets	3 725.5	2 017.3	1 636.0	72.2
Investment property	20.0	0.0	0.0	20.0
Total assets	**55 936.4**	**2 017.3**	**18 286.7**	**35 632.4**
Liabilities to banks	1 305.1	0.0	1 156.0	149.1
Liabilities to customers	3 541.6	0.0	2 762.6	779.0
Securitized liabilities	22 409.9	18 836.5	3 573.4	0.0
Medium-term notes	22 406.0	18 836.5	3 569.5	0.0
Global bonds	0.0	0.0	0.0	0.0
Euro commercial paper	0.0	0.0	0.0	0.0
Other	3.9	0.0	3.9	0.0
Subordinated liabilities	68.9	0.0	0.0	68.9
Total liabilities	**27 325.5**	**18 836.5**	**7 492.0**	**997.0**

(60) Derivatives

Breakdown by risk:	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Interest rate risks	103 207.9	95 746.2	1 918.7	2 314.2	5 026.4	5 336.8
Currency risks	53 674.1	48 039.7	5 313.6	3 639.2	2 126.5	1 473.8
Share price risk and other price risks	30.0	30.0	6.6	5.0	0.0	0.0
Total	**156 912.0**	**143 816.0**	**7 238.9**	**5 958.4**	**7 152.9**	**6 810.6**

Breakdown by counterparty:	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Banks in OECD countries	139 143.8	126 844.5	6 470.5	5 200.1	6 295.5	6 089.9
Non-banks in OECD countries	16 894.8	15 369.3	767.8	757.1	796.5	607.9
Public-sector entities in OECD countries	873.4	1 602.2	0.6	1.2	60.9	112.8
Total	**156 912.0**	**143 816.0**	**7 238.9**	**5 958.4**	**7 152.9**	**6 810.6**

Other disclosures

(61) Capital management

The investment of capital in the Capital Investment segment is decided by the Board of Managing Directors. Anticipated changes in interest rates as well as the maturity profile are of major significance in this context.

(62) Regulatory capital

In accordance with IAS 1.135, disclosures on regulatory own funds are to be made in the consolidated financial statements.

The Group's regulatory own funds are required to be determined on the basis of applicable EU law, i.e. in accordance with the Capital Requirements Regulation (CRR – the regulation on the implementation of the capital adequacy requirements under Basel III). This is due to the adoption of the Capital Requirements Directive IV (CRD IV) which transposed the capital requirement framework into national law. The Group's regulatory own funds were determined on the basis of the IFRS consolidated financial statements using the scope of consolidation as applied in the financial statements. This scope of consolidation is equivalent to the regulatory scope of consolidation.

Eligible own funds comprise Tier 1 capital and Tier 2 capital. The following table shows the IFRS amounts of the eligible own funds as of December 31, 2015:

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Subscribed capital pursuant to Art. 26(1) point (a) CRR	135.0	135.0
Retained earnings pursuant to Art. 26(1) point (c) CRR	3 046.2	2 999.5
Deductions from Common Equity Tier 1 (Difference portfolio valuation allowance: as of reporting date compared to the previous year)	–1.6	–3.0
Revaluation reserve pursuant to Art. 26(1) point (d) CRR in conjunction with Art. 468 CRR (transitional provisions)	44.9	0.0
Measurement effects from own credit risk from liabilities prudential filters, own credit pursuant to Art. 33(1) point (b) CRR	285.8	87.7
Measurement effects from own credit risk from derivative liabilities prudential filters, own credit pursuant to Art. 33(1) point (b) CRR	–1.5	0.0
Additional value adjustments pursuant to Art. 34 CRR (prudent valuation)	–312.0	–261.0
Intangible assets pursuant to Art. 37 CRR	–17.8	–18.1
Deferred tax assets that rely on future profitability pursuant to Art. 38 CRR in conjunction with Art. 469 (transitional provisions)	0.0	–0.3
Tier 1 capital	**3 179.0**	**2 939.8**
Subordinated liabilities pursuant to Art. 62 point (a) CRR	46.1	48.1
Subordinated liabilities pursuant to Art. 484 CRR	413.4	455.1
Credit risk adjustment pursuant to Art. 110 (1) CRR	16.3	14.7
Tier 2 capital	**475.8**	**517.9**
Eligible own funds	**3 654.8**	**3 457.7**

Under the credit-risk standardized approach, business partner ratings are used instead of country ratings and a CVA charge is covered by own funds. In accordance with the regulatory requirements, the latter takes into account a deterioration in the credit quality of derivative counterparties. This leads to a corresponding increase in risk-weighted assets.

