Volksbanken Raiffeisenbanken
cooperative financial network

2012 ANNUAL REPORT
CONFIDENCE

DZ BANK Group

DZ BANK GROUP

PARTNER IN THE VOLKSBANKEN RAIFFEISENBANKEN COOPERATIVE FINANCIAL NETWORK

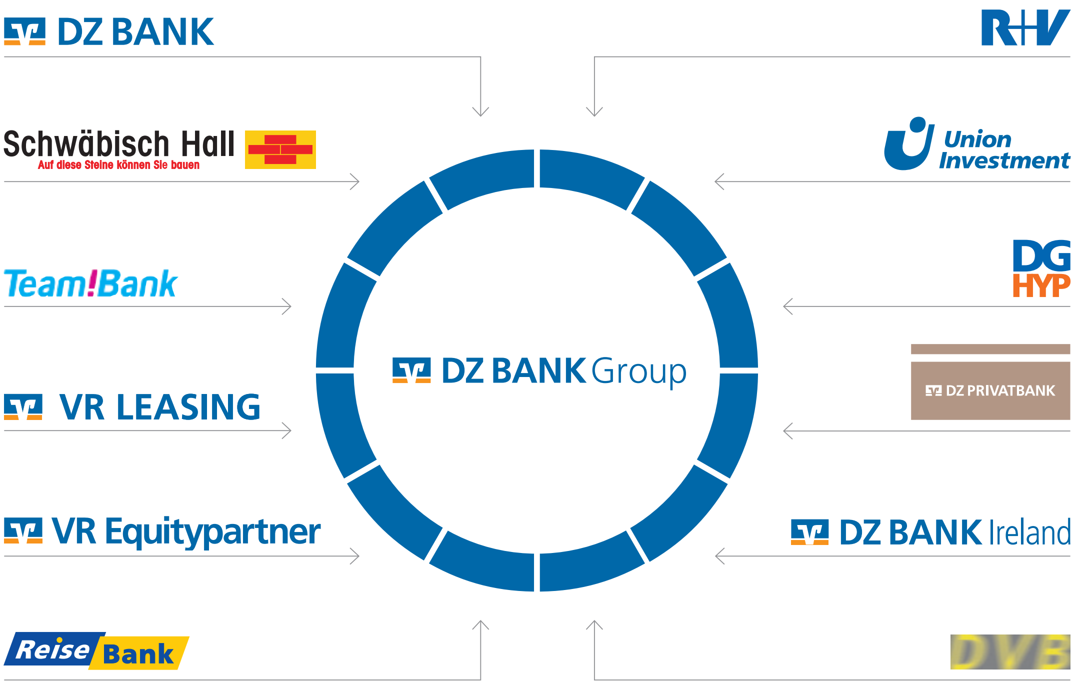
The DZ BANK Group forms part of the German cooperative financial network, which comprises some 1,100 local cooperative banks and is one of Germany's largest private-sector financial services organizations measured in terms of total assets. Within the cooperative financial network, DZ BANK AG functions both as a central institution for over 900 cooperative banks and their 12,000 branch offices and as a corporate bank.

The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DG HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment Group, VR LEASING, and various other specialized institutions. With their strong brands, the companies of the DZ BANK Group constitute key pillars in the range of financial products and services offered by the cooperative financial network. The DZ BANK Group sets out its strategy and range of services for the cooperative banks and their customers through its four strategic business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking.

This combination of banking, insurance, home savings, and personal investment products and services has a long and successful tradition in the cooperative financial network. The specialized institutions in the DZ BANK Group provide top-class, highly competitive products at reasonable prices within their specific areas of expertise. This ensures that the cooperative banks in Germany are able to offer their clients a comprehensive range of outstanding financial services.

STRONG BRANDS – STRONG PARTNERS

COMPANY BRANDS



PRODUCT BRANDS

AKZENT Invest

easyCredit®

KEY FIGURES

DZ BANK GROUP

€ million	2012	2011
FINANCIAL PERFORMANCE		
Operating profit[1]	1,846	719
Allowances for losses on loans and advances	-527	-395
Profit before taxes	1,319	324
Net profit	969	609
Cost/income ratio (percent)	60.7	79.1

	Dec. 31, 2012	Dec. 31, 2011
FINANCIAL POSITION		
Assets		
Loans and advances to banks	79,429	80,035
Loans and advances to customers	123,811	120,760
Financial assets held for trading	66,709	71,858
Investments	59,792	61,690
Investments held by insurance companies	66,296	59,348
Remaining assets	11,199	12,235
Equity and liabilities		
Deposits from banks	100,596	106,919
Deposits from customers	92,169	92,871
Debt certificates issued including bonds	63,290	55,114
Financial liabilities held for trading	58,715	67,371
Insurance liabilities	63,260	57,437
Remaining liabilities	16,565	15,439
Equity	12,641	10,775
Total assets/total equity and liabilities	**407,236**	**405,926**
Volume of business[2]	**627,412**	**605,255**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	13.8	11.5
Tier 1 capital ratio (percent)	13.6	10.1
DERIVATIVES		
Notional amount	968,733	1,057,918
Positive fair values	37,831	34,003
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**28,227**	**27,825**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	A1	Aa3
Fitch Ratings	A+	A+

1 Operating income (net interest income + net fee and commission income + gains and losses on trading activities + gains and losses on investments + other gains and losses on valuation of financial instruments + net income from insurance business + other net operating income) less administrative expenses

2 Total assets including financial guarantee contracts and loan commitments, trust activities and assets under management of the Union Investment Group

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WOLFGANG KIRSCH, CHIEF EXECUTIVE OFFICER

Dear Shareholders,

During 2012, the severity of the European sovereign debt crisis reached its worst level to date. However, it was encouraging to note that uncertainty and instability in the capital markets in the first six months was followed by noticeable signs of an easing in the situation over the rest of the year. To give credit where it is due, a good deal of this improvement was down to determined intervention by the European Central Bank and the European Union. We still need to wait and see whether this represents a turning point in the crisis because uncertainty remains as to whether the countries in the euro zone can continue to bear the current level of government indebtedness over the long term and whether the restructuring measures already initiated can be sustained. On top of this, we are faced with a number of political imponderables arising from developments in France, elections in Italy and, not least, from elections also due to take place this year in Germany.

Further stabilization will largely depend on whether policymakers can convince the general public that the path they have taken is both legitimate and effective. This can be seen from what is currently happening in Cyprus. The German Word of the Year 2012 was Rettungsroutine – which translates as 'bailout routine' – indicating that in Europe we now have well-embedded processes for coordinating rescue packages. However, such a routine should not be at the expense of sound analysis and decision-making on a case-by-case basis. The task faced by the individual countries in the euro zone remains to combine short-term fiscal consolidation with long-term reform strategies – a course of action in which certain adjustment processes are unavoidable.


»1


»2


»3


»4

Recession will therefore persist in 2013, particularly in the peripheral countries of the euro zone. In contrast, our economists predict that Germany will see growth of 0.4 percent in the current year, reaching 2.2 percent again in 2014.

Alongside these challenges directly affecting the banking industry, we are seeing fundamental changes in the future regulatory environment for banks. The scale of the plans is unprecedented, as is the uncertainty regarding the details and timing of the changes, not to mention the lack of international coordination.

A notable development is that, since the beginning of this year, Basel III has been applied in Europe as the de facto regulatory standard, regardless of when the associated regulations are actually intended formally to come into effect. In addition, the regulatory capital analysis under the standards specified in the German Commercial Code (HGB) will be switched to a basis determined in accordance with the International Financial Reporting Standards (IFRS) no later than at the end of this year. The effect of both of these developments will be significantly higher capital requirements in the banking business. Discussions about a split banking system and a financial transaction tax, to name but two examples, are making it more difficult to plan with any degree of certainty. The problems are being compounded by the fact that only sketchy details are available at the moment for the additional stress tests being coordinated by the European Central Bank and the European Banking Authority.

Given this background, we are particularly delighted to be able to report that the DZ BANK Group generated profit before taxes of €1.319 billion for the 2012 financial year. This is four

»1 ALBRECHT MERZ
»2 WOLFGANG KÖHLER
»3 LARS HILLE
»4 WOLFGANG KIRSCH
CHIEF EXECUTIVE OFFICER
»5 HANS-THEO MACKE
»6 FRANK WESTHOFF
»7 THOMAS ULLRICH

times the equivalent figure of €324 million achieved in 2011. In partnership with the cooperative banks, with which we have continued to step up the level of collaboration, we have once again demonstrated that, as a reliable partner for the real economy, we can successfully conduct banking activities in Germany sustainably and for the benefit of more than 30 million customers. The encouraging start to 2013 has also reinforced our belief that we are following the right strategy. This excellent performance – delivered in an environment that continues to be challenging – reflects the high degree of commitment from the employees in the DZ BANK Group. My colleagues on the Board of Managing Directors and I would like to take this opportunity to express our sincere gratitude to them.

Almost all the units in our financial services group generated very respectable results, which together produced the impressive performance for 2012. DZ BANK AG enjoyed a successful year, particularly in the Corporate Banking business segment. Our intensive joint marketing approach aimed at the German Mittelstand is beginning to bear fruit. In 2013, we will continue to press ahead with our corporate customer initiatives under the banner of 'Deutschland – made by Mittelstand', the cooperative financial network's advertising campaign. DZ BANK AG delivered a similarly impressive performance in the network-oriented capital markets business, which we focused even more sharply on business with the cooperative banks following a review conducted in 2012.

Bausparkasse Schwäbisch Hall achieved new record figures both in its new home savings business and in its home finance business. It entered into one million new home savings contracts with a savings volume of €32.8 billion, thereby increasing its market share to 30.2 percent.

Performance at Union Investment was similarly encouraging with assets under management growing by 11.9 percent to €190.5 billion. R+V continued to consolidate its market position with an exceptional level of new business, premiums earned climbing to €11.8 billion, an increase of 5.3 percent. TeamBank and DZ PRIVATBANK, our private banking competence center, can also look back on a successful year. DG HYP has now become very well established in its core business as a provider of commercial real-estate finance and is operating profitably in this business. VR LEASING is undergoing a comprehensive and painful process of reorganization, refocusing the business on the needs of the local cooperative banks – a process that we are making every effort to support.

In view of the growing regulatory requirements, the further strengthening of our capital base will be a top priority in 2013. Between 2008 and the end of 2012, the DZ BANK Group doubled its effective Tier 1 capital ratio to 14.9 percent despite the capital requirements that have already been significantly increased. This was achieved by means of corporate action implemented in 2009 and otherwise mainly by retaining profits, by systematically focusing our business activities on the cooperative financial network, and at the same time by carefully managing our risk-weighted assets. In 2012 alone, we increased our capital base by approximately €2.3 billion. We are therefore more than satisfying the minimum regulatory requirements as specified in Basel III.

Nevertheless, it is not yet possible to assess the detailed structure of the large number of individual regulatory initiatives and therefore the impact on our capital base. The one thing that is certain is that they will result in further capital charges that could mean the capital base needs to be strengthened in the foreseeable future with amounts that extend beyond those available from retained profit. However, we will also continue to make systematic efforts to improve our capital adequacy by whatever means we can from our own resources. Our dividend proposal is also derived from this assessment. A dividend payment of 10 cents per share will be proposed to the Annual General Meeting.

Given that the cooperative financial network is deeply rooted in our domestic market of Germany, we are proving ourselves to be a reliable partner for our customers, particularly in these times of financial crisis. Our thriving organization is part of the genetic make-up of this successful country. German history is characterized by significant discontinuity and only a few of the country's ideas from the past remain in place today as key elements supporting our economic and social order. Cooperative banking is one such idea. This is also demonstrated in the 'History of DZ BANK', which we published at the start of the year. For example, if you see the social market economy as a model based on social equilibrium, then you are borrowing from us, metaphorically speaking: independent entrepreneurial activity by a mutually supportive community with responsibility to society as a whole.

On this basis, we are also able to provide convincing answers to urgent questions of our time – especially in the banking industry, using our business model which is sharply focused on the needs of customers and the real economy. We should allow ourselves to feel just a little bit of pride when the latest report on the cooperative financial network from the Fitch rating agency pays tribute to us, describing us as 'leading', 'cohesive', 'resilient', and 'increasingly focused'. That should bolster our spirits as we look to the future.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer

INTENSIVE COLLABORATION AND CONFIDENCE IN EACH OTHER

In 2012, the DZ BANK Group continued to step up its collaboration with the local cooperative banks. Together with these banks in a relationship defined by mutual trust and respect, we systematically refined our comprehensive range of financial products and services, introducing an ever-increasing level of coordination. This was a major contributing factor to the good performance of the cooperative financial network as a whole.

The DZ BANK Group's focus on the needs of the cooperative banks and on its four strategic business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking – was once again in 2012 shown to be the right way to maintain long-term success in a very competitive environment.

A key feature of the Retail Banking business line in 2012 was the dovetailing between online and branch-based business. DZ BANK believes this offers huge opportunities for the cooperative banks.

RETAIL BANKING

OVERVIEW

In 2012, DZ BANK and its group companies continued to provide the local cooperative banks with a comprehensive range of Retail Banking products and services within the framework of its broadly-based financial services concept. This was a contributing factor in helping the cooperative financial network further consolidate its strong position in this business line. At the same time, the DZ BANK Group played a very active role in the projects of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks] focused on the continuing development of the Retail Banking business operated by the cooperative financial network.

'WEBERFOLG' AND 'BERATUNGSQUALITÄT' PROJECTS

New statutory and regulatory requirements, together with changes in customer behavior, are presenting banks with enormous challenges, particularly as far as Retail Banking is concerned. If the Volksbanken Raiffeisenbanken cooperative financial network is to continue to be successful in the future, it must be able to offer customers high-quality online information and services in addition to providing professional branch-based customer advisory services of a uniformly high standard. These offline and online channels complement one another, a fact confirmed among other things by a survey carried out in 2012 by DZ BANK in relation to its private customer securities business. According to the results of the survey, although 60 percent of all retail investors attach a great deal of importance to support from a bank employee when making investment decisions, the majority of customers still use the internet as a source of information regardless of the extent of their direct contact with the bank. In addition, a very stable number of independent decision-makers carry out their own securities transactions online. Figures covering all customers of German banks also show that 4 million customers now buy financial products online.

In order to sustain the excellent performance of the cooperative financial network in the Retail Banking business line in the future, all the parties involved must implement a joint strategy that encompasses all the products from the comprehensive range of financial products and services provided by the network and that increases the level of integration between the advisory services, and the quality of these advisory services, offered in local branches and those services offered online. This will be critical for the future competitive edge of the group, especially in view of new consumer protection provisions, enhanced banking regulation, and the breathtaking growth in use of the web.

In 2012, DZ BANK and its group companies were therefore very closely involved in two projects initiated by the BVR, known as 'webErfolg' (success on the web) and 'Beratungsqualität' (quality of advice). The core objectives of the 'Beratungsqualität' project included placing a customer's overall situation, taking into account the customer's aims and desires, at the focus of any advice and developing a uniformly high standard of retail banking advice to be provided by the local cooperative banks in line with statutory and regulatory requirements. As part of this project, processes were drawn up in 2012 for those areas where there is a particular requirement, such as assets, pensions, hedging, real estate, and liquidity.

In contrast, the 'webErfolg' project was concerned with issues such as the provision of both information and products online. This project gave rise to a large number of important innovations and refinements in the online services provided by the local cooperative banks, all of which will benefit the entire cooperative financial network in terms of customer loyalty, new customer acquisition, and cross-selling.

In addition to a new style guide and a new information concept, the enhancements included the use of local cooperative bank websites for online sales of products from DZ BANK and its group companies and an extension to the online financial status service. The companies in the DZ BANK Group are to provide the local cooperative banks with products that are suitable for online sale, initially by means of an appropriate link. The aim is then to continue technical development so that these products are fully integrated into the websites of the individual banks by the end of 2014 at the latest. Pilot projects were prepared in 2012 using three sample products from TeamBank, R+V, and Bausparkasse Schwäbisch Hall.

DZ BANK also initiated other action plans in 2012 in response to the growing importance of the internet in Retail Banking. One example is the development of VR-ProfiBroker. This comprehensive information and securities order system provides long-term support for local cooperative banks' private customer securities business because it is specifically aimed at customers who for the most part make investment decisions independently. It is very simple for the cooperative banks to integrate VR-ProfiBroker into their own websites, enabling them to offer independent decision-makers a professional trading platform. This group of customers can then use VR-ProfiBroker to directly access their investment accounts, trade all publicly listed securities online, call up the latest market information, and make use of a wide range of helpful and technically sophisticated analysis and service tools.

PRIVATE CUSTOMER SECURITIES BUSINESS

In 2012, the European sovereign debt crisis had a significant impact on trends in international financial markets and was the source of a considerable degree of uncertainty as far as retail investors were concerned. During the course of the year, retail investor sentiment fell to its lowest level since the start of the financial crisis. This was confirmed by representative surveys carried out by DZ BANK. In this environment, retail investors were highly cautious as far as exposure was concerned and at the same time continued to attach great importance to secure, easily understandable investment products – criteria that the high-quality AKZENT Invest certificate brand has been satisfying for some time now.

Investment certificates

In 2012, DZ BANK's long-term AKZENT Invest product strategy, which focuses on guaranteed and secure investments, once again proved itself to be the right approach, especially in view of the tough market conditions. DZ BANK remained the undisputed market leader in the capital preservation certificates segment with a market share of 50.4 percent. However, it was unable to escape the general downward market trend. Total sales of all structured investment products in the private customer securities business amounted to €4.3 billion.

DZ BANK was able to substantially improve its market position in exchange-traded derivative products. It considerably increased its market share of exchange dealings by approximately 48 percent year on year. For the first time, DZ BANK became one of the three leading banks in this business with a market share of 8.8 percent.

DZ BANK developed new products and product variants primarily for the capital preservation certificates business. It also focused on supporting the local cooperative banks in their business with high-net-worth customers, for whom DZ BANK developed an innovative, holistic product strategy in 2012. This strategy is adjusted dynamically in line with the latest market trends without the need to reorganize or adjust the portfolio 'manually'. This strategy is already being used by many local cooperative banks.

Eniteo.de

In addition to VR-ProfiBroker, the Eniteo derivatives portal is also aimed at the online-oriented independent decision-makers among retail customers. The 2012 financial year saw confirmation of the importance of this multi-award-winning portal for the consolidation of DZ BANK's position in the derivatives business. During the year, the portal was enhanced to include further tools and services, such as the new Eniteo app. The Eniteo stock market competition 'AnlageProfi 2012', which was run in conjunction with *Focus-Money* investment magazine and the *n-tv* television network, proved to be very successful. The number of participants increased to some 20,500, a threefold increase on 2011. The cooperative banks had the option to link their websites to Eniteo.de, and thereby benefit from the huge amount of interest from the target group.

Range of services

The bundling of DZ BANK services in response to inquiries relating to private customer securities business, and to specific inquiries relating to IT applications (e.g. Eniteo.de) was very well received, as was the 1st-level support for technical inquiries relating to orders in the customer-account business. In 2012, customer service was contacted more than 24,000 times by cooperative bank advisors and retail investors. The high quality of the support provided was also acknowledged in a study of service support carried out by Steria Mummert Consulting in cooperation with German newspapers *Die Welt* and *Welt am Sonntag*. Out of 21 issuers assessed in this study, DZ BANK was placed second in the service quality segment with a rating of 'very good'.

Investment funds

In 2012, Union Investment was one of the few fund management companies to generate net inflows from Retail Banking in Germany. In close collaboration with the local cooperative banks, Union Investment recorded new business worth €1.1 billion, thereby achieving a turnaround in its business with retail clients. This success was attributable to a number of factors, but notably a systematic customer focus. During the reporting year, Union Investment concentrated on solutions aimed at satisfying the retail client need for security and intrinsic value. Demand was therefore particularly heavy for open-ended real-estate funds – which generated net inflows of €2.2 billion – and guarantee fund products. Sales of fund-linked savings plans were also very lively. Union Investment entered into around 180,000 new contracts, with savings plans accounting for inflows of €1 billion in 2012. Union Investment forecasts that the savings plan business will continue to perform well in 2013.

PERSONAL PROVISION FOR THE FUTURE

In 2012, personal provision for the future was one of the mainstays of the DZ BANK Group's Retail Banking business line, as indeed had been the case in previous years. The group is very well positioned in this growth area with its Riester products, life insurance, and building society operations.

Riester products

Within the DZ BANK Group, customized Riester savings products are offered by three companies, namely Union Investment (UniProfiRente), R+V (R+V RiesterRente), and Bausparkasse Schwäbisch Hall (Fuchs WohnRente). Even though public debate had a negative impact on the growth in sales of Riester products in 2012, new Riester savings products business at Bausparkasse Schwäbisch Hall remained at a high level. As in 2011, a total of 105,000 new Fuchs WohnRente contracts were again taken out in 2012, increasing the size of Bausparkasse Schwäbisch Hall's portfolio in this business to approximately 375,000 Riester contracts. In 2012, Union Investment entered into 50,000 new Riester fund-linked savings plans.

Life insurance

In 2012, R+V Versicherung posted its best-ever performance in its life insurance and pension insurance business in terms of the volume of new business. Total new premium income amounted to €2.9 billion, which equated to a year-on-year increase of 5.2 percent. Of this total, €2.0 billion alone was accounted for by traditional personal pension products, clearly demonstrating the hugely significant role that life insurance companies continue to play in the personal pensions business. A notable highlight was the exceptional performance of the IndexInvest product family, which combines elements of conventional and fund-linked pension insurance.

R+V's performance was again reflected in 2012 in the rates of growth it was able to offer on its life insurance contracts. Despite the challenging capital markets environment, R+V was able to offer its customers overall growth of 4.40 percent for 2012.

Non-life insurance

R+V Versicherung also performed well in its provision of general risk protection for retail customers, focusing increasingly on composite insurance. It increased its number of vehicle insurance customers, consolidating its position as the third-largest vehicle insurer in Germany.

Building society operations

In building society operations, the cooperative financial network benefited in 2012 from the economic uncertainty and very low level of interest rates. These circumstances gave even greater impetus to the inclination of German citizens to turn to sound, inflation-proof investments, in particular the acquisition of real estate. As a consequence, growth in the home savings business at Bausparkasse Schwäbisch Hall in 2012 was well in excess of forecasts. In close cooperation with partner cooperative banks, it was able to enter into approximately 1 million (2011: 900,000) new home savings contracts with a total volume of €32.8 billion, representing an increase of 3.6 percent compared with what was already a very strong year in 2011. This means that, in 2012, Bausparkasse Schwäbisch Hall enjoyed its best ever level of new business, its market share climbing above 30 percent for the first time.

The growth was driven by a number of factors, notably the new 'Fuchs Junge Leute' scale of rates and charges launched in July 2012. This new scale has been specifically targeted to meet the needs of youth and young adults up to and including the age of 24. In the second half of 2012, more than 130,000 new contracts were signed for this product alone; 85 percent of these contracts were with customers who had never held a home savings contract before. The number of Schwäbisch Hall customers in Germany rose by approximately 150,000, taking the total to over 7 million for the first time. At the end of 2011, customers held a total of 7.7 million contracts with Bausparkasse Schwäbisch Hall, representing an overall home savings volume of almost €249 billion.

Bausparkasse Schwäbisch Hall also achieved a record level in 2012 in its second core business area, home finance. This business includes instant financing, home savings loans, and building loans brokered on behalf of partner banks. The total volume of home finance business grew by 7.2 percent to €12 billion. A further €5.7 billion was accounted for by home finance brokered by the cooperative banks and supported by a home savings contract.

CONSUMER FINANCE

Despite an environment in which competition continued to be fierce, TeamBank with its easyCredit product still managed to stay on a growth trajectory in 2012. Together with the local cooperative banks, TeamBank increased the cooperative financial network's share of the consumer finance market from an adjusted figure of 17.4 percent at the end of 2011 to 18.2 percent. The easyCredit portfolio grew substantially. From the point at which the member benefit was initiated – rather appropriate in 2012, the International Year of Cooperatives – TeamBank and the local cooperative banks together offered advice to more than 80,000 members, including approximately 24,000 new members attracted to the cooperative financial network by TeamBank.

PRIVATE BANKING

A sustained positive trend was clearly evident in the performance of DZ PRIVATBANK. The bank's decentralized strategy, which is very closely linked to the needs of the cooperative banks, is being implemented with an increasing degree of success. Joint marketing activities enhanced in 2012 by a stronger local presence within the cooperative banks are proving particularly beneficial. At the start of 2012, DZ PRIVATBANK integrated the private banking activities of WGZ BANK into its operations at a newly established branch in Düsseldorf. It also opened further branches in Frankfurt, Hamburg, and Nuremberg, bringing the total number of branches in Germany to seven – plus the offices in Luxembourg, Singapore, and Zurich.

Partnership agreements have been signed with approximately 1,000 cooperative banks as part of activities under the VR-PrivateBanking brand. More than 300 of these partner banks are already working in close collaboration with DZ PRIVATBANK in a joint regional marketing effort. This strategy enabled DZ PRIVATBANK to increase gross inflows from high-net-worth retail customers to around €2 billion in 2012. The high quality of DZ PRIVATBANK's services was also confirmed by independent assessment in 2012. For example, the bank moved up into first place in the All-time Best List of the top asset managers in German-speaking Europe published by *Fuchsbriefe* in collaboration with Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen GmbH (IQF).

DZ BANK again saw strong growth in Corporate Banking in 2012. The systematic process of strategic realignment in this business line was continued throughout the year.

CORPORATE BANKING

OVERVIEW

The clear uptrend in Corporate Banking at DZ BANK was sustained in 2012. The main drivers behind this growth were the systematic strategic realignment of Corporate Banking carried out in the two years prior to 2012 and the continuation in the excellent level of collaboration with the local cooperative banks. Both factors were reflected, among other things, in growth of over 20 percent in the committed volume of corporate customer lending business and in a higher volume of new development lending. Cross-selling activities also became much more intensive during the reporting year. In addition, there was an encouraging trend in the acquisition of new customers, confirming the significant potential and importance of Corporate Banking for the cooperative financial network.

SME BUSINESS

As a central institution in the cooperative financial network, DZ BANK has a clear objective to strengthen the market position of the cooperative banks in Corporate Banking with small and medium-sized enterprises (SMEs). Since 2010, DZ BANK has therefore been working in close consultation with the local cooperative banks on the continuous further development of its range of services and those of its subsidiaries and on the strategic realignment of its Corporate Banking business line. The latter has included the launch of the ProFi DZ BANK customer relationship concept, the regionalization of the joint credit business with the establishment of regional back-office competence centers, and the rigorous organizational segregation of direct business and joint business with the cooperative banks. In addition, the latest pioneering trends in Corporate Banking have been incorporated in product development. These activities have been accompanied by an increase in the number of employees. The foundation stones for a significant expansion in this business line have therefore been put in place.

Further development in Corporate Banking

DZ BANK believes that there are five main future trends in Corporate Banking relevant to SMEs.

- Increasing internationalization of business: From a strategic perspective, international business has become much more important for SMEs, and that increasingly applies to smaller companies too. In 2012, DZ BANK brought the coordination of its entire product and advisory expertise in international business for German companies under the umbrella of one new department so that it can provide a professional level of support for international business operated by corporate customers of the cooperative banks. The specialist advisors in this department are available as a central point of contact for both the cooperative banks and corporate customers.
- Renewable energies and the shift in German energy policy in favor of these energy sources: Some years ago, DZ BANK had already made renewable energies one of its strategic areas of activity. It believes

that this decision has been vindicated given the political trends over the last few years. To continue to consolidate its excellent position in this fast-growing market, DZ BANK has built up a dedicated team specializing in renewable energies and agriculture. This team complements the regional-specific expertise of the cooperative banks and works together with customer advisors to develop solutions for a very broad range of financing requirements in renewable energies projects. This area of expertise also includes energy-saving measures, an issue of increasing significance, especially for SMEs.
– Establishment of businesses and succession: In Germany, it is estimated that, by 2014, some 22,000 owners of small and medium-sized enterprises each year will be looking for a successor to take over their businesses. The transfer of a business is highly complex and requires professional support. The cooperative financial network has an outstanding level of expertise available in matters of succession, brought together in VR Unternehmerberatung, a joint subsidiary of DZ BANK and WGZ BANK (see page 17). At the same time, succession planning consultancy is an example of what has now become a much more intensive level of collaboration between the entities in the DZ BANK Group, which can use their various services to provide almost complete coverage for the financing and advisory needs of SMEs.
– Development of the capital market as an alternative source of funding: In the past, SMEs tended to shy away from using the capital market. Such businesses generally preferred to finance themselves internally or obtain traditional bank loans. Current developments, notably the sovereign debt crisis and the gradual implementation of the more stringent capital requirements under Basel III, could however have an adverse impact on the terms and conditions attached to bank lending. As a consequence, the use of capital market funding instruments could become more attractive, at least for larger medium-sized businesses. DZ BANK offers the local cooperative banks and their corporate customers a comprehensive range of services in this specific area of activity too.

DZ BANK believes that another relevant forward-looking issue is the steadily increasing digitization of business. A growing number of businesses are solely online providers. This applies as much to the steadily rising number of very small and small businesses as to well-established medium-sized companies. Against this background, the online business sector will take on ever greater significance for the cooperative financial network, a traditional provider of funding for SMEs. This sector offers substantial prospects for growth in Corporate Banking.

In 2012, DZ BANK also dedicated a great deal of effort to advancing the further organizational development of its Corporate Banking business line. This included establishing a standardized regional organizational structure and implementing further improvements in the tight integration between the joint business with the local cooperative banks and the direct business, which is closely coordinated with the relevant cooperative bank responsible for the market concerned. Cross-selling in Corporate Banking was also stepped up with an even greater degree of involvement from the group companies.

DZ BANK continues to believe that business with medium-sized companies also offers considerable potential for growth. This applies to business with both existing and new customers. In 2012, DZ BANK achieved its targets for attracting new customers among medium-sized companies.

Lending business and development lending

The uptrend in Corporate Banking in 2012 is primarily explained by the excellent performance of the lending business, in which the volume of lending commitments rose by more than 20 percent to €9.9 billion.

The performance of the development lending business was also very encouraging. New business volume climbed from €6.1 billion in 2011 to approximately €7.3 billion in 2012. Programs for energy-efficient building and renovation work and for capital investment in renewable energies were significant contributing factors in the increase. Since 2010, the switch in the development policy operated by Germany's KfW development bank in favor of 'qualitative growth' has resulted in an expansion of these ambitious programs, which require a great deal of advisory input. It is precisely in this area of activity that DZ BANK has been able to provide the local cooperative banks with very good assistance.

OTHER SERVICES

The DZ BANK Group is one of the largest financial services groups in Germany and it also provides a comprehensive range of corporate banking services to support the local cooperative banks. The services include, for example, leasing, risk mitigation, commercial real-estate finance, and private equity services. The DZ BANK Group thereby guarantees that the cooperative financial network can offer its customers expert solutions in all relevant areas of finance.

Leasing

VR LEASING continued to push ahead with its restructuring program in 2012. As a result of the strategic realignment, it is focusing specifically on the particular needs and requirements of the cooperative banks and SMEs with strong regional ties. The objective is to help the local cooperative banks achieve further growth in their SME business by providing these banks with innovative, customer-friendly products and supporting them with lean, faster processes. The closer collaboration within the cooperative financial network bore its first fruit in 2012.

Besides leasing and factoring, there is also still untapped potential in hire purchase business. To unlock this potential, VR LEASING developed 'VR LEASING express' during the course of 2012 and launched this product at the beginning of 2013. This hire purchase option – which involves an instant decision on amounts up to €50,000, so is fast and unbureaucratic – helps small business owners with necessary capital expenditure.

In 2012, VR LEASING also focused on further reductions in complexity and on cost savings. The phasing out of non-core business activities, such as the real-estate business and the vehicle fleet and dealer business, progressed on schedule in the reporting year. VR LEASING also slimmed down the number of different types of product that it offers and initiated a comprehensive cost-cutting program. The aim is to reduce administrative costs by around 20 percent and drive the cost/income ratio below 60 percent by 2017.

Risk mitigation

R+V Versicherung's commitment to corporate business also remained as strong as ever, as a result of which it generated significant growth in this regard, not least thanks to the successful performance of its SME business. In 2012, among other things R+V consolidated its position as one of the largest credit insurers in Germany and remained the market leader in the guarantee insurance segment, in which it takes over guarantees on behalf of businesses.

R+V also continued to consolidate its position as one of the leading providers of industry-specific pension schemes. It is now actively involved in occupational pension provision for pharmacy employees as well as in dedicated pension schemes for the German chemicals industry (ChemieVersorgungswerk) and engineering industry (MetallRente).

Commercial real-estate finance

Within the DZ BANK Group, commercial real-estate finance is covered by DG HYP. DG HYP was established in 1921 in Berlin as the first ever cooperative mortgage bank. Today, it specializes in commercial real-estate finance and functions as the competence center and first point of contact for the local cooperative banks in matters relating to this area of business. Growth in this business over the last two years demonstrates its increasing importance for the primary banks. Following above-average growth in 2011, the joint credit business with the local cooperative banks increased again in 2012 by approximately 19 percent, with the volume of new business reaching €2.2 billion. Therefore, new business with the cooperative banks has more than doubled since 2010.

The fine performance of the joint credit business was based on the IMMO META products, which DG HYP has developed for the local cooperative banks. These products allow the cooperative banks to meet the needs of their small and medium-sized commercial real-estate finance customers or be a partner in the commercial real-estate finance provided by DG HYP. The core product is IMMO META REVERSE+, which was launched in 2010. This product allows a large number of cooperative banks to participate in finance provided by DG HYP as part of a 'silent consortium'. In 2012, it continued to be very well received in the cooperative financial network.

The volume of IMMO META REVERSE+ business placed with the local cooperative banks in 2012 amounted to just under €500 million. Up to 40 local cooperative banks simultaneously shared in individual finance transactions, such as for the office complex known as THE m.pire in the Schwabing district of Munich and the Handelshof building in Leipzig. A contributing factor in the success of the IMMO META REVERSE+ product is the associated web-based platform that DG HYP has provided for the local cooperative banks.

After entering into a master agreement with DG HYP, the cooperative banks can use the platform to obtain information on all current finance deals and buy individual tranches, even outside their own geographical area. In 2012, DG HYP signed roughly 70 new master agreements with cooperative banks, which means that it now has master agreements with a total of 350 banks. DG HYP aims to achieve a further increase in the volume of IMMO META REVERSE+ business placed with the cooperative banks in 2013.

Private equity

At the end of August 2012, DZ BANK and WGZ BANK brought together their private equity businesses with the purpose of further strengthening the Corporate Banking business line. This involved the merger of their subsidiaries DZ Equity Partner GmbH and WGZ Initiativkapital GmbH to become VR Equitypartner GmbH with a retroactive effective date of January 1, 2012.

The core task of the new company is to support the local cooperative banks by providing equity financing products and services for SMEs. At the same time, VR Equitypartner also offers its products outside the cooperative financial network to entities with revenue of at least €20 million, thereby helping to attract new customers to the cooperative sector.

Despite the challenging market conditions for equity finance overall, VR Equitypartner performed well in 2012. Again, this was attributable to the close collaboration with the cooperative banks. Following the merger, the company was able to pursue a number of promising new equity investments, both directly and via mezzanine finance options. It focused particularly on finance in connection with succession solutions. At the end of 2012, the company held a total of approximately 100 equity investments and the invested capital amounted to around €600 million. VR Equitypartner is therefore one of the largest private equity companies for SMEs in German-speaking Europe.

VR Unternehmerberatung

VR Unternehmerberatung is also specifically aimed at owner-managed SMEs. The company, created in 2010 as a result of a merger between the M&A department of DZ BANK and the WGZ corporate finance unit, generated further growth in 2012. Since it was established in 2010, VR Unternehmerberatung has successfully concluded around 20 deals and has also provided consultancy services, contributing to further development and/or succession planning at a large number of owner-managed businesses. Many of VR Unternehmerberatung's contracts were obtained as a result of its close collaboration with the local cooperative banks.

Since January 2013, VR Unternehmerberatung has also had an office in Hamburg in addition to its existing offices in Düsseldorf and Frankfurt. For this Hamburg office, VR Unternehmerberatung has appointed a team of experts qualified in providing consultancy for SMEs. This complementary expertise and the additional network in northern Germany means that VR Unternehmerberatung has a comprehensive range of consultancy expertise at its disposal covering SMEs in almost all sectors of industry. VR Unternehmerberatung now has almost 30 M&A employees, making it one of the largest teams in Germany focusing on SMEs. The increased size and presence of VR Unternehmerberatung will allow it to work even more closely with the local cooperative banks in the future.

Despite a very challenging environment, DZ BANK was still able to set clear standards in its Capital Markets business line in 2012.

CAPITAL MARKETS

OVERVIEW

DZ BANK's Capital Markets business line continued to face huge challenges in 2012. One of the main reasons for this was the European sovereign debt crisis, which caused very high volatility and turmoil in the markets, particularly in the first six months of the year. The situation only eased after drastic intervention by the European Central Bank. This also applied to the tough conditions on the interbank market.

As in prior years, DZ BANK focused its Capital Markets business in 2012 on providing a comprehensive and needs-based range of products for the cooperative banks, the group companies, and their retail and corporate customers. It also once again demonstrated its capabilities in its cash-pooling and risk-transfer function on behalf of the cooperative financial network. DZ BANK was able to fulfill these functions successfully and without limitation at all times despite the market turmoil on occasions. One of the key reasons for this was the excellent reputation and credit rating of DZ BANK. This was confirmed by DZ BANK's credit rating from rating agency Standard and Poor's, which was maintained at the same level in 2012 having been upgraded to AA- in 2011.

Capital Markets business was also significantly impacted by far-reaching new regulatory requirements. In previous years, DZ BANK had already focused its Capital Markets business line in response to changes in customer behavior and enhanced regulatory requirements imposed on banks. It put this business to the test again in 2012. Based on the existing 'Verbund First' strategy, DZ BANK decided to focus the Capital Markets business even more sharply on its core competencies and core areas of business and to reduce the number of divisions operating in this business segment from eight to five. The objective of this sharper focusing was to optimize both market positioning and capital efficiency in this business as well as reduce risk. In 2012, DZ BANK had been able to use active management to achieve further significant improvements in the efficiency of the capital employed.

COOPERATIVE NETWORK BUSINESS

Private customer securities business

In 2012, one of the general consequences of the European sovereign debt crisis and the historically low level of interest rates was that retail investors remained very risk averse and cautious. This situation and government regulation also had an impact on DZ BANK's private customer securities business. Nevertheless, given the high-quality range of products and comprehensive advisory expertise available from the local cooperative banks, the cooperative financial network managed to perform well in what was generally a falling market (see page 11).

Own-account business

The factors referred to above also had an impact on own-account investing business with the local cooperative banks. In 2012, the main demand from these banks was for issues from the cooperative financial network, thereby confirming the shift in their investment focus already observed in 2011. They also invested in corporate bonds and covered bonds issued by the countries in 'core Europe'.

In addition, own-account business saw heavy demand for two new VR Circle transactions issued by DZ BANK. This brought the total number of transactions to eleven, involving loans and advances from cooperative banks with a volume of €2.3 billion. Participating local cooperative banks use the VR Circle platform to spread the risk arising from their lending business with SMEs, thereby freeing up new capacity for lending which they can then use as part of their ongoing funding support for their customers.

In addition to investment opportunities, DZ BANK offered the cooperative banks yet more services to help them in their own-account investing activities and risk management operations. This included the new online information platform known as EGon, which had been launched on a gradual basis in 2011. It was activated in February 2012 for all cooperative banks in the territory covered by DZ BANK and offers decision-makers in local cooperative banks a wide range of customized information relating to the own-account business of the bank concerned.

Within a short period of time, more than 7,000 members of boards of managing directors and employees from controlling, treasury, and back-office departments at cooperative banks had registered to use EGon. Moreover, DZ BANK also received a great deal of positive feedback. This demonstrates the extent to which this new platform meets the needs of users. In August 2012, EGon was audited and certified by DGR Deutsche Genossenschafts-Revision Wirtschaftsprüfungsgesellschaft GmbH. The own-account application GENO-SAVE was also audited during the spring of 2012 alongside EGon and likewise received unqualified certification. DZ BANK is therefore able to offer all cooperative banks the highest possible degree of efficiency and security in own-account business in terms of the banks' own audits and the individual additional processing of data carried out by the banks.

Since September, DZ BANK has been supporting the own-account business of the local cooperative banks by providing approval templates. This is a response from DZ BANK to a provision in the German Minimum Requirements for Risk Management (MaRisk), under which counterparty and issuer limits in trading activities conducted by local cooperative banks must be separately approved by the back office. The approval templates cover all issuers known to DZ BANK's Credit Research. This new service can be incorporated into the existing credit procedures of the local cooperative banks and in this way forms the basis for an efficient and auditable approval of own-account investments.

In addition, DZ BANK updated and enhanced the functionality of the FXclick currency trading platform, which is also used by the cooperative banks. Cooperative bank users are therefore provided with a tool that facilitates professional access to global foreign exchange markets and that, in particular, provides support for the banks' international business. The new FXclick II platform can be used to hedge customer currency risk in a total of 50 tradable currency pairs. The open, flexible system architecture means that it is also possible to access the platform from the VR-BankenPortal.

DZ BANK also continued to maintain an intensive dialog with cooperative bank customers. In this regard, DZ BANK's capital market experts held more than 1,200 advisory and discussion meetings with cooperative banks. These meetings focused on fundamental issues relating to own-account investing and banking management as well as on imminent regulatory requirements, such as those concerning the need to satisfy certain liquidity ratios. The new 'NPP coaching' consultancy module complements the range of services. This module provides support for the process involved in launching new products.

DZ BANK launched a new series of workshop events aimed at maintaining a dialog concerning banking management issues. The objective of each event is to hold detailed discussions with customers in smaller groups, covering important trends and new challenges. During 2012, DZ BANK ran a total of ten workshops with 200 participants involved in corporate management at cooperative banks. The own-account investing/banking management forums throughout Germany also continued to be well received. In 2012, as part of this ambitious specialist program, DZ BANK held nine events with a total of 1,300 participants from cooperative banks and relevant associations.

PRIMARY MARKETS BUSINESS AND SALES

New bond issues business

In 2012, DZ BANK continued to conduct primary markets business involving bonds from third-party issuers, the aim being to satisfy the needs of the local cooperative banks for a broad range of investments as part of their own-account investing activities and as part of their efforts to achieve their investment objectives. DZ BANK's placing power with the cooperative financial network again proved to be an important unique selling proposition, reinforcing DZ BANK's excellent position in the issues business.

The performance of the new bond issues business conducted by DZ BANK was exceptionally strong, particularly in the first three quarters of 2012. The business concentrated on issuers of sovereign, supranational, or agency bonds. Investors tended to prefer bonds with longer maturities in order to achieve higher coupons in an environment otherwise characterized by low interest rates. There was also heavy demand for corporate bonds. In contrast, business with financial sector issuers continued to be impacted by the significant regulatory uncertainty (and imminent additional capital charges), by possible vulnerability resulting from the sovereign debt crisis, and by the action taken by the ECB to provide the banks with liquidity via three-year tenders, temporarily releasing banks from the need to access capital markets.

In 2012, the most significant benchmark issues supported by DZ BANK as the lead manager included a seven-year bond from Germany's KfW development bank with a volume of €4 billion. DZ BANK was also the lead manager in a 20-year bond issued by the European Financial Stability Facility (EFSF), the longest bond maturity issued by the EFSF to date. The total volume for this issue was €1.5 billion. In addition, the European Union issued a 20-year bond – with a total volume of €3 billion – in which DZ BANK was part of the syndicate as a lead manager. Significant corporate bond issues led by DZ BANK included the first euro benchmark bond from Deutsche Telekom. A feature of new issues business was also the substantial volume of promissory notes predominantly from non-rated large and medium-sized German industrial customers. This volume had already risen notably in the fourth quarter of 2011 and the impressive trend continued in 2012 with well over 90 issues on the overall market with an aggregate volume of approximately €12 billion. Examples of placements made by DZ BANK included a five-year promissory note of €300 million from the GEA Group and a promissory note with a similar volume from Wacker Chemie AG.

Share issues and equity finance

In Capital Markets business with equities customers, DZ BANK once again successfully placed its expertise as well as its comprehensive product range at the disposal of its own corporate customers and companies advised by the cooperative banks. It benefited from the encouraging level of activity up to the third quarter of 2012 in rights issues, a critical market segment for DZ BANK's business, and was involved in a number of high-profile transactions in a lead capacity, for example in the rights issues at Deutsche Wohnen AG as technical lead, at EnBW AG as joint bookrunner, and at Fresenius SE & Co. KGaA as co-bookrunner. Over the rest of the year, DZ BANK was also able to use its diversified range of products to successfully carry out various deals, primarily involving SME customers.

Medium-sized companies and major corporate customers

In 2012, the low level of interest rates was increasingly exploited for the purposes of long-term interest-rate hedging, primarily by medium-sized companies. Demand focused mainly on traditional payer swaps and combinations of payer swaps and interest-rate caps. DZ BANK also systematically expanded its financing business with corporate customers in the reporting year, backed by sound and valuable pools of receivables and by the associated interest on the loans.

The positive trend in terms of revenue and income was also sustained in the securities business with corporate customers. DZ BANK was very successful in placing commercial paper and has now become a leading player in the German market for this type of business. It was also able to significantly expand its foreign exchange business with corporate customers in 2012 based on the successful enhancement of FXclick and the broadening of the product range.

Institutional customers

DZ BANK's comprehensive new bond issues business was also particularly well received by institutional customers. Given a contraction in liquidity on the secondary market, the new issues business continued to grow in importance for this customer group. On the secondary market, demand increased for corporate bonds, traditional Pfandbriefe, and covered bonds. Structured equities products also remained attractive for institutional customers.

On the other hand, institutional customers scaled back their short-dated German securities designated as not requiring capital backing ('Solva 0' securities). They also reduced their level of hedging and trading activity on both equities and bond markets compared with previous years because of the clear trends in share prices and interest rates. Although DZ BANK was able to absorb the impact from these structural changes in the market by continuing to expand its range of individual customer services and improve the quality of these services, it was not able to escape the current trends in the market entirely.

International institutional customers

The business with international institutional customers – primarily comprising banks, central banks, and supranational institutions – was considerably influenced by the European sovereign debt crisis and its consequences. Most of the business was concentrated in new bond issues and, at various points, buoyant derivatives operations. DZ BANK was also able to successfully place its own short-dated commercial paper. International institutional customers focused on bonds from countries with good credit ratings, from the European Union, and from (supranational) development banks, but once again also showed an increased level of interest in secondary market trading in traditional Pfandbriefe, covered bonds, and corporate bonds.

Research and Economics division

The research services provided by DZ BANK make a major contribution to supporting the own-account investing activities of the local cooperative banks and their business with corporate and private customers. In 2012, DZ BANK again expanded its range of research services for the local cooperative banks. The cooperative banks benefit from the high quality of this research, which is prepared to institutional standards. The substantial demand for DZ BANK's in-depth market research, analysis, and opinion reflects the significant requirement for information and the high level of satisfaction among the cooperative banks with this service. DZ BANK Research launched two new customer services in 2012 in a further expansion of its products to meet investor needs. The first of the services covers multi-asset research, and the second involves a series of products and publications relating to value investing.

In the multi-asset research service, DZ BANK Research offers its assessments, strictly from a customer perspective, on the subject of the economy, fixed income, equities, and commodities, and then brings these assessments together. The multi-asset research service is complemented by a model investment account that illustrates the opinion of DZ BANK by way of example and offers investment strategy suggestions. DZ BANK has broken new ground with its series of products and publications known as 'Value Ideas', becoming the first bank to focus its research on value investing as an investment strategy. Especially in a sideways market – the direction of equities markets anticipated by DZ BANK Research over the next few years – there are attractive opportunities for investments if a value-investing strategy is pursued.

Institutional fund management business

Union Investment generated a very impressive level of new business with institutional customers in 2012. Following a weaker year in 2011, Union Investment was able to pick up once more on the successful performance of 2009 and 2010, generating net inflows of €8.8 billion, gaining further market share and consolidating its position as the number 2 institutional asset manager in Germany. The core of the business was represented by solutions for risk-controlled investments in a low-interest-rate environment, with Union Investment scoring highly as a risk manager offering a high level of quality and expertise. Roughly half of the net inflows were attributable to the close collaboration with the local cooperative banks. International investment portfolios also became increasingly important.

The switch to SEPA represents both a challenge and a huge opportunity for the local cooperative banks. In the Transaction Banking business line, DZ BANK therefore provided the cooperative banks with ongoing SEPA support in 2012.

TRANSACTION BANKING

OVERVIEW

For some time now, DZ BANK has been one of the driving forces behind the further development of transaction banking services in Germany and the rest of Europe. In this business line, DZ BANK offers cooperative banks a broad state-of-the-art range of products and services covering payments processing, international documentary business, cash, billing, and card services, the processing of securities and capital market products, and custodian bank services. In 2012, DZ BANK expanded and optimized this range of services, for example in payments processing, where it implemented the increasing regulatory requirements and launched ProFi ZV.

This initiative helps the cooperative banks realign their advisory services for corporate customers in relation to payments and card processing, allowing them to provide a holistic advisory service for their business customers in this regard. DZ BANK also expanded its card processing business for private customers and retailers. New opportunities will be presented in this business in the future, for example, by new mobile payment systems and by mini chipcard readers for mobile devices, which DZ BANK is offering in Germany in partnership with Equens and the Swedish company iZettle.

SEPA MIGRATION

For some time, a key issue in the Transaction Banking business line has been the preparation for what is known as the SEPA end date on February 1, 2014. This is in fact the date on which SEPA is planned to be completed and national payments processing systems will come to an end. As a network-oriented central institution, DZ BANK completed the technical switch to SEPA at an early stage. For example, since 2011, it has been processing around 5.3 million pension payments a month via SEPA. BICs and IBANs are already shown on the bank cards of private customers. However, this issue has not yet found its way on to the agenda for many corporate customers. The majority of them have not yet addressed the issue of migrating to the new system.

The data for bulk payments demonstrates the extent of the SEPA migration backlog at corporate customers that still need to switch their accounting and payments processing systems. In 2012 alone, DZ BANK in conjunction with its service provider in this area of business, Equens, processed around 4.2 billion transactions. The proportion of SEPA payments was less than 4 percent. Progress was particularly slow in the conversion of direct debits, which account for the bulk of domestic transactions in the cooperative financial network. Considerably fewer than 1 percent of the direct debits processed by DZ BANK in 2012 were SEPA direct debits.

Supporting customers – exploiting opportunities

Many corporate customers will also have a significant need for information and support in relation to the migration to SEPA. This applies particularly in respect of the integration of SEPA direct debit mandates into payments processes. This means that the migration to SEPA represents an even greater opportunity for the cooperative financial network to prove itself as an expert partner in corporate banking and solution provider for payments processing, increase customer loyalty, and generate additional payments processing business. In 2012, DZ BANK responded to the situation by creating a package of services covering all relevant aspects of migration to SEPA and offering these services to the local cooperative banks. This will enable the cooperative banks to offer their corporate customers a comprehensive support service for conversion of their systems to SEPA.

SEPA Navigator

One of the core elements in this regard is SEPA Navigator, which was developed by DZ BANK in collaboration with the local cooperative banks and launched in August 2012. The cooperative banks can integrate this system into their websites free of charge. SEPA Navigator is aimed first and foremost at corporate customers of the cooperative banks and helps them draw up a reliable overview of the status of SEPA implementation in their respective organizations. At the same time, the corporate customers are provided with sound advice on carrying out the migration to SEPA. SEPA Navigator also gives the cooperative banks a tool to help them determine the specific requirements of corporate customers in relation to the migration to SEPA and identify those corporate customers in immediate need of assistance. SEPA Navigator also includes links allowing customers to make direct contact with their relationship manager if they have specific questions and/or problems.

In addition to the corporate customer version of SEPA Navigator, DZ BANK also offers the cooperative banks a customer advisor version, which the banks can use as an aid in situations where they are providing specific customer advice.

SEPA Navigator has been very well received by the cooperative banks. By the end of 2012, the majority of local cooperative banks had integrated it into their websites, thereby making it available to their corporate customers.

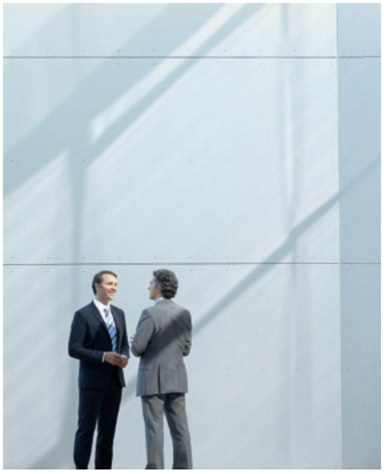
In the third quarter of 2012, DZ BANK set up a SEPA hotline to complement SEPA Navigator. This hotline serves as the central point of contact for the coordination of all internal technical, process-related, and organizational issues that the cooperative banks may have in connection with the migration to SEPA. The SEPA hotline has also met with a good response from the local cooperative banks, which are making increasing use of this option.

DZ BANK is also providing support for the cooperative banks in the form of materials, such as checklists for corporate customers, letter templates, and model presentations, as well as offering training sessions. In 2012 alone, experts from DZ BANK held approximately 90 employee training sessions at local cooperative banks and also organized 100 corporate customer events jointly with these banks in connection with the switch to SEPA.

Practical solutions

During 2012, DZ BANK carried out work on practical solutions for the SEPA migration to enable the local cooperative banks to provide their corporate customers with optimum support in this regard. This work was based, among other things, on the results from two dialog forums on the subject of mandate services organized by DZ BANK with payments processing experts from the local cooperative banks. These results set out specific requirements to help corporate customers with the switch to the SEPA direct debits system. This included, for example, the provision of electronic form templates for SEPA mandates, the import and export of mandate information, and also the conversion of payment orders from the DTAUS file format to SEPA payment orders. One of the main challenges was and remains the need to meet the different individual requirements, for example, of medium-sized companies or other business customers. This is one of the key prerequisites for ensuring that the migration to SEPA functions well for all corporate customers. It is a significant challenge for the Transaction Banking business line in 2013.

