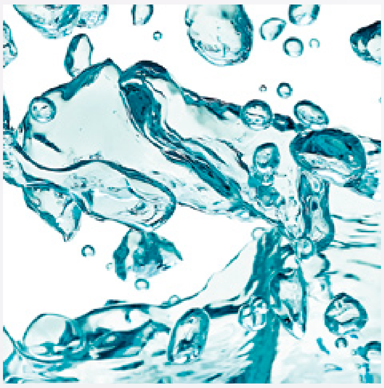



ANNUAL REPORT 2016

Germany's development agency for agribusiness

rentenbank

Key figures

In accordance with the German Commercial Code (HGB)

Balance sheet in EUR billion	**2016**	**2015**
Total assets	86.3	83.9
Loans and advances to banks	57.8	55.7
Bonds and other fixed-income securities	17.8	18.3
Liabilities to banks	3.1	3.5
Securitized liabilities	70.0	67.3
Own funds	**4.9**	**4.7**

Income statement in EUR million	**2016**	**2015**
Net interest income	318.7	311.9
Special payout (intra-group)	–	49.8
Administrative expenses	61.1	59.8
Operating profit before provision for loan losses and valuation	**254.4**	**233.5** *
Provision for loan losses and valuation	195.4	226.3
Net income	59.0	57.0
Distributable profit	**14.8**	**14.3**
Cost/income ratio (%)	21.9	25.7*
Employees (year end)	282	269

* adjusted for the special payout (intra-group), see page 31

In accordance with International Financial Reporting Standards (IFRS)

Consolidated balance sheet in EUR billion	**2016**	**2015**
Total assets	95.0	93.3
Loans and advances to banks	57.5	55.5
Financial investments	19.3	19.9
Liabilities to banks	2.4	2.8
Securitized liabilities	73.8	71.5
Equity	3.7	3.7

Consolidated statement of comprehensive income in EUR million	**2016**	**2015**
Net interest income before allowance for credit losses/promotional contribution	333.4	331.0
Allowance for credit losses/promotional contribution	20.6	18.6
Administrative expenses	67.3	65.0
Operating profit before net gains/losses from fair value and hedge accounting	**239.1**	**238.2**
Net gains/losses from fair value and hedge accounting	–235.0	204.9
Change in the revaluation reserve	3.8	–50.8
Group’s total comprehensive income	**7.9**	**392.3**
Group’s distributable profit	**14.8**	**14.3**

Capital ratios (%)	**2016**	**2015**
Total capital ratio	25.7	23.2
Tier 1 capital ratio	23.2	20.2

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 2016

Contents

The English edition of the Annual Report 2016 is an abridged version of the German edition which was published in April 2017.

Company Profile: Landwirtschaftliche Rentenbank

As Germany's development agency for agribusiness and rural areas, 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. We also provide funds for manufacturers of agricultural inputs as well as for agriculture-related trade and service companies. In addition, we finance projects in the food industry and in the associated upstream and downstream industries. We promote investments by municipalities and other public bodies in rural areas as well as civic engagement for rural development. We extend our loans via savings banks and other banks on a competitively neutral basis.

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 with 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. Since 2015, it has also included an explicit provision that insolvency proceedings with respect to the bank's assets are inadmissible. 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 concert 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 also use our distributable profit to promote agriculture and rural areas.

Foreword from the Board of Managing Directors

At the request of our staff, a vending machine has been in place at Rentenbank for a few weeks now. It seems that the fiscal year 2016 prompted the need to have a convenient access to sugary pick-me-ups outside the opening hours of our canteen.

Dr. Horst Reinhardt

This may be partially explained by the growing complexity of regulatory requirements that more and more of our employees, including some new hires, must keep up with. Our extensive IT projects, which are currently being implemented on a tight schedule, may also have played a role. In addition, unfavorable market conditions sparked worry in the agricultural sector. Low producer prices led to cash flow shortages especially on dairy farms, causing a temporary drop in investment activity.

Or perhaps the craving for sweet treats was an act of solidarity with the German sugar industry. In 2017, the EU sugar market will be liberalized as the last European agricultural market, eliminating sugar production quotas and price support measures. Given the price volatility the dairy market has experienced since its deregulation in 2015, the developments in the sugar market will be followed closely.

Hans Bernhardt

Rentenbank demonstrated great flexibility in the fiscal year 2016. Weak investment activity in agriculture was almost entirely offset by growth in other segments. The volume of new commitments for special promotional loans thus nearly reached the prior year’s record high. We were able to improve our very low cost-income ratio and to generate sufficient margins despite the historic low interest rates. This allowed us to further strengthen our solid capital base. In light of the high costs associated with regulation, which will continue to rise substantially in 2017, the successful year 2016 was pivotal to Rentenbank.

Looking ahead, we will keep our proven business model lean. Indulging in the odd chocolate bar (or two) in the late afternoon will not make the slightest difference.

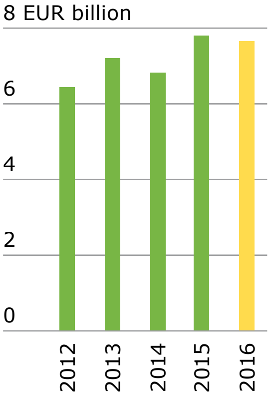
Dr. Horst Reinhardt Hans Bernhardt

Fiscal year 2016 in review

Promotional activities for agribusiness

Special promotional loans: new business close to record high

New business in special promotional loans



Low-interest special promotional loans for the agricultural sector and rural areas take center stage in our promotional strategy. In 2016, the volume of new business totaled EUR 7.7 billion (2015: EUR 7.8 billion). It thus nearly reached the prior year's record high despite the economic headwinds in agriculture. Investment activity slowed in the agricultural sector, reflecting the developments in the agricultural markets. As a result, our Agriculture promotional line saw an expected drop in demand for promotional loans. In contrast, new business was up in the Agribusiness and Rural Development promotional lines. The number of new commitments also increased in the Renewable Energy promotional line, driven by rising demand for wind energy financing.

New business in special promotional loans

(EUR million)	**2016**	**2015**
Agriculture	2 383	3 175
of which: at particularly low interest rates	*944*	*1 450*
Aquaculture and Fisheries	3	5
Agribusiness	954	794
Renewable Energy	1 914	1 512
Rural Development	2 433	2 299
Other special promotional loans (incl. Special Purpose Fund)	0	23
Total*	**7 687**	**7 807**

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

Agriculture promotional line: significant decrease in financing volume

In our Agriculture promotional line, we provide funds primarily for typical agricultural investments. In 2016, we committed a total of EUR 2.4 billion (2015: EUR 3.2 billion), a decrease of 24.9 % compared with the prior year. Of this amount, EUR 0.9 billion (2015: EUR 1.4 billion) was granted at particularly low interest rates. These most favorable terms are available to young farmers. They also apply to particularly sustainable investments as well as to our liquidity assistance program.

The challenging economic situation had a dampening effect on farmers' propensity to invest in their businesses. The volume of funds provided for machinery decreased sharply to EUR 500.8 million (2015: EUR 630.0 million). In the past few years, demand for land finance has been particularly high. In 2016, however, the volume of loans for land purchases decreased by 19.0 % to EUR 626.1 million, driven by agricultural market conditions. Promotional loans granted for buildings, particularly livestock housing, totaled EUR 0.8 billion, down 29.2 % year-on-year (2015: EUR 1.1 billion).

Drop in demand for liquidity assistance loans

In 2015, many agricultural businesses faced liquidity constraints. In response, we opened our liquidity assistance program for forage growers and granivore farms already in 2015. In July 2016, the program was expanded to include agricultural enterprises affected by adverse weather conditions.

In September 2015, the European Commission agreed on an aid scheme for farmers hit by the difficult market situation. Germany received aid worth EUR 69.2 million which was channeled via the Federal Ministry of Food and Agriculture (BMEL) to provide liquidity assistance for hard-pressed farmers. Livestock farmers who had taken out a liquidity assistance loan were eligible for applying for financial aid from the Federal Office for Agriculture and Food (BLE). The second round of applications was opened in February 2016, creating brisk demand for our liquidity assistance loans.

In the second half of 2016, the situation in the agricultural markets took an upward turn. As a result, we were pleased to record a significant decline in demand for our liquidity assistance loans. Overall, we extended 1 281 loans worth EUR 108.0 million (2015: 4 264 loans worth EUR 345.2 million). Of this amount, EUR 76.1 million was granted in the first quarter of 2016, which coincided with the second round of applications for the national liquidity assistance program.

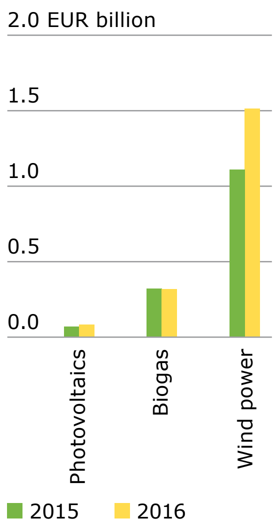
Growth in Agribusiness promotional line

In addition to our promotional loans for our core agricultural segment, we also support businesses across the entire agricultural value chain from agricultural contractors and trade companies to foodstuff processors in the food industry. Driven by buoyant demand, the volume of new commitments in the Agribusiness promotional line amounted to EUR 954.4 million (2015: EUR 793.5 million), up 20.3 % year-on-year. Of this volume, EUR 444.8 million (2015: EUR 470.1 million) was used for machinery and EUR 249.6 million (2015: EUR 196.6 million) for buildings. The financing of production goods also saw a significant increase of 58.1%. In particular, we provided EUR 164.5 million in funding for raw materials and inputs used by agribusiness enterprises (2015: EUR 104.1 million).

Renewable Energy promotional line: wind energy financing gains momentum

New business in our Renewable Energy promotional line amounted to EUR 1.9 billion, up 26.6 % compared with the prior year (2015: EUR 1.5 billion). Investment in renewable energy is strongly influenced by political decisions. As a consequence, changes in the German Renewable Energy Sources Act (EEG) are also reflected in our promotional business. On July 8, 2016, the German Bundestag approved the 2017 revision of the Renewable Energy Sources Act which went into effect on January 1, 2017. In future, the level of funding will no longer be fixed by law but will rather be determined on the market by auction, the maximum quantities to be auctioned being set by the Federal Government. The competitive auctions aim to ensure that the expansion of renewables is achieved at low promotional cost. Wind turbines benefit from a transitional provision: wind farms will continue to receive a fixed rate of funding, provided that approval is granted by the end of 2016

New business in Renewable Energy



and that the installation starts operating before the end of 2018. However, the statutory funding rates will be cut substantially in a series of reductions over the next two years. The significant increase in wind turbine financing is an indication of investment brought forward.

In 2016, we committed a total of EUR 1 509.2 million for the financing of wind turbines, an increase of 36.5 % compared with the prior year (2015: EUR 1 105.6 million). Of this amount, EUR 456.1 million (2015: EUR 480.8 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.

The volume of new loans for biogas plants remained relatively flat at EUR 316.6 million (2015: EUR 318.8 million). In particular, the funds provided by Rentenbank enabled existing plants to shift to flexible electricity generation and supported their direct marketing activities. The construction of new biogas plants stagnated at a very low level. In 2016, the financing of photovoltaic projects increased slightly to EUR 80.8 million (2015: EUR 68.2 million).

EUR 2.2 billion to promote sustainability projects

We offer loans at particularly low interest rates to support business practices that enhance environmental protection and animal welfare in German agribusiness. In 2016, our Sustainability program as well as our Environmental and Consumer Protection program provided financing for efforts to improve energy efficiency and to reduce emissions. They also served to promote the direct marketing of agricultural products, as well as to enhance organic farming and animal-welfare oriented husbandry.

The volume of commitments related to animal husbandry totaled EUR 111.1 million (2015: EUR 169.6 million). Granivore farms, in particular, faced difficult market conditions, which led to falling demand for promotional loans compared with the prior year.

We provided a total of EUR 263.7 million (2015: EUR 324.4 million) in funding for environmental protection, animal welfare, and consumer protection. This includes investments in organic farming of EUR 59.7 million (2015: EUR 37.4 million). The total volume of funds granted for sustainability projects, including EUR 1.9 billion for renewable energy, amounted to EUR 2.2 billion (2015: EUR 1.8 billion).

Rural Development promotional line: growth in new business

In the Rural Development promotional line, new business in special promotional loans increased by 5.8 % to EUR 2.4 billion (2015: EUR 2.3 billion).We promote rural development under our Rural Infrastructure and Rural Living programs. We also offer global loans to the promotional institutions of the federal states, thus creating additional ways to support agribusiness.

Under the Rural Infrastructure program, we finance infrastructure projects in rural municipalities. In 2016, funds were provided for municipal administration buildings, educational institutions, water supply, sewage disposal, and road construction, inter alia. Overall, we committed a total of EUR 315.0 million (2015: EUR 228.6 million), an increase of 37.8 % compared with the prior year.

Through global refinancing agreements with the promotional banks of the federal states, we primarily promote infrastructure measures undertaken by municipalities in rural areas. The refinancing advantage is fully passed on by the promotional institutes of the federal states and it can be complemented by state funds. In 2016, we extended global loans of a total volume of EUR 1 971.8 million (2015: EUR 1 952.4 million).

Promoting innovation

We are strongly committed to promoting innovation in agribusiness. Our promotional loan programs provide support for the entire innovation process, from conception to implementation, including the dissemination of particularly sustainable practices. To this end, we provide resources from the Special Purpose Fund of the Federal Republic and the Innovation Fund of Rentenbank.

In 2016, the promotional volume was significantly below the record level of the prior year. Grants provided by Rentenbank for newly approved projects totaled EUR 10.7 million (2015: EUR 19.6 million). The funds were used to promote applied research projects involving partners from trade and industry. For selected projects, we awarded grants of EUR 4.1 million from the Special Purpose Fund (2015: EUR 14.2 million). Under our Research on Agricultural Innovation program, 33 other research partners (2015: 29 research partners) received a total of EUR 6.6 million in grants (2015: EUR 5.5 million).

Decrease in total new promotional business

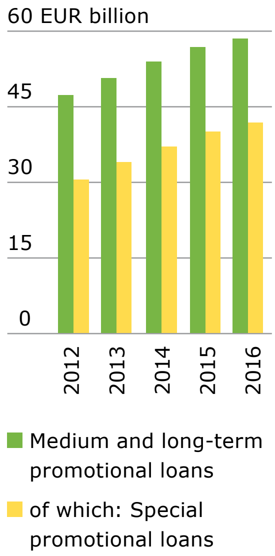
In addition to our special promotional loans for specific purposes, we also offer standard promotional loans. The borrowers are mostly banks, but they also include public sector entities that operate in rural areas. In 2016, we committed EUR 2.3 billion (2015: EUR 3.2 billion) in standard promotional loans. Securitized promotional business was also down, decreasing to EUR 2.5 billion (2015: EUR 2.6 billion). In 2016, our new promotional business totaled EUR 12.4 billion (2016: EUR 13.6 billion).

New promotional business

(EUR billion)	2016	2015
Special promotional loans	7.7	7.8
Standard promotional loans	2.3	3.2
Securitized promotional business	2.5	2.6
Total*	**12.4**	**13.6**

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

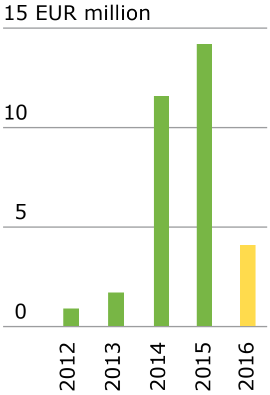
Portfolio of medium and long-term promotional loans (HGB)



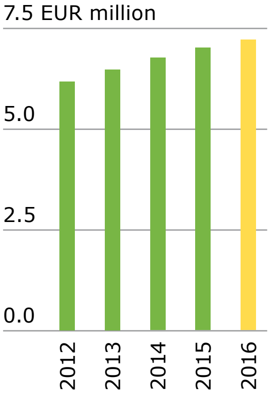
Balance sheet (HGB): Proportion of promotional loans rises

The loan portfolio continued to grow, with disbursements of special promotional loans of EUR 7.7 billion exceeding redemptions of EUR 5.9 billion. As of December 31, 2016, the special promotional loans were valued in the balance sheet at EUR 41.9 billion (December 31, 2015: EUR 40.1 billion), a year-on-year increase of 4.5 %. The total value of the promotional loans portfolio grew by 3.0 % to EUR 58.9 billion (December 31, 2015: EUR 57.2 billion). Securitized promotional business, recognized in the balance sheet as bonds and other fixed-income securities, amounted to EUR 15.9 billion (December 31, 2015: EUR 16.6 billion).

Promotion of innovation through the Special Purpose Fund (grants)



Allocations to the Promotional Fund



Appropriation of profits

In accordance with Rentenbank's Governing Law, the bank's distributable profit is used to promote agriculture and rural areas. Rentenbank's 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 for the development of innovative agricultural products and processes.

Promotional Fund focuses on research and training

In the year under review, the Promotional Fund had a total of EUR 7.4 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 a number of years, the fund has also supported rural youth work, activities for rural senior citizens, as well as the German Rural Women's Association (LandFrauenverband).

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 and their special regulatory treatment (in particular the zero-risk weighting under the Credit Risk Standardized Approach and the status of our bonds as Level 1 liquid assets). Our low-risk business model was also a contributing factor.

Our funding costs, measured in terms of the margin against 6-month Euribor, rose moderately compared with the prior year, but still remained at a very low level. The average maturity of our new issues increased slightly year-on-year. 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 slightly down on 2015

We raised EUR 12.7 billion (2015: EUR 13.0 billion) with maturities of more than two years in the domestic and international capital markets. The breakdown by funding instrument is shown in the table below.

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

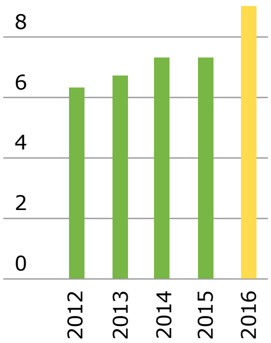
	EUR billion		Share (%)	
	2016	**2015**	**2016**	**2015**
EMTN	9.0	7.3	70.9	56.1
Global bonds	2.8	3.0	22.0	23.1
AUD MTN	0.5	2.2	3.9	16.9
International loans/promissory notes	0.0	0.4	0.0	3.1
Domestic capital market instruments	0.4	0.1	3.2	0.8
Total	**12.7**	**13.0**	**100.0**	**100.0**

Important 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 41.0 billion at year-end 2016 (December 31, 2015: EUR 40.2 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 9.0 billion (2015: EUR 7.3 billion), including a 10-year benchmark issue of EUR 1.0 billion as well as USD-denominated transactions equivalent to EUR 3.6 billion. In addition, we placed bonds denominated in four other currencies under this program. In 2016, we also issued a EUR 0.2 billion note with a call option, exercisable within the first two years. The note was therefore allocated to the short-term segment.

EMTN issues

10 EUR billion

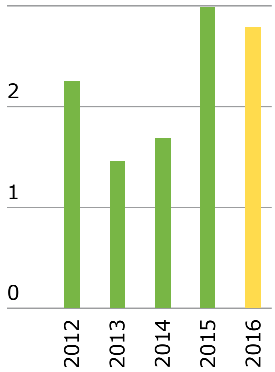


Successful USD global bonds

Global bonds, registered with the US regulator Securities and Exchange Commission (SEC), play a major role in our funding. The registration under Schedule B provides us access to the US market. Only foreign governments and political subdivisions thereof are eligible to register securities under Schedule B, which underlines our positioning as an agency in the international capital markets. In 2016, global bonds accounted for EUR 2.8 billion (2015: EUR 3.0 billion) or 22.0 % (2015: 23.1 %) of our total medium and long-term funding. In July, we issued a 10-year global bond with a volume of USD 1.5 billion. A further global bond of USD 1.5 billion with a maturity of five years was placed at the end of November.

Issues of global bonds

3 EUR billion



Lower issuance volume in the Kangaroo market

Under our Australian dollar Medium Term Note (AUD MTN) program, we issued a total of AUD 0.8 billion of bonds and notes in 2016, equivalent to EUR 0.5 billion (2015: EUR 2.2 billion). At year-end 2016, Rentenbank was the fourth largest foreign issuer in this market segment, the volume of notes outstanding amounting to AUD 12.7 billion. Despite the lower issuance volume, the Kangaroo market remains an essential pillar of our funding.

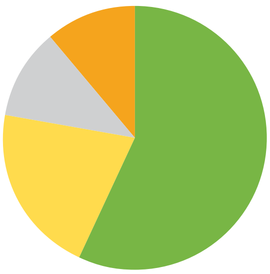
Rise in the average utilization of the ECP program

Issuances under our EUR 20 billion Euro Commercial Paper (ECP) program continue to play a key part in our short-term funding. They comprise bearer notes with maturities of less than one year, generally issued at a discount (i. e. without a coupon). EUR played virtually no role as an issuance currency due to negative yields. However, we were able to place our currency-hedged, especially USD-denominated, issues at particularly low cost. The average program utilization in 2016 was EUR 7.4 billion (2015: EUR 6.9 billion). At year-end 2016, the program utilization was EUR 5.7 billion (2015: EUR 3.4 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. In connection with the 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 2016 – breakdown by region

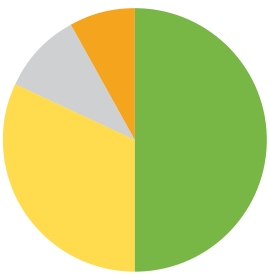


Banks remain the leading group of investors

In the year under review, 47 % (2015: 46 %) of our medium and long-term funding volume was placed with banks. As in previous years, this group of investors sought to minimize the cost of capital, risk, and liquidity by investing in zero-risk-weighted securities characterized by outstanding credit quality and attractive spreads and which are also recognized as liquid assets. In addition, central banks and other official institutions play an important role in our funding. In 2016, their share of total funding decreased slightly to 32 % (2015: 35 %). The proportion of asset managers remained flat at 14 % (2015: 14 %). The share of insurance companies, corporations, and pension funds increased moderately to 7 % (2015: 5 %).