As in the prior year, Rentenbank met the regulatory requirements at all times in the reporting year. The following key figures were calculated for the Group in accordance with the CRR as of the reporting date:

	Dec. 31, 2015 %	Dec. 31, 2014 %
Tier 1 capital ratio pursuant to CRR	20.2	16.4
Total capital ratio pursuant to CRR	23.2	19.3

(63) Country-by-Country Reporting

The requirements set out in Article 89 of Directive 2013/36/EU (Capital Requirements Directive, CRD IV) were transposed into German law by means of Section 26a (1) sentence 2 et seq. of the German Banking Act (Kreditwesengesetz – KWG).

According to this section, CRR institutions are required to disclose the following information on a consolidated basis, specified by EU member state or by third country in which they have establishments or their registered office:

- Name(s), nature of activities and geographical location
- Turnover
- Number of employees on a full-time equivalent basis
- Profit or loss before tax
- Tax on profit or loss
- Public subsidies received

In addition, CRR institutions are required to disclose their return on assets pursuant to Section 26a (1) sentence 4 KWG.

Name and nature of activities

Landwirtschaftliche Rentenbank, a credit institution, and the fully-consolidated subsidiaries, as financial institutions, all with their registered offices in Frankfurt am Main, Germany, do not have branch offices. Therefore, all the information presented in the annual financial statements in accordance with Section 26a (1) sentence 2 KWG relates solely to Germany.

Turnover

Turnover is defined as the total of the following income statement items (in accordance with IFRS):

- Net interest income
- Net fee and commission income
- Other operating result
- Net result from financial assets
- Net gains/losses from fair value and hedge accounting

The turnover determined using this method amounted to EUR 529.2 million in the fiscal year 2015 (2014: EUR 136.9 million).

Since the combined revenues of the two subsidiaries LR Beteiligungsgesellschaft mbH, Frankfurt am Main, (LRB) and DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main, (DSV) account for less than 1 % of the Group's operating result before consolidation, their revenues are not presented separately due to immateriality.

Number of employees

The number of employees is stated on an average full-time equivalent basis pursuant to Section 267 (5) HGB. Rentenbank employed 268 (2014: 260) employees on average in 2015, of which 218 (2014: 215) were full-time employees. The two subsidiaries LRB and DSV have no employees of their own.

Profit before tax and tax on profit or loss

Profit before tax for the fiscal year 2015 amounted to EUR 445.7 million (2014: EUR 62.3 million), tax on profit or loss amounted to EUR –2.6 million (2014: EUR –1.9 million). The net tax expense arises exclusively at the consolidated subsidiaries LRB and DSV. Rentenbank is exempt from corporation tax in accordance with Section 5 (1) No. 2 of the German Corporation Tax Act (Körperschaftssteuergesetz – KStG) and trade tax in accordance with Section 3 No. 2 of the German Trade Tax Act (Gewerbesteuergesetz – GewStG).

Public subsidies

The Federal Republic of Germany has an institutional liability (Anstaltslast) and has issued a guarantee for the liabilities of Rentenbank (refinancing guarantee). Rentenbank has not received public subsidies.

Return on assets

In accordance with Section 26a (1) sentence 4 KWG, the return on assets is calculated as the ratio of the Group's net income after tax under IFRS and the Group's total assets under IFRS. It was 0.48 % as of December 31, 2015 (2014: 0.07 %).

(64) Assets pledged or accepted as collateral

The Group uses derivatives exclusively to hedge existing and foreseeable market risks. They are entered into only with counterparties from EU/OECD countries. Rentenbank has concluded master netting agreements with these counterparties and entered into collateral agreements based on these netting agreements. These agreements provide for cash deposits denominated exclusively in euros to secure the positive fair values from derivatives in excess of the contractual allowance amounts and minimum transfer amounts. In return, Rentenbank undertakes to provide cash deposits denominated in euros in the case of negative fair values if these exceed the corresponding allowance and minimum transfer amounts. The EONIA rate is applied daily to the collateral provided and received. Interest payments are made on a monthly basis.