CONFIDENCE IN THE GERMAN **MITTELSTAND**



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EDITORIAL

Confidence in the German Mittelstand

HANS-THEO MACKE

Hans-Theo Macke,
Member of the Board of Managing Directors of DZ BANK AG

Small and medium-sized enterprises define Germany's economy and society. They represent expertise, flexibility, innovation and employment. In tough economic times, they have proven to be growth drivers and anchors of stability. Many of these companies are family-owned. Most are extremely productive, so they are compelling evidence for the sustainable link between economic efficiency and social responsibility that a social market economy can achieve.

The cooperative financial network's corporate banking business is firmly rooted in Germany's Mittelstand. Local cooperative banks are independent institutions with regional connections and they could be said to be managed in the same way as small and medium-sized businesses. DZ BANK supports the cooperative banks by acting as a partner in their corporate banking business, providing additional funding, offering global expertise for international business and giving them access to the capital markets. Specialized institutions in the DZ BANK Group provide additional services such as finance and asset succession planning, insurance, company pension schemes, commercial real-estate finance, leasing, mergers and acquisitions, and equity financing. This creates a comprehensive and unparalleled range of financial products and services for companies and entrepreneurs.

Beyond traditional corporate banking services, we and our partners in the cooperative financial network work on the latest issues and trends that are crucial to the future of the German Mittelstand. They include the increasing internationalization and capital-markets focus of small and medium-sized enterprises, the challenges of corporate succession planning, and the shift in German energy policy which offers great opportunities for small and medium-sized enterprises as well as providing a boost for the cooperative as a legal structure.

This special report takes a look at the German Mittelstand sector and at our range of services for this key customer group. We feature small and medium-sized enterprises, look behind the scenes of the current 'Deutschland – made by Mittelstand' campaign and report on a discussion among our specialist corporate-client relationship officers. Finally, there are two articles about the natural partnership between local cooperative banks and small and medium-sized enterprises and the phenomenal success of the German Mittelstand.

I hope you find it inspiring and informative.

Hans-Theo Macke

Hans-Peter Fricke, Managing Director of the Fricke Group, in the new logistics building (total investment: €35 million) – financed by Zevener Volksbank and DZ BANK

Running smoothly

The Fricke Group focuses on continuous, sustainable growth

Although it is an industrialized nation, Germany is also a major agricultural country. There are almost 300,000 farms in Germany and over 5,000 agricultural machinery dealerships. The one thing that most of these specialist operations have in common is that they work with Fricke Group products.

This trading company was established in 1923 by Dietrich Fricke, who was a blacksmith. Wilhelm Fricke took over the family business in 1953 at the age of just 23. When his son Hans-Peter Fricke joined the company in 1989, it had a workforce of around a hundred and generated revenue in excess of DM 34 million. Since then, the Fricke Group has been on a growth trajectory. Today, it has 29 sites in 17 countries and generated revenue of €427.8 million in 2012.

Fricke operates on a principle of continuity. "Continuous work is the mark of a good dealer, so I would describe myself as a marathon runner rather than a sprinter. You just need stamina and you mustn't make too many mistakes, which is not to say that I have never made any," is how Hans-Peter Fricke describes the way he works. And his success proves him right, with revenue ten times what it was in 1989 and the number of employees constantly on the rise. At present, the Fricke Group employs 1,180 permanent staff as well as 77 apprentices in five recognized trades.

CONTINUOUS WORK IS THE MARK OF A GOOD DEALER

Since Hans-Peter Fricke took over the company in 1992, its trading portfolio has been systematically expanded. In addition to agricultural equipment and spare parts, it now offers utility vehicles and vans. The growing complexity of its remit requires new business acumen and entrepreneurial behavior. "My father took good care of the company. I see myself as more of a trainer and coach, as part of a team of specialists who are much better at their jobs than I would be," is Fricke's description of his role.

Deep roots in the region are also part of his self-image as a businessman. His home village of Heeslingen, which is precisely mid-way between Hamburg and Bremen, remains the company's base. For him, it is important to preserve the right balance between internationalism and regionalism. One of the things that makes an entrepreneur and his company successful is genuine passion for his job. Even in his leisure time, Hans-Peter Fricke can't keep away from engineering. "I own a restored 1962 Porsche Diesel Master, so I was particularly proud that Granit Parts, our spare parts wholesaling business, now offers Europe's largest stock of parts for these legendary Porsche tractors."

HANS-PETER FRICKE

- » Born 1963, married, with three children
- » Degree in business administration
- » 1989: Joins Wilhelm Fricke GmbH
- » 1992: Takes over management of the company
- » 1992 to present: Managing director of the group
- » Directorships: Member of the advisory board of Fendt/AGCO GmbH (tractors)
- » Hobbies: Skiing and travel

ABOUT THE COMPANY

- » Established: 1923
- » Managing directors: Hans-Peter Fricke, Holger Wachholtz
- » 2011: 883 staff (full-time jobs)
- » 2012: 1,052 staff (full-time)
- » 2013: 1,180 staff (full-time), 77 apprentices
- » Sites: 29 branches in 17 countries
- » 2012 revenue: €427.8 million

The story of the Fricke Group's success under its current managing director is impressive in every respect, but its journey in the past twenty years has not always been as straightforward as it might appear at first glance. Hans-Peter Fricke still remembers his early years, and the time and effort it took him to convince long-serving staff members of his new ideas. But his commitment paid off because everybody is on board these days. "Over time we have evolved into a good team. And anyway, the younger staff members immediately got the hang of my degree thesis, which was about results-driven pay for sales staff."

CONTINUITY, FLEXIBILITY AND OPENNESS TO NEW IDEAS

The Fricke Group is a textbook example for the German Mittelstand. Continuity, flexibility and openness to new ideas and technical innovations are complemented by good people management and strong regional roots, and these are what have formed the foundations for companies that are now among the best in the world.

Cruising for success

Meyer Werft GmbH, Papenburg, north-west Germany, has become the world's biggest cruise ship builder.

Bernard Meyer, Managing Partner of Meyer Werft

How did a small shipyard in the German provinces become a world leader? Entrepreneur Bernard Meyer knows the answer: you have to stay on course while looking beyond the horizon.

There is no magic formula that guarantees the success of a company. Many managers opt for a strategy that focuses on maximizing profits, and there are good reasons for doing so. There are also firms – usually family-owned firms – who are not satisfied with that, though. For them, healthy financial earnings are primarily a means for achieving more ambitious goals. Bernard Meyer is one of these visionaries.

Meyer Werft is a classic, family-owned, mid-size business. When Bernard Meyer took over the running of the shipyard from his father in 1982, the company had already been owned by five generations of the same family since it was established in 1795. Under its new boss, Meyer Werft evolved into the world's leading cruise ship builder. Today, the company generates revenue in excess of €1 billion.

HE THINKS ABOUT THE DAY AFTER THE DAY AFTER TOMORROW, HE'S TEN YEARS AHEAD OF THE REST

In many respects, the success story of qualified shipbuilding engineer Bernard Meyer is representative of the German Mittelstand. The company focuses firmly on technology leadership, with the world's most innovative construction and production processes in use in the two huge covered dry docks at its Papenburg site. Meyer's loyalty to one location has also proved to be a factor in its success. Papenburg on the river Ems is actually at a disadvantage compared with the big port cities around the world that are home to other major shipyards, but staying in Papenburg has enabled the company's management to develop its staff over the long term. Erwin Siemens, a former works council chairman who knows his boss well, described him as follows: "He thinks about the day after the day after tomorrow and he's ten years ahead of the rest." For his part, Bernard Meyer sees staff training as the cornerstone of his strategy. Currently, Meyer Werft employs around 300 apprentices in addition to 2,500 permanent employees. "Training and development at the MEYER WERFT Academy alone costs us about €10 million every year, but we need good people," is how he sums up his HR policy.

BERNARD MEYER

- » Born 1948
- » Studied at the universities of Hannover and Hamburg (*Diplom-Ingenieur*, majoring in shipbuilding)
- » 1973: Joins the company
- » 1976: Joins the management board
- » 1982 to present: Managing partner of Meyer Werft
- » 2009: Awarded the Werner-von-Siemens-Ring, the highest German accolade for science and engineering

ABOUT THE COMPANY

- » Established 1795, in family ownership for six generations
- » Germany's biggest shipbuilder
- » 2013: More than 2,500 employees (full-time), approx. 300 apprentices
- » 2012 revenue: Over €1 billion

For a long time, it seemed as if the entire German shipbuilding industry would succumb to pressure from its international competitors. The fact that the industry in Germany is now back on its feet is largely due to Bernard Meyer. But even such a committed businessman as Meyer is not always immune to the vagaries of the economic cycle. When the global transportation market collapsed in 2001, he stood up at a works meeting to explain why there had to be massive job cuts to save the company. "Everyone sensed that he was deeply moved," recalls Erwin Siemens. Nonetheless, Meyer Werft has fought its way back to the top and today it employs more people than ever.

FURTHER INCREASE IN PRODUCTIVITY WHILE CUTTING COSTS

The success of recent years has certainly not blinded Meyer Werft to the challenges of the future. Its competitors in China, South Korea and Japan are forcing their way into the market with predatory pricing, so the company is planning a further increase in productivity while cutting its costs. Despite this, it has just opened a new inhouse childcare center called 'Nautilus'. Dr. Jan Meyer joined the board of directors in May 2012, the seventh generation of the Meyer family in the business. So Meyer Werft ships are set to continue cruising the oceans of the world.

WORKING TOGETHER FOR THE GERMAN MITTELSTAND

Sometimes saying 'thank-you' is worth more than a thousand words. Experts are interviewed about 'Deutschland – made by Mittelstand', the new corporate banking initiative.

Hubertus von Lobenstein (left), Partner at advertising agency Aimaq von Lobenstein, Berlin; **Ulf-Harald Wies** (right), Head of Marketing, DZ BANK, Frankfurt am Main

Mr. Wies, what is this new initiative about?
Wies: Well, unlike many other corporate-client campaigns it really is about corporate customers. They are at the heart of our initiative, but they are not just the target group, they are what drives it. And we think it's time to thank them for everything they have done. 'Deutschland – made by Mittelstand' is the recognition that entrepreneurs in Germany deserve.

Don't companies work primarily for their own benefit?
Wies: Of course, entrepreneurs are responsible for their own success, but the approach and the passion that the German Mittelstand displays is remarkable. A country does not just consist of bricks and mortar, it is made up of people who do things. Luckily for us in Germany, we have a lot of this kind of people. There are regions in which every little village boasts a world market leader in a specific sector. And nobody knows about them.

Sep. 2012

ANNOUNCEMENT PHASE
Teaser ads

Jan. 2013

PILOT PHASE
PR, events, merchandising with pilot banks

Hidden champions, you mean?
Wies: Exactly. These people and their employees are not concerned about being in the spotlight or about quick success. Their real assets are their passion, their physical strength and their gut feeling. We are interested in what keeps them awake at night, and we want to give them the recognition they deserve.

By allowing them to have their say?
Lobenstein: Yes, we actually show real business people, not models, and that proves that we are on the right track with this initiative. If we want to talk about the switch to renewable energy sources, for example, we can be certain that there are already companies working with the cooperative financial network that have already achieved impressive results in this area. So why should we think up fictional content when we already have sufficiently exciting true stories to tell?

How are you getting your message through to these entrepreneurs?
Lobenstein: Well, the content crops up in a wide range of communications channels, including conventional print ads and advertising hoardings around towns and cities. There are also videos about the entrepreneurs, a web film and merchandising products. The whole initiative also comes together on its own website, and then we are also planning some other special campaigns that we don't want to reveal yet.

when we work together. We want the German Mittelstand to know that the cooperative financial network is its top partner for achieving its goals, and that it's always there for it.

How does your initiative help the local cooperative banks?
Wies: Corporate banking is based on trust and close relationships. These existential business relationships require more than just the click of a mouse in an online form. Our initiative plays many key roles in this

Mar. 2013

CAMPAIGN LAUNCH
Image ads issued by cooperative financial network and pilot banks

May 2013

PRODUCT PHASE
Product ads issued by cooperative financial network and local cooperative banks

Advert layouts

That sounds very ambitious ...
Wies: Just as ambitious as the targets we have set ourselves in corporate banking. We possess top-class skills in this area and together with the cooperative financial network we are a reliable, stable partner. These are all values that make us very proud. That's why we are delighted to go public with such a huge initiative. Not an initiative that trumpets our global success, but one that recognizes genuine, successful partnerships.

Is it also conventional advertising?
Lobenstein: Lots of campaigns are about telling customers what they should think, or do or consume. Ours – which we call an initiative rather than a campaign – goes much deeper. The central theme of 'Deutschland – made by Mittelstand' creates a sense of group identity. It's not about just listing our services, it's more about showing what we are capable of

process; it strengthens existing customer relationships and it's also the perfect opener for new customer business. Using a certain proportion of PR work, it consolidates the role of the group as a partner for the German Mittelstand and we plan to establish a national standard with the strong campaign logo as its lynchpin.

Will the initiative be limited to the current year?
Wies: Definitely not. We are not talking about a short-term initiative. 'Deutschland – made by Mittelstand' demonstrates our attitude toward our partners, an attitude that is in our DNA and does not change with our quarterly results or annual report. The purpose of this campaign is to remind us about what we have already achieved and to highlight everything that is still possible.

FIVE ISSUES WILL PARTICULARLY AFFECT THE GERMAN MITTELSTAND IN THE FUTURE.

What can the cooperative financial network offer small and medium-sized corporate customers, how is it positioned, what are its strengths and what will be important for the German Mittelstand? An interview with five members of the strategic initiative 'Tomorrow's corporate banking in the DZ BANK Group'.

DR. KETTERN, THE COOPERATIVE FINANCIAL NETWORK HAS HAD A LARGE SHARE OF THE MARKET FOR SMALL AND MEDIUM-SIZED CORPORATE CUSTOMERS FOR A LONG TIME. IN RECENT YEARS, YOU HAVE AGAIN SIGNIFICANTLY INCREASED THIS SHARE. TO WHAT DO YOU ATTRIBUTE THIS?

Dr. Kettern: I believe it is mainly because we meet five requirements that are equally important for all corporate clients. Firstly reliability, secondly client focus, thirdly high-quality advice, and finally, high-quality products and a wide range of products. The cooperative financial network is excellently positioned within its peer group in terms of all these criteria. What's more, we have also done a great deal on the organizational side in recent years so that we perform even better in corporate banking.

BUT THE COOPERATIVE BANKS ARE NOT THE ONLY INSTITUTIONS THAT ARE FOCUSING CLOSELY ON THE GERMAN MITTELSTAND. HOW DO YOU ASSESS THE MARKET SITUATION IN GENERAL?

Dr. Kettern: In recent years, competitive pressure has increased appreciably, and it will probably continue to grow. This is because a large number of our competitors have rediscovered small and medium-sized enterprises as a target group and they are very much on the offensive. However, the financial crisis has shown that many banks are also retreating rapidly from Mittelstand business. This strategic indecision is definitely not in the interests of middle-market customers. Companies need a long-term relationship with their bank that is based on trust. This is what ultimately benefits them most, and it is exactly what we offer our customers.

Baum: Small and medium-sized enterprises in particular rely on the ability to plan for the long term. This is why many of our customers value the fact that the cooperative sector was the only pillar of the German banking system that did not request government aid during the financial crisis. Instead, it made a substantial contribution – from its own resources – to the stabilization of the economy in general and of companies in particular. We were there for our corporate customers during the financial crisis and we have proven our ability to perform, which has earned us plenty of kudos, particularly among small and medium-sized enterprises.

DOES THIS BRING US BACK TO THE SUBJECT OF RELIABILITY?

Dr. Kettern: Definitely. When clients do business with us they should know that they can rely on us and that we are there for them as a long-term partner. I believe it is good advice for every small or medium-sized company to have at least one business relationship with the cooperative financial network as an anchor of stability.

René Baum, Member of the Board of Managing Directors, Volksbank Pforzheim eG

Nikolaus Sillem (left), Head of Institutional Clients/Managing Director of Union Investment Institutional GmbH, Union Investment;
Dr. Thomas Kettern (right), Head of Corporate Clients and VR-Mittelstand divisions, DZ BANK

IS THERE SUCH A THING AS A TYPICAL MITTELSTAND COMPANY?

Timmermann: 'Mittelstand' is a very broad term. DZ BANK probably uses slightly different measures than those we apply as a local Volksbank. But ultimately, our Mittelstand business ranges from checking accounts or business startup loans for sole proprietorships to complex financial transactions for companies with international operations and revenue of several hundred million euros. We have the right solutions for all small and medium-sized enterprises across the board.

Sillem: And they include much more than mere banking products. I believe we are the only integrated financial services group in Germany that really works. We are able to offer high-quality advice to corporate customers of all sizes and in all situations and to provide them with precisely the products that they really need. This is a significant competitive advantage.

BUT 'FULLY INTEGRATED FINANCIAL SERVICES GROUP' ALWAYS SOUNDS A BIT LIKE 'JACK OF ALL TRADES AND MASTER OF NONE'.

Busch: I would prefer to say that we do lots of things, and that we actually do them right. We have the appropriate specialists for all the areas we cover. Take insurance and risk minimization as an example. In this area, R+V works very closely with the local cooperative banks via its specialists on the ground. This enables us to provide our customers with comprehensive relationship management and risk minimization in a way that other institutions cannot replicate.

MY PERSPECTIVE

KATRIN JAHN,
VOLKSBANK VOGTLAND EG

Because we focus on regional links, client focus and networking at Volksbank Vogtland, our small and medium-sized corporate customers have a point of contact at their local branch.

Top-quality advice based on the needs of each corporate customer, and speedy, transparent decisions guarantee a firm basis of trust between customer and bank. Shared values and involvement in projects and objectives that make life in our region more attractive form a good foundation for stable business relationships.

Sillem: I can only agree with that. After all, the biggest advantage of the cooperative financial network is that we combine the regional proximity and in-depth customer knowledge of the local cooperative banks with the expert knowledge of the specialized service providers within the cooperative sector. The local cooperative banks are able to concentrate exclusively on managing their customer relationships, and when they encounter subject areas that are not their core competences they have access to the expertise of specialists in the cooperative financial network. In the case of asset management, for example, Union Investment is the central provider for the high level of expertise that is required. Customers actually perceive this separation of expertise as one of the benefits offered by the cooperative financial network.

Busch: In a nutshell: our particular strength comes from a division of labor that enables each member of the network to focus on their core competences. In the cooperative financial network, the integrated financial services strategy unites all our strengths and skills, and we offer our small and medium-sized corporate customers a full range of instruments and products under one roof.

ARE THERE ANY EXAMPLES OF THIS COLLABORATIVE PARTNERSHIP WORKING PARTICULARLY WELL?

Dr. Kettern: I think it works very well in a large number of areas, otherwise we – the whole cooperative financial network – would not be where we are today. Overarching themes such as insurance business and asset management have already been mentioned. Looking at individual sectors, this mainly applies to areas such as renewable energies, agriculture and food, healthcare, and retail, where we have an outstanding position in the market.

SO, WHERE IS THERE ROOM FOR IMPROVEMENT IN CORPORATE BANKING?

Baum: Primarily in communications and PR. We often find that customers know very little about the extremely efficient financial services group with a wealth of expertise behind 'their' local cooperative bank. As a result, they tend to believe our competitors have specific expertise which they think we lack altogether. Examples would be interest-rate and currency hedging or even factoring.

Timmermann: Solutions for corporate succession are also an issue that customers do not tend to associate with us.

Dr. Kettern: In recent years, we have generally focused very closely on promoting areas where we needed to do some catching up, especially those that enable us to offer small and medium-sized corporate customers a comprehensive service. Incidentally, our range of services is not only relevant to companies, it is also for entrepreneurs. This can be seen from examples such as the reorganization of our private banking operations for high-net-worth private clients and the merger of DZ BANK's M&A division with WGZ BANK's corporate finance unit to form VR Unternehmerberatung GmbH. Both also cover corporate succession, which Mr. Timmermann mentioned earlier.

Baum: Irrespective of what we have already achieved, we still need to work on marketable, efficient processes and products. That is vital for us to continue building on our position in business with small and medium-sized enterprises – and that means straightforward, needs-based products, well qualified staff with problem-solving skills and closely interlinked services within the cooperative financial network.

AND WHICH TOPICS DO YOU BELIEVE WILL BE RELEVANT TO BUSINESS WITH SMALL AND MEDIUM-SIZED ENTERPRISES IN THE FUTURE?

Dr. Kettern: We believe there are five issues that will particularly affect small and medium-sized companies in the future. They are: the internationalization of business, the shift in Germany's energy

MY PERSPECTIVE

PETRA LEUKEL-ROTH,
WESTERWALD BANK EG

Our performance in corporate banking is based on a holistic approach to advice. Because we have long-established, close ties to business in the Westerwald region, our prime objective is to understand our customers' concerns. This is the basis on which we work with them to devise solutions specific to their needs. In-depth specialist knowledge, innovative products, familiarity with the regional market and an extensive network ensure that our advice is successful, and make us an effective, reliable financial partner.

policy and therefore renewable energies, succession planning, the increasing focus on the capital markets, and digitization, some of which we have already touched on.

Picture above: **Jürgen Timmermann**, Member of the Board of Managing Directors, Grafschafter Volksbank eG
Picture below: **Michael Busch**, Head of Corporate Customers/ Agriculture/Vereinigte Tierversicherung, R+V Allgemeine Versicherung AG

YOU ARE ALREADY PARTICULARLY WELL PLACED WITH REGARD TO RENEWABLE ENERGIES.

Dr. Kettern: That's correct, we decided to focus on the renewable energies business as one of our strategically important areas of activity some years ago, and since then we have been continuously expanding our team of specialists. This means that we complement the cooperative banks' regional expertise, which allows us to work with them to devise solutions for financing projects of all sizes. Because there is huge demand for improving energy efficiency, for example, we believe this issue will become even more important in the future, particularly for small and medium-sized enterprises.

Busch: As well as pure lending business, insurance is also increasingly coming to the fore. R+V is already the market leader in renewables, with a 10 percent share of the market. We insure risks arising from biogas plants, wind farms and photovoltaic arrays. We have also set up a renewable energies center of competence to enable us to adapt more appropriately to changes and developments in this segment and to liaise closely with the cooperative banks to offer better insurance cover for small and medium-sized enterprises.

Sillem: And Union Investment also offers a fund in which institutional investors can invest specifically in renewable energies.

HOW RELEVANT IS INTERNATIONALIZATION, IN FACT?

Baum: It is very high on the agenda for our corporate customers, and also increasingly important for smaller companies. Internationalization consists of tapping into sales markets, establishing subsidiaries abroad, forming alliances outside Germany and improving the value chain. It is a very broad sphere of activity.

Timmermann: I can confirm that. The subject will preoccupy us much more in the future than it has done to date. The larger local cooperative banks even have their own inhouse specialists and we are able to make specific use of the expertise of other group companies, such as DZ BANK and R+V.

Dr. Kettern: That is why DZ BANK decided to amalgamate all of its product and advisory expertise in international business with German corporates in one center of competence in mid-2012. As a result, we are able to deliver expert solutions for the cooperative banks and for small and medium-sized corporate customers.

DOES THE SAME APPLY TO CUSTOMERS' INCREASING FOCUS ON THE CAPITAL MARKETS?

Dr. Kettern: By its nature, this is a subject that affects relatively large Mittelstand companies. Capital-market instruments are likely to become increasingly important for them if they plan to continue investing in growth and innovations. DZ BANK provides specialist knowledge as well as its excellent distribution capability. This is another area in which we can offer our customers the full benefits of the cooperative financial network.

The interviewees are members of the strategic initiative 'Tomorrow's corporate banking in the DZ BANK Group'. Other members include: Dieter Behrens (VR LEASING), Reinhard Eckl (DZ PRIVATBANK) and Axel Jordan (DG HYP).

The German Mittelstand

99.6 PERCENT

OF ALL GERMAN COMPANIES BELONG TO THE MITTELSTAND. THAT'S A TOTAL OF

3,606,794

COMPANIES WHICH GENERATED REVENUE OF **€2,026.84 BILLION** IN 2010. WITH **15.4 MILLION** EMPLOYEES AND **925,000** NEW RECRUITS IN 2011 ALONE, THEY EMPLOY **61 PERCENT** OF ALL EMPLOYEES PAYING SOCIAL SECURITY CONTRIBUTIONS IN GERMANY AND **83.2 PERCENT** OF ALL APPRENTICES.

Innovative and productive

» **1,307** of the **2,710** 'hidden champions' identified around the world come from the German Mittelstand.

» In **2012** alone, **358,500** new companies were established.

» In **2010**, the German Mittelstand invested one in **seven euros** in research and development, representing a total of **€8.7** billion.

» Companies in Germany's Mittelstand hold **499,525** patents, by far the most in the whole of Europe.

» While major German corporations cut jobs between **2008** and **2011 (by 2.4 percent)**, the German Mittelstand recorded an increase of **1.6 percent**.

International focus, global success

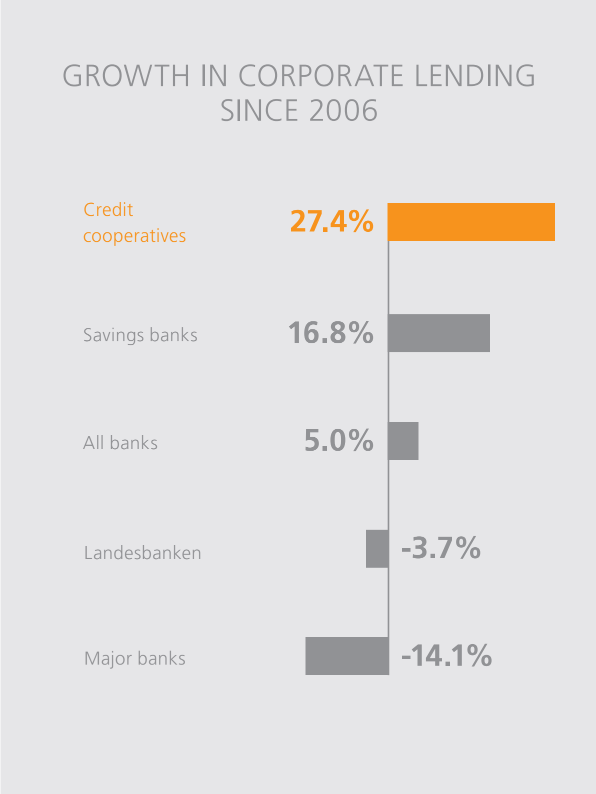
98 percent of Germany's **350,000** or so exporters are small and medium-sized enterprises.

In 2011, the German Mittelstand generated **29.5 percent** of its revenue (€597 billion) abroad, an increase of **11 percent** on the previous year.

Around **40 percent** of smaller German Mittelstand firms have started to operate internationally in the past five years, while **75 percent** of larger Mittelstand firms (revenue **>€50 million**) have been operating abroad for over five years.

INTERNATIONAL ACTIVITIES OF SMALL AND MEDIUM-SIZED ENTERPRISES BY REVENUE CATEGORY (PERCENT)

The data about the German Mittelstand in this summary has been gathered from material published by DZ BANK, the Institute for Mittelstand Research Bonn (IfM Bonn), the Federal Ministry of Economics and Technology (BMWi), the KfW Bankengruppe and GE Capital.



Entrepreneur of the Year

As part of its commitment to the German Mittelstand, DZ BANK supports the prestigious Entrepreneur of the Year business award founded by Ernst & Young. Each year, an independent panel of distinguished experts selects the German Mittelstand's most successful entrepreneur. The qualities assessed include the innovative ability and future potential shown by the companies, and the personal involvement of the entrepreneurs themselves. The 17th annual award in Germany will be presented at a gala event in the Alter Oper concert hall in Frankfurt am Main on September 19, 2013.

DZ BANK MITTELSTAND SURVEY

DZ BANK's Mittelstand survey, 'Mittelstand im Mittelpunkt', is published twice a year. It reveals key economic data about the financial situation of small and medium-sized enterprises in Germany. With the aid of a questionnaire designed by DZ BANK, an independent market research institute conducts around 1,500 telephone interviews with the owners, directors and senior managers of small and medium-sized enterprises.

The purpose of the survey is to give decision-makers at small and medium-sized firms the opportunity to compare the situation at their own company with the results of the survey for their sector or for the German Mittelstand as a whole. Where appropriate, they can draw conclusions for their corporate strategy.

The results of the surveys (in German) can be downloaded at **www.mittelstandsstudie.de**.

From 2012, DZ BANK has also commissioned 'flash polls'. They are used to get an impression of sentiment in the German Mittelstand and to enable DZ BANK to respond quickly and appropriately to new trends and developments.

Local cooperative banks and the German Mittelstand – a traditional partnership

ARTICLE BY UWE FRÖHLICH,
PRESIDENT OF THE NATIONAL ASSOCIATION
OF GERMAN COOPERATIVE BANKS (BVR)

Local cooperative banks have always been experts in financial planning for companies and entrepreneurs – and they tailor it to suit every situation.

The German Mittelstand took on its current form in the first half of the 19th century. Hermann Schulze-Delitzsch called it "the essential pillar supporting every political, social, intellectual or material development". The emancipation of the serfs and the introduction of free enterprise laid the foundations for the Industrial Revolution. During these fast-changing times, the term Mittelstand became increasingly widespread in Germany, first in relation to the middle classes and later to describe small businesses, particularly skilled trades.

Economic change was accompanied by a host of serious problems. In agriculture, compensation payments to former landowners, failed harvests and a lack of experience in financial independence threatened the existence of many farmers. Increasing competition from industry created financial difficulties for skilled trades and other commercial activities. Neither skilled artisans nor farmers could access finance at reasonable terms and conditions.

The emergence of the Mittelstand was followed by the creation of the local cooperative banks as financiers for small and medium-sized enterprises with a presence throughout Germany. The founders of the credit cooperative movement, Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch, who is quoted above, made an impressive contribution to removing obstacles

Uwe Fröhlich, President of the National Association of German Cooperative Banks (BVR),

to finance. In 1864, Raiffeisen laid the foundation stone for the 'Heddesdorfer Darlehnskassenverein', which is now regarded as the first Raiffeisen credit cooperative. Schulze-Delitzsch started the first 'commodity association' for carpenters and shoemakers in

1847 and the first 'credit association' in 1850 – the forerunner to today's Volksbanken whose principles are still self-reliance, personal responsibility, and autonomy.

Even today, the cooperative banks remain closely connected to the Mittelstand. Many skilled tradespeople and business owners are themselves members of cooperative banks, and therefore their shareholders. At present, the local cooperative banks have just over a million corporate customers, around 90 percent of whom are cooperative members.

There are approximately 1,100 local cooperative banks with a nationwide branch network and they offer financial solutions tailored to every corporate situation. The fully-integrated service offered by the local cooperative banks focuses on financial planning for companies and entrepreneurs and includes risk management and insurance, investment, cash management and payments processing, capital expenditure and lending. In terms of lending, the range varies from classic products such as short-term working capital loans, financing for current assets and investment loans for durable goods to alternative financial solutions such as leasing, factoring and equity financing.

Government development loans are often part of the financial solution. At the end of 2012, the cooperative banks led the market with a market share of more than 46.6 percent, measured in terms of the number of commitments for development loans from KfW Mittelstandsbank.

THE BVR

The BVR is the umbrella association for the cooperative banking sector in Germany. Its members are all the cooperative banks – Volksbanken and Raiffeisenbanken, Sparda banks, PSD banks, church banks and specialized institutions –, cooperative central institutions, the companies in the cooperative financial network and the cooperative auditors' associations.

It represents the interests of the German cooperative banking sector at both national and international levels. Within the group, the BVR coordinates and develops the local cooperative banks' shared strategy. It advises and supports its members on legal, taxation and business-management issues. The cooperative financial network's protection scheme, Germany's oldest deposit guarantee fund for banks, is also run by the BVR.

PRESIDENT UWE FRÖHLICH

» Born 1960
» 1985: Joins Arthur Andersen management consultancy
» 1989: Joins IBM Germany
» 2001: Becomes a member of the Board of Managing Directors of Berliner Volksbank
» Jan. 2008: Joins the management board of the National Association of German Cooperative Banks (BVR), Berlin (president since Oct. 2008)
» Nov. 2012: Becomes president of the German Cooperative and Raiffeisen Confederation (DGRV)

The local cooperative banks are constantly expanding their position as funding partners for the German Mittelstand. Lending by cooperative banks to corporate customers was up by 6.9 percent in 2012. This means that the local cooperative banks' growth in this business area significantly outstripped growth in the market as a whole, which amounted to 0.7 percent in 2012.

By the end of 2012, the cooperative banks had lent companies and self-employed people almost €200 billion. Long-term investment loans for replacing or expanding production capacity remains the primary source of funds for corporate customers in Germany. The financial health of the German Mittelstand sector is reflected in the fact that companies were able to increase their capital ratio in 2011 by an average of 2.4 percentage points compared with the previous year, taking the ratio to 22.6 percent.

The Volksbanken Raiffeisenbanken cooperative financial network supports the shift in German energy policy that has been introduced and provides financial assistance for corporate projects both in the area of renewable energies and for increasing energy efficiency. In the energy and mining sector, lending by the cooperative banks was up by significantly more than one fifth in 2012. For many years, the local cooperative banks have had large shares of the market, including the market for government subsidy programs for switching to renewable energy sources.

The local cooperative banks support small and medium-sized enterprises at all stages of corporate development, from startup to succession planning. They are partners of the nationwide 'German Entrepreneurship Week' initiated by the Federal Ministry of Economics and Technology and the 'nexxt – Business Succession Initiative' with 'nexxt-change', Germany's biggest business sales agency.

In this way, the local cooperative banks are securing consistent, long-term, organic growth in the German Mittelstand. The success of small and medium-sized enterprises in Germany is largely based on the ideal environment it provides. In addition to financial opportunities, this includes the structure and protection of vocational training and a strong sense of personal responsibility. These structures have evolved organically from the Mittelstand and with the Mittelstand. One of the key tasks of the German growth policy – and therefore also of European growth policy – is to preserve them to allow the Mittelstand to reach its potential. This is the only way to guarantee that the German Mittelstand and major corporations compete on a level playing field.

Prof. Dr. Dr. h.c. mult. Hermann Simon is the chairman of management consultancy Simon-Kucher & Partners. His latest book 'Hidden Champions – Aufbruch nach Globalia' was published in autumn 2012.

The success model of the German Mittelstand

In global terms, Germany is a small country with an area equivalent to just 0.23 percent of the land area of the Earth. We are also negligible in terms of population; our 82 million inhabitants only represent 1.2 percent of the world's population. But Germany is outstanding in many fields. One in every eight Nobel prizes has gone to a German. We do even better in Formula 1 and the soccer World Cup, with 16 percent of all winning teams. However, none of those are where we really lead the world. On a global scale, our greatest strength is the German Mittelstand. Believe it or not, 48 percent of all small and medium-sized enterprises that are world market leaders come from Germany, while Germany is home to just 6 percent of major corporations. Our lead over the rest of the world is widest with regard to Mittelstand companies. The table shows where we really are world champions.

SECTOR	CRITERION	GERMAN GLOBAL 'MARKET SHARE'
Small and medium-sized enterprises that are world market leaders	Number of hidden champions	48%
Artists	Top 100 contemporary artists	29%
Formula 1	World champions	16%
Soccer	World Cup winners	16%
Science	Nobel prizes	13%
Universities	World University Rankings 2011–2012 (top 100)	12%
Sport	Olympic gold medals 1896–2012	10%
Major corporations	Number of Fortune 500 global companies in 2011	6%
Tennis	Men's world rankings	5%
Society	Time magazine's 100 most influential people in the world	3%
Population	Number of inhabitants	1.2%
Land area	Square kilometers	0.2%

There is no simple answer to the reasons behind the incredible strength of the German Mittelstand. Many go far back in history, such as the plethora of German

"Believe it or not, 48 percent of all small and medium-sized enterprises that are world market leaders come from Germany."

states which forced small and medium-sized enterprises to expand abroad if they wanted to grow. Quite unlike countries such as France, the US, and Japan, internationalization is 'in the genes' of our small and medium-sized enterprises. In many regions of Germany, traditional skills gave rise to new industries. Traditional clockmaking in the Black Forest became the basis for hundreds of medical technology companies in the area around the town of Tuttlingen. In Göttingen, there are 39 measuring equipment firms, a 'collateral benefit' of the Göttingen mathematicians, who were world leaders in their field for centuries. As the spearhead of the German Mittelstand, the hidden champions alone have created a million jobs in ten years. They are constantly growing, and they are now five times the size they were in 1995. Without these small and medium-sized enterprises, Germany would not enjoy such a low rate of unemployment.

Innovation is the only way to get to the top and to stay there. Leading small and medium-sized enterprises hold five times as many patents per employee as major corporations. Their innovations are better at combining technology with customer needs. 65 percent of them say that they handle this challenge well, while only 15

"Innovation is the only way to get to the top and to stay there."

percent of large groups manage to do so. The secret is that small and medium-sized enterprises are closer to their customers, and this is their biggest strength overall. In Germany's Mittelstand, 37 percent of all employees have regular customer contact, while the figure is just 7 percent for major corporations. Despite their size, many small and medium-sized enterprises are actually global players. Many of them have their own subsidiaries around the world. Global reach is not a privilege reserved for major corporate groups.

Last but not least, the long-term focus of family companies is a true strength. It is reflected in the time that company bosses remain in office. In the German Mittelstand this is 20 years compared with just six years for major corporations. This statistic alone says more about sustainability than any number of words.

With its small and medium-sized enterprises, Germany is ideally equipped to compete in the globalized world of the future, because success factors such as innovation, client focus and confidence built on a long-term perspective will always retain their value.

AWARDS WON BY THE DZ BANK GROUP IN 2012

(SELECTION)

DZ BANK GROUP: EMPLOYER AWARDS

- CRF Institute's Top German Employer award 2012 given to Bausparkasse Schwäbisch Hall, DZ BANK, R+V Versicherung, TeamBank, Union Investment
- Other employer awards bestowed on companies in the DZ BANK Group include audit berufundfamilie® certification for the family-oriented HR policy at DZ BANK, R+V Versicherung, TeamBank, and Union Investment; and, once again, the Top Job award for TeamBank

DZ BANK RESEARCH: MULTIPLE SUCCESSES*

- 1st place in the overall ranking (short and long-term interest rates, Dow Jones STOXX 50, DAX) issued by the Centre for European Economic Research (ZEW) for the best forecasts by banks
- Best German bank in Reuters foreign exchange survey (covering 1-month forecasts for exchange rates between the US dollar and the euro, yen, and pound sterling)
- StarMine awards for best broker for German equities and best sector analyst by equities earnings estimates in the sectors telecommunications, IT equipment, and insurance

DZ BANK: AKZENT INVEST PRODUCT BRAND RECOGNIZED – CUSTOMER SERVICE CERTIFIED

- DZ BANK wins Investment Certificates House of the Year award for the 10th time in a row with its AKZENT Invest product brand and at the same time is also voted Best Issuer of Capital Preservation Certificates for the 7th time by a panel of experts (certificates advisors together with DIE WELT, ZertifikateJournal, Scoach Europa, and Börse Stuttgart)
- Study carried out by the WELT Group and Steria Mummert, Top Investment Certificates Institute 2011: DZ BANK once again receives the highest rating of 'very good'
- Euro am Sonntag: In an investment certificates service test of the 16 largest issuers, DZ BANK is one of four banks to receive the rating 'very good'
- Following a detailed audit, TÜV SÜD once again issues its seal of approval for the quality management system in DZ BANK's customer service operations in the Capital Markets Retail division

BAUSPARKASSE SCHWÄBISCH HALL: DISTINCTIONS FOR SERVICE AND PRODUCT QUALITY

- Rated 'very good' by Euro am Sonntag in its building society test and crowned Germany's most popular building society. Top of the ranking for building societies in the Service Value awards from the Goethe University Frankfurt am Main

- Fuchs WohnbauRente from Bausparkasse Schwäbisch Hall chosen as most advantageous nationwide product by Finanztest magazine; Öko-Test consumer magazine puts this product in 1st place in its test of instant financing products with a Riester home savings contract

DZ PRIVATBANK: TOP RANKING AND SPECIAL PRIZE IN PRIVATE BANKING

- 2nd place in the overall annual assessment and 1st place in the All-time Best List of the top asset managers in German-speaking Europe in 2013 published by Fuchsbriefe-Verlag and Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen GmbH (IQF)
- Special prize from Elite-Report magazine in its 2013 awards for the best asset managers in German-speaking Europe

EASY CREDIT: CONSUMER FINANCE EXPERT IN THE COOPERATIVE FINANCIAL NETWORK HONORED FOR INNOVATION AND QUALITY MANAGEMENT

- easyCredit singled out as an ideas factory: Ranga Yogeshwar bestows accolade on easyCredit as an innovative medium-sized business
- TÜV SÜD confirms its certification of the Production and Services divisions and of the customer satisfaction management system in accordance with DIN EN ISO 9001:2008
- Inspiring customers through service excellence: DQS GmbH honors TeamBank AG for its successful implementation of the DIN SPEC 77224 specification

R+V VERSICHERUNG: STABLE RATING AND FIRST-CLASS SERVICES

- Rating agency Standard & Poor’s assesses the financial stability of R+V Versicherung AG with a credit rating of AA- (outstanding)
- R+V Lebensversicherung: R+V is again awarded the top rating of five stars in the corporate ratings published in Capital magazine (Morgen & Morgen ratings) and WirtschaftsWoche magazine (Finsinger ratings); the Fitch rating agency assesses the financial strength of R+V Lebensversicherung AG and R+V Lebensversicherung a.G. as ‘very strong’ (AA-); R+V RiesterRente is once again awarded the top rating by Institut für Vorsorge und Finanzplanung GmbH
- R+V Krankenversicherung receives the top rating of ‘mmm’ from map-report for the ninth time in succession and an award as best provider of health, care, and sickness insurance from FOCUS-MONEY magazine

UNION INVESTMENT: OUTSTANDING PERFORMANCE AT BOTH COMPANY AND PRODUCT LEVELS

- Union Investment comes out top in the socially responsible investing category of the 2013 Feri EuroRating Awards: Analysts Feri EuroRating Services, news broadcaster n-tv, and Handelsblatt declare Union Investment to be the best asset manager in German-speaking Europe for sustainable investments
- Union Investment Real Estate receives the Scope Award as best management company in the open-ended real estate fund segment for its very high level of expertise in terms of both market and transactions
- Capital magazine crowns Union Investment best overall universal provider, awarding it the top five-star rating for the eleventh time in succession

* In some cases, the awards received in 2012 relate to forecasts submitted in 2011.

HIGHLIGHTS OF 2012 FOR THE DZ BANK GROUP

(SELECTION)

DZ BANK BRINGS FINE ART PHOTOGRAPHY TO THE NEW STÄDEL MUSEUM

On February 22, 2012, the Städel Museum in Frankfurt am Main opened its new extension, providing a home for a new dimension to its collections in the form of fine art photography. These works come from the DZ BANK art collection and, since the extension was opened, have formed part of the new presentation of contemporary art displayed in a gallery located beneath the Städel garden, an exhibition space that is nevertheless filled with natural light. More than 220 photographic works and bodies of work from 76 international artists have been permanently transferred to the Städel Museum. This initiative has enabled the Städel Museum – which is one of the most important fine arts institutions in Germany – to extend its modern art collection to encompass the medium of photography. DZ BANK's collection of contemporary fine art photography enjoys a worldwide reputation.

DZ BANK: POPULAR VISITOR PROGRAM

In 2012, our visitor program saw more than 110 groups involving over 2,600 participants from local cooperative banks make the most of the opportunity to take a look behind the scenes at DZ BANK in Frankfurt and find out more about the central institution in the cooperative financial network. DZ BANK also offered specialist presentations on current issues and analyses on the subject of sustainability. The opportunity to bring the visit to Germany's financial capital to an end with an entertaining evening event was particularly well received.

UNION INVESTMENT: 7TH RISK MANAGEMENT CONFERENCE

Low interest rates, the need for a significant level of capital protection, and increasing regulation all amount to a current market environment in which returns are being eroded, presenting institutional investors with a dilemma. On the one hand, the recent financial crisis means they are seeking out secure investments. On the other hand, these investments are no longer producing the returns that institutional investors need to service their obligations. The only way out of this predicament is to take on more risk. Union Investment's seventh risk management conference held on November 14, 2012 therefore provided a forum for professionals to hold discussions on risk management and the use of risk models. The conference brought more than 230 institutional investors together with distinguished academics. Participants included Nouriel Roubini, professor at the Stern School of Business and founder and chairman of Roubini Global Economics LLC, and Professor Jörg Asmussen, member of the Executive Board of the European Central Bank.

DG HYP REMODELS BRAND IMAGE

In the context of its development of a new mission statement, DG HYP revised its brand image in 2012. It updated its logo and developed a new slogan, 'Decidedly better funded'. DG HYP has been using the logo and slogan officially since April 2012. The retention of the colors represents the continuity of DG HYP as an old-established bank and points to the fact that it is an integral part of the cooperative financial network. The slogan 'Decidedly better funded' highlights that the investor has made the right decision in opting for DG HYP and therefore for the cooperative financial network as its funding partner. The slogan also sets out a clear value proposition and gives expression to DG HYP's claim to be a leading provider. The new brand image and the slogan have given DG HYP a unique profile and strengthened the appeal of the brand, both internally and externally.

EASYCREDIT: MORE PRIZES FOR FINANCIAL EDUCATION AWARDED

easyCredit, the consumer finance expert in the cooperative financial network, for the second time awarded a series of prizes for financial education. Around 500 partner banks supported projects for financial education in Austria and Germany. A panel of experts, comprising academics and representatives from the cooperative financial network, Austrian Association of Cooperatives (ÖGV), and the 'Deutschland im Plus' foundation selected and evaluated the three best projects in each of three categories.

The projects by partner banks in Germany and Austria are being supported with total backing of just under €1.4 million. A further €200,000 is going to the 'Deutschland im Plus' foundation for its educational work in schools. Further information can be accessed online at www.finanzielle-bildung-foerdern.de.

INVESTMENT DIALOG 2012

"Do we get a 'like' with a thumbs-up?" At the end of the 2012 Investment Dialog event, that was the question from Lars Hille, Member of the Board of Managing Directors of DZ BANK, still in social media mode. During the event itself – which lasted four hours – prestigious speakers discussed the topic 'Opinion as a currency? – The value of the social web'. "In Germany, every second business is supported by the internet. The internet is therefore more important than the energy or agricultural sectors," emphasized Stefan Tweraser, Head of Google in Germany, as he commented on the growing importance of the internet. Politicians are also aware of the relevance of social media, as Christian Lindner explained. The leader of Germany's Free Democratic Party (FDP) from North Rhine-Westphalia is an active Facebook and Twitter user. More information is available at www.investment-dialog.de.

25 YEARS OF R+V KRANKENVERSICHERUNG

R+V Krankenversicherung AG celebrated its first 25 years in 2012. Established in 1987, when it had no more than 151 customers, the company has since enjoyed dynamic growth with the total number of policyholders reaching more than 625,000 in 2012.

DZ BANK GROUP CAREER PRIZE: A PERFECT GRADUATION

At an enjoyable evening event held on April 20, 2012, Thomas Ullrich, Member of the Board of Managing Directors of DZ BANK, announced the six delighted winners of the DZ BANK Group's Career Prize. The event included a panel discussion on the importance of social media for individuals when developing a personal profile and searching for jobs.

GROUP MANAGEMENT REPORT

I. Business performance

1. ECONOMIC CONDITIONS

Over the reporting year, average inflation-adjusted gross domestic product (GDP) in Germany increased by 0.7 percent year on year.

The encouragingly buoyant economic situation in the first months of 2012 became progressively weaker again over the rest of the year. Europe's sovereign debt crisis, which deteriorated still further – at least intermittently – over the course of 2012, had an increasingly negative impact on Germany's economy. In the first quarter of the reporting year, Germany still enjoyed growth of 0.5 percent in overall economic output, but this turned into a contraction of 0.6 percent in the fourth quarter.

In individual European countries economic growth varied significantly. Overall economic output in the countries of the European Monetary Union declined slightly in 2012. The recession was particularly persistent in southern European countries. The economies of the euro zone were constrained by austerity measures taken as part of economic and financial policies in the countries on the periphery to overcome their high budget deficits and lack of competitiveness. In contrast, economic growth in some of the core countries of the euro zone remained fairly stable overall.

The **United States** achieved only muted economic growth in 2012, despite pursuing an expansionary monetary and fiscal policy. Approval of spending cuts aimed at effectively countering spiraling government debt was, however, held back by a lack of consensus among political decision-makers. The US labor market remained weak despite initial signs of recovery. On the other hand, the US economy did finally receive a boost from the residential construction sector, which in the most recent quarters of 2012 did deliver some identifiable growth, albeit at a low level.

The **emerging markets in Asia and Latin America** continued to achieve comparatively high rates of growth in 2012, although the pace of this growth slackened in both India and China during the course of the year.

Demand from the emerging economies, which nevertheless remained at significant levels overall, again provided stimulus for growth and a boost for exports from **Germany** during the reporting year.

Adjusted for inflation, consumer demand once again rose year on year and accounted for a considerable proportion of the economic upturn in Germany. The willingness of consumers to spend was given a push by the healthy position in the jobs market and the decidedly low levels of interest available on savings. At the same time however, spending on capital equipment by corporates remained noticeably constrained as a result of the uncertainty caused by the ongoing crisis in the euro zone.

In Germany, additional tax revenues generated by the improvement in overall economic performance during the course of 2012 led to a budget surplus equivalent to 0.1 percent of gross domestic product.

2. THE BANKING INDUSTRY AND THE PERSISTENT EUROPEAN SOVEREIGN DEBT CRISIS

In the first few months of 2012, the main features of developments on financial markets were an **injection of liquidity amounting to a total of €1 trillion by the European Central Bank (ECB) and the approval of a second bailout package for Greece accompanied by a debt haircut**. The start of the second quarter of 2012 saw the **debt crisis in the peripheral countries of the euro zone** rekindled, with attention focused on **the crisis in the Spanish economy at the end of the first six months of 2012 and on Greece again toward the end of the year**.

The heads of state and government of the euro-zone countries attended an **EU summit in Brussels on February 20/21, 2012** at which they promised **Greece** a **second bailout loan of €130 billion** until 2014, which had first been decided on at the EU summit in July 2011 and was in addition to the €110 billion package that had already been approved in May 2010. Under this bailout package, **private creditors would have to waive 53.5 percent of the nominal value of the debt due to be repaid to them**. Once the debt rescheduling – the largest since the Second World

War – was largely complete, the euro-zone countries released the €130 billion bailout loan in mid-March 2012. In the end, the **International Monetary Fund (IMF) also put up around 14 percent of the loan**.

At their **summit meeting on March 1/2, 2012, the heads of state and government** of the euro-zone countries plus a number of other EU member states – with the exception of the United Kingdom and the Czech Republic – signed the **fiscal pact that they had agreed at the end of January 2012, the aim of which was to ensure strict compliance with the stability and growth pact.** This pact also stipulated the **initiation of a deficit-reduction procedure in the event of non-compliance and the inclusion of a debt brake in national law.**

As far as the European Stability Mechanism (ESM) is concerned – which, according to the agreements made, is intended to run in parallel with the European Financial Stability Facility (EFSF) available until June 30, 2013 – **an effective lending volume of €500 billion was agreed by EU finance ministers when they met in Copenhagen on March 30, 2012.** If this volume is to be actually available for lending, the ESM requires subscribed capital of €700 billion in view of the AAA rating preferred for funding requirements. The lending is subdivided into guarantees of €620 billion and cash of €80 billion.

At the **beginning of April 2012**, attention was once again refocused on the as yet unresolved **sovereign debt crisis in the peripheral countries of the euro zone** when **Spanish Prime Minister Mariano Rajoy announced that his country would fall well short of the agreed budget deficit target for 2012. Italy's high level of government debt and the trend toward recession in its economy** also increasingly came into focus.

In Greece, the first elections on May 2012 did not produce an absolute majority that would allow any particular party to govern. Even after **another round of elections on June 17, 2012, which led to a majority government with the significant involvement of existing political groupings**, there was still a great deal of uncertainty as to whether Greece was in a position – and had the necessary will – to implement the agreed reforms with any degree of reliability.

Following the **presidential changeover in France at the beginning of May 2012, the differences of opinion between the newly elected President Hollande and the German government regarding the introduction of eurobonds** as a vehicle for overcoming the sovereign debt crisis became glaringly obvious. Whereas the French government was firmly behind the idea of using eurobonds, the German side emphasized that the introduction of such bonds could only be considered at a later stage when an effective control mechanism could be embedded at EU level suitably reflecting the joint liability involved.

On June 9, 2012, following the decision by the Fitch rating agency to downgrade Spain's credit rating by three notches to BBB at the beginning of June 2012, and after Fitch published a forecast that a considerable funding requirement would be needed to rescue crisis-hit Spanish banks, **the European Union** met a request from the **Spanish government for the provision of support for the Spanish government's bank restructuring fund in the form of a loan facility of €100 billion**. At the end of September 2012, the Spanish government published an estimate of the capital requirement for Spanish banks and savings banks based on an analysis of the needs of each individual bank commissioned by the government. This capital requirement was estimated to be approximately €60 billion.

On June 21, 2012, the rating agency Moody's downgraded the credit ratings for 15 major international banks. Moody's had already lowered the long-term rating for a number of German banks on June 7, 2012. The **relevant rating for DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) was lowered by one notch to A1.**

At a **summit held on June 27/28, 2012 in Brussels,** the EU heads of state and government instructed the EU Commission to put forward proposals by the end of 2012 for **tighter European banking regulation with a central role for the ECB**. Subject to this requirement, the **EFSF bailout fund and the ESM** were permitted **to supply crisis-hit banks with capital directly**.

A **growth package for the euro zone with a volume of €120 billion** was also approved, consisting of EU structural funds and project funds from the European Investment Bank.