Compared to 2015, the share of German investors rose sharply to 18 % (2015: 7 %), while 39 % of our bonds and notes was placed with other European investors (2015: 43 %). Asian demand decreased to 21 % (2015: 25 %), whereas the proportion of investors from the Americas increased slightly to 11 % (2015: 10 %). Of the remaining issuance volume, New Zealand and Australia accounted for 2 % (2015: 6 %), while the Middle East and Africa represented 9 % (2015: 9 %).

Medium and long-term issues 2016 – breakdown by currency



USD as the main issuance currency

In 2016, our medium and long-term funding was raised in seven currencies. USD cemented its position as the most important issuance currency, retaining its share of 50 % (2015: 50 %) of total issuance. It was followed by EUR, the share of EUR issuance increasing sharply to 32 % (2015: 22 %). GBP ranked third with a share of 10 % (2015: 5 %). The remaining 8 % of the issues represented the following currencies: Australian dollar, Norwegian krone, New Zealand dollar, 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 they thus meet the eligibility requirements for Level 1 liquid assets in the EU. Corresponding provisions also apply in 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 and Kauri bonds are repo-eligible with the Reserve Bank of Australia and the Reserve Bank of New Zealand, respectively. Our issues also enjoy a privileged status in private repo markets. For example, Eurex Clearing AG accepts our issues as collateral for the GC Pooling ECB Basket.

Exception to the statutory 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) that provides for the statutory subordination of certain debt instruments in bank insolvency proceedings. This does not include debt instruments issued by public law institutions that cannot be subject to insolvency proceedings (Section 46f (6) sentence 2 KWG). A corresponding provision is to be found in Section 16 (1) of Rentenbank's Governing Law: "Insolvency proceedings with respect to the Bank's assets are inadmissible."

Rentenbank bonds included in key bond indices

Our liquid EUR and USD-denominated large-volume bonds 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. They also serve as performance benchmarks against which many institutional investors are measured. Therefore, bonds that are part of an index typically enjoy stronger demand since institutional investors buy these bonds and manage their portfolios to match the index performance.

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 can be 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 participations.

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 the 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 more than 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 2016, we complied with all liquidity limits. Neither individual nor cumulative shortages were identified in the calculation of monthly liquidity scenarios. Throughout 2016, we held eligible liquid assets in excess of the regulatory minimum coverage level for the Liquidity Coverage Ratio (LCR). By virtue of our largely maturity-matched refinancing, the bank also exceeded the proposed minimum standard for its 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 hedged by derivatives

In 2016, Rentenbank entered into swaps with a value of EUR 27.4 billion (2015: EUR 30.3 billion) to hedge interest rate and currency risk. Of the total amount, EUR 17.9 billion (2015: EUR 18.6 billion) related to interest rate swaps, while EUR 9.5 billion (2015: EUR 11.7 billion) represented cross-currency swaps or cross-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 exclusively to hedge known or expected market risk. We enter into collateral agreements with all swap counterparties to mitigate credit risk arising from our derivative transactions.

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 our promotional mandate

Agriculture and forestry have a major impact on the environment. Given the elemental nature of the soil as a non-reproducible production factor and the need to think in terms of generations, agriculture and forestry have always attached great importance to the commitment to a sustainable business approach. In fact, the term 'sustainability', in its sense of long-term utilization of a natural resource, has its origins in German forestry.

Agriculture offers numerous opportunities for achieving sustainability goals. Reducing direct emissions, such as methane from livestock and nitrous oxide from fertilizers, or generating renewable energy are examples of how agriculture can contribute to global climate protection. The conservation and promotion of biodiversity in areas used for agriculture and forestry also strengthen environmental and economic sustainability.

At Rentenbank, corporate social responsibility and environmental protection have been at the core of our activities for many years. Our promotional activities have always been based on long-term objectives. In addition, 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 essential components of our mission statement.

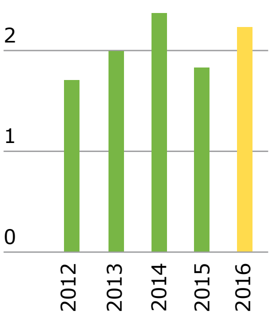
Particularly favorable terms for sustainable investments

For a number of years, Rentenbank has offered promotional loans on particularly favorable terms to support sustainable investments in agribusiness. They include agriculture-related investments in environmental protection, animal welfare, consumer protection, and the use of renewable resources. We also finance sustainable investments in emission reductions, energy efficiency, organic farming, and regional marketing.

The focus of our Rural Energy program lies on generating renewable energy, since the agricultural sector plays a key part in achieving the climate policy

New financings for sustainable projects

3 EUR billion



goals of the German Federal Government and the European Union. These efforts are supported by Rentenbank. In addition, our Community Wind Farms program provides funds for wind energy projects characterized by local financial participation. We finance projects that are majority-owned by local stakeholders (i. e. farmers, landowners, citizens, and businesses), thus ensuring that the added value primarily remains in rural areas. This helps to increase the local acceptance of these investments.

In 2016, our various Investment programs committed a total of EUR 2.2 billion (2015: EUR 1.8 billion) for investments in sustainability, including the sustainability projects of the Renewable Energy promotional line. Within this line, the volume of loans for biogas projects remained flat year-on-year. The number of new commitments for investments in photovoltaics stabilized at a low level. In contrast, the financing of wind turbines was sharply on the rise, following a decline in the previous year. In the future, we will continue to design our loan programs with the aim of providing special support for investments in sustainability projects.

Promoting innovation: focus on sustainability

Innovations increase resource efficiency and thus drive sustainable development. In agriculture, innovations help businesses meet the increased societal demands on, for example, environmental and animal protection while maintaining or even improving their competitiveness. Therefore, we provide support for the entire innovation process, from conception to implementation, including the dissemination of particularly sustainable practices. We are a member of the German Innovation Partnership Agrar (Deutsche Innovationspartnerschaft Agrar – DIP). Furthermore, we promote innovative projects aimed at improving on-farm animal welfare and increasing agrobiodiversity. More information on how Rentenbank contributes to agricultural innovation can be found in the section ‘Promoting innovation’ on page 9.

Commitment to climate protection and species conservation through sustainable forest management

Landwirtschaftliche Rentenbank and Institute for Federal Real Estate (Bundesanstalt für Immobilienaufgaben – BImA) have signed a master agreement on sustainable management of 550 hectares of forest in the region of Wetterau, Hesse. Starting from January 2017, the Federal Forest Department Schwarzenborn will implement various measures to improve biotopes and conserve species in its area of the forest district of Buchenborn. These efforts are financed by Rentenbank.

Our forest area is managed according to a strict set of principles. They include, inter alia, enrichment of deadwood, refraining from the use of biocides, and maintaining forest cover that suits local forest conditions. The Intergovernmental Panel on Climate Change (IPCC) and the Climate Action Plan 2050 of the Federal Government stress the importance of sustainable forest management as a carbon dioxide sink since sustainably managed forests reduce emissions and store carbon.

The second key objective of the project is species conservation. This includes the excavation of breeding cavities and the creation of wetland biotopes. It also comprises special projects for species that depend on deadwood habitats as well as protection measures for bats, lynxes, and wildcats.

Sustainability is also a key element of our 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 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 a key element of our responsible health management.

Reducing consumption of resources in internal banking operations

As a service provider, Rentenbank is committed to conducting its daily banking 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 2016. While taking these measures, close attention was paid to minimizing the consumption of energy and 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 of Germany (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 directed at enterprises that are legal entities incorporated under private law, provided that the Federal Republic holds a majority stake in these 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 important 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 legal requirements, in particular the Governing Law of Landwirtschaftliche Rentenbank, the bank's statutes, and the rules of procedure of 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 division:

- Dr. Horst Reinhardt, Speaker of the Board of Managing Directors: Promotional Business, Treasury, Legal & Human Resources, as well as Public Relations and Economics
- Hans Bernhardt: Finance, Financial Institutions, IT Organization, Credit Protection & Participations, Operations Financial Markets, and Facility Management

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 rules of procedure of 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 and 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 (Deutscher Bauernverband – 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 2016, the Board of Supervisory Directors had two female members.

In the reporting year, three members of the Board of Supervisory Directors attended fewer than half of the board meetings (including a training event).

Legal supervision

In accordance with Section 11 (1) of Rentenbank's Governing Law, Rentenbank is subject to the legal supervision of the Federal Ministry of Food and Agriculture (supervisory authority) which makes its decisions in concert with the Federal Ministry of Finance. The supervisory authority ensures that the operations of Rentenbank adhere to public interest in the promotion of agriculture and rural areas, and that the bank's activities are in compliance 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 annually assesses 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 rules of procedure of the Board of Supervisory Directors, the Administrative Committee supports the Board of Supervisory Directors in the assessment by preparing a questionnaire at its autumn meeting.

In the year under review, 15 of the 18 members of the Board of Supervisory Directors took part in the review. The participation level thus was 83 %. 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 April 7, 2016.

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 of interests 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 fiscal year 2015, was 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 were considered in order to apply these criteria at an operational level. There was 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.

At its meeting on April 7, 2016, the Board of Supervisory Directors decided to change the remuneration system for the Board of Managing Directors to a model of purely fixed remuneration, effective from January 1, 2016.

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 voluntary consolidated financial statements for the fiscal year 2016 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 Regulation on the Accounting of Banks and Financial Services Institutions (RechKredV). The Board of Supervisory Directors appoints 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 2016, 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 accordance with Section 4 (1) of the rules of procedure of the Board of Managing Directors, the allocation of responsibilities to its members can be defined in a schedule of responsibilities – in derogation of clause 4.2.2 of the PCGK – without the approval of the Board of Supervisory Directors. This is to ensure the flexibility required to make necessary changes.
- In exceptional cases, the committees not only prepare the decisions of the Board of Supervisory Directors but also – in derogation of clause 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 2017

The Board of Managing Directors
The Board of Supervisory Directors

Combined Management Report

Contents

Introduction

The combined management report consists of the voluntary[1] 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 (1) in conjunction with Section 298 (2) HGB with the voluntary group management report. The provisions set out in Section 315a (1) in conjunction with Section 315 HGB were applied in full. This combined management report includes disclosures in accordance with 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 sections.

The Declaration of Conformity with the German Public Corporate Governance Code by the Board of Managing Directors and the Board of Supervisory Directors is publicly available on Rentenbank's website.

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.

[1] Taking into account the exemption as set out in Section 290 (5) in conjunction with Section 296 (2) HGB, Rentenbank is not required by law to prepare a group management report in accordance with the German Commercial Code. Consequently, pursuant to Section 315a HGB, Rentenbank is not required to prepare a group management report in accordance with IFRS. Therefore, the group management report of Rentenbank is prepared on a voluntary basis.

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 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, Rentenbank has a mandate 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. In accordance with its competitive neutrality, Rentenbank extends special promotional loans for projects in Germany via local banks (on-lending procedure). 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 as well as in the agricultural upstream and downstream sectors. We also finance investments in renewable energy and rural infrastructure.

Management system

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

- Implementing the promotional mandate in the best possible way and continually developing the promotional business,
- Providing promotional benefit from own funds,
- Generating an adequate operating profit based on a prudent risk policy.

The three objectives are integrated into business operations using key performance indicators. The indicators are defined in more detail in this section. The section on outlook and opportunities and the section on the results of operations provide information on targets and target achievement. The bank's 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
- Capital Investment
- Treasury Management

The Promotional Business segment comprises the promotional lending business, the securitized promotional business as well as the long-term funding of the Group. As part of its promotional lending business, Rentenbank grants 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 with the aim of ensuring Rentenbank's liquidity and generating income. The latter enables the bank to deliver promotional performance, to cover administrative expenses, and to strengthen its capital base. The Group does not hold securities or receivables with structured credit risks, such as ABSs (asset-backed securities) or CDOs (collateralized debt obligations).

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.

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

Key performance indicators

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 this management system.

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

- Operating profit 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 profit is used to strengthen the bank's capital base through the retention of profits. Profitability and stable earnings are also a prerequisite for performing promotional activities without having to rely on government subsidies. To this end, Rentenbank uses its high credit quality as a public law institution, combined with its capital market strategy, to borrow funds at favorable rates. 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 influenced by changes in both 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 as part 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 section on outlook and opportunities. The non-financial key performance indicators are described in more detail in the corresponding section.

Economic report

Macroeconomic and bank-specific environment

International interest rate and monetary policy

While the US Federal Reserve (Fed) once again slightly reversed its accommodative monetary policy in late 2016, the European Central Bank (ECB) continued to ease its monetary policy in the course of 2016. Accordingly, the international monetary and interest rate policy as a whole remained highly expansionary.

In March, the ECB expanded its monthly purchases under the asset purchase program from EUR 20 billion to EUR 80 billion. It cut the interest rate on the deposit facility from – 0.30 % to – 0.40 %, while the interest rate on the main refinancing operations was decreased from 0.05 % to 0.0 %.

In December, the ECB announced that it would continue its purchases at the current monthly pace until the end of March 2017 and then reduce the monthly volume to EUR 60 billion until the end of December 2017, or beyond, if necessary.

In contrast to the ECB, the Fed continued to tighten its monetary policy slightly. In December, it raised the federal funds rate to a target range of 0.50 % and 0.75 %.

Diverging monetary policy on both sides of the Atlantic as well as the expectation of higher economic growth in the United States, driven by fiscal policy following the election of Donald Trump as US President, resulted in a further depreciation of the euro against the US dollar towards the year-end. At the end of 2016, the ECB set the reference rate for the USD/EUR exchange rate at 1.05, which was around 3 % lower than the rate of 1.09 at year-end 2015.

Movements in long-term interest rates

The yields on Germany's 10-year government bonds closed the year 2016 at 0.19%, below the level at year-end 2015 (0.64 %). However, there were strong fluctuations between those dates. Due to the ECB's expanded asset purchase program, long-term yields declined almost continuously in the first half of the year. As a result of the uncertainty surrounding the outcome of the Brexit vote, the 10-year German Bund yield fell into negative territory for a short period for the first time in mid-June. After the announcement of the EU referendum result on June 24, yields dropped below zero once again, sinking to a record low of – 0.20 % on July 6. However, against a backdrop of slightly rising inflation rates and expected further price increases driven by base effects from changes in oil prices, yields recovered as from October. This was supported by the Fed's somewhat tighter monetary policy and the discussion about a possible gradual wind-down of the ECB's asset purchase program.

Development of the German agricultural sector

The demand for Rentenbank's promotional loans is largely driven by investment activity in German agribusiness. Due to the persistently declining agricultural commodity prices, economic sentiment in the agricultural sector has deteriorated since mid-2014. This dampened investment activity, resulting in a lower volume of investments in dairy cattle barns and pigsties in particular. Producer prices started to recover partially in the second half of 2016, indicating a turnaround.

Business development

The effects of the adverse market conditions in agriculture were particularly pronounced in the Agriculture promotional line. The challenging economic situation led some agricultural enterprises to cancel investments or to postpone them to future business years. Initially, low producer prices left many agricultural businesses struggling with liquidity constraints before taking an upward turn in the second half of 2016. Consequently, demand for liquidity assistance loans declined in the course of the year.

The weaker demand for new loans in the Agriculture promotional line was largely offset by buoyant demand in other promotional lines. New business was up in the Agribusiness, Rural Development, and Renewable Energy promotional lines.

The investment momentum in the Renewable Energy promotional line depends largely on the German Renewable Energy Sources Act (EEG). The demand for loans for photovoltaic installations stabilized at a subdued level in the fiscal year 2016. Prior to the entry into force of the revised EEG on January 1, 2017, the focus was on wind turbine financing. Slowing demand for loans in the agricultural sector was largely offset by the strong growth in wind energy financing.

Overall, the demand for special promotional loans decreased only marginally. The notional amounts of new promotional business are as follows:

	2016		2015	
	EUR billion	%	EUR billion	%
Special promotional loans	7.7	61.6	7.8	57.4
Securitized promotional business	2.5	20.0	3.2	23.5
Standard promotional loans	2.3	18.4	2.6	19.1
Total	**12.5**	**100.0**	**13.6**	**100.0**

In the year under review, new promotional business totaled EUR 12.5 billion (2015: EUR 13.6 billion). It was thus slightly down year-on-year (the amounts in brackets correspond to the amounts as of December 31, 2015), but significantly above plan (EUR 10.5 billion).

Rentenbank raised the necessary funds again at favorable terms as financial investors preferred safe investments. In the reporting year, Rentenbank raised a total of EUR 12.7 billion (2015: EUR 13.0 billion) in funding in the domestic and international capital markets. Thus, the funding volume in 2016 was higher than initially planned. The following instruments were used for debt issuance in the capital markets:

	2016		2015	
	EUR billion	%	EUR billion	%
Euro Medium Term Notes (EMTN)	9.0	70.9	7.3	56.1
Global bonds	2.8	22.0	3.0	23.1
AUD Medium Term Notes (MTN)	0.5	3.9	2.2	16.9
International loans/promissory notes	0.0	0.0	0.4	3.1
Domestic capital market instruments	0.4	3.2	0.1	0.8
Total	**12.7**	**100.0**	**13.0**	**100.0**

Results of operations, financial position and net assets

Results of operations

Group's results of operations

	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
1) Income statement			
Net interest income before allowance for credit losses/ promotional contribution	333.4	331.0	2.4
Allowance for credit losses/promotional contribution	20.6	18.6	2.0
Administrative expenses	67.3	65.0	2.3
Net other income/expenses	−6.4	−9.2	2.8
Operating profit	**239.1**	**238.2**	**0.9**
Net gains/losses from fair value and hedge accounting	−235.0	204.9	−439.9
Group's net income	**4.1**	**443.1**	**−439.0**
2) Other comprehensive income			
Net gains/losses on available-for-sale instruments	11.4	−56.5	67.9
Actuarial gains/losses on pension obligations	−7.6	5.7	−13.3
3) Group's total comprehensive income	**7.9**	**392.3**	**−384.4**

Operating profit

The operating profit for the fiscal year 2016 amounted to EUR 239.1 million, slightly exceeding the prior-year figure of EUR 238.2 million. The increased expenses for the allowance for credit losses/promotional contribution, as well as the higher administrative expenses were more than offset by the increase in net interest income and the improvement in net other income/ expenses.

The operating profit did not decline by 25 % as planned, which was due to two factors. Firstly, overall margins in the Promotional Business and Treasury Management segments were considerably higher compared to the forecast and the corresponding projected figures. Secondly, the increase in administrative expenses was significantly lower than anticipated. These factors are explained in more detail below.

Interest income, including income from participations, amounted to EUR 3 567.3 million (2015: EUR 3 734.4 million). After deducting interest expenses of EUR 3 233.9 million (2015: EUR 3 403.4 million), net interest income amounted to EUR 333.4 million (2015: EUR 331.0 million). This unexpected increase is primarily attributable to higher margins in the Treasury Management segment, which were significantly above target. For further details, please refer to the section on the operating profit by segment.

Expenses for the allowance for credit losses/promotional contribution rose by EUR 2.0 million or 10.8 % to EUR 20.6 million. This was mainly due to an increase in the promotional contribution by EUR 4.3 million to EUR 19.1 million (2015: EUR 14.8 million). It was offset by a decline in expenses for the allowance for credit losses by EUR 2.3 million compared with the prior year.

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 7.2 million to EUR 89.3 million (2015: EUR 82.1 million), while income from the utilization of the promotional contribution rose by EUR 2.9 million to EUR 70.2 million (2015: EUR 67.3 million).

In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred. Since the Group generally extends loans to other banks, credit risks 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 residual risk of not having identified losses already incurred. In the current fiscal year, the specific valuation allowance of EUR 2.2 million recognized in the previous year was reversed since the impaired exposure reached maturity and was fully repaid. This resulted in income of EUR 2.2 million. The expenses for the portfolio valuation allowance rose by EUR 2.1 compared to 2015, amounting to EUR 3.7 million in the fiscal year 2016 (2015: EUR 1.6 million).

Administrative expenses rose by 3.5 % to EUR 67.3 million in the fiscal year 2016 (2015: EUR 65.0 million). Of this amount, personnel expenses accounted for EUR 34.5 million (2015: EUR 33.8 million), an increase of EUR 0.7 million compared to 2015.

Amortization of intangible assets and depreciation of property and equipment and investment property increased to EUR 7.0 million (2015: EUR 6.2 million). This was mainly due to the amortization of expenses for projects related to the implementation of new IT systems that had been capitalized previously.

Other administrative expenses rose by EUR 0.8 million or 3.2 % to EUR 25.8 million (2015: EUR 25.0 million). This was mainly attributable to expenses for audits and contributions that increased by EUR 0.7 million to EUR 4.2 million (2015: EUR 3.5 million).

Net other income/expenses improved by EUR 2.8 million or 30.4 % to EUR –6.4 million (2015: EUR –9.2 million). This was positively affected by the fact that the effects from the capital increase of Rehwinkel Foundation, which had reduced profit, no longer applied. Lower tax expenses also had a favorable impact.

Operating profit by segment

	Promotional Business		Capital Investment		Treasury Management		Total	
Jan. 1 to Dec. 31	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million
Net interest income before allowance for credit losses/ promotional contribution	172.8	190.5	118.8	116.7	41.8	23.8	333.4	331.0
Allowance for credit losses/ promotional contribution	20.6	18.6	0.0	0.0	0.0	0.0	20.6	18.6
Administrative expenses	51.5	49.1	9.8	9.4	6.0	6.5	67.3	65.0
Net other income/expense	–5.3	–9.0	–1.0	0.0	–0.1	–0.2	–6.4	–9.2
Operating profit	**95.4**	**113.8**	**108.0**	**107.3**	**35.7**	**17.1**	**239.1**	**238.2**

The operating profit of the Promotional Business segment decreased in line with expectations, amounting to EUR 95.4 million (2015: EUR 113.8 million). Due to the high volume of new commitments in the Promotional Business, which was particularly pronounced during the first months of 2016, the income-relevant average portfolio balance was increased compared to planning. In addition, the overall new business margin generated was well above our initial projections. In the Promotional Business segment, net interest income before the allowance for credit losses/promotional contribution declined less than expected and amounted to EUR 172.8 million (2015: EUR 190.5 million). The prior year's figure included the DZ BANK dividend of EUR 6.1 million. As from 2016, the dividend is reported in the Capital Investment segment due to the intragroup reclassification. The continued high demand for our special promotional loans led to higher expenses for the interest rate reduction. Therefore, the allowance for credit losses/promotional contribution increased to EUR 20.6 million (2015: EUR 18.6 million). Administrative expenses in the Promotional Business segment, including depreciation and amortization, rose by EUR 2.4 million to EUR 51.5 million.