Positive and negative fair values of derivative financial instruments are not offset pursuant to IAS 32.42, but reported on a gross basis.

	Positive fair values		Negative fair values	
	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million
Gross carrying amount	7 238.9	5 958.4	7 152.9	6 810.6
Cash collateral from collateral management	2 755.5	1 524.7	2 930.4	2 563.6

The following assets are registered as collateral in the cover register for covered bonds in the amount of EUR 463.1 million (2014: EUR 897.4 million):

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Loans and advances to banks	924.1	1 294.7	−370.6
Loans and advances to customers	0.0	0.0	0.0

In order to ensure solvency, freely available refinancing facilities amounted to EUR 20 010 million in nominal terms (2014: EUR 21 828 million) as of the balance sheet date.

As of December 31, 2015, receivables from reverse repo transactions in connection with General Collateral Pooling amounted to EUR 1 502 million (2014: EUR 350 million) due from Eurex Clearing AG. In this context, Rentenbank received collateral from the basket of securities with a market value of EUR 1 611 million (2014: EUR 366 million) and a notional amount of EUR 1 508 million (2014: EUR 344 million). Within the scope of the collateral agreement, Rentenbank deposited securities with a collateral value of EUR 616 million (2014: EUR 261 million) and a notional amount of EUR 600 million (2014: EUR 253 million) as collateral at Eurex Clearing AG.

(65) Contingent liabilities and other commitments

	Dec. 31, 2015 EUR million	Dec. 31, 2014 EUR million	Change in EUR million
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	1.3	1.6	−0.3
Other commitments			
Irrevocable loan commitments	841.7	195.3	646.4
Total	**843.0**	**196.9**	**646.1**

Contingent liabilities only consist of default guarantees for loans subject to interest subsidies. Rentenbank has counter-guarantees granted by the Federal Government that fully collateralize the default guarantees. Guarantees are not expected to be called upon.

Other commitments include irrevocable loan commitments from the lending business. These commitments are expected to be drawn down in 2016.

(66) Equity holdings

The following table provides an overview of all the equity holdings of the Rentenbank Group pursuant to Section 313 (2) HGB.

Name of the company	Share of capital in %	Equity in EUR million	Result in EUR million
I. Companies included in the consolidated financial statements			
Fully-consolidated subsidiaries			
LR-Beteiligungsgesellschaft mbH, Frankfurt am Main	100.0	122.4	113.2
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	100.0	11.2	−0.3
II. Companies not included in the consolidated financial statements			
Subsidiaries			
Getreide-Import-Gesellschaft mbH, Frankfurt am Main [1]	100.0	7.7	0.0
Associates			
Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main [2]	25.1	7.2	−0.2
Other equity holdings			
LAND-DATA Beteiligungs GmbH, Hanover [2]	10.9	1.3	0.2
LAND-DATA GmbH, Hanover [2]	10.9	4.2	0.0
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen [2]	9.8	42.9	3.1
Niedersächsische Landgesellschaft mbH, Hanover [2]	6.3	114.0	49.5
Landgesellschaft Sachsen-Anhalt mbH, Magdeburg [2]	5.5	55.5	9.3
Landgesellschaft Schleswig-Holstein mbH, Kiel [2]	3.2	62.8	7.5
DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main [2]	2.9	7 994.0	213.0

[1] A profit and loss transfer agreement is in place with the company
[2] Data as of December 31, 2014

The Group structure provides for limitations between the subsidiaries LRB, DSV and GIG in terms of funding and transfer of assets. Approval by Rentenbank (shareholder) is required in individual cases.

Additional disclosures on the consolidated companies and associates

The shares held in Getreide-Import-Gesellschaft mbH, Frankfurt am Main, and Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main, were not included in the consolidated financial statements due to immateriality. The remaining companies in which Rentenbank holds interests are neither controlled by Rentenbank nor can Rentenbank exercise significant influence over them. Therefore, the interests held in these companies are reported as financial assets.