On July 23, 2012, Moody's announced that it intended to review the triple-A ratings of **Germany, the Netherlands, and Luxembourg**. The rating agency revised the **outlook for these 3 countries to 'negative'**.

Signs of an initial easing in the sovereign debt crisis appeared **at the end of July 2012** when **the head of the ECB Mario Draghi** stated that he intended to do whatever it takes to support the euro. This statement by Draghi was followed on **September 6, 2012** by an **ECB announcement to the effect that, in the future, it would purchase bonds from individual countries on the secondary market without limitation as part of its OMT (Outright Monetary Transactions) program, provided that** in return **the country concerned accepted and implemented the austerity and reform conditions imposed under the EFSF and ESM bailout arrangements, respectively.**

Following **the judgment by the German Federal Constitutional Court on September 12, 2012 consenting to the introduction of the ESM euro bailout fund and the fiscal pact**, the finance ministers of the 17 countries in the euro zone met in Luxembourg **on October 8, 2012** to bring the **ESM into effect**.

In mid-September 2012, the US Federal Reserve and the Bank of Japan decided on a further **easing of their expansionary monetary policies,** thereby helping to bring more stability to international financial markets.

In addition, **the EU heads of state and government came to an agreement in mid-October 2012 on a uniform system of banking regulation under the auspices of the ECB.** The 27 EU finance ministers were requested to iron out the legal details of this system by the end of 2012.

With these decisions in September and October 2012 now pointing the way ahead, **there was a noticeable fall in yields on bonds from the peripheral countries of the euro zone, particularly on Spanish and Italian bonds**. In mid-October 2012, **Moody's confirmed Spain's credit rating at Baa3**, which equates to a rating of **BBB-** from **Standard & Poor's**. Standard & Poor's had downgraded their earlier rating to this level a few days previously.

On October 23, 2012, the **EU Commission initiated the procedure for introducing a financial transaction tax** in response to a request from 11 EU member states. As it seemed unlikely that all 27 EU member states would be able to agree on a common system, a smaller group of member states – including Germany – planned to introduce this tax using the mechanism of 'enhanced cooperation'. **After the plan from 11 EU member states was agreed by the necessary qualified majority at a meeting of EU finance ministers on January 22, 2013, the EU Commission submitted a draft directive on February 14, 2013 for the introduction of a financial transaction tax**. In a separate development, the French government had already introduced a national financial transaction tax on August 1, 2012, the tax in this case being imposed on the purchase of certain equity instruments. Italy is also planning to introduce a national financial transaction tax, not only on the purchase of certain equity instruments but also affecting the buying and selling of derivatives.

At the end of October 2012, it became apparent that Greece had again fallen behind schedule with the implementation of the agreed austerity and reform program and would **not be in a position to lower its debt ratio to 120 percent of gross domestic product by 2020 as agreed.**

Following a number of fruitless attempts to reach an agreement, **the IMF, the Eurogroup, and the ECB met on November 26/27, 2012** in Brussels and finally **managed to reach a deal opening the way for the release of the next tranche of bailout loans for Greece,** which **amounted to €31.5 billion** from the existing loan program.

This deal involved **a range of measures** to **close the existing funding gap of €14 billion by 2014** and **bring the debt-to-GDP ratio down to 124 percent by 2020**. The measures included **buying back Greek government bonds, distributing ECB profits, reducing the interest burden, and extending existing loan maturities**.

Having been downgraded by Standard & Poor's to AA+ at the beginning of the year, **France then also suffered a one-notch downgrade at Moody's to Aa1**

on November 19, 2012. Similarly, the Standard and Poor's AA+ **rating for the EFSF bailout fund** in mid-January 2012 was followed by **Moody's**, which only gave the fund its second-best **rating of Aa1**. The updated long-term **Moody's rating for the ESM bailout fund** is **Aa1**. Standard & Poor's has not given this fund any rating yet. The **Fitch** rating agency **rates both bailout funds at AAA**.

On December 12/13, 2012 EU finance ministers met in Brussels and agreed to set up a banking regulation system for the euro zone under the auspices of the ECB, thereby implementing the proposal made by the heads of state and government in mid-October 2012. This system would also be open to all countries outside the euro zone. **The main component of this decision by EU finance ministers was that** the **ECB should take on supervision of banks with total assets of at least €30 billion** and that it should commence its activities in this role **as early as possible** (**March 1, 2014**). However, this new role had to be subject to strict segregation from the ECB's monetary policy responsibilities. National supervisory authorities should continue to be responsible for smaller banks.

Against the backdrop of the measures agreed in Brussels on November 26/27, 2012 to support Greece and following successful completion of the bond buyback, **Standard & Poor's upgraded Greece's credit rating on December 18, 2012 to B-, an upgrade of several notches**.

On February 22, 2013, Moody's downgraded the United Kingdom by one step to Aa1, although gave it a stable outlook. The United Kingdom has therefore now only been awarded the highest credit ratings by Standard & Poor's and Fitch, but both with a negative outlook.

Share prices on **global equity markets** remained comparatively high on average over the first quarter of 2012 due to overall economic stability. Contributing factors were ECB monetary policy operations that provided the markets with total liquidity of €1 trillion in the form of 2 three-year tenders shortly before the start of 2012 and at the end of February 2012. In the second quarter of 2012, the unresolved problems of the peripheral countries in the euro zone returned to the fore as the economic situation in Spain deteriorated. In this environment, the euro zone suffered an increasing loss of momentum from its key economic drivers.

In response, the ECB cut its key interest rate by 25 basis points on July 5, 2012. Since this cut, the rate has remained at 0.75 percent, a record low for the euro zone. The measures agreed with the IMF and EU member states at the end of November to overcome the further deterioration in Greece's debt situation sent out more positive signals to financial markets. At the end of 2012, the DAX share price index was up by approximately 1,714 points on the level at the end of 2011.

Without exception, **Germany's major banks** generated increases in their operating income in the reporting year. In most cases however, allowances for losses on loans and advances and administrative expenses were also higher than in 2011.

3. COOPERATIVE BANKS: PARTNERS FOR THE ECONOMY

The 1,111 cooperative banks with their 13,350 branches serve 30 million customers and have 17 million members in Germany. This structure forms the basis for the success of the DZ BANK Group and is the foundation for one of Germany's largest financial services groups: the Volksbanken Raiffeisenbanken cooperative financial network.

DZ BANK is a network-oriented central institution and is closely geared to the interests of the local cooperative banks, which are both its owners and its most important customers. Using a customized product portfolio and customer-focused marketing, DZ BANK aims to ensure that the local cooperative banks continually improve their competitiveness on the basis of strong brands and a leading market position. In addition, DZ BANK performs the function of a central institution for approximately 930 cooperative banks and is responsible for liquidity management within the cooperative financial network.

In the reporting year, the DZ BANK Group continued to successfully develop its focus on the needs of the cooperative banks and their customers.

3.1. NETWORK-ORIENTED GROWTH

3.1.1. Initiatives aimed at small and medium-sized enterprises

DZ BANK continued to expand its joint business with the local cooperative banks as part of its initiatives aimed at small and medium-sized enterprises (SMEs). These initiatives focus on a number of areas, including the provision of funding for renewable energy projects. Back in 2011, DZ BANK had already assembled a team of specialists to provide the cooperative banks with the best possible support in this area of activity. In response to a sustained high level of demand, additional specialists were added to the team in the reporting year so that this demand could be satisfied efficiently.

In addition to the focus on joint business with the local cooperative banks, DZ BANK continued its efforts to step up its direct business with medium-sized companies and major corporate customers in the reporting year.

In 2012, DZ BANK launched its 'Deutschland – made by Mittelstand' campaign in the cooperative financial network in order to continue the consolidation of its business with its most important customer group, the German Mittelstand (SMEs), and as a 'thank-you' for the confidence of this sector in DZ BANK. This campaign was developed in conjunction with the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks], WGZ BANK AG, Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK), and with all entities in the cooperative financial network involved in corporate banking in order to ensure that the profile of the unique capabilities provided by the cooperative financial network is raised still further among corporate customers.

In addition, DZ BANK offers medium-sized companies a service known as the German Desk. This service, which is offered by DZ BANK in conjunction with its corporate customer relationship managers abroad, helps corporate customers of DZ BANK to find suitable partners in international markets. The service is available to customers at all of DZ BANK's international branches. In this way, various advisory and support services for the relevant region outside Germany help to generate benefits for the entire cooperative financial network.

3.1.2. Private banking

Since its launch, the private banking market initiative has generated gross inflows in excess of €4 billion. A total of more than 60,000 customers have responded enthusiastically to the notion of cooperative private banking.

Partnership agreements have been signed with almost all cooperative banks as part of the activities under the VR-PrivateBanking brand. Cooperative private banking focuses on local collaboration with the individual cooperative banks and is based on different types of partnership. Within this structure, DZ BANK provides customized services, products, and support to complement the products and services offered by the individual cooperative banks. In addition, DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK S.A.) undertakes strategic acquisitions, which furnishes new clients for the private banking business operated by the cooperative banks.

3.1.3. Transaction banking

DZ BANK has continued to expand its range of mobile payment services for customers of the local cooperative banks. To this end, it has entered into a partnership with the Swedish company iZettle, which makes mini chip-card readers for mobile devices. An exclusive sales and distribution agreement, including the associated payments processing, is allowing DZ BANK to add another dimension to its mobile payment offering.

3.1.4. Strong growth in subsidiaries

The R+V Group forms a significant part of the cooperative financial network. During the reporting year, it was able to consolidate its market position substantially, extending its customer base by a further 108,000 customers.

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH) was also able to take its market share to more than 30 percent in Germany, not least by deploying a new sales and marketing strategy aimed at young people. This reaffirmed its position as undisputed market leader in the German home savings sector.

The Union Investment Group continued to optimize its range of products for retail clients, despite an economic environment that continued to be affected by the sovereign debt crisis in the peripheral countries of the euro zone. This optimum range of products, coupled with the continued close cooperation with local cooperative banks, enabled the Union Investment Group to maintain its leading position in the German guarantee funds market.

On the back of the easyCredit product, TeamBank AG Nürnberg, Nuremberg, (TeamBank) in collaboration with the local cooperative banks managed to increase the cooperative financial network's share of the consumer finance market to almost 18 percent (as at September 30, 2012). The cooperative principles of sustainability and fairness played a key role in helping to generate this growth.

3.2. CONSISTENT FOCUS

3.2.1. Commercial real-estate finance

Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) continued to step up its cooperation with local cooperative banks, driven by its focus on commercial real-estate finance. As well as benefiting from DG HYP's extensive experience in this area of business, cooperative banks were able to make use of the IMMO REVERSE META product to share in and benefit from individual DG HYP deals.

3.2.2. Realignment of VR-LEASING AG

The realignment undertaken at VR-LEASING AG, Eschborn, (VR-LEASING AG) involved refocusing the company on domestic business and, in particular, on collaboration with local cooperative banks. In these collaborative activities, VR-LEASING AG helps the local cooperative banks achieve even greater benefit from unexploited potential in the target group of small and medium-sized enterprises.

Leasing via the automotive trade, vehicle fleet business, and real-estate leasing is no longer part of VR-LEASING AG's core business. Following a comprehensive analysis, DZ BANK and the VR LEASING Group have decided that the purchasing organizations and tax departments of both entities should be taken over by DZ BANK from 2013 with the aim of leveraging further synergies.

3.2.3. Further growth in capital markets business

Given the changes in the regulatory environment and also in customer demand, DZ BANK intends to focus its capital markets business more strongly on core business and on the complementary institutional business, a significant feature of which is the close collaboration with cooperative banks. Profitability in this business is being increased, and the capital tied up reduced, by a host of efficiency measures and action to streamline the organization. Implementation of the agreed action plan will start in 2013 and will also help DZ BANK progress further toward a tighter customer focus.

3.3. CLOSER INTEGRATION OF THE DZ BANK GROUP WITHIN THE COOPERATIVE FINANCIAL NETWORK

The DZ BANK Group works in close cooperation with the WGZ BANK Group and the special committees of the BVR on critical future-related issues affecting the cooperative financial network. One example is the internet strategy project known as webErfolg. The objective of the webErfolg project is to design a customer oriented online channel for the Volksbanken Raiffeisenbanken cooperative financial network to reflect customer needs and to safeguard competitiveness in the online business overthe long term. Plans for 2013 include online availability of DZ BANK Group products via the websites of local cooperative banks and a significantly extended online financial services status covering all products offered by the cooperative financial network.

A further project is addressing the issue of the quality of advice with the objective of developing a uniform standard of advice for retail banking throughout the cooperative financial network. Processes have been drawn up for those areas where there is a particular requirement, such as assets, pensions, hedging, real estate, and liquidity. The DZ BANK Group's range of services is fully integrated into these jointly developed advisory processes.

3.4. CAPITAL MANAGEMENT

3.4.1. Regulatory challenges

Efforts to strengthen the capital base of the DZ BANK Group remain the top priority. Various measures that the bank has taken over the last few years have led to a significant increase in the Tier 1 capital ratio. These measures have included retaining profits, taking steps in relation to long-term equity investments, and reducing the capital tied up in connection with selected portfolios that are being phased out, such as the ABS portfolio or selected European government bonds. As a result of this action, the Tier 1 capital ratio improved from 7.4 percent in 2008 to 13.6 percent in 2012. This included the extra 1 percent required under the higher capital requirements as part of the Basel 2.5 implementation at the end of 2011. When the Capital Requirements Regulation (CRR) is taken into account (on a pro forma basis because this regulation has not been enacted yet), the core Tier 1 capital ratio (including items carried forward in the annual financial statements – largely retained profit) as at December 31, 2012 was 9.8 percent.

Banks will have to comply with further increases in capital requirements from the beginning of 2013 as a consequence of the implementation of Basel III in Europe. In addition, the European Central Bank and the European Banking Authority are planning another European stress test for banks in September 2013. The regulatory capital analysis under the standards specified in the German Commercial Code (HGB) will also be switched to an IFRS basis no later than at the end of the 2013 financial year. This will result in considerable capital charges that could mean the capital base needs to be strengthened in the foreseeable future with amounts that extend beyond those available from retained profit.

4. FINANCIAL POSITION AND FINANCIAL PERFORMANCE

4.1. FINANCIAL PERFORMANCE

4.1.1. Financial performance at a glance

The DZ BANK Group successfully overcame the tough market conditions and the significant number of challenges to its performance in 2012.

The year-on-year changes in the key figures that make up the net profit generated by the DZ BANK Group in the reporting year were as described below.

Operating income in the DZ BANK Group amounted to €4,701 million (2011: €3,441 million). This figure comprises net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

Allowances for losses on loans and advances in the reporting year amounted to €527 million (2011: €395 million).

The DZ BANK Group's **administrative expenses** rose by €133 million, or 4.9 percent, to €2,855 million (2011: €2,722 million).

Profit before taxes in the reporting year amounted to €1,319 million compared with a figure of €324 million in 2011.

4.1.2. Financial performance in detail

The changes in individual items on the DZ BANK Group income statement in 2012 are described in detail below.

Net interest income (including income from long-term equity investments) in the DZ BANK Group increased by 3.9 percent year on year to €3,260 million.

Net interest income rose by €119 million at DZ BANK (excluding income from long-term equity investments), by €39 million at TeamBank, and also by €39 million in the BSH subgroup. In contrast, this figure fell by €12 million at DG HYP, by €7 million in the subgroup headed by DVB Bank SE, Frankfurt am Main, (DVB),

FIG. 1 – INCOME STATEMENT

€ million	2012	2011	Change (%)
Net interest income	3,260	3,137	3.9
Allowances for losses on loans and advances	-527	-395	33.4
Net fee and commission income	1,024	963	6.3
Gains and losses on trading activities	659	398	65.6
Gains and losses on investments	-442	-333	32.7
Other gains and losses on valuation of financial instruments	-276	-999	-72.4
Net income from insurance business	532	348	52.9
Administrative expenses	-2,855	-2,722	4.9
Staff expenses	-1,478	-1,414	4.5
Other administrative expenses[1]	-1,377	-1,308	5.3
Other net operating income	-56	-73	-23.3
Profit before taxes	1,319	324	>100.0
Income taxes	-350	285	>100.0
Net profit	969	609	59.1

1 General and administrative expenses plus depreciation/amortization expense on property, plant and equipment, investment property, and on other assets

by €7 million in the VR LEASING subgroup (VR LEASING), and by €5 million at DZ PRIVATBANK, which includes DZ PRIVATBANK S.A., and DZ PRIVATBANK (Schweiz) AG, Zurich.

At DZ BANK, net interest income from operating business (excluding income from long-term equity investments) climbed by 25.1 percent to €594 million.

This growth largely resulted from a rise in development program loans and improvements in funding terms and conditions, primarily in the first six months of 2012.

The changes in net operating interest income in the individual divisions at DZ BANK in the reporting year were as described below.

In its corporate banking business, DZ BANK continued to expand both its joint business with the local cooperative banks and its direct business with medium-sized companies and major corporate customers in the reporting year.

In particular, the encouraging trend in lending business with corporate customers observed in 2011 continued in the reporting year with a significant year-on-year increase in the volume of new applications. Volumes in the joint credit business with the local cooperative banks reached the same level as in 2011. Net operating interest income from corporate lending exceeded the figure achieved in 2011.

In the agriculture, nature, and renewable energies (ANE) sector – a key future area of growth for the cooperative financial network – the success enjoyed in 2011 was maintained in the reporting year. DZ BANK notched up significant growth, particularly in the provision of funding for renewable energy projects. The ANE support team was expanded yet again with the objective of providing even better marketing support than hitherto for the local cooperative banks.

There was also growth in the development lending business – an important area of activity for the local cooperative banks – with a substantial rise in the volume of new business in the reporting year. As a consequence, the cooperative financial network once again increased its market share in respect of development programs operated by Germany's development bank, KfW Bankengruppe, Frankfurt am Main. Programs for energy-efficient building and renovation work and for capital investment in renewable energies accounted for significant proportions of the business.

In the direct business with medium-sized companies and major corporate customers, structured finance (including syndicated loans, acquisition finance, and project finance) was particularly in demand in the reporting year. A general availability of liquidity also helped to give a significant boost to demand for investment products, especially pension investment products. In 2012, DZ BANK paid particular attention to stepping up its joint marketing activities with the companies in the cooperative financial network. One of the consequences was a further increase in the proportion of corporate banking business derived from cross-selling.

The broad, competitive product range in the Structured Finance division is primarily aimed at offering financing solutions in favor of and in the interests of German corporate customers. Most of the operations in this business are based in Frankfurt, but some of the activities are also conducted in the key financial centers of London, New York, Hong Kong, and Singapore. By involving international clients who have significant links to Germany, this business is also broadening its client base in Germany.

The Structured Finance division successfully concluded a large number of deals in the reporting year. Overall, net operating interest income rose sharply year on year with a slight increase in margins.

The growth in net operating interest income in the acquisition finance business was mainly the result of the credit portfolio taken over from the Frankfurt branch of Investkredit Bank AG, Vienna. If the effect of this portfolio is disregarded, net operating interest income has stabilized at around the level achieved in 2011 following a targeted reduction in volume over the last few years.

The emphasis in the international trade and export finance business was very much on providing support for German SMEs. The drop in net operating interest income in the reporting year was attributable to the widening of spreads on cross-currency basis swaps involving euros and US dollars and to the fact that new business did not fully offset a contraction in the volume of existing business.

In contrast, there were substantial gains in net operating interest income in the project finance business, driven primarily by a significant expansion in activities related to renewable energies, both in Germany and in North America. A strong positive trend was also apparent in the public-private partnership (PPP) business in Germany, and also in the rest of western Europe. A significant proportion of the expansion in the rest of western Europe was particularly high profile, as it was in connection with investment in infrastructure projects in France, the United Kingdom, and the Netherlands.

The net interest income earned by TeamBank rose markedly by 8.8 percent in 2012 to €483 million.

In a fiercely competitive consumer finance market, TeamBank (working in close collaboration with the local cooperative banks) managed to increase the share of the consumer finance market enjoyed by the cooperative financial network by approximately 0.8 percentage points from 17.4 percent at the end of 2011 to 18.2 percent as at December 31, 2012.

A key factor in this successful gain in market share was the emphasis on cooperative values to generate growth in the volume of easyCredit business (at nominal values) to €6,231 million (2011: €5,852 million), an increase of 6.5 percent.

The number of customers attracted by the fair and flexible easyCredit consumer finance product continued to rise as awareness of the brand increased. As at December 31, 2012, the number of customers had risen to 591 thousand (December 31, 2011: 562 thousand).

The basic cooperative principles of sustainability and fairness also formed the basis for the systematic continuation of the market development process, which had been successfully accelerated in previous years.

In 2012, TeamBank was able to tap into further market potential opened up by the easyCredit-Finanzreserve product, which had already become well established in the marketplace in 2011 and is still currently the only credit card with a consumer finance function. As at December 31, 2012, the number of users had risen by approximately 42 percent to 47 thousand (December 31, 2011: 33 thousand).

The newly designed advisory concept known as 'easyCredit-Liquiditätsberater' allows customers to tailor the scope of borrowing to their individual needs more closely than has hitherto been possible and at the same time make the most of an attractive member benefit. Under this approach, approximately 80 thousand members benefited from advice in 2012, and this included attracting 24 thousand new members to the cooperative financial network. This innovative advisory platform has been available to all partner banks in Germany and Austria since the end of June.

Net interest income in the BSH subgroup grew by 4.1 percent to €992 million in 2012.

This increase in net interest income largely resulted from a rise in interest income from the greater volume of home finance and the investment of available funds.

The effect from lower deposit interest rates compared with those available in 2011 was more than offset by the rise in volume caused by the brisk level of business over the last few years.

During 2012, the well-established ‘Schwäbisch Hall Tarif Fuchs’ scale of rates and charges was joined by the newly launched ‘Fuchs Junge Leute’ scale of rates and charges. The introduction of this new scale used an innovative sales strategy targeted at young people, a customer group keen to commence home savings.

In 2012, the long-term customer acceptance of the rates and charges offered by Schwäbisch Hall once again confirmed Schwäbisch Hall as the market leader in building society operations.

Net interest income at DG HYP amounting to €260 million was 4.4 percent below the figure of €272 million achieved in 2011.

This decrease was primarily the result of a one-off expense as non-strategic portfolios were scaled back earlier than planned. In contrast, there was encouraging year-on-year growth in net operating interest income derived from the scheduled increase in the volume of commercial real-estate finance.

The volume of commercial real-estate transactions in the reporting year rose slightly to €25.3 billion (December 31, 2011: €23.5 billion) on the back of healthier economic growth figures compared with other European countries and a stable real-estate market in Germany.

Give the positive trends in this market, DG HYP further consolidated its excellent position as one of the leading providers of commercial real-estate finance in the German market. The volume of new business in 2012 amounted to €5,256 million, up by around a further 31 percent on the impressive level achieved in 2011. Of this total, €5,060 million (2011: €3,808 million) was accounted for by the German market.

Collaboration within the cooperative financial network is continuing to prove a long-term success. Joint credit business with the local cooperative banks increased by 19.0 percent to €2,198 million (2011: €1,847 million).

This growth is built on the steady development of shared business relationships and the joint issue of loans via the IMMO META family of products, which is becoming increasingly popular with the local cooperative banks. DG HYP has now entered into master agreements with 350 cooperative banks. The upward trend in commercial real-estate markets in Germany is continuing to open up good commercial real-estate finance opportunities and prospects for the cooperative financial network, which has the benefit of stability and significant funding capability.

In the interests of the cooperative financial network, DG HYP assists the local cooperative banks with public-sector funding inquiries. Taking account of borrowers’ credit ratings, DG HYP prepares finance offers that the cooperative banks then present to local authorities. DG HYP extended local authority loans with a total volume of €327 million in 2012 (2011: €354 million).

Net interest income in the DVB subgroup decreased by 2.7 percent to €251 million in 2012.

All segments of worldwide freight and passenger transportation were impacted by a noticeable global economic slowdown and what was – compared with longer-term trends – only a modest rate of growth in global trade, primarily in the second half of 2012. Furthermore, the international transport industry was suffering from considerable overcapacity in its various markets, not to mention extremely tough market conditions in some areas of maritime transport.

In 2012, given this challenging situation, the DVB subgroup – a market leader in the lending segment of the international transport finance business – rigorously maintained its proven strategic focus on financially sound new business with a balanced risk profile.

Using a highly diversified credit portfolio (based on a number of criteria, including mode of transport, region, and user), the DVB subgroup concluded 158 deals in 2012 with a new business volume of €4.6 billion. The like-for-like volume in 2011 was €5.6 billion with a total of 166 transactions.

Interest income in the VR LEASING subgroup was slightly down on 2011 at €232 million, a decrease of 2.9 percent.

Although net interest income in Germany was almost at the same level as in 2011, the equivalent figure from the international business showed a significant decline. This trend is in line with VR LEASING's new business strategy, under which it only originates leases outside Germany if this business brings tangible benefits for the Volksbanken Raiffeisenbanken cooperative financial network.

During the reporting period, VR LEASING continued to support the local cooperative banks in its core domestic business with the aim of better exploiting the as yet unutilized business potential that exists in the SME target group – by focusing on offering them leases, factoring, centralized settlement, and innovative products. Leasing via the automotive trade, vehicle fleet business, and real-estate leasing no longer form part of the core business.

Despite modest growth in lease originations during the first half of 2012, the second half of the year was characterized by a marked slowdown in the leasing sector caused by the ongoing crisis in the euro zone and the impact on corporate planning from the associated uncertainty.

Individual sectors of the economy benefited in the reporting year from favorable interest rates and a degree of continued resilience in consumer demand, which had a positive impact on the capital spending plans of relevant businesses. However, against the background of an increasingly noticeable global economic slowdown during the course of the year and a flagging pace of growth in exports, the year-on-year increase in leasing-based capital investment by small and medium-sized enterprises as a whole was negligible.

Net interest income at DZ PRIVATBANK fell by 2.3 percent to €208 million.

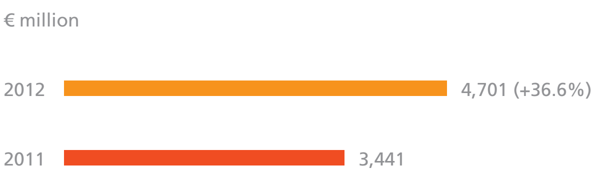
In 2011, only the second half of the year had benefited from a contribution to net interest income from WGZ BANK Luxembourg S.A., Luxembourg, (WGZ Luxembourg), which had been merged with DZ PRIVATBANK in the middle of the year. In contrast, 2012 was the first year that included a corresponding contribution to net interest income for the entire reporting period.

The increase in net interest income in the reporting year resulting from the merger was more than offset by a simultaneous year-on-year decline in interest income on a like-for-like basis. This was the result of the risk-conscious investment strategy combined with a reduction in the volume of securities from peripheral countries of the euro zone.

DZ PRIVATBANK acts as the competence center for foreign-currency lending and borrowing in the interest-earning business. In LuxCredit foreign-currency lending, the volume of loans guaranteed for the local cooperative banks' clients amounted to €6.5 billion as at December 31, 2012 (December 31, 2011: €7.1 billion).

Income from long-term equity investments in the DZ BANK Group amounted to €122 million in 2012, a similar figure to that achieved in 2011 (€117 million).

FIG. 2 – OPERATING INCOME



Allowances for losses on loans and advances in the DZ BANK Group amounted to €527 million in 2012 (2011: €395 million).

DZ BANK reported a net addition to specific loan loss allowances amounting to €167 million, which had a significant impact on the allowances for losses on loans and advances in the group in 2012. Despite individual allowances relating to project finance, corporate banking, and long-term equity investments – but on the other hand also as a result of the reversal of allowances following successful turnarounds – DZ BANK's specific loan loss allowances remained within anticipated levels and therefore, overall, reflected the strength of the credit portfolio and the sustainable, rigorous risk policy operated by the bank. VR LEASING also reported a net addition of €152 million to specific loan loss allowances, an addition necessitated primarily by the situation in the eastern European business.

A very small net reversal of the portfolio loan loss allowance was recognized for the group in 2012, contrasting with the significant net addition in 2011.

Further detailed disclosures regarding the risk situation in the DZ BANK Group can be found in this group management report in IV. Opportunities and risks associated with forecast development.

Net fee and commission income in the DZ BANK Group increased by 6.3 percent to €1,024 million.

Net fee and commission income in the Union Investment Group improved by €40 million and in the DVB subgroup by €15 million; at DZ BANK, the figure was almost unchanged year on year. This was contrasted by net fee and commission income in the BSH subgroup fell by €1 million, at DZ PRIVATBANK by €3 million, and at TeamBank by €14 million.

Net fee and commission income in the Union Investment Group rose by 4.9 percent to €864 million.

The average volume of assets under management in 2012 went up by €8.9 billion year on year to €183.4 billion. In addition to the increase in income generated by this business, performance fees also rose in 2012.

The sovereign debt crisis in the peripheral countries of the euro zone was once again a defining factor in trends on capital markets in the reporting year. However, the prospects for a political solution and, above all, the action taken by central banks did give a boost to prices several times during the course of the year. By the end of 2012, global equity and bond markets had generally posted significant single-digit, or in some cases double-digit, percentage gains year on year, despite significant volatility on occasions.

In this economic environment, Union Investment successfully managed to sustain its strategy of consistently aligning its range of services with the long-term solutions necessary to meet customer needs.

The sales partnership with the local cooperative banks and the proximity to customers facilitated by this partnership enabled Union Investment to generate net inflows of €1.1 billion from its retail clients business.

Given that retail investors were continuing to express a very clear desire for security in their investments, Union Investment launched guarantee funds throughout the year and within specified subscription periods, generating cash inflows of €1.0 billion. With a market share of 52.9 percent, Union Investment maintained its position as leader in the market for capital preservation fund products.

The company also occupies a leading position in the market for fund-based Riester solutions. The assets in the UniProfiRente/4P fund, which has 1.8 million customers, swelled to €7.7 billion in the reporting year.

The private clients business also continued to be characterized by a significant level of interest in traditional fund-based saving as a proven method of targeted capital accumulation. As at December 31, 2012, the total number of savings plans had risen to approximately 800 thousand, following the addition of around 180 thousand new savings plans during the course of the year. Regular payments through fund-linked savings plans resulted in total inflows of one billion euros.

Open-ended real-estate funds, which invest in tangible assets, represent a stabilizing and reliable form of investment as part of a diversified investment strategy. This category of funds within the private clients business generated net inflows of €2.2 billion in 2012.

The innovative PrivatFonds investment concept generated net inflows of €414 million in the reporting year.

Increased market volatility and, in particular, the uncertainty resulting from the crisis in the euro zone tended to ensure that retail customers in the traditional equity fund business remained risk-averse. Customer interest as far as fixed-income funds were concerned focused specifically on German government bonds as well as bonds issued by banks and corporates.

In institutional business, Union Investment generated substantial net inflows of €8.8 billion, sharply increasing the volume of assets managed for institutional customers to €104.8 billion over the reporting year. In doing so, Union Investment reaped the benefits, among other things, from its many years of experience with investments in corporate bonds and securities from emerging markets. There was also an increased demand for real estate. The proven IMMUNO concept has been supplemented by the KONVEXO strategy, allowing customers to make better use of opportunities with only a comparatively low increase in risk tolerance.

In the same way, the quantitative expertise provided by Quoniam Asset Management GmbH, Frankfurt am Main, one of the companies in the group, helped strengthen Union Investment's market position in asset management with net sales of €1.4 billion.

In the DVB subgroup, net fee and commission income in 2012 increased by 12.9 percent to €131 million, although the increase was attributable to the timing of billing.

This income largely comprised commission earned from structured finance in the transport finance business and from asset management as well as consultancy fees.

Within the transport finance business in the DVB subgroup, the core areas of lending (air, sea, and land transport) in 2012 were affected by the progressively weaker growth in the global economy and the associated adverse impact on international freight and passenger transport markets.

Net fee and commission income at DZ BANK remained almost unchanged on the level of 2011 at €262 million.

The contribution from securities business fell short of the level achieved in 2011, particularly in the case of equities products. In contrast, the contribution from payments processing, including card processing, and from lending and trust activities was slightly higher than in 2011 in each case. The contribution from international business, however, was down slightly.

In a fiercely competitive market environment, the corporate banking units again managed to generate a significant contribution to net fee and commission income in the reporting year. The contribution in 2012 came very close to the challenging level set by the figure achieved in 2011.

Overall, net fee and commission income earned by the Structured Finance division declined slightly year on year owing to the planned reduction in business volumes.

In the acquisition finance business, DZ BANK is the market leader for brokering mandates from SMEs in German-speaking Europe. However, the unusually high level of net fee and commission income achieved in 2011 in this product area could not be matched in 2012.

On the other hand, net fee and commission income from the loan syndication business slightly exceeded the level achieved in 2011.

The increase in net fee and commission income in the international trade and export finance business was primarily derived from new structured trade finance business and new export finance business covered by government credit insurance.

In project finance, overall net fee and commission income in 2012 fell short of the impressive level achieved in 2011, although there were year-on-year increases in contributions from the renewable energies business and public-private partnership (PPP) business, both in Germany and other European countries.

DZ BANK's own corporate customers and companies advised by the cooperative banks were once again able to access DZ BANK's expertise in primary markets for equities as well as its comprehensive related product range. A diverse range of products allowed DZ BANK to process a variety of transactions in the most appropriate manner, primarily for the benefit of SMEs.

BSH pays fees and commissions to the cooperative banks and to the integrated bank-supported field sales force on the basis of BSH contracts signed with customers. The associated fee and commission expense resulted in a negative figure for fees and commissions in the BSH subgroup, which amounted to minus €239 million in 2012 compared with minus €238 million in 2011. The costs associated with signing contracts were therefore held at a similar level.

In the home savings business, BSH signed approximately 1 million new home savings contracts in 2012, a record level of new home savings business, with a volume of €32.8 billion (up 3.6 percent on 2011). Total home savings deposits rose by 6.7 percent to €40.8 billion.

The volume of lending to customers brokered together with the cooperative banks in the home finance business also reached a new record level of €12.0 billion in 2012. A further €5.7 billion was accounted for by home finance brokered by the cooperative banks and supported by a home savings contract from BSH.

Home savings are playing a key role in developments following the switch to renewable energy sources decided by German policymakers in 2011. Two thirds of all home savings funds at BSH are being used to support the modernization, refurbishment, or conversion of real estate. This investment is making an effective contribution to reducing climate impact, protecting the environment, and saving energy.

Germany is also giving home savings and home finance the highest level of priority as a mechanism for saving for retirement pensions. Demand for the related Fuchs WohnRente product offered by BSH remained at a very high level, with 105 thousand new contracts signed in 2012.

Additional new building in 2012 also provided a boost for home finance business. The number of approvals in the first six months of 2012 for the construction of new homes was up by around 7 percent, a significant increase on the equivalent period in 2011. However, the amount of housing available remains too limited, primarily in urban conurbations, compared with the increasing number of households, the desire for more living space, and increasing population movement toward city centers.

By cross-selling supplementary pension products, BSH field sales staff once again sold a large volume of cooperative bank pension products, Union Investment investment funds, and insurance policies from R+V Versicherung AG, Wiesbaden (R+V).

As a consequence of the tough market conditions, net fee and commission income at DZ PRIVATBANK declined by 3.7 percent to €79 million.

In 2011, only the second half of the year had benefited from a contribution to net fee and commission income from WGZ Luxembourg, which had been merged with DZ PRIVATBANK in the middle of the year. In contrast, 2012 was the first year that included a corresponding contribution to net fee and commission income for the entire reporting period.

The funds of high-net-worth individuals managed by the merged DZ PRIVATBANK had grown to

€13.5 billion by the end of 2012. A contributing factor was the further increase in close collaboration with the partner banks as part of the enhanced market presence in the cooperative private banking business.

At the beginning of the year, new branches were opened in Frankfurt, Hamburg, and Nuremberg to strengthen local presence as part of the ongoing implementation of the development plan for the premium VR-PrivateBanking brand. Likewise at the start of the year, WGZ BANK's private banking operations were relocated to the Düsseldorf branch of DZ PRIVATBANK.

DZ PRIVATBANK also continued to expand its business in services for investment funds in the reporting year. Between December 31, 2011 and December 31, 2012, the value of funds under management grew by €7.3 billion to €70.8 billion.

Foreign-currency lending and private banking marketing resulted in the payment of fees and commissions amounting to €100 million (2011: €104 million) to the cooperative banks acting as brokers in the transactions.

The net fee and commission income earned by TeamBank in 2012 fell by 18.7 percent to a net expense of €89 million (2011: net expense of €75 million).

The higher fee and commission expenses were attributable to the increased trailer fees and sales commissions paid by TeamBank to the primary banks as a consequence of the excellent performance of its easyCredit business.

The DZ BANK Group's **gains and losses on trading activities** in 2012 came to a net gain of €659 million compared with a figure of €398 million for 2011.

This result was largely attributable to the trading profit of €615 million earned by DZ BANK from capital markets business (2011: €373 million). This increase reflected the higher valuation of the securities held for dealing purposes as a result of the narrowing of spreads against a background of tough market conditions over the entire year, but primarily in the first quarter of 2012. Offset against this was a loss of €262 million (2011: gain of €93 million) caused by an increase in the fair values of liabilities of DZ BANK, in turn the result of narrower spreads.

The group's gains and losses on trading activities also included a loss of €190 million caused by interest-rate-related changes in the value of cross-currency basis swap spreads at DZ BANK.

The gains for the reporting year were also boosted by the balance of unrealized and realized gains and losses relating to asset-backed securities (ABSs), which amounted to a gain of €97 million (2011: loss of €58 million).

As in previous years, gains and losses on trading activities in the DZ BANK Group in 2012 stemmed mainly from DZ BANK's customer-related business in investment and risk management products involving the asset classes of interest rates, equities, loans, foreign exchange, and commodities, and from business in structures and via platforms. In each case, the focus is on the needs of the cooperative banks and the specialized service providers in the DZ BANK Group as well as on those of their retail and corporate customers. The range of products and services is also aligned with the requirements of national and international institutional clients.

Given the persistent sovereign debt crisis in Europe and the associated investor uncertainty, the emphasis in sales activities related to the private customer securities business in 2012 was on capital preservation products. In 2012, DZ BANK remained the undisputed market leader for certificates with capital protection – the strongest segment in the overall market – thanks to the rigorous quality strategy for AKZENT Invest and the firm focus on the overriding investor expectations of guaranteed and secure investments. DZ BANK also launched a newly developed, comprehensive range of products aimed at high-net-worth customers in order to provide support for the cooperative banks in their efforts to gain ground in this segment.

In a volatile market environment with interest rates at an all-time low, retail investors were attracted primarily by structured interest-rate products, favoring products with simple interest-rate structures such as floating-rate bonds with a minimum coupon, callable bonds, and step-up/step-down bonds.

A feature of the own-account investing activities conducted by the cooperative banks was the significant demand for issues from the cooperative financial network as well as for corporate bonds and covered bonds from the countries of 'core Europe'.

In the corporate banking business, large and medium-sized companies made the most of the favorable interest rates to enter into long-term interest-rate hedges. These hedges included traditional payer swaps and combinations of payer swaps and interest-rate caps. The reporting year also saw significant expansion in the foreign-exchange business and the addition of a large number of new customers.

Institutional investors appreciated DZ BANK's expertise in trading interest-rate derivatives as well the bank's range of traditional Pfandbriefe, bank bonds, and covered bonds. Another development in 2012 was that institutional investors began to take more of an interest in corporate bonds.

In the primary market for new bond issues, DZ BANK demonstrated – particularly in the first six months of 2012 – its significant placing power in the Volksbanken Raiffeisenbanken cooperative financial network and with institutional customers around the world. Investor demand focused largely on issues from public-sector issuers, with investors particularly keen on issues with longer maturities as a consequence of the persistently low level of interest rates and the need to find investments with adequate returns.

Gains and losses on investments in the DZ BANK Group worsened in 2012, amounting to a loss of €442 million (2011: loss of €333 million).

A loss of €71 million arose in connection with the investment in the Österreichische Volksbanken-AG Group. Following the loss of significant influence over this group in 2012, the group was no longer included in the consolidated financial statements using the equity method. In addition, impairment losses of €59 million relating to VB-Leasing International Holding GmbH, Vienna, and €22 million relating to Cassa Centrale Banca - Credito Cooperativo del Nord Est S.p.A., Trento, were recognized in 2012.

Gains and losses on investments included losses with a total amount of €16 million resulting from the disposal of Greek bonds. Corresponding impairment losses amounting to €386 million had already been recognized under gains and losses on investments in 2011.

In 2012, the net figure for this income category also included losses on disposals and impairment losses in a total amount of €225 million in connection with ABSs (2011: gains of €75 million).

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a loss of €276 million in 2012 (2011: loss of €999 million).

Of the figure reported for the group in 2012, a loss of €247 million was accounted for by DG HYP (2011: loss of €1,042 million). Other gains and losses on valuation of financial instruments for DG HYP were characterized by a markedly reduced widening of credit spreads on government bonds of peripheral European countries in 2012 compared with the previous year.

In addition, other gains and losses on valuation of financial instruments for the group included interest-rate-related changes in the value of cross-currency basis swap spreads in connection with DVB and DZ PRIVATBANK amounting to a loss of €21 million and a loss of €20 million respectively.

The DZ BANK Group's **net income from insurance business** comprises premiums earned, gains and losses on investments held by insurance companies and other insurance company gains and losses, insurance benefit payments, and insurance business operating expenses. In 2012, this figure increased by 52.9 percent to €532 million (2011: €348 million).

This increase in income resulted specifically from a rise in premium income, a significantly higher gain under gains and losses on investments held by insurance companies, and from a lower loss in inward reinsurance. However, the net gain on investments held by insurance companies was reduced by losses of €35 million on the disposal of government bonds from peripheral countries of the euro zone particularly affected by the sovereign debt crisis. In 2011, impairment losses of €65 million had also been recognized under gains and losses on investments held by insurance companies as Greek government bonds were marked to market.

Premiums earned climbed to €11,787 million (2011: €11,193 million), reflecting the tight integration of R+V into the cooperative financial network. The already very high level of premiums earned in 2011, which had been boosted by significant growth stimulus, was therefore exceeded by 5.3 percent. Gross premiums received increased to €11,875 million in 2012, up 4.8 percent on the impressive level of premiums generated in 2011.

R+V's expectations of significant premium growth in its non-life insurance business were confirmed with an increase of 6.4 percent, with most of this growth being derived from vehicle insurance.

Premium income in R+V's life insurance business grew by 5.1 percent year on year, the increase in premium income being most noticeable in Germany. Higher premium income was largely derived from the one-off premium pension insurance business and the R+V PrivatRente IndexInvest product.

Despite the adverse impact of the ongoing debate about the future structure of the healthcare system in Germany, premium income at R+V-Krankenversicherung rose markedly by 16.6 percent, to a significant extent as a result of encouraging growth in regular premiums.

In the inward reinsurance business, premium income fell slightly by 0.3 percent and was thus just below the level achieved in 2011.

Gains and losses on investments held by insurance companies and other insurance company gains and losses increased to a net gain of €3,286 million (2011: gain of €2,088 million). This increase was spread across all areas of the business, but was more concentrated in the life insurance and health insurance businesses.

The higher level of gains on investments held by insurance companies compared with 2011 reflected the relevant developments in the financial, capital, and currency markets. Significant features of the investments held by insurance companies in 2012 included higher unrealized gains and lower impairment losses caused by a number of factors including the narrowing of spreads, lower levels of interest than in 2011, and a noticeable uptrend in share prices on equity markets from the middle of 2012 onward.

Owing to the recognition of provisions for premium refunds and claims by policyholders in the fund-linked business in connection with both life insurance and health insurance in the 'insurance benefit payments' line item presented below, however, the associated change in the level of gains on investments held by insurance companies only partially affects the level of net income from insurance business.

Insurance benefit payments in the reporting year amounted to €12,509 million, which represented an increase of 14.0 percent on the 2011 figure of €10,968 million.

The non-life insurance business was particularly affected by the period of cold weather in February 2012 and by individual losses in connection with fire insurance. Overall however, there were no extreme events within the category of natural perils. There was also a slight fall in the number of high-volume minor claims.

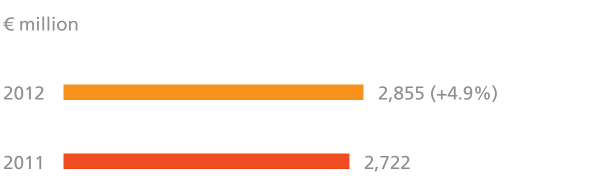
In line with the gains and losses on investments held by insurance companies, higher additions were made to insurance liabilities at companies offering personal insurance.

In the inward reinsurance business, there was a noticeably lower volume of claims than in 2011, even taking into account the claims caused by Hurricane Sandy. In 2011, this business had suffered substantial insurance claims as a result of natural disasters, in particular the earthquakes in Japan and New Zealand.

Insurance business operating expenses increased from €1,965 million in 2011 to €2,032 million in 2012, largely as a result of the growth achieved in insurance business.

Administrative expenses in the DZ BANK Group rose by 4.9 percent year on year to €2,855 million (2011: €2,722 million), including an increase in staff expenses of €64 million (4.5 percent) to €1,478 million (2011: €1,414 million) and an increase in other administrative expenses of €69 million (5.3 percent) to €1,377 million (2011: €1,308 million).

FIG. 3 – ADMINISTRATIVE EXPENSES



Within the DZ BANK Group, other administrative expenses increased in the BSH subgroup by €28 million to €230 million, at DZ BANK by €25 million to €414 million, in the VR LEASING subgroup by €17 million to €84 million, and at TeamBank by €10 million to €107 million, in each case primarily as a result of a rise in project costs and the introduction of further regulatory and statutory requirements.

Within the DZ BANK Group, staff expenses increased at DZ BANK by €24 million to €474 million (largely as a result of a rise in the number of employees and an increase in salaries), at DZ PRIVATBANK by €16 million to €116 million (particularly as a result of the entry into the German market and the merger with WGZ Luxembourg, the latter having only been included in the figures in the second half of 2011), and in the BSH subgroup by €10 million to €228 million (caused for the most part by increases under collective pay agreements and additional expenses in connection with retirement pensions, the latter in turn being the result of a reduction in the discount rate for provisions covering preretirement part-time employment and early retirement).

The DZ BANK Group's **other net operating income** amounted to a net expense of €56 million (2011: net expense of €73 million).

The €56 million net expense in 2012 is largely attributable to an expense resulting from the transfer of DZ BANK's loss of €41 million in total, €25 million of which relates to DZ Beteiligungsgesellschaft mbH Nr. 11, Frankfurt am Main. The group also incurred restructuring expenses amounting to €36 million. In 2012, this expense item was offset mainly by a book gain of €37 million generated by DVB from the disposal of 60 percent of its shares in TES Holdings Ltd., Bridgend, United Kingdom.

The **cost/income ratio** for the DZ BANK Group in 2012 was 60.7 percent (2011: 79.1 percent).

The DZ BANK Group's **income taxes** in 2012 amounted to €350 million compared with a figure of €285 million for 2011. This included deferred tax income amounting to €128 million (2011: €551 million) and a current tax expense of €478 million (2011: €266 million).

The DZ BANK Group generated a **net profit** of €969 million in 2012 compared with a figure of €609 million in 2011.

4.1.3. Segment performance

The **segment** breakdown of the DZ BANK Group's **profit before taxes** of €1,319 million for 2012 was as follows:

FIG. 4 – SEGMENT PERFORMANCE

€ million	Jan. 1–Dec. 31, 2012	Jan. 1–Dec. 31, 2011
Bank	613	765
Retail	482	274
Real Estate Finance	192	-631
Insurance	490	286
Consolidation/reconciliation	-458	-370

Profit before taxes decreased year on year by €152 million in the Bank operating segment, and increased year on year by €208 million in the Retail operating segment, by €823 million in the Real Estate Finance operating segment, and by €204 million in the Insurance operating segment. The figure for consolidation/reconciliation effects changed by minus €88 million to minus €458 million.

The income statements for the individual operating segments are shown in detail in note 28 of the notes to the consolidated financial statements.

4.2. NET ASSETS

As at December 31, 2012, the DZ BANK Group's **total assets** had increased by €1.3 billion to €407.2 billion (December 31, 2011: €405.9 billion), a rise of 0.3 percent. Within this figure, total assets in the R+V Versicherung subgroup had increased by €6.7 billion, whereas total assets at DZ BANK had decreased by €6.2 billion.

As at December 31, 2012, the **notional amount of derivatives** in the DZ BANK Group had declined by €89.2 billion to €968.7 billion. Positive fair values in the group had risen by €3.8 billion to €37.8 billion.

The DZ BANK Group's **loans and advances to banks** decreased by €0.6 billion to €79.4 billion, a fall of 0.8 percent. Loans and advances to domestic banks declined by €0.3 billion, or 0.4 percent, to €68.0 billion; loans and advances to foreign banks were down by €0.3 billion, or 2.8 percent, to €11.4 billion.

Loans and advances to customers in the DZ BANK Group had grown by €3.1 billion, or 2.5 percent, to €123.8 billion as at December 31, 2012. The increase in loans and advances to customers in the BSH subgroup (up €1.6 billion), at DZ BANK (up €1.3 billion), and in the DVB subgroup (up €1.2 billion) more than compensated for the fall in loans and advances to customers at DZ PRIVATBANK (down €0.8 billion).

As at December 31, 2012, **financial assets held for trading** amounted to €66.7 billion, a decrease of €5.1 billion (7.2 percent) on the figure as at December 31, 2011. Whereas the amount of derivatives (positive fair values) went up by €3.8 billion to €36.7 billion, holdings of bonds and other fixed-income securities fell by €5.7 billion to €11.7 billion, and money market placements, promissory notes, registered bonds and other loans and advances fell by €3.3 billion to €17.8 billion.

FIG. 5 – TOTAL ASSETS

Investments declined by €1.9 billion to €59.8 billion as at December 31, 2012, a decrease of 3.1 percent. This was largely attributable to a fall of €1.8 billion in the volume of bonds and other fixed-income securities.

The DZ BANK Group's **deposits from banks** as at December 31, 2012 amounted to €100.6 billion, which was €6.3 billion (5.9 percent) below the figure reported as at December 31, 2011. Deposits from domestic banks declined by €4.0 billion to €88.7 billion and deposits from foreign banks by €2.3 billion to €11.9 billion.

Deposits from customers declined by €0.7 billion (0.8 percent) to €92.2 billion. Deposits from customers rose by €2.2 billion in the BSH subgroup, whereas the equivalent figure at DZ BANK fell by €2.1 billion and at DG HYP by €0.8 billion.

The carrying amount of **debt certificates issued including bonds** in the DZ BANK Group was €63.3 billion, a year-on-year increase of €8.2 billion or 14.8 percent compared with the figure of €55.1 billion reported as at December 31, 2011. Bonds issued by the bank during 2012 increased by €4.2 billion to €51.6 billion, and other debt certificates issued increased by €4.0 billion to €11.7 billion. The rise in debt certificates issued including bonds contrasted with a decline in deposits from banks and deposits from customers in connection with a trend toward longer-term forms of funding.

Mirroring the change in financial assets held for trading, which fell by €5.1 billion, **financial liabilities held for trading** contracted by €8.7 billion (12.8 percent) to €58.7 billion. This decrease was primarily attributable to a €3.5 billion reduction in the volume of bonds and other debt certificates issued and a €5.5 billion reduction in money market deposits.

As at December 31, 2012, the **equity** reported by the DZ BANK Group was €12,641 million (December 31, 2011: €10,775 million). Within this figure, the revaluation reserve for available-for-sale financial assets had been increased by €1,137 million to €36 million (December 31, 2011: minus €1,101 million), primarily as a result of revaluations applied to securities in the investments portfolio and to investments held by insurance companies.

The DZ BANK Group's equity and solvency situation is described in this group management report in IV. Opportunities and risks associated with forecast development, section 4 Risk capital management.

4.3. FINANCIAL POSITION

The DZ BANK Group abides by the principle that solvency must be ensured at all times.

In the context of **funding**, the DZ BANK Group distinguishes between operational liquidity (liquidity in the maturity band of up to one year) and structural liquidity (liquidity in the maturity band of more than one year). Dedicated steering committees have been established for both types of liquidity.

The DZ BANK Group has a highly diversified funding base for **operational liquidity**. A considerable portion is accounted for by money market activities resulting from the cash-pooling function with the local cooperative banks. This enables local cooperative banks with available liquidity to invest it with DZ BANK, while primary banks requiring liquidity can obtain it from DZ BANK. Traditionally, this results in a liquidity surplus, which provides the main basis for short-term funding in the unsecured money markets. Corporate customers and institutional clients (including central banks) are another important source of funding for operational liquidity requirements. The DZ BANK Group therefore has a comfortable level of liquidity at its disposal. Funding on the interbank market is not strategically important to the DZ BANK Group.

The DZ BANK Group issues securitized money market products through its main branches in Frankfurt, New York, Hong Kong, London, Luxembourg, Singapore, and Dublin. DZ BANK has initiated a standardized groupwide multi-issuer euro commercial paper program, which DZ BANK and the subsidiaries DZ PRIVATBANK S.A. and DZ BANK Ireland plc, Dublin, (DZ BANK Ireland) can draw on.

The DZ BANK Group's main **sources of funding** on the unsecured money markets as at December 31, 2012 were as follows:

FIG. 6 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

%	Dec. 31, 2012	Dec. 31, 2011
Local cooperative banks	48	51
Other banks, central banks	15	15
Corporate customers, institutional customers	22	21
Commercial papers (institutional investors)	15	13

Money market funding also includes collateralized money market activities, which DZ BANK has centralized in Group Treasury and which form the basis for risk-mitigating cash pooling. To this end, Group Treasury has a portfolio of securities eligible for central bank borrowing (collateral pool). These securities can be used as collateral in monetary policy funding transactions with central banks, in bilateral repos, or in the tri-party repo market.

Structural liquidity is one of the factors used in the assessment of the long-term funding structure. Both for the DZ BANK Group and each individual group company, structural liquidity is measured daily on the basis of total cash flows. In addition, the long-term ratio is used at DZ BANK to support the management of structural liquidity. This key figure is also determined on a daily basis. It quantifies the ratio of sources of funds to application of funds with a residual maturity of more than one year on a cash flow basis.