Interest income from the Capital Investment segment rose as expected to EUR 118.8 million, representing a year-on-year increase of EUR 2.1 million. However, the low interest environment led to low returns on new investments, which had a negative impact compared with higher-yielding maturing assets. This effect was nonetheless more than offset by the higher portfolio volume from the retention of profits as well as by the first-time recognition of the DZ BANK dividend in this segment (previously recognized in the Promotional Business segment), resulting in a slight increase in the segment's total interest income. Overall, the segment's operating profit rose marginally to EUR 108.0 million (2015: EUR 107.3 million).

In the year under review, net interest income in the Treasury Management segment was characterized by a continued increase in margins due to low short-term funding costs. Thus, it was well above the planned target. The segment's operating profit rose significantly to EUR 35.7 million (2015: EUR 17.1 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. Any gains or losses realized from a premature sale or repurchase of financial instruments measured at fair value are also reported 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 maturity-matched refinancing and hedging through derivatives.

Net gains/losses from fair value and hedge accounting fell significantly to EUR –235.0 million (2015: measurement gains of EUR 204.9 million). They are largely dominated by measurement losses from the decline in credit spreads for own issues. Net gains/losses from fair value and hedge accounting also include a realized gain of EUR 5.0 million from the repurchase of an own issue.

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 net measurement gains/losses are reduced to zero at the latest when the relevant transactions become due. Irrespective of this, the net measurement gains/losses 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 offset the net measurement gains/losses on own issues.

Group's net income

Taking into account the net losses from fair value and hedge accounting of EUR 235.0 million (2015: measurement gains of EUR 204.9 million), the Group's net income declined by EUR 439.0 million to EUR 4.1 million (2015: EUR 443.1 million).

Other comprehensive income

Other comprehensive income reflects changes in the revaluation reserve. It includes net gains and losses 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.

The credit spreads for securities decreased compared with the prior year. The resulting increase in market values led to measurement gains of EUR 11.4 million (2015: measurement losses of EUR 56.4 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 by changes in expectations of future events. In the fiscal year 2016, actuarial losses reported in the financial statements amounted to EUR 7.6 million (2015: gains of EUR 5.7 million). These losses are mainly based on a lower discount rate, which in turn led to higher pension provisions.

Group's total comprehensive income

The Group's total comprehensive income for the period ending December 31, 2016 amounted to EUR 7.9 million (2015: EUR 392.3 million), representing a sharp decline of EUR 384.4 million compared with the prior year. This is mainly attributable to the decrease of EUR 439.9 million in net gains/losses from fair value and hedge accounting.

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 or withdrawn from 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 21.6 million (2015: EUR 23.1 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 withdraw an additional amount of EUR 54.9 million from retained earnings, subject to approval by the relevant corporate bodies. Of this amount, EUR 44.2 million will be transferred to the principal reserve. The Group's distributable profit remaining after the allocation to reserves amounts to EUR 14.8 million (2015: EUR 14.3 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, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Net interest income [1]	318.7	311.9	6.8
of which expenses for interest rate reduction for special promotional loans	*82.9*	*77.2*	*5.7*
Special payout LRB	0.0	49.8	−49.8
Net fee and commission income	−2.1	−2.2	0.1
Administrative expenses	61.1	59.8	1.3
Other operating income/expenses	−0.1	−16.4	16.3
Income taxes	1.0	0.0	1.0
Operating profit before provision for loan losses [2]	**254.4**	**233.5**	**20.9**
Operating profit before provision for loan losses and valuation	254.4	283.3	−28.9
Provision for loan losses and measurement	195.4	226.3	−30.9
Net income	**59.0**	**57.0**	**2.0**

[1] Net interest income, including income from participations
[2] Prior year's figure adjusted for special payout LRB

The operating profit before provision for loan losses and valuation (HGB) increased by 9 % year-on-year to EUR 254.4 million (2015: EUR 233.5 million). The prior-year figure was adjusted for the one-off effect due to the special payout from the subsidiary LRB in the amount of EUR 49.8 million, which was recognized in the income statement.

Contrary to our initial expectation of a declining trend, the operating profit showed a marked improvement due to the strong increase in net interest income in the Treasury Management segment, and as a result of the extraordinary effects reflected in other operating income/expenses. Other operating income/expenses improved substantially from EUR –16.4 million in the previous year to EUR – 0.1 million. Other operating income increased by approximately EUR 5 million due to additional income from the repurchase of an own issue upon the request of an investor. Moreover, other operating expenses declined by approximately EUR 10 million as a result of the change in the discount rate used for pension provisions under HGB, which was resolved by the legislator.

However, in contrast to the operating profit under HGB, the extraordinary effects described above did not have an impact on the operating profit under IFRS, nor did the first-time receipt of the DZ BANK dividend in the operating profit under HGB have an impact on the consolidated profit under IFRS. Therefore, the overall increase in the operating profit under HGB was substantially above the increase in the operating profit under IFRS.

Otherwise, the development of the operating profit before provision for loan losses and valuation (HGB) in structural terms corresponds to the development of the operating profit 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 2.4 million to EUR 18.6 million (2015: EUR 16.2 million). A specific valuation allowance recognized in the prior year in the amount of EUR 2.0 million was reversed through profit or loss in its full amount since the liability was repaid at the maturity date. The fund for general banking risks (Section 340g HGB) was increased by EUR 195.7 million (2015: EUR 279.2 million).

The overall increase in net income amounted to EUR 2.0 million, resulting in net income of EUR 59.0 million (2015: EUR 57.0 million). Of this amount, EUR 44.2 million (2015: EUR 42.7 million) was transferred to the principal reserve. Distributable profit after the allocation to reserves amounts to EUR 14.8 million (2015: EUR 14.3 million) which will be used to promote agriculture and rural areas.

Financial key performance indicators

The operating profit before provision for loan losses and valuation amounted to EUR 254.4 million (2015: EUR 233.5 million, adjusted for the special payout). The development was far more positive than expected. In our planning, we had initially assumed a decline in the operating profit by up to 25 %. On the one hand, net interest income was significantly higher than expected, since the new business margins generated in the Promotional Business segment and, above all, in the Treasury Management segment were considerably above plan. On the other hand, the increase in administrative expenses was lower than expected since IT and project expenses were lower than planned. In addition, personnel expenses were substantially below plan since additions to pension provisions declined and additional vacant posts were filled on a step-by-step basis. Moreover, the planning for 2016 included a conservative estimate due to the unclear structure and amount of the bank levy. Other operating income/expenses improved ahead of expectations owing to the positive one-off effects (see the section on the results of operations of Rentenbank).

The positive effects that contributed to the operating profit were also reflected in the cost-income ratio, one of our key performance indicators. As a result, the cost-income ratio improved far in excess of our expectations. In particular, the positive one-off effects in the operating profit resulted in a decrease in expenses to EUR 71.4 million (2015: EUR 80.7 million), while income increased slightly to EUR 325.8 million (2015: EUR 314.2 million). This led to an improvement in the cost-income ratio from 25.7 % (prior-year figure adjusted for the special payout) to 21.9 %. Compared with peers, our cost-income ratio thus remains at a very moderate level.

Promotional performance, a further key performance indicator, comprises the interest rate reduction for the special promotional loans, inter alia. In the year under review, we used EUR 66.4 million of our own income (2015: EUR 63.6 million) in nominal terms for this purpose. In addition, we provided grants of EUR 3.0 million for our Research on Agricultural Innovation program. The promotional performance, including the distributable profit of EUR 14.8 million intended for distribution, rose to EUR 84.2 million. Accordingly, and consistent with expectations, it exceeded the prior year's figure of EUR 82.9 million.

Financial position

Capital structure

Capital structure of the Group

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Liabilities			
Liabilities to banks	2 448.5	2 829.3	– 380.8
Liabilities to customers	4 189.0	4 408.3	– 219.3
Securitized liabilities	73 831.8	71 544.9	2 286.9
Subordinated liabilities	740.7	729.4	11.3
Equity			
Subscribed capital	135.0	135.0	0.0
Retained earnings	3 464.2	3 474.9	– 10.7
Revaluation reserve	65.5	61.7	3.8
Distributable profit	14.8	14.3	0.5

Liabilities

Liabilities to banks decreased by 13.5 % to EUR 2.4 billion (2015: EUR 2.8 billion), which was largely attributable to the repayment of term deposits and global bonds. Liabilities to customers decreased by EUR 0.2 billion or 5.0 % to EUR 4.2 billion (2015: EUR 4.4 billion), mainly due to maturing registered bonds.

Securitized liabilities rose by EUR 2.3 billion or 3.2 % to EUR 73.8 billion (2015: EUR 71.5 billion). The Medium Term Note (MTN) programs remained our main refinancing instruments, amounting to EUR 51.8 billion (2015: EUR 51.8 billion). The carrying amount of global bonds amounted to EUR 16.0 billion (2015: EUR 16.2 billion) as of year-end 2016. The carrying amount of Euro Commercial Paper (ECP) increased by EUR 2.4 billion to EUR 5.9 billion (2015: EUR 3.5 billion).

Subordinated liabilities remained at the prior-year level of EUR 0.7 billion (2015: 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:

	Maturities					
	up to 1 year		1 to 5 years		more than 5 years	
	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Fixed interest rate						
EUR	1 725.3	3 294.1	11 711.2	8 858.0	6 645.6	7 570.0
USD	3 801.6	4 255.5	11 086.7	10 147.6	6 618.0	6 773.7
AUD	1 262.9	786.0	4 793.6	4 460.6	3 587.7	4 515.0
JPY	21.1	0.0	300.3	246.2	205.1	369.7
CHF	606.9	390.4	198.4	763.4	57.0	113.0
NOK	7.4	286.0	564.1	499.2	0.0	0.0
GBP	974.6	836.6	1 572.6	1 616.6	0.0	0.0
Other	1 117.8	436.5	2 118.2	2 732.1	621.9	658.7
Zero coupon						
EUR	33.3	37.8	11.1	44.3	1 400.7	972.2
USD	5 662.6	3 005.4	0.0	0.0	0.0	0.0
AUD	239.0	154.0	0.0	0.0	0.0	0.0
GBP	0.0	103.5	0.0	0.0	0.0	0.0
Other	0.0	251.4	0.0	0.0	0.0	0.0
Variable interest						
EUR	1 476.9	1 539.0	5 393.7	4 854.3	19.9	1 808.6
USD	957.5	1 928.3	5 136.8	3 071.2	64.7	570.9
AUD	0.9	421.7	274.2	269.5	0.0	0.0
JPY	0.0	11.6	156.6	35.8	151.5	262.8
NOK	205.1	0.0	245.5	224.4	0.0	0.0
GBP	1.3	0.0	0.0	0.0	0.0	0.0
Other	104.8	152.4	75.9	183.9	0.0	0.0
Total	**18 199.0**	**17 890.2**	**43 638.9**	**38 007.1**	**19 372.1**	**23 614.6**

Equity

The appropriation of the Group's distributable profit from the prior year in the amount of EUR 14.3 million was higher than the Group's total comprehensive income of EUR 7.9 million. This reduced equity by a total of EUR 6.4 million to EUR 3 679.5 million (2015: EUR 3 685.9 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, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Liabilities			
Liabilities to banks	3 053.6	3 461.7	−408.1
Liabilities to customers	3 766.6	3 963.3	−196.7
Securitized liabilities	69 982.0	67 304.9	2 677.1
Subordinated liabilities	615.1	608.4	6.7
Equity			
(including fund for general banking risks)			
Subscribed capital	135.0	135.0	0.0
Retained earnings	1 053.8	1 009.5	44.3
Distributable profit	14.8	14.3	0.5
Fund for general banking risks	3 106.9	2 911.2	195.7

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 0.2 billion to EUR 3.1 billion (2015: EUR 2.9 billion). This resulted in an increase in equity of EUR 0.2 billion compared to 2015.

Capital expenditure

In the past years, Rentenbank has invested heavily in the modernization of its IT application systems. Investments focused particularly on the integrated front-to-back system (Murex) and the rating platform. One of our current important projects is the introduction of SAP as the future financial accounting system. In addition, we increased the degree of digitalization of customer and business partner interfaces (extranet). We also invested in systems and processes for the purpose of implementing new regulatory requirements.

The aforementioned project activities are reflected in the current administrative expenses as well as in changes in intangible assets. In the year under review, additions to cost amounted to EUR 4.3 million (2015: EUR 4.6 million).

Liquidity

The Group's liquidity analysis presents the contractual redemption amounts:

Dec. 31, 2016	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	240.0	334.6	1 065.0	680.0
Liabilities to customers	135.9	65.9	760.0	3 633.1
Securitized liabilities	8 473.8	8 802.2	35 340.0	20 293.1
Negative fair values of derivative financial instruments	239.0	244.0	608.0	143.0
Subordinated liabilities	41.4	17.6	331.6	323.6
Total	**9 130.1**	**9 464.3**	**38 104.6**	**25 072.8**

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**

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, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Loans and advances to banks	57 511.0	55 457.2	2 053.8
Loans and advances to customers	7 496.8	6 380.9	1 115.9
Financial investments	19 254.6	19 912.2	–657.6
Positive fair values of derivative financial instruments	6 549.5	7 238.9	–689.4
Negative fair values of derivative financial instruments	7 333.1	7 152.9	180.2

In accordance with its competitive neutrality, Rentenbank generally extends loans via other banks. Within net assets, this is reflected in loans and advances to banks. As of December 31, 2016, they amounted to EUR 57.5 billion (2015: EUR 55.5 billion), accounting for 60.5 % (2015: 59.4%) of total assets.

Loans and advances to customers mainly comprise promissory notes to German federal states. Overall, they increased by EUR 1.1 billion to EUR 7.5 billion (2015: EUR 6.4 billion).

Financial investments, which consist almost exclusively of bank bonds, decreased by EUR 0.7 billion to EUR 19.3 billion (2015: EUR 19.9 billion) as redemptions exceeded new business.

The positive fair values of derivative financial instruments decreased by EUR 0.7 billion to EUR 6.5 billion (2015: EUR 7.2 billion), while the negative fair values rose by EUR 0.2 billion to EUR 7.3 billion (2015: EUR 7.2 billion). The Group uses derivatives exclusively to hedge existing or expected market risks. Collateral agreements were concluded with all derivative counterparties. Rentenbank does not enter into credit default swaps (CDSs).

Net assets of Rentenbank

Rentenbank's net assets in the financial statements under HGB were as follows:

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Loans and advances to banks	57 793.8	55 682.4	2 111.4
Loans and advances to customers	6 048.2	5 304.4	743.8
Bonds and other fixed-income securities	17 764.6	18 302.1	–537.5

Changes in 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 2016, the securities portfolio included bank bonds classified as fixed assets in a notional amount of EUR 17.4 billion (2015: EUR 18.2 billion). As in the previous year, no securities were held in the liquidity reserve.

The Board of Managing Directors is satisfied with the bank's business performance as well as with the development of results of operations, financial position and net 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. The bank mainly supports cultural institutions and selected charity 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 "Rundgang", an annual exhibition of works by students of the academy. Rentenbank also supports various charity 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 2016, Rentenbank had 282 (2015: 269) employees (excluding trainees, interns, employees on parental leave, and members of the Board of Managing Directors). The average length of service was approximately eleven years. The ratio of male and female employees was almost on par, with 55 % of the employees being male and 45 % being female. 81 % of part-time employees were women.

Compliance with legal and regulatory requirements

Rentenbank prepares its consolidated financial statements on a voluntary basis 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 Generally Accepted Accounting Principles (Grundsätze ordnungsgemäßer Buchführung – GoB) and other relevant statements. 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, the basis for calculating the leverage ratio, and the risk-weighting of assets have strategic relevance. Comprehensive compliance with all existing regulatory provisions is a top priority. Within the Group, the Regulatory working group, which also includes 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 reporting date

There were no significant events after the end of fiscal year 2016.

Outlook and opportunities

Changes in business and market conditions

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

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

At the beginning of 2017, economic conditions are largely stable in the major industrialized countries. However, the outlook is clouded by several factors of political uncertainty, such as the future policy of the US government, the implications of Brexit, the continued strained geopolitical situation, as well as the uncertain outcome of various elections in Europe.

While the prospects of further interest rate increases and potentially more expansionary fiscal policy in the United States tend to increase interest rates, an associated appreciation of the US dollar could result in protectionist measures and could trigger a global wave of currency depreciation. This, accompanied by the continued accommodative monetary policy of the ECB along with geopolitical uncertainty, would lead to declining yields instead. Since inflation rates have already picked up significantly in both the United States and Europe due to oil price-related base effects – a trend that is likely to persist in the medium term – Rentenbank expects a slight increase in interest rates for the current year.

Within the framework of Agrar, a barometer of agricultural business sentiment, approximately 1 800 farmers are interviewed regarding their plans for capital expenditures in the next six months. According to the survey conducted in December 2016, German farmers plan to invest a total of EUR 3.6 billion in the first half of 2017.

This volume exceeds the prior-year level of EUR 3.3 billion, highlighting the fact that farmers have a more optimistic outlook for the next two to three years. As a result of rising milk and meat prices, especially dairy cattle farms and granivore farms perceive an improvement in their current economic situation.

The Food and Agriculture Organization of the United Nations (FAO) expects in its projection until 2025 that global agricultural commodity prices will initially remain constant. On the one hand, this is due to the decelerated growth of the global economy. On the other hand, the FAO anticipates that the global supply and demand for agricultural commodities will equally increase. Animal product prices are expected to rise, providing a positive outlook for granivore farms. Accordingly, the export opportunities for the German agribusiness will improve. The use of renewable commodities for fuel generation should remain flat for the time being, driven by relatively low oil prices. In addition, the FAO expects stronger price fluctuations in the agricultural markets, which could be triggered by the possible lift of the Russian embargo, severe weather conditions, and fluctuations in the oil price, among others.

New business in the Renewable Energy promotional line depends largely on the Renewable Energy Sources Act (EEG), which was amended in 2016. The key aspect of the revised EEG is that as from 2017, the level of funding will no longer be fixed by law but will rather be determined on the market by auction. Due to the competitive auctions, wind farms are expected to receive a smaller rate of funding. This could have long-term effects on new business in the Renewable Energy promotional line. However, we expect to finance wind turbine projects in 2017 that were approved prior to the revision of the EEG. Therefore, we believe that the business performance in 2017 in this promotional line will be similar to that of the previous year.

On the basis of its risk-averse business policy, its triple-A ratings, the guarantee of the Federal Republic of Germany, 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 with a 5-year time horizon 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, planning includes regulatory indicators relevant for management purposes as well as a projection of the development of the risk-bearing capacity. In the following, the projections refer to the planning period of 2017.

Projections: operating profit

The following disclosures relate to the planned figures of Rentenbank under HGB.

Within the framework of our current planning, we assume that the new business volume in the Promotional Business segment will be below the prior-year level while redemptions will increase at the same time. Due to the expanded asset purchase program of the ECB, we expect slimmer lending/funding margins. Overall, this should lead to a significant decrease in net interest income for the Promotional Business segment.

Special promotional loans will remain the focus of the lending business. However, after the record high of 2015 and a similar level achieved in the year under review, we expect that the new business volume will decrease in 2017, driven by various changes in our end borrowers' investment activities. Nevertheless, we expect that both the portfolio of special promotional loans as well as their share of total assets will continue to increase.

In the year under review, the portfolio of securities as well as standard promotional loans declined by approximately 3 %. The portfolio is also expected to decrease somewhat in 2017.

Within the Capital Investment segment, we expect that interest income will be slightly down on 2016. This is mainly driven by the low return on new business owing to the low interest rate environment. This effect cannot be fully offset by the higher portfolio volume from the retention of profits, resulting in a slight decrease in the segment's total interest income.

In 2017, net interest income of the Treasury Management segment is likely to be significantly below the high prior-year level as we anticipate declining margins.

Net interest income of the three segments is expected to decline significantly in 2017.

Cost planning for 2017 in particular takes into account the necessary long-term investments in Rentenbank's infrastructure as well as the necessary adjustments to comply with additional regulatory requirements. This includes investments in the development of Murex, the introduction of the new financial accounting system, the relocation of the data center, as well as the upgrade of other hardware and software currently in use. Despite our rigorous cost management, the numerous changes in the regulatory framework and the accounting standards are expected to incur considerably higher administrative expenses in 2017 (2016: EUR 61.1 million). This particularly applies to personnel expenses.

Against a backdrop of the development of income and expenses, we expect the operating profit for 2017 to decline overall by around 25 % (operating profit before provision for loan losses and valuation under HGB in 2015: EUR 254.4 million). Compared over the long term, this key performance indicator would nevertheless be at a satisfying level.

Despite declining results, we expect to be able to keep our promotional performance (2016: EUR 84.2 million) at an appropriate level, and anticipate an increase of 5 % to 10 % in 2017 for this key performance indicator.

Due to falling income combined with the simultaneous increase (driven by investment activities) in administrative expenses, the cost-income ratio is expected to increase considerably (2016: 21.9%). Nevertheless, the ratio will remain at a satisfying level.

Overall, the Board of Managing Directors expects a significant decrease in the operating profit before provision for loan losses and valuation (operating profit under HGB) for 2017, driven by declining interest income and higher administrative expenses.

Projections: consolidated profit under IFRS

For 2017, we expect an equally sharp decline in the operating profit under IFRS (2016: EUR 239.1 million) as in the operating profit before provision for loan losses and valuation under HGB, since changes in the operating profit under IFRS and HGB are similar in structural terms.

Net measurement gains/losses 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 net measurement gains for 2017 to be in the double-digit million range.