The currently available financial information pursuant to HGB of the associate Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main, can be summarized as follows:

	Dec. 31, 2014 EUR thousand	Dec. 31, 2013 EUR thousand
Assets	19 907.5	20 615.7
Liabilities	12 696.8	13 197.2
Net loss	−0.2	−0.2

(67) Related party disclosures

In accordance with IAS 24, transactions between related parties and the Rentenbank Group must be disclosed. Related parties are the members of the Board of Managing Directors and of the Board of Supervisory Directors, including dependents, the Federal Ministry of Food and Agriculture as well as the subsidiary not included in the consolidated financial statements (Getreide-Import-Gesellschaft mbH, Frankfurt am Main), and the associate not accounted for using the equity method (Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH, Frankfurt am Main).

The following transactions were carried out with the related parties:

	Board of Managing Directors		Subsidiaries		Associates	
	Dec. 31, 2015 EUR thousand	Dec. 31, 2014 EUR thousand	Dec. 31, 2015 EUR thousand	Dec. 31, 2014 EUR thousand	Dec. 31, 2015 EUR thousand	Dec. 31, 2014 EUR thousand
Deposits	630.8	405.2	8 882.4	428.2	565.4	441.6

The above deposits are unsecured and bear floating-rate interest. The deposits by the Board of Managing Directors concern deposits held in current accounts and investment accounts and are subject to the generally applicable terms and conditions for Rentenbank employees. Current account deposits are payable on demand, deposits on investment accounts are payable on a semi-annual basis. Loan and securities transactions were not entered into.

The loan granted by GIG to the Group in the amount of EUR 8.5 million was repaid in the reporting year. The related interest paid in the Group was EUR 2.0 thousand (2014: EUR 20.4 thousand). On the basis of the management service agreement between GIG and the Group, the Group received income in the amount of EUR 87.0 thousand (2014: EUR 87.8 thousand) for the fiscal year 2015. The Group received EUR 1.5 thousand (2014: EUR 4.0 thousand) for internal audit services in connection with current audit activities at GIG. The Group had liabilities from obligations related to pension plan deficits in the amount of EUR 97.7 thousand (2014: EUR 121.4 thousand) towards GIG. Based on a profit and loss transfer agreement, the Group absorbed the net loss of GIG in the amount of EUR 75.5 thousand (2014: EUR 51.5 thousand).

Provisions of EUR 6.2 million (2014: EUR 6.5 million) relate to the contractual obligation of the Group to cover pension benefit payments of Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung (DGL) GmbH, Frankfurt am Main, which is currently in liquidation.

Based on a service agreement with DGL, the Group received income in the amount of EUR 24.6 thousand (2014: EUR 24.6 thousand).

The Group did not enter into any transactions with the members of the Board of Supervisory Directors.

Rentenbank is subject to the supervision of the German Federal Ministry of Food and Agriculture (the supervisory authority), which makes its decisions in consultation with the German Federal Ministry of Finance. The supervisory authority ensures that the operations of Rentenbank are in line with the public interest, particularly as regards the promotion of agriculture and rural areas as well as compliance with laws and the bank's statutes.

As in the previous year, no significant transactions were carried out in 2015 with the supervisory authority or with companies that are controlled by the supervisory authority or over which the supervisory authority exercises significant influence.

The following remuneration was determined for the individual members of the Board of Managing Directors for the fiscal year 2015:

	Fixed remuneration		Variable remuneration		Other remuneration		Total remuneration	
	2015 EUR thousand	2014 EUR thousand	2015 EUR thousand	2014 EUR thousand	2015 EUR thousand	2014 EUR thousand	2015 EUR thousand	2014 EUR thousand
Hans Bernhardt	530.0	517.5	235.0	245.0	41.1	38.6	806.1	801.1
Dr. Horst Reinhardt	530.0	517.5	235.0	245.0	26.6	26.2	791.6	788.7
Imke Ettori	400.0	133.3	100.0	0.0	11.8	3.8	511.8	137.1
Total	**1 460.0**	**1 168.3**	**570.0**	**490.0**	**79.5**	**68.6**	**2 109.5**	**1 726.9**

Remuneration is classified exclusively as current benefits since they are paid within twelve months after the end of the fiscal year.

The pension obligations due to the members of the Board of Managing Directors amounted to EUR 10 052.7 thousand as of December 31, 2015 (2014: EUR 9 288.6 thousand). The portion of the additions to pension provisions for the members of the Board of Managing Directors classified as personnel expenses amounted to EUR 745.9 thousand in the fiscal year 2015 (2014: EUR 434.5 thousand).