DZ BANK's **long-term ratio** as at December 31, 2012 was 88 percent (December 31, 2011: 79 percent). This meant that the items tying up liquidity with residual maturities of over one year were largely funded by liabilities that also had residual maturities of more than one year. The year-on-year increase in the long-term ratio was largely the result of own issues.

DZ BANK secures its long-term funding for structural liquidity by using structured and non-structured capital market products that are mainly marketed through the local cooperative banks' own-account and customer-account securities business and through institutional clients. Unsecured long-term funding is secured through systematic integration between the companies in the DZ BANK Group. Options for obtaining covered liquidity through Pfandbriefe or DZ BANK BRIEFE are used on a decentralized basis, in other words based on the different cover assets at DZ BANK, DG HYP, and DVB.

Long-term funding requirements in foreign currencies are covered through the basis swap market, ensuring matching maturities.

Group Treasury at DZ BANK carries out groupwide **liquidity planning** annually. This involves determining the funding requirements of the DZ BANK Group for the next financial year on the basis of the coordinated business plans of the individual companies. Liquidity planning is updated throughout the year.

Monthly **structural analyses** of the various resources available on the liabilities side of DZ BANK's balance sheet are also conducted. The purpose of these analyses is to provide senior management with information that can then be used as the basis for actively managing the liability profile.

In addition to the information on the refinancing structure, further information on the **DZ BANK Group's liquidity risk** is provided in this group management report in IV. Opportunities and risks associated with forecast development, section 8 Liquidity risk. The year-on-year changes in cash flows from operating activities, investing activities, and financing activities are shown in the **statement of cash flows** in the consolidated financial statements. Contractual cash inflows and cash outflows are set out in the **maturity analysis** in note 76 of the notes to the consolidated financial statements.

4.4. EVENTS AFTER THE BALANCE SHEET DATE

There were no events of particular importance after the end of the financial year.

II. Human resources report and sustainability

1. HUMAN RESOURCES REPORT

1.1. HR ACTIVITIES ACROSS THE GROUP

In the reporting year, the DZ BANK Group focused on joint activities aimed at attracting, retaining, and motivating employees.

1.1.1. Corporate Campus for Management & Strategy

The Corporate Campus for Management & Strategy was set up in 2010 as a development and information-sharing platform for top management in the DZ BANK Group. In its third year, the Corporate Campus successfully grew into a well-established facility for nurturing both strategic group initiatives and management development. In the reporting year, it provided the framework for a total of 30 management development events and supported two strategic group initiatives ('Tomorrow's corporate banking in the DZ BANK Group' and 'Strengthening customer focus and competitiveness through lean management in the DZ BANK Group'). The number of participants (from the target group comprising members of boards of managing directors and heads of division) grew from 114 in 2011 to 150 in 2012. Almost every single participant in all the various management development formats in the reporting year said that they would recommend participation to others.

In 2012, the DZ BANK Group also successfully ran its leadership program for members of boards of managing directors for the first time, completed its first general management program, and instigated the initial talent management activities arising from 'Strategies for success in the war for talent', a strategic initiative implemented in 2011.

'STRATEGIES FOR SUCCESS IN THE WAR FOR TALENT' INITIATIVE

The group's strategic initiative 'Strategies for success in the war for talent' is based on the three key areas of attracting, retaining, and motivating employees. This initiative led to activities being undertaken in five specific areas of action in the reporting year, the objective being to:

- strengthen the DZ BANK Group's employer brand,
- broaden the range of channels used to attract potential employees (including the two-way use of social media),
- strengthen the internal job market (by providing confidential career advice within the DZ BANK Group from HR specialists, referred to as career scouts, and by offering job-shadowing opportunities),
- strengthen work-life balance (by 2013, the DZ BANK Group aims to achieve audit berufundfamilie® certification from the non-profit-making Hertie Foundation, and an award under the Logib-D scheme for equal pay in the workplace), and
- strengthen overarching succession/career planning and networking (by establishing an intragroup cross-mentoring program for heads of department and by setting up a careers advisory service to be provided by career scouts).

Selected measures were successfully put in place or progressed, even during the course of 2012.

The joint cross-mentoring program for heads of department was launched in mid-2012 with the aim of promoting intragroup succession/career opportunities and networking. This program also serves to reinforce a common identity within the DZ BANK Group and continue the expansion of networking across the entire organization. The program not only brings together mentors (heads of division) and mentees (heads of department) from different parts of the organization, it also generates greater integration among the HR managers in the entities within the DZ BANK Group who are jointly responsible for designing this program. In addition, the career advice professionals in the DZ BANK Group, who are referred to as career scouts and who had already been introduced at the end of 2011, achieved their first successes. During the reporting year, there were 22 career moves in which employees transferred between companies of the DZ BANK Group, with career scouts responsible for 19 of these transfers.

Networking is also playing a key role in the process of strengthening the internal job market. One example is the opportunity for trainees to undertake job shadowing within the entities that make up the DZ BANK Group. This particular initiative is scheduled to start during the first half of 2013. In the fourth quarter of

2012, an event was held at DZ BANK in Frankfurt where all the trainees in the DZ BANK Group were able to get to know each other's organization and network with other trainees. The event culminated in a joint workshop addressing the issue of employer branding in the DZ BANK Group.

1.2. TRAINING AND DEVELOPMENT OF YOUNG TALENT

In 2012, an average of 912 trainees (2011: 839) were employed within the DZ BANK Group in Germany and abroad. The ratio of trainees to total employees was 3.2 percent (2011 (adjusted): 3.0 percent).

TEAMUP

A joint trainee program for the cooperative banks had been launched in 2011. The program, entitled TeamUp, is being led by DZ BANK. By the end of 2012, 25 cooperative banks had joined this program. DZ BANK is responsible for both contractual and remuneration arrangements during the course of the program. TeamUp has a modular structure and enables qualified university graduates, through a variety of practical placements, to get to know the business operations of the local cooperative banks and the full range of products and services provided across the entire cooperative financial network. Since the launch of the program in October 2011, 19 young people have signed up to start their careers via TeamUp. Those in the first group are already in the final stages of their program, which will come to an end in March 2013, at which point the participants will transfer to permanent jobs in the cooperative banks involved. One of the other benefits of TeamUp is that it also helps to reinforce the two-way business relationship between DZ BANK and the cooperative banks.

FIG. 7 – EMPLOYEE DATA
(AVERAGE NUMBER OF EMPLOYEES IN THE YEAR)

Employees (excluding trainees)	2012	2011
Total	28,227	27,825
Germany	24,985	24,528
ROW	3,242	3,297
Staff turnover (%)	5.4	5.3
Resignations (%)	2.5	2.6
Years of service (as at Dec. 31)	12.2	12.8
Professional development days per employee*	3.1	3.6

(* excluding trainees and ROW)

Full-time/part-time		
Full-time	23,420	23,157
Part-time	4,807	4,668
Proportion of full-time (%)	83.0	83.2
Proportion of part-time (%)	17.0	16.8

Gender		
Total male	15,178	14,964
Total female	13,049	12,861
Proportion of women (%, Germany & ROW)	46.2	46.2
Total number of managers*	2,519	2,631
Proportion of female managers (%)*	20.4	17.5

(* as at Dec. 31)

Trainees		
Total	912	839
Male	478	431
Female	434	408
Proportion of women (%)	47.6	48.6
Proportion of trainees (%)	3.2	3.0*

(* adjusted)

DZ BANK GROUP CAREER PRIZE

In 2012, the Career Prize was jointly awarded by all the DZ BANK Group companies for the fourth time. Overall, it was the eleventh time that the prize had been awarded for an outstanding dissertation in the area of banking and finance. Submissions for the award were received from 165 graduates. For the first time, more bachelor's degree dissertations were received than master's degree dissertations.

Prizes are awarded for the best three projects in each of the two categories of 'master's degree dissertations' and 'bachelor's degree dissertations'. The total prize money of €24,000 makes the Career Prize endowed by the DZ BANK Group the highest prize awarded by a German company to university graduates for academic dissertations in the area of banking and finance. The key issue addressed at the award ceremony was the dos and don'ts within social networks. With the help of a facilitator, a discussion involving a DZ BANK postgraduate student, two HR consultants, and a communications expert covered ways in which individuals should operate and present themselves in social networks. Participants were specifically encouraged to use

Twitter during the event. This enabled the audience to become actively involved in the discussion; tweets were displayed immediately on a Twitter wall where everyone could see them.

ABSOLVENTENKONGRESS

The DZ BANK Group has had a joint stand at the Absolventenkongress in Cologne, one of Germany's biggest job fairs, for a number of years. It showcases the group's wide-ranging opportunities for those just starting their careers and for selected specialist and management positions. The event in 2012 was the second time that the DZ BANK Group had shared its stand with the BVR and WGZ BANK, presenting themselves together as the cooperative financial network.

ADVANCEMENT OF WOMEN

In 2011, the companies in the DZ BANK Group declared the advancement of women as one of their objectives, a measure necessary to safeguard the competitiveness of the group over the long term. A letter of intent reasserts the obligation of the DZ BANK Group to actively support the continuing professional development of women. The group also aims to achieve greater equality of opportunity in the recruitment and development of management trainees. In addition to various action plans, such as those aimed at ensuring that, by 2013, all companies in the DZ BANK Group achieve audit berufundfamilie® certification or sign the diversity charter, two companies in the DZ BANK Group (DZ BANK and TeamBank) took part in 2012 in women&work, Germany's largest trade fair and conference for women. The conference first took place in 2011; its patron is Ursula von der Leyen, German Federal Minister of Labor and Social Affairs. The objective is specifically to provide women with the opportunity to make contact with businesses, obtain information in workshops or panel discussions, and strengthen their own network.

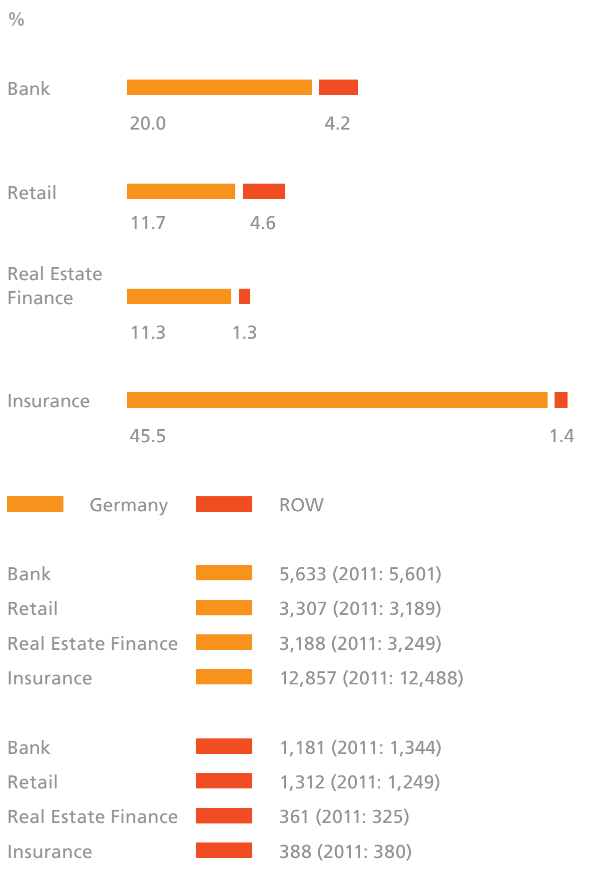
1.3. TAKING RESPONSIBILITY FOR EMPLOYEES

The individual DZ BANK Group companies continued to provide services aimed at promoting the health of employees, such as attractive sporting opportunities within the company, free health checks, and anti-stress programs. Options for more flexible working hours, part-time working models, and other opportunities aimed at promoting a work-life balance all help employees achieve the requisite balance and they therefore form a permanent, integral part of the HR policy in each individual group company.

1.4. AWARDS: EMPLOYER OF CHOICE

In recent years the companies in the DZ BANK Group have competed successfully for a range of awards, the most important being Top German Employer (CRF Institute), BestPersAward (Institute for Management Skills of Saarland University), Germany's 100 Top Employers (trendence), and the audit berufundfamilie® certification (non-profit making Hertie Foundation). DZ BANK Group companies are regularly in the top places in individual categories as well as in the overall rankings. Above all, these awards are proof of our practical, professional HR work that offers employees attractive benefits and actively supports them in every stage of their life.

FIG. 8 – AVERAGE NUMBER OF EMPLOYEES BY OPERATING SEGMENT IN 2012



2. SUSTAINABILITY

2.1. COOPERATIVES: RESPONSIBILITY AS A CORPORATE OBJECTIVE

The philosophy of meeting commercial and social challenges together is the foundation on which the cooperatives are based and is a fundamental principle of sustainability. The United Nations acknowledged the importance of cooperatives to economic and social development throughout the world in 2012, which it declared the International Year of Cooperatives. This year of action demonstrated the extent to which this form of business organization is very much part of the 21st century. Around the globe, almost 800 million people in more than 100 countries are members of a cooperative. Cooperatives provide a place of work for 100 million people.

The strong regional ties of the companies and their businesses, particularly in the cooperative banking sector, are hallmarks of our shared cooperative guiding principle and one of our strengths that puts us ahead of the rest.

DZ BANK is now one of the leading financial institutions in terms of sustainability. This is confirmed by the sustainability rating received from the sustainability ratings agency oekom research, which awarded the DZ BANK Group prime status in 2011. This status is given by oekom research to companies that stand out from the crowd because of their above-average environmental and social commitment.

2.2. SUSTAINABILITY-RELATED PRODUCTS AND SERVICES

The DZ BANK Group is a leading financial services provider and is playing a key role in funding the switch to renewable energy sources in Germany. The DZ BANK Group's range of products covering renewable energies extends from finance for energy-saving solutions in construction and renovation projects to support for small and medium-sized enterprises using wind power, biomass, or solar energy and finance for large-scale projects such as solar farms, as well as suitable insurance solutions.

Since the beginning of 2009, the renewable energies sector has been one of DZ BANK's most strategically important areas of activity. As well as traditional bank loans funded from our own liquidity, our business also focuses strongly on arranging development loans. In 2011, DZ BANK provided lending of €1.4 billion to fund renewable energies projects.

Protection against climate change is also a major area of business for Bausparkasse Schwäbisch Hall, which helps its customers in many ways, including providing them with support for renovating buildings and installing photovoltaic equipment.

The companies in the DZ BANK Group also offer a broad range of sustainability-related products and services ranging from special investment certificates and funds to insurance policies and home savings contracts. DZ BANK, for example, offers the 'Anlage Zukunft' product line and conducts sustainability research.

Union Investment has a broad spectrum of mutual funds and special funds that are managed from a sustainability perspective. In 2012, Union Investment came out top in the 'Socially Responsible Investing' category of the Feri EuroRating Awards. According to Feri, Union Investment is therefore the best asset manager for sustainable investments in German-speaking Europe.

2.3. EMBEDDING SUSTAINABILITY IN THE ORGANIZATION: EXAMPLES IN THE DZ BANK GROUP

In addition to offering sustainability-related products and services, the individual companies in the DZ BANK Group have also enhanced key processes so that they satisfy social and environmental criteria.

In 2012 for example, DZ BANK carried out preparation work to pave the way for its recognition of the Equator Principles, which provide a global standard for project finance. Since January 1, 2013, all project finance involving a total investment of more than US$ 10 million has been subject to an additional review in compliance with the requirements of the Equator Principles.
DZ BANK implemented a number of other action plans throughout the company in 2012, including the introduction of a code of conduct.

Since 2010, Union Investment has been a signatory to the UN Principles for Responsible Investment, as a result of which the company undertakes to include social and environmental criteria in all its investment analyses. Union Investment has also developed a strategy known as the 'Uni Engagement' approach, whereby it proactively exercises its voting rights to encourage enterprises to adopt sustainable corporate policies and uncover potential for sustainable activities.

Based on expertise in sustainable facilities management, Bausparkasse Schwäbisch Hall has developed an environmental management system for its Schwäbisch Hall site where, for example, the head office has been run on a carbon-neutral basis since 2011.

Both DG HYP and DZ PRIVATBANK have set up a fixed framework of responsibility for sustainability issues in their respective companies and since 2012 have been participating in the groupwide sustainability market initiative.

R+V has also set up a system for coordinating sustainability in its own subgroup and has appointed officers with responsibility for sustainability and environmental issues.

2.4. SUSTAINABILITY MARKET INITIATIVE

The companies in the DZ BANK Group are also involved in joint action to complement the individual activities pursued within each company. The objective of the sustainability market initiative established in 2010 is to achieve a greater degree of pooling in the activities undertaken by the group companies and to focus on the shared goal of exploiting market opportunities and avoiding risk while at the same time enhancing corporate citizenship. Following the initial review of the existing situation and the implementation of the first measures in each company, the focus in 2012 switched to developing joint activities in working groups. One of the outcomes of this work in 2012 was the development and introduction of supply standards. An internal climate study in 2012 laid down the basic principles for the development of a new climate strategy in the DZ BANK Group. A systematic database structure is one of the components in the development of a groupwide information-sharing system. This database structure will be used for the first time in 2013 following preparation work carried out in a working group during 2012.

2.5. NEW GOALS FOR 2013

In the future, the sustainability market initiative will address the issue of creating uniformity across further standards. Policies implemented by individual companies will be reviewed to assess whether they can be introduced throughout the group. This includes an evaluation of the UN Global Compact, which was signed by DZ BANK in 2008, to establish whether it can be applied to other entities in the DZ BANK Group. Another of the goals under the sustainability market initiative in 2013 will be to draw up a joint climate strategy.

2.6. TRANSPARENCY IN SUSTAINABILITY ACTIVITIES

The reporting year saw the publication of DZ BANK AG's fourth sustainability report prepared in accordance with the international reporting standards under the Global Reporting Initiative (GRI). This document also serves as our annual Communication on Progress under the UN Global Compact.

The objectives and action plans of the companies within the DZ BANK Group are also becoming more transparent. Union Investment's first separate sustainability report appeared in 2012. Bausparkasse Schwäbisch Hall also included a detailed sustainability report within its own annual report.

REPORTS PUBLISHED BY THE DZ BANK GROUP

Sustainability report of DZ BANK AG, together with further information:
www.sustainability.dzbank.com

Sustainability report of Union Investment:
http://www.wir-verantworten.de

Annual report of Bausparkasse Schwäbisch Hall:
https://www.schwaebisch-hall.de/bsh/unternehmen/medien/dokumente/geschaeftsbericht/gb-2011/index.htm

Information on sustainability at VR-LEASING AG:
http://www.vr-leasing.de/vr_leasing/unternehmen/nachhaltigkeit/

III. Outlook

1. ECONOMIC CONDITIONS

1.1. GLOBAL ECONOMIC TRENDS

Global economic growth weakened during the course of the reporting year. This was primarily attributable to country-specific issues as well as global factors. The sharp increase in oil prices that had occurred in 2011 continued to have an impact, also especially in view of the conflicts in the Middle and Far East. At the same time, the unresolved problems affecting public finances increased the uncertainty and acted as a brake on investment. The catching-up process in emerging markets seems to have slowed a little, for a brief period at least. However, global growth is expected to pick up again gradually because some of the negative factors are likely to be of a temporary nature. This assessment is also supported by forward indicators, such as the findings from corporate surveys.

Global trade is currently reflecting the effects of the slowdown in the global economy with lower levels of international trading. Trade is expected to recover again in 2013 and 2014, although it is unlikely to return to the very high levels seen before the financial and economic crisis. The volume of global trade could increase appreciably, possibly at rates of 4 percent in 2013 and 7 percent in 2014.

1.2. TRENDS IN THE USA

Following a muted economic recovery in 2012, the **US economy** is faced with some major economic policy challenges. The corporate sector seems to be adopting a wait-and-see approach, concerned as to whether the re-elected president will manage to come to an agreement with the Republicans on outstanding fiscal policy issues.

Recently, the house-building sector has been providing some degree of growth stimulus again. Steadily increasing house prices indicate that the residential real-estate market has turned the corner; they are also having a positive impact on the value of consumers' assets. Coupled with an improving situation in the labor market, this has led to an increase in consumer confidence, at least in the short term, encouraging consumers to spend more money on durable consumer goods. However, as long as consumers cannot see any increases in taxes or social security contributions on the horizon, consumer spending tends to be boosted rather more by a short-term stimulus such as a temporary drop in oil prices or a brief, but more positive, assessment of opportunities in the jobs market.

There is therefore a good chance of a gradual acceleration in growth during 2013. A further temporary retention of tax rates established under the Bush presidency, at least for the vast majority of taxpayers, and the removal of automatic cuts in expenditure will stabilize the US economy. Once the direction of fiscal policy has been clarified in 2013, businesses will benefit from the return of planning certainty and increase their willingness to invest, thereby having a positive impact on incomes and the labor market. Consumer spending will also increasingly benefit from this trend. Monetary policy will remain expansionary, given only moderate pressure on prices. Against this backdrop, it would be reasonable to expect rising growth rates for 2013 and 2014. Over this period, inflation will remain modest at just under 3 percent.

1.3. TRENDS IN THE EURO ZONE

It is anticipated that economic conditions in Europe over the period of November 2012 to April 2013 will be tough. The latest economic data from the **euro zone** has been rather weak, even though the business climate has recently improved slightly with an interruption to the downward trend of the last few months. One of the indicators pointing to the sluggish performance is the fall in capacity utilization in the industry sector.

Forecasts for the whole of 2013 show a contraction in gross domestic product of just under half of 1 percent, similar to the trend in 2012. Numerous euro zone countries, such as Italy, Spain, and the Netherlands continue to be stuck in a recession, the French economy is to all intents and purposes stagnating, and Germany will only achieve slight growth.

Substantial austerity measures will have an adverse impact on economic growth in almost all countries of the euro zone in 2013.

It is only in 2014 that the negative factors will cease to take center stage in the euro zone. At that point, countries with export-driven economies will then also be able to benefit from the general return of stronger demand around the globe. On this basis, it is possible to predict economic growth of around 1 percent for the euro zone in 2014.

In Germany, domestic demand is expected to grow again from the end of 2013, allowing businesses to pass on cost increases from the last few years to consumers, especially as some production costs have been clearly increased by rises in administered prices and individual taxes. In addition, global prices for commodities and foodstuffs will continue on a slight upward trajectory.

1.4. TRENDS IN GERMANY

The German economy is currently going through a critical phase. Although the economy is not expected to slip into recession again, economic activity will be markedly subdued, especially over the winter months of 2012/2013.

Exports will provide less of a stimulus for the overall economy in 2013. Foreign trade will not be a driver for the economy to the same extent because it is impossible to increase exports at the rates achieved in previous years owing to the significantly weaker global economy. At the same time, there is expected to be a slight growth in imports again, which means that foreign trade could have a small negative impact on the economy as a whole in 2013.

On the other hand, 2013 will be quite a good year in terms of consumer spending. Sharp increases in wages and salaries are expected, similar to those in 2012. The growth in disposable income will also be fuelled by the sustained fall in unemployment.

Government spending is not expected to have any notable impact on the economy in 2013. Despite the debt brake, the need for austerity measures in relation to the national budget will be limited because of the level of tax receipts generated by the excellent economic base. However, given the high level of existing debt, it is unlikely that there will be any further expansionary measures.

Although capital spending by businesses on machinery and equipment will continue to be helped along in 2013 by the availability of low-cost funding options, sales forecasts are gloomy because of the weaker international environment, capacity utilization is falling, and uncertainty generated by the crisis in the euro zone is having a dampening effect on the outlook. The construction sector is expected to benefit from continued buoyant demand in 2013 and 2014 as households continue to judge their prospects of future income favorably with a corresponding positive knock-on effect on house-building.

Following weak economic performance in the months up to April 2013, the German economy will benefit from a gradual improvement in the global economy over the rest of the year. A dynamic start is forecast for the subsequent year, which is still expected to be defined by very expansionary monetary policies. Capital investment will be one of the key economic drivers. Following weak performance in 2013, in which German GDP is only likely to grow by 0.4 percent, a growth rate of just over 2 percent is forecast for 2014.

1.5. TRENDS IN THE FINANCIAL SECTOR

The financial sector remains at the center of public attention as a result of the sovereign debt crisis in the euro zone. In particular, the issue of macrofinancial risk arising from the interplay between the real economy and the financial sector is gaining importance.

For this reason, a macroprudential policy is to be implemented at European level using the necessary institutions and instruments. These instruments will cover the entire financial system, i.e. the insurance sector in addition to banks.

The financial sector must therefore expect additional regulatory requirements and the imposition of more statutory conditions. What the DZ BANK Group would like to see is a stable and transparent basis, in particular, for the planning of capital ratios and capital definitions.

2. CHANGES IN FINANCIAL POSITION AND FINANCIAL PERFORMANCE

2.1. FINANCIAL PERFORMANCE

The outlook for the business performance of the DZ BANK Group in 2013 and 2014 is positive despite the adverse impact from the sovereign debt crisis in the euro zone. Against this background, the group expects to generate a slight increase in income overall.

Net interest income will be adversely impacted by the weaker economic outlook, especially in Germany. A slight fall in net interest income is therefore predicted for 2013. It is only during the course of 2014 that a slight increase in net interest income is expected, driven by the stronger pace of economic growth forecast for that year.

Net interest income could be negatively impacted if there is a deterioration in expectations regarding future economic growth over the next few years and if there is any further reduction in the key interest rate.

Allowances for losses on loans and advances will start from a significantly lower level following the strategic adjustments for leasing activities in 2013.

In 2014, the DZ BANK Group may have to recognize a slight increase in specific loan loss allowances based on the market environment in the euro zone and the situation regarding the European sovereign debt crisis.

According to current assessments, there is some risk of a sharp and sustained economic downturn throughout Europe brought about by an impact on the real economy from, in particular, the sovereign debt crisis in the euro zone. This could then have a detrimental impact on allowances for losses on loans and advances.

In 2013, **net fee and commission income** is again expected to come close to the high levels achieved in 2012. Net fee and commission income is expected to rise in 2014, particularly as a result of an increase in the volume of business in private banking. Having won back the confidence of retail and institutional investors in 2014, it would be reasonable to assume long-term positive growth in net fee and commission income.

The net gains under **gains and losses on trading activities** will be significantly lower in 2013. The positive effect from changes in spreads will tail away significantly, especially in the case of Pfandbriefe, sovereign bonds, and government bonds. Once again in 2013, the uncertainty on capital markets and the tighter regulatory framework are likely to depress growth in net gains on trading activities.

Significant volatility in financial markets combined with a cautious approach by retail and institutional investors may continue to impact gains and losses on trading activities. Steady growth in net gains in this category can only be achieved when a key criterion has been satisfied, namely when the situation on financial markets has returned to normal. This is expected to occur in 2014.

Following the negative impact from the sovereign debt crisis and the recognition of losses caused by the disposal of securitized investments to optimize capital recovery, there will be a significant improvement in **gains and losses on investments** in 2013. In addition, impairment losses on securitization exposures are expected to fall further in 2013 and 2014, thereby increasing gains on investments.

Net income from insurance business is expected to contract in 2013. Although premiums earned will increase slightly (the result of expected premium growth in non-life insurance and life/health insurance), prudent estimates suggest that net gains on investments held by insurance companies will fall in 2013.

A slight increase in net income from insurance business is then predicted for 2014.

Insurance business operating expenses will go up as a result of additional regulatory requirements. The rate of increase for expenses in 2013 and 2014 will be limited by the predicted rate of increase for premiums.

Unusual events on the capital markets caused by the sovereign debt crisis or changes in underwriting may affect the net income forecasts in this case.

There will be a rise in **administrative expenses** in 2013 and 2014. This rise will reflect the response of the DZ BANK Group to the tighter regulatory and statutory provisions. The necessary compliance measures will force an increase in expenses, not least staff expenses. The predicted rise in administrative expenses also includes increases under collective pay agreements and inflationary rises in general and administrative expenses.

The aim remains to improve the cost/income ratio, despite additional regulatory pressures, by rigorous management of costs and by accelerating growth in the operating business.

Based on the assumption that the sovereign debt crisis will be held in check, that the situation on capital markets will ease, and that the economic situation will improve slightly in 2014, the DZ BANK Group anticipates that its **net profit** will rise over the 2013 and 2014 financial years.

Strategic positioning and further development in the individual business lines will encourage this growth in net profit.

Earnings performance may be affected by volatility on capital markets, which may occur as a result of the sovereign debt crisis in the euro zone. Finance policies introduced in response to the sustained high levels of sovereign debt may also have an effect on profit forecasts.

Furthermore, net profit in 2013 may be impacted by the maturity in March 2013 of a corporate bond with a nominal amount of €240 million that is guaranteed by one of the peripheral member states of the EU. As at December 31, 2012, the ability of the borrower to redeem this bond – which is not traded in an active market – could not be definitively established.

The bond was valued at €60 million as at the balance sheet date. Full repayment on the due date would increase the profit before taxes in 2013 by €180 million, whereas a total default would lead to a charge of €60 million.

The DZ BANK Group believes that its firm strategic focus continues to provide it with lasting potential to achieve growth in 2013 and 2014 in close collaboration with the local cooperative banks.

The DZ BANK Group uses a strategic planning process to regularly identify growth potential and track implementation action plans, taking account of risk trends and capital requirements.

On the basis of systematic capital management and integrated capital planning, DZ BANK makes every possible effort to satisfy current requirements and assess requirements that may be imposed in the future because regulatory requirements have a far-reaching impact on the banks' equity situation and financial performance.

2.2. LIQUIDITY

DZ BANK anticipates that the local cooperative banks will continue to hold stable levels of deposits in 2013 and 2014, which will help with its management of operational liquidity. Corporate customers and institutional investors, both national and international, will continue to make a sustained contribution to the diversification of funding.

The structural funding of the DZ BANK Group is expected to continue to be underpinned by stable sales of secured and unsecured funding products as a result of the broad customer base.

3. SEGMENT TRENDS

3.1. BANK OPERATING SEGMENT

The global sovereign debt crisis and financial policies introduced to resolve the problems could also lead to volatility on capital markets in 2013. This could affect the performance of the Bank operating segment in 2013 and 2014. However, improved performance by Germany's economy from 2013 provides a strong foundation for an upward trend in earnings in 2013.

Net interest income will be positively impacted by the corporate banking initiative. The objective is to improve DZ BANK's market share in corporate banking, in particular in relation to the provision of funding for large and medium-sized companies. This will lead to growth in new business volume in 2013 and 2014, both in direct business and in joint lending business with other parties, while at the same time ensuring steady growth in margins.

At the same time, cross-selling in the corporate banking business will continue to be encouraged within the DZ BANK Group, generating an extra boost for net fee and commission income and net gains on trading activities. Given this stimulus, net fee and commission income is expected to increase slightly.

Allowances for losses on loans and advances will reduce significantly in 2013 owing to the strategic realignment at VR-LEASING AG. The further reduction of international portfolios at VR-LEASING AG may offset (probably in 2014) the small increase in specific loan loss allowances resulting from the planned expansion of the corporate banking initiative and SME financing. Overall, the changes in the allowances for losses on loans and advances reflect a financially sound credit portfolio and a rigorously imposed long-term risk policy.

However, an economic slowdown might adversely affect allowances for losses on loans and advances even further.

The net gains on trading activities will be significantly lower in 2013. The decline in returns compared with 2012 will hold back growth of net gains on trading activities until well into 2014. Some stimulus will come from additional cross-selling likely to arise following the implementation of the corporate banking initiative by the scheduled date.

Any renewed uncertainty resulting from the sovereign debt crisis could have an adverse impact on net gains on trading activities.

The DZ BANK Group's strategic aim remains to continue as one of Germany's leading and most innovative providers of capital market products and structured capital market products. The group is also focused on generating earnings and creating added value for the cooperative banks, the companies in the cooperative financial network, and their customers.

The predicted substantial rise in administrative expenses in 2013 and 2014 results from the considerable increase in the volume of regulations and the tightening of the regulatory framework for banks. The necessary increase in the number of employees and the additional IT costs as a consequence of projects related to regulatory requirements will be particularly apparent in the increase in administrative expenses. Other factors contributing to this increase will include higher staff, general, and administrative expenses, in turn caused by inflation and changes to collective pay agreements.

Overall, however, active management of costs ought to ensure that the cost/income ratio continues to fall slightly up to 2014.

It is possible that the financial sector will see further changes to the regulatory framework over the next few years. The lack of predictability as far as finance policy measures are concerned may have a negative impact on strategic direction and therefore on earnings in the Bank operating segment.

3.2. RETAIL OPERATING SEGMENT

The main components of the growth in the Retail operating segment in 2013 will be the stronger volume growth generated by the private banking market initiative and a predicted higher volume to be derived from asset management. This growth will also have a positive impact on earnings performance.

Over the next two years, the strategic activities begun in private banking are expected to lead to expansion of the cooperative banks' market share in this market segment. DZ PRIVATBANK's decentralized products and services allow it to maintain a uniform market presence throughout Germany.

The aim here is to unlock the potential available in the core German market, above all the opportunities presented by existing customer relationships. In line with the significant planned increase in market share by 2014, the objective for 2013 and 2014 is to produce stable growth in net interest income and net fee and commission income.

Administrative expenses will increase on the back of further development in the private banking market initiative and the resulting establishment of new branches in Germany as well as due to enhanced regulatory requirements.

In overall terms, the performance of the asset management business may be affected by significant volatility and uncertainty in capital and real-estate markets. In addition, uncertainty in the regulatory environment may affect business with both institutional and retail customers.

The Union Investment Group is striving to become one of the two largest and most successful asset managers in Germany by setting the highest standards of quality in marketing for retail clients.

It aims to achieve this by means of a permanent increase in the volume of assets under management. The uptrend in 2013 will increase earnings significantly and thus improve business performance. Additional growth stimulus may be generated by the continued amelioration in the capital markets combined with the return of sustained investor confidence in 2014.

Another of the subsidiaries in the Retail operating segment is TeamBank, which will consolidate its position as part of its overall strategy to become market leader based on its key selling point as a responsible partner for fair, secure, and innovative consumer finance.

The consistent focus on customer needs is intended to increase customer satisfaction and customer loyalty, thereby generating further increases in the volume of new business. Growth will be underpinned by consumers' confidence in a further improving situation in the job market. This will lead to significant growth in net interest income in 2013 and 2014.

Allowances for losses on loans and advances will grow in line with expansion of the portfolio. Further productivity improvements and better capacity utilization of the current infrastructure, which is geared to future needs, will allow the cost/income ratio to be held at a low level.

The risks faced by the Retail operating segment result from the increasingly intense competition that has been created by the global and national consolidation of competitors, which may put margins under pressure and have a negative impact on earnings. In asset management, a possible reduction in the value of the assets under management as a result of lower prices on the capital markets presents a further risk.

3.3. REAL ESTATE FINANCE OPERATING SEGMENT

A positive segment performance is expected for the Real Estate Finance operating segment in 2013 and 2014. The growth in earnings projected for 2013 includes the anticipated changes in fair value gains and losses caused by the narrowing of spreads on issues from countries affected by the sovereign debt crisis.

DG HYP, the commercial real-estate finance specialist in the cooperative financial network and one of the leading real-estate banks in Germany, will continue to consolidate its market position in 2013 and 2014. The successful collaboration with the local cooperative banks will allow DG HYP to expand its new business activities.

Given the size and stability of the German market, this territory offers huge potential for the development of further business. In 2013, net interest income from further intensification of new real-estate business will increase slightly, having more than offset the effects from the ongoing reduction of non-strategic portfolios.

The willingness of Germans to commit to home savings will continue to be reflected in an uptrend. The market leader, BSH, will be able to benefit from this trend with new business. In addition to generating income from brokering home savings and loans, the local cooperative banks can also create value by acting as intermediaries for bank products.

In general terms, building societies will continue to be adversely affected over the next few years by the extremely low level of interest rates. This market environment will increase the pressure to modify contract terms, where possible, and enhance process efficiency.

The main earnings drivers for net interest income at BSH are the growth in home savings deposits, home savings loans, and the portfolio of non-collective loans. This positive trend based on portfolio growth is expected to continue in 2013 and 2014 because of the increase in new business in recent years.

However, despite corrective action, this portfolio growth will not be able to fully compensate for the negative impact on net interest income from the significant reduction in interest rates.

Administrative expenses are expected to rise in 2013. This trend will also continue with a slight increase in 2014 resulting from higher expenses associated with the implementation of statutory requirements in regulatory projects. Additional expenses will be incurred by taking steps to ensure that strategic projects already under way are geared to future needs.

Increasing competition in commercial real-estate finance and the more aggressive competition caused by pressure to consolidate in the home savings sector may lead to a fall in margins.

3.4. INSURANCE OPERATING SEGMENT

In the Insurance operating segment, R+V, Germany's leading insurance company, is striving to generate organic growth based on a comprehensive range of insurance and pension products. The overarching objective of R+V's strategic growth is to create added value for the Volksbanken Raiffeisenbanken cooperative financial network from income-oriented growth.

Although net income from insurance business is expected to fall in 2013, it is planned to boost this net income in 2014 and beyond. This will involve a gradual development of R+V's market position by means of organic growth based on what is currently a very sound portfolio of existing business. The aim is then also to achieve a further small rise in premiums earned in 2013 and 2014.

In the non-life insurance business, it is planned to increase market share by outperforming the market in terms of income-oriented growth. Planned measures to improve earnings performance include a more restrictive underwriting policy and a systematic expansion in process standardization and automation.

A modest growth in premiums is expected in the life and health insurance business. This business has been impacted by the introduction of unisex insurance scales in 2013, the effect of which has been to persuade some customers to bring forward insurance spending decisions to 2012.

The restructuring of Assimoco S.p.A., Segrate (Mi), Italy, will continue in 2013 as planned. Implementation of the restructuring strategy involving CCB Trento, Italy, which has been successful to date, is to continue with the further development of the companies' insurance business.

Commission and bonus payments to the local cooperative banks are expected to increase again in 2013 and 2014 in line with the positive trend in premiums and products.

Insurance business operating expenses will see a small increase in 2013 and 2014, but this will be lower than the growth in premiums. The rise in expenses will result from increases under collective pay agreements, the planned expansion of headcount, capital expenditure on various IT infrastructure projects, and higher fee and commission expenses.

Based on a prudent assessment of further trends on capital markets, there is expected to be a significant deterioration in the gains and losses on investments held by insurance companies in 2013. This figure is only expected to improve in 2014, assuming that at that point there will be a sustained recovery, particularly in European capital markets.

R+V's ongoing objective in terms of its use of resources is to keep the rise in administrative expenses (excluding new business costs) lower than growth in premiums. As a result, its administrative expenses ratio should be at least held constant, if not improved, despite ongoing price competition.

IV. Opportunities and risks associated with forecast development

1. DISCLOSURE PRINCIPLES

DZ BANK, as the parent company in the DZ BANK Group, implements the transparency requirements related to opportunities and risks as specified in section 315 HGB and complies with equivalent requirements in the relevant German accounting standards by publishing a report on the opportunities and risks associated with forecast development (referred to in the rest of this section of the group management report as 'opportunity and risk report').

This report also satisfies applicable international risk reporting requirements, specifically those specified in IAS 1.134-136 (capital), IFRS 7.31-42 (nature and extent of risks arising from financial instruments), and IFRS 4.38-39A (nature and extent of risks arising from insurance contracts). The maturity analyses required by IFRS 7.39(a) and (b), and by IFRS 4.39(d)(i), are disclosed in the notes to the consolidated financial statements in sections 76 and 63 respectively.

The requirements set out in IFRS 7 are generally limited to financial instruments, shifting the focus of reporting to credit risk, equity risk, market risk, and liquidity risk. In contrast, the DZ BANK Group takes a holistic, integrated view of all these risks when using risk management tools and when assessing the risk position in compliance with the German Minimum Requirements for Risk Management for the banking sector (MaRisk BA). As a consequence, the groupwide risk management system not only covers risks that arise specifically in connection with financial instruments, but also all other relevant types of risk. This integrated approach is reflected in this opportunity and risk report.

The external risk reporting requirements specified in section 26a of the German Banking Act (KWG) in conjunction with sections 319 to 337 of the German Solvency Regulation (SolvV) are satisfied by the regulatory risk report published by the DZ BANK banking group. This report is available on DZ BANK's website. The opportunity and risk report within the group management report implements those components of the regulatory disclosure requirements that relate directly to internal risk management but that do not directly relate to the regulatory reporting system.

This opportunity and risk report also includes information in compliance with the recommended risk-related disclosures that have been issued by the Financial Stability Board and the European Banking Authority (EBA) and that extend beyond the statutory requirements.

The figures in this report are rounded to the nearest whole number. This may give rise to small discrepancies between the totals shown in the tables and totals calculated from the individual values shown.

2. FUNDAMENTAL PRINCIPLES OF MANAGING OPPORTUNITIES AND RISKS

2.1. OBJECTIVE

The exploitation of business opportunities and the systematic controlled assumption of risk in relation to target returns form an integral part of corporate control in the DZ BANK Group. The activities resulting from the DZ BANK Group's business model require the ability to identify, measure, assess, manage, monitor, and communicate opportunities and risks.

The need to cover risks with adequate capital and hold appropriate reserves of cash is also recognized as an essential prerequisite for the operation of the business and is of fundamental importance. In all its activities, the DZ BANK Group therefore abides by the principle of only taking on risk to the extent absolutely necessary to achieve business objectives and to the extent that the risk appears manageable.

Against this background, the Board of Managing Directors of DZ BANK has established an appropriate and fully functioning opportunity and risk management system that meets both the group's own business management needs and statutory requirements. The management of opportunities and risks forms an integral part of the strategic planning process in the DZ BANK Group.

Given the methods, organizational arrangements, and IT systems that have been implemented, DZ BANK and the DZ BANK Group companies are in a position to identify material opportunities and risks at an early stage and to initiate appropriate control measures, both at the group level and at the level of the individual group companies.

The risk management system is more detailed than the system for the management of opportunities because risk management is subject to comprehensive statutory requirements and is also of critical importance to the continued existence of the DZ BANK Group as a going concern.

The methods used for the measurement of risk are integrated into the groupwide risk management system. Risk model calculations are used for the management of the DZ BANK Group and the companies concerned.

2.2. SCOPE OF APPLICATION

2.2.1. Management units

All DZ BANK Group companies are integrated into the risk management system. The following companies (also referred to as management units in this opportunity and risk report) represent the core of the financial services group. They are deemed to be material in terms of their contribution to the DZ BANK Group's aggregate risk and are therefore directly incorporated into the group's risk management system:

- DZ BANK
- BSH
- DG HYP
- DVB
- DZ BANK Ireland
- DZ BANK Polska S.A., Warsaw, (DZ BANK Polska)
- DZ PRIVATBANK S.A.
- R+V
- TeamBank
- Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding)
- VR-LEASING AG

The other companies are included in the system as part of equity risk.

The management units ensure that their respective subsidiaries and investees are also included in the DZ BANK Group's risk management system – indirectly via the majority-owned companies – and also meet the minimum standards applicable throughout the group.

2.2.2. Opportunities and risks

The DZ BANK Group defines **opportunities** as unexpected positive variances from the forecast financial performance for the coming year.

Risks are unexpected adverse developments affecting financial position or financial performance, and essentially comprise the risk of losses or insolvency. How the DZ BANK Group is expected to develop over the forecast period is described in the Outlook section of the group management report.

Credit risk is a particular feature of the groupwide corporate banking and investment banking activities and the retail-oriented lending business. Equity risk results from DZ BANK's equity stakes in companies held in pursuit of the bank's business strategy. Market risks arise in particular from DZ BANK's cash-pooling function for the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK's customer-account trading activities, and from the lending business, real-estate finance business, building society operations, investments, and issuing activities of the various companies in the group.

The activities of BSH and R+V also give rise to risks in connection with building society operations and insurance business respectively.

Liquidity risk, operational risk, business risk, and reputational risk arise in connection with any kind of business activity and are therefore also important for all the companies included in the DZ BANK Group's risk management system.

2.3. SEPARATION OF FUNCTIONS

2.3.1. Risk management system, risk management and control

The DZ BANK Group's **risk management system** is constructed on the basis of the risk strategies approved by DZ BANK's Board of Managing Directors and comprises risk management, risk control, the internal control system, and internal audit.

Risk management refers to the operational implementation of the risk strategies in the risk-bearing business units based on standards applicable throughout the group. The management units make conscious decisions on whether to assume or avoid risks. They observe guidelines and risk limits specified by the head office. The divisions responsible for risk management are separated both in terms of organization and function from downstream divisions.

Central **risk control**, which forms part of the Group Controlling division of DZ BANK, is responsible for identifying, measuring, and assessing risk in the DZ BANK Group. This is accompanied by the planning of upper loss limits. Risk control also reports risks to the Supervisory Board, the Board of Managing Directors, and the management units. Risk control at DZ BANK coordinates the risk measurement methods to be used throughout the group with risk control in the subsidiaries and ensures the implementation of risk capital management in the group. In cooperation with the subsidiaries, risk control at DZ BANK establishes a groupwide risk reporting system covering all material types of risk based on minimum standards using methods agreed between the entities.

Both at DZ BANK and in the subsidiaries, risk control is responsible for the transparency of risks assumed and ensures that all risk measurement methods used are up to date. The risk control units in the individual companies also monitor compliance with the company-related limits that the subsidiaries have set themselves based on the risk capital allocated by DZ BANK. In addition, risk control at DZ BANK and in the subsidiaries is responsible for the risk reporting system in the company concerned.

2.3.2. Internal control system

Organizational structures and precautions built into work processes ensure that the monitoring of risk management activity **is integrated into processes**. **IT systems** are systematically protected by authority-dependent management of authorizations and by technical precautions against unauthorized access both within and outside group companies.

DZ BANK's **internal audit division** is responsible for control and monitoring tasks that are not specific to individual processes across all material group companies. It carries out systematic, regular risk-based audits focusing on compliance with statutory and regulatory requirements. Internal audit also reviews and assesses the risk management system to ensure that it has a fully operational capability, and monitors the action taken in response to audit findings to ensure that identified problems have been rectified. Internal audit at DZ BANK and the other group companies reports to the chief executive officer or other senior managers of the entity concerned. DZ BANK and all subsidiaries involved satisfy the special requirements for the structure of internal audit departments specified in MaRisk.

DZ BANK's internal audit division is responsible for internal audit tasks at group level. These tasks include, in particular, the coordination of intercompany audits, the implementation of which lies within the remit of the individual internal audit departments in the group companies concerned, and the evaluation of individual group company audit reports of relevance to the entire group. Cooperation between internal audit divisions in the DZ BANK Group is governed by a separate set of rules and arrangements.

2.3.3. Other control mechanisms

The **Supervisory Board** of DZ BANK satisfies itself at regular intervals that the risk management system is appropriate and functioning properly. External **auditors** as well as **banking and insurance regulators** also review the risk management system on an ongoing basis to ensure it remains suitable.

2.4. COMMITTEES

The **Group Coordination Committee** ensures coordination between the key companies in the DZ BANK Group to achieve consistent management of opportunities and risks, allocate capital, deal with strategic issues, and leverage synergies. In addition to the entire Board of Managing Directors of DZ BANK, the members of this committee comprise the chief executive officers of BSH, DZ PRIVATBANK S.A., R+V, TeamBank, Union Asset Management Holding, and VR-LEASING AG, and the Spokesman of the Board of Managing Directors of DG HYP.

Working groups whose members comprise representatives from all strategic business lines and group functions are responsible for the following areas of activity and report to the Group Coordination Committee:

- product and sales/marketing coordination for private customers, corporate customers, and institutional clients;
- international coordination;
- IT, operations, and resources strategies;
- human resources management;
- risk management.

The **Group Risk Committee** is the central committee in the DZ BANK Group responsible for proper operational organization and, in particular, risk management in accordance with section 25a (1a) and (1b) KWG in conjunction with section 25a (1) KWG. It assists DZ BANK with groupwide financial and liquidity management and provides support for risk capital management throughout the group. The Group Risk Committee also assists the Group Coordination Committee in matters of principle. The members of this committee include the relevant executives at DZ BANK responsible for Group Controlling, Group Finance, Credit, and Group Treasury. The committee members also include representatives of the executives at those group companies with a material impact on the risk profile of the group. The Group Risk Committee has set up the following working groups to prepare proposals for decision-making and to implement management action plans.

- The **Group Risk Management Working Group** supports the Group Risk Committee in all matters concerning risk and the management of risk capital in the DZ BANK Group. This working group is also the central platform for groupwide strategic and operational planning, and for external risk reporting. At DZ BANK level, the monitoring and control of the aggregate risks to the bank is coordinated by the Risk Committee.

- Credit risk management activities throughout the group are brought together under the **Group Credit Management Working Group**. This committee is responsible for overarching, fully functioning credit risk management in the DZ BANK Group. The measurement and management of credit risk is based on a shared understanding of risk that recognizes the specific business needs of the individual group companies. The monitoring and control of DZ BANK's credit portfolio is coordinated by the Credit Committee.

- The **Market Working Group** is responsible for providing implementation support throughout the group in the following areas: liquidity management, funding activities, balance sheet structure management, market risk management, and equity management. This committee also focuses on coordinating and agreeing funding strategies and liquidity reserve policies, as well as on planning the funding within the DZ BANK Group.

- The **Finance Working Group** advises the Group Risk Committee on matters concerning accounting, tax law, and financial regulation. It discusses new statutory requirements and works out possible implementation options. The Finance Working Group also sets guidelines for risk management in connection with the consolidated financial reporting process in consultation with the Group Risk Management Working Group.

The **Group IT Committee**, comprising the members of the boards of managing directors of the main group companies with responsibility for IT, supports the Group Coordination Committee in matters relating to IT strategy. This committee manages all overarching IT activities in the DZ BANK Group. In particular, the Group IT Committee makes decisions on collaboration issues, identifies and realizes synergies, and initiates joint projects.

The members of the **Group HR Committee** comprise the HR directors from the main group companies. This committee helps the Group Coordination Committee address HR issues of strategic relevance. The Group HR Committee initiates and coordinates activities relating to overarching HR issues while at the same time exploiting potential synergies. It also coordinates the groupwide implementation of regulatory requirements concerning HR systems and facilitates the sharing of HR policy information throughout the DZ BANK Group.

The **DZ BANK Group Heads of Internal Audit Working Group**, which is led by DZ BANK, coordinates group-relevant audit issues and the planning of cross-company audits and activities based on a common framework drawn up and approved by the relevant members of the Board of Managing Directors. This working group also serves as a platform for sharing specialist information across the group – especially information on current trends in internal audits – and for developing best practice in internal audit activities. The working group reports to the Chief Executive Officer of DZ BANK and, where appropriate, to the Group Coordination Committee.

Within the coordination model, **product and sales committees** are responsible for data gathering, coordination, and pooling functions relating to the range of products and services provided by the DZ BANK Group. The **retail customers** product and sales committee coordinates products and services, fee and commission models, and the marketing activities of its members where there are overarching interests affecting the whole of the group. The common objectives are to generate profitable growth in market share for the cooperative banks and the companies in the DZ BANK Group and to increase market penetration with network products from all the companies involved. The **institutional clients** product and sales committee helps to strengthen the position of the DZ BANK Group in the institutional clients market. In corporate banking, the **cross-selling committee**, whose members comprise representatives from the group companies, focuses on coordinating and integrating activities specifically aimed at agreeing, generating, and systematizing cross-selling activities between the group companies. This helps to support both the joint lending business with the cooperative banks and the direct corporate customer business of the companies in the DZ BANK Group.

The **International Coordinators Working Group** is the central, cross-departmental information platform for international activities in the DZ BANK Group. The working group gathers and distributes information on the various international activities and develops coordinated procedures.

Figure 9 provides an overview of committees of particular importance in the management of opportunities and risks in the DZ BANK Group.

FIG. 9 – DZ BANK GROUP COMMITTEES WITH OPPORTUNITY AND RISK MANAGEMENT FUNCTIONS

2.5. RISK REPORTING AND RISK MANUAL

The **DZ BANK Group's** quarterly **overall risk report** is the main channel by which risks at group and company level are communicated to the Board of Managing Directors, Group Risk Committee, and Supervisory Board. In addition, the Board of Managing Directors and Supervisory Board receive portfolio and exposure-related management information in the **DZ BANK Group credit risk report**, which is also produced on a quarterly basis.

DZ BANK and the main subsidiaries have further reporting systems for all relevant types of risk. Depending on the degree of materiality in the risk positions concerned, these systems ensure that decision-makers and supervisory bodies at all times receive transparent information on the risk profile of the risk units for which they are responsible.

The DZ BANK Group's **risk manual** (group risk manual), which is available to all employees, sets out the general parameters for identifying, measuring, assessing, managing, monitoring, and communicating risks. These general parameters ensure that there is an appropriate risk management system in the DZ BANK Group. The manual forms the basis for a shared understanding of the minimum standards for risk management throughout the group. The main subsidiaries also have their own risk manuals covering special aspects of risk related specifically to the companies concerned.

2.6. RISK INVENTORY AND ADEQUACY REVIEW

At the end of every financial year, DZ BANK draws up a **risk inventory**, the objective of which is to identify the types of risk relevant to the DZ BANK Group and assess the materiality of these risk types. According to need, a risk inventory check may also be carried out at other times in order to identify any material changes in the risk profile during the course of the year. A materiality analysis is carried out for those types of risk that could arise in connection with the operating activities of the companies in the DZ BANK Group. A subsequent stage involves assessing the extent of risk concentration in types of risk classified as material.

DZ BANK also conducts an **appropriateness test** at DZ BANK Group level around the same time as the regular risk inventory check. The objective is to review the latest groupwide specifications for the analysis of risk-bearing capacity. In addition, the appropriateness test includes a number of other tests to assess whether the risk measurement methods used for all types of risk classified as material are in fact fit for purpose. Action is taken to modify the risk management tools, where required.

The risk inventory check and appropriateness test are coordinated in terms of content and timing. All management units in the DZ BANK Group are included in both processes.

The results from the regular risk inventory check and the appropriateness test are used as the basis for risk management in the subsequent year. If a risk inventory check carried out during the course of a year reveals the need for an immediate modification to the risk management systems, such modifications are carried out as soon as possible within the same year.