Overall, the Board of Managing Directors expects the Group's total comprehensive income under IFRS for the fiscal year 2017 to increase from the 2016 level of EUR 7.9 million. The expected improvement in net measurement gains/losses (2016: EUR –235.0 million) should more than offset the decrease in the operating profit driven by declining interest income and higher administrative expenses.

Opportunities and risks

In comparison to the planned targets for 2017, additional opportunities and risks may arise for our business development due to changes in market conditions.

For example, the sovereign debt crisis in the eurozone may intensify again, which would 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 being lower than planned. However, Rentenbank's history has shown that challenging situations may also offer opportunities, attributable to the bank's superior credit ratings and its solid capital base. These opportunities may arise in the form of attractive funding opportunities and high margins in the securitized and standard promotional businesses. However, higher margins also reflect higher risks in some cases, which could have a negative impact on earnings since general valuation allowances have to be increased.

The prevailing low-interest environment, primarily due to the ECB's monetary policy, supports the demand of the agricultural sector for special promotional loans. However, low interest rates also weigh on the earnings in the Capital Investment segment and have 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 rate 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 of interest rate changes as well as on the respective segment and the selected time horizon.

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 changes in the IT and building infrastructure may become necessary.

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.

Despite Rentenbank's risk-averse new business policy, it cannot be ruled out that additional information regarding the financial position of our business partners, 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 coverage 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

Net interest income before the allowance for credit losses/promotional contribution of all three segments was slightly above both the prior-year figure and the pro-rata projected figure. Net gains/losses from fair value and hedge accounting developed favorably, above all due to effects from reversals driven by residual maturities. On the basis of new business and the results achieved in the current fiscal year, the Board of Managing Directors is confident that the planned volumes in the promotional business and the planned operating profit will be achieved for the fiscal year 2017.

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 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 that 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 measures are set for the segments.

As part of a risk inventory, the Group analyzes which risks may have a significant impact on its assets, capital resources, results of operations, or liquidity situation. This represents the basis for the Group‘s risk profile. In addition, material risks are identified early using indicators based on quantitative and qualitative risk characteristics, as well as self-assessments. Further procedures include the New Product Process (NPP), ICS key controls, and daily monitoring activities. Concentration effects are given appropriate consideration.

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 coverage potential is sufficient to cover all material risks. It comprises the going concern approach and the gone concern approach with a one-year time horizon. The primary management instrument is the going concern approach. The objective is to sustainably generate a stable and adequate operating profit, while concurrently complying with the regulatory requirements. Under the going concern approach, risks are measured based on a standard scenario and a stress scenario at a confidence level of 95 % and 99 %. The confidence level represents the probability that the projected losses will not be exceeded.

The management objective of the gone concern approach is to protect lenders (creditor protection). Under this approach, risks are measured using an even higher confidence level of 99.9 %.

Rentenbank is an institution supervised by the ECB and is 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), which is updated at least annually. The key elements of the recovery plan are the defined recovery indicators and their thresholds, as well as the recovery options and the governance and recovery process. The recovery indicators are part of risk reporting and 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 described in the business and risk strategy as well as in the related sub-strategies. The risk appetite is reflected in the established risk limits as well as in the early warning indicators.

As part of the planning process, risk scenarios are also 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 10-year time horizon. The risk-bearing capacity and the associated key metrics are planned using a 5-year projection.

The introduction of new products, business types, sales channels or new markets requires an NPP. As part 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 their intensity as part of the impact assessment.

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 functions according to MaRisk) within defined limits. The member of the Board of Managing Directors who is responsible for the back office function is also responsible for the Risk Controlling function. The Finance division, including its Risk Controlling function, and the Financial Institutions division, together with its Credit Risk function, report to this Board member. In the Finance division, the Risk Controlling function 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, and 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 key 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), acts in collaboration with the organizational units 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 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 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.

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

Risk reporting is embedded in the management information system and is based on the regulatory requirements as well as the information requirements of the recipients. The Board of Managing Directors and the Board of Supervisory Directors are informed of the Group's overall risk situation in a quarterly risk report. In addition, the Board of Managing Directors receives daily and monthly reports on credit, market, and liquidity risks.

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 participation risk.

Issuer, counterparty, and original country risk refer to losses 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 country transfer risks and redenomination risks. Country 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. Participation risk is the risk of losses incurred due to a negative performance within the portfolio of participations.

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, in another EU country or in 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 to 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. No agreements were entered into in 2016. In accordance with its credit risk strategy, Rentenbank has not conducted any syndicated loan business for several years now.

Depending on the type of the transaction, the Promotional Business or Treasury divisions 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 on the basis of collateral agreements with our counterparties.

Organization

As front office functions according to MaRisk, the Treasury and Promotional Business divisions are actively involved in the operations of the standard and securitized promotional business (Treasury), as well as special promotional loans (Promotional Business). In accordance with 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 Credit Protection & Participations divisions, while the securitized promotional business is conducted by the Operations Financial Markets department. The Financial Institutions division has an independent second vote in credit decisions and processes new standard promotional loans. The Credit Protection & Participations 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 member of the Board of Managing Directors responsible for the back office function is responsible for the process.

The Financial Institutions division formulates a group-wide credit risk strategy and is responsible for its implementation. The credit risk strategy is approved annually by the Board of Managing Directors, which is reported to 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, the Financial Institutions division prepares proposals for and has the second vote in credit decisions according to 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 connected clients, 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 Credit Protection & Participations divisions from the Treasury and Promotional Business divisions ensures independent risk assessment and monitoring. As part 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 function according to 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 which 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. In addition, country risks of the country of incorporation of our business partners are taken into account in the determination of the credit quality. 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 reviews the credit rating and, if necessary, adjusts the internal limits. The internal risk rating system is developed on an ongoing basis and reviewed annually.

Quantification of credit risk

Credit default risks are measured using statistical methods and are classified according to Rentenbank's rating system. Historical default rates as published by rating agencies are used to determine expected losses since Rentenbank has no statistically significant historical data of its own due to the very low 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 expected 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 Group estimates the expected annual loss 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 sectoral concentration risk. A lump-sum amount (risk buffer) is set aside for this risk.

In accordance with the risk-bearing capacity concept defined in the risk manual, credit risks in the standard scenario are assigned a certain amount of risk coverage potential 1. 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 coverage 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 extreme scenarios reflect concentration risks in the credit portfolio. However, these 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 coverage 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 coverage 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 connected clients 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 exposure limits and country 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 connected clients. 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 function. For money market and promotional loan transactions, securitized promotional business as well as for participations, the utilization of the limits is measured using the relevant carrying amounts. For derivatives, the level of utilization of the limits is measured on the basis of the positive fair values of derivative portfolios, taking into account collateral received, if any, and, in the case of negative fair values of derivative portfolios, taking into account cash collateral received. Limit reserves are used as a buffer for credit risk resulting from fluctuations in valuations. The member of the Board of Managing Directors responsible for this back office function 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 largely reduces credit risk.

At the end of each quarter, the Financial Institutions division (back office function) 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, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Loans and advances to banks	57 511.0	55 457.2	2 053.8
Loans and advances to customers	7 496.8	6 380.9	1 115.9
Fair value changes of hedged items in a portfolio hedge	1 258.6	1 298.8	−40.2
Positive fair values of derivative financial instruments	6 549.5	7 238.9	−689.4
Financial investments	19 254.6	19 912.2	−657.6
Irrevocable loan commitments	990.0	841.7	148.3
Total	**93 060.5**	**91 129.7**	**1 930.8**

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 6 549.5 million (2015: EUR 7 238.9 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 13.6 million as of December 31, 2016 (2015: EUR 185.3 million), taking into account netting agreements and cash collateral.

Exposure to credit risk by rating category:

Dec. 31, 2016

	AAA	AA	A	BBB	BB-B	CCC-C	DDD-D
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Loans and advances to banks	17 753.9	3 040.6	26 835.1	9 881.4	0.0	0.0	0.0
Loans and advances to customers	7 496.8	0.0	0.0	0.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	349.6	7.8	591.6	309.6	0.0	0.0	0.0
Positive fair values of derivative financial instruments	2.6	742.1	3 901.1	1 806.1	97.6	0.0	0.0
Financial investments	13 217.6	2 799.3	2 191.4	967.4	78.9	0.0	0.0
Irrevocable loan commitments	131.8	3.1	529.7	317.4	8.0	0.0	0.0
Total	**38 952.3**	**6 592.9**	**34 048.9**	**13 281.9**	**184.5**	**0.0**	**0.0**

Dec. 31, 2015

	AAA	AA	A	BBB	BB-B	CCC-C	D
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	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 investments	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**

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, 2016	Germany		Europe (excl. Germany)		OECD countries (excl. EU)	
	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	55 962.7	60.1	1 548.2	1.7	0.1	0.0
Loans and advances to customers	7 496.8	8.1	0.0	0.0	0.0	0.0
Fair value changes of hedged items in a portfolio hedge	1 250.9	1.3	7.7	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 429.0	1.5	4 842.4	5.2	278.1	0.3
Financial investments	4 043.9	4.3	13 638.7	14.7	1 572.0	1.7
Irrevocable loan commitments	989.9	1.1	0.1	0.0	0.0	0.0
Total	**71 173.2**	**76.5**	**20 037.1**	**21.5**	**1 850.2**	**2.0**

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 investments	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**

Risk concentration by group of counterparty:

Dec. 31, 2016

	Private sector banks/ other banks		Foreign banks		Public sector banks		Cooperative banks		Central banks		Non-banks	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loans and advances to banks	10 049.7	10.8	1 548.3	1.7	32 572.9	35.0	12 840.1	13.8	500.0	0.5	0.0	0.0
Loans and advances to customers	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7 495.3	8.1
Fair value changes of hedged items in a portfolio hedge	227.9	0.2	7.7	0.0	620.3	0.7	402.7	0.5	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	1 085.1	1.2	4 849.7	5.2	210.6	0.2	133.3	0.1	0.0	0.0	270.8	0.3
Financial investments	2 554.3	2.7	14 347.5	15.4	735.6	0.8	131.9	0.1	0.0	0.0	1 485.3	1.6
Irrevocable loan commitments	143.9	0.2	0.1	0.0	493.8	0.5	352.2	0.4	0.0	0.0	0.0	0.0
Total	**14 062.4**	**15.1**	**20 753.3**	**22.3**	**34 633.2**	**37.2**	**13 860.2**	**14.9**	**500.0**	**0.5**	**9 251.4**	**10.0**

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 investments	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**

Carrying amounts in the peripheral eurozone countries:

Dec. 31, 2016	Italy	Portugal	Spain	Total
	EUR million	EUR million	EUR million	EUR million
Government bonds	318.9	78.9	92.6	490.4
Bonds and promissory notes of banks	124.3	20.9	641.1	786.3
Positive fair values of derivative financial instruments			0.0	0.0
Gross exposure	**443.2**	**99.8**	**733.7**	**1 276.7**
Collateral	124.3	20.9	641.1	786.3
Net exposure	**318.9**	**78.9**	**92.6**	**490.4**

Dec. 31, 2015	Italy	Portugal	Spain	Total
	EUR million	EUR million	EUR million	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**

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

There are no available credit limits with counterparties located in the peripheral eurozone countries. 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, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
	EUR million	EUR million	EUR million	EUR million
Available for sale	305.2	308.0	705.1	1 823.4
Held to maturity	143.2	144.1	0.0	0.0
Loans and receivables	0.0	0.0	0.0	0.0
Designated as at fair value	42.0	40.6	81.2	101.0
Total	**490.4**	**492.7**	**786.3**	**1 924.4**

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 of EUR 2.4 million was reversed since the exposure was terminated before maturity. This valuation allowance had not been recognized at Group level as the related exposure was measured at fair value through profit or loss in the consolidated financial statements. In the year under review, another specific valuation allowance on loans and advances, amounting to EUR 2.0 million under HGB and to EUR 2.2 million under IFRS, was reversed upon maturity of the exposure and its full repayment. Accordingly, there were no specific valuation allowances at bank or Group level.

The Group recognized a portfolio valuation allowance of EUR 20.0 million (2015: EUR 16.3 million) for latent risks 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 18.6 million (2015: EUR 16.2 million) in its annual financial statements.

Standard scenarios

The basis of the calculations for measuring expected losses under the standard scenario is the expected loss related to the amount of utilization, taking into account 1-year probabilities of default. As of December 31, 2016, the cumulative expected loss amounted to EUR 65.5 million (2015: EUR 67.7 million), including a lump-sum amount of EUR 50 million (risk buffer) for sectoral concentration risks in the banking sector.

The year-on-year decline is attributable to redemptions as well as credit enhancements of individual exposures. In the fiscal year 2016, the average expected loss, calculated on a monthly basis, amounted to EUR 66.4 million (2015: EUR 64.7 million). In relation to the risk coverage potential allocated to credit risks as of the reporting date, the average potential utilization was 25.6 % (2015: 24.9 %). The maximum utilization amounted to EUR 67.8 million (2015: EUR 67.7 million). It was thus below the limit of EUR 260.0 million approved by the Board of Managing Directors for the standard scenario. The lowest utilization during the reporting year was EUR 65.5 million (2015: EUR 63.3 million).

Stress scenarios

Under the first stress scenario, the expected loss is calculated based on full utilization of all prescribed limits, taking into account 1-year probabilities of default. As of December 31, 2016, the expected loss under this stress scenario amounted to EUR 79.0 million (2015: EUR 81.0 million). Under two further scenarios, we simulate an increase in 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 coverage potential, as part of determining the risk-bearing capacity. As of the reporting date, the maximum expected loss calculated under the stress scenarios described above was EUR 123.0 million (2015: EUR 145.5 million). The year-on-year decrease is – by analogy with the standard scenario – attributable to redemptions as well as credit enhancements of individual exposures in the lower rating categories.

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 risk is defined by Rentenbank as the potential loss resulting from changes in market variables. It comprises interest rate risks, spread risks, and other price risks. Other price risks include currency and volatility risks which, however, are relevant only to a very small extent (e.g. foreign currency risks).

Interest rate risks exist 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 profit when the open positions are closed.

Spread risks are classified as credit spread risks, cross-currency basis swap risks, and basis swap risks.

Open currency positions result, to a very limited extent, from fractional amounts related to settlements in foreign currencies. The measurement of hedged item and hedging instrument at fair value results in different market values in foreign currencies. The translation of foreign currency position into the euro leads to corresponding net measurement gains/losses. There is also a corresponding valuation risk related to future changes in exchange rates.

Further market risks, such as equity risk and commodity risk, are not relevant due to Rentenbank's business model.

The Group takes into account the different effects of market risks on financial reporting and classifies market risks that result from items accounted for at fair value as IFRS valuation risks.

The IFRS valuation risk is realized if the buy-and-hold strategy is breached or if a business partner defaults and the collateral is insufficient.

IFRS valuation risks are reflected mainly in net gains/losses from fair value and hedge accounting, thus affecting equity and regulatory own funds. However, in the case of regulatory own funds, prudential filters are applied to offset the net measurement gains/losses on own issues.

IFRS valuation risks are given appropriate consideration in the risk-bearing capacity calculation, especially due to their impact on regulatory own funds.

Organization

Rentenbank does not have a trading book pursuant to Article 4(1) points 85 and 86 CRR.

The objectives of market risk management are the qualitative and quantitative identification, assessment, monitoring, and management of market risks. These tasks are performed by the Risk Controlling and Risk Management functions.

The Risk Controlling function quantifies market risks, monitors operating limits and risks as part of the risk-bearing capacity concept, and prepares risk reports. It reports to the member of the Board of Managing Directors who is responsible for the back office function.

The Treasury division manages market risks.

The Operations Financial Markets department and the Financial Institutions division monitor the market conformity of concluded transactions.

Quantification of market risks

Interest rate risks

The Group limits its exposure to interest rate risk to the extent possible, especially through the use of 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 special promotional business. Generating income by taking interest rate risks is not a part of Rentenbank's business strategy.

Gains or losses from maturity transformation result from short-term open positions as not all of the special promotional loans are instantly hedged due to their low volumes.

To quantify and monitor interest rate risks, the Group determines daily the corresponding present value sensitivity of all interest rate-sensitive transactions carried out in the Promotional Business and Treasury Management segments.

At Group level, a similar analysis is conducted quarterly. In accordance with regulatory requirements, Rentenbank is required to determine and report the impact of sudden and unexpected interest rate changes on its open positions in the banking book on a quarterly basis. The analysis examines whether the negative change in the present value exceeds 20 % of total own funds. In accordance with regulatory provisions, equity is not taken into account in this assessment.

Interest rate risks may not exceed the risk limits determined by resolution of 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, 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 foreign currency-denominated hedged items is based on the fair value option. This involves measuring both the hedging instruments and the hedged items at fair value. The valuation using the aforementioned market parameters results in significant fluctuations in value, even if there is a perfect hedging relationship in terms of cash flows.

The potential effects of IFRS valuation risks with regard to management objectives are taken into account in the risk coverage potential as part of the risk-bearing capacity analysis.

Standard scenarios

Under the standard scenario, the present value sensitivities of all open interest rate-sensitive transactions in the money market business and lending business portfolios are calculated daily, assuming a parallel shift in the interest rate curve. The results are 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 %. IFRS valuation risks are not taken into account in the standard scenario since this management approach focuses on the risk of unexpected losses in relation to the operating profit under both HGB and IFRS.

Stress scenarios

In order to estimate risks arising from extraordinary changes in market conditions, 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. The monthly stress scenario also 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 exchange rates, and in other prices as well as a reduction of cross-currency basis swap spreads and credit spreads. When aggregating individual risks, risk-mitigating correlation effects are only taken into account if they arise between cross-currency basis swap spreads and credit spreads.

Under the stress scenario, the predicted risk values will not be exceeded with a probability of 99 %.

Risk buffer

Model inaccuracies and simplifications are given appropriate consideration by means of a risk buffer.

Limitation and reporting

Under the standard scenario, the risk coverage potential allocated to market risk amounted to EUR 19 million (2015: EUR 19 million).

Compliance with limits is monitored daily and is 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.

Backtesting

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 during the fiscal year 2016. The risk exposures of and adjustments to the standard and stress scenarios are described in the following.

Standard scenarios

As of December 31, 2016, market risk in the money market business and lending business segments was EUR 2.0 million (2015: EUR 10.4 million) in the case of a parallel shift in the interest rate curve of 40 basis points (bps). This equals a 10.5 % utilization of the risk limit (2015: 54.7 %). The average limit utilization in the fiscal year 2016 was EUR 2.3 million (2015: EUR 3.2 million) or 12.1% (2015: 20.4%). The maximum risk for the reporting year amounted to EUR 10.4 million (2015: EUR 10.5 million), while the lowest utilization was EUR 0.0 million (2015: EUR 0.0 million). No limits were exceeded in 2015 and 2016.

The risk buffer was increased to EUR 14.4 million (2015: EUR 7.0 million) during validation.

Stress scenarios

The stress scenarios assume a parallel shift of 60 bps (2015: 60 bps) in the interest rate curves. As of the reporting date, the risk exposure amounted to EUR 3.1 million (2015: EUR 15.4 million).

The costs for interest rate basis swaps with different maturities and denominated in the same currency amounted to EUR 231.6 million (2015: EUR 215.7 million) based on a parallel increase in the basis swap spreads by 11 bps (2015: 10 bps) and a widening of OIS IBOR spreads by 75 bps (2015: 79 bps).

A decrease in the cross-currency basis swap spread by 111 bps (2015: 109 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 –1 681.0 million (2015: EUR –1 336.3 million).

The credit spreads are based on a debtor's credit rating (structural credit quality), collateralization of products, and market-specific parameters (market liquidity in particular), among others. To measure sensitivity under the stress scenario, a parallel shift of –80 bps (–89 bps) and a parallel shift –108 bps (118 bps) are assumed for the lending and funding businesses, respectively. The risk exposure was EUR 1 867.9 million (2015: EUR 1 508.7 million).

The potential valuation loss in the case of an increase in the swaption volatilities by 118 bps (2015: 118 bps) amounted to EUR 14.7 million (2015: EUR 12.3 million) and in the case of an increase in cap/floor volatilities by 237 bps (2015: 237 bps) to EUR 2.0 million (2015: EUR 0.6 million).

The risk exposure to the translation of foreign currency positions into the euro assuming an exchange rate change of 35 % (2015: 44 %) amounted to EUR 69.5 million (2015: EUR 97.9 million).

The risk buffer amounted to EUR 24.5 million (2015: EUR 14.5 million).

Interest rate risks in the banking book

In accordance with 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 418.3 million (2015: EUR 417.0 million). The ratio based on regulatory own funds amounted to 10.8 % (2015: 11.4 %). At no point during 2016 or 2015 did the ratio exceed the reporting threshold of 20 %.

Foreign currency risks

No material risk was identified for any currency in 2016 or 2015. The following table presents a breakdown of the notional amounts by foreign currency:

Dec. 31, 2016 Notional amounts in EUR million	**USD**	**AUD**	**GBP**	**NZD**	**CHF**	**NOK**	**JPY**	**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 investments	702.1	55.3	2 296.7	0.0	1 072.4	0.0	229.2	234.1	**4 589.8**
Positive fair values of derivative financial instruments	34 006.9	9 545.3	2 494.0	2 293.2	819.4	979.5	654.8	1 631.9	**52 425.0**
Total assets	**34 709.1**	**9 600.6**	**4 790.7**	**2 293.2**	**1 891.8**	**979.5**	**884.0**	**1 866.0**	**57 014.9**
Liabilities									
Liabilities to banks	0.0	0.0	1.3	0,0	0.0	0.0	0.0	0.0	**1.3**
Liabilities to customers	99.6	0.0	11.7	13.9	0.0	0.0	40.5	0.0	**165.7**
Securitized liabilities	33 652.3	9 544.4	2 482.0	2 279.3	819.4	979.5	290.1	1 631.7	**51 678.7**
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	405.2	0.0	**405.2**
Negative fair value of derivative financial instruments	957.1	56.2	2 297.0	0.0	1 072.4	0.0	148.2	234.3	**4 765.2**
Total liabilities	**34 709.0**	**9 600.6**	**4 792.0**	**2 293.2**	**1 891.8**	**979.5**	**884.0**	**1 866.0**	**57 016.1**
Net currency position (assets)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**
Net currency position (liabilities)	0.0	0.0	−1.3	0.0	0.0	0.0	0.0	0.0	**−1.3**

Dec. 31, 2015 Notional amounts in EUR million	**USD**	**AUD**	**GBP**	**NZD**	**CHF**	**NOK**	**JPY**	**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 investments	688.9	50.3	2 272.5	0.0	765.2	0.0	216.4	231.1	**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	958.0	704.2	2 119.9	**49 880.9**
Total assets	**30 876.3**	**9 999.5**	**4 808.6**	**2 235.8**	**1 955.6**	**958.0**	**920.6**	**2 351.0**	**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	38.1	0.0	**161.3**
Securitized liabilities	29 820.7	9 949.2	2 521.9	2 222.6	1 190.6	958.0	360.9	2 119.3	**49 143.2**
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	381.5	0.0	**381.5**
Negative fair value of derivative financial instruments	959.1	50.3	2 273.1	0.0	765.0	0.0	140.1	231.7	**4 419.3**
Total liabilities	**30 876.2**	**9 999.5**	**4 808.6**	**2 235.8**	**1 955.6**	**958.0**	**920.6**	**2 351.0**	**54 105.3**
Net currency position (assets)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.1**
Net currency position (liabilities)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**

Liquidity risk

Definition

Liquidity risk is defined as 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 as the risk that the Group may not able to sell assets instantaneously or that they can only be sold at a loss.