Pension and other obligations to the former members of the Board of Managing Directors and former managing directors as well as their surviving dependents totaled EUR 19 508.2 thousand (2014: EUR 20 356.7 thousand) as of December 31, 2015. Benefits and other remuneration paid in the reporting period amounted to EUR 1 311.8 thousand (2014: EUR 1 284.6 thousand).

In accordance with the remuneration regulations, the Chairman of the Board of Supervisory Directors receives a fixed remuneration of EUR 30.0 thousand (2014: EUR 30.0 thousand), his Deputy Chairman EUR 20.0 thousand (2014: EUR 20.0 thousand) and all other members of the Board of Supervisory Directors receive basic annual remuneration of EUR 10.0 thousand each (2014: EUR 10.0 thousand). In addition, the members of the Board of Supervisory Directors who are members of a committee receive remuneration of EUR 2.0 thousand (2014: EUR 2.0 thousand) and members who chair a committee EUR 4.0 thousand (2014: EUR 4.0 thousand).

The total remuneration of the Board of Supervisory Directors in the year under review amounted to EUR 292.5 thousand (2014: EUR 291.0 thousand), including VAT.

The following table shows the individual remuneration (excluding VAT):

	Membership		Remuneration	
	2015	2014	2015	2014
			EUR thousand	EUR thousand
Joachim Rukwied	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	42.0	42.0
Christian Schmidt [1)]	Jan. 1 – Dec. 31	Feb. 17 – Dec. 31	22.0	19.0
Dr. Klaus Stein	Jan. 1 – Nov. 30	Jan. 1 – Dec. 31	16.2	17.0
Georg Fahrenschon	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	14.0
Udo Folgart	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	12.3
Dr. Robert Kloos	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	14.0
Bernhard Krüsken	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	14.0
Michael Reuther	Jan. 1 – Dec. 31	July 4 – Dec. 31	14.0	7.0
Dr. Caroline Toffel	Jan. 1 – Dec. 31	Nov. 6 – Dec. 31	12.3	2.0
Werner Hilse	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Manfred Nüssel	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Harald Schaum	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	11.5
Brigitte Scherb	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Norbert Schindler	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Helmut Brunner	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	10.0	10.0
Prof. Matthias Stauch	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	10.0	10.0
Jörg Vogelsänger	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	10.0	10.0
Konrad Weiterer	Jan. 1 – Dec. 31	July 4 – Dec. 31	10.0	5.0
Dr. Hans-Peter Friedrich [2)]	–	Jan. 1 – Feb. 17	–	2.8
Dr. Werner Hildenbrand	–	Jan. 1 – July 4	–	5.0
Wolfgang Kirsch	–	Jan. 1 – June 30	–	8.0
Klaus-Peter Müller	–	Jan. 1 – July 4	–	7.0
Total remuneration			**262.5**	**258.6**

1) Direct donation to ”Cadolzburger Burgfestspiele e. V.” and ”Verein zur Förderung der Weiterbildung im LandFrauenverband Schleswig-Holstein e. V.”

2) Direct donation to Diakoniewerk Martinsberg e. V. and Evangelische Jugendsozialarbeit Bayern e. V.

Additional disclosures pursuant to the German Commercial Code (HGB)

(68) Average number of employees

	Men		Women		Total	
	2015	2014	2015	2014	2015	2014
Full-time employees	135	133	83	82	218	215
Part-time employees	5	6	45	39	50	45
Total	**140**	**139**	**128**	**121**	**268**	**260**

(69) Auditors' fees

	2015 EUR thousand	2014 EUR thousand
Audit services*	286.4	325.9
Other certification services	65.4	76.2
Tax consulting services	20.5	0.0
Other services	352.2	166.6

* Of the fees for audit services in 2015, EUR 18.4 thousand relates to the previous year; of the fees for audit services in 2014, EUR 60.4 thousand related to 2013

The Declaration of Conformity with the German Public Corporate Governance Code has been submitted and has been published on Rentenbank's website.