Risk inventory checks and appropriateness test are similarly conducted in the main subsidiaries.

2.7. FUNDAMENTAL PRINCIPLES OF RISK MEASUREMENT, LIMITATION, AND HEDGING

2.7.1. Measurement of risk and risk concentrations

RISK CAPITAL REQUIREMENT

Economic capital (known as the 'risk capital requirement') is calculated for credit risk, equity risk, market risk, technical risk of a home savings and loan company, actuarial risk, operational risk, and business risk. This risk capital requirement is generally calculated as value-at-risk with a holding period of one year and a confidence level of 99.90 percent. A confidence level of 99.95 percent was used up to the end of the first six months of 2012. The selected confidence level is consistent with DZ BANK's credit rating.

The risk capital requirement for the individual risk types is aggregated into the total risk capital requirement for the DZ BANK Group taking into account the various diversification effects. The diversified risk capital requirement reflects the inter-dependency of individual types of risk.

RISK CONCENTRATIONS

The reason for managing **risk concentrations** by analyzing portfolios is to identify potential downside risks that may arise from the accumulation of individual risks and, if necessary, to take corrective action.

CREDIT RISK

Expected and unexpected losses are calculated within a credit-portfolio analysis for business in which the DZ BANK Group must bear credit risk. The **capital requirement for credit risk** is determined as the unexpected loss equivalent to the difference between the value-at-risk and the expected loss. This calculation is based on one-year default probabilities derived from historical loss data, taking into account additional business-specific features and reflecting the current rating of the borrower. Other factors taken into account in the calculation of exposures subject to credit risk include measurable collateral, netting agreements, and expected recovery rates based on past experience.

In order to highlight **concentrations of credit risk**, the exposure at portfolio level is categorized by industry sector, country group, term to maturity, size category, and rating. In addition, risks resulting from large exposures to individual counterparties are closely monitored and managed. Concentrations of credit risk arise particularly from the potential simultaneous default of several borrowers with shared characteristics. This is why determining the correlated exposure to loss as a part of the calculation of the risk capital required for credit risk is essential for managing risk concentrations.

EQUITY RISK

Equity risk is generally determined as value-at-risk on the basis of a variance-covariance approach with market price fluctuations mainly derived from reference prices listed on an exchange. Concentrations of equity risk are identified by allocating investments to different categories according to the purpose of the investee company; the risk model used assumes a high level of correlation within each category.

MARKET RISK

The capital requirement for market risk is calculated as the value-at-risk over a one-year time horizon based on simulations and the results of stress tests. In addition to calculating economic capital, and for purposes of operational management, a value-at-risk for a holding period of one trading day and a confidence level of 99.00 percent is calculated for market risk within the internal model. Concentrations in the portfolio affected by market risk are identified by classifying exposures according to the risk factors associated with interest rates, spreads, equities, currencies, and commodities. This incorporates the effects of correlation between these different risk factors, particularly in stress phases.

Further improvements were introduced in 2012 in the methods used to record market risk, particularly the spread risk associated with securities. A central system for recording this risk was established for the whole of the group.

In terms of the provision of market data, there are no material differences in the DZ BANK Group between the measurement of financial instruments for market risk purposes and that for accounting purposes. There are therefore no limitations that could mean the market risk disclosures do not fully reflect the fair values of the assets and liabilities concerned.

TECHNICAL RISK OF A HOME SAVINGS AND LOAN COMPANY

A special simulation for the collective business, which includes the effects of a change in customer behavior that is unfavorable from the bank's perspective, and the effects of a drop in new business, is used to measure the technical risk of a home savings and loan company. Concentrations of this risk may arise from the collective and new business risks.

ACTUARIAL RISK

For the most part, value-at-risk approaches are used to quantify actuarial risk. Possible risk concentrations are analyzed, monitored, and managed as part of the risk management system.

OPERATIONAL RISK

The capital requirement for operational risk is determined at group level using the Standardized Approach specified by regulatory requirements. Scenario analyses or risk self-assessments facilitate identification of risk concentrations. Such concentrations can occur, for example, if IT systems are supplied by just a few companies or if business processes are outsourced to a limited number of service providers.

BUSINESS RISK

Business risk is determined using a risk model based on an earnings-at-risk approach. Risk concentrations may arise if business activities are focused on a small number of areas. Concentrations of business risk are limited by using qualitative criteria as part of strategic management.

REPUTATIONAL RISK

Reputational risk is taken into account within business risk and is therefore implicitly included in the measurement of risk and assessment of capital adequacy in the DZ BANK Group. The risk of a detrimental change in the group's reputation is specifically taken into account in liquidity risk management.

FUNDING RISK

Funding risk refers to the risk of a loss that could materialize in the DZ BANK Group as a result of a deterioration in the liquidity spread (as part of the spread on the group's own issues). If the liquidity spread widens, it will only be possible to cover future liquidity requirements if additional costs are incurred. Funding risk is of no material significance in the business model of the DZ BANK Group, mainly because existing business is funded to the greatest possible extent with matching maturities in line with the group's business strategy.

LIQUIDITY RISK

In contrast to the other types of risk, there is no capital requirement in connection with liquidity risk. Liquidity risk is measured by determining the minimum surplus cash that would be available if various scenarios were to materialize within the next few years. Concentrations of liquidity risk occur primarily due to the accumulation of outgoing payments at particular times of the day or on particular days (concentrations of maturities), the distribution of funding across particular currencies, markets, and liquidity providers (concentrations of funding sources), and the distribution of liquidity reserves across particular currencies, ratings, and issuers (concentrations of reserves).

2.7.2. Stress tests

In addition to the risk measurements, the effects of extreme but plausible events are also analyzed. Stress tests of this kind are used to establish whether the DZ BANK Group can retain its risk-bearing capacity, even under extreme economic conditions. Stress tests are carried out in respect of economic risk-bearing capacity, regulatory equity ratios, and liquidity.

2.7.3. Limits of risk calculation

Regardless of the fundamental suitability of the risk measurement procedures, it is conceivable that there may be circumstances in which risks cannot be identified in good time or in which a comprehensive, appropriate response to risks is not possible. Despite careful development of models and regular reviews, situations may arise in which actual losses or liquidity requirements are higher than those forecast in the risk models and stress scenarios.

For any given confidence level, the value-at-risk can be significantly influenced by extreme events for which the probability of occurrence is low. However, estimates for such rare events are generally subject to a great deal of uncertainty. Moreover, there are no comprehensive historical observations in most cases for extreme losses of this nature, which makes it more difficult to validate any models. Key input parameters for measurement models are also subject to uncertainty, because they are already estimates themselves.

Despite continuously reviewing crisis scenarios, it is simply not possible to set down a definitive record of all environmental situations that could potentially have a negative impact. Therefore, an analysis of crisis scenarios in stress tests cannot guarantee that there will not be other crisis situations that could lead to greater losses.

2.7.4. Limitation principles

The DZ BANK Group has implemented a system of limits to ensure that risk-bearing capacity is maintained at all times. The limits used may be risk limits or volume limits, depending on the type of business and types of risk. Whereas risk limits, in all types of risk, restrict exposure measured with an economic model, volume limits are applied additionally in transactions involving counterparties. Risk management is also supported by limits for relevant key performance indicators.

Specific amendments to risk positions based on an adjustment of the volume and risk structure in the underlying transactions ensure that the measured exposures do not exceed the agreed volume and risk limits.

2.7.5. Hedging objectives and hedging transactions

Hedging activities are undertaken in order to transfer the necessary degree of credit risk, market risk, liquidity risk, actuarial risk, and operational risk to third parties outside the DZ BANK Group. All hedging activities are conducted within the strategic rules specified in writing and applicable throughout the group. Derivatives and other instruments are used to hedge credit risk and market risk.

If the hedging of risk in connection with financial instruments gives rise to accounting mismatches between the hedged item and the derivative used for the hedge, the DZ BANK Group designates the hedging transaction as a hedge in accordance with the hedging accounting requirements of IAS 39 and exercises the fair value option in order to eliminate or reduce such mismatches. Hedge accounting in the DZ BANK Group includes hedging interest-rate risk and currency risk and therefore affects market risk. Hedging information is disclosed in note 74 of the notes to the consolidated financial statements.

2.8. INTERNAL CONTROL SYSTEM FOR THE CONSOLIDATED FINANCIAL REPORTING PROCESS

2.8.1. Objective and responsibilities

The internal control system for the consolidated financial reporting process forms an integral component of the control system set up as part of the general risk management process.

The primary objective of external group financial reporting in the DZ BANK Group is to provide appropriate, timely information for the users of the annual consolidated financial statements and group management report. This includes all activities to ensure that external group financial reporting is properly prepared and that violations of accounting standards – which could result in the provision of inaccurate information to users or in mismanagement by the group – are avoided with a sufficient degree of certainty.

The management, monitoring, and control of group financial reporting are integrated into the DZ BANK Group's general risk management system. The objective of risk management in respect of group financial reporting is to mitigate the operational risk identified and assessed in connection with the annual consolidated financial statements and group management report in line with the significance of the risk. In this context, the activities of employees, the implemented controls, the technologies used, and the design of work processes are structured to ensure that the objective associated with consolidated accounting is achieved.

The DZ BANK Group's consolidated group companies and subgroups are fully integrated into the group's financial reporting. Responsibility for external financial reporting lies in the first instance with Group Finance and Group Controlling at DZ BANK.

2.8.2. Instructions and rules

The methods to be applied within the DZ BANK Group in the preparation of the consolidated financial statements are set out in writing in the group manual, which is constantly updated. The basis for external risk reporting is the disclosure policy approved by the Board of Managing Directors. This policy sets out the principles and fundamental decisions for the methods, organizational structure, and IT systems to be used in risk disclosure, for the integration of risk disclosure into general financial disclosure, and for the interconnection between risk disclosure and internal risk reporting in the DZ BANK Group. By adopting this disclosure policy, the Board of Managing Directors has put in place the necessary risk-related disclosure procedures and has communicated them throughout the DZ BANK Group. The instructions and rules are audited regularly to assess whether they remain appropriate and are amended in line with internal and external requirements.

2.8.3. Resources and methods

The processes set up in the DZ BANK Group companies permit – with the use of suitable IT systems – efficient risk management in respect of financial reporting, based on the guidelines set by the Group Accounting Working Group and taking into account the rules in the risk manual, the group manual, and the risk disclosure policy.

The group's financial reporting process is decentralized, with the individual organizational units of the DZ BANK Group responsible for preparing and monitoring the quantitative and qualitative information required for the consolidated financial statements. The group accounting department at DZ BANK implements the relevant controls and checks in respect of data quality and compliance with the DZ BANK Group rules.

The individual organizational units post the accounting entries for individual transactions. The consolidation processes are carried out by DZ BANK's group accounting department and by the accounting departments of each subgroup in the DZ BANK Group. All accounting entries and consolidation processes are properly documented and checked.

Consolidated financial reporting is chiefly the responsibility of employees of the DZ BANK Group. If required, external experts are brought in for certain cost calculations as part of the financial reporting process, such as for determining the defined benefit obligation and valuing collateral.

Consolidated financial reporting is subject to mandatory workflow plans agreed between DZ BANK's group accounting department and the individual accounting departments of the organizational units within the DZ BANK Group. These govern the collation and generation of quantitative and qualitative information required for the preparation of statutory company reports and necessary for the internal management of the operational units within the DZ BANK Group.

Generally accepted valuation methods are used in the preparation of the consolidated financial statements and group management report and these methods are regularly reviewed to ensure they remain appropriate.

In order to ensure the efficiency of accounting systems, the processing of the underlying data is extensively automated using suitable IT systems. Comprehensive control mechanisms are in place with the aim of ensuring the quality of processing and are one of the elements used to limit operational risk. Accounting input and output data undergoes a number of automated and manual validation stages.

Suitable business continuity plans have also been put in place to ensure the availability of HR and technical resources required for the accounting and financial reporting processes. The business continuity plans are regularly checked using appropriate tests and are constantly fine tuned.

2.8.4. Information technology

The IT systems used for preparing the consolidated financial statements satisfy the necessary security requirements in terms of confidentiality, integrity, availability, authorization, authenticity, and non-repudiation. IT-supported controls are used to ensure that the processed accounting data is handled properly and securely in accordance with the relevant requirements. The controls in IT-supported accounting processes include, in particular, validation procedures to ensure consistent issue of authorizations, verification of master data modifications, logical access controls, and change management validation procedures in connection with developing, implementing, or modifying IT applications.

The IT infrastructure required for the use of IT-supported accounting systems is subject to the security controls implemented as part of the general IT security principles in each company in the DZ BANK Group.

The information technology used for accounting purposes is equipped with the necessary functionality to enable it to handle the posting transactions in individual organizational units as well as the consolidation transactions carried out by DZ BANK's group accounting department and by the accounting departments in the subgroups.

IT-supported accounting processes are audited as an integral part of the internal audit work carried out in the DZ BANK Group.

2.8.5. Ensuring and improving effectiveness

The processes used are regularly reviewed to ensure they remain appropriate and fit for purpose; they are adapted in line with new products, situations, or changes in statutory requirements. To guarantee and increase the quality of accounting in the DZ BANK Group, the employees charged with responsibility for financial reporting receive needs-based training in the legal requirements and the IT systems used. When statutory changes are implemented, external advisors and auditors are brought in at an early stage to provide quality assurance for financial reporting. At regular intervals, the Internal Audit division audits the internal control system related to the process for consolidated financial reporting.

3. MANAGEMENT OF OPPORTUNITIES

3.1. ORGANIZATION, RESPONSIBILITY, AND REPORTING

The management of opportunities in the DZ BANK Group is integrated into the annual **strategic planning process**. Strategic planning enables the group to identify and analyze market discontinuities, trends, and changes, and forms the basis for evaluating opportunities.

At DZ BANK level, the main divisions involved in the strategic planning process are Central Services, Group Controlling, Group Finance, and Research and Economics. The planning coordinators in the subsidiaries are also incorporated into the process. DZ BANK's Central Services division is responsible for overall coordination, although Group Controlling coordinates strategic financial planning as part of the strategic planning process.

Reports to the Board of Managing Directors on future business development opportunities are based on the outcome of the strategic planning. As part of the general communication of business strategy, employees are kept up to date about potential opportunities that have been identified.

3.2. MANAGEMENT TOOLS

Within the **strategic planning** framework, companies in the DZ BANK Group produce a business strategy (objectives, strategic direction, and initiatives), a finance and capital requirements plan, and a risk strategy derived from the business strategy. The feasibility of the planning by the management units is then assessed and the plans are also discussed and examined in strategy meetings. When the individual company planning has been completed, the process then moves on to consolidated group planning, allowing active management of the DZ BANK Group's economic and regulatory capital adequacy. A monthly reporting process involving a comparison between target and actual figures and highlighting any variances is used to monitor the **achievement of targets**.

Groupwide **initiatives** are being implemented in order to unlock identified marketing potential. This includes the development of new, innovative products and sales methods for the strategic business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking – in order to further strengthen sales by the local cooperative banks. Regular reports on the individual initiatives are submitted to the relevant product and sales committee. If appropriate, certain aspects of the initiatives may be handled by the Group Coordination Committee. This results in more efficient cooperation in the cooperative financial network.

3.3. POTENTIAL OPPORTUNITIES

3.3.1. Corporate strategy

DZ BANK's core functions as a central institution, corporate bank, and holding company mean that it focuses closely on the local cooperative banks, which are its customers and owners. All of its activities are divided into four strategic business lines: Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking.

DZ BANK's **focus on the cooperative banks** is vital in view of the management of scarce resources and the need to meet new regulatory requirements. By focusing more closely on the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK's aim is to exploit the potential of its core activities more fully, particularly with regard to private customers and SME business.

Furthermore, **corporate governance** in the DZ BANK Group is being enhanced with the aim of integrating the local cooperative banks even more closely. DZ BANK is also stepping up its collaboration with WGZ BANK in order to leverage synergies for the entire cooperative financial network, besides improving the range of products and services offered.

The principle of a '**network-oriented central institution and financial services group**' also means that business activities are concentrated on the business areas covered by the cooperative banks and on further enhancing customer satisfaction with the local cooperative banks. To this end, the DZ BANK Group, in its role as financial services provider, supplies decentralized products, platforms, and services.

The activities of the DZ BANK Group are a significant contributing factor in helping **the cooperative banks strengthen their market position.** The assistance received by the local cooperative banks includes substantial financial support in the form of fees, commissions, bonuses, profit distributions, and the transfer of cost benefits.

The core activities referred to above are supplemented by **complementary activities** using existing products, platforms, and services for which DZ BANK acts as a corporate bank vis-à-vis third parties. These activities are not in direct competition with those of the cooperative banks.

The **Outlook** section of the group management report describes expected developments in the market and business environment together with the DZ BANK Group's business strategy and the implications for earnings performance in 2013. These are crucial factors in the DZ BANK Group's strategic positioning and resulting opportunities for increasing revenue and cutting costs during 2013.

3.3.2. Credit ratings

During the year under review, international rating agencies reviewed the credit ratings of banks around the globe. DZ BANK's long-term ratings at Standard & Poor's Ratings Services (Standard & Poor's) and Fitch Ratings Ltd. (Fitch) remained unchanged at AA- and A+ respectively, whereas its corresponding rating at Moody's Investors Service Inc. (Moody's) was downgraded from Aa3 to A1. The reasons behind this change were the European sovereign debt crisis and the associated impact on economic stability and on the liquidity and capital adequacy of European banks. Figure 10 provides an overview of DZ BANK's credit ratings.

FIG. 10 – DZ BANK RATINGS

	Standard & Poor's		Moody's		Fitch	
	2012	2011	2012	2011	2012	2011
Covered bonds (DZ BANK BRIEFE)	AAA	AAA	–	–	AA	AAA
Long-term rating	AA-	AA-	A1	Aa3	A+	A+
Short-term rating	A-1+	A-1	P-1	P-1	F1+	F1+

4. RISK CAPITAL MANAGEMENT

4.1. STRATEGY, ORGANIZATION, AND RESPONSIBILITY

Risk capital management is an integral component ofçbusiness management in the DZ BANK Group. Active management of economic capital adequacy on the basis of both internal risk measurement methods and regulatory capital requirements ensures that the assumption of risk is at all times in line with capital resources in the group.

The **Board of Managing Directors of DZ BANK** defines the corporate objectives and the capital requirement in the DZ BANK Group in terms of both risks and returns. The Board ensures the risk profile is appropriate relative to available financial resources. DZ BANK is responsible for risk and capital management, and for compliance with capital adequacy at group level. The companies are independently responsible for monitoring and controlling their respective risks within the context of the groupwide risk and capital management system. At the DZ BANK Group level, minimum standards have been specified for the management of risk and the appropriateness of these standards is regularly reviewed.

The management of economic and regulatory capital adequacy in the DZ BANK Group is based on internal target values. To avoid any unexpected adverse impact on **target values and capital ratios** and ensure that any changes in risk are consistent with corporate strategy, groupwide risk-weighted assets and economic upper loss limits are planned as limits for the risk capital requirement on an annual basis as part of the **strategic planning process**. This process ends in a requirements budget for the economic and regulatory capital needed by the group. DZ BANK treasury coordinates the action needed to cover this requirement and the implementation of any corresponding measures to raise capital.

The integration of economic risk capital requirements planning into the strategic planning process ensures that the risk strategy for types of risk covered by capital is closely linked with the DZ BANK Group's business strategies.

4.2. RISK-ADJUSTED PROFITABILITY MANAGEMENT

The costs of tying up economic risk capital are an integral part of the DZ BANK Group's performance management system. The key figures used for this purpose are the risk-adjusted performance measures **economic value added** (EVA) and **return on risk-adjusted capital** (RORAC), which are determined and reported on the basis of the economic risk capital requirement and the relevant upper loss limit.

4.3. MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

4.3.1. Measurement methods

Economic capital management in the DZ BANK Group is based on internal risk measurement methods, which take into account all key types of risk (with the exception of liquidity risk). The risk capital requirement in the DZ BANK Group is determined by aggregating the relevant types of risk from all companies. This then incorporates the effects of diversification between the different types of risk within the group companies. The selected methods serve to meet the requirements for a groupwide integrated risk capital management system specified by Basel II Pillar 2 and by the MaRisk for the banking sector.

4.3.2. Risk-bearing capacity

As part of risk-bearing-capacity analysis, the risk capital requirement is compared with the available financial resources (reduced by a capital buffer) in order to determine the economic capital adequacy. The Board of Managing Directors determines the upper loss limits for the year on the basis of the available financial resources (bearing in mind the necessary capital buffer) and taking into account its risk appetite. These limits then restrict the risk capital requirement.

Available financial resources comprises equity and hidden reserves. It is reviewed in full on a quarterly basis and also partly updated on a monthly basis. The available financial resources available to the DZ BANK Group as at December 31, 2012 was measured at €15,326 million (December 31, 2011: €11,141 million). The year-on-year increase largely resulted from a methodology refinement during 2012, which led to an adjustment of the definition for available financial resources.

The purpose of the capital buffer introduced in 2012 is to cover the lack of some precision in risk measurement as well as account for risks that are not measured as part of the risk capital requirement and not managed using risk limits (upper loss limits). This applies mainly to spread risk and migration risk on securities and to migration risk on traditional loans. The individual components of the capital buffer are quantified using a method based on scenarios and models with input from experts. As at December 31, 2012, the capital buffer amounted to €3,453 million.

Derived from the available financial resources minus the capital buffer, the total upper loss limit for the DZ BANK Group amounted to €10,164 million as at December 31, 2012 (December 31, 2011: €10,665 million). The risk capital requirement was determined at €7,556 million (December 31, 2011: €8,953 million). The year-on-year fall in the risk capital requirement was largely attributable to a change in the confidence level used and the significantly lower market risk.

As at December 31, 2012, the economic capital adequacy ratio for the DZ BANK Group was calculated at 157.1 percent (December 31, 2011: 124.4 percent). The available financial resources (after deduction of the capital buffer) exceeded the calculated risk capital requirement at all times during the course of 2012.

Figure 11 shows an overview of the economic capital adequacy and its components.

FIG. 11 – ECONOMIC CAPITAL ADEQUACY

€ million	Dec. 31, 2012	Dec. 31, 2011
Available Financial Resources	15,326	11,141
Capital buffer	-3,453	–
Available financial resources after deduction of capital buffer	**11,873**	**11,141**
Upper loss limit	10,164	10,665
Credit risk	2,843	3,526
Equity risk	822	911
Market risk	2,138	2,713
Technical risk of a home savings and loan company	593	585
Actuarial risk	1,840	1,967
Operational risk	720	651
Business risk[1]	311	516
Risk capital requirement (after diversification)	**7,556**	**8,953**
Economic capital adequacy	**157.1%**	**124.4%**

1 Including reputational risk

4.3.3. Economic stress tests

The DZ BANK Group's stress test framework includes hypothetical stress tests, a historical stress test, and an inverse stress test. Stress tests are applied to the risk capital requirement and/or the available financial resources, depending on the stress scenario. The tests may be specific to a particular type of risk or may apply across all risk types. The specific risk-type stress tests are supplemented by a stress scenario that models the correlations between different types of risk. Internal risk measurement methods are used in the risk capital requirement stress test.

The initial parameters for measuring risk are scaled in such a way as to reflect extremely negative hypothetical or historical economic situations. For the purposes of stress tests on available financial resources, appropriate assumptions are made for the measurement parameters used for the overall DZ BANK Group portfolio. In the case of the inverse stress test, the bank has developed a simulated scenario in which its risk-bearing capacity is jeopardized. The procedure for aggregating risk types into a stress test result covering all group companies and risk types is similar to the regular procedure used for risk measurement.

In addition to the standard stress test procedures at group level, DZ BANK creates crisis scenarios based on the internal market risk model and adjusts the scenarios on an ongoing basis to take into account current market data.

4.4. MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

In addition to the management of economic capital – the key figure in the management of business activities – regulatory solvency requirements for the DZ BANK financial conglomerate, the DZ BANK banking group, and the R+V insurance group are strictly observed.

4.4.1. DZ BANK financial conglomerate

The Financial Conglomerates Directive Implementation Act in Germany forms the legal basis for the DZ BANK financial conglomerate. The enhanced regulation affects groups of financial institutions that operate extensively across different sectors in the financial services industry. At conglomerate level, it results, among other things, in a more accurate assessment of capital adequacy risks, risk concentrations, and intragroup transactions. The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [German Federal Financial Supervisory Authority] has classified the DZ BANK Group as a financial conglomerate, in which DZ BANK acts as the parent in the conglomerate The DZ BANK financial conglomerate comprises the DZ BANK banking group and the R+V insurance group.

The financial conglomerate solvency is the amount equating to the difference between the total of eligible equity in the financial conglomerate and the total of solvency requirements for the conglomerate. The coverage ratio is calculated by dividing equity by the solvency requirement amounts. The resulting ratio must be at least 100 percent. The calculation of financial conglomerate solvency as at the reporting date of December 31, 2011 and the projection to December 31, 2012 demonstrate that the DZ BANK financial conglomerate significantly exceeds the minimum regulatory requirements.

4.4.2. DZ BANK banking group

REGULATORY FRAMEWORK

To calculate the regulatory capital requirement in accordance with KWG and SolvV, the DZ BANK banking group uses the following methods:

– Credit risk: Internal ratings-based approaches (primarily the foundation IRB approach and the IRB approach for the retail business; the regulatory credit risk measurement methods used by DVB are based on the advanced IRB approach)
– Market risk: Predominantly the group's own internal model and, to a minor extent, the Standardized Approaches
– Operational risk: Standardized Approach.

A waiver is available under section 2a KWG, which states that – provided certain conditions are met – the regulatory supervision of individual German-based institutions within a banking group may be replaced by supervision of the entire banking group. The DZ BANK banking group made use of this waiver for the first time on December 31, 2012, specifically in respect of DG HYP.

In the reporting year, DZ BANK continued to support the further development of banking supervision through its collaboration in the relevant committees, both at national and international levels.

REGULATORY CAPITAL RATIOS

The DZ BANK banking group's regulatory **capital** amounted to a total of €12,314 million as at December 31, 2012 (December 31, 2012: €11,475 million).

There was an increase of €2,129 million in Tier 1 capital as at December 31, 2012, compared with the end of 2011. This increase was mainly attributable to a reversal from allowances for general banking risks as defined by section 340f HGB (previously recognized as Tier 2 capital) and a corresponding addition in a total amount of €1,607 million to the special provision for general banking risks as defined by section 340g HGB, the latter forming part of Tier 1 capital. Other factors contributing to the increase in Tier 1 capital were the appropriation of profits of €234 million relating to 2011 and the decrease of €324 million in the capital deductions for 50 percent of securitization exposures.

Tier 2 capital decreased year on year, mainly as a result of the reversal of the allowances for general banking risks as defined by section 340f HGB hitherto recognized in a total amount of €1,591 million. Some of the impact from this change was offset by the decrease of €324 million in the capital deductions for 50 percent of securitization exposures.

As at December 31, 2012, regulatory **capital adequacy requirements** were calculated at €7,148 million (December 31, 2011: €7,970 million). This year-on-year decrease largely stemmed from the reduction in the volume of loans and advances to banks and businesses and from the fall in capital charges arising under DZ BANK's internal market risk model.

The **total capital ratio** rose from 11.5 percent as at December 31, 2011 to 13.8 percent as at the balance sheet date. As at December 31, 2012, the **Tier 1 capital ratio** was 13.6 percent, compared with the ratio of 10.1 percent as at December 31, 2011. Both these key ratios therefore exceeded the regulatory minimum ratios (8.0 percent for the total capital ratio and 4.0 percent for the Tier 1 capital ratio).

The DZ BANK banking group's effective Tier 1 capital ratio as at December 31, 2012 was 14.9 percent (December 31, 2011: 11.7 percent). This ratio includes, in particular, the retained profit for 2012 and effects from other material factors that will be recognized with the formal adoption of the financial statements.

Figure 12 provides an overview of the DZ BANK banking group's regulatory capital ratios.

STRESS TESTS

At banking group level, DZ BANK conducts the quarterly regulatory stress tests that are required to verify that the group satisfies the solvency requirements in crisis situations. In these tests, a deterioration in credit ratings and collateral values is applied, depending on the bank and asset class concerned. In addition to this stress scenario, regulatory capital adequacy is tested by means of a standard scenario in which an even more significant deterioration in credit ratings is assumed. As at December 31, 2012, the solvency requirements were satisfied without qualification in both stress scenarios, as had also been the case 12 months earlier.

The recapitalization survey (stress test) carried out by the EBA among European banks in 2011 resulted in a recapitalization requirement of approximately €350 million at DZ BANK. The additional capital was necessary to meet the EBA's minimum ratio of 9 percent for core Tier 1 capital. This requirement extends beyond the statutory provisions specified in SolvV.

DZ BANK was able to significantly exceed the recapitalization requirement primarily by retaining profits, taking steps in relation to long-term equity investments, and reducing the capital tied up in connection with portfolios that are being phased out.

BASEL III

The European financial sector is faced with considerable challenges related to the implementation of European legislation in connection with Basel III, the Capital Requirements Directive IV (CRD IV), and the CRR. Currently, it is expected that the deadline

FIG. 12 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP

€ million	Dec. 31, 2012	Dec. 31, 2011
Capital		
Tier 1 capital	12,185	10,056
Total Tier 2 capital after capital deductions	129	1,419
Total	**12,314**	**11,475**
Capital requirements		
Credit risk (including long-term equity investments)	5,827	6,229
Market risk	645	1,150
Operational risk	676	591
Total	**7,148**	**7,970**
Capital ratios		
Total capital ratio	13.8%	11.5%
Tier 1 capital ratio	13.6%	10.1%

for initial application of the new regulations by German banks will be postponed by half a year or one year to July 1, 2013 or January 1, 2014.

Besides higher capital requirements, more stringent definitions as regards capital, and a new calculation method for leverage, the legislation will also introduce a requirement to comply with two standardized liquidity ratios. These regulatory requirements will have to be gradually implemented in full by 2022.

As a consequence of CRD IV and CRR, there is also a requirement to bring the regulatory reporting system for the banking group into line with IFRS. For some time now, DZ BANK has been carrying out extensive work on the regulatory reporting system to implement the transition from HGB to IFRS compliance. This work has comprised a number of activities including the preparation of test accounts so that the impact can be assessed.

Future regulatory monitoring of the liquidity position will be carried out in accordance with the provisions of the draft CRR using two new ratios, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). There will be an initial observation phase for this approach, during which time there will be no obligation to comply with the minimum ratios. DZ BANK is currently examining the impact of the new regulatory requirements on liquidity management and its approach to issues in the future.

The regulatory units and treasury at DZ BANK have worked together to set up processes that ensure a continuous dialog regarding the general parameters required by the regulations and their impact on the management of the bank.

Measures to implement these requirements in the bank's operations have already been initiated and will continue in 2013. Efforts will be focused particularly on closely monitoring the main capital drivers and implementing the defined measures to reallocate capital in order to improve capital distribution within the DZ BANK banking group. From the current perspective, DZ BANK will satisfy the requirements of Basel III.

As the starting point for its activities under Basel III, DZ BANK has systematically identified opportunities and risks for the cooperative financial network and, as part of the strategic and operational planning process, is addressing in detail the tighter regulatory framework and its implications. Despite the expected impact on the capital and risk situation in the DZ BANK banking group, DZ BANK believes that its sharp strategic focus on being a network-oriented central institution with close ties to the local cooperative banks offers ample potential for further network-based growth going forward.

4.4.3. R+V insurance group

INSURANCE COMPANY SOLVENCY

The regulatory solvency requirements for insurance companies and insurance groups provide a means of evaluating the overall risk position in the R+V insurance group. The group's risk-bearing capacity for regulatory purposes is defined as the eligible capital at group level in relation to the risks arising from operating activities. In compliance with the legislation currently applicable to the insurance sector, the changes in the regulatory risk-bearing capacity of the R+V insurance group as a whole and each of its constituent companies are analyzed at least once a quarter.

In 2012, the R+V insurance group and all its companies satisfied the minimum regulatory solvency requirements. As at December 31, 2012, preliminary figures show that the R+V insurance group's risk-bearing capacity for regulatory purposes (adjusted solvency) amounted to 144.6 percent compared with 128.1 percent as at December 31, 2011. The group had eligible own funds of €4,208 million at its disposal on December 31, 2012 (confirmed final figure as at December 31, 2011, €3,494 million) to cover a solvency requirement of €2,911 million (confirmed final figure as at December 31, 2011: €2,728 million). Analysis of the capital market scenarios applied in the internal planning shows that the R+V insurance group's solvency ratio will continue to exceed the minimum statutory requirement as at December 31, 2013.

SOLVENCY II

For a number of years, the EU Commission has been carrying out detailed work on a new regulatory model for insurance companies with the working title of Solvency II.

The Solvency II Directive of the European Parliament and of the European Council was adopted on November 25, 2009. As things stand at the moment from a legal perspective, transposition into national law is expected to take place from 2013 onward. However, there is still a considerable lack of clarity surrounding key issues relating to risk assessments. One of the core concerns as far as the German insurance industry is concerned is the issue of an appropriate assessment of long-term guarantees. Given the prevailing situation, the European Parliament and the European Council are proposing that implementation be postponed for a number of years. A new implementation date is expected to be agreed in the near future.

As a result of internal projects and working group activities, and by virtue of its involvement in working groups set up by Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV) [German Insurance Association] and BaFin, R+V is well prepared for the future challenges and is putting in place the foundations for successful implementation of the Solvency II requirements. This also includes active participation in the studies being carried out as part of the European insurance regulator's Solvency II project (quantitative impact studies, long-term guarantees assessment by the European insurance regulator). In addition, R+V regularly organizes its own groupwide assessments based on the latest state of development in order to ensure that it is adequately prepared for the new Solvency II regulatory regime.

5. CREDIT RISK

5.1. DEFINITION AND CAUSES

5.1.1. Definition

Credit risk is defined as the risk of losses arising from the default of counterparties (borrowers, issuers, other counterparties) or the loss of value caused by migration of a borrower's credit rating.

Credit risk may arise in traditional lending business and also in trading activities. **Traditional lending business** is for the most part commercial lending, including financial guarantee contracts and loan commitments. In the context of credit risk management, **trading activities** refers to capital market products such as securities (in both the banking book and the trading book), promissory notes, derivatives, secured money market business (such as sale and repurchase agreements, referred to below as repo transactions), and unsecured money market business.

In **traditional lending business**, credit risk arises in the form of default risk. In this context, default risk refers to the risk that a customer may be unable to settle receivables arising from loans or advances made to the customer (including lease receivables) or make overdue payments, or that losses may arise from contingent liabilities or from lines of credit committed to third parties.

Credit risk in connection with **trading activities** arises in the form of default risk that can be subdivided into replacement risk, issuer risk, and settlement risk, depending on the type of business involved.

Replacement risk on derivatives is the risk of counterparty default during the maturity of a trading transaction where companies in the DZ BANK Group can only enter into an equivalent transaction with another counterparty if they incur an additional expense in the amount of the positive fair value at the time of the default.

Issuer risk is the risk is of incurring losses from the default of issuers of tradable debt or equity instruments (such as bonds, shares, profit-participation certificates), losses from a default in connection with the underlying instrument in derivatives (for example, credit or equity derivatives), or losses from a default in connection with fund components.

Settlement risk arises in connection with trading transactions that are not processed concurrently.

The risk is that counterparties do not meet their obligations, counter-performance already having taken place.

Country risk is treated as a risk subcategory within credit risk.

Country risk in the narrower sense of the term refers to conversion, transfer, payment prohibition, or moratorium risk. It is the risk that a foreign government may impose restrictions preventing a debtor in the country concerned from transferring funds to a foreign creditor.

In the broader sense of the term, country risk forms part of credit risk. In this case, it refers to the risk arising from exposure to the government itself (sovereign risk) and the risk that the quality of the overall exposure in a country may be impaired as a result of country-specific events.

5.1.2. Causes

Credit risk from traditional lending business arises primarily at DZ BANK, BSH, DG HYP, DVB, TeamBank, and VR-LEASING AG. The risk results from the specific transactions in each company and therefore has varying characteristics in terms of diversification and size in relation to the volume of business.

Credit risk from trading activities arises particularly at DZ BANK, BSH, DG HYP, and DZ PRIVATBANK S.A. Replacement risk and settlement risk arise largely in connection with DZ BANK's trading activities. Issuer risk results mainly from the trading activities and investment business conducted by DZ BANK, BSH, DG HYP, and DZ PRIVATBANK S.A. BSH, DG HYP, and DZ PRIVATBANK S.A. only incur credit risk on banking book trading activities.

5.2. RISK STRATEGY

The DZ BANK Group pursues a strictly decentralized business policy aimed at promoting the cooperative banks and is bound by the core strategic guiding principle of 'a network-oriented central institution and financial services group'. The business and risk policy for the credit-risk-bearing core businesses in the group is formulated on the basis of risk-bearing capacity. The credit risk strategy therefore forms the basis for credit risk management and reporting across the whole group and ensures that there is a standard approach to credit risk within the group.

Lending throughout the group is predominantly based on the 'VR rating' system, a rating procedure developed by DZ BANK in collaboration with the BVR and WGZ BANK.

Both DZ BANK and the subsidiaries with a material credit risk seek to maintain a good rating structure in their credit portfolios at all times. In the future, the portfolios will continue to be characterized by a high degree of diversification. In the case of an individual lending transaction, risk-adjusted pricing of the financing taking into account adequate standard risk costs and risk-adjusted economic capital costs is of critical importance.

The following key aspects of DZ BANK's credit risk strategy were modified in the year under review:

- Growth targets were adjusted. DZ BANK is striving for an increase in lending volume focusing on business with SMEs.
- The bank adopted the principle that loans to customers with revenue of up to €50 million should generally only be granted in the form of loans jointly extended with other parties.
- The generally accepted minimum credit ratings and the credit rating requirements in respect of limits for trading activities with institutional clients were extended.
- Corporate banking was realigned. Whereas business with SMEs focuses exclusively on jointly extended loans, corporate banking concentrates on medium-sized companies and large companies.
- Portfolio targets in project finance business were specified in more detail with the aim of establishing a focus for growth in the collaboration within the cooperative financial network.

The adopted minimum credit rating was also restricted in respect of the consumer finance business at TeamBank.

Where required, the Board of Managing Directors of DZ BANK makes decisions during the course of the year to ensure that the rules for the medium-term and long-term credit risk strategy are adjusted in line with changing circumstances and current developments.

5.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

Responsibilities in the lending process have been defined and are documented in a written set of procedural rules. These responsibilities cover loan applications, approvals, and processing, including periodic credit control with regular analysis of ratings. Decision-making authority levels are specified by the relevant **rules** based on the risk content of lending transactions.

Established **reporting and monitoring processes** help provide information for decision-makers on changes in the risk structure of credit portfolios and form the basis for the active management of credit risks.

As part of the **reporting system**, the Group Risk Committee is kept informed of the economic capital required to cover credit risks. Internal reporting also includes an in-depth analysis of the portfolio structure in regard to concentration risk based on key risk characteristics such as country, industry, and credit rating class, and on the lending volume to individual customers. In addition, the reports include details on specific exposures and specific loan loss allowances.

5.4. RISK MANAGEMENT

5.4.1. Rating systems

RATING SYSTEM CHARACTERISTICS

The **VR rating system** used as standard throughout the cooperative financial network ensures that all the entities in the network apply a sophisticated uniform methodology producing ratings that are comparable.

DZ BANK primarily uses VR rating systems as part of its credit risk management system to assess large and medium-sized companies, major corporate customers, banks, and countries, as well as project finance, asset finance, acquisition financing, and investment funds. The internal assessment approach is also used to evaluate the liquidity lines and credit enhancements made available by DZ BANK to programs for the issuance of asset-backed commercial paper (ABCP). These rating systems have been approved by BaFin for the purposes of calculating regulatory capital using the foundation IRB approach.

For internal management purposes, further rating systems are used to assess SMEs, agricultural businesses, public-sector entities, foreign SMEs, and investment funds. Although these systems satisfy the requirements for the foundation IRB approach in the opinion of DZ BANK, they are deemed to be of less significance and have not yet been reviewed by the regulator.

DEVELOPMENT OF RATING SYSTEMS

The rating systems for acquisition finance and project finance were revised and implemented during 2012. The rating system for major corporate customers was revised and will be implemented during 2013. BaFin has issued confirmation that the rating system for asset finance is suitable for the IRB approach. BaFin has also approved the investment fund rating system as suitable for determining the regulatory capital requirement. Since the fourth quarter of 2012, DG HYP has been conducting an application test for a newly developed rating system covering open-ended real-estate funds. It is planned to submit this system to BaFin in 2013 for approval of its suitability for the IRB approach.

DZ BANK CREDIT RATING MASTER SCALE

The credit rating master scale serves as a groupwide rating benchmark with which to standardize the different rating systems used by the companies in the DZ BANK Group as a result of differences in their business priorities. It thereby provides all group companies with a consistent view of counterparties' credit ratings.

Figure 13 shows DZ BANK's credit rating master scale, in which internal credit ratings are matched to the ratings used by Moody's, Standard & Poor's, and Fitch. It should be noted that some internal ratings cannot be matched with a particular external rating because of the greater degree of refinement in the credit rating master scale. In DZ BANK's master scale, the default bands remain unchanged to ensure comparability over the course of time, whereas some fluctuation in default rates can be seen in external ratings. Therefore, it is not possible to map the internal ratings directly to the ratings used by the rating agencies. The scale can thus only be used as a starting point for a comparison between internal and external credit ratings.

FIG. 13 – DZ BANK CREDIT RATING MASTER SCALE AND EXTERNAL CREDIT RATINGS

Internal rating classes	Average default probability	External rating classes			Rating category
		Moody's	Standard & Poor's	Fitch	
1A	0.01%	Aaa to Aa2	AAA to AA	AAA to AA	Investment grade
1B	0.02%	Aa3	AA-	AA-	
1C	0.03%				
1D	0.04%	A1	A+	A+	
1E	0.05%				
2A	0.07%	A2	A	A	
2B	0.10%	A3	A-	A-	
2C	0.15%	Baa1	BBB+	BBB+	
2D	0.23%	Baa2	BBB	BBB	
2E	0.35%				
3A	0.50%	Baa3	BBB-	BBB-	
3B	0.75%	Ba1	BB+	BB+	Non-investment grade
3C	1.10%	Ba2	BB	BB	
3D	1.70%				
3E	2.60%	Ba3	BB-	BB-	
4A	4.00%	B1	B+	B+	
4B	6.00%	B2	B	B	
4C	9.00%	B3	B-	B-	
4D	13.50%				
4E	30.00%	Caa1 to C	CCC+ to C	CCC+ to C	
5A	Past due >90 days				Default
5B	Specific loan loss allowance				
5C	Exemption from interest/ debt restructuring				
5D	Insolvency				
5E	Compulsory winding-up/ derecognition				

DZ BANK RATING DESK

The VR rating systems for banks and countries are also available to DZ BANK subsidiaries and the cooperative banks. Users can enter into a master agreement to access the ratings via an IT application (Rating Desk), which is available throughout the cooperative financial network, in return for the payment of a fee. Any accessed ratings are first validated by the companies in the DZ BANK Group or the cooperative banks before they are included in the user's credit procedures.

5.4.2. Pricing in the lending business

To ensure that lending business remains profitable, **standard risk costs** are determined in the management of individual transactions in many parts of the group. The purpose of these costs is to cover average expected losses from borrower defaults. The aim is to ensure that the net allowances for losses on loans and advances recognized in the financial statements are covered on average over the long term in an actuarial-type approach by the standard risk costs included in the pricing.

In addition to standard risk costs, **an imputed cost of capital** based on the economic capital requirement is integrated into DZ BANK's contribution margin costing. In this way, DZ BANK obtains a return on the economic capital tied up that is in line with the risk involved and that covers any unexpected losses arising from the lending business. At the same time, pricing also includes an appropriate amount to cover the costs of risk concentration. The methods used by the companies in the group to manage individual transactions vary according to the particular features of the product or business concerned.

5.4.3. Management of exposure in the traditional lending business

MEASURING EXPOSURES IN TRADITIONAL LENDING BUSINESS

Individual lending exposures are managed on the basis of an analysis of gross lending exposure. The period taken into account in this case is equivalent to the monitoring cycle of one year. Together with risk-related credit-portfolio management, volume-oriented credit risk management is one of the components in the management of concentration risk in the lending business.

In traditional lending business, the credit exposure or lending volume is the same as the nominal value of the total loan book and reflects the maximum volume at risk of default. The credit exposure is a gross value because risk-bearing financial instruments are measured before the application of any credit risk mitigation and before the recognition of any allowances for losses. In the case of loans and undrawn loan commitments, the gross lending volume is based on carrying amounts. In the lease business minimum lease payments are used as a basis for measuring the gross lending volume, while principal amounts are used for this purpose in building society operations. In addition, loans and advances to customers in building society operations are reduced by the associated deposits. The maximum credit exposure comprises the total lines of credit committed to third parties, or in the case of limit overruns, the higher amounts already drawn.

LIMIT SYSTEM FOR MANAGING EXPOSURES IN TRADITIONAL LENDING BUSINESS

Limits are set in the relevant group companies for individual borrowers and borrower/risk units. Group limits are also set at DZ BANK Group level for critical counterparties. As a prerequisite for prompt monitoring of limits, suitable **early warning processes** have been established in group companies that are of material significance for the group's credit risk. Loan agreements frequently include financial covenants that act as early warning indicators for changes in credit standing and as a tool for proactive risk management. In addition, DZ BANK has set up processes to handle instances in which limits have been **exceeded**. The main subsidiaries have similar procedures adapted to the needs of their particular business models. **Country exposure** in the traditional lending business is managed by setting limits for countries at the DZ BANK Group level.

5.4.4. Management of credit exposure in trading transactions

MEASURING CREDIT EXPOSURE IN TRADING TRANSACTIONS

Replacement risk, settlement risk, and issuer risk are exposure-based measurements of the maximum potential loss in trading transactions. These are determined without taking into account the likelihood of a default.

In order to determine the credit exposure, securities in the banking book and trading book are predominantly measured at fair value (nominal amounts are used in building society operations) and derivatives at a loan equivalent value.

Replacement risk on OTC derivatives and unsecured money market transactions is calculated mainly on the basis of fair value and the add-on for an individual transaction. The add-on takes into account specific risk factors and residual maturities. Where legally enforceable, netting agreements and collateral agreements are used at counterparty level to reduce exposure. In the case of repos, haircuts are applied instead of add-ons.

As regards **settlement risk**, the amount to be set aside is deemed to be the amount owed, i.e. the amount actually due to be paid by the counterparty to DZ BANK. Settlement risk is recognized for the specified settlement period.

At group level, **issuer risk** is determined on the basis of the fair value of securities positions. Risks relating to the underlying instruments in derivative transactions are also included in issuer risk.

LIMIT SYSTEM FOR MANAGING TRADING EXPOSURE

DZ BANK has established an exposure-oriented **limit system** to limit the credit risk arising from trading business. Replacement risk is managed via a structure of limits broken down into maturity bands. Unsecured money market transactions are subject to separate limits. A daily limit is set in order to manage settlement risk. A specific limit related to credit ratings or a fixed-term general limit is determined for each issuer as the basis for managing issuer risk. Pfandbriefe are subject to separate limits. Material subsidiaries have their own comparable limit systems.

Exposure in connection with DZ BANK's trading business is measured and monitored using a standard method and a central, IT-supported limit management system to which all relevant trading systems are connected. The trading exposure for the group is also aggregated by the same IT system.

As in the traditional lending business, appropriate processes have also been established for the trading business to provide **early warnings and notification of limit overruns**. The member of the Board of Managing Directors responsible for risk monitoring is sent a daily list of significant exceeded trading limits. A monthly report is prepared for the total exposure from trading business.

Country exposure in the trading business is managed in the same way as in the traditional lending business by setting limits for countries at the DZ BANK Group level.

5.4.5. Management of risk concentration and correlation risks

CONCENTRATIONS OF RISK IN CREDIT AND COLLATERAL PORTFOLIOS

In managing the traditional lending business and its trading business, DZ BANK takes into account the correlation of collateral and the borrower pledging the collateral. If there is a significant positive correlation between the collateral and the borrower pledging the collateral, the collateral is disregarded or accorded a reduced value as collateral. This situation arises, for example, where a guarantor, garnishee, or issuer forms an economic entity with the borrower or, together with the borrower, represents a single borrower as defined by section 19 (2) KWG.

CORRELATION RISK

Correlation risk can arise due to the inter-relationship between the default probability of counterparties and the general market risk ('general wrong-way risk'). Another type of correlation risk, called a 'specific wrong-way risk', occurs if the value of an exposure to a counterparty is negatively correlated to the counterparty's rating owing to the specific transaction structure involved.

Given the nature of trading business at DZ BANK, specific wrong-way risk arises largely in connection with repos and credit derivatives, in which the counterparty and underlying transaction form part of the financial sector. This risk is not material as far as

DZ BANK is concerned because of the measures described below.

MEASURES TO PREVENT CONCENTRATION RISK AND CORRELATION RISK

In order to avoid unwanted risks that may arise from the concentration of collateral in the trading business and correlations between default risk in trading transactions and market risk, DZ BANK has brought into force an effective policy on collateral and its own internal 'minimum requirements for repos and securities lending transactions'.

These requirements are based on the Credit Support Annex (ISDA Master Agreement) and the Collateralization Annex (German Master Agreement for Financial Futures) and stipulate that only collateral in the form of cash (mainly in euros or US dollars), investment-grade government bonds, and/or Pfandbriefe can usually be used for mitigating risks arising from **OTC derivatives**. High-grade collateral is also required for **repo transactions** in compliance with the DZ BANK's own internal minimum requirements and the generally accepted master agreements, although the range of collateral is somewhat broader here than in the case of OTC derivatives.

Concentration risk and correlation risk in connection with securities is largely prevented by applying the collateral policy from the outset. DZ BANK has also put in place its own 'minimum requirements for bilateral reverse repos and securities lending transactions'. These minimum requirements exclude prohibited concentrations and correlations and specify collateral quality depending on the credit rating of the counterparties. To monitor the relevant rules and regulations, the bank has set up a separate reporting system involving daily monitoring and a half-yearly report to the Credit Committee.

Specific wrong-way risk in connection with **credit derivatives** in which the counterparty and underlying instrument form part of the financial sector is notified to the Credit Committee in a quarterly report and is of minor significance.

5.4.6. Minimizing credit risk

COLLATERAL STRATEGY AND SECURED TRANSACTIONS

In accordance with the DZ BANK Group's credit risk strategy, **customer credit quality** forms the basis for any lending decision; collateral has no bearing on the borrower's credit rating. However, depending on the structure of the transaction, collateral may be of material significance in the assessment of risk in a transaction.

The DZ BANK Group generally seeks to obtain collateral in line with the level of risk in medium-term or long-term financing arrangements. In particular, recoverable collateral equivalent to 50 percent of the finance volume is required for new business with SME customers in rating category 3D or below on the credit rating master scale.

Collateral is used as an appropriate tool for the management of risk in export finance or structured trade finance transactions. In the case of project finance, the financed project itself or the assignment of the rights in the underlying agreements typically serve as collateral.

Secured transactions in traditional lending business encompass commercial lending including financial guarantee contracts and loan commitments. Decisions to protect transactions against credit risk are made on a case-by-case basis, the protection taking the form of traditional collateral.

TYPES OF COLLATERAL

The DZ BANK Group uses all forms of **traditional loan collateral**. Specifically, these include mortgages on residential and commercial real estate, registered ship mortgages, guarantees (primarily in the form of sureties, indemnity agreements, credit insurance, and letters of comfort), financial security (cash deposits, certain fixed-income securities, shares, and investment fund units), assigned receivables (blanket and individual assignments of trade receivables), and physical collateral.

Privileged mortgages, guarantees, and financial collateral are the main sources of collateral recognized for regulatory purposes under SolvV. Assigned receivables and physical collateral are only recognized for regulatory purposes to a limited extent.

In accordance with DZ BANK's collateral policy, only cash, investment-grade government bonds, and/or Pfandbriefe are accepted as **collateral for trading transactions** required by the collateral agreements used to mitigate against the risk attaching to OTC derivatives. DZ BANK also enters into netting agreements to reduce the credit risk arising in connection with OTC derivatives. The prompt evaluation of collateral within the agreed margining period also helps to limit risk.

In order to reduce the issuer risk attaching to bonds and derivatives, use is made of credit derivatives, comprising credit-linked notes, credit default swaps, and total return swaps. Macrohedges are used dynamically to mitigate spread risk and risks attaching to underlying assets. In isolated cases, transactions are conducted on a back-to-back basis. For risk management purposes, the protection provided by credit derivatives is set against the reference entity risk, thereby mitigating it. The main protection providers/counterparties in credit derivatives are financial institutions, mostly investment-grade banks in the VR rating classes 1A to 2C.

MANAGEMENT OF TRADITIONAL LOAN COLLATERAL

Collateral management is primarily the responsibility of **specialist units** outside the front-office divisions. The core tasks of these units include providing, inspecting, measuring, recording, and managing collateral and providing advice to all divisions in matters concerning collateral.

To a large extent, standardized contracts are used for the provision of collateral and the associated declarations. Specialist departments are consulted in cases where customized collateral agreements are required. Collateral is managed in separate IT systems.

Collateral **is measured** in accordance with internal guidelines and is the responsibility of back-office units. As a minimum, carrying amounts are reviewed on the monitoring dates specified by the back-office units – normally annually – or on the agreed submission date for documents relevant to measurement of the collateral. Shorter monitoring intervals may be specified for critical lending exposures. Regardless of the specified intervals, collateral is tested for impairment without delay if any indications of impairment become evident.

The workout units are responsible for processing collateral for **non-performing loans** including the recovery of collateral. In the case of non-performing loans, the collateral is measured on the basis of its likely recoverable value and time of recovery, rather than on the basis of the general measurement guidelines. In another departure from the general collateralization criteria, collateral involved in restructuring exposures can be measured using market values or the estimated liquidation proceeds.