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 program (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 imputed liquidity requirement under stress assumptions may not exceed either the amount of liquid assets pursuant to the Liquidity Coverage Ratio (LCR) or the freely available funding potential. In addition, liquidity risks are limited to a period of up to one week pursuant to MaRisk.

For terms of one month to two years, the imputed liquidity requirement is limited to the freely available funding potential.

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 fall below the limit set by the Board of Managing Directors.

The appropriateness of the stress scenarios 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 coverage potential, but by counterbalancing capacity or liquid assets. Rentenbank's triple-A ratings and the guarantee of the Federal Republic of Germany enable the Group to raise additional funds in the interbank markets at all times. 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 pledged securities and credit claims as eligible collateral in accordance with the KEV (Krediteinreichungsverfahren) procedure).

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.

Stress scenarios

Stress scenarios are intended to examine the effects of unexpected events on Rentenbank's liquidity position. The liquidity stress scenarios developed for this purpose are an integral part of the internal control model. They are calculated and monitored monthly. The scenario analyses comprise price declines of securities, simultaneous drawdowns of all irrevocable credit commitments, defaults by major borrowers, and calls of cash collateral. A scenario mix is used to simulate the cumulative occurrence of liquidity stress scenarios. Liquidity 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 2016 reporting year, the monthly reported liquidity ratio for the period of up to 30 days was between 2.59 and 4.04 (2015: 2.40 and 3.65, respectively), thus significantly exceeding the 1.0 ratio defined by regulatory requirements.

Liquidity ratios pursuant to the CRR

The regulatory liquidity ratios LCR and NSFR (Net Stable Funding Ratio) serve to limit short-term as well as medium and long-term liquidity risks. The objective is to enable banks to remain liquid even during periods of stress by holding a liquidity buffer and maintaining stable funding. In 2016, the minimum LCR requirement (i. e. the ratio of high-quality liquid assets to total net cash outflows under stress scenarios) was 0.7. The required ratio will increase until it reaches 1.0 in 2018.

The minimum requirement for the NSFR (i. e. the ratio of the amount of available stable funding relative to the amount of required stable funding) is 1.0. The introduction is planned for 2019 at earliest in connection with the entry into force of CRR II.

The minimum LCR and the currently expected minimum NSFR were complied with in the reporting year 2016.

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 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 MaRisk. The Audit Committee and the Risk Committee of the Board of Supervisory Directors are informed on a quarterly basis.

Current risk situation

Liquidity was secured at all times during the reporting year, even under stress assumptions. All liquidity limits and regulatory liquidity ratios were fully complied with.

Operational risk

Definition

Operational risks arise from failed or inadequate systems and processes, people, or external events. Operational risks also include legal risks, risks from money laundering, terrorist financing or other criminal acts, behavioral risks, risks from outsourcing, operating risks, and event or environmental risks. In the Group's view, they do not comprise entrepreneurial risks, such as business risks, regulatory risks, reputational risks, or pension risks.

Controlling and monitoring

All operational risks are aggregated and analyzed on a centralized basis by the Risk Controlling function. It is responsible for the use of instruments and the methodological development of risk identification, assessment, management and communication. Operational risks are managed by the relevant organizational units.

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 both on an ad-hoc basis as well as in semi-annual reports. Legal risks from business transactions are largely reduced by the Group using standardized contracts. 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. Legal disputes are recorded immediately in the loss event database. They are monitored using a defined 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. Such risks 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 arrangements, 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 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 and ensures the confidentiality, availability, and integrity of the IT 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 for the standard scenario, operational risks are quantified using a process based on the regulatory basic indicator approach. The risk assumed under the stress scenario is twice the number of incidents assumed under the standard scenario.

All loss events and near incidents are recorded in a loss event database by operational risk officers on a decentralized basis. The Risk Controlling function 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. This also involves defining subsequent measures (e. g. regarding fraud prevention).

Limitation and reporting

The limit for operational risks is derived using the modified regulatory basis indicator approach. Reports are prepared on a quarterly basis.

Current risk situation

The risk value for operational risk in the standard scenario amounted to EUR 23.6 million as of the reporting date (2015: EUR 24.6 million). Under the stress scenario, the risk exposure amounted to EUR 47.3 million (2015: EUR 49.2 million) as of the reporting date.

In the fiscal year 2016, four significant incidents (valued at more than EUR 5 thousand) were entered into the loss event database with a potential net loss of EUR 231 thousand. Four significant single losses resulting from operational risks had been incurred in the prior year.

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 profit and that regulatory requirements are not sufficiently met.

Reputational risks refer to the risk of negative economic effects resulting from damage to the Group's reputation.

Controlling and monitoring

Regulatory risks are managed through active involvement in regulatory projects as well as other legal initiatives affecting Rentenbank and by identifying potential consequences for Rentenbank. The Regulatory working group plays a central role in the process. In particular, it is responsible for monitoring and evaluating regulatory and other legal initiatives, as well as for strengthening the compliance structure. To this end, the Regulatory working group initiates and monitors implementation projects. It reports to the Board of Managing Directors on a regular basis.

A code of conduct and professional external corporate communications contribute to the management of reputational risks.

Regulatory and reputational risks are quantified and monitored in a stress scenario as part of the income planning. To this end, regulatory and reputational risks are assumed to have monetary effects (e. g. increased funding costs or unexpected operating and personnel expenses) on the implementation of regulatory requirements. Furthermore, regulatory and reputational risks are identified within the framework of self-assessments.

Losses incurred are monitored in the loss event database as well as in the monthly target/actual comparisons in the income statement.

Limitation and reporting

Under the standard scenario, the risk limit allocated to regulatory and reputational risks amounts to EUR 24.0 million (2015: EUR 23.0 million). Reports are prepared on a quarterly basis.

Current risk situation

As of the reporting date, the risk value determined for regulatory and reputational risks amounted to EUR 23.4 million (2015: EUR 22.2 million) in the standard scenario and to EUR 46.8 million (2015: 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 going concern approach assumes that an entity will continue in operation for the foreseeable future. It also monitors the achievement of the management objectives 'Generating a stable adequate operating profit (operating profit under HGB)' and 'Complying with regulatory requirements'. This involves comparing credit risks, market risks, and operational risks arising from the standard and stress scenarios, as well as the Group's regulatory and reputational risks, with an amount of the risk coverage potential.

After deducting regulatory capital requirements, taking into account prudential filters, sufficient regulatory own funds must be available to cover the risks from conservative stress scenarios. Regulatory own funds were determined using a total capital ratio of 13.91 %, in accordance with the warning threshold defined in the recovery plan. In 2015, Rentenbank determined regulatory own funds on the basis of the warning threshold of 12.0 % of the Common Equity Tier 1 capital ratio (CET1 ratio).

Risk coverage potential

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

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

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Available operating profit	151.4	187.8
Retained earnings (pro rata)	201.0	156.2
Risk coverage potential 1	**352.4**	**344.0**
Retained earnings (pro rata)	1 263.5	1 118.9
Own credit risk and DVA	−0.1	−0.1
Revaluation reserve	65.4	61.6
Undisclosed liabilities from securities	−3.3	−3.7
Risk coverage potential 2	**1 677.9**	**1 520.7**
Retained earnings (pro rata)	2 000.0	2 200.0
Subscribed capital (capital stock)	135.0	135.0
Risk coverage potential 3	**3 812.9**	**3 855.7**

The allocation of risk coverage 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:

	Allocated risk coverage potential			
	Dec. 31, 2016		Dec. 31, 2015	
	EUR million	%	EUR million	%
Credit risk	260.0	73.8	260.0	75.6
Market risk	33.4	9.5	26.0	7.5
Operational risk	35.0	9.9	35.0	10.2
Regulatory and reputational risk	24.0	6.8	23.0	6.7
Total risk exposure	**352.4**	**100.0**	**344.0**	**100.0**
Risk coverage potential 1	**352.4**	**100.0**	**344.0**	**100.0**

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

Risk scenarios

A distinction is made between standard and stress scenarios.

Standard scenarios

The standard scenarios assume credit defaults, potential changes in market prices as well as the occurrence of significant operational, regulatory and reputational damages.

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

	Standard scenarios			
	Dec. 31, 2016		Dec. 31, 2015	
	EUR million	%	EUR million	%
Credit risk	65.5	50.8	67.7	51.3
Market risk	16.4	12.7	17.4	13.2
Operational risk	23.6	18.3	24.6	18.7
Regulatory and reputational risk	23.4	18.2	22.2	16.8
Total risk exposure	**128.9**	**100.0**	**131.9**	**100.0**
Risk coverage potential 1	**352.4**		**344.0**	
Utilization		**36.6**		**38.3**

A lump sum amount of EUR 50 million (risk buffer) is included in the credit risk scenarios to account for sectoral concentration risks.

The warning indicator (risk appetite) of 80 % of risk coverage potential 1 was not exceeded in 2016 and 2015.

Stress scenarios

For 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 rates within the overall loan portfolio.

The stress scenarios for market risks include a parallel shift in the yield curves, spreads, volatilities, and exchange rates.

For operational risks and regulatory and reputational risks, we assume a number of incidents that is twice as high under the stress scenario as under the standard scenario.

The following tables present the risk exposures as well as the utilization of the risk coverage potential:

	Standard scenarios			
	Dec. 31, 2016		Dec. 31, 2015	
	EUR million	%	EUR million	%
Credit risk	123.0	16.4	145.5	18.9
Market risk	532.3	71.0	529.1	68.9
Operational risk	47.3	6.3	49.2	6.4
Regulatory and reputational risk	46.8	6.2	44.5	5.8
Total risk exposure	**749.4**	**99.9**	**768.3**	**100.0**
Risk coverage potential 2	**1 677.9**		**1 520.7**	
Utilization		**44.7**		**50.5**

	Stress scenarios			
	Dec. 31, 2016		Dec. 31, 2015	
	EUR million	%	EUR million	%
Market risk (interest rate risks)	**3.1**	**0.6**	**15.4**	**2.9**
Market risk (IFRS valuation risks)	**504.7**	**94.8**	**499.2**	**94.4**
Of which cross-currency basis swap spreads	*−1 681.0*		*−1 336.0*	
Of which basis swap spreads	*231.6*		*215.7*	
Of which credit spreads	*1 867.9*		*1 508.7*	
Of which cap/floor volatilities	*2.0*		*0.6*	
Of which swaption volatilities	*14.7*		*12.3*	
Of which currency translation	*69.5*		*97.9*	
Market risk (risk buffer)	**24.5**	**4.6**	**14.5**	**2.7**

The warning indicator of 80 % of risk coverage potential 2 (risk appetite) was not exceeded in 2016 and 2015.

After fulfilling the regulatory minimum capital ratios, risk coverage 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, 2016, there is also sufficient capital available to cover the stress scenarios under the going concern approach after complying with the regulatory capital requirements.

Risk-bearing capacity – gone concern approach

As an additional risk management approach, risk-bearing capacity is analyzed using the gone concern approach. Under this approach, the Group focuses on creditor protection. Therefore, all hidden reserves and liabilities are taken into account in the risk coverage potential. Unplanned or unrealized profits (available operating profit) are not taken into account. Under the gone concern approach, the remaining amount of the risk coverage 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 using a probability of 99.9 %.

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%. Under the gone concern approach, risks from all positions are analyzed irrespective of their accounting. As regards operational risk as well as regulatory and reputational risk, we assume a risk exposure that is four times higher than under the standard scenario.

Apart from creditor protection, this risk management approach also serves to observe and critically evaluate the results. This did not result in any adjustments to the going concern approach. Under the gone concern approach, the risk-bearing capacity was maintained at all times during 2016 and 2015.

Inverse stress tests and economic downturn

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 coverage potential. The assumed scenarios have a low probability of occurrence.

The effects of an economic downturn are also assessed. The Group's risk-bearing capacity was not at risk under this scenario during 2016 and 2015.

Under the recovery plan, Rentenbank has developed various stress scenarios that are tailored to the bank's risk profile and could each trigger a near-default situation if no recovery measures were initiated. This involved analyzing scenarios that develop quickly and gradually as well as idiosyncratic, market-wide, and combined scenarios. A near-default situation occurs if at least one recovery indicator has exceeded or fallen below its threshold and Rentenbank is still in a position to act independently. The stress scenarios were analyzed according to their development over time and were quantified using all of the defined recovery indicators.

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 the total capital ratio of 25.7 % (2015: 23.2 %) and the Tier 1 capital ratio of 23.2 % (2015: 20.2 %) were above regulatory requirements, as well as above the minimum requirements set by the ECB.

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 objectives of the accounting-related ICS/RMS are to comply with financial reporting standards and regulations, as well as to ensure the propriety of accounting.

The consolidated financial statements of Rentenbank are prepared on a voluntary basis pursuant to Section 315a (1) sentence 1 HGB in accordance with all IFRSs 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 HGB and the German Regulation on the Accounting of Banks and Financial Services Institutions (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 a proper manner in the financial reporting system.

The documentation of the financial reporting process complies with the German Generally 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. Money market transactions, loans, securities, and liabilities are entered in separate sub-ledgers by different organizational units. The data is transferred from the sub-ledgers to the general ledger 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 target/actual comparisons 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.

The Internal Audit department regularly performs process-independent reviews to assess whether the accounting-related ICS/RMS functions 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 about current business developments by the Board of Managing Directors. In addition, information about extraordinary events is provided without delay.

Voluntary Consolidated Financial Statements

Consolidated statement of comprehensive income for the period from January 1 to December 31, 2016

	Notes	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million
1) Income statement			
Interest income		3 567.3	3 734.4
Interest expenses		3 233.9	3 403.4
Net interest income	25	**333.4**	**331.0**
Allowance for credit losses/promotional contribution	26	20.6	18.6
Of which additions to promotional contribution		*89.3*	*82.1*
Of which utilization of promotional contribution		*70.2*	*67.3*
Net interest income after allowance for credit losses/ promotional contribution		**312.8**	**312.4**
Fee and commission income		0.1	0.2
Fee and commission expenses		2.3	2.4
Net fee and commission income	27	**−2.2**	**−2.2**
Administrative expenses	28	67.3	65.0
Other operating income/expenses	29	−3.0	−4.4
Net gains/losses from fair value and hedge accounting	30	−235.0	204.9
Income taxes	31	−1.2	−2.6
Group's net income		**4.1**	**443.1**
2) Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Net gains/losses on available-for-sale instruments	53	11.4	−56.5
Items that will not be reclassified to profit or loss:			
Actuarial gains/losses on pension obligations	50	−7.6	5.7
Other comprehensive income		**3.8**	**−50.8**
3) Group's total comprehensive income		**7.9**	**392.3**

For informational purposes: Reconciliation to distributable profit

	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million
Group's net income	4.1	443.1
Withdrawals from retained earnings		
a) from guarantee reserve pursuant to Section 2 (3) of Rentenbank's Governing Law	21.6	23.1
b) from other retained earnings	54.9	0.0
Allocations to retained earnings		
a) to principal reserve pursuant to Section 2 (2) of Rentenbank's Governing Law	65.8	65.9
b) to other retained earnings	0.0	386.0
Distributable profit	**14.8**	**14.3**

Consolidated balance sheet as of December 31, 2016

Assets	Notes	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Cash and balances with central banks	34	6.7	21.2
Loans and advances to banks	35	57 511.0	55 457.2
Of which promotional contribution	*37*	*–356.8*	*–343.7*
Loans and advances to customers	36	7 496.8	6 380.9
Of which promotional contribution	*37*	*0.0*	*0.0*
Fair value changes of hedged items in a portfolio hedge	38	1 258.6	1 298.8
Positive fair values of derivative financial instruments	39	6 549.5	7 238.9
Financial investments	40	19 254.6	19 912.2
Investment property	41	13.9	14.4
Property and equipment	42	22.3	22.6
Intangible assets	43	11.6	12.9
Current income tax assets	44	0.2	1.2
Other assets	45	2 920.6	2 932.3
Total assets		**95 045.8**	**93 292.6**

Liabilities and equity	Notes	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Liabilities to banks	46	2 448.5	2 829.3
Liabilities to customers	47	4 189.0	4 408.3
Securitized liabilities	48	73 831.8	71 544.9
Negative fair values of derivative financial instruments	49	7 333.1	7 152.9
Provisions	50	172.8	161.1
Subordinated liabilities	51	740.7	729.4
Other liabilities	52	2 650.4	2 780.8
Equity	53	3 679.5	3 685.9
Subscribed capital		*135.0*	*135.0*
Retained earnings		*3 464.2*	*3 474.9*
Revaluation reserve		*65.5*	*61.7*
Distributable profit		*14.8*	*14.3*
Total liabilities and equity		**95 045.8**	**93 292.6**

Consolidated statement of changes in equity

EUR million	Subscribed capital	Retained earnings	Revaluation reserve	Distributable profit	Total equity
Jan. 1, 2016	**135.0**	**3 474.9**	**61.7**	**14.3**	**3 685.9**
Group's net income		−10.7		14.8	4.1
Unrealized gains/losses on available-for-sale instruments			11.4		11.4
Actuarial gains/losses on pension obligations			−7.6		−7.6
Group's total comprehensive income	**0.0**	**−10.7**	**3.8**	**14.8**	**7.9**
Appropriation of distributable profit				−14.3	−14.3
Dec. 31, 2016	**135.0**	**3 464.2**	**65.5**	**14.8**	**3 679.5**

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 on available-for-sale instruments			−56.5		−56.5
Actuarial gains/losses on 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**

Consolidated cash flow statement

	Notes	2016 EUR million	2015 EUR million
Group's net income		**4.1**	**443.1**
Non-cash items included in Group's net income and reconciliation to cash flows from operating activities:			
Amortization, depreciation and allowance of intangible assets, property and equipment, and investment property	28	7.0	6.2
Allowance for credit losses/promotional contribution	26	15.7	16.7
Additions to/reversals of provisions	50	27.9	12.3
Gains/losses from disposal of property and equipment		0.1	0.1
Change in other non-cash items		0.0	0.2
Net gains/losses from fair value and hedge accounting	30	240.0	−201.9
Net interest income	25	−333.4	−331.0
Subtotal		**−38.6**	**−54.3**
Changes in assets and liabilities after adjustment for non-cash items:			
Loans and advances to banks	35	−2 063.7	−4 068.0
Loans and advances to customers	36	−1 115.5	−851.6
Positive fair values of derivative financial instruments	39	689.4	−1 280.5
Financial investments	40	225.4	8.6
Other assets		52.9	−63.6
Liabilities to banks	46	−380.8	644.6
Liabilities to customers	47	−219.3	−546.4
Securitized liabilities	48	2 286.9	2 366.1
Negative fair values of derivative financial instruments	49	180.2	342.3
Other liabilities		−137.7	1 201.3
Interest received	25	3 560.4	3 727.8
Dividends received	25	6.9	6.6
Interest paid	25	−3 233.9	−3 403.4
Valuation adjustments		−240.0	201.9
Cash flows from operating activities		**−427.4**	**−1 768.6**
Proceeds from repayment/disposal of:			
Financial investments	40	3 372.6	5 260.7
Property and equipment	42	0.2	0.1
Payments for acquisition of:			
Financial investments	40	−2 940.3	−3 480.3
Intangible assets and property and equipment	42, 43	−5.3	−5.9
Cash flows from investing activities		**427.2**	**1 774.6**
Subordinated liabilities	51	0.0	0.0
Appropriation of distributable profit pursuant to Section 9 of Rentenbank's Governing Law		−14.3	−13.8
Cash flows from financing activities		**−14.3**	**−13.8**
Cash and cash equivalents at beginning of period		**21.2**	**29.0**
Cash flows from operating activities		−427.4	−1 768.6
Cash flows from investing activities		427.2	1 774.6
Cash flows from financing activities		−14.3	−13.8
Cash and cash equivalents at end of period		**6.7**	**21.2**

The consolidated cash flow statement shows the changes in cash and cash equivalents for the fiscal years 2016 and 2015 from operating, investing, and financing activities. Cash and cash equivalents correspond to cash and balances with central banks reported in the consolidated balance sheet.

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. 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 on a voluntary basis[1] pursuant to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) and in accordance with all International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) for the fiscal year 2016 and the additional requirements applicable under Section 315a (1) 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 Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The voluntary consolidated financial statements (hereinafter referred to as 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 publication after approval by the Board of Supervisory Directors on April 6, 2017.

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, figures 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 presented in the combined 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 62.

[1] Taking into account the exemption as set out in Section 290 (5) in conjunction with Section 296 (2) HGB, Rentenbank is not required by law to prepare consolidated financial statements in accordance with the German Commercial Code. Consequently, pursuant to Section 315a HGB, Rentenbank is not required to prepare consolidated financial statements in accordance with IFRS. Therefore, the consolidated financial statements of Rentenbank are prepared on a voluntary basis.