Frankfurt am Main, March 16, 2016

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt | Hans Bernhardt | Imke Ettori

Statement of Management Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the Group's combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, March 16, 2016

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt | Hans Bernhardt | Imke Ettori

Auditor's Report

We have audited the consolidated financial statements prepared by Landwirtschaftliche Rentenbank, Frankfurt/Main, comprising the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, together with the combined management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs, as adopted by the EU, and the addi-tional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB [Handelsgesetzbuch „German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, March 17, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bernhard	Liebermann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Management Bodies (as of March 31, 2016)

Board of Managing Directors

Dr. Horst Reinhardt (Speaker), Dipl.-Volkswirt, MBA
Hans Bernhardt, Dipl.-Kaufmann
Imke Ettori, Dipl.-Kauffrau

Board of Supervisory Directors

Chairman:

Joachim Rukwied
President of the German Farmers' Association (DBV), Berlin

Deputy Chairman:

Christian Schmidt
Member of the German Bundestag
Federal Minister of Food and Agriculture, Berlin

Representatives of the German Farmers' Association (DBV):

Udo Folgart
President of the Farmers' Association of Brandenburg, Teltow/Ruhlsdorf

Werner Hilse
President of the Farmers' Association of Lower Saxony, Hanover

Bernhard Krüsken
Secretary General of the German Farmers' Association, Berlin

Brigitte Scherb
President of the German Rural Women's Association, Berlin

Norbert Schindler
Member of the German Bundestag
Honorary President of the Farmers' and Winegrowers' Associatio of Southern Rhineland-Palatinate, Berlin (until December 31, 2015)

Werner Schwarz
President of the Farmers' Association of Schleswig-Holstein, Rendsburg (since January 1, 2016)

Representative of the German Raiffeisen Association:

Manfred Nüssel
President of the German Raiffeisen Association, Berlin

Representative of the Food Industry:

Konrad Weiterer
President of the Federal Association of German Agro-Traders, Berlin

State Ministers of Agriculture:

Bavaria:
Helmut Brunner
Member of the Landtag
Minister of Food, Agriculture and Forestry, Munich
(until December 31, 2015)

Brandenburg:
Jörg Vogelsänger
Minister of Rural Development, Environment and Agriculture, Potsdam (until December 31, 2015)

Bremen:
Prof. Matthias Stauch
State Council at the Senator of Justice and Constitution, Bremen
(until December 31, 2015)

Thuringia:
Birgit Keller
Minister of Infrastructure and Agriculture, Erfurt
(since January 1, 2016)

Hamburg:
Dr. Rolf Bösinger
State Council for Economy, Transport and Innovation, Hamburg (since January 1, 2016)

Baden-Württemberg:
Wolfgang Reimer
Director-General of the Ministry of Rural Affairs and Consumer Protection, Stuttgart (since January 1, 2016)

Representative of the Trade Unions:

Harald Schaum
Deputy Federal Chairman of the Industrial Union Construction, Agriculture, Environment (IG BAU), Frankfurt am Main

Representative of the Federal Ministry of Food and Agriculture:

Dr. Robert Kloos
State Secretary, Berlin

Representatives of the Federal Ministry of Finance:

Dr. Klaus Stein
Head of Directorate, Berlin (until November 30, 2015)

Dr. Marcus Pleyer
Head of Directorate, Berlin (since December 21, 2015)

Representatives of banks or other lending experts:

Georg Fahrenschon
President of the German Savings Banks Association (DSGV), Berlin

Michael Reuther
Member of the Board of Managing Directors of Commerzbank AG, Frankfurt am Main

Dr. Caroline Toffel
Member of the Board of Managing Directors of Kieler Volksbank eG, Kiel

General Meeting

Appointed by the Federal State of Baden-Württemberg:

Hannelore Wörz
President of the Rural Women's Association of Württemberg-Baden, Stuttgart

Werner Räpple
President of the Agricultural Main Association of Baden, Freiburg

Appointed by the Free State of Bavaria::

Franz Kustner
District President of the Bavarian Farmers' Association, Hirschau

Bernhard Weiler
District President of the Bavarian Farmers' Association, Stadtlauringen

Appointed by the Federal States of Berlin and Brandenburg:

Norbert Pinnow
Managing Director of BBF Unternehmensberatung GmbH, Oberkrämer

Karsten Jennerjahn
President of the Farmers' Union of Brandenburg, Schrepkow

Henrik Wendorff
Vice President of the Farmers' Association of Brandenburg, Teltow/Ruhlsdorf

Appointed by the Free Hanseatic City of Bremen:

Hermann Sündermann
President of the Chamber of Agriculture of Bremen (retired), Bremen

Appointed by the Free Hanseatic City of Hamburg:

Heinz Behrmann
President of the Farmers' Association of Hamburg, Hamburg

Appointed by the Federal State of Hesse:

Jürgen Mertz
President of the Horticultural Association of Hesse, Hadamar

Friedhelm Schneider
Honorary President of the Farmers' Association of Hesse, Friedrichsdorf

Appointed by the Federal State of Mecklenburg-Vorpommern:

Harald Nitschke
Managing Director of Raminer Agrar GmbH, Ramin

Rainer Tietböhl
President of the Farmers' Association of Mecklenburg-Vorpommern, Neubrandenburg

Appointed by the Federal State of Lower Saxony:

Heinz Korte
Vice President of the Farmers' Association of Lower Saxony, Bremervörde

Andreas Jessen
Chairman of the Association of Organic Farming of Lower Saxony (LÖN), Visselhövede

Appointed by the Federal State of North Rhine-Westphalia:

Johannes Frizen
President of the Chamber of Agriculture of North Rhine-Westphalia, Alfter

Friedrich Ostendorff
Member of the German Bundestag, Farmer, Bergkamen

Appointed by the Federal State of Rhineland-Palatinate:

Leonhard Blum
President of the Farmers' and Winegrowers' Association of Rhineland-Nassau, Niederbettingen

Michael Prinz zu Salm-Salm
President of the Landowners' Organization, Schloss Wallhausen

Trustees

Report of the Board of Supervisory Directors

The Board of Supervisory Directors and its committees performed the duties delegated to them in accordance with Rentenbank's Governing Law, its statutes and corporate governance principles, and advised and supervised the Board of Managing Directors in its orderly conduct of business throughout the fiscal year.

The annual financial statements as well as the combined management report were prepared by the Board of Managing Directors in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) as of December 31, 2015 and were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The consolidated financial statements as well as the combined management report as of December 31, 2015 were prepared by the Board of Managing Directors in accordance with International Financial Reporting Standards (IFRS) and the additional requirements applicable under Section 315a (1) of the German Commercial Code (HGB) and were audited by the auditors KPMG AG, Berlin, who issued an unqualified audit opinion. The findings of the audit were noted with approval by the Board of Supervisory Directors.

The Board of Supervisory Directors reviewed the annual financial statements and the consolidated financial statements, including the combined management report, as well as the annual report of Landwirtschaftliche Rentenbank. The Board of Supervisory Directors adopts the bank's annual financial statements including the combined management report for the fiscal year 2015 and approves the consolidated financial statements and the combined management report for the fiscal year 2015.

In accordance with the regulation that the guarantee reserve (Deckungsrücklage) may not exceed 5 % of the amount of the outstanding covered bonds pursuant to Section 2 (3) of Rentenbank's Governing Law, the Board of Supervisory Directors resolved to remove EUR 23 110 000 from the guarantee reserve and to increase the principal reserve (Hauptrücklage) by the same amount.

Of the net income of EUR 57 000 000 reported in the income statement, EUR 42 750 000 is allocated to the principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law.

With respect to the remaining distributable profit of EUR 14 250 000, the Board of Supervisory Directors resolved to provide EUR 7 125 000 for the Special Purpose Fund of the German Federal Government and EUR 7 125 000 for the Promotional Fund.

The Board of Supervisory Directors has satisfied itself that the Board of Managing Directors and the Board of Supervisory Directors have complied with the German Public Corporate Governance Code as amended on June 30, 2009. The Board of Supervisory Directors will continuously monitor compliance with and the implementation of the Code. The Board of Supervisory Directors approves the Corporate Governance Report, including the Declaration of Conformity.

Berlin, April 7, 2016

THE BOARD OF SUPERVISORY DIRECTORS OF
LANDWIRTSCHAFTLICHE RENTENBANK

Joachim Rukwied
(Chairman)

This annual report contains certain forward-looking statements that are based on current expectations, estimates, forecasts and projections of the Board of Managing Directors 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 upon factors that involve risks and uncertainties and are based on assumptions which may prove to be incorrect. Unless required by law, we shall not be obligated to update forward-looking statements after their publication.

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This annual report was produced carbon neutral
on paper from certified sustainably managed forests.