COLLATERAL MANAGEMENT

In addition to netting agreements (ISDA Master Agreement and German Master Agreement for Financial Futures), DZ BANK enters into collateral agreements (Credit Support Annex to the ISDA Master Agreement and Collateralization Annex to the German Master Agreement for Financial Futures) as instruments to reduce credit exposure in OTC transactions.

DZ BANK's policy on collateral regulates the content of collateral agreements and the responsibilities and authorities for implementing the rights and obligations they confer within the bank. This policy specifies contract parameters, such as the quality of collateral, frequency of transfer, minimum transfer amounts, and thresholds. DZ BANK regularly uses bilateral collateral agreements. Exceptions apply to cover assets and special purpose entities, as the special legal status of the counterparties means that only unilateral collateral agreements can be usefully enforced, and to supranational or government entities. Any decision not to use a bilateral collateral agreement must be approved by a person with the relevant authority. Netting and collateralization generally result in a significant reduction in the exposure from trading business. IT systems are used to measure exposures and collateral. Margining is carried out on a daily basis for the vast majority of collateral agreements in accordance with the collateral policy.

Collateral agreements entered into by DZ BANK generally include thresholds and minimum transfer amounts that are independent of credit rating. There are also some agreements with rating-based triggers. In these agreements, the unsecured part of an exposure is reduced in the event of a deterioration in credit quality or the borrower is required to make additional payments (for example, payments known as 'independent amounts'). Rating-dependent payment obligations are treated as low risk and are covered by liquidity risk management.

CENTRAL COUNTERPARTY CLEARING (CCP)

The European Market Infrastructure Regulation (EMIR) is permanently changing the environment in which banks, insurance companies, and investment funds conduct OTC derivative transactions. Under this regulation, market players must trade certain standardized derivatives in the future using central counterparties (known as clearing houses) and report these contracts in a central transaction register. This is intended to minimize counterparty risk.

Any market players not exempted from this new clearing obligation must be connected to a central counterparty. The market player concerned may be a direct member of a clearing house or may process its derivative contracts using a bank that is a member of the central counterparty. Since July 2011, DZ BANK has been a direct member of Europe's largest clearing house for interest-rate derivatives, the London Clearing House (LCH). It therefore has direct access to a central counterparty for derivatives for the purposes of clearing its own derivative positions.

5.4.7. Management of non-performing exposures

MANAGING AND MONITORING NON-PERFORMING EXPOSURES

Identified non-performing loans are transferred to the **workout units** at an early stage. By providing intensified loan management for critical exposures and applying appropriate solutions, these special units lay the basis for securing and optimizing non-performing risk positions.

In the traditional lending business, DZ BANK has a comprehensive range of tools at its disposal for the early identification, close support, and high-quality monitoring of non-performing exposures. The subportfolio of non-performing loans is reviewed, updated, and reported on a quarterly basis. The process is also carried out at shorter intervals if required. This process is comprehensively supported by IT systems. A key element is the internal reporting system, which is informative, target-group-oriented, and timely. If necessary, the intensified loan management put in place for individual borrowers is transferred to task forces specially set up for this purpose. The risks in subportfolios are monitored and analyzed with regular reports.

Where required, similar procedures have been implemented in the main subsidiaries, where they are adapted to the characteristics of the risks faced by each particular business.

GUIDELINES AND PROCEDURES FOR THE RECOGNITION OF PROVISIONS, IMPAIRMENT LOSSES, AND ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

The following descriptions apply to DZ BANK. The main subsidiaries have implemented comparable guidelines on the recognition of provisions, impairment losses, and allowances for losses on loans and advances adapted in line with their respective business activities.

A transaction is deemed to be '**past due**' if interest payments, repayments of principal, or settlements of other receivables are more than one day in arrears. A borrower is classified as a '**default**' if the borrower is not expected to meet his/her payment obligations in full without the need for action such as the recovery of any available collateral. Regardless of this definition, a borrower is classified as in default according to SolvV criteria if payments are past due by more than 90 days.

If there is objective evidence that the value of repayments under **loans** is impaired, a review is carried out to establish whether it is likely that the borrower will not meet his/her contractual obligations in full and whether a financial loss could be incurred. **Specific**

loan loss allowances are recognized for the difference between the carrying amount of the loan or advance and the net present value of the anticipated payments, including any proceeds from the recovery of collateral.

Provisions are recognized for loan commitments and for liabilities under financial guarantee contracts in an amount equivalent to the difference between the present value of the potential default amount and the present value of expected payments, provided that it is probable the obligation will be actually incurred.

If no specific allowances are recognized for losses on payments due under loans or if there are no provisions for loan commitments or liabilities under financial guarantee contracts, then these transactions are recognized in the **portfolio loan loss allowance**. As soon as an impairment becomes apparent or a transaction is identified as requiring a provision or liability, it is derecognized from the portfolio and recognized as a specific loan loss allowance. The calculation of the portfolio loan loss allowance is based on the calculation of expected losses used for regulatory purposes.

Latent country risk is recognized in the portfolio loan loss allowances.

In **trading units**, derivatives business and parts of the securities and money market business are measured at fair value through profit or loss. Any impairment is therefore immediately recognized in the income statement and the balance sheet, precluding the need for the recognition of any allowances for losses. For securities and money market placements that are recognized at amortized cost or fair value through other comprehensive income, impairment losses are determined using the same procedure as that for loans.

BSH, DG HYP, DZ BANK Polska, TeamBank, and VR-LEASING AG recognize **specific loan loss allowances evaluated on a group basis** for their retail business in addition to specific loan loss allowances. These specific loan loss allowances evaluated on a group basis are based on cash flows from credit portfolios with the same risk characteristics analyzed using migration scenarios and probabilities of default.

5.4.8. Credit-portfolio management

In risk-related credit-portfolio management, a distinction is made between the expected loss and unexpected loss arising from the credit portfolio as a whole. The calculation of an expected loss for each individual transaction prevents a creeping erosion of equity. Most of the companies in the group determine the standard risk costs necessary for this calculation. These costs vary according to credit rating.

Portfolio models are also used together with value-at-risk methods to quantify unexpected losses that may arise from the credit portfolios of group companies. Credit value-at-risk describes the risk of unexpected losses arising should a default event occur in the credit portfolio. Credit value-at-risk is measured using credit portfolio models that take into account industry and counterparty concentrations and also reflect the credit rating structure of the credit portfolio. The measurement includes credit risk from both lending and trading businesses.

In the first half of 2012, the calculation of the risk capital requirement for credit risk at DZ BANK was switched to a portfolio model based on the concept of CreditMetrics™. The effect of this switch on the overall amount of the risk capital requirement was minimal. On December 31, 2012, DG HYP also made a corresponding switch in the method used. The improvement in the representation of risk concentrations and industry correlations led to a reduction in the risk capital requirement.

5.4.9. Managing credit risk arising from securitizations

OBJECTIVES AND SCOPE OF SECURITIZATION

During the course of the financial crisis, the DZ BANK Group ceased all its securitization activities except for those in a few, clearly defined areas of business. Areas where such activity has continued include the ABCP programs, although investment in ABSs has been halted.

The following details describe the management of credit risk in the securitization business still remaining.

The objective of the companies in the DZ BANK Group in their role as **originators** of long-term funded securitizations is to transfer risk, thereby releasing economic and regulatory capital.

As a **sponsor**, DZ BANK also uses special-purpose entities, which are funded by issuing money market-linked ABCP. The ABCP programs are predominantly made available for DZ BANK customers who then securitize their own assets via these companies. In these programs, the customers sell their assets to a separate special-purpose entity, the consideration normally including an adjustment for risk. The purchase of the assets is funded by issuing money market-linked ABCP. The redemption of the ABCP is covered by the entire asset pool in the program. The contractual structure of the transactions ensures that the assets do not form part of the asset seller's net assets if the asset seller should become insolvent.

The CORAL ABCP program has been set up to provide securitization of assets from European companies. This program is partially funded by liquidity lines but DZ BANK is seeking to extend the funding using ABCP.

DZ BANK is also the sponsor of the AUTOBAHN ABCP program, which offers securitization for assets from North American customers and is mainly funded by ABCP issues.

Figure 14 shows the main exposures held by the companies in the DZ BANK Group as **originators** and **sponsors**. From a regulatory perspective, the securitizations are transactions that need to be backed by capital.

DZ BANK's **investor-related exposures** are assigned to the banking book, and to a lesser extent to the trading book, and are actively managed with the aim of scaling back the portfolio and reducing risk. The action taken to achieve this aim includes the disposal of selected exposures, not only to reduce risk but also to optimize equity.

In addition to these activities, DZ BANK **arranges** and **places** securitizations issued by the DZ BANK Group and the Volksbanken Raiffeisenbanken cooperative financial network. The local cooperative banks are involved in one multi-seller transaction undertaken by the DZ BANK Group.

CAUSES OF RISK

Credit risk in connection with securitizations in the banking book arises primarily from investments in securitizations, the provision of liquidity facilities for ABCP, and the necessary retention of securitization tranches that DZ BANK issues itself. The liquidity facilities provided as part of the ABCP programs are managed in the banking book. The resulting risk largely depends on the quality of the asset pool.

In the context of the portfolio as a whole, the re-securitization exposures and related risks are of minor significance. Re-securitizations are structures in which the securitized exposure in turn comprises one or more other securitization exposures.

ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

Exposures to asset-backed securities (ABSs), which for the DZ BANK Group constitute investor-related exposures within the meaning of KWG, are **managed** by the relevant group companies and are subject to the groupwide risk management standards. These standards require that securitization exposures be individually analyzed and limited.

The structure of transactions is analyzed, a comparison is made between the transactions and the relevant ABS market, and the external credit ratings awarded by the rating agencies are validated as part of a well-established process. Furthermore, all major ABS asset classes are subjected to an annual portfolio analysis process that assesses the macroeconomic and asset-class-specific risks involved.

Portfolio risk exposures are reported once a month at group level to the DZ BANK Group's credit management function and to DZ BANK's Board of Managing Directors; this reporting process covers the group's aggregate risk exposure. This enables the group to manage the risks it incurs from structured products.

FIG. 14 – SECURITIZATION EXPOSURES OF THE COMPANIES IN THE DZ BANK GROUP IN THEIR CAPACITY AS ORIGINATORS AND SPONSORS

Company & transaction	Type of transaction	Role	Purpose of transaction	Type of assets	Volume[1]		Retained exposures		Comments (Dec. 31, 2012)
					Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	
DZ BANK									
CORAL	ABCP conduit	Sponsor	Generation of commission income	Loans and advances to European corporates and an ABS[2] exposure	€0.7 billion	€0.9 billion	Commitments of €0.7 billion, €0.54 billion of which has been utilized	Commitments of €0.9 billion, €0.76 billion of which has been utilized	Provision of liquidity lines
AUTOBAHN				Loans and advances to North American customers	€1.9 billion	€2.1 billion	Commitments of €1.9 billion, none of which has been utilized	Commitments of €2.1 billion, €0.02 billion of which has been utilized	
DG HYP									
PROVIDE VR	Synthetic RMBSs[2]	Originator	Optimization of capital employed; reduction of credit risk	Mortgage-backed real-estate loans in German retail business	€0.1 billion	€0.3 billion	Exposure of €24 million	Exposure of €24 million	Including first-loss pieces for which adequate impairment losses have been recognized
PROSCORE VR	Synthetic CMBSs[2]			Mortgage-backed real-estate loans to corporates in Germany	€0.01 billion	€0.1 billion	Exposure of €9 million	Exposure of €10 million	
VR-LEASING									
CORAL[3]	Lease securitization	Originator	Capital and liquidity management; transfer of risk	Lease receivables from corporates in Germany	€0.1 billion	€0.3 billion	Credit enhancements amounting to €10 million	Credit enhancements amounting to €16 million	Credit enhancements not hedged

1 Disclosures before consolidation
2 ABSs = asset-backed securities; CMBSs = commercial mortgage-backed securities; RMBSs = residential mortgage-backed securities
3 Contained in DZ BANK's CORAL program

RISK MONITORING AND STRESS TESTS

Securitization exposures are monitored independently of whether they are assigned to the banking book or the trading book. Besides continuous monitoring of external credit ratings, exposures are classified on a quarterly basis using stress tests specific to each asset class. A particular feature of the tests is that factors such as payment delays, defaults, and degree of loss are balanced against the existing credit enhancements in each transaction. If an exposure does not pass a stress test, the expected loss is determined using a model particular to the asset class concerned.

The credit risk arising in connection with the transactions in the ABCP programs is monitored using performance reports prepared at least monthly by the asset seller. The purchased assets are generally subject to a due diligence in the form of regular random sample tests.

Re-securitization exposures are monitored in much the same way as other asset classes. Expected losses on these exposures are modeled using portfolio models from rating agencies which particularly factor in the range of ratings in the securitized portfolio and the assumptions made by the agencies with regard to the extent of losses and industry correlations.

The economic stress tests encompass both the credit risk and the spread risk arising from the DZ BANK Group's entire securitization exposures.

RISK MITIGATION

In a small number of individual cases, DZ BANK uses credit default swaps to mitigate the risk from individual exposures. The counterparties in these derivatives are investment-grade financial institutions. As part of the ABCP programs managed exclusively in the banking book, the risk arising from some of the purchased asset portfolios is covered by credit insurance in addition to the discount on the purchase price already referred to above.

5.5. LENDING VOLUME

5.5.1. Classes and concentrations

The lending volume is determined in accordance with the DZ BANK Group's internal management procedure for **credit-risk-bearing instruments** – traditional lending, securities business, and derivatives and money market business. This breakdown corresponds to the risk classes required for the external reporting of risks arising from financial instruments. The credit-risk-bearing instruments are also classified by sector, country group, credit rating, and term to maturity. This breakdown highlights any concentrations of volume.

5.5.2. Reconciliation of lending volume to the consolidated financial statements

Figure 15 shows a reconciliation from the gross lending volume used for internal group management to individual balance sheet items. There are discrepancies between the internal management and external financial reporting measurements for some products owing to the focus on the risk content of the items. The other main reasons for the discrepancies between the internal management figures and those in the external financial statements are differences in the basis of consolidation, differences in the definition of lending volume, and various differences in recognition and measurement methods.

Differences in the **scope of consolidation** result from the fact that, in internal risk management, only the companies in the DZ BANK Group that contribute significantly to the overall risk of the group are included.

With regard to the **definition of lending volume**, a proportion of R+V's investments that the management does not consider to be credit-risk-bearing securities business is managed under actuarial risk. This is because these asset items largely correspond to insurance liabilities. These two items are considered as a whole for internal management purposes.

FIG. 15 – RECONCILIATION OF THE LENDING VOLUME

€ billion

	Lending volume for internal management accounts		Reconciliation					
			Scope of consolidation		Definition of the lending volume		Carrying amount and measurement	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Traditional lending business	206.5	206.3	4.0	4.1	–	–	0.3	-0.5
Securities business	85.1	90.7	0.1	0.3	58.4	52.1	-16.9	-13.0
Derivatives business	11.3	11.4	–	–	–	–	-13.7	-14.7
Money market business	5.6	6.1	–	–	–	–	28.3	28.1
Total	**308.5**	314.5	**4.1**	4.4	**58.4**	52.1	**-2.1**	-0.2
			Balance as at Dec. 31, 2012				**60.4**	
			Balance as at Dec. 31, 2011				56.3	

1 As at December 31, 2012, the investments held by insurance companies recognized in the internal management accounts of the DZ BANK Group amounted to €443 million (December 31, 2011: €437 million). In the 'Definition of the lending volume' section of the reconciliation, this amount is deducted from the investments held by insurance companies that are reported under 'Lending volume for the consolidated financial statements'.

Lending volume for the consolidated financial statements

Dec. 31, 2012		Dec. 31, 2011		€ billion	Section of notes
210.8	63.7	209.9	65.2	**Loans and advances to banks**	
	63.9		65.4	of which: loans and advances to banks excluding money market placements	45
	-0.1		-0.2	of which: allowances for losses on loans and advances to banks	47
	121.3		118.2	**Loans and advances to customers**	
	123.6		120.3	Loans and advances to customers excluding money market placements	46
	-2.4		-2.1	of which: allowances for losses on loans and advances to customers	47
	25.8		26.4	**Financial guarantee contracts and loan commitments**	79
126.6	67.8	130.1	77.6	**Bonds and other securities**	
	11.2		17.3	of which: financial assets held for trading/bonds excluding money market placements	49
	0.5		2.2	of which: financial assets held for trading/promissory notes, registered bonds, and loans and advances	49
	56.1		58.1	of which: investments/bonds excluding money market placements	50
	58.8		52.5	**Investments held by insurance companies**[1]	
	6.5		5.7	of which: mortgage loans	51
	9.8		10.5	of which: promissory notes and loans	51
	9.9		10.0	of which: registered bonds	51
	1.6		1.7	of which: other loans	51
	4.5		4.3	of which: variable-yield securities	51
	26.1		19.9	of which: fixed-income securities	51
	0.3		0.2	of which: derivatives (positive fair values)	51
	0.2		0.2	of which: deposits with ceding insurers	51
-2.4	-2.4	-3.3	-3.3	**Derivatives**	
	0.8		0.9	of which: derivatives used for hedging (positive fair values)	48
	36.7		32.9	of which: financial assets held for trading/derivatives (positive fair values)	49
	-3.0		-2.6	of which: derivatives used for hedging (negative fair values)	60
	-36.9		-34.6	of which: financial liabilities held for trading/derivatives (negative fair values)	61
33.9	33.9	34.2	34.2	**Money market placements**	
	15.6		14.6	of which: loans and advances to banks/money market placements	45
	0.2		0.5	of which: loans and advances to customers/money market placements	46
	0.5		0.1	of which: financial assets held for trading/money market instruments	49
	17.3		18.9	of which: financial assets held for trading/money market placements	49
	0.3		0.1	of which: investments/money market instruments	50
368.9		370.8		**Total**	

The discrepancy in the **securities business** is mainly due to the variations in carrying amounts that arise because credit derivatives are offset against the issuer risk attaching to the underlying transaction in the internal management accounts, whereas such derivatives are recognized at their fair value as financial assets or financial liabilities held for trading in the consolidated financial statements.

Measurement differences in **derivatives business** and **money market business** are mainly because countervailing positions are offset for the purposes of risk management, whereas positions must not be netted in this way in the consolidated financial statements. In addition, add-ons are attached to the current fair values of derivative positions in the internal management accounts to take account of potential future changes in their fair value. By contrast, the external financial statements focus exclusively on the fair values determined on the valuation date, and, unlike in the internal accounts, collateral must not be recognized for risk mitigation purposes.

In **money market business** further discrepancies arise between the consolidated financial statements and internal credit risk reports due to the method in which repo transactions are recognized. In contrast to the consolidated accounts, collateral provided or received for securities is offset against the corresponding assets or liabilities in the internal management accounts.

5.5.3. Change in lending volume

As at December 31, 2012, the total lending volume of the DZ BANK Group was down by 2 percent to €308.5 billion (December 31, 2011: €314.5 billion). Figure 17 shows a breakdown by type of business and average lending volume by type of business. The average lending volume for the year was determined as the arithmetic mean of the balance of loans and advances at the end of each quarter in the reporting year.

Following a contraction at the start of 2012, the volume of **traditional lending business** as at December 31, 2012 had reached €206.5 billion, around the same level as at December 31, 2011 (€206.3 billion). The credit quality breakdown within this type of business was unchanged year on year. As at December 31, 2012, loans and advances in the traditional lending business were €0.6 billion (December 31, 2011: €5.5 billion) or 1 percent (December 31, 2011: 3 percent) above the average value for the year of €205.8 billion.

The contraction in lending volume within the **securities business** that had begun back in 2007 continued in 2012, particularly in the first half of the year. Most of this decrease in securities business was attributable to the financial sector, although some of the decrease was offset by a slight rise in the volume of loans and advances to the public sector. As at December 31, 2012, the credit exposure in the securities business amounted to €85.1 billion (December 31, 2011: €90.7 billion), 1 percent lower (2011: 2 percent lower) than the average for the year of €86.0 billion (2011: €92.3 billion). This development is a result of the continued reduction in the bond portfolio (the reduction focusing increasingly on financial industry securities) consistent with corporate strategy since the start of the financial crisis in 2007.

The contraction in lending for **derivatives and money market operations** was mainly attributable to the decline in DZ BANK's derivatives business. In the unsecured money markets business, there were marked swings in the volume of lending, although these swings evened themselves out during the course of the year. The average for the derivatives and money market business was calculated to be €19.6 billion in 2012 (2011: €15.3 billion). As at December 31, 2012, total volume amounted to €16.9 billion (December 31, 2011: €17.5 billion), 14 percent below the average for the year. The average value for 2011 had been 12 percent higher than the value as at December 31, 2011.

Given the efficiency of the workout process in the DZ BANK Group, the role played by **calling in collateral** during the course of workout procedures for non-performing borrowers was as negligible in 2012 as in 2011. The collateral called in amounted to a total of €65 million as at December 31, 2012 (December 31, 2011: €64 million).

5.5.4. Collateralized lending volume

Figure 16 shows the breakdown of collateralized lending volume at overall portfolio level by type of collateral and class of risk-bearing instrument. In the case of traditional lending business, figures are generally reported before the application of any offsetting agreements, whereas the collateralized exposures in the securities business and derivatives and money market business are shown net.

Collateralized lending volume saw a year-on-year increase of 11 percent, mainly as a consequence of the change in the methods used by DG HYP. The underlying gross lending volume contracted by 2 percent, producing a collateralization rate as at December 31, 2012 of 29 percent (December 31, 2011: 25 percent).

In traditional lending business, the greatest proportion of collateralized lending volume – 73 percent as at December 31, 2012 (December 31, 2011: 68 percent) – was accounted for by lending secured by charges over physical assets such as land charges, mortgages, and registered ship mortgages. These types of collateral are particularly important for BSH, DG HYP, and DVB. In contrast, charges over physical assets are of lesser importance at DZ BANK because DZ BANK bases its lending decisions primarily on borrower credit quality. Other collateral mostly comprises asset collateral at VR-LEASING AG.

In the securities business, there is generally no further collateralization to supplement the hedging activities already taken into account. Equally, in derivatives and money market business, collateral received under collateral agreements is already factored into the calculation of gross lending volume with the result that only a comparatively low level of collateral (personal and financial collateral) is then additionally reported.

5.5.5. Sector structure of the credit portfolio

The sectoral breakdown of the credit portfolio presented in figure 17 shows that the total volume of lending as at December 31, 2012 continued to be highly concentrated in the financial sector (41 percent), a situation that had changed little since December 31, 2011 (42 percent). In addition to the local cooperative

FIG. 16 – COLLATERALIZED LENDING VOLUME BY TYPE OF COLLATERAL

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Guarantees, indemnities, risk subparticipation	15.0	16.5	–	–	0.4	0.3	15.4	16.8
Credit insurance	1.3	1.3	–	–	–	–	1.3	1.3
Land charges, mortgages, ship mortgages	63.7	53.4	–	–	0.1	0.1	63.8	53.5
Pledged loans and advances, assignments, other pledged assets	1.4	1.3	–	–	–	–	1.4	1.3
Financial collateral	0.9	0.8	–	–	0.1	0.4	1.0	1.2
Other collateral	5.0	5.1	–	–	–	–	5.0	5.1
Collateralized lending volume	**87.3**	**78.4**	**–**	**–**	**0.6**	**0.8**	**88.0**	**79.1**
Gross lending volume	206.5	206.3	85.1	90.7	16.9	17.5	308.5	314.5
Uncollateralized lending volume	**119.1**	**127.9**	**85.1**	**90.7**	**16.3**	**16.7**	**220.5**	**235.3**

banks, the borrowers in this customer segment comprised banks from other sectors of the credit industry and other financial institutions.

In its role as the central institution for the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK provides funding for the companies in the DZ BANK Group and for the local cooperative banks. For this reason, the local cooperative banks account for one of the largest loans and advances items in the DZ BANK Group's credit portfolio. DZ BANK also supports the local cooperative banks in the provision of larger-scale funding to corporate customers. The resulting syndicated business, DZ BANK, DG HYP and DVB's direct business with corporate customers in Germany and abroad, the retail real-estate business under the umbrella of BSH, and TeamBank's consumer finance business determine the sectoral breakdown of the remainder of the portfolio.

5.5.6. Geographical structure of the credit portfolio

Figure 18 shows the geographical distribution of the credit portfolio by **country group**. Based on the new country breakdown issued by the IMF, the categories were extended in 2012 to include advanced economies and supranational institutions. Unlike in the IMF's classification, the breakdown used here shows the traditional industrialized nations in a single category that also includes their dependent territories. This category does not include Iceland and Greece, which are assigned to the category of advanced economies owing to structural weaknesses.

As at December 31, 2012, an unchanged 94 percent of the total lending volume was concentrated in Germany and in other western industrialized countries.

5.5.7. Residual maturity structure of the credit portfolio

RESIDUAL MATURITIES IN THE OVERALL CREDIT PORTFOLIO

The breakdown of the credit portfolio by residual maturity presented in figure 19 shows that the lending volume as at December 31, 2012 had fallen year on year by €4.9 billion in the short-maturity band, a decrease that was largely the result of the reduction in the volume of bond portfolios at DZ BANK. A reduction in the longer maturity bands is evident as a consequence of the strategic portfolio contraction and volume migration to shorter maturity bands at DG HYP.

LENDING VOLUME PAST DUE BUT NOT IMPAIRED

Figures 20 and 21 show the portion of the lending volume that is past due but not impaired. The disclosures relate for the most part to traditional lending business.

FIG. 17 – LENDING VOLUME BY SECTOR, AVERAGE LENDING VOLUME

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Financial sector	73.9	74.9	38.1	44.5	13.0	14.0	125.1	133.4
Public sector	7.9	8.5	35.5	32.9	1.0	0.6	44.3	42.0
Corporates	79.9	78.1	3.3	3.7	2.5	2.2	85.7	84.0
Retail	40.6	40.4	5.1	6.1	–	–	45.8	46.5
Industry conglomerates	3.1	3.3	3.1	3.6	0.4	0.6	6.6	7.5
Other	0.9	1.1	–	–	–	–	0.9	1.1
Total	206.5	206.3	85.1	90.7	16.9	17.5	308.5	314.5
Average for the reporting period	205.8	200.8	86.0	92.3	19.6	15.3	311.4	308.3

FIG. 18 – LENDING VOLUME BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Germany	164.7	162.4	50.8	50.9	9.7	9.6	225.2	222.9
Other industrialized nations	26.8	27.7	30.9	36.3	6.4	7.2	64.2	71.2
Advanced economies	4.9	7.7	0.6	1.3	0.2	0.2	5.7	9.1
Non-industrialized nations	10.0	8.6	0.9	0.7	0.2	0.2	11.1	9.5
Supranational institutions	–	–	1.9	1.5	0.4	0.3	2.2	1.8
Total	**206.5**	**206.3**	**85.1**	**90.7**	**16.9**	**17.5**	**308.5**	**314.5**

FIG. 19 – LENDING VOLUME BY RESIDUAL MATURITY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
≤ 1 year	51.3	50.0	15.6	19.9	9.0	10.9	75.9	80.8
> 1 year to ≤ 5 years	51.8	52.0	36.4	36.1	2.7	2.5	90.9	90.7
> 5 years	103.4	104.3	33.1	34.7	5.2	4.1	141.7	143.0
Total	**206.5**	**206.3**	**85.1**	**90.7**	**16.9**	**17.5**	**308.5**	**314.5**

FIG. 20 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY SECTOR

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days to 1 month		Past due > 1 month to 2 months		Past due > 2 months to 3 months		Past due > 3 months		Total	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Financial sector	357	44	299	3	3	1	–	1	4	7	662	56
Public sector	52	17	1	–	1	1	1	–	–	–	56	19
Corporates	244	212	232	429	74	502	94	55	365	226	1,008	1,425
Retail	491	500	26	72	15	27	8	11	32	42	573	653
Industry conglomerates	–	–	–	6	–	–	–	–	–	–	–	6
Other	–	–	2	4	1	2	1	1	1	2	5	10
Total	**1,144**	**774**	**561**	**515**	**93**	**534**	**104**	**68**	**403**	**278**	**2,304**	**2,168**

FIG. 21 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY COUNTRY GROUP

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days to 1 month		Past due > 1 month to 2 months		Past due > 2 months to 3 months		Past due > 3 months		Total	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Germany	1,095	732	341	103	82	196	46	44	125	167	1,688	1,241
Other industrialized nations	31	16	15	196	–	–	39	9	92	71	177	293
Advanced economies	–	–	70	99	–	310	–	12	130	9	200	430
Non-industrialized nations	18	26	134	116	11	28	19	3	56	30	239	204
Supranational institutions	–	–	–	–	–	–	–	–	–	–	–	–
Total	**1,144**	774	**561**	515	**93**	534	**104**	68	**403**	278	**2,304**	2,168

FIG. 22 – LENDING VOLUME BY RATING CLASS

		Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion		Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Investment grade	1A	10.2	11.1	33.8	39.0	4.6	3.1	48.5	53.3
	1B	0.7	0.7	5.0	5.2	0.5	0.5	6.2	6.5
	1C	65.8	65.3	11.4	12.1	4.8	5.1	81.9	82.5
	1D	1.2	1.1	3.4	3.8	0.7	0.9	5.3	5.7
	1E	1.1	1.2	0.9	1.2	0.1	0.7	2.1	3.1
	2A	6.7	6.9	1.9	4.2	1.2	0.9	9.7	12.0
	2B	11.3	12.9	8.2	7.9	0.9	1.9	20.3	22.7
	2C	6.8	6.8	6.8	6.9	1.5	1.7	15.1	15.4
	2D	9.8	9.5	3.0	2.7	0.6	0.6	13.4	12.8
	2E	12.3	11.1	3.1	2.1	0.7	0.8	16.1	14.0
	3A	11.7	11.6	2.4	1.0	0.3	0.3	14.4	12.8
Non-investment grade	3B	15.9	15.7	0.4	0.8	0.2	0.1	16.5	16.7
	3C	11.7	10.2	1.8	1.1	0.1	0.1	13.5	11.5
	3D	8.0	8.4	0.9	0.3	0.1	0.2	9.0	8.9
	3E	8.3	9.3	0.4	0.3	0.1	–	8.8	9.6
	4A	2.6	2.2	0.4	0.3	–	–	3.0	2.5
	4B	1.5	1.6	0.2	0.2	–	–	1.8	1.8
	4C	4.4	4.8	0.3	0.1	–	–	4.7	5.0
	4D	5.1	5.3	–	–	–	–	5.2	5.3
	4E	4.7	4.4	0.7	0.9	0.1	0.1	5.5	5.4
Default		5.4	4.7	0.1	0.3	0.1	–	5.5	5.1
Not rated		1.4	1.5	0.1	0.1	0.4	0.4	1.9	2.0
Total		**206.5**	206.3	**85.1**	90.7	**16.9**	17.5	**308.5**	314.5

FIG. 23 – INVESTMENTS HELD BY INSURANCE COMPANIES BY RATING CATEGORY AND BORROWER GROUP

	Investment grade		Non-investment grade		Default		Not rated[1]		Total	
€ billion	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Financial sector	26.6	25.5	0.8	0.6	–	–	2.3	–	29.8	26.1
Public sector	13.4	11.9	0.7	0.7	–	–	–	–	14.1	12.6
Corporates	4.8	3.4	0.1	0.1	–	–	2.4	–	7.3	3.5
Other	7.1	5.9	–	–	–	–	0.6	4.6	7.7	10.4
Total	51.9	46.7	1.6	1.3	–	–	5.3	4.6	58.8	52.6

1 The 'not rated' column largely comprises variable-yield securities, predominantly equities and investment fund shares/units.

Because of the conservative risk provisioning policy of the companies in the DZ BANK Group, past-due loans only account for a relatively small proportion of the overall credit portfolio.

The increase in the lending volume past due but not impaired was particularly attributable to technical adjustments at DG HYP. The past-due loans in arrears by more than 3 months amounting to €403 million (December 31, 2011: €278 million) were predominantly loans secured by mortgages.

5.5.8. Rating structure of the credit portfolio

RATING STRUCTURE OF THE TOTAL LENDING VOLUME

Figure 22 shows the DZ BANK Group's lending volume by **rating class** according to the credit rating master scale. 'Not rated' comprises counterparties for which a rating classification is not required.

The proportion of the total credit portfolio accounted for by rating classes 1A to 3A (investment grade) was 76 percent as at December 31, 2012 (December 31, 2011: 77 percent). The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) was 22 percent as at December 31, 2012 (December 31, 2011: 21 percent). Defaults in rating classes 5A to 5E as at December 31, 2012 accounted for 2 percent of the DZ BANK Group's total lending volume and thus remained at the low level of the previous year.

RATING STRUCTURE OF INVESTMENTS HELD BY INSURANCE COMPANIES

The credit rating breakdown for **investments held by insurance companies** by borrower group is shown in figure 23. As at December 31, 2011, investments amounting to a total of €4.6 billion had not been rated as part of the R+V credit rating system and were shown under the 'Other' borrower group. As at December 31, 2012, the majority of these investments had been assigned to the Corporates category, with equities accounting for €2.5 billion and investment fund units €1.4 billion. The change in exposures in the financial sector (up by 14 percent) and in the public sector (up by 12 percent) formed part of the overall growth in investments since December 31, 2011 (12 percent).

SINGLE-BORROWER CONCENTRATIONS

As at December 31, 2012, the ten counterparties associated with the largest lending volumes accounted for 8 percent of the DZ BANK Group's total lending exposure, so there was no change in this situation compared with the end of 2011. These counterparties comprised exclusively financial-sector and public-sector borrowers domiciled in Germany. All these exposures consisted of investment-grade lending with a rating of 2C or better.

INVESTMENT-GRADE LENDING VOLUME

Figures 24 and 25 show the lending volume that is neither impaired nor past due, i.e. the investment-grade proportion of the total credit portfolio.

This portion of the portfolio accounted for 98 percent of the overall lending volume as at December 31, 2012, unchanged from the previous year. The large proportion of investment-grade business is attributable to the risk-conscious lending policy that the group continued to pursue in 2012.

FIG. 24 – LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY SECTOR

€ billion	Total portfolio Dec. 31, 2012	Total portfolio Dec. 31, 2011	Portfolio neither impaired nor past due Dec. 31, 2012	Portfolio neither impaired nor past due Dec. 31, 2011
Financial sector	125.1	133.4	124.1	133.0
Public sector	44.3	42.0	44.3	42.0
Corporates	85.7	84.0	81.8	80.1
Retail	45.8	46.5	44.1	44.9
Industry conglomerates	6.6	7.5	6.6	7.5
Other	0.9	1.1	0.9	1.1
Total	**308.5**	**314.5**	**301.8**	**308.5**

FIG. 25 – LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY COUNTRY GROUP

€ billion	Total portfolio Dec. 31, 2012	Total portfolio Dec. 31, 2011	Portfolio neither impaired nor past due Dec. 31, 2012	Portfolio neither impaired nor past due Dec. 31, 2011
Germany	225.2	222.9	221.2	219.5
Other industrialized nations	64.2	71.2	63.0	69.9
Advanced economies	5.7	9.1	5.1	8.4
Non-industrialized nations	11.1	9.5	10.3	9.1
Supranational institutions	2.2	1.8	2.2	1.8
Total	**308.5**	**314.5**	**301.8**	**308.5**

5.5.9. Allowances for losses on loans and advances, non-performing loans

ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Figures 26 to 33 show the change in allowances (specific loan loss allowances, including the specific loan loss allowances evaluated on a group basis and portfolio loan loss allowances), the provisions for loan commitments, and liabilities under financial guarantee contracts in 2012 and 2011 for the entire credit portfolio of the companies in the DZ BANK Group. Except for the portfolio loan loss allowances, these figures are presented in separate breakdowns by sector and by country group.

The components of the allowances, impairment losses, and provisions shown in the tables are also disclosed in the notes to the consolidated financial statements. Discrepancies between the amounts shown in the risk report and those reported in the notes are primarily attributable to differences in the scope of consolidation.

Over the course of 2012, the DZ BANK Group increased its **specific loan loss allowances** by €216 million (2011: net decrease of €139 million). DZ BANK reported a net addition to specific loan loss allowances in 2012 (2011: net reduction). Despite individual allowances relating to project finance and corporate banking – but on the other hand also as a result of the reversal of allowances following successful turnarounds – DZ BANK's allowances for losses on loans and advances remained within anticipated levels and therefore, overall, reflected the strength of the credit portfolio and the sustainable, rigorous risk policy operated by DZ BANK.

Portfolio loan loss allowances saw a net reversal of €7 million (2011: net addition of €194 million).

Despite the effects of the sovereign debt crisis on economic conditions, the generally positive macroeconomic trends in 2012 enabled the DZ BANK Group to post a net reversal of **provisions** amounting to €29 million (2011: net reversal of €7 million). The reversal of the provisions was attributable almost entirely to DZ BANK.

Provisions for loan commitments are a component of the 'Provisions' balance sheet item. Liabilities under financial guarantee contracts are reported under 'Other liabilities' on the balance sheet.

FIG. 26 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY SECTOR – 2012

€ million	Balance as at Jan. 1, 2012	Additions	Utiliza-tions	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2012	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	235	66	-37	-45	-1	-13	205	1	-3
Public sector	–	–	–	–	–	–	–	–	–
Corporates	1.083	591	-191	-278	-32	64	1,236	38	-46
Retail	429	231	-68	-83	-7	-2	501	55	-25
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	14	32	-1	-1	–	-9	35	–	-8
Total specific loan loss allowances[1]	1,761	920	-297	-407	-40	40	1,977	94	-82
Portfolio loan loss allowances	539	149	–	-156	–	–	532	–	–
Total loan loss allowances	2,299	1,069	-297	-563	-40	40	2,509	94	-82

1 Including specific loan loss allowances evaluated on a group basis

FIG. 27 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY SECTOR – 2011

€ million	Balance as at Jan. 1, 2011	Additions	Utiliza-tions	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2011	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	208	67	-6	-38	-2	6	235	1	–
Public sector	–	–	–	–	–	–	–	–	–
Corporates	1,117	527	-187	-380	-26	33	1,083	37	-36
Retail	548	190	-78	-218	-7	-6	429	60	-23
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	26	28	-1	-2	–	-37	14	1	-5
Total specific loan loss allowances[1]	1,899	812	-272	-639	-36	-4	1,761	100	-64
Portfolio loan loss allowances	346	309	–	-114	–	-2	539	–	–
Total loan loss allowances	2,245	1,121	-272	-752	-36	-5	2,299	100	-64

1 Including specific loan loss allowances evaluated on a group basis

FIG. 28 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY SECTOR – 2012

€ million	Balance as at Jan. 1, 2012	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2012
Financial sector	8	–	–	-2	–	7
Public sector	–	–	–	–	–	–
Corporates	94	28	–	-42	10	89
Retail	17	–	–	-14	–	3
Industry conglomerates	–	–	–	–	–	–
Other	56	–	-2	-8	–	46
Total	174	28	-2	-66	10	145

FIG. 29 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY SECTOR – 2011

€ million	Balance as at Jan. 1, 2011	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2011
Financial sector	21	11	–	-24	1	8
Public sector	–	–	–	–	–	–
Corporates	110	34	–	-51	–	94
Retail	2	15	–	–	–	17
Industry conglomerates	–	–	–	–	–	–
Other	48	20	–	-13	–	56
Total	181	80	–	-88	1	174

FIG. 30 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – 2012

€ million	Balance as at Jan. 1, 2012	Additions	Utiliza-tions	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2012	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,045	479	-175	-207	-23	45	1,164	63	-71
Other industrialized nations	587	264	-97	-103	-17	-276	358	14	-5
Advanced economies	–	20	-11	-35	–	173	147	–	–
Non-industrialized nations	128	157	-13	-62	–	99	309	17	-6
Supranational institutions	–	–	–	–	–	–	–	–	–
Total specific loan loss allowances[1]	1,760	920	-296	-408	-40	41	1,977	94	-82
Portfolio loan loss allowances	539	149	–	-156	–	–	532	–	–
Total loan loss allowances	2,299	1,069	-296	-564	-40	41	2,509	94	-82

1 Including specific loan loss allowances evaluated on a group basis

FIG. 31 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – 2011

€ million	Balance as at Jan. 1, 2011	Additions	Utiliza-tions	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2011	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,230	389	-170	-374	-24	-5	1,045	65	-42
Other industrialized nations	522	406	-102	-249	-11	21	587	34	-22
Advanced economies	–	–	–	–	–	–	–	–	–
Non-industrialized nations	148	18	-1	-16	–	-20	128	–	–
Supranational institutions	–	–	–	–	–	–	–	–	–
Total specific loan loss allowances[1]	1,899	812	-272	-639	-36	-4	1,760	100	-64
Portfolio loan loss allowances	345	309	–	-114	–	-2	539	–	–
Total loan loss allowances	2,245	1,121	-272	-752	-36	-5	2,299	100	-64

1 Including specific loan loss allowances evaluated on a group basis

FIG. 32 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY COUNTRY GROUP – 2012

€ million	Balance as at Jan. 1, 2012	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2012
Germany	139	22	–	-47	5	119
Other industrialized nations	33	3	-2	-4	-19	11
Advanced economies	–	–	–	–	–	–
Non-industrialized nations	2	3	–	-15	24	14
Supranational institutions	–	–	–	–	–	–
Total	174	28	-2	-67	10	145

FIG. 33 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY COUNTRY GROUP – 2011

€ million	Balance as at Jan. 1, 2011	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2011
Germany	113	47	–	-59	38	139
Other industrialized nations	21	31	–	-29	11	33
Advanced economies	–	–	–	–	–	–
Non-industrialized nations	47	2	–	–	-48	2
Supranational institutions	–	–	–	–	–	–
Total	181	80	–	-88	1	174

FIG. 34 – IMPAIRED LENDING VOLUME, BY SECTOR

	Impaired lending volume					
	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Financial sector	284	300	205	235	79	65
Public sector	–	–	–	–	–	–
Corporates	2,885	2,443	1,236	1,083	1,649	1,360
Retail	1,121	992	501	429	620	562
Industry conglomerates	7	3	–	–	7	3
Other	40	18	35	14	5	4
Total	4,340	3,755	1,977	1,761	2,363	1,994

FIG. 35 – IMPAIRED LENDING VOLUME, BY COUNTRY GROUP

	Impaired lending volume					
	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Germany	2,349	2,160	1,164	1,045	1,185	1,115
Other industrialized nations	986	1,011	358	587	628	424
Advanced economies	417	302	147	–	270	302
Non-industrialized nations	588	282	309	128	279	153
Supranational institutions	–	–	–	–	–	–
Total	4,340	3,755	1,977	1,761	2,363	1,994

IMPAIRED LENDING VOLUME

Figures 34 and 35 show the impaired lending volume. The disclosures relate for the most part to traditional lending business. As at December 31, 2012, the lending volume after allowances and impairment losses had risen to €2,362 million (December 31, 2011: €1,994 million), which was mainly attributable to increases at DZ BANK in the Corporates sector.

5.5.10. Volume of renegotiated loans

Where loans have been renegotiated, this has been done in order to restructure contractual conditions so as to avoid the loans becoming past due or impaired. Early intervention and the provision of intensified loan management in the case of non-performing loans and a systematic workout management system mean that the volume of renegotiated loans in the DZ BANK Group is, to all intents and purposes, of minor significance.

Shipping finance deserves special mention in this context. The persistently challenging economic climate, changes in the volume of global trade, and a surplus of available tonnage in most shipping segments have led to sustained pressure on charter rates and on borrowers' debt service capacity. These trends resulted in a number of loans having to be renegotiated in the reporting year.

As at December 31, 2012, the volume of renegotiated loans amounted to €645 million (December 31, 2011: €562 million) out of a total lending volume of €308 billion (December 31, 2011: €314.5 billion).

5.6. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

The following disclosures relating to exposures and adjustments in subportfolios also form part of the above analyses of the entire credit portfolio. However, a separate analysis of these subportfolios has been included because of their significance for the risk position in the DZ BANK Group.

5.6.1. European sovereign debt crisis

CHANGES IN ECONOMIC CONDITIONS IN 2012

Substantial budget deficits remain a feature of the euro-zone economies of Portugal, Ireland, Greece, and Spain, and these deficits are accompanied by government debt levels that are high in relation to gross domestic product. The ratio of national indebtedness to gross domestic product also remains high in Italy, although the Italian government has enjoyed a significant degree of success in reducing the budget deficit.

In **Greece**, government debt remains at an unsustainable level of almost 180 percent of gross domestic product, even after the partial debt write-off by foreign creditors in March 2012, and the trend remains upward for 2013. The need for further debt rescheduling cannot therefore be ruled out.

The **Portuguese government** has demonstrated its determination to implement the fiscal consolidation policy agreed with the EU and IMF. Portugal's economy is continuing to suffer from considerable structural weaknesses and a poor level of competitiveness. The structural reform of the labor market, administration, and judiciary agreed as part of the bailout package is likely to help bolster Portuguese competitiveness, but is only expected to deliver results in the medium term.

The **Irish government** is also pursuing a strict policy of austerity and the spending cuts that it has imposed are beginning to bear fruit. Restructuring in the banking sector is progressing little by little. Nevertheless, public finances continue to be at some risk from the situation in the financial sector as banks are adversely impacted by increasing loan defaults in their real-estate business. A retroactive recapitalization of Irish banks via the ESM would take some of the pressure off public finances and mean that spending cuts do not need to be as harsh. Ireland took over the EU Council Presidency in January 2013 and it therefore intends to make the most of this opportunity to win appropriate concessions from the EU.

Unlike Greece, **Italy** has a broad industrial base. The policy of budget consolidation pursued by Mario Monti's government, which has been in office since December 2011, has strengthened confidence in financial markets.

The **Spanish government** can demonstrate some success in reducing its budget deficit, but government debt nevertheless continues to rise and could reach around 90 percent of gross domestic product in 2013. Spain is reliant on financial support from the EU to rescue its banking system and at the beginning of June 2012 received a commitment for assistance worth up to €100 billion.

Based on current assessments, it does not appear that the other countries in the euro zone referred to above will be faced with a situation similar to that in Greece, although this does not apply to Cyprus.

Among the other countries on the periphery of the European sovereign debt crisis, Hungary and Slovenia are particularly vulnerable to trends in international financial markets and a possible deterioration in the options available to them for refinancing their national debt.

EXPOSURE OF THE DZ BANK GROUP

In 2012, the DZ BANK Group achieved further significant reductions in its exposure to counterparties in countries hit directly by the European sovereign debt crisis. Loans and advances in this subportfolio amounted to a total of €12,649 million as at December 31, 2012 (December 31, 2011: €16,381 million), which constituted a year-on-year decrease of 33 percent. Figure 36 shows the borrower structure by credit-risk-bearing instrument.

FIG. 36 – LOANS AND ADVANCES TO BORROWERS IN THE COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Portugal	140	131	848	984	3	7	992	1,121
of which: public sector	–	–	606	464	–	–	606	464
of which: non-public sector	140	131	242	520	3	7	385	657
of which: financial sector	–	–	127	384	3	7	130	391
Italy	327	443	3,388	3,675	87	192	3,802	4,310
of which: public sector	–	–	2,082	1,760	–	–	2,082	1,760
of which: non-public sector	327	443	1,306	1,915	87	192	1,719	2,550
of which: financial sector	42	78	820	1,320	78	181	940	1,579
Ireland	1,011	867	359	635	255	417	1,625	1,918
of which: public sector	–	–	52	50	–	–	52	50
of which: non-public sector	1,011	867	307	585	255	417	1,572	1,868
of which: financial sector	–	–	194	391	253	416	447	807
Greece	303	939	113	465	–	–	416	1,405
of which: public sector	–	–	62	265	–	–	62	265
of which: non-public sector	303	939	51	200	–	–	354	1,140
of which: financial sector	1	7	3	64	–	–	4	71
Spain	505	448	5,277	7,128	33	50	5,815	7,627
of which: public sector	62	65	2,376	3,086	–	–	2,438	3,151
of which: non-public sector	442	383	2,901	4,042	33	50	3,377	4,475
of which: financial sector	67	70	1,592	2,419	32	50	1,691	2,539
Total	**2,285**	**2,827**	**9,986**	**12,888**	**378**	**666**	**12,649**	**16,381**
of which: public sector	63	65	5,178	5,626	–	–	5,241	5,691
of which: non-public sector	2,223	2,762	4,807	7,262	378	666	7,408	10,690
of which: financial sector	110	156	2,736	4,577	365	654	3,212	5,387

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments; excluding R+V loans and advances

As at December 31, 2012, the lending volume extended to counterparties in Cyprus, Hungary, and Slovenia in total accounted for less than 1 percent of the DZ BANK Group's total lending volume, a low level similar to that at the end of 2011.

5.6.2. Impact of the financial crisis

SECURITIZATION PORTFOLIO

The changes in the securitization portfolio in 2012 were largely in line with expectations, whether in terms of redemptions, rating migrations, or the performance of the portfolio. One of the factors worth highlighting is the increase in house prices in the USA and the associated recovery in US RMBS prices. The companies in the DZ BANK Group made the most of the more benign market environment during the course of 2012 to step up their efforts to actively scale back the portfolio. The rating migrations were largely triggered by the downgrading of country ratings as a consequence of the sovereign debt crisis in the euro zone. However, the rating migrations did not appear to be accompanied by any material deterioration in performance.

The **fair value** of the DZ BANK Group's securitization exposure as at December 31, 2012 amounted to €10.8 billion after having been as high as €12.6 billion as at December 31, 2011. This equates to a reduction of 14 percent (2011: reduction of 19 percent). The reduction in the fair value of the portfolios held by the group was largely the result of redemptions and disposals. These changes offset the increases in value derived from the recovery in prices. Since December 31, 2008, the securitization exposure has been cut by a total of 56 percent.

As at December 31, 2012, 54 percent (December 31, 2011: 53 percent) of the loans and advances in the reference portfolios were to borrowers in European countries, in particular the United Kingdom, Ireland, Germany, Spain, and the Netherlands. A further 39 percent of borrowers were domiciled in the US, as had also been the case as at December 31, 2011. The credit rating awarded to each securitization is based on the lowest available rating issued by the rating agencies Standard & Poor's, Moody's, and Fitch. As at December 31, 2012, 29 percent (December 31, 2011: 40 percent) of the **securitization exposure on the balance sheet** consisted of AAA tranches rated by external credit agencies. A total of 75 percent (December 31, 2011: 80 percent) was rated as investment grade (up to BBB-).

Within the total exposure at the end of the financial year, €3.0 billion (December 31, 2011: €3.5 billion) was related to **exposures to conduits**. Of this amount, 71 percent (December 31, 2011: 66 percent) was accounted for by undrawn liquidity lines to conduits. As at December 31, 2012, 75 percent (December 31, 2011: 82 percent) of securitization exposure to conduits was in external rating class A or higher.

Securitization exposure rated as AAA or AA accounted for 17 percent of the total exposure to conduits as at December 31, 2012 (December 31, 2011: 23 percent). Rating classes BBB+ to B- made up 24 percent (December 31, 2011: 16 percent) of the total exposure to conduits as at December 31, 2012.

Securitization exposures in the **CDO** product category amounted to €1.0 billion as at December 31, 2012 (December 31, 2011: €1.1 billion). Loans and advances in the **subprime portfolio** totaled €0.8 billion as at the balance sheet date, which was the same level as at December 31, 2011, one of the main reasons being the rallying of the markets. As at December 31, 2012, the volume of assets insured by **monoliners** remained negligible and therefore unchanged year on year.

Figure 37 summarizes the changes in the securitization portfolio in 2012, broken down by **changes in**

FIG. 37 – CHANGES IN THE COMPOSITION AND VALUE OF THE SECURITIZATION PORTFOLIO

€ million	Fair value as at Jan. 1, 2012 before changes in composition and value	Changes in composition due to purchases, sales, redemptions, and exchange-rate fluctuations	Changes in value	Fair value as at Dec. 31, 2012 after changes in composition and value
Receivables from retail loans	6,093	-1,432	495	5,155
of which: RMBSs	5,674	-1,345	496	4,825
of which: assets classified as subprime	826	-223	182	785
of which: assets classified as Alt-A	240	-110	25	155
Receivables from corporate loans[1]	379	-1	11	389
Receivables from CMBSs	1,629	-445	124	1,308
Receivables from CDOs[2]	1,069	-180	64	953
Total exposure reported on the balance sheet	9,170	-2,057	693	7,806
Exposures to conduits[3]	3,471	-511	–	2,959
Total	**12,641**	**-2,569**	**693**	**10,765**

1 Including receivables from purchased leased assets amounting to €40 million (Dec. 31, 2011: €56 million)
2 CDOs = collateralized debt obligations
3 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits

portfolio composition and changes in fair value. As at December 31, 2012, there had been an overall increase in fair value of €693 million, largely attributable to the recovery in prices (December 31, 2011: decrease in fair value of €587 million).

LEVERAGED FINANCE PORTFOLIO

Of all the entities in the DZ BANK Group, only DZ BANK is involved in the leveraged finance product segment on a significant scale. DZ BANK classifies mergers & acquisitions and related types of financing that involve an above-average level of gearing ('leverage') as leveraged finance transactions. These primarily include the types of acquisition finance listed below, especially for private equity companies whose credit ratings essentially depend on the cash flows expected to be generated by the acquired companies. During the course of a regular review, the base data in the leveraged finance portfolio was extended in 2012 to include a further 17 entities.

DZ BANK distinguishes between the following types of transaction:

– leveraged buyouts by financial sponsors
– recapitalization and funding of acquisitions
– management buyouts and management buyins.

DZ BANK also arranges and underwrites this type of acquisition finance.

The following disclosures relate to the gross lending volume of leveraged finance transactions, which is based on carrying amounts and does not include credit risk mitigation techniques or the recognition of loan loss allowances. The amounts shown for December 31, 2011 have been restated using the new base data.

The loan commitments granted by DZ BANK in this product segment totaled €1.5 billion as at December 31, 2012 (December 31, 2011: €1.6 billion). Of this total, loans amounting to €1.2 billion (December 31, 2011: €1.1 billion) had already been drawn down and outstanding loan commitments came to €325 million (December 31, 2011: €432 million). The leveraged finance portfolio was hedged by credit derivatives and guarantees in the amount of €2 million at the balance sheet date (December 31, 2011: €19 million). As at December 31, 2012, the exposures in the portfolio revealed a broad sectoral diversification, with over 80 percent relating to companies based in the European Union, as indeed had also been the case at the end of 2011.