Application of new or amended standards and interpretations

Currently applicable IFRS

In the fiscal year 2016, the following standards and interpretations are required to be applied for the first time:

IFRS 14 Regulatory Deferral Accounts

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

The European Commission decided not to adopt this interim standard, but to wait for the finalization of the rules regarding the accounting for regulatory deferral accounts by the IASB.

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 do not have any impact on Rentenbank's consolidated financial statements.

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

These standards clarify 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 do not have any impact on Rentenbank's consolidated financial statements.

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

These standards permit bearer plants, such as grapevines, to be accounted for as property, plant and equipment if certain criteria are met.

The amendments do not have any impact on Rentenbank's 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 do not have any impact on Rentenbank's consolidated financial statements.

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

The amendments clarify 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. On the basis of the current version of the standard, the amendments are not expected to have any impact on Rentenbank's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements project made amendments to four standards. The objective is to clarify existing IFRSs by changing the wording in individual IFRSs. The amendments concern IFRS 5, IFRS 7, IAS 19, and IAS 34.

The first-time application of the Annual Improvements to IFRSs 2012 – 2014 Cycle does not result in any changes in Rentenbank's consolidated financial statements.

Amendments to IAS 1: Disclosure Initiative

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

The amended provisions do not have any 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 do not have any impact on Rentenbank's consolidated financial statements.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions and the Annual Improvements to IFRSs 2010–2012 Cycle were already applied in 2015. This did not have any impact on Rentenbank's consolidated financial statements.

<u>**IFRS applicable in future**</u>

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

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments to IAS 12 clarify the recognition of deferred tax assets on temporary differences from unrealized losses.

The amendments are required to be applied for the first time in the fiscal year 2017. Since Rentenbank is exempt from taxation as a parent company, these amendments are not expected to have any material impact on Rentenbank's consolidated financial statements. The amendments have yet to be endorsed by the EU.

Amendments to IAS 7: Disclosure Initiative

This standard complements the existing disclosure requirements on the statement of cash flows. The objective is to improve the transparency of changes in liabilities arising from an entity's financing activities.

The amendments are required to be applied for the first time in the fiscal year 2017. They are not expected to have a material impact on Rentenbank's 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, financial assets will be classified and measured according to their contractual cash flow characteristics and the business models under which they are held. The relevant category and, in particular, the subsequent measurement are determined depending on these factors. In accordance with IFRS 9, there are three categories for financial assets: measured at amortized cost, measured at fair value through profit or loss, and measured at fair value through other comprehensive income.

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 macro hedge accounting project has not yet been finalized by the standard setter. Therefore, when applying IFRS 9 for the first time, the Group has an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of IFRS 9. Rentenbank waits for the completion of the project and uses this option.

The European Commission decided to adopt IFRS 9 Financial Instruments into EU law. The endorsement was effected in the fourth quarter of 2016. The standard is required to be applied for the first time in the fiscal year 2018.

In preparation of the implementation project of the new standard, planned for 2017, a comprehensive preliminary analysis was conducted in the fiscal year 2016 for phase I (classification and measurement) and phase II (impairment).

Due to its buy-and-hold strategy, Rentenbank expects that the business model for the relevant instruments will be defined consistently as "hold". A preliminary analysis of the debt instruments in the lending and securities business showed that the cash-flow criterion is met in almost all instances. Based on current information, the majority of the portfolio of debt instruments will be classified at amortized cost, resulting from the combination of the "hold" business model and the fulfillment of the cash-flow criterion. The necessary or voluntary reclassifications are expected to result in corresponding effects in net gains/losses from fair value and hedge accounting as well as in the revaluation reserve. Upon completion of the preliminary analysis, it was not yet possible to make precise statements, nor to quantify the impact of the changes in the measurement classes.

In accordance with IFRS 9, the allowance for credit losses has to take into account both incurred losses and expected losses. The new standard prescribes the use of an expected credit loss model (ECL model) for determining expected losses. The ECL model is applied to debt instruments that are measured subsequently at amortized cost or at fair value through other comprehensive income.

The allowance for credit losses is measured at an amount equal to expected losses within the next twelve months (12-month ECL) or at an amount equal to expected losses that arise over the entire term of the financial instrument (lifetime ECL). The lifetime ECL has to be applied if credit risk has increased significantly since initial recognition. IFRS 9 allows entities to use practical expedients in the determination of a significant increase in credit risk and the associated classification of the debt instruments with regard to the ECL model. One of the practical expedients is the lump-sum recognition of the 12-month ECL for debt instruments that have a low credit risk as of the reporting date (low credit risk exemption). Rentenbank does use any further practical expedients due to the composition of its credit portfolio.

A significant aspect in the application of the ECL model is giving appropriate consideration to future-oriented information. This is particularly relevant to determining and applying default probabilities.

Within the framework of the preliminary analysis, the major technical aspects of the ECL model were designed and examined as to the possible technical implementation methods. Apart from determining the necessary data basis for the ECL model, this also included the possibility to apply the practical expedients permitted under IFRS 9. Another outcome of the preliminary analysis is the prototypical determination of the ECL model to estimate any potential effects of the new standard and to comply with regulatory reporting requirements. On the basis of the current framework, Rentenbank does not expect the new standard to have a material impact on the amount of the allowance for credit losses.

In addition to the technical design, one of the key results of the preliminary analysis is a rough IT model which represents the basis for the implementation of phases I and II until initial application.

As part of the implementation project, the findings gathered from the preliminary analysis need to be validated with regard to classification. They also have to be supplemented by data on new business. In addition, a decision has to be made regarding the extent to which the option to measure equity instruments at fair value through other comprehensive income will be applied.

At Rentenbank, the fair value option is only applied to debt instruments due to accounting mismatches. Therefore, a decision has to be made within the context of the implementation project whether the Group will continue to use the fair value option or whether it will be abandoned. Moreover, the Group plans to implement a process to classify new business, to update the Group Manual and all internal working papers, as well as to implement regulatory requirements.

This will be accompanied by the IT-specific implementation of the classification requirements, along with the associated measurement routine and the classification at the date of transition, as well as the IT-specific implementation for the determination of impairment. The implementation will take place in 2017.

IFRS 15 Revenue from Contracts with Customers

The standard includes the new regulations on 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 standard is required to be applied for the first time in the fiscal year 2018. Rentenbank does not expect this standard to have any impact since the bank's material revenues are generated from contracts with customers that are within the scope of application of other standards (IFRS 9, IFRS 16). Revenues not related to Rentenbank's banking operations represent an insignificant amount.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments consist of clarifications regarding the classification and measurement of share-based payment transactions and affect, in particular, the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions.

The amendments are required to be applied for the first time in the fiscal year 2018. They are not expected to have any impact on Rentenbank's consolidated financial statements. The amendments have yet to be endorsed by the EU.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments aim to reduce the effects of the different effective dates of IFRS 9 and the forthcoming standard IFRS 4, in particular on entities whose activities are predominantly connected with insurance.

The amendments are required to be applied for the first time in the fiscal year 2018. However, they are not relevant to Rentenbank's consolidated financial statements. The amendments have yet to be endorsed by the EU.

Amendments to IFRS 15 – Clarifications to IFRS 15

The amendments clarify various requirements of IFRS 15, but also other practical expedients upon transition to the new standard. In addition to the clarifications, the amended standard includes two further practical expedients to reduce cost and complexity for an entity when it first applies the new standard.

The amendments are required to be applied for the first time in the fiscal year 2018. They are not expected to have any impact on Rentenbank's consolidated financial statements. The amendments have yet to be endorsed by the EU.

Annual Improvements to IFRS Standards 2014 – 2016 Cycle

The amendments from the Annual Improvements to IFRS Standards 2014–2016 Cycle are required to be applied for the first time in the fiscal year 2017 (amendments to IFRS 12) and in the fiscal year 2018 (amendments to IFRS 1 and IAS 28).

They are not expected to have any impact on Rentenbank's consolidated financial statements. The amendments have yet to be endorsed by the EU.

Amendments to IAS 40: Transfers of Investment Property

The amendments are intended to clarify the requirements regarding transfers to, or from, investment properties.

The amendments are required to be applied for the first time in the fiscal year 2018. They are not expected to have any impact on Rentenbank's consolidated financial statements. The amendments have yet to be endorsed by the EU.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The amendments are required to be applied for the first time in the fiscal year 2018. Based on current information, the initial application of these amendments is not expected to have a material impact on Rentenbank's consolidated financial statements. The amendments have yet to be endorsed by the EU.

IFRS 16 Leases

The standard specifies the recognition of leases. IFRS 16 replaces the previously applicable standard IAS 17 and three interpretations related to leases.

The standard introduces a single lessee accounting model. It requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value (recognition optional in both cases). Lessors continue to classify leases as operating or finance.

The amendments are required to be applied for the first time in the fiscal year 2019. Due to the short-term nature of the bank's lease contracts and the immateriality of its existing lease obligations, these amendments are not expected to have any impact on Rentenbank's consolidated financial statements. The amendments have 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 prepared as of the reporting date of 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 assessment of 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 as well as of other provisions.

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 2016 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 participations is included in Note 65.

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 investments. Based on the data from the financial statements of these two companies, their share of the Group's total assets and the result before net gains/losses from fair value and hedge accounting amounted to less than 0.1 % each. The data is based on the financial statements for the fiscal year ended December 31, 2016 for Getreide-Import-Gesellschaft mbH, Frankfurt am Main, and on the financial statements for the fiscal year ended December 31, 2015 for Deutsche Bauernsiedlung – Deutsche Gesellschaft für Landentwicklung GmbH (DGL), Frankfurt am Main. The financial statements of DGL for the fiscal year 2016 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 65.

(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 only 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.

The fair value option is elected for financial assets and liabilities 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 classification to the fair value option mostly applies to hedging relationships that involve 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 in 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 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 net gains/losses on financial investments.

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 participations.

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 net gains/losses on financial investments 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 participations included in financial investments.

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 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.

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 investments	Available for sale Held to maturity Designated as at fair value
Other assets (cash collateral)	Loans and receivables
Irrevocable loan commitments	–

Financial liabilities

Class	Measurement category
Liabilities to banks	Other liabilities Designated as at fair value
Liabilities to customers	Other liabilities Designated as at fair value
Other 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 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 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

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.

For financial instruments for which there are no quoted prices for identical assets or liabilities in active markets, the fair value is determined using generally accepted valuation models that are based significantly on observable (Level 2) or unobservable (Level 3) inputs for the asset or liability concerned.

In this context, the fair value of contracts without option features is determined on the basis of the discounted expected future cash flows (discounted cash flow or DCF method). In the case of non-derivative financial assets and liabilities, the deposit/swap curve plus a transaction-specific credit spread are 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. 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. In addition, determining expected future cash flows for the rating categories of DDD to D also requires making judgments.

As a result of the existing netting and 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 credit risk with respect to the business partner's credit quality, a Credit Valuation Adjustment (CVA) for derivatives 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. Under this model, CVA and DVA are calculated by multiplying the potential future exposure, the default probability and the loss given default (LGD). The calculation is based on the established netting pools.

The potential future exposure is calculated by initially determining the balance of positive and negative fair values for each netting pool, taking into account the collateral received or provided (net exposure). In a next step, the net exposure is increased by value at risk, which is calculated using a predefined 10-day holding period and a 95 % confidence level.

The probabilities of default and the loss given default rates are obtained from the data of credit risk management.

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

(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 profit or loss in the revaluation reserve. Without implementing any further measures, the different approaches would 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 offset.

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 risk type 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.

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).

(9) Impairment of financial assets

At the end of each month, 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.

<u>Loans and advances and financial assets measured at (amortized) cost</u>

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 participations 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 in the allowance for credit losses/promotional contribution, while held-to-maturity securities and participations are included in net gains/losses on financial investments.

In accordance with IFRS, impairments resulting from payment defaults are only determined for losses already incurred. Since Rentenbank generally extends loans to other banks, any potential losses are identified in a timely manner. Based on a model of expected 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. The carrying amounts of the portfolios are weighted using probabilities of default and the loss given default 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. The loss given default, in contrast, is determined using regulatory standards. 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.

<u>Available-for-sale financial assets measured at fair value</u>

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 net gains/losses on financial investments.

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) Foreign 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.

Net gains/losses on foreign 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 income/expenses.

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

(11) Repurchase agreements, collateralized loans, and securities lending transactions

In addition to collateralized loans with the Deutsche Bundesbank, 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 63.

(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 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 for 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 life 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 which, considered separately, are not significant in relation to the amount of total assets and cannot be allocated to any other balance sheet item. They are recognized at cost which corresponds to their notional amounts.

(19) Tax assets/liabilities

Tax assets/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 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, and tax liabilities are calculated using the current tax rates. There were no deferred tax assets and liabilities in the year under review.

(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, the amount of Rentenbank's pension obligations depends 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 expense 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 expense 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 income/expenses.

(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 which, considered separately, are not significant in relation to the amount of total liabilities and cannot be allocated to any other balance sheet item. 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 on 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 in 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 64.

Notes to the consolidated statement of comprehensive income

(25) Net interest income	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Interest income from			
Loans and advances to banks and customers	1 035.0	1 159.2	–124.2
Derivative financial instruments	2 056.4	2 013.1	43.3
Financial investments	469.0	555.5	–86.5
Current income from			
Participations	6.9	6.6	0.3
Total interest income	**3 567.3**	**3 734.4**	**–167.1**
Of which from financial instruments that are not measured at fair value through profit or loss	*1 357.5*	*1 551.2*	*–193.7*
Interest expenses for			
Liabilities to banks and customers	171.5	191.4	–19.9
Securitized liabilities	1 478.3	1 641.6	–163.3
Derivative financial instruments	1 566.1	1 552.6	13.5
Subordinated liabilities	17.5	17.4	0.1
Other	0.5	0.4	0.1
Total interest expenses	**3 233.9**	**3 403.4**	**–169.5**
Of which for financial instruments that are not measured at fair value through profit or loss	*373.1*	*452.5*	*–79.4*
Net interest income	**333.4**	**331.0**	**2.4**

Interest expenses are reported including negative interest from money market liabilities and cash collateral received in the amount of EUR 7.3 million (i.e. reducing expenses by this amount). Interest income from cash collateral provided as well as from loan and money market receivables is reported net of negative interest of EUR 19.6 million (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, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Expenses for additions to promotional contribution	89.3	82.1	7.2
Income from utilization of promotional contribution	70.2	67.3	2.9
Additions to portfolio valuation allowances	3.7	2.1	1.6
Reversals of portfolio valuation allowances	0.0	0.5	–0.5
Additions to specific valuation allowances	0.0	2.2	–2.2
Reversals of specific valuation allowances	2.2	0.0	2.2
Recoveries of loans and advances previously written off	0.0	0.0	0.0
Allowance for credit losses/promotional contribution	**20.6**	**18.6**	**2.0**

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. Reversals of specific valuation allowances refer to promissory notes/registered bonds included in loans and advances to banks.

(27) Net fee and commission income

	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Fee and commission income from			
Compensation for administrative expenses	0.1	0.2	−0.1
Total fee and commission income	**0.1**	**0.2**	**−0.1**
Of which from financial instruments that are not measured at fair value through profit or loss	*0.1*	*0.2*	*−0.1*
Fee and commission expenses for			
Custody fees	1.7	1.9	−0.2
Other	0.6	0.5	0.1
Total fee and commission expenses	**2.3**	**2.4**	**−0.1**
Of which for financial instruments that are not measured at fair value through profit or loss	*1.4*	*1.6*	*−0.2*
Net fee and commission income	**−2.2**	**−2.2**	**0.0**

(28) Administrative expenses

	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Personnel expenses	**34.5**	**33.8**	**0.7**
Depreciation and amortization			
Intangible assets	5.7	4.9	0.8
Of which internally generated software	*0.1*	*0.1*	*0.0*
IT equipment	0.6	0.6	0.0
Residential and office buildings	0.5	0.5	0.0
Office equipment and vehicles	0.1	0.1	0.0
Technical and other equipment	0.1	0.1	0.0
Total depreciation and amortization	**7.0**	**6.2**	**0.8**
Other administrative expenses			
IT licenses, fees, consulting services	10.2	10.9	−0.7
Software maintenance	2.1	1.5	0.6
Public relations	1.9	1.8	0.1
Audits, contributions, donations	4.2	3.5	0.7
Funding	1.4	1.4	0.0
Occupancy cost	1.0	1.1	−0.1
Other	5.0	4.8	0.2
Total other administrative expenses	**25.8**	**25.0**	**0.8**
Administrative expenses	**67.3**	**65.0**	**2.3**

Other administrative expenses include lease expenses of EUR 184.1 thousand (2015: EUR 193.5 thousand).

Future lease payments can be broken down as follows:

	Jan. 1 to Dec. 31, 2016 EUR thousand	Jan. 1 to Dec. 31, 2015 EUR thousand	Change in EUR thousand
Future lease payments			
up to 1 year	115.6	44.8	70.8
more than 1 year up to 5 years	196.0	135.9	60.1
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 2016, the Group had 19 (2015: 20) lease agreements. Some of the leases for operating and office equipment provide for renewal or purchase options.

(29) Other operating income/expenses	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Other operating income			
Rental income	1.9	1.8	0.1
Reversals of provisions	0.2	0.8	–0.6
Reimbursements of expenses from third parties	0.6	0.3	0.3
Other income	1.4	1.1	0.3
Total other operating income	**4.1**	**4.0**	**0.1**
Other operating expenses			
Capital increase of Rehwinkel Foundation	0.0	2.0	–2.0
Additions to provisions	5.5	4.9	0.6
Of which promotion of research and innovation	*3.0*	*3.0*	*0.0*
Bank-owned housing	0.5	0.6	–0.1
Other expenses	1.1	0.9	0.2
Total other operating expenses	**7.1**	**8.4**	**–1.3**
Other operating income/expenses	**–3.0**	**–4.4**	**1.4**

(30) Net gains/losses from fair value and hedge accounting	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Net measurement gains/losses			
Fair value measurement			
Hedged items	273.4	225.2	48.2
Derivatives	–474.0	–27.5	–446.5
Net gains/losses on foreign currency translation	26.2	5.7	20.5
Fair value measurement, total	**–174.4**	**203.4**	**–377.8**
Micro hedge accounting			
Hedged items	295.2	66.4	228.8
Hedging instruments	–302.0	–65.5	–236.5
Micro hedge accounting, total	**–6.8**	**0.9**	**–7.7**
Macro hedge accounting			
Hedged items	403.6	87.4	316.2
Hedging instruments	–462.4	–89.8	–372.6
Macro hedge accounting, total	**-58.8**	**–2.4**	**–56.4**
Total net measurement gains/losses	**–240.0**	**201.9**	**–441.9**
Total realized gains/losses	**5.0**	**3.0**	**2.0**
Net gains/losses from fair value and hedge accounting	**–235.0**	**204.9**	**–439.9**

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 measurement.

Net gains/losses from micro 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 in net gains/losses from fair value measurement.

The Group has no open foreign currency positions. However, measurement at fair value results in net gains/losses on foreign currency translation shown in the above table.

Gains/losses 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) Income taxes	Jan. 1 to Dec. 31, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Deferred taxes on temporary differences	0.0	−0.2	0.2
Current income taxes	−1.2	−2.4	1.2
Income taxes	**−1.2**	**−2.6**	**1.4**

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. It includes the earnings of Rentenbank and of all its subsidiaries, including those of their participations.

- 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 and promotional loans (part of the new promotional business) and the direct participations 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 earnings 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 earnings 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 income, and net gains/losses on financial investments as well as net gains/losses from fair value and hedge accounting is made on the basis of individual transactions. Administrative expenses, other operating income/expenses, and income 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 2016 EUR million	Promotional Business 2015 EUR million	Capital Investment 2016 EUR million	Capital Investment 2015 EUR million	Treasury Management 2016 EUR million	Treasury Management 2015 EUR million	Total 2016 EUR million	Total 2015 EUR million
Net interest income before allowance for credit losses/ promotional contribution	172.8	190.5	118.8	116.7	41.8	23.8	333.4	331.0
Allowance for credit losses/ promotional contribution	20.6	18.6	0.0	0.0	0.0	0.0	20.6	18.6
Net fee and commission income	−2.1	−2.0	0.0	0.0	−0.1	−0.2	−2.2	−2.2
Administrative expenses	51.5	49.1	9.8	9.4	6.0	6.5	67.3	65.0
Other operating income/ expenses	−3.0	−4.4	0.0	0.0	0.0	0.0	−3.0	−4.4
Income taxes	−0.2	−2.6	−1.0	0.0	0.0	0.0	−1.2	−2.6
Operating profit	**95.4**	**113.8**	**108.0**	**107.3**	**35.7**	**17.1**	**239.1**	**238.2**
Net gains/losses from fair value and hedge accounting	−240.8	201.6	0.0	0.0	5.8	3.3	−235.0	204.9
Group's net income	**−145.4**	**315.4**	**108.0**	**107.3**	**41.5**	**20.4**	**4.1**	**443.1**

Dec. 31	Promotional Business 2016 EUR billion	Promotional Business 2015 EUR billion	Capital Investment 2016 EUR billion	Capital Investment 2015 EUR billion	Treasury Management 2016 EUR billion	Treasury Management 2015 EUR billion	Total 2016 EUR billion	Total 2015 EUR billion
Segment assets	**81.4**	**81.2**	**4.6**	**4.4**	**9.0**	**7.7**	**95.0**	**93.3**
Segment liabilities (incl. equity)	**81.5**	**82.1**	**4.6**	**4.4**	**8.9**	**6.8**	**95.0**	**93.3**

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, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Cash on hand	0.2	0.1	0.1
Balances with central banks	6.5	21.1	−14.6
Total	**6.7**	**21.2**	**−14.5**

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

(35) Loans and advances to banks

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Repayable on demand	874.8	2.4	872.4
Term deposits	2 824.6	2 627.7	196.9
Promissory notes/registered bonds	12 284.3	13 038.2	–753.9
Special promotional loans	41 426.8	39 688.9	1 737.9
Of which promotional contribution	*–356.8*	*–343.7*	*–13.1*
Other	100.5	100.0	0.5
Total	**57 511.0**	**55 457.2**	**2 053.8**
Of which due after more than 12 months	*49 719.3*	*48 704.1*	*1 015.2*

(36) Loans and advances to customers

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Repayable on demand	0.1	0.1	0.0
Medium and long-term loans	0.0	30.0	–30.0
Promissory notes	7 300.8	6 096.4	1 204.4
Of which municipal loans	*7 300.8*	*6 093.9*	*1 206.9*
Special promotional loans	194.5	252.7	–58.2
Of which promotional contribution	*0.0*	*0.0*	*0.0*
Other	1.4	1.7	–0.3
Total	**7 496.8**	**6 380.9**	**1 115.9**
Of which due after more than 12 months	*7 050.7*	*5 900.8*	*1 149.9*

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

	Promotional contribution		Specific valuation allowances		Portfolio valuation allowances	
	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million
As of Jan. 1	358.1	343.3	2.2	0.0	16.3	14.7
Additions	89.3	82.1	0.0	2.2	3.7	2.1
Utilization	70.2	67.3	0.0	0.0	0.0	0.0
Reversals	0.0	0.0	2.2	0.0	0.0	0.5
As of Dec. 31	**377.2**	**358.1**	**0.0**	**2.2**	**20.0**	**16.3**
Of which:						
Loans and advances to banks	356.8	343.7	0.0	2.2	17.1	14.0
Loans and advances to customers	0.0	0.0	0.0	0.0	1.5	1.1
Loan commitments	20.4	14.4	0.0	0.0	0.4	0.3
Financial investments	0.0	0.0	0.0	0.0	1.0	0.9

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

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Fair value changes of loans attributable to interest changes (macro hedge accounting)	1 258.6	1 298.8	–40.2
Of which due after more than 12 months	*1 243.5*	*1 283.2*	*–39.7*

(39) Positive fair values of derivative financial instruments

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

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
As hedging instruments for:			
Hedged items in hedge accounting (fair value hedge)	1 289.7	1 355.4	–65.7
Hedged items designated as at fair value	5 254.3	5 886.4	–632.1
Other hedged items	19.1	22.9	–3.8
Credit Valuation Adjustment	–13.6	–25.8	12.2
Total	**6 549.5**	**7 238.9**	**–689.4**
Of which due after more than 12 months	*4 525.0*	*5 216.8*	*–691.8*

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

(40) Financial investments

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Bonds and notes	19 135.6	19 793.2	–657.6
Participations	118.8	118.8	0.0
Other financial investments	0.2	0.2	0.0
Total	**19 254.6**	**19 912.2**	**-657.6**
Of which:			
due after more than 12 months	*15 679.2*	*16 212.5*	*–533.3*
eligible as collateral	*15 576.2*	*16 903.3*	*–1 327.1*

Participations 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, 2016.