Impairment losses of €47 million (2011: €37 million) were recognized for this portfolio in the reporting year.

5.6.3. Targeted management action

Since the start of the financial crisis, the DZ BANK Group has stepped up the monitoring of its credit portfolio, with attention focused on exposure to the financial sector and to selected countries and regions of the world. Individual exposures are subject to intensified loan management using standard processes within the workout management system. The risks in subportfolios are monitored and analyzed with regular reports.

The companies in the DZ BANK Group have recognized adequate allowances for losses on loans and advances in respect of exposures in countries particularly affected by the European sovereign debt crisis as well as in respect of the securitization portfolio and the leveraged finance portfolio.

5.7. RISK POSITION

The amount of capital required to cover credit risk is based on a number of factors, including the size of single-borrower exposures, individual ratings, and the industry sector of each exposure. As at December 31, 2012, the risk capital requirement in the DZ BANK Group amounted to €2,843 million (December 31, 2011: €3,526 million). The DZ BANK Group also set an upper loss limit of €3,711 million (December 31, 2011: €4,309 million).

The fall in the risk capital requirement reflected the slight contraction in lending volume during 2012. The decrease in the risk capital requirement was attributable to various effects over the course of the year and was mostly accounted for by DZ BANK. The upper loss limit was not exceeded at any time during 2012. Figure 38 shows the lending volume and the associated risk capital requirement, by sector.

FIG. 38 – LENDING VOLUME AND CAPITAL REQUIREMENT FOR CREDIT RISK, BY SECTOR

	Risk capital requirement (€ million)		Lending volume (€ billion)	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Financial sector	997	1,111	125.1	133.4
Public sector	211	157	44.3	42.0
Corporates	920	1,267	85.7	84.0
Retail	561	865	45.8	46.5
Industry conglomerates	121	78	6.6	7.5
Other	33	49	0.9	1.1
Total	2,843	3,526	308.5	314.5

5.8. SUMMARY AND OUTLOOK

In 2012, all internal **rating systems** and the rating systems approved by the banking regulators for compliance under SolvV were validated in detail. Existing rating systems for the project finance, acquisition finance, and major corporate customer segments were refined. For 2013, efforts will be made to obtain IRB-approach approval for the newly introduced rating system for investment funds to be used at DZ BANK. It is also planned to apply for IRB-approach approval for other rating systems that have already been developed and that are already used for internal management purposes.

As in 2011, a key area of **collateral management** activity was the enhancement of data quality. To this end, further action plans were implemented in DZ BANK's collateral management system to increase efficiency and transparency. These action plans focused on extended plausibility tests, new combinations of collateral agreements and assets, reporting adjustments, and technical enhancement and optimization of data delivery. DZ BANK also continued to translate requirements for the refinement of the collateral management system into functional specifications. In 2013, further development of the collateral management system at DZ BANK will focus on the implementation of new regulatory requirements (CRR, CRD IV). Changes in collateral processing within the joint credit business are also planned.

In addition, DZ BANK intends to carry out a further optimization of the internal credit risk measurement system in 2013.

In the current year, the DZ BANK Group will continue to implement the risk-strategy approach to lending business that it has already initiated. It is also planned to continue to scale back non-network activities. At DZ BANK this is consistent with further stepping up structured business with the cooperative financial network and selected customers. In addition, the group plans to significantly increase its market share in SME business and strengthen its positioning in this segment in Germany, especially in the medium-sized company subsegment.

6. EQUITY RISK

In the DZ BANK Group, equity risk is understood to be the risk of losses arising from negative changes in the fair value of that portion of the long-term equity investments portfolio in which the risks are not covered by other types of risk. Within the DZ BANK Group, equity risk arises primarily at DZ BANK and to a lesser extent at BSH and R+V.

The equity investments listed in the banking book are largely held for strategic reasons. Companies in which DZ BANK, BSH, and R+V hold strategic investments normally cover markets, market segments, or parts of the value chain in which they or the local cooperative banks are not active. These investments therefore support the sales activities of the cooperative banks or help reduce costs by bundling functions. The investment strategy is continuously aligned with the needs of cooperative financial network policy.

In addition, the strategic investments held by R+V help to support sales and marketing and the geographical diversification of the insurance business by means of investments in international markets. R+V investments in banks within the Volksbanken Raiffeisenbanken cooperative financial network also form part of the strategic investments.

Decisions on whether to acquire or dispose of equity investments are made by the Board of Managing Directors at DZ BANK, BSH or R+V respectively in consultation with the relevant committees. At DZ BANK, the Central Services division is responsible for supporting these investments, whereas at BSH the task falls within the scope of the International Markets division and the Controlling and Investment Management division. At R+V, responsibility is assigned to the relevant central service or investment planning and control. The monitoring and measurement of equity risk is the responsibility of the relevant planning and control units which must then submit quarterly reports on the results of their activities to the Supervisory Board, the Board of Managing Directors, and the Central Services division.

Risk strategy requirements must be observed in the management of investments. Such management is subject to the principle that entities in the DZ BANK Group may take on equity risk (measured as risk capital requirement) only if this risk is considered together with the associated opportunities and only if the risk remains within the existing upper loss limits.

The volume of long-term equity investments in entities outside the DZ BANK Group amounted to €3,437 million as at December 31, 2012 (December 31, 2011: €3,148 million).

As at December 31, 2012, the economic capital requirement for the DZ BANK Group's equity risk was measured at €822 million, a decrease on the corresponding figure of €911 million as at December 31, 2011. As at December 31, 2012, the upper loss limit was €1,186 million (December 31, 2011: €1,107 million). The upper loss limit was not exceeded at any time during 2012.

7. MARKET RISK

7.1. DEFINITION AND CAUSES

Market risk comprises market risk in the narrow sense of the term and market liquidity risk.

Market risk in the narrow sense of the term – referred to below as market risk – is the risk of losses on financial instruments or other assets arising from changes in market prices or in the parameters that influence prices. Depending on the underlying influences, market risk can be broken down for the most part into interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk. These risks are caused by changes in the yield curve, credit spread, exchange rates, share prices, and commodity prices. Risks from sudden events (rating changes) are referred to as incremental risk and form a separate component within market risk.

Market risk arises in the DZ BANK Group in particular from DZ BANK's customer-account trading activities, DZ BANK's cash-pooling function for the Volksbanken Raiffeisenbanken cooperative financial network, and from the lending business, real-estate finance business, building society operations, investments, and issuing activities of the various companies in the group. Spread risk is the most significant type of market risk for the DZ BANK Group.

Market liquidity risk is the risk of loss arising from adverse changes in market liquidity, for example as a result of a reduction in market depth or market disruption. The consequences are that assets can only be liquidated in markets if they are discounted and that it is only possible to carry out active risk management on a limited basis. Market liquidity risk arises primarily in connection with money market business and securities already held in the portfolio.

7.2. RISK STRATEGY

DZ BANK and its subsidiaries operate on the principle that the assumption of market risk is only permitted within the existing limits and provided it is considered together with the associated opportunities. Within the DZ BANK Group, trading business is conducted primarily by DZ BANK.

DZ BANK conducts trading activities as part of its role as a central institution in the Volksbanken Raiffeisenbanken cooperative financial network and – on this basis – as a corporate bank for customers outside the cooperative financial network. As part of a range of services for the cooperative banks and the cooperative financial network, DZ BANK provides investment and risk management products, platforms, research, and expertise, and acts as an intermediary transforming small deposits into larger-scale lending. DZ BANK also provides facilities for risk transfer from the cooperative financial network and cash pooling within the cooperative financial network. DZ BANK's trading strategy is aimed at generating profits primarily from customer margins and structuring margins. The main approach used to mitigate market risk arising on portfolios held for these purposes is dynamic hedging within the relevant limits.

Open market-risk positions, primarily involving spread risk, arise in connection with customer business and from holding securities portfolios in trading for customer account. To support its liquidity management function as a central institution and corporate bank, and on behalf of the DZ BANK Group, DZ BANK also maintains liquidity portfolios in which it holds – within the relevant limits – bonds eligible for central bank borrowing. DZ BANK manages market risk in its lending business and own issues and also incurs market risk from holding issues from the primary banks and subsidiaries.

BSH is exposed to market risk in the form of interest-rate risk. BSH is particularly exposed to this risk because it guarantees its customers fixed interest rates on both their credit balances and on loans to be drawn down in the future. Risk quantification models designed specifically for the building society business take account of this transaction structure. BSH enters into capital-market transactions to hedge its collective business, with the focus on risk mitigation. BSH does not conduct any own-account trading with a view to exploiting short-term pricing fluctuations. In addition to interest-rate risk, spread risk arising on own-account investing activities is a material risk factor at BSH.

DG HYP's business model means that the risks relevant to its management of market risk are interest-rate risk, spread risk, and currency risk. Currency risk only represents a minimal risk in this case, as it is usually completely eliminated. Spread risk is monitored as part of the internal reporting system. DG HYP's treasury is not permitted to trade in the equity and commodity markets. As DG HYP is classed as a non-trading book institution, it does not engage in own-account trading in the sense of exploiting short-term fluctuations in interest rates and prices.

R+V's investments result in equity price risk, interest-rate risk, and currency risk, although the interest-rate and equity price risks represent the most important risk categories. R+V's market risk strategy is determined by the provisions of the German Regulation on the Investment of the Cover Assets of Insurance Companies (AnlV) and the basic regulatory investment principles and rules for cover assets. In this regard, insurance companies are under an obligation to invest collateral assets and other cover assets to achieve the greatest possible security and profitability while at the same time ensuring the liquidity of the insurance company with an appropriate mix and diversification of investments. In addition, well-established collaboration arrangements between R+V's actuarial and investment departments as part of the management of assets and liabilities ensure that insurance contract benefit obligations on the balance sheet are matched with investment opportunities.

The market risks assumed by R+V reflect the investment portfolio structure developed as part of strategic asset allocation taking into account the individual risk-bearing capacity and long-term income requirements of R+V subsidiaries. These risks are managed within the framework of the overall risk management system and in compliance with the upper loss limits specified throughout the group.

7.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

7.3.1. Organization and responsibility

For the purposes of groupwide market risk management, market risks are broken down on the basis of the underlying type of business into banking and building society/insurance risks. Market risk arising from **banking activities** consists of positions run in the trading and non-trading portfolios of the DZ BANK Group. The risk in this case is generally determined by the spread risk arising on securities exposures in the liquidity reserve and in cover assets. Market risk arises from the **building society operations and insurance business** at BSH and R+V respectively.

At **DZ BANK**, as a bank with a trading book, market risk is managed on a decentralized basis using portfolios, each portfolio manager bearing responsibility for risk and performance. Market risk arising at **BSH** is managed at overall bank level and exclusively as part of the banking book. Market risk at **DG HYP** is managed centrally by a committee that specifies the guidelines for the bank's treasury activities on the basis of daily reports on the overall portfolio. Operational implementation of decisions is the responsibility of DG HYP's treasury department. **R+V** manages market risk at individual company level.

7.3.2. Risk reporting

Key figures for market risk are submitted at **group level** to the Group Risk Committee within the overall risk report for the DZ BANK Group. If any limits are exceeded at group company level, this is notified to DZ BANK using an ad hoc reporting system.

In the **banks** within the DZ BANK Group, as part of the management reporting system, risk control provides the senior managers responsible for risk management and risk control, and the portfolio managers, with daily, weekly, or monthly market risk updates.

At **R+V**, all senior managers in individual companies receive monthly risk management reports and investment portfolio management reports. The central risk management committee at R+V (the Risk Conference) also receives quarterly reports.

7.4. RISK MANAGEMENT

7.4.1. Measurement of market risk

INTERNAL MODEL

Market risk is determined using the **value-at-risk** method. Value-at-risk is a key performance indicator that describes the maximum expected loss for a given probability (confidence level) and within a specified holding period for the positions under normal market conditions. The model does not show the maximum potential loss that could arise under extreme market conditions. It is based on market scenarios that were observed within the prior year and simulates these scenarios for the bank's current positions (historical simulation). An observation period of 6 years is used in the measurement of market risk at BSH.

Stress tests are carried out to estimate potential losses in special market conditions. In these stress tests, the following are deemed to be material risk factors: interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk.

For each bank in the DZ BANK Group, calculations are carried out to determine an overall value-at-risk and – where relevant – separate values-at-risk for interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk, broken down into trading portfolios and non-trading portfolios. The values-at-risk are added together to give a total value-at-risk figure for the DZ BANK Group's combined trading portfolio and a figure for its combined non-trading portfolio. The risk in the banking book is included in the value-at-risk for both the trading and non-trading portfolios.

MEASURING MARKET RISK IN THE INSURANCE BUSINESS

R+V carries out **scenario analyses** to measure the market risk arising on its investments. These scenarios demonstrate the effect of different potential changes. For equities held directly and via investment funds, the effect of a 35 percent fluctuation in price is simulated. An analysis of a combined scenario also determines the impact of a 20 percent fall in equity markets and an upward shift in the yield curve of one percentage point. In addition, **duration analysis** is regularly carried out for the portfolio of fixed-income securities and loans.

The calculation of the **capital requirement** for market risk at R+V, which is limited by the upper loss limit as part of risk capital management, is based on a value-at-risk approach. This calculation uses a confidence level of 99.90 percent and a holding period of one year.

7.4.2. Backtesting and stress tests

BACKTESTING ON BANKS

The purpose of backtesting as prescribed by regulatory requirements on banks is to check the predictive quality of value-at-risk approaches used to measure the risk in trading portfolios. Actual daily changes in the value of portfolios are compared against the value-at-risk calculated using risk modeling.

STRESS TESTS ON BANKS

Risks from extreme market situations are primarily recorded using stress tests. The crisis scenarios underlying the stress tests include the simulation of significant fluctuations in risk factors and serve to highlight potential losses not generally recognized in the value-at-risk approach. Stress tests use as their basis extreme market fluctuations that have actually occurred in the past together with crisis scenarios that – regardless of market data history – are considered to be economically relevant. The crisis scenarios used are constantly reviewed to ensure they are appropriate.

Market liquidity risk is implicitly included in economic stress tests calculations because such risk arises particularly in stressed market situations.

STRESS TESTS ON R+V

R+V uses annual stress tests specified by BaFin to review whether it is in a position to meet its obligations to policyholders, even in the event of a sustained crisis situation on the capital markets. R+V also carries out stress simulations on an ongoing basis during the course of the year to illustrate the impact of adverse capital markets scenarios.

7.4.3. Management of limits for market risk

Market risk is managed at **DZ BANK**, **BSH**, and **DG HYP** using a limit system appropriate to the portfolio structure. This system limits the risks assumed in parts of the group as well as any losses arising during the course of the year.

Within the trading divisions of DZ BANK and the treasury at DG HYP, the management of risk based on value-at-risk is supported by a limit system structured around sensitivities and scenarios, and by stress test limits. In the DG HYP treasury, the system of limits is based on value-at-risk and sensitivities. Market risk at **R+V** is limited by the upper loss limits applicable throughout the group.

7.4.4. Mitigation of market risk

MARKET RISK HEDGING

As part of the decentralized management of portfolios, market risk at DZ BANK is hedged by the relevant portfolio managers, while it is hedged by treasury at DG HYP.

Risks are hedged at **DZ BANK** either through internal transactions with the front-office trading unit responsible for the relevant product or through external exchange-based and OTC transactions. **DG HYP** exclusively uses external exchange-based and OTC transactions to hedge against market risk, although the OTC transactions used for hedging are primarily with counterparties within the DZ BANK Group. At **BSH**, the asset-liability committee decides whether to hedge market risk via OTC transactions. At **R+V**, the relevant portfolio managers hedge market risk using exchange-based and OTC transactions.

HEDGE EFFECTIVENESS

The measurement of market risk at **DZ BANK** is based on the inclusion of the individual positions subject to market risk. There is therefore no need to monitor the economic effectiveness of hedges. There are also a small number of positions in back-to-back and repackaging transactions for which the market risk has been transferred. These transactions, or some of their components, are not included in the assessment as individual positions and instead, the affected portfolios are monitored daily. Monitoring is carried out by the risk control unit responsible for the portfolio concerned.

At **DG HYP**, the effectiveness of any hedging is reviewed and reported daily in terms of both risk and performance. The report covers the entire DG HYP book. Derivatives in various forms are used to mitigate market risk. These are predominantly plain vanilla products.

When positions are first established, **R+V** checks the positions for which it is responsible for correlations as defined by supervisory regulations, in order to ensure that the desired effectiveness of economic hedging is actually achieved. R+V also measures its currency exposure in order to make ongoing adjustments in accordance with the applicable hedging benchmarks and guidelines. In addition, it monitors limits and reports on options transactions on a daily basis. Finally, sensitivity analyses are also carried out.

7.4.5. Managing the different types of market risk

MANAGEMENT OF INTEREST-RATE RISK

At **DZ BANK**, interest-rate risk arises from trading for customer account with interest-rate-sensitive products, from structuring its own issues in trading for customer account, and from exposures in connection with liquidity management. The risks from trading for customer account are dynamically hedged within the set limits and the risks from liquidity management are generally minimized.

BSH is subject to particular interest-rate risks arising from its collective home savings business since it gives customers a binding interest-rate guarantee both for savings and for the loan element that may be drawn down in the future. BSH uses a sophisticated simulation model based on the behavior of building society customers to measure interest-rate risk. The model forecasts the volume of collective assets held, taking into consideration planned new business and different customer options.

At **DG HYP**, interest-rate risk largely arises from Pfandbrief cover assets and funding transactions. These risks are mitigated by hedging on a regular basis.

Interest-rate risk arises at **R+V** because the guaranteed minimum growth agreed for certain products when the contract is signed cannot necessarily be obtained on capital markets over the long term. Interest-rate risk is managed as part of asset liability management based on the outcome of stress tests and scenario analyses.

MANAGEMENT OF SPREAD RISK

At **DZ BANK**, spread risk arises from holding securities portfolios in trading for customer account, from own issues in trading for customer account, and from the liquidity management function that the bank carries out for the DZ BANK Group. The risk incurred in connection with trading for customer account is actively managed. In liquidity management, the risk tends to be limited to that which is absolutely necessary to allow DZ BANK to carry out its responsibilities as a central institution and in connection with the liquidity management function.

Spread risk arises at **BSH** from investing available home savings deposits in securities. The resulting risk is managed as part of a conservative investment policy.

Spread risk at **DG HYP** largely results from holding securities for the Pfandbrief cover assets. The risks are included in an active reporting system and are monitored on a daily basis. Since the switch in DG HYP's business model, the company only takes on new spread risk if this is necessary as part of the management of the cover assets; otherwise, DG HYP will not assume any new spread risk.

When creating an insurance protection product, **R+V** is subject to spread risk arising in connection with investments in fixed-income securities. Given that cash flows in connection with insurance liabilities can be readily forecast, there is only a reduced risk that bonds might have to be sold at a loss before the maturity date.

MANAGEMENT OF EQUITY PRICE RISK

Equity price risk is only of minor significance at **DZ BANK**. It arises mainly in connection with the issue of DZ BANK's own structured equity products and is managed by using equities, exchange-traded futures and options, and OTC derivatives. OTC derivatives are used particularly if such risk cannot be hedged using equities, futures or simple options.

At **R+V**, equity price risk arises from existing equity exposures used as part of a long-term investment strategy to guarantee that obligations to policyholders can be satisfied.

Equity price risk does not arise at **BSH** or **DG HYP**.

MANAGEMENT OF CURRENCY RISK

Only a small amount of currency risk arises at **DZ BANK**, primarily in connection with interest-rate products denominated in foreign currency and in connection with customer business involving currency products and derivatives. The currency risk is eliminated for the most part. Generally speaking, DZ BANK does not hold any significant open currency positions.

At **BSH**, currency risk arises mainly as a result of capital transfers between BSH and subsidiaries in a non-euro-zone country. This risk is generally eliminated by hedging.

The currency risk resulting from customer business at **DG HYP** is not material and is normally eliminated in full.

At **R+V**, items denominated in foreign currency are held mainly for the purposes of diversification and for participation in high-yield global investments as part of an active portfolio management strategy, although currency positions may also be held in connection with reinsurance obligations. Appropriate risk models are used in which the resulting currency risk is subject to continuous monitoring and active currency overlay management with the aim of hedging against exchange-rate-related losses.

MANAGEMENT OF COMMODITY RISK

DZ BANK is exposed to a low level of commodity risk arising from customer business involving commodity derivatives. The exposure is hedged for the most part or passed on directly and in full to external counterparties in back-to-back transactions.

Commodity risk is not relevant at **BSH**. **DG HYP**'s treasury is not permitted to trade in commodity markets. R+V does not incur any commodity risk either.

7.4.6. Managing market risk arising from securitizations

For the purposes of internal management, market risk associated with securitizations (for example, interest-rate risk, spread risk, or currency risk) is included in DZ BANK's internal market risk model regardless of whether the securitizations are posted in the banking book or the trading book. The regulatory capital requirement for general price risk is also calculated for securitizations in the trading book using the internal model.

The risk exposure arising from securitizations in the banking book and the trading book forms an integral part of the daily market risk report and is reflected in the values from the weekly stress scenario calculations for market risk. A special feature in the case of securitizations is that extreme scenarios are also applied for the weighted average lifetime and recovery assumptions.

7.5. RISK POSITION

The **economic capital requirement** for market risk used to determine risk-bearing capacity in the DZ BANK Group remained within the upper loss limits throughout the reporting year in the banking business, building society operations, and the insurance business. Figure 39 shows the figures for December 31, 2012 and December 31, 2011.

The fall in the risk capital requirement was attributable to the reduction in the confidence level, management action plans, and the discontinuation of the use of certain risk-related scenarios in the historical simulation.

The change in the **value-at-risk** for the different types of market risk in the trading and non-trading portfolios of the banking business in 2012 is shown in

FIG. 39 – UPPER LOSS LIMITS AND CAPITAL REQUIREMENT FOR MARKET RISK BY TYPE OF BUSINESS

€ million	Upper loss limit		Risk capital requirement	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Banking	2,046	2,044	1,253	1,728
Building society operations and insurance business	1,633	1,594	885	985
Total	**3,679**	**3,638**	**2,138**	**2,713**

figure 40. These values-at-risk are used for short-term risk management.

Figure 41 shows the changes in value-at-risk and the results of daily backtesting of DZ BANK's trading portfolios.

The fall in value-at-risk during the course of 2012 was largely attributable to the fact that certain market scenarios were no longer included in the one-year period relevant for the historical simulation. Specifically, prior-year scenarios involving significant changes in credit spreads for issues from European countries or government-guaranteed bonds gradually ceased to be relevant for the purposes of calculating the value-at-risk.

In 2012, there were no changes in the fair value of trading portfolios at DZ BANK that resulted in forecast risk values being exceeded. In 2011, backtesting had revealed that forecast risk values had been exceeded on 10 trading days. This change was attributable to the fact that there was less market volatility in 2012.

Generally speaking, market liquidity remained below the level seen before the financial crisis. Market liquidity for European government bonds (with the exception of issues by the German government) also remained at a lower level in 2012.

7.6. SUMMARY AND OUTLOOK

The European sovereign debt crisis is expected to persist in 2013. It is therefore reasonable to assume that over the 2013 financial year the value-at-risk will remain around the level reported at the end of 2012.

The experience of the recent economic crisis has been incorporated on a permanent basis into the methods and systems used for market risk management. As in previous years, the focus of DZ BANK's trading business in 2013 will be on customer business. In addition, securities will be managed as a liquidity buffer. The setting of limits will continue to be based on the risk-bearing capacity of the group.

In 2013, the DZ BANK Group is planning to include liquidity components in the measurement of risk related to derivatives. These liquidity components have become more important since the start of the financial crisis. The 'smile effect' is also to be modeled with a greater degree of accuracy in interest-rate and currency risk.

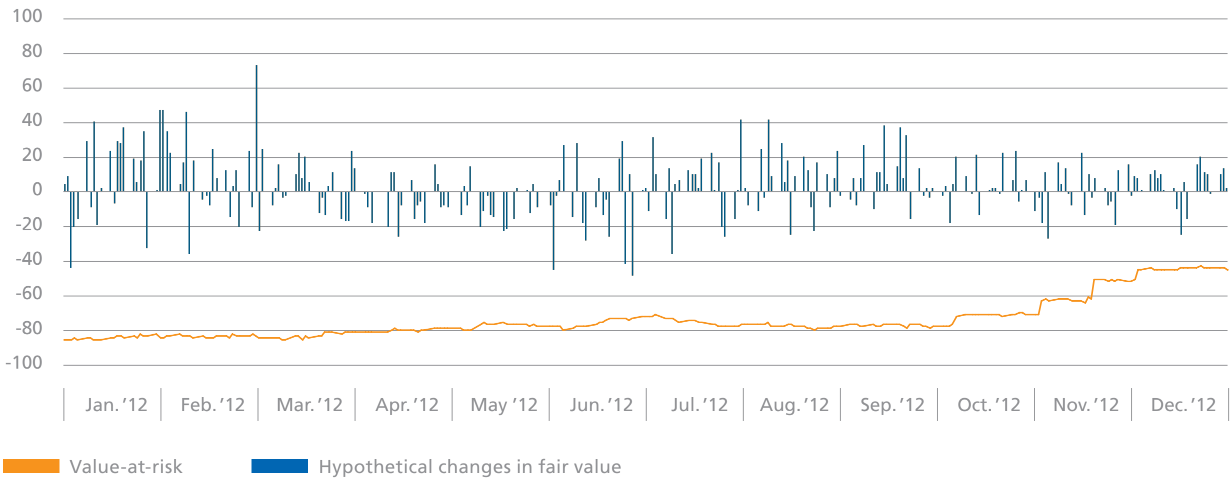
FIG. 40 – VALUE-AT-RISK IN THE BANKING BUSINESS BY TRADING AND NON-TRADING PORTFOLIOS[1]

€ million	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity risk	Diversification effect[2]	Total
Trading portfolios							
Dec. 31, 2012	7	43	2	3	–	-12	**45**
Average	7	70	3	7	–	-14	74
Maximum	9	80	4	11	1	-22	86
Minimum	5	41	2	3	–	-9	43
Dec. 31, 2011	**7**	**77**	**3**	**10**	**–**	**-12**	85
Non-trading portfolios							
Dec. 31, 2012	4	10	5	1	–	-3	**17**
Average	6	9	6	3	–	-7	17
Maximum	7	12	6	6	–	-9	20
Minimum	4	6	4	1	–	-3	15
Dec. 31, 2011	**5**	**6**	**6**	**2**	**–**	**-5**	16

1 Value-at-risk with 99.00% confidence level, 1-day holding period, 1-year observation period, based on company-specific modeling. The banking business is an aggregation of the relevant management units.
2 Total effects of diversification between the types of market risk for all consolidated group companies.

FIG. 41 – VALUE-AT-RISK FOR MARKET RISK AND HYPOTHETICAL CHANGES IN FAIR VALUE IN DZ BANK'S TRADING PORTFOLIOS

€ million, 99.00% confidence level, 1-day holding period, 1-year observation period



8. LIQUIDITY RISK

8.1. DEFINITION AND CAUSES

Liquidity risk is the risk that cash and cash equivalents will not be available in sufficient amounts to ensure that payment obligations can be met. In this way liquidity risk is equivalent to insolvency risk.

Liquidity risk arises from a mismatch in timing and amount between anticipated cash inflows and outflows. The following key factors affect the level of liquidity risk:

- the funding structure of the lending business;
- uncertainty surrounding liquidity tied up in funding structured issues and certificates;
- changes in the volume of deposits and loans;
- funding potential in money markets and capital markets;
- the eligibility of securities for use as collateral and the saleability of these securities;
- the potential exercise of liquidity options (for example, in the form of irrevocable loan or liquidity commitments);
- the obligation on the DZ BANK Group to pledge its own collateral (for example, for derivatives or in connection with guarantees for payments as part of intraday liquidity).

Liquidity risk also arises from changes to the DZ BANK Group's rating if contractual requirements to provide collateral depend on the rating.

The level of liquidity risk in the DZ BANK Group is determined by the activities of DZ BANK and the following management units: BSH, DG HYP, DVB, DZ BANK Ireland, DZ PRIVATBANK S.A., TeamBank, and VR-LEASING AG.

8.2. RISK STRATEGY

The DZ BANK Group operates on the principle that the assumption of liquidity risk is only permitted if it is considered together with the associated opportunities and complies with the **risk tolerance** specified by the Board of Managing Directors. Solvency must be ensured, even in times of serious crisis. Risk tolerance is expressed in the form of crisis scenarios, and stress tests must demonstrate that there is adequate cover for these scenarios. The crisis scenarios also take into account the specific requirements for the structure of stress scenarios at publicly listed banks.

Having said that, further extreme scenarios are not covered by the risk tolerance. The risks arising in this regard are accepted and therefore not taken into account in the management of risk. Examples of such scenarios are a run on the bank, i.e. an extensive withdrawal of customer deposits as a result of damage to the reputation of the banking system, or a situation in which all non-collateralized funding sources on money markets completely dry up over the long term, also encompassing transactions with the DZ BANK Group's closely associated corporate customers, institutional customers, and bank customers. On the other hand, the risk that interbank funding could dry up is not accepted and this risk is the subject of relevant stress scenarios.

Liquidity reserves in the form of collateralizable securities are held by the DZ BANK Group so that it can remain solvent, even in the event of a crisis. The DZ BANK Group ensures that it has potential sources of funding on the secured and unsecured money markets by maintaining a broadly diversified national and international customer base comprising, for example, corporate, institutional, and bank customers. This is achieved with active market and customer support, intensively maintained customer relationships, and an excellent reputation in the money markets. The local cooperative banks also provide a significant and stable source of funding.

The DZ BANK Group's liquidity risk strategy is consistently aligned with its overall business strategy and to this end is reviewed at least once a year, adjustments being made to the strategy where appropriate.

8.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

8.3.1. Organization and responsibility

The strategic guidelines for the management of liquidity risk at group level are established by the Group Risk Committee. With these guidelines as a basis, **liquidity risk management** for the group is then coordinated by the Market Working Group.

Liquidity risk in the group companies is managed by the DZ BANK Group Treasury division and in the individual subsidiaries. The individual companies are provided with funding by DZ BANK (**group funding**) or the companies exchange cash among themselves via DZ BANK (**group clearing**).

Groupwide **liquidity risk control** is coordinated by the Group Risk Management Working Group. Liquidity risk control is carried out in the Controlling division at DZ BANK and in the subsidiaries independently of the units responsible for liquidity risk management. DZ BANK is responsible for aggregating the results of liquidity risk control activities in individual companies to generate a group overview.

At **DZ BANK** level, the strategic guidelines for liquidity risk management are decided by the Treasury Committee. Liquidity risk is managed by head office treasury in Frankfurt and by treasuries in foreign branches, although Frankfurt has primary responsibility. Liquidity risk control is carried out centrally by head office risk control and independently of liquidity risk management.

8.3.2. Risk reporting

The DZ BANK Group's liquidity up to one year and structural liquidity are reported on a daily basis to the member of the Board of Managing Directors of DZ BANK responsible for the Group Treasury and Group Controlling divisions. The entire Board of Managing Directors receives a weekly report on the current situation and the changes over the previous week. The DZ BANK treasury units and units in the subsidiaries responsible for the management of liquidity risk also receive detailed daily information showing the contribution from each individual position to the aggregate position. The Group Risk Committee receives a quarterly report on liquidity up to one year for the DZ BANK Group and the individual group companies. The group companies have their own corresponding reporting procedures to support the monitoring and control of liquidity at individual company level.

Group Treasury is informed on a daily basis of the largest providers of liquidity to DZ BANK in the unsecured money markets. This is reported to Board of Managing Directors on a weekly basis. Reports make a distinction between customers and banks and are related to DZ BANK in Frankfurt and to each international branch. These reports ensure that any possible concentration risk as regards sources of liquidity can be clearly identified at an early stage.

8.4. RISK MANAGEMENT

8.4.1. Measurement of liquidity risk

INTRADAY LIQUIDITY

The units in group companies responsible for liquidity risk management ensure and monitor intraday liquidity via the ongoing management of accounts held with central and correspondent banks in Germany and abroad. To this end, the intraday cash flows at DZ BANK for each trading day are broken down by time of day; the collateral required to execute the payments is also measured. This allows DZ BANK to identify any payment concentrations during the course of a day as quickly as possible. The measurement results are also used to model the collateral requirement in connection with intraday risk as part of the overall measurement of liquidity covering a period of up to one year.

Within the DZ BANK Group, the biggest intraday cash flows are at DZ BANK.

LIQUIDITY UP TO ONE YEAR

To determine liquidity risk for a one-year time horizon, DZ BANK uses its own **liquidity risk measurement and control method** approved by BaFin in accordance with section 10 of the German Liquidity Regulation (LiqV) for the assessment of adequate liquidity in accordance with section 2 LiqV in place of the standard regulatory method.

The internal liquidity risk model is also used to determine the liquidity risk at DZ BANK Group level. All group companies with a significant impact on liquidity risk are integrated into the model, which is used to simulate one risk scenario and four stress scenarios on a daily basis. The model also covers the liquidity risk arising from short-term funding of the ABCP programs.

A 'minimum liquidity surplus' figure is calculated for each scenario. This figure quantifies the minimum surplus cash that would be available if the scenario were to materialize within the next 12 months.
To carry out this calculation, cumulative cash flow (forward cash exposure) is compared against available liquidity reserves (counterbalancing capacity) on a day-by-day basis. Forward cash exposure includes both expected and unexpected payments. The counterbalancing capacity includes balances on nostro accounts, securities eligible for central bank borrowing, and unsecured funding capacity with customers and banks.

The risk scenario reflects the current market and company situation and takes into account the usual fluctuations in cash flow. **Stress tests** are conducted for the forward cash exposure and for the counterbalancing capacity using the following four scenarios: 'downgrading', 'corporate crisis', 'market crisis', and 'combination crisis'.

The simulated event in each stress scenario represents a serious deterioration in conditions. The stress scenarios look at serious sources of crises in both the market and the bank itself. A combination of market-specific and institution-specific sources is also taken into consideration. In crisis scenarios with bank-specific causes, such as a deterioration in the bank's reputation, it is assumed for example that it will be very difficult to obtain unsecured funding from customers and banks over the forecast period of one year.

Because the forward cash exposure is compared with the counterbalancing capacity, the minimum liquidity surplus calculated already takes into account the effect on liquidity of the measures that could be implemented to generate liquidity in each scenario. The measures include collateralized funding of securities via central banks or in the repo market.

The internal liquidity risk model is constantly revised as part of an **appropriateness test** and adjusted in line with changes in the market, products, and processes. This appropriateness test is carried out by every company integrated into the DZ BANK Group's liquidity risk management system.

8.4.2. Management of limits for liquidity risk

Liquidity risk limits in the DZ BANK Group are based on the minimum liquidity surplus calculated for the four stress scenarios (known as limit scenarios). The Board of Managing Directors has set a limit and an observation threshold that is higher than the limit. The limit system ensures that the group remains solvent even in serious stress scenarios. The DZ BANK Group has **emergency liquidity plans** in place so that it is able to respond to serious events rapidly and in a coordinated manner. The emergency plans are revised annually.

The DZ BANK Group also analyzes '**introductory' scenarios** in addition to the limit scenarios. These introductory scenarios differ in terms of the definition of the securities recognized for liquidity generation purposes, which means that only highly liquid securities are recognized within the first forecasting month. The ability to readily convert such securities into cash in private markets (as opposed to the ability to obtain funding from central banks) is a focal point of this analysis, especially for forecasting periods of up to one week.

8.4.3. Liquidity risk mitigation

Measures to reduce liquidity risk are initiated by the treasuries of the group companies as part of their liquidity management function. Active liquidity risk management is made possible by holding sufficient available instruments in the form of cash and liquid securities, and by managing the maturity profile of money-market and capital market transactions.

8.4.4. Liquidity costs

The DZ BANK Group aims to use liquidity – which is both a resource and a success factor – as efficiently as possible in terms of opportunities and risks. The DZ BANK Group applies an internal liquidity costs strategy in which the costs of liquidity are charged within the group by the units generating liquidity to the units consuming liquidity on the basis of transfer prices. Transfer prices are set, in particular, for the liquidity costs of loans, loan commitments, and securities.

8.5. RISK POSITION

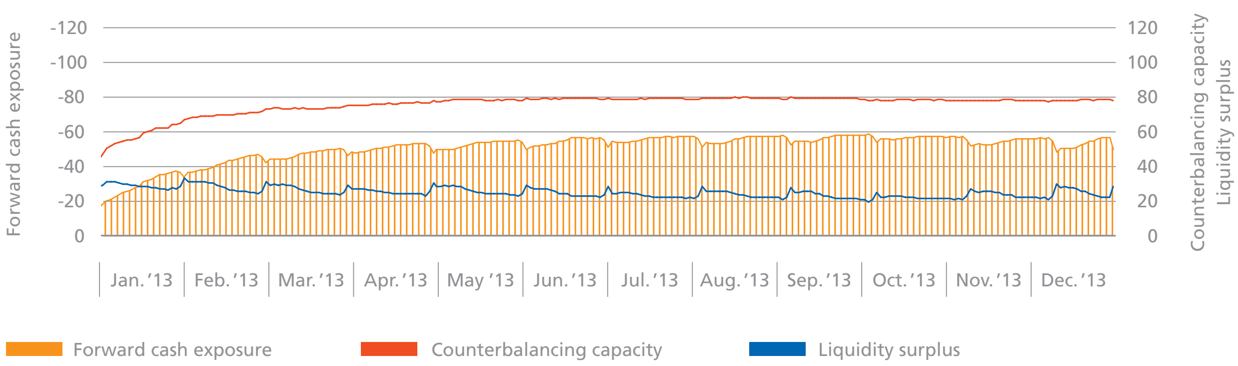
Figure 42 shows the results from the measurement of liquidity risk in the risk scenario and in the stress scenarios subject to limits (limit scenarios) as at December 31, 2012 and December 31, 2011. The values reported are the values that occur on the day on which the liquidity surplus calculated over the forecast period of one year is at a minimum level.

FIG. 42 – LIQUIDITY UP TO 1 YEAR IN RISK SCENARIO AND IN THE STRESS SCENARIOS SUBJECT TO LIMITS (LIMIT SCENARIOS): FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ billion	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
Risk scenario (base scenario)	-58.9	-49.6	78.4	74.5	19.4	24.9
Stress scenarios						
Downgrading	-59.5	-52.7	71.9	67.5	12.5	14.8
Corporate crisis	-53.6	-60.2	63.6	66.9	10.0	6.7
Market crisis	-61.5	-44.8	76.2	60.7	14.6	15.8
Combination crisis	-40.0	-66.2	48.7	77.3	8.7	11.1

FIG. 43 – LIQUIDITY FORECAST IN RISK SCENARIO

€ billion



The trend in forward cash exposure, counterbalancing capacity, and liquidity surplus in the risk scenario as calculated at December 31, 2012 is shown in figure 43.

The overviews take into account the effect on liquidity of the measures that can be implemented to generate liquidity in the individual scenarios. These measures include the collateralized funding of securities via central banks or in the repo market.

The **minimum liquidity surplus** of the DZ BANK Group in the risk scenario measured as at December 31, 2012 amounted to €19.4 billion (December 31, 2011: €24.9 billion). The DZ BANK Group's liquidity did not fall below the observation threshold or limit for the minimum liquidity surplus in any of the limit scenarios during the reporting period.

8.6. SUMMARY AND OUTLOOK

In 2012, liquidity risk management in the DZ BANK Group followed standard daily processes. Despite the turmoil in the markets, the solvency of the group and of each individual company was never in jeopardy at any point. Some of the effects of the financial crisis were persistent but the group was able to cope adequately with these effects within its existing organizational framework.

Stress tests to measure and monitor liquidity are carried out on a daily basis, independently of the trading function. The results of the stress tests suggest that, in the limit scenarios, neither DZ BANK nor the DZ BANK Group will experience a liquidity squeeze in 2013, even if a serious crisis should arise.

In addition, the DZ BANK Group plans to continue reinvesting the cash obtained from maturing liquidity portfolio securities in 2013 in highly liquid issues and this is expected to help bring about an ongoing improvement in the resilience of the group in stress scenarios.

9. TECHNICAL RISK OF A HOME SAVINGS AND LOAN COMPANY

Technical risk of a home savings and loan company is subdivided into two components: new business risk and collective risk. New business risk is the risk of a negative impact from possible variances compared with the planned new business volume.

Collective risk refers to the risk of a negative impact that could arise from variances between the actual and forecast performance of the collective building society business caused by significant long-term changes in customer behavior unrelated to changes in interest rates.

Technical risk of a home savings and loan company arises in the DZ BANK Group in connection with the business activities of BSH. Business risk at BSH forms part of this technical risk.

Technical risk of a home savings and loan company is closely linked with the BSH business model and cannot therefore be avoided. Against this backdrop, the **risk strategy** aims to prevent an uncontrolled increase in risk. The risk is managed in particular through a forward-looking policy for products and scales of rates and charges, and through the integrated management of collective and non-collective business.

BSH is **responsible** for managing technical risk of a home savings and loan company within the DZ BANK Group. This includes measuring the risk and communicating risk information to the risk management committees at BSH and to the Board of Managing Directors and Supervisory Board of BSH. Technical risk of a home savings and loan company forms an integral part of the DZ BANK Group's risk reporting system.

A special collective simulation, which includes the effects of a (negative) change in customer behavior and a drop in new business, is used to **measure the risk**. The results of the collective simulation are fed into an income statement for the period using a long-term forecast of earnings. The variance between the actual earnings in the risk scenario and the necessary earnings to achieve the target is used as a risk measure. The variance is discounted to produce a present value. The total of present values for variances represents the technical risk of a home savings and loan company and therefore the risk capital requirement for this type of risk.

In order to determine the technical risk of a home savings and loan company in a **stress scenario,** the risk parameters are adjusted in line with current circumstances. Stress tests are carried out quarterly.

For the present value perspective in the liquidation approach within BSH's **overall bank limit system**, the technical risk of a home savings and loan company is covered by risk capital.

As at December 31, 2012, the capital requirement for technical risk of a home savings and loan company amounted to €593 million (December 31, 2011: €585 million) with an upper loss limit also of €593 million (December 31, 2011: €585 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2012. The level of technical risk of a home savings and loan company remained at roughly the same level determined as at December 31, 2011. Based on new business planning at BSH, no significant increase in this risk is forecast for 2013.

10. ACTUARIAL RISK

10.1. DEFINITION AND CAUSES

10.1.1. Definition

Actuarial risk is the risk that the actual cost of claims and benefits deviates from the expected cost as a result of chance, error or change. Actuarial risk comprises biometric risk, interest-rate guarantee risk, premium and claim risk, reserve risk, cost risk, and lapse risk.

Biometric risk in direct life insurance and pension insurance business includes death, longevity, invalidity, and long-term care risks. Mortality rates that are different from the assumed rates determine the death and longevity risk. Likewise, the number of persons dependent on care or unable to work because of invalidity may exceed the numbers assumed in the calculations.

Interest-rate guarantee risk may arise in direct life insurance and pension insurance business, and also in casualty insurance with premium refund, because the guaranteed minimum growth rates agreed for certain products when the contract is signed cannot necessarily be obtained on capital markets over the long term.

Premium and claim risk in direct non-life insurance business and in inward reinsurance business is the risk that future compensation in connection with insured losses that have not yet materialized will be higher than expected. **Natural disaster risk**, which includes cumulative risks arising from multiple claims caused by a single loss event, is particularly important and forms part of premium and claim risk.

Reserve risk in direct non-life insurance business and inward reinsurance business relates to situations in which loss reserves recognized for losses that have already materialized prove to be inadequate.

Cost risk arises if actual costs cannot be covered by the costs included in cost calculations.

Lapse risk in direct life insurance and pension insurance business arises in connection with a variance between the actual behavior of policyholders with regard to the surrender of policies prior to the agreed maturity date and the assumptions made in the cost calculations.

10.1.2. Causes

In the DZ BANK Group, actuarial risk arises from the business activities of the insurance subsidiary R+V and its constituent companies. The risk arises from the direct life insurance, pension insurance and health insurance business, the direct non-life insurance, and the inward reinsurance business.

The actuarial risk situation in **life insurance companies and pension funds** is characterized to a large extent by fixed premiums and the long-term nature of the guaranteed benefits in the event of a claim.

One of the characteristics of the actuarial risk situation of a **health insurance company** is the constant rise in the cost of claims, caused both by the growth in the portfolio and by the behavior of policyholders and service providers.

Actuarial risk in direct non-life insurance business and in inward reinsurance business arises from the uncertainty relating to the timing, frequency, and amount of claims.

10.2. RISK STRATEGY

R+V's annually updated risk strategy governing the management of actuarial risk in its subgroup comprises the following components:

- ensuring that obligations under insurance contracts can always be met;
- ensuring that there is a broad balance of risk across all lines of business, from non-life insurance to personal insurance;
- regularly reviewing the adequacy of the indicators and threshold values for the individual risks in the segments and lines of business;
- specifying mandatory underwriting guidelines and limits to circumscribe liability risk for both individual claims and cumulative claims, and allocating clear signing authorities;
- reviewing the impact of new products and business areas on R+V's risk profile as part of the product management process.

10.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

R+V is responsible for managing actuarial risk within the DZ BANK Group.

The risk management process, which is implemented across all companies in the R+V insurance group, defines rules for dealing with risks and forms the basis of a central **early warning system**. Investees are also included in the R+V group's risk management system.

An updated index-based assessment of all significant risks at R+V is prepared quarterly on the basis of binding key performance indicators and threshold values. Corrective action is initiated if the specified index value is exceeded. In addition, managers and employees are surveyed in order to ensure that risks are identified at an early stage. Risks that have been identified are subsequently evaluated at the Risk Conference, which is held every quarter.

The central **reporting of risk** at R+V ensures transparent reporting. A system of reports to the relevant member of the Board of Managing Directors and the head of the Risk Conference allows for the notification of changes in risks that jeopardize the future of the business as a going concern. Company information that has a bearing on risk exposure is passed to the relevant supervisory body on a regular basis. Actuarial risk also forms an integral part of the DZ BANK Group's internal risk reporting system.

10.4. RISK MANAGEMENT

10.4.1. Risk management in the direct life insurance and pension insurance business

BIOMETRIC RISK

At R+V, the risk that changes over the course of time in the parameters underlying the calculations in the direct life insurance and pension life insurance business will have an adverse impact unless prompt corrective action is taken is countered by careful product development and actuarial control systems. Comprehensive risk assessments before a contract is signed prevent a concentration of undesirable risks in the portfolio. The relevant actuaries monitor the situation to ensure that the assumptions used in calculations cover both the present risk position and the risk of any changes.

Diversification of insured risks within the insurance group has the effect of mitigating risk generally. For example, an increase in mortality has an adverse impact on earnings from life insurance and risk insurance policies in which capital is accumulated. On the other hand however, the same trend results in an improvement in earnings from pension insurance. Overall, the earnings regularly derived from risk situations are sufficiently high to ensure that positive earnings would still be generated, even in the event of a significant increase in claims. Biometric risk is minimized by using a security-oriented approach and by regularly reviewing the basis of calculations. This allows R+V to identify changes in good time and initiate appropriate corrective action.

The geographical concentration of insured risk predominantly in the Federal Republic of Germany is not considered to be critical, particularly in view of the diversification of this risk. Within Germany, the risk is spread evenly without any cumulative risk from a geographical perspective.

Continuous evaluation of the insurance portfolio shows that the mortality tables used to determine death risk include an appropriate safety margin in line with the recommendations issued by the Deutsche Aktuarvereinigung e.V. (DAV) [German Actuarial Association].

The use of the pension mortality tables is considered appropriate from a regulatory perspective. Given an anticipated increase in life expectancy and in accordance with DAV recommendations, an addition was made to the benefit reserve for the portfolio (as at December 31, 2012) of pension insurance with start dates up to and including 2004. Similar additions had been made in previous years. New information on mortality trends or an increase in safety margins recommended by DAV could lead to further additions to the benefit reserve. Overall, the action taken in respect of the pensions portfolio means that the level of cover can be assumed to be sound.

Since December 21, 2012, unisex insurance rates (with separate scales for each individual company) have been used for all new business involving relevant scales of rates. The appropriateness of the new decrement tables is particularly dependent on the actual composition of the portfolio and is being reviewed by actuaries using comparisons with claims experience.

High levels of individual or cumulative risk are limited by an appropriate degree of reinsurance.

INTEREST-RATE GUARANTEE RISK

The risk that future investment income will fall short of the guaranteed interest on the insurance liabilities is countered by ensuring that there is enough free capital that can be made available even in adverse capital market situations. The necessary capital requirement to maintain solvency is reviewed on an ongoing basis with the support of stress tests and scenario analyses as part of the management of assets and liabilities. Specifically, a systematic review is carried out to assess the effects of a long period of low interest rates and volatile capital markets. Policyholder bonuses have already been declared and secured for 2012. Annual policyholder bonuses are determined at a level such that there are still enough available funds to cover the interest-rate guarantee risk. This assessment is based on the available provision for premium refunds and the valuation reserves in investments allowing for estimated ongoing interest income.

In 2011, Germany amended its Benefit Reserve Regulation (DeckRV) and introduced a statutory requirement to recognize a supplementary discount rate reserve. This mechanism facilitates a forward-looking increase in reserves to be implemented at an early stage as a precautionary measure during periods of low interest income. The amount of the supplementary discount rate reserve is determined by a specified reference rate. This is defined as the average yield over 10 years on investment-grade bonds (AAA) with a residual maturity of 10 years issued by countries in the European Monetary Union. The supplementary discount rate reserve is calculated on the basis of each individual contract. In 2012, R+V increased its supplementary discount rate reserve by €225 million to €288 million in its direct life insurance business. R+V expects to make a further addition in 2013 and this addition has been included in the budget accounts.

SPECIAL FEATURES OF BIOMETRIC RISK AND INTEREST-RATE GUARANTEE RISK IN RELATION TO PENSION FUNDS

The risk situation in a pension fund is determined to a significant degree by the nature of the pension plans offered. In pension plans offered by R+V involving defined contributions with a minimum benefit, investments must be managed to ensure that at least the sum of the contributions paid into the plan (net of any contributions covering biometric risk assumed by R+V) is available on the agreed pension start date.

R+V also offers pension plans that include guaranteed insurance-based occupational incapacity cover as well as pension benefits and benefits for surviving dependants. Interest-rate risk and all the risk types covered by biometric risk are relevant as far as occupational pension provision is concerned. Longevity risk is also important in relation to pensions because of the guaranteed benefits involved. An annual review is carried out to check that the mortality tables used for pension purposes remain appropriate.

In the pension plans involving a benefit commitment without any insurance-based guarantees, R+V does not assume responsibility for any of the pension fund risk or investment risk because the contributions paid in by the employer are subject to the proviso that the employer will also make up any difference required. This also applies to the period in which pensions are drawn. If an employer fails to make the payments of additional capital required, R+V reduces the commitment to insurance-based guaranteed benefits determined by the amount of capital still available. The ongoing pension plan contributions and the benefit reserve include sufficient amounts to cover the costs of managing pension fund contracts.

COST RISK

R+V ensures that regular premiums and the benefit reserve include sufficient amounts to cover the costs of managing insurance contracts such that the cost risk is covered.

LAPSE RISK

Lapse risk is factored into the calculation of the benefit reserve by ensuring that the minimum benefit reserve for each individual insurance contract is equivalent to the statutory or contractually guaranteed surrender value. From a regulatory perspective, the basis on which the benefit reserve is calculated is also subject to audit by BaFin.

10.4.2. Risk management in the direct health insurance business

In the health insurance business, actuarial risk is managed by means of a risk-conscious underwriting policy, the features of which are binding underwriting guidelines, careful selection of risk, and targeted management of benefits and costs. In many of the health insurance rate scales, deductibles are one of the specific mechanisms used to control the extent of claims. The level of these deductibles is regularly reviewed. Extreme risks are also limited by taking out appropriate reinsurance. Provisions are recognized to ensure that all benefit obligations under insurance contracts can be met.

As stipulated by statutory provisions such as the German Calculation Regulation (KalV), R+V Krankenversicherung AG, Wiesbaden, regularly compares the required insurance benefit payments against the payments forecast in its calculations. If this comparison of claims for an observation unit within a particular scale of insurance rates reveals a variance that is other than temporary, the relevant premiums are adjusted. An independent trustee is consulted to ensure that the basis of the calculations is sufficiently secure. A safety margin factored into premiums also ensures that obligations can be met if claims are higher than the level provided for in cost calculations.

The discount rate is regularly checked using the procedure developed by DAV for calculating the company actuarial discount rate. The discount rate used in the existing portfolio is 3.5 percent. In the case of new business based on the unisex insurance rates, R+V Krankenversicherung AG has followed the recommendation issued by DAV and set a discount rate of 2.75 percent.

Decrement tables are another factor of critical importance in the basis of calculations in addition to claims expenses and the discount rate. In the health insurance business, the decrement tables include assumptions regarding mortality and the probability of other relevant withdrawal factors. Under the requirements set out in KalV, these assumptions must be specified and regularly reviewed from the perspective of prudent risk assessment. It is for this reason that a new mortality table is developed at regular intervals by the Verband der privaten Krankenversicherung e.V. (PKV) [Association of German private healthcare insurers] in consultation with BaFin. In accordance with statutory provisions, R+V Krankenversicherung AG regularly compares its calculations against the most recently published mortality tables.

When determining lapse probabilities for the purposes of its calculations, R+V Krankenversicherung AG uses both its own observations and the latest figures published by BaFin.

Where premiums were adjusted on January 1, 2012, R+V Krankenversicherung AG used the new PKV mortality table valid for 2012 to determine both new business premiums and those premium adjustments in existing business.