(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:

	2016 EUR million	2015 EUR million
Cost as of Jan. 1	**19.8**	**19.8**
Additions	0.0	0.0
Disposals	0.0	0.0
Reclassifications	0.0	0.0
Balance as of Dec. 31	**19.8**	**19.8**
Accumulated depreciation		
Balance as of Jan. 1	**–5.4**	**–4.9**
Depreciation	–0.5	–0.5
Balance as of Dec. 31	**–5.9**	**–5.4**
Carrying amount as of Dec. 31	**13.9**	**14.4**

The fair value of the property amounted to EUR 28.7 million (2015: EUR 20.3 million), based on the current independent expert opinion.

Rental income of EUR 1.0 million (2015: EUR 0.9 million) was reported in other operating income. Expenditures directly attributable to the property in the amount of EUR 47.3 thousand (2015: EUR 58.2 thousand) as well as real property tax of EUR 35.9 thousand (2015: 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	
	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million
Cost as of Jan. 1	**23.1**	**23.1**	**11.7**	**10.9**	**34.8**	**34.0**
Additions	0.0	0.0	0.8	1.3	0.8	1.3
Disposals	0.0	0.0	1.7	0.5	1.7	0.5
Balance as of Dec. 31	**23.1**	**23.1**	**10.8**	**11.7**	**33.9**	**34.8**
Accumulated depreciation as of Jan. 1	**−1.8**	**−1.8**	**−10.4**	**−9.9**	**−12.2**	**−11.7**
Depreciation	0.0	0.0	−0.8	−0.8	−0.8	−0.8
Disposals	0.0	0.0	1.4	0.3	1.4	0.3
Balance as of Dec. 31	**−1.8**	**−1.8**	**−9.8**	**−10.4**	**−11.6**	**−12.2**
Carrying amount as of Dec. 31	**21.3**	**21.3**	**1.0**	**1.3**	**22.3**	**22.6**

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 2016.

(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	
	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million
Cost as of Jan. 1	**26.5**	**22.4**	**1.4**	**3.3**	**27.9**	**25.7**
Additions	4.5	4.6	0.0	0.0	4.5	4.6
Disposals	−0.3	−0.5	−0.1	−1.9	−0.4	−2.4
Balance as of Dec. 31	**30.7**	**26.5**	**1.3**	**1.4**	**32.0**	**27.9**
Accumulated amortization as of Jan. 1	**−14.0**	**−9.3**	**−1.0**	**−2.8**	**−15.0**	**−12.1**
Amortization	−5.6	−4.8	−0.1	−0.1	−5.7	−4.9
Disposals	0.3	0.1	0.0	1.9	0.3	2.0
Balance as of Dec. 31	**−19.3**	**−14.0**	**−1.1**	**−1.0**	**−20.4**	**−15.0**
Carrying amount as of Dec. 31	**11.4**	**12.5**	**0.2**	**0.4**	**11.6**	**12.9**

(44) Current income tax assets

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Tax refund claims	0.1	1.0	–0.9
Income tax assets	0.1	0.2	–0.1
Total	**0.2**	**1.2**	**–1.0**

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 2017.

(45) Other assets

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Cash collateral from collateral management (payable on demand)	2 918.3	2 930.4	–12.1
Prepaid expenses	1.8	1.6	0.2
Other	0.5	0.3	0.2
Total	**2 920.6**	**2 932.3**	**–11.7**

(46) Liabilities to banks

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Repayable on demand	6.4	0.1	6.3
Term deposits	0.0	290.0	–290.0
Registered bonds and promissory notes	1 307.7	1 219.7	88.0
Global loans	1 134.4	1 319.5	–185.1
Total	**2 448.5**	**2 829.3**	**–380.8**
Of which due after more than 12 months	*1 870.2*	*2 452.0*	*–581.8*

(47) Liabilities to customers

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Repayable on demand	153.4	135.2	18.2
Term deposits	44.1	30.1	14.0
Registered bonds and promissory notes	3 931.6	4 184.8	–253.2
Loan agreements	42.4	40.5	1.9
Other	17.5	17.7	–0.2
Total	**4 189.0**	**4 408.3**	**–219.3**
Of which due after more than 12 months	*3 957.2*	*3 833.6*	*123.6*

(48) Securitized liabilities

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Medium-term notes	51 844.4	51 777.6	66.8
Global bonds	16 026.8	16 192.3	–165.5
Euro commercial paper	5 901.6	3 514.4	2 387.2
Bearer bonds	59.0	60.6	–1.6
Total	**73 831.8**	**71 544.9**	**2 286.9**
Of which due after more than 12 months	*54 480.0*	*54 528.7*	*–48.7*

(49) Negative fair values of derivative financial instruments

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

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
As hedging instruments for:			
Hedged items in hedge accounting (fair value hedge)	3 992.2	4 780.4	−788.2
Hedged items designated as at fair value	2 076.0	2 198.5	−122.5
Other hedged items	1 265.0	174.1	1 090.9
Debit Valuation Adjustment	−0.1	−0.1	0.0
Total	**7 333.1**	**7 152.9**	**180.2**
Of which due after more than 12 months	*6 156.3*	*6 244.6*	*−88.3*

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

(50) Provisions

	Dec. 31, 2015 EUR million	Utilization EUR million	Reversals EUR million	Additions EUR million	Dec. 31, 2016 Mio. EUR
Provisions for pensions and similar obligations	139.3	6.0	0.0	14.3	147.6
Other provisions	21.8	10.2	0.0	13.6	25.2
Total	**161.1**	**16.2**	**0.0**	**27.9**	**172.8**

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, 2016 EUR million	Jan. 1 to Dec. 31, 2015 EUR million	Change in EUR million
Present value of pension obligations as of Jan. 1	**139.3**	**144.1**	**−4.8**
Current service cost	3.6	3.8	−0.2
Interest expense	2.9	2.8	0.1
Deferred compensation	0.2	0.2	0.0
Actuarial gains (−)/ losses (+) from changes in			
demographic assumptions	−2.3	1.9	−4.2
financial assumptions	9.9	−7.6	17.5
Pension benefits paid	−6.0	−5.9	−0.1
Present value of pension obligations as of Dec. 31	**147.6**	**139.3**	**8.3**

Current service cost and interest expense 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, 2016 EUR million	Dec. 31, 2015 EUR million
Active employees	64.0	57.4
Leavers with vested benefits	4.6	4.2
Pensioners	79.0	77.7
Total	**147.6**	**139.3**

Of the pension provisions, EUR 141.7 million (2015: EUR 133.4 million) were due after more than twelve months.

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

	Dec. 31, 2016	Dec. 31, 2015
Discount rate	1.72 %	2.18 %
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 %	1.50 %
Rate of inflation	1.50 %	1.50 %
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, 2016:

	Scenario	Impact on pension obligations Dec. 31, 2016 EUR million	Impact on pension obligations Dec. 31, 2015 EUR million
Discount rate	0.75 %	−15.5	−14.2
	−0.75 %	18.8	17.1
Rate of salary increases	0.50 %	8.5	8.9
	−0.50 %	−7.8	−8.0
Rate of inflation/rate of pension increases	0.50 %	2.7	1.8
	−0.50 %	−2.4	−1.7
Life expectancy	+ 1 year	9.3	8.4
	−1 year	−9.2	−8.3

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, 2016 EUR million	Dec. 31, 2015 EUR million
Expected benefit payments during the year [1]		
2017	5.9	5.9
2018	6.0	6.0
2019	6.0	6.1
2020	6.1	6.0
2021	6.1	6.1
2022 to 2026	30.7	30.8
Weighted average duration	16 years	16 years

[1] in 2015: 2016 to 2025

b) Other provisions

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Rundown of a former participation	6.1	6.2	−0.1
Promotion of agriculture	12.5	11.6	0.9
Miscellaneous provisions	6.6	4.0	2.6
Total	**25.2**	**21.8**	**3.4**

The provisions for the rundown of a former participation 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 44 years.

Provisions for the promotion of agriculture relate to amounts not yet disbursed from the Promotional Fund and the Research on Agricultural Innovation program.

Miscellaneous provisions primarily included provisions for potential payments for service anniversaries and litigation costs.

Of other provisions, EUR 18.1 million (2015: EUR 14.4 million) have a remaining term of less than twelve months.

(51) Subordinated liabilities

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Medium-term notes	548.1	542.4	5.7
Loan agreements	126.4	120.2	6.2
Promissory notes	66.2	66.8	−0.6
Total	**740.7**	**729.4**	**11.3**
Of which due after more than 12 months	*703.5*	*725.1*	*−21.6*

(52) Other liabilities

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Cash collateral from collateral management (payable on demand)	2 622.5	2 755.5	−133.0
Discounted promotional contribution	20.4	14.4	6.0
Deferred income	2.2	3.1	−0.9
Accruals	3.1	4.9	−1.8
Other liabilities	2.2	2.9	−0.7
Total	**2 650.4**	**2 780.8**	**−130.4**

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 contribution relates to the interest rate reductions and lump-sum administrative expenses 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 special promotional loans.

Accruals mainly include estimated outstanding invoices as well as obligations related to supplementary grants to employees.

Other liabilities primarily include liabilities to the tax authorities amounting to EUR 1.1 million (2015: EUR 1.1 million).

(53) Equity

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Subscribed capital	135.0	135.0	0.0
Retained earnings			
Principal reserve	1 052.7	986.9	65.8
Guarantee reserve	1.1	22.7	−21.6
Other retained earnings	2 410.4	2 465.3	−54.9
Total retained earnings	3 464.2	3 474.9	−10.7
Revaluation reserve			
Unrealized gains/ losses on available-for-sale instruments	118.2	106.8	11.4
Actuarial gains/ losses on pension obligations	−52.7	−45.1	−7.6
Revaluation reserve, total	65.5	61.7	3.8
Distributable profit	14.8	14.3	0.5
Total	**3 679.5**	**3 685.9**	**−6.4**

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 reconciliation to the distributable profit is made through withdrawals from other retained earnings.

(54) Reconciliation of carrying amounts to categories

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

Dec. 31, 2016	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	6.5					6.5
Loans and advances to banks	51 158.0				6 353.0	57 511.0
Loans and advances to customers	7 496.8					7 496.8
Fair value changes of hedged items in a portfolio hedge	1 258.6					1 258.6
Positive fair values of derivative financial instruments				6 549.5		6 549.5
Financial investments		10 699.0	3 278.3		5 277.3	19 254.6
Other assets	2 918.3					2 918.3
Total assets	**62 838.2**	**10 699.0**	**3 278.3**	**6 549.5**	**11 630.3**	**94 995.3**

	Other liabilities EUR million	Held for trading EUR million	Designa-ted as at fair value EUR million	Total EUR million
Liabilities to banks	1 935.7		512.8	2 448.5
Liabilities to customers	2 340.9		1 848.1	4 189.0
Securitized liabilities	21 500.1		52 331.7	73 831.8
Negative fair values of derivative financial instruments		7 333.1		7 333.1
Subordinated liabilities	66.3		674.4	740.7
Other liabilities	2 622.5			2 622.5
Total liabilities	**28 465.5**	**7 333.1**	**55 367.0**	**91 165.6**

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 investments		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**

(55) Financial instruments designated as at fair value

	Loans and advances		Financial investments		Liabilities	
	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million
Maximum exposure to credit risk as of Dec. 31	6 353.0	6 907.4	5 277.3	4 970.7	–	–
Fair value changes attributable to changes in credit risk						
– during the period	0.0	6.7	–0.1	–0.2	–	–
– accumulated	0.4	3.4	–0.1	–1.2	–	–

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 2016 or in previous years.

	Liabilities		
	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Carrying amount	55 367.0	52 590.1	2 776.9
Repayment at maturity	55 157.1	52 268.9	2 888.2
Difference	**–209.9**	**–321.2**	**111.3**
Of which capitalization of interest due in the future	*–880.8*	*–737.6*	*–143.2*

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 interest due in the future.

(56) Net gains or losses by measurement category

	Income statement		Other comprehensive income	
	Net gains/losses from fair value and hedge accounting		Net gains/losses on available-for-sale instruments	
	2016 EUR million	2015 EUR million	2016 EUR million	2015 EUR million
Held for trading	–1 283.0	–183.0	0.0	0.0
Designated as at fair value	827.9	647.9	0.0	0.0
Loans and receivables	213.3	–382.1	0.0	0.0
Available for sale	–63.7	–179.0	11.4	–56.4
Held to maturity	0.0	0.0	0.0	–0.1
Other liabilities	70.5	301.1	0.0	0.0
Total	**–235.0**	**204.9**	**11.4**	**–56.5**

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.

Net gains/losses on foreign currency translation of EUR 26.2 million (2015: EUR 5.7 million), set out in Note 30, comprise hedges of EUR -44.6 million (2015: EUR -0.2 million) classified as held for trading and hedged items designated as at fair value of EUR 70.8 million (2015: EUR 5.9 million).

(57) 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, 2016	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	6 353.0	0.0	4 705.3	1 647.7
Promissory notes and registered debt securities	1 015.7	0.0	1 015.7	0.0
Special promotional loans	1 548.0	0.0	0.0	1 548.0
Other	3 789.3	0.0	3 689.6	99.7
Loans and advances to customers	0.0	0.0	0.0	0.0
Positive fair values of derivative financial instruments	6 549.5	0.0	6 549.5	0.0
Financial investments	15 857.5	7 236.0	8 348.6	272.9
Total assets	**28 760.0**	**7 236.0**	**19 603.4**	**1 920.6**
Liabilities to banks	512.8	0.0	512.8	0.0
Liabilities to customers	1 848.1	0.0	1 435.4	412.7
Securitized liabilities	52 331.7	28 821.7	23 069.1	440.9
Medium-term notes	30 344.4	12 794.7	17 108.8	440.9
Global bonds	16 027.0	16 027.0	0.0	0.0
Euro commercial paper	5 901.3	0.0	5 901.3	0.0
Other	59.0	0.0	59.0	0.0
Negative fair values of derivative financial instruments	7 333.1	0.0	7 333.1	0.0
Subordinated liabilities	674.4	0.0	0.0	674.4
Total liabilities	**62 700.1**	**28 821.7**	**32 350.4**	**1 528.0**

Financial investments do not include participations in two banks and several companies at a total carrying amount of EUR 118.8 million (2015: EUR 118.8 million). They are measured at cost as their fair value cannot be reliably determined. Since the participations 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 participations.

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 investments	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**

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

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Transfers from Level 1 to Level 2		
Financial investments	1 292.8	1 781.5
Securitized liabilities	53.7	4 260.6
Medium-term notes	53.7	4 260.6
Global bonds	0.0	0.0
Transfers from Level 2 to Level 1		
Financial investments	1 295.7	2 393.9
Securitized liabilities	4 665.9	2 651.1
Medium-term notes	1 445.3	1 491.0
Global bonds	3 220.6	1 160.1

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:

2016	Loans and advances to banks		Loans and advances to customers	Financial investments
	Special promotional loans	Other		
	EUR million	EUR million	EUR million	EUR million
Fair value as of Jan. 1	**2 669.9**	**99.0**	**2.6**	**61.3**
Transfers to Level 3	0.0	0.0	0.0	121.7
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)	23.9	0.7	2.2	4.5
in net gains/losses on available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0	0.5
Additions through purchases	0.0	0.0	0.0	84.5
Disposals through sales	0.0	0.0	0.0	0.0
Settlements	1 146.4	0.0	4.8	0.0
Change in accrued interest	0.6	0.0	0.0	0.4
Fair value as of Dec. 31	**1 548.0**	**99.7**	**0.0**	**272.9**
Unrealized gains and losses recognized in the income statement relating to assets held as of Dec. 31	14.0	0.9	0.0	4.5

2016	Liabilities to customers	Securitized liabilities	Subordinated liabilities
		Medium-term notes	
	EUR million	EUR million	EUR million
Fair value as of Jan. 1	**1 229.7**	**61.8**	**662.6**
Transfers to Level 3	40.4	339.2	0.0
Transfers from Level 3	1 010.0	0.0	0.0
Gains and losses recognized			
in net gains/losses from fair value and hedge accounting (income statement)	–13.0	–39.7	–12.2
in net gains/losses on available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0
New issues	139.6	0.0	0.0
Settlements	0.0	0.0	0.0
Change in accrued interest	0.0	0.2	–0.4
Fair value as of Dec. 31	**412.7**	**440.9**	**674.4**
Unrealized gains and losses recognized in the income statement relating to liabilities held as of Dec. 31	–13.0	–39.7	–12.3

2015	Loans and advances to banks		Loans and advances to customers	Financial investments
	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 net gains/losses on available-for-sale instruments (other comprehensive income)	0.0	0.0	0.0	−1.4
Additions through purchases	0.0	0.0	0.0	0.0
Disposals through 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 net gains/losses on 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

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, 2016	Fair value EUR million	Valuation technique	Significant unobservable inputs	Range (weighted average) in bps	Sensitivity (+40bps) EUR million
Loans and advances to banks	1 647.7	Discounted cash flow	Credit spread for loans	−5 to 59 (8.2)	−10.8
Special promotional loans	1 548.0	Discounted cash flow	Credit spread for loans	−5 to 7 (4.9)	−10.6
Other	99.7	Discounted cash flow	Credit spread for loans	59 to 59 (59)	−0.2
Financial investments	8.5	Discounted cash flow	Credit spread for bonds with indemnity agreements	14 to 14 (14)	0.0
Of which net gains/losses from fair value and hedge accounting (income statement)	8.5	Discounted cash flow	Credit spread for loans	14 to 14 (14)	0.0
Financial investments	264.4	Bloomberg	Significant portion of unobservable inputs in relation to the Bloomberg price		−6.7
Of which net gains/losses on available-for-sale instruments (other comprehensive income)	264.4	Bloomberg	Significant portion of unobservable inputs in relation to the Bloomberg price		−6.7
Liabilities to customers	412.7	Discounted cash flow	Credit spread for own issues in EUR for terms to maturity of > 20 years	−13 to −12 (−12.9)	59.5
		Discounted cash flow	Credit spread for own issues in JPY	15 to 15 (15)	0.4
Securitized liabilities	440.9	Discounted cash flow	Credit spread for own issues	−32 to 30 (19.4)	1.2
Medium-term notes	440.9	Discounted cash flow	Credit spread for own issues in BRL	30 to 30 (30)	1.2
		Discounted cash flow	Credit spread for own issues in JPY	−32 to 22 (−10.6)	0.0
Subordinated liabilities	674.4	Discounted cash flow	Credit spread for subordinated issues	−19 to 34 (5.1)	25.5

Dec. 31, 2015	Fair value EUR million	Valuation technique	Significant unobservable inputs	Range (weighted average) in bps	Sensitivity (+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 investments	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 investments	52.9	Bloomberg	Significant portion of unobservable inputs in relation to the Bloomberg price		−0.7
Of which net gains/ losses on 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

(58) 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, 2016			Dec. 31, 2015		
	Fair value EUR million	Carrying amount EUR million	Difference EUR million	Fair value EUR million	Carrying amount EUR million	Difference EUR million
Cash and balances with central banks	6.5	6.5	0.0	21.1	21.1	0.0
Loans and advances to banks	51 762.8	51 158.0	604.8	48 900.2	48 552.4	347.8
Loans and advances to customers	7 724.5	7 496.8	227.7	6 553.4	6 378.3	175.1
Fair value changes of hedged items in a portfolio hedge	1 258.6	1 258.6	0.0	1 298.8	1 298.8	0.0
Financial investments	3 466.2	3 278.3	187.9	3 445.3	3 260.5	184.8
Other assets	2 918.3	2 918.3	0.0	2 930.4	2 930.4	0.0
Total assets	**67 136.9**	**66 116.5**	**1 020.4**	**63 149.2**	**62 441.5**	**707.7**
Liabilities to banks	1 962.7	1 935.7	27.0	1 856.5	1 826.5	30.0
Liabilities to customers	2 394.0	2 340.9	53.1	3 047.0	2 975.6	71.4
Securitized liabilities	21 674.4	21 500.1	174.3	21 428.3	21 298.3	130.0
Subordinated liabilities	66.7	66.3	0.4	67.2	66.8	0.4
Other liabilities	2 622.5	2 622.5	0.0	2 755.5	2 755.5	0.0
Total liabilities	**28 720.3**	**28 465.5**	**254.8**	**29 154.5**	**28 922.7**	**231.8**

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, 2016	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	51 762.8	0.0	11 495.7	40 267.1
Promissory notes and registered debt securities	11 525.4	0.0	11 485.9	39.5
Special promotional loans	40 227.6	0.0	0.0	40 227.6
Other	9.8	0.0	9.8	0.0
Loans and advances to customers	7 724.5	0.0	7 528.2	196.3
Fair value changes of hedged items in a portfolio hedge	1 258.6	0.0	1 258.6	0.0
Financial investments	3 466.2	1 226.4	2 082.3	157.5
Investment property	28.7	0.0	0.0	28.7
Total assets	**64 240.8**	**1 226.4**	**22 364.8**	**40 649.6**
Liabilities to banks	1 962.7	0.0	1 962.7	0.0
Liabilities to customers	2 394.0	0.0	2 353.8	40.2
Securitized liabilities	21 674.4	18 491.1	3 183.3	0.0
Medium-term notes	21 674.0	18 491.1	3 182.9	0.0
Global bonds	0.0	0.0	0.0	0.0
Euro commercial paper	0.0	0.0	0.0	0.0
Other	0.4	0.0	0.4	0.0
Subordinated liabilities	66.7	0.0	0.0	66.7
Total liabilities	**26 097.8**	**18 491.1**	**7 499.8**	**106.9**

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 investments	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**

(59) Derivatives

Breakdown by risk:

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Interest rate risks	104 715.9	103 207.9	1 604.1	1 918.7	5 452.8	5 026.4
Currency risks	56 860.1	53 674.1	4 945.4	5 313.6	1 880.3	2 126.5
Share price risk and other price risks	0.0	30.0	0.0	6.6	0.0	0.0
Total	**161 576.0**	**156 912.0**	**6 549.5**	**7 238.9**	**7 333.1**	**7 152.9**

Breakdown by counterparty:

	Notional amounts		Fair values positive		Fair values negative	
	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Banks in OECD countries	150 889.2	139 143.8	6 278.2	6 470.5	6 692.2	6 295.5
Non-banks in OECD countries	10 226.3	16 894.8	271.3	767.8	612.5	796.5
Public sector entities in OECD countries	460.5	873.4	0.0	0.6	28.4	60.9
Total	**161 576.0**	**156 912.0**	**6 549.5**	**7 238.9**	**7 333.1**	**7 152.9**

Other disclosures

(60) 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.

(61) 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 and Tier 2 capital. The following table shows the IFRS amounts of the eligible own funds as of December 31, 2016:

	Dec. 31, 2016 EUR million	Dec. 31, 2015 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	3 475.1	3 046.2
Deductions from Common Equity Tier 1 (Difference portfolio valuation allowance: as of reporting date compared to the previous year)	0.0	−1.6
Revaluation reserve pursuant to Art. 26(1) point (d) CRR in conjunction with Art. 468 CRR (transitional provisions)	37.0	44.9
Measurement effects from own credit risk from liabilities prudential filters, own credit standing pursuant to Art. 33(1) point (b) CRR	222.4	285.8
Measurement effects from own credit risk from derivative liabilities prudential filters, own credit standing pursuant to Art. 33(1) point (c) CRR	−0.1	−1.5
Additional value adjustments pursuant to Art. 34 CRR (prudent valuation)	−353.0	−312.0
Intangible assets pursuant to Art. 37 CRR	−17.2	−17.8
Tier 1 capital	**3 499.2**	**3 179.0**
Subordinated liabilities pursuant to Art. 62 point (a) CRR	44.1	46.1
Subordinated liabilities pursuant to Art. 484 CRR	339.7	413.4
Credit risk adjustment pursuant to Art. 110 (1) CRR	0.0	16.3
Tier 2 capital	**383.8**	**475.8**
Eligible own funds	**3 883.0**	**3 654.8**

Under the credit-risk standardized approach, business partner ratings are used 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 minimum capital 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, 2016 %	Dec. 31, 2015 %
Common Equity Tier 1 capital ratio pursuant to CRR	23.2	20.2
Tier 1 capital ratio pursuant to CRR	23.2	20.2
Total capital ratio pursuant to CRR	25.7	23.2

(62) Country-by-country reporting

The requirements set out in Article 89 of Directive 2013/36/EU (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 income/expenses
- Net gains/losses on financial investments
- Net gains/losses from fair value and hedge accounting

The turnover determined using this method amounted to EUR 93.2 million in the fiscal year 2016 (2015: EUR 529.2 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 profit 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 278 (2015: 268) employees on average in 2016, of which 221 (2015: 218) 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 2016 amounted to EUR 5.3 million (2015: EUR 445.7 million), tax on profit or loss amounted to EUR -1.2 million (2015: EUR –2.6 million).

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 0.00 % as of December 31, 2016 (2015: 0.48 %).

(63) Assets pledged and received 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, 2016 EUR million	Dec. 31, 2015 EUR million	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million
Gross carrying amount	6 549.5	7 238.9	7 333.1	7 152.9
Cash collateral from collateral management	2 622.5	2 755.5	2 918.3	2 930.4

The following assets are registered as collateral in the cover register for covered bonds in the amount of EUR 22.7 million (2015: EUR 463.1 million):

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Loans and advances to banks	96.1	924.1	–828.0
Loans and advances to customers	0.0	0.0	0.0

In order to ensure solvency, the freely available refinancing potential amounted to EUR 20 207 million in nominal terms (2015: EUR 20 010 million) as of the balance sheet date.

As of December 31, 2016, receivables from reverse repo transactions in connection with General Collateral Pooling amounted to EUR 2 265 million (2015: EUR 1 502 million) due from Eurex Clearing AG. In this context, Rentenbank received collateral from the basket of securities with a market value of EUR 2 385 million (2015: EUR 1 611 million) and a nominal amount of EUR 2 207 million (2015: EUR 1 508 million). Rentenbank deposited securities with a collateral value of EUR 700 million (2015: EUR 600 million) and a notional amount of EUR 688 million (2015: EUR 587 million) as collateral at Eurex Clearing AG.

In addition, Rentenbank provided securities from its own portfolio as collateral with a collateral value of EUR 16 million (2015: EUR 16 million) and a notional amount of EUR 13 million (2015: EUR 13 million).

(64) Contingent liabilities and other commitments

	Dec. 31, 2016 EUR million	Dec. 31, 2015 EUR million	Change in EUR million
Contingent liabilities			
Liabilities from guarantees and indemnity agreements	1.0	1.3	–0.3
Other commitments			
Irrevocable loan commitments	990.0	841.7	148.3
Total	**991.0**	**843.0**	**148.0**

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

Other commitments include irrevocable loan commitments from the special promotional business. These commitments will be drawn down largely in 2017.

(65) List of participations

The following table provides a full list of all the participations of the Rentenbank Group pursuant to Section 313 (2) HGB.

Name of the company	Share of capital in %	Equity in EUR million	Net income/loss EUR million
I. Companies included in the consolidated financial statements			
Fully consolidated subsidiaries			
LR Beteiligungsgesellschaft mbH, Frankfurt am Main	100.0	121.9	–0.5
DSV Silo- und Verwaltungsgesellschaft mbH, Frankfurt am Main	100.0	13.4	2.2
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	7.0	–0.2
Other participations			
LAND-DATA Beteiligungs GmbH, Hanover [2)]	10.9	1.7	0.4
LAND-DATA GmbH, Hanover [2)]	10.9	4.4	0.2
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen [2)]	9.8	45.6	3.2
Niedersächsische Landgesellschaft mbH, Hanover [2)]	6.3	140.4	26.3
Landgesellschaft Sachsen-Anhalt mbH, Magdeburg [2)]	5.5	61.6	9.3
Landgesellschaft Schleswig-Holstein mbH, Kiel [2)]	3.2	69.1	9.8
DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main [2)]	2.2	8 008.0	224.0

[1)] A profit and loss transfer agreement is in place with the company

[2)] Equity and net income as of December 31, 2015

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 participations 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 investments.

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, 2015 EUR thousand	Dec. 31, 2014 EUR thousand
Assets	19 513.1	19 907.5
Liabilities	12 532.5	12 696.8
Net income/loss	–0.2	–0.2

(66) 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. Furthermore, the Group's related parties include the Federal Ministry of Food and Agriculture, the subsidiary not included in the consolidated financial statements (Getreide-Import-Gesellschaft mbH, Frankfurt am Main), as well as 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, 2016 EUR thousand	Dec. 31, 2015 EUR thousand	Dec. 31, 2016 EUR thousand	Dec. 31, 2015 EUR thousand	Dec. 31, 2016 EUR thousand	Dec. 31, 2015 EUR thousand
Deposits	423.3	630.8	8 785.7	8 882.4	496.8	565.4

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.

On the basis of the management service agreement between GIG and the Group, the Group received income of EUR 99.3 thousand (2015: EUR 87.0 thousand) for the fiscal year 2016. The Group received EUR 1.7 thousand (2015: EUR 1.5 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 121.0 thousand (2015: EUR 97.7 thousand) towards GIG. Due to a profit and loss transfer agreement, the Group absorbed the net loss of GIG in the amount of EUR 106.7 thousand (2015: EUR 75.5 thousand).

Provisions of EUR 6.1 million (2015: EUR 6.2 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.

On the basis of a service agreement with DGL, the Group received income in the amount of EUR 24.6 thousand (2015: 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 legal supervision of the German Federal Ministry of Food and Agriculture (the supervisory authority), which makes its decisions in concert with the German Federal Ministry of Finance. The supervisory authority ensures that the operations of Rentenbank adhere to public interest in the promotion of agriculture and rural areas, and that the bank's activities are in compliance with laws and the bank's statutes.

As in the previous year, no significant transactions were carried out in 2016 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 in the fiscal year 2016:

	Fixed remuneration*		Variable remuneration		Other remuneration		Total remuneration	
	2016 EUR thousand	2015 EUR thousand	2016 EUR thousand	2015 EUR thousand	2016 EUR thousand	2015 EUR thousand	2016 EUR thousand	2015 EUR thousand
Hans Bernhardt	700.0	530.0	120.0	235.0	41.2	41.1	861.2	806.1
Dr. Horst Reinhardt	700.0	530.0	120.0	235.0	27.0	26.6	847.0	791.6
Imke Ettori**	300.0	400.0	0.0	100.0	273.9	11.8	573.9	511.8
Total	**1 700.0**	**1 460.0**	**240.0**	**570.0**	**342.1**	**79.5**	**2 282.1**	**2 109.5**

* As a result of the change in the remuneration system (effective as from the fiscal year 2016), the figures for Mr. Bernhardt and Dr. Reinhardt each include a fixed one-off payment totaling EUR 170.0 thousand

** Member until September 30, 2016

Remuneration is classified exclusively as current benefits since they are paid within twelve months after the end of the fiscal year. A portion of 40% of the variable remuneration for the fiscal year 2015 was spread out over a period of three years and will be paid from 2017 to 2019, provided that the relevant conditions are met.

The pension obligations due to the members of the Board of Managing Directors amounted to EUR 10 575.7 thousand as of December 31, 2016 (2015: EUR 10 052.7 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 739.4 thousand in the fiscal year 2016 (2015: EUR 745.9 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 19 282.6 thousand (2015: EUR 19 508.2 thousand) as of December 31, 2016. Benefits and other remuneration paid in the reporting period amounted to EUR 1 334.9 thousand (2015: EUR 1 311.8 thousand).

In accordance with the remuneration regulations, the Chairman of the Board of Supervisory Directors receives a fixed remuneration of EUR 30.0 thousand (2015: EUR 30.0 thousand), his Deputy Chairman EUR 20.0 thousand (2015: EUR 20.0 thousand) and all other members of the Board of Supervisory Directors receive basic annual remuneration of EUR 10.0 thousand each (2015: 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 (2015: EUR 2.0 thousand) and members who chair a committee EUR 4.0 thousand (2015: EUR 4.0 thousand).

The total remuneration of the Board of Supervisory Directors in the year under review amounted to EUR 282.5 thousand (2015: EUR 292.5 thousand), including VAT.

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

	Membership		Remuneration	
	2016	2015	2016 EUR thousand	2015 EUR thousand
Joachim Rukwied	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	42.0	42.0
Christian Schmidt [1]	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	22.0	22.0
Georg Fahrenschon	Jan. 1 – June 30	Jan. 1 – Dec. 31	7.0	14.0
Udo Folgart	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	14.0
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	15.5	14.0
Michael Reuther	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	14.0
Dr. Caroline Toffel	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	14.0	12.3
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	12.0
Brigitte Scherb	Jan. 1 – Dec. 31	Jan. 1 – Dec. 31	12.0	12.0
Konrad Weiterer	Jan. 1 – Aug. 24	Jan. 1 – Dec. 31	6.7	10.0
Dr. Marcus Pleyer [2]	Jan. 1 – Dec. 31	–	14.5	–
Werner Schwarz	Jan. 1 – Dec. 31	–	10.0	–
Dr. Rolf Bösinger	Jan. 1 – Dec. 31	–	10.0	–
Birgit Keller	Jan. 1 – Dec. 31	–	10.0	–
Wolfgang Reimer	Jan. 1 – May 2	–	3.3	–
Peter Hauk	May 12 – Dec. 31	–	6.3	–
Dr. Klaus Stein	–	Jan. 1 – Nov. 30	–	16.2
Norbert Schindler	–	Jan. 1 – Dec. 31	–	12.0
Helmut Brunner	–	Jan. 1 – Dec. 31	–	10.0
Prof. Matthias Stauch	–	Jan. 1 – Dec. 31	–	10.0
Jörg Vogelsänger	–	Jan. 1 – Dec. 31	–	10.0
Total remuneration			**251.3**	**262.5**

1) Direct donations to the foundation ”Neue Synagoge Berlin - Centrum Judaicum”, ”Arbeitsgemeinschaft der Evangelischen Jugend in Deutschland e. V.” and ”Förderverein BlechSchatz/Verein zur Förderung der Posaunenchorarbeit in Bayern e. V.”

2) Member since December 21, 2015; no remuneration in 2015

Additional disclosures pursuant to the German Commercial Code (HGB)

(67) Average number of employees

	Male		Female		Total	
	2016	2015	2016	2015	2016	2015
Full-time employees	141	135	80	83	221	218
Part-time employees	9	5	48	45	57	50
Total	**150**	**140**	**128**	**128**	**278**	**268**

(68) Auditors' fees

	2016 EUR thousand	2015 EUR thousand
Audit services*	304.4	286.4
Other certification services	82.9	65.4
Tax consulting services	0.0	20.5
Other services	393.6	352.2
Total	**780.9**	**724.5**

* Of the fees for audit services in 2016, EUR 23.0 thousand relates to the previous year; of the fees for audit services in 2015, EUR 18.4 thousand related to 2014

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 15, 2017

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt   Hans Bernhardt

Responsibility Statement by the Board of Managing Directors

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 15, 2017

LANDWIRTSCHAFTLICHE RENTENBANK
The Board of Managing Directors

Dr. Horst Reinhardt   Hans Bernhardt

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, 2016. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs, as adopted by the EU, and the additional applied 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 applied 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, complies with the German statutory requirements, 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 15, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Management Bodies (as of April 6, 2017)

Board of Managing Directors

Dr. Horst Reinhardt (Speaker), Dipl.-Volkswirt, MBA
Hans Bernhardt, Dipl.-Kaufmann
Imke Ettori, Dipl.-Kauffrau (until September 30, 2016)

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:

Udo Folgart
Honorary President of the Farmers' Association of Brandenburg, Teltow/Ruhlsdorf

Brigitte Scherb
President of the German Rural Women's Association, Berlin

Werner Hilse
President of the Farmers' Association of Lower Saxony, Hanover

Werner Schwarz
President of the Farmers' Association of Schleswig-Holstein, Rendsburg

Bernhard Krüsken
Secretary-General of the German Farmers' Association, Berlin

Representative of the German Raiffeisen Association:

Manfred Nüssel
President of the German Raiffeisen Association, Berlin

Representatives of the Food Industry:

Dr. Werner Hildenbrand
Deputy Chairman of the Federation of German Food and Drink Industries, Berlin (since February 2, 2017)

Konrad Weiterer
President of the Federal Association of German Agribusiness (BVA), Berlin (until August 24, 2016)

State Ministers of Agriculture:

Hamburg:
Dr. Rolf Bösinger
State Council for Economy, Transport and Innovation, Hamburg

Thuringia:
Birgit Keller
Minister of Infrastructure and Agriculture, Erfurt

Baden-Württemberg:
Peter Hauk
Minister of Rural Affairs and Consumer Protection, Stuttgart (since May 12, 2016)

Wolfgang Reimer
Director-General of the Ministry of Rural Affairs and Consumer Protection, Stuttgart (January 1, 2016 – May 2, 2016)

Representative of the Trade Unions:

Harald Schaum
Deputy Federal Chairman of the Industrial Union Construction, Agriculture, Environment (IG BAU), Frankfurt am Main

Representatives of the Federal Ministry of Food and Agriculture:

Dr. Hermann Onko Aeikens
State Secretary, Berlin (since March 20, 2017)

Dr. Robert Kloos
State Secretary, Berlin (until December 31, 2016)

Representative of the Federal Ministry of Finance:

Dr. Marcus Pleyer
Head of Directorate, Berlin

Representatives of credit institutions or other credit experts:

Dr. Birgit Roos
Chairwoman of the Board of Managing Directors of Sparkasse Krefeld, Krefeld (since April 6, 2017)

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

Georg Fahrenschon
President of the German Savings Banks Association (DSGV), Berlin (until June 30, 2016)

General Meeting

Appointed by the Federal State of Baden-Württemberg:

Hannelore Wörz
Honorary President of the Rural Women's Association of Württemberg-Baden, Güglingen

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
The Farmers' Union of Brandenburg, Schrepkow

Henrik Wendorff
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 and Hanseatic City of Hamburg:

Heinz Behrmann
Honorary President of the Farmers' Association of Hamburg, Hamburg

Appointed by the Federal State of Hesse:

Jürgen Mertz
Vice President of the Horticultural Association of Baden-Württemberg-Hesse, Hadamar

Friedhelm Schneider
Honorary President of the Farmers' Association of Hesse, Friedrichsdorf (until May 25, 2016)

Karsten Schmal
President of the Farmers' Association of Hesse, Friedrichsdorf (since May 25, 2016)

Appointed by the Federal State of Mecklenburg-Vorpommern:

Harald Nitschke
Managing Director of Raminer Agrar GmbH, Ramin

Rainer Tietböhl
Farmers' Association of Mecklenburg-Vorpommern, Neubrandenburg

Appointed by the Federal State of Lower Saxony:

Heinz Korte
Chairman of the Supervisory Board of DMK Deutsches Milchkontor GmbH, 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
Honorary President of the Farmers' and Winegrowers' Association of Rhineland-Nassau, Niederbettingen

Michael Prinz zu Salm-Salm
Chairman of the Association of Family Businesses Agriculture and Forestry, Schloss Wallhausen

Appointed by the Federal State of Saarland:

Klaus Fontaine
President of the Farmers' Association of Saar, Saarwellingen

Appointed by the Free State of Saxony:

Dr. Hartwig Kübler
Deputy Chairman of the Association of Family Businesses Agriculture and Forestry of Saxony and Thuringia, Naundorf OT Raitzen

Gerhard Förster
Vice President of the Farmers' Association of Saxony, Dresden

Appointed by the Federal State of Saxony-Anhalt:

Jochen Dettmer
Spokesman of the Management Board of NEULAND Association, Belsdorf

Torsten Wagner
First Vice President of the Managing Board of the Farmers' Association of Saxony-Anhalt, Sangerhausen

Appointed by the Federal State of Schleswig-Holstein:

Kirsten Wosnitza
Chairwoman of the Schleswig-Holstein Regional Team of the German Federal Dairy Farmers' Association (BDM), Löwenstedt

Dietrich Pritschau
Member of the Managing Board of the Farmers' Association of Schleswig-Holstein, Westerrade (since March 22, 2016)

Appointed by the Free State of Thuringia:

Dr. Lars Fliege
Vice President of the Farmers' Association of Thuringia, Pfiffelbach

Joachim Lissner
Managing Director of the Association of Horticulture of Thuringia, Erfurt

Trustee

Ralf Wolkenhauer
Head of Directorate
Federal Ministry of Food and Agriculture, Berlin

Deputy trustee

Dr. Karl Wessels
Head of Division
Federal Ministry of Food and Agriculture, Berlin

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, 2016 and were audited by the auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, who issued an unqualified audit opinion. The voluntary consolidated financial statements as well as the combined management report as of December 31, 2016 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 HGB. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, audited the voluntary consolidated financial statements as well as the combined management report and 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 voluntary consolidated financial statements, including the combined management report, as well as the annual report 2016 of Landwirtschaftliche Rentenbank. The Board of Supervisory Directors adopts the bank's annual financial statements including the combined management report for the fiscal year 2016 and approves the voluntary consolidated financial statements and the combined management report for the fiscal year 2016.

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 21 595 000 from the guarantee reserve and to increase the principal reserve (Hauptrücklage) by the same amount.

Of the net income of EUR 59 000 000 reported in the income statement, EUR 44 250 000 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 14 750 000, the Board of Supervisory Directors resolved to allocate EUR 7 375 000 to the Special Purpose Fund of the German Federal Government and EUR 7 375 000 to 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 (PCGK) 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 6, 2017

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.