Since December 21, 2012, R+V Krankenversicherung AG has been offering unisex rates in connection with its new business. The cost calculation for these rates is not only based on the existing gender breakdown, but also takes into account the expected pattern of switching by existing policyholders to the new rates. The appropriateness of the new decrement tables is particularly dependent on the actual composition of the portfolio and is being reviewed by actuaries using comparisons with claims experience.

10.4.3. Risk management in the direct non-life insurance business

PREMIUM AND CLAIM RISK

Premium and claim risk is managed through targeted risk selection, risk-oriented premiums and products, and profit-oriented underwriting guidelines. In order to maintain a balanced risk profile, R+V always seeks to avoid exposure to major individual risks. Managers use planning and control tools to ensure they are in a position at an early stage to identify unexpected or adverse portfolio or claim trends and to initiate appropriate corrective action in response to the changes in the risk situation. To make these risks manageable, pricing is based on a precise calculation with the help of mathematical/statistical modeling.

Action initiated in 2011 to improve revenue has had a positive impact, particularly in the vehicle insurance business. Market monitoring and ongoing checks on the action taken open up further options for managing the business at an early stage, taking into account the prevailing risk appetite.

As part of the management of natural disaster risk, the risk from natural hazards is assessed by carrying out regular analyses of the insurance portfolio. Geographical diversification and underwriting limitations for certain risks and regions reduce the overall risk in this case.

The methodology for assessing natural hazard risk includes a prospective limit system that factors in the allocated internal risk capital amounts. The risk exposure determined on the basis of projected business performance is set against an upper loss limit derived from the allocated internal risk capital. If the models are not yet sufficiently refined to achieve the necessary stability – for example, models to estimate the risk from hailstorms – R+V continues to use deterministic approaches to assess the possible risk situation until the planned replacement date for the methodology.

Conventional approaches for reducing underwriting risk include risk sharing (through obligatory or facultative reinsurance), risk exclusion, and systematic structuring or restructuring of deductibles. Risk-bearing capacity in connection with natural hazard risk is regularly reviewed. This is used as the basis for reinsurance structures and liability layers.

In order to prevent or limit losses, R+V provides a network of different subsidiaries that offer specialist services to help customers and sales partners with contract, risk prevention, or restructuring issues.

RESERVE RISK

Various uncertainties are involved in estimating obligations arising from loss events that have already occurred. Reserves for claims and claim settlement costs are determined in accordance with generally accepted principles of actuarial practice using assumptions. These assumptions are based on R+V's own experience, actuarial statistics, and analysis of other available information sources.

R+V recognizes adequate provisions for both known and unknown claims. The use of these reserves is continuously tracked and any relevant information identified in this process is fed back into current assessments.

COST RISK

Cost risk in direct non-life insurance business arises from adverse changes in the performance of the business. This risk materializes if income falls but the corresponding expenses cannot be reduced by the same proportion. This also includes budget deficit risk, which arises if income is lower or costs are higher than in the budget.

INTEREST-RATE GUARANTEE RISK

Interest-rate guarantee risk in casualty insurance with premium refund is the risk that the guaranteed minimum interest agreed for certain products when the contract is signed cannot be obtained on capital markets over the long term. When measuring the interest-rate guarantee risk and the amount of the supplementary discount rate reserve, care must be taken to ensure that the casualty insurance (with premium refund) concerned only involves endowment insurance and that the average term of the contracts is relatively short.

10.4.4. Risk management in inward reinsurance

PREMIUM AND CLAIM RISK

R+V counters premium and claim risk by continuously monitoring the market as well as the economic and political situation, by managing risk in accordance with its corporate strategy, and by setting insurance rates appropriate to the risk involved. Risk management is conducted via a clearly structured and profit-oriented underwriting policy. The assumption of risk is circumscribed by mandatory underwriting guidelines and limits that restrict potential liability arising from both individual and cumulative claims. When underwriting risk, R+V is guided by profit-driven targets taking into account the economic cost of capital. Compliance with these requirements is regularly monitored.

As far as cumulative losses are concerned, R+V makes a distinction between natural disaster risk, which arises from the events such as storms, earthquakes, or floods, and man-made risk.

The greatest actuarial risk for a reinsurer is primarily concentrated in a portfolio at risk from natural disasters. Actual and potential losses under catastrophe insurance, in terms of both amount and frequency, are continuously recorded and assessed using industry standard software and R+V's own verification systems. The portfolio is continuously monitored for possible concentrations of natural disaster risk.

Limits are set to support central management and limitation of cumulative risks arising from individual natural hazards. One of the key mechanisms for managing risk is a systematic check on the cumulative authorized limits for natural disaster risks.

The core objective in managing natural disaster risk is to ensure that there is a broad balance of risk across all categories and that the risk is diversified geographically around the globe. The modeled exposures remained within the authorized limits.

Action that can be taken to mitigate the risk includes management of deductibles and retrocession taking into account risk-bearing capacity and the effective costs of retrocession. Minimum requirements apply in relation to the credit rating of retrocessionaires. R+V has sufficient equity and reserves providing the necessary risk-bearing capacity for its inward reinsurance business. Currently, there is no need to purchase further reinsurance (retrocession).

RESERVE RISK

R+V monitors the claims rate trend promptly and continuously, allowing it to initiate preventive measures so that it always has a sufficient level of reserves. The reserves position is monitored in a number of ways, including by means of an expert report, which is prepared once a year. R+V recognizes adequate provisions for both known and unknown claims.

COST RISK

Cost risk in inward reinsurance business arises from adverse changes in the performance of the business. This risk materializes if income falls but the corresponding expenses cannot be reduced by the same proportion. This also includes budget deficit risk, which arises if income is lower or costs are higher than in the budget.

FIG. 44 – CLAIMS RATE AND SETTLEMENTS (NET OF REINSURANCE)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Claims rate (net) as % of premiums earned										
Including major/natural disaster claims	76	78	77	73	73	74	71	72	72	72
Excluding major/natural disaster claims	73	71	75	73	71	70	70	70	71	71
Settlements (net) as % of provision for incoming claims										
Non-life	–	2	5	5	8	6	7	6	3	4

10.5. CLAIMS RATE TREND

The claims rate trend in R+V's direct insurance and reinsurance business is shown in figure 44.

The **direct non-life insurance** businesses of the companies in the R+V insurance group continued to benefit disproportionately from the excellent economic situation in Germany by exploiting the synergies offered by the Volksbanken Raiffeisenbanken cooperative financial network. In 2012, steady high growth was maintained in all the main areas of business, and at rates significantly better than in the market as a whole. The claims rate remained within the limits of R+V's risk appetite. The impact from ongoing implementation of measures to improve earnings was reflected in the slight year-on-year improvement in the operating claims rate (before reinsurance). There were no high individual claims of more than €20 million, the cost of large claims was below the level of 2011, and there were no exceptionally high claims resulting from natural disasters. As a consequence, claims arising from natural disaster risk were significantly below the 5-year average. Overall, the reporting year was characterized by a substantial increase in the average value of claims, but also by a slight drop in the number of claims. This applies in particular to the vehicle insurance segment.

The claims rate trend in direct business and inward reinsurance business is shown in figures 45 and 46.

The level of reserves in **direct non-life insurance** as at December 31, 2012 can generally be described as ample, as was the case at the end of 2011. During the reporting period, R+V had reinsurance cover in place in its direct non-life insurance business to mitigate its risk exposure to natural disasters, and to protect its existing financial strength and earnings power.

One of the features of the claims in the **inward reinsurance business** in 2012 was the large number of small to moderate claims. In contrast to the situation in 2011, both the number and absolute amount of large claims decreased in the reporting year. The four largest natural disasters during 2012 were Hurricane Sandy, a catastrophic drought in the United States, a tornado in the United States, and the earthquakes in Italy.

10.6. RISK POSITION AND OUTLOOK

As at December 31, 2012, the economic capital requirement for actuarial risk was measured at €1,840 million, a decrease on the corresponding figure of €1,967 million as at December 31, 2011. The main reason for this decrease was the reduction in the confidence level. As at December 31, 2012, the upper loss limit for the total actuarial risk was set at €2,100 million (December 31, 2011: €2,000 million).

A major risk factor potentially affecting R+V's performance is the sovereign debt crisis in the euro zone. Given the experience of the last few years, a deterioration in

FIG. 45 – GROSS CLAIMS PROVISIONS IN DIRECT BUSINESS AND PAYMENTS MADE AGAINST THE ORIGINAL PROVISIONS

€ million	**2012**	2011	2010	2009	2008	2007	2006	2005	2004
At the end of the year	3,345	3,341	3,324	2,953	2,704	2,672	2,509	2,396	2,312
1 year later	–	3,359	3,135	2,901	2,623	2,601	2,414	2,253	2,258
2 years later	–	–	3,160	2,763	2,527	2,531	2,306	2,170	2,183
3 years later	–	–	–	2,756	2,533	2,472	2,268	2,127	2,142
4 years later	–	–	–	–	2,505	2,487	2,230	2,110	2,106
5 years later	–	–	–	–	–	2,478	2,245	2,088	2,090
6 years later	–	–	–	–	–	–	2,214	2,085	2,067
7 years later	–	–	–	–	–	–	–	2,056	2,069
8 years later	–	–	–	–	–	–	–	–	2,054
Settlements	**–**	**-18**	**164**	**197**	**199**	**194**	**295**	**340**	**258**

FIG. 46 – GROSS CLAIMS PROVISIONS IN INWARD REINSURANCE BUSINESS AND PAYMENTS MADE AGAINST THE ORIGINAL PROVISIONS

€ million	**2012**	2011	2010	2009	2008	2007	2006	2005	2004
Gross provisions for claims outstanding	1,506	1,409	1,190	892	712	596	524	504	464
Cumulative payments for the year concerned and prior years									
1 year later	–	463	437	282	232	127	138	134	163
2 years later	–	–	632	399	347	203	175	179	218
3 years later	–	–	–	468	410	250	212	208	246
4 years later	–	–	–	–	447	282	240	224	266
5 years later	–	–	–	–	–	307	252	246	278
6 years later	–	–	–	–	–	–	266	252	296
7 years later	–	–	–	–	–	–	–	265	301
8 years later	–	–	–	–	–	–	–	–	311
Gross provisions for claims outstanding and payments made against the original provision									
At the end of the year	1,506	1,409	1,190	892	712	596	524	504	464
1 year later	–	1,536	1,401	1,026	779	583	541	497	486
2 years later	–	–	1,343	872	765	529	480	461	468
3 years later	–	–	–	826	696	518	432	420	442
4 years later	–	–	–	–	680	479	423	382	422
5 years later	–	–	–	–	–	470	396	381	403
6 years later	–	–	–	–	–	–	391	362	407
7 years later	–	–	–	–	–	–	–	360	389
8 years later	–	–	–	–	–	–	–	–	390
Settlements	**–**	**-127**	**-153**	**66**	**32**	**126**	**133**	**144**	**74**

the crisis cannot be ruled out, especially as there has also been a significant economic slowdown. It is difficult to assess the associated impact on the capital markets, real economy, and consumer demand. Despite this uncertainty, R+V believes that it is in a strong competitive position based on its integration in the cooperative financial network, its close collaboration with the local cooperative banks, its broadly diversified range of products, and its professional sales organization.

A further dimension to the risk position described above is that, over the long term, providers of personal insurance involving guarantee obligations or guarantee products face the risk of a sustained period of low interest rates. Having lowered the discount rate for new business and recognized a supplementary discount rate reserve, R+V has put in place key prerequisites for limiting interest-rate guarantee risk in its life insurance and pension insurance business.

The R+V insurance group possesses all the necessary tools in order to be able to control the risks that have been identified. Sufficient capital, a well-diversified product portfolio, strong distribution channels, and cost-effective business operations will enable the R+V insurance group to manage the risks that have been identified and benefit from opportunities that arise.

11. OPERATIONAL RISK

11.1. DEFINITION AND CAUSES

DZ BANK defines operational risk as the risk of loss from human behavior, technological failure, weaknesses in process or project management, or external events. This closely resembles the regulatory definition. Legal risk is included in this definition. The other main management units within the DZ BANK Group also use this definition or a definition comparable with that in SolvV. The activities of DZ BANK and those of BSH, DG HYP, DVB, DZ PRIVATBANK S.A., R+V, TeamBank, and Union Asset Management Holding have a significant impact on operational risk.

11.2. RISK STRATEGY

The DZ BANK Group aims to manage operational risk efficiently. The following substrategies represent areas in which the DZ BANK Group has taken action, or is planning to take action, to ensure this core objective is achieved:

– Continuous enhancement of **risk awareness,** so that it is reflected in an appropriate risk culture focusing not only on individual areas of responsibility but also on the overarching interests of the group. Establishment of comprehensive, open communication systems to support these aims.
– An open and largely penalty-free **approach to operational risk** promoting a problem-solving culture.
– Preference for a balanced relationship between **opportunities and risks** rather than a general strategy of risk avoidance. Risk reduction, risk transfer, and risk acceptance are core management strategies in addition to risk avoidance.
– **Risk appetite** defined in the form of upper loss limits and materiality limits for operational risk and continuously adjusted in line with prevailing circumstances.
– Individual **methods** for managing operational risk coordinated with each other to provide an accurate, comprehensive picture of the risk situation coherently integrated into the overall management of all risk types.
– Mandatory rule for all material **decisions** to take into account the impact on operational risk; this applies in particular to the new product process and to business continuity planning.
– Subject to cost effectiveness, appropriate **resources** for managing operational risk to be made available.
– **Incentive systems** compatible with risk to ensure a sustained contribution based on performance from the perspective of the entire business.
– **Management** of operational risk on a decentralized basis.
– Compliance with relevant **regulatory requirements** guaranteed at all times.

11.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

The starting point for all other tools for the management and control of operational risk is the **functional organization model,** which describes in detail the roles and responsibilities of all persons involved in the process.

Appropriate **guidelines** ensure that there is a groupwide harmonization of organizational structures in group companies. The management of operational risk is the responsibility of each group company. A groupwide coordinated approach to operational risk is managed by a **committee** assigned to the Group Risk Management Working Group and comprising representatives from the main group companies.

Regular **reports** on loss data, risk self-assessment, and risk indicators are submitted to the Board of Managing Directors, the Group Risk Committee, and operational management, ensuring that operational risk is managed effectively on a timely basis.

11.4. RISK MANAGEMENT

The **Standardized Approach** specified by SolvV is used to estimate the risk capital requirement for operational risks, both in the context of risk management and to determine the regulatory capital requirement. In this approach, the risk is largely determined on the basis of the gross margin for the year.

The groupwide collection of **loss data** allows DZ BANK to identify, analyze, and evaluate loss events, highlighting patterns, trends, and concentrations of operational risk. The assembled data history also forms the basis for the calculation of economic capital using a portfolio model (known as OpVaR). Losses are recorded if they are above a threshold value of €1,000.

In large parts of the DZ BANK Group, senior managers from all management units assess operational risk as part of a scenario-supported **risk self-assessment** process in order to identify and evaluate all material operational risks and ensure maximum possible transparency regarding the risk position. The main potential risks for all first-level risk categories as defined by SolvV are calculated and described using risk scenarios. The findings will be fed into the internal portfolio model in the future. The scenarios also allow the group to identify risk concentrations.

In addition to the loss database and risk self-assessment, **risk indicators** help the group identify risk trends and concentrations at an early stage and detect weaknesses in business processes. A system of warning lights is used to indicate risk situations based on specified threshold values. Risk indicators are collected systematically and regularly on a wide scale within the group.

Continuous **improvement** of business processes is one method of minimizing operational risk. The **transfer of risk** by means of insurance or outsourcing as permitted by liability regulations provides further protection. Operational risk is **avoided**, for example, by **rejecting** products identified during the new product process as entailing too much risk. In all relevant group companies, comprehensive contingency plans covering business-critical processes have been established to ensure the continuation of business in the event of process disruption or system breakdown. These business continuity plans are regularly reviewed and simulated to ensure they are fully functional. A number of ways are used to minimize the operational risk associated with **securitization exposures**, one of which is to carry out regular due diligence reviews with the parties involved.

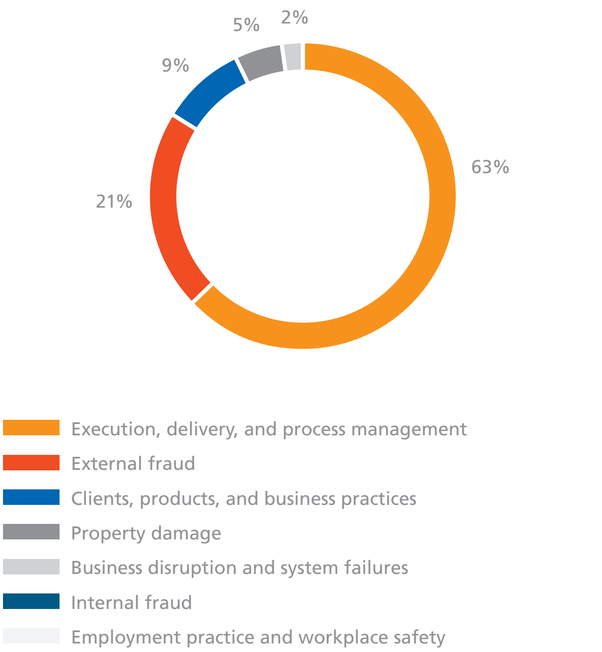
11.5. LOSS EVENTS AND LOSSES

Figure 47 shows the losses reported in 2012 classified by **loss event category**. Over the course of time, there are regular fluctuations in the pattern of losses as the frequency of relatively large losses in each individual case is very low. Losses did not reach a critical level relative to the upper loss limit at any point during 2012.

11.6. RISK POSITION

As at December 31, 2012, the DZ BANK Group's **economic capital requirement** for operational risk was calculated at €720 million (December 31, 2011:

FIG. 47 – NET LOSSES BY EVENT CATEGORY IN 2012[1]



1 In accordance with SolvV, losses caused by operational risks that are associated with risks such as credit risk are also shown.

€651 million), whereas the upper loss limit was set at €765 million (December 31, 2011: €710 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2012. The year-on-year increase in the risk capital requirement and upper loss limit was attributable to a rise in gross margin, particularly at DZ BANK and TeamBank.

11.7. SUMMARY AND OUTLOOK

During the reporting year, the manual, guidelines, and the technical documentation relating to operational risk were revised with a view to uniform application in the DZ BANK Group. The internal portfolio model for determining the economic risk capital requirement at DZ BANK was also refined.

Two projects will be undertaken in 2013 to continue the implementation of the portfolio model at DZ BANK Group level. This will involve the creation of the necessary IT infrastructure. In 2013, it is also planned to bring into force throughout the group the guidelines and technical documentation revised during the course of 2012.

12. BUSINESS RISK

Business risk denotes the risk of losses arising from earnings volatility which, for a given business strategy, is caused by changes in external conditions or parameters (for example, the economic or product environment, customer behavior, competitive situation).

The management of business risk in the DZ BANK Group is a primary responsibility of the **Board of Managing Directors of DZ BANK** and is carried out in consultation with the senior management of the main subsidiaries and the heads of the DZ BANK divisions involved. Group management is integrated into a committee structure, headed by the **Group Co-ordination Committee**. The Central Services division supports the Board of Managing Directors as part of its role in supervising the activities of the subsidiaries.

The **Financial Services Advisory Council** is increasing the involvement of the cooperative banks in the joint development and marketing of the DZ BANK Group's products and services and it works closely with the BVR and its special committees. The Financial Services Advisory Council therefore acts as a recommendation committee on product and sales issues arising from the partnership between the cooperative banks and the DZ BANK Group. This approach endeavors to engender a high degree of mutual commitment while at the same time fully maintaining the decentralized structure to the benefit of the cooperative banks.

The management of business risk is closely linked with the **management of opportunities** and the tools used in the strategic planning process. It is based on the forward-looking assessment of success factors and the setting of associated targets both for the subsidiaries integrated into the active management of risk, and for the divisions of DZ BANK. **Risk is quantified** using a risk model based on an earnings-at-risk approach.

As at December 31, 2012, the **economic capital requirement** for business risk in the DZ BANK Group amounted to €311 million (December 31, 2011: €516 million). The main reasons for this decrease were lower budgeted costs and the introduction of the earnings-at-risk approach in other group companies. The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2012. As at December 31, 2012, the upper loss limit for this type of risk was €379 million (December 31, 2011: €611 million).

13. REPUTATIONAL RISK

Reputational risk refers to the risk of losses from events that damage the confidence of customers, investors, the labor market, or the general public in DZ BANK Group companies or in the products and services they offer.

Reputational risk may arise following the crystallization of other risks, but also as a result of other, publicly available negative information about DZ BANK Group companies.

Reputational risk is covered by the risk strategy, which specifies a requirement for fair behavior with all business partners, for example, and precludes transactions with doubtful counterparties. In response to potential critical events, crisis communications aimed at mitigating reputational risk will be undertaken to prevent greater damage to the DZ BANK Group. This therefore supports the sustainability concept embraced by the DZ BANK Group.

Reputational risk is taken into account within business risk and is therefore implicitly included in the measurement of risk and capital adequacy in the DZ BANK Group. The risk that obtaining funding may become more difficult as a consequence of damage to the group's reputation is specifically taken into account in liquidity risk management.

14. SUMMARY

The management of opportunities and risks forms an integral part of the strategic planning process in the DZ BANK Group. Efficient management and control tools are used in all areas of risk. These tools are subject to gradual further development and refinement. The development of these tools is derived from business management requirements and, in terms of risk management, is based on regulatory requirements. The management of opportunities is based on a qualitative approach and is tightly integrated into the strategic planning process.

Groupwide risk capital management ensures that risks are consistently and comprehensively divided into eight clearly defined risk types. Risk management also covers a further type of risk, liquidity risk, which is not covered by capital owing to the nature of the risk involved. All material group companies are directly integrated into the risk-management process. The other companies are recorded and managed as part of the management of equity risk.

The economic capital adequacy analysis is based both on the determination of risk-bearing capacity and on the calculation of the risk capital requirement using a value-at-risk approach, itself based on the stability of the DZ BANK rating. This analysis is then used to calculate the risk-adjusted profitability for the group. Economic value added (EVA) and return on risk-adjusted capital (RORAC) used in the analysis complement the figures from the IFRS financial statements used in the group management of risk and form an integral part of the strategic planning process. Overall, this approach guarantees the necessary transparency regarding the risk structure and profitability of the group and thereby creates the foundation for management that balances opportunity and risk in the group.

The DZ BANK Group has a range of sophisticated risk management tools at its disposal that have also allowed it to respond appropriately to market turmoil.

Changes in risk factors, such as a deterioration in the credit rating of counterparties or the widening of credit spreads on securities, are reflected in adjusted risk parameters in the mark-to-model measurement of credit risk and market risk. Conservative crisis scenarios for short-term liquidity ensure that liquidity risk management also takes adequate account of market crises. A risk limit system based on risk-bearing capacity, stress testing encompassing all risk types, and a flexible internal reporting system ensure that the management is always in a position to initiate targeted corrective action if required.

The DZ BANK Group remained within its economic risk-bearing capacity in 2012 and also complied with regulatory requirements at all times. Despite the persistent disruption in the markets, the solvency of the DZ BANK Group was never in jeopardy at any point in the year under review. DZ BANK was able to adequately mitigate the impact of the financial and sovereign debt crises on its liquidity position by using the existing organizational arrangements available in its liquidity risk management.

The opportunities presented by the forecast development of the DZ BANK Group are reasonable in relation to the risks that will be incurred. There are no indications that the DZ BANK Group's continued existence as a going concern might be at risk.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement
for the period January 1 to December 31, 2012

€ million	(Note)	2012	2011
Net interest income	(29)	3,260	3,137
Interest income and current income and expense		8,544	9,106
Interest expense		-5,284	-5,969
Allowances for losses on loans and advances	(30)	-527	-395
Net fee and commission income	(31)	1,024	963
Fee and commission income		2,643	2,554
Fee and commission expenses		-1,619	-1,591
Gains and losses on trading activities	(32)	659	398
Gains and losses on investments	(33)	-442	-333
Other gains and losses on valuation of financial instruments	(34)	-276	-999
Premiums earned	(35)	11,787	11,193
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(36)	3,286	2,088
Insurance benefit payments	(37)	-12,509	-10,968
Insurance business operating expenses	(38)	-2,032	-1,965
Administrative expenses	(39)	-2,855	-2,722
Other net operating income	(40)	-56	-73
Profit before taxes		1,319	324
Income taxes	(41)	-350	285
Net profit		**969**	**609**
Attributable to:			
Shareholders of DZ BANK		691	385
Non-controlling interests		278	224

APPROPRIATION OF PROFITS

€ million	2012	2011
Net profit	969	609
Non-controlling interests	-278	-224
Appropriation to retained earnings	-569	-324
Unappropriated earnings	**122**	**61**

Statement of comprehensive income for the period January 1 to December 31, 2012

€ million	(Note)	2012	2011
Net profit		969	609
Gains and losses on available-for-sale financial assets	(42)	1,873	-664
Gains and losses on cash flow hedges	(42)	42	-10
Exchange differences on currency translation of foreign operations		13	–
Gains and losses on hedges of net investments in foreign operations		-2	–
Actuarial gains and losses on defined benefit plans		-492	3
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	(42)	89	-8
Other comprehensive income/loss before taxes		1,523	-679
Income taxes relating to components of other comprehensive income	(43)	-427	160
Other comprehensive income/loss		1,096	-519
Total comprehensive income		**2,065**	**90**
Attributable to:			
Shareholders of DZ BANK		1,574	-67
Non-controlling interests		491	157

Balance sheet as at December 31, 2012

ASSETS

€ million	(Note)	Dec. 31, 2012	Dec. 31, 2011
Cash and cash equivalents	(13, 44)	2,497	2,556
Loans and advances to banks	(14, 45)	79,429	80,035
Loans and advances to customers	(14, 46)	123,811	120,760
Allowances for losses on loans and advances	(15, 47)	-2,509	-2,278
Derivatives used for hedging (positive fair values)	(16, 48)	820	901
Financial assets held for trading	(17, 49)	66,709	71,858
Investments	(18, 50)	59,792	61,690
Investments held by insurance companies	(51, 55)	66,296	59,348
Property, plant and equipment, and investment property	(19, 52, 55)	1,841	2,219
Income tax assets	(20, 53)	2,056	2,916
Other assets	(21, 54, 55)	5,780	5,453
Non-current assets and disposal groups classified as held for sale	(22, 56)	199	113
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		515	355
Total assets		**407,236**	**405,926**

EQUITY AND LIABILITIES

€ million	(Note)	Dec. 31, 2012	Dec. 31, 2011
Deposits from banks	(23, 57)	100,596	106,919
Deposits from customers	(23, 58)	92,169	92,871
Debt certificates issued including bonds	(24, 59)	63,290	55,114
Derivatives used for hedging (negative fair values)	(16, 60)	3,013	2,598
Financial liabilities held for trading	(17, 61)	58,715	67,371
Provisions	(25, 62)	2,408	1,823
Insurance liabilities	(10, 63)	63,260	57,437
Income tax liabilities	(20, 53)	641	1,001
Other liabilities	(64)	5,856	5,848
Subordinated capital	(26, 65)	4,302	3,935
Liabilities included in disposal groups classified as held for sale	(22, 56)	14	9
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		331	225
Equity	(66)	12,641	10,775
Subscribed capital		3,160	3,160
Capital reserve		1,111	1,111
Retained earnings		3,488	3,188
Revaluation reserve		36	-1,101
Cash flow hedge reserve		5	-25
Currency translation reserve		29	-3
Non-controlling interests		4,690	4,384
Unappropriated earnings		122	61
Total equity and liabilities		**407,236**	**405,926**

Statement of changes in equity

€ million	Subscribed capital	Capital reserve	Equity earned by the group	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	**Equity before non-controlling interests**	Non-controlling interests	**Total equity**
Equity as at Jan. 1, 2011	3,160	1,111	2,833	-680	-17	8	6,415	4,312	10,727
Net profit	–	–	385	–	–	–	385	224	609
Other comprehensive income/loss	–	–	-3	-440	-8	-1	-452	-67	-519
Total comprehensive income/loss	**–**	**–**	**382**	**-440**	**-8**	**-1**	**-67**	**157**	**90**
Capital increase	–	–	–	–	–	–	–	3	3
Changes in scope of consolidation	–	–	181	19	–	-10	190	189	379
Acquisition/disposal of non-controlling interests	–	–	-1	–	–	–	-1	-31	-32
Dividends paid	–	–	-146	–	–	–	-146	-246	-392
Equity as at Dec. 31, 2011	3,160	1,111	3,249	-1,101	-25	-3	6,391	4,384	10,775
Net profit	–	–	691	–	–	–	691	278	969
Other comprehensive income/loss	–	–	-316	1,137	30	32	883	213	1,096
Total comprehensive income	**–**	**–**	**375**	**1,137**	**30**	**32**	**1,574**	**491**	**2,065**
Capital increase	–	–	–	–	–	–	–	93	93
Changes in scope of consolidation	–	–	55	–	–	–	55	17	72
Acquisition/disposal of non-controlling interests	–	–	-8	–	–	–	-8	-2	-10
Dividends paid	–	–	-61	–	–	–	-61	-293	-354
Equity as at Dec. 31, 2012	**3,160**	**1,111**	**3,610**	**36**	**5**	**29**	**7,951**	**4,690**	**12,641**

Statement of cash flows

€ million	2012	2011
Net profit	**969**	609
Non-cash items included in net profit and reconciliation to cash flows from operating activities		
Depreciation, amortization, impairment losses, reversals of impairment losses on assets, and other non-cash changes in financial assets and liabilities	816	1,994
Non-cash changes in provisions	746	254
Changes in insurance liabilities	4,451	5,211
Other non-cash income and expenses	1,151	-533
Gains and losses on the disposal of assets and liabilities	-251	596
Other adjustments (net)	-3,239	-3,761
Subtotal	4,643	4,370
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks	644	-6,373
Loans and advances to customers	-2,672	-4,669
Other assets from operating activities	864	666
Derivatives used for hedging (positive and negative fair values)	-388	-17
Financial assets and financial liabilities held for trading	-2,656	6,123
Deposits from banks	-6,957	2,475
Deposits from customers	-1,999	7,194
Debt certificates issued including bonds	7,794	-164
Other liabilities from operating activities	837	-4,326
Interest, dividends, and operating lease payments received	8,930	9,609
Interest paid	-5,427	-5,697
Income taxes paid	-401	-346
Cash flows from operating activities	**3,212**	**8,845**
Proceeds from the sale of investments	13,692	13,016
Proceeds from the sale of investments held by insurance companies	25,158	29,145
Proceeds from the sale of property, plant and equipment, and investment property (excluding assets subject to operating leases)	299	142
Payments for the acquisition of investments	-11,047	-16,620
Payments for the acquisition of investments held by insurance companies	-31,067	-31,093
Payments for the acquisition of property, plant and equipment, and investment property (excluding assets subject to operating leases)	-147	-156
Changes in scope of consolidation	70	-4
of which: Proceeds from the sale of investments in consolidated subsidiaries net of cash divested	37	–
Payments for the acquisition of investments in consolidated subsidiaries net of cash acquired	-20	-4
Net change in cash and cash equivalents from other investing activities	-51	-340
Cash flows from investing activities	**-3,093**	**-5,910**
Proceeds from capital increases	93	3
Dividends paid to shareholders of DZ BANK and non-controlling interests	-354	-392
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	83	-569
Cash flows from financing activities	**-178**	**-958**

€ million	2012	2011
Cash and cash equivalents as at January 1	2,556	579
Cash flows from operating activities	3,212	8,845
Cash flows from investing activities	-3,093	-5,910
Cash flows from financing activities	-178	-958
Cash and cash equivalents as at December 31	**2,497**	**2,556**

The statement of cash flows shows the changes in cash and cash equivalents during the financial year. Cash and cash equivalents consist of cash on hand, balances with central banks and other government institutions, treasury bills, and non-interest-bearing treasury notes. The cash and cash equivalents do not include any financial investments with maturities of more than 3 months at the date of acquisition. Changes in cash and cash equivalents are broken down into operating, investing, and financing activities.

Cash flows from operating activities comprise cash flows mainly arising in connection with the revenue-producing activities of the group and other activities that cannot be classified as investing or financing activities. Cash flows related to the acquisition and disposal of non-current assets are allocated to investing activities. Cash flows from financing activities include cash flows arising from transactions with equity owners and from other borrowing to finance business activities.

Disposals of investments in consolidated subsidiaries led to a cash outflow of €9 million (no cash outflow in 2011).

NOTES

A General disclosures

» 01 BASIS OF PREPARATION

Pursuant to *Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002*, the consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) for the 2012 financial year have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The provisions specified in section 315a (1) German Commercial Code (HGB) for companies whose securities are admitted to trading on a regulated market in the EU have also been applied in the consolidated financial statements of DZ BANK. In addition, further standards adopted by Deutsches Rechnungslegungs Standards Committee e.V. [German Accounting Standards Committee] have generally been taken into account where such standards have been published in the German Federal Gazette by the Bundesministerium der Justiz [Federal Ministry of Justice] pursuant to section 342 (2) HGB.

The DZ BANK Group's financial year is the same as the calendar year. In the interest of clarity, some items on the face of the income statement, the statement of comprehensive income, and the balance sheet have been aggregated and are explained by additional disclosures in the notes. Unless stated otherwise, all amounts are shown in millions of euros (€ million). All figures are rounded to the nearest whole number. This may result in very small discrepancies in the calculation of totals and percentages.

The consolidated financial statements of DZ BANK have been released for publication by the Board of Managing Directors following approval by the Supervisory Board on March 21, 2013.

CHANGES IN ACCOUNTING POLICIES

The financial statements of the companies consolidated in the DZ BANK Group have been prepared using uniform accounting policies.

FIRST-TIME APPLICATION IN 2012 OF CHANGES IN IFRS

The amendments to IFRS 7 – *Financial Instruments: Disclosures – Transfers of Financial Assets* have been applied for the first time in the consolidated financial statements of DZ BANK. The introduction of IFRS 7.42A to 42H (replacing IFRS 7.13) results in substantial enhancements to financial reporting disclosures regarding the derecognition of financial assets. The disclosures on transferred financial assets that are not derecognized in their entirety must be extended to include a summary of the fair values of these assets and associated liabilities as well as additional qualitative disclosures on the transactions. The amendment to IFRS 7 now also provides for qualitative and quantitative disclosures on financial assets that have been derecognized in their entirety but that are still subject to a continuing involvement. In 2012, the only transfers carried out by the DZ BANK Group in which the transferred assets remained on the balance sheet in their entirety were transfers under sale and repurchase agreements (repos) in which the DZ BANK Group was the original seller and transfers as part of securities lending transactions. Disclosures were already required in this regard under IFRS 7.13. There is therefore only a minor impact on the consolidated financial statements of DZ BANK. No prior year figures have been presented in connection with the implementation of the amendments to IFRS 7. Disclosures on transfers of financial assets are described in note 70.

CHANGES IN IFRS ENDORSED BY THE EU BUT NOT YET ADOPTED

The DZ BANK Group has decided against voluntary early adoption of the following new, revised or amended financial reporting standards and the following new interpretation that have been endorsed by the EU:

- IFRS 10 *Consolidated Financial Statements,*
- IFRS 11 *Joint Arrangements,*
- IFRS 12 *Disclosure of Interests in Other Entities,*
- IFRS 13 *Fair Value Measurement,*
- IAS 27 *Separate Financial Statements,*
- IAS 28 *Investments in Associates and Joint Ventures,*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters,*
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities,*
- Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income,*
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets,*
- Amendments to IAS 19 *Employee Benefits,*
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities,* and
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* supersede the provisions for consolidated financial statements in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures*, SIC-12 *Consolidation – Special Purpose Entities*, and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Henceforward, the revised IAS 27 *Separate Financial Statements* only includes provisions governing single-entity financial statements in accordance with IFRS. The DZ BANK Group will apply IFRS 10, 11, and 12, together with the revised versions of IAS 27 and IAS 28, from the 2014 financial year onward. IFRS 10 is the core standard for preparing consolidated financial statements and establishes a uniform principle of control applicable to all entities, including special-purpose entities. Unlike previous legal provisions, the changes introduced by IFRS 10 require considerable discretion to be exercised when deciding which entities in the DZ BANK Group are subject to control. This is not expected to lead to any material changes in the scope of consolidation in the DZ BANK Group. The DZ BANK Group is currently carrying out a detailed analysis of the impact on its consolidated financial statements. IFRS 11 removes the current option to apply proportionate consolidation for joint ventures, which must be accounted for in future consolidated financial statements solely by using the equity method. The change resulting from IFRS 11 has no impact on the DZ BANK Group because joint ventures are already accounted for using the equity method. All disclosure requirements relating to subsidiaries, joint ventures, associates, and unconsolidated structured entities are summarized in IFRS 12 *Disclosure of Interests in Other Entities*. As a result of IFRS 12, the DZ BANK Group will have to enhance its disclosures in the notes. It is currently investigating the detailed impact of the disclosure requirements for investments in subsidiaries, joint arrangements, associates, and unconsolidated structured entities compared with the existing requirements.

IFRS 13 *Fair Value Measurement* defines fair value and sets out a single IFRS framework for measuring fair value. It is applied if another standard requires or permits fair value measurements or disclosures about fair value measurements. Comprehensive disclosure requirements have also been introduced regarding fair value measurement. The DZ BANK Group will apply IFRS 13 prospectively from the 2013 financial year onward. This will lead to additional disclosures relating to the fair value hierarchy levels for assets and liabilities not recognized on the balance sheet at fair value. Fair value hierarchy disclosures for non-financial assets will also be included in DZ BANK's consolidated financial statements owing to the difference in the scope of IFRS 13 compared with that of IFRS 7.

The amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* introduce enhanced disclosure requirements to include information on offsetting options for financial instruments and the underlying agreements. In particular, these amendments will lead to additional disclosures covering gross amounts, non-netted amounts, and net amounts for financial instruments subject to legally enforceable global offsetting agreements or similar arrangements. The amendments will be applied by the DZ BANK Group retrospectively from the 2013 financial year.

The amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* will lead to a change in the breakdown of other comprehensive income reported by the DZ BANK Group. Any components of other comprehensive income that may potentially be reclassified to profit or loss in future periods must be reported separately from components that will not be reclassified. The amendments will be applied by the DZ BANK Group retrospectively from the 2013 financial year and will also affect the reporting of other comprehensive income.

The amendments to IAS 19 *Employee Benefits* lead to changes in the accounting treatment of defined benefit obligations. The amendments remove the options available regarding the recognition of actuarial gains and losses. The concept of expected return on plan assets is also discontinued and replaced by a calculation of the net interest income or expense on the net asset or liability under defined benefit plans. The net interest income or expense is to be calculated with the uniform discount rate used to measure the obligation (as specified in the existing standards) and recognized in profit or loss together with the service cost. Any remeasurements of the net asset or net liability in connection with defined benefit plans will be recognized in other comprehensive income. As a result of the change in the definition of severance payments, top-up amounts committed as part of preretirement part-time employment agreements will be reported as other long-term or short-term employee benefits. The DZ BANK Group will apply the amendments to IAS 19 retrospectively from the 2013 financial year onward. The main impact will be a significant increase in quantitative disclosures and in the disclosures relating to the key characteristics of the pension plans, including the associated risks and the management of these risks. The DZ BANK Group already recognizes actuarial gains and losses in other comprehensive income, so there will be no impact from the amendments to IAS 19 in this regard. The other amendments will just have a minor effect on provisions for preretirement part-time employment and on total comprehensive income.

The amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* set out specific application guidelines for offsetting financial instruments, although the existing fundamental provisions for offsetting financial instruments remain unchanged. The amendments will be applied by the DZ BANK Group retrospectively from the 2014 financial year. DZ BANK is currently examining the impact on its presentation of financial instruments.

The other aforementioned revised or amended financial reporting standards and the new interpretation referred to above have no material impact on DZ BANK's consolidated financial statements.

CHANGES IN IFRS THAT HAVE NOT BEEN ENDORSED BY THE EU

The following new or revised accounting standards, amended accounting standards, and IFRS improvements that have been issued by the International Accounting Standards Board (IASB) have not yet been endorsed by the EU:

- IFRS 9 *Financial Instruments*,
- Amendments to IFRS 1 – *Government Loans*,
- Amendments to IFRS 9 and IFRS 7 – *Mandatory Effective Date and Transition Disclosures*,
- Annual Improvements to IFRSs *2009-2011 Cycle*,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* and
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*.

IFRS 9 *Financial Instruments* constitutes the first part (phase I, *Classification and Measurement*) of a wide-ranging project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. As a result of IFRS 9, financial assets need to be reclassified. Both the business models of the portfolios and the characteristics of the contracted cash flows for the individual financial assets must be taken into account for the purposes of the reclassification. At the moment, the measurement requirements remain incomplete. Unlike IAS 39, IFRS 9 specifies that, as regards financial liabilities designated as at fair value through profit or loss, any changes in such liabilities resulting from a change in credit risk must be recognized in other comprehensive income. The other requirements relating to financial liabilities have been largely carried over from IAS 39 unchanged. The impact of IFRS 9 on future consolidated financial statements is being investigated. It will only be possible to complete these investigations when phase II *Amortized Cost and Impairment of Financial Assets* and phase III *Hedge Accounting* have been published.

The transitional provisions governing the switch to IFRS 9 have changed as a result of amendments to IFRS 9 and IFRS 7 – *Mandatory Effective Date and Transition Disclosures*. These amendments have postponed the date for mandatory first-time adoption from January 1, 2013 to January 1, 2015. Adoption must be retrospective. Earlier adoption is permitted. Another change as a result of the amendments is that there is no longer a requirement to report restated prior-year figures. For companies that apply IFRS 9 for financial years beginning on or after January 1, 2013, there will be an additional requirement under IFRS 7 to include disclosures in the notes describing the effects of the transition from IAS 39 to IFRS 9. The timing of the DZ BANK Group's initial adoption of IFRS 9 depends on when the standard becomes part of EU law. As at the date on which these consolidated financial statements are published, no date has yet been planned for adoption by the EU.

The purpose of the amendments to IFRS 10, IFRS 11, and IFRS 12 – *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* is to provide a detailed explanation of the transitional provisions originally set out in IFRS 10. The amendments also include exemptions from the transitional provisions in IFRS 10, IFRS 11, and IFRS 12. The amendments must be applied to financial years beginning on or after January 1, 2013. DZ BANK is currently carrying out a detailed assessment of the impact of the Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* on its consolidated financial statements.

The other aforementioned amendments and improvements to IFRSs have no material impact on DZ BANK's consolidated financial statements.

The initial application dates for amendments issued by IFRS are subject to the proviso that the amendments must first be incorporated into EU law.

FIRST-TIME APPLICATION IN 2012 OF CHANGES IN HGB

Changes to German Accounting Standard (GAS) No. 17 *Reporting on the Remuneration of Members of Governing Bodies* have no impact on DZ BANK's consolidated financial statements.

SOURCES OF ESTIMATION UNCERTAINTY

It is necessary to make assumptions and estimates in accordance with the relevant financial reporting standards in order to determine the carrying amounts of assets, liabilities, income, and expenses recognized in these consolidated financial statements. These assumptions and estimates are based on historical experience, planning, and expectations or forecasts regarding future events.

Assumptions and estimates are used primarily in determining the fair value of financial assets and financial liabilities and in identifying any impairment of financial assets. Estimates also have a material impact on determining the impairment of goodwill or intangible assets acquired as part of business combinations. Furthermore, assumptions and estimates affect the measurement of insurance liabilities, provisions for employee benefits, provisions for share-based payments, and other provisions as well as the recognition and measurement of income tax assets and income tax liabilities.

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

If there are no prices available for certain financial instruments from active markets, the fair values of such financial assets and financial liabilities have to be determined on the basis of estimates, resulting in some uncertainty. Uncertainties associated with estimates arise primarily if fair values are determined using valuation techniques involving significant valuation parameters that are not observable in the market. This affects both financial instruments measured at fair value and financial instruments measured at amortized cost whose fair values are disclosed in the notes. The measurement parameter assumptions and measurement methods used to determine fair values are described in the financial instruments disclosures in note 67.

IMPAIRMENT OF FINANCIAL ASSETS

When an impairment test (as described in note 5) is carried out for financial assets in the categories of 'loans and receivables' and 'available for sale financial assets' or for finance lease receivables, it is necessary to determine estimated future cash flows from interest payments and the repayment of principal as well as from any recovery of collateral. This requires estimates and assumptions, which in turn give rise to some uncertainty.

GOODWILL AND INTANGIBLE ASSETS

The recognition of goodwill is largely based on estimated future income, synergies, and non-recognizable intangible assets generated by business combinations or acquired as part of business combinations. The recoverability of the carrying amount is verified by means of budget accounts that are largely based on estimates. Identifiable intangible assets acquired as part of business combinations are recognized on the basis of their future economic benefits. These benefits are assessed by management using reasonable, well-founded assumptions. The estimates applied in the case of business combinations are described in note 82.

INSURANCE LIABILITIES

The measurement of insurance liabilities involves the exercise of discretion, estimates, and assumptions, especially in relation to mortality, rates of return on investment, cancellations, and costs. Actuarial calculation methods, statistical estimates, blanket estimates, and measurements based on past experience are used. The basic approaches used in the measurement of insurance liabilities are described in the insurance business disclosures in note 10.

PROVISIONS FOR EMPLOYEE BENEFITS, PROVISIONS FOR SHARE-BASED PAYMENTS, AND OTHER PROVISIONS

Uncertainty associated with estimates in connection with provisions for employee benefits arises primarily from the measurement of defined benefit obligations, on which actuarial assumptions have a material effect. Actuarial assumptions are based on a large number of long-term, forward-looking factors, such as salary increases, annuity trends, and average life expectancy.

In the case of provisions for share-based payments, estimation uncertainty arises from the way in which fair value is determined. This fair value is based on assumptions regarding the payout amount, which in turn depends on the performance of the variables specified in the underlying agreements.

Actual cash outflows in the future related to items for which other provisions have been recognized may differ from the forecast utilization of the provisions.

The basis for measurement and the assumptions and estimates underlying the calculation of provisions are described in note 25.

INCOME TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities described in note 53 are calculated on the basis of estimates of future taxable income in taxable entities. In particular, these estimates have an effect on any assessment of the extent to which it will be possible to make use of deferred tax assets in the future. In addition, the calculation of current tax assets and liabilities for the purposes of preparing financial statements involves estimates of details relevant to income tax.

» 03 SCOPE OF CONSOLIDATION

In addition to DZ BANK AG as the parent, the consolidated financial statements for the year ended December 31, 2012 include 27 subsidiaries (2011: 26) and 6 subgroups (2011: 5) comprising a total of 831 subsidiaries (2011: 903). A subsidiary is included in the scope of consolidation from the date on which DZ BANK obtains control over the subsidiary concerned. A parent company generally acquires control by directly or indirectly holding a majority of the voting power in the subsidiary concerned. The consolidated financial statements also include special-purpose entities in which DZ BANK does not hold a majority of the voting power, either directly or indirectly. These companies are consolidated because the substance of the relationship indicates that the DZ BANK Group exercises control.

The main change to the scope of consolidation in the reporting year was the first-time consolidation of the following subsidiaries as at December 31, 2012: VR Equitypartner GmbH, Frankfurt am Main, (VR Equitypartner) and DZ BANK Polska S.A., Warsaw, (DZ BANK Polska), the latter being consolidated as a subgroup with its subsidiary Dom Maklerski AmerBrokers S.A., Warsaw.

In addition, TES Holding Ltd., Bridgend, (TES Holding) was deconsolidated. The DZ BANK Group lost control over the company following its disposal of 60 percent of the shares. Given that significant influence remains, TES Holding is now accounted for as an associate using the equity method.

During 2012, the DZ BANK Group also lost its significant influence over Österreichische Volksbanken-Aktiengesellschaft, Vienna, (ÖVAG) and this company does not now meet the criteria for an associate as a result. ÖVAG is therefore no longer included in the entities accounted for using the equity method.

Further changes in the scope of consolidation resulted from business combinations and are presented in note 82.

The consolidated financial statements include 24 joint ventures with at least one other company outside the group (2011: 22) and 25 associates (2011: 15) over which DZ BANK has significant influence. These companies are accounted for using the equity method.

The shareholdings of the DZ BANK Group are listed in full in note 95.

» 04 PROCEDURES OF CONSOLIDATION

As specified by IAS 27 in conjunction with IFRS 3, consolidation of equity is accounted for using the acquisition method by offsetting the acquisition cost of a subsidiary against the group's share of the acquiree's equity remeasured at fair value on the respective acquisition date. Any positive difference between these two amounts is recognized as goodwill under other assets. Goodwill is tested for impairment at least once a year. Any negative goodwill is recognized immediately in profit or loss. Any share of an acquiree's equity not attributable to the parent company is reported under equity as non-controlling interests.

Interests in joint ventures and investments in associates are accounted for using the equity method and reported on the face of the balance sheet under investments or investments held by insurance companies.

The consolidated subsidiaries have generally prepared their financial statements on the basis of a financial year ended December 31, 2012. There are 2 companies (2011: 3 companies) included in the consolidated financial statements with different reporting dates for their annual financial statements. With 16 (2011: 5) exceptions, the separate financial statements of the entities accounted for using the equity method are prepared to the same balance sheet date as that of the parent company. There is no resulting material impact in respect of the subsidiaries and associates concerned, and therefore no interim financial statements have been prepared.

Intragroup assets and liabilities, as well as intragroup income and expenses, are eliminated in full. Intragroup profits or losses resulting from transactions within the group are also eliminated in full.

CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments in this category are recognized at fair value through profit or loss. This category is broken down into two subcategories, as shown below.

Financial instruments held for trading

The 'financial instruments held for trading' subcategory covers financial assets and financial liabilities that are acquired or incurred for the purpose of selling or repurchasing them in the near term, that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or that are derivatives, except for derivatives that are designated and effective hedging instruments.

Financial instruments designated as at fair value through profit or loss; fair value option

Financial assets and financial liabilities may be designated to the 'financial instruments designated as at fair value through profit or loss' subcategory by exercising the fair value option, provided that the application of this option eliminates or significantly reduces measurement or recognition inconsistencies (accounting mismatches), the financial assets and liabilities are managed as a portfolio on a fair value basis or they include one or more embedded derivatives required to be separated from the host contract.

HELD-TO-MATURITY INVESTMENTS

The 'held-to-maturity investments' category consists of non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These investments are measured at amortized cost. The premiums and discounts are allocated over the expected life of the instrument using the effective interest method. The DZ BANK Group does not use the 'held-to-maturity investments' category.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost. The premiums and discounts are allocated over the expected life of the instrument using the effective interest method.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

'Available-for-sale financial assets' are financial assets that cannot be classified in any other category. They are measured at fair value. Any changes in fair value between 2 balance sheet dates are recognized in other comprehensive income. The changes in fair value reported on the face of the balance sheet are included in the revaluation reserve as part of equity. When financial assets in this category are sold, gains and losses recognized in the revaluation reserve are reclassified to the income statement. Equity instruments in this category are measured at cost if their fair value cannot be reliably determined.

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

This category includes all financial liabilities within the scope of IAS 39 that are measured at amortized cost.

In accordance with IAS 32, shares in partnerships are normally classified as debt instruments. Given their subordinated status compared with the liabilities of the partnerships concerned, non-controlling interests in this case are reported as subordinated capital. Profit attributable to non-controlling interests is recognized under other liabilities, provided that the resulting liability is not of a subordinated nature. Non-controlling interests in partnerships are classified as 'share capital repayable on demand' and are assigned to the 'financial liabilities measured at amortized cost' category.

This category also includes liabilities under compensation payment obligations owed to non-controlling interests in consolidated subsidiaries. These liabilities arise if DZ BANK or some other entity controlled by DZ BANK has concluded a profit transfer agreement with a subsidiary in accordance with section 291 (1) of the German Stock Corporation Act (AktG) under which there are non-controlling interests. Liabilities under compensation payment obligations are recognized at the amount of the discounted obligation.

In addition, this category includes liabilities from capitalization transactions. There is no significant transfer of insurance risk in these transactions and they do not therefore satisfy the criteria for an insurance contract under IFRS 4. As a consequence, such transactions need to be treated as financial instruments in accordance with IAS 39.

OTHER FINANCIAL INSTRUMENTS

DERIVATIVES USED FOR HEDGING

The designation of derivatives in hedges is governed by the provisions of IAS 39. The recognition and measurement of derivatives used for hedging is described in note 16.

LIABILITIES FROM FINANCIAL GUARANTEE CONTRACTS

Liabilities from financial guarantee contracts measured in accordance with IAS 39 must be recognized as a liability at fair value by the issuer of the guarantee at the date of issue. The fair value is normally equivalent to the present value of the consideration received for issuing the financial guarantee contract. In any subsequent measurement, the obligation must be measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognized less any cumulative amortization. In the presentation of financial guarantee contracts, the guarantee commission receivables due from the beneficiary to the DZ BANK Group as the issuer of the guarantee are offset against guarantee obligations (net method).

RECEIVABLES AND PAYABLES UNDER FINANCE LEASES

Receivables and payables under finance leases fall within the scope of IAS 17 and are explained in note 11.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES SPECIFIC TO INSURANCE BUSINESS

In addition to financial instruments that fall within the scope of IAS 39, financial assets and financial liabilities arising from the insurance business are recognized and measured in accordance with the provisions of the HGB and other German accounting provisions applicable to insurance companies, as required by IFRS 4.25(c).

Deposits with ceding insurers are recognized at their nominal amounts. Receivables arising out of direct insurance operations and receivables arising out of reinsurance operations are recognized at their nominal amounts net of payments made. Impairment losses on receivables arising out of direct insurance operations and on receivables arising out of reinsurance operations are recognized directly in the carrying amounts. Assets related to unit-linked contracts are measured at fair value through profit or loss on the basis of the underlying investments.

Deposits received from reinsurers, payables arising out of direct insurance operations and payables arising out of reinsurance operations are recognized at their notional amounts.

Deposits with ceding insurers as well as assets related to unit-linked contracts are reported on the face of the balance sheet under investments held by insurance companies. Deposits received from reinsurers, receivables and payables arising out of direct insurance operations, and receivables and payables arising out of reinsurance operations are recognized under other assets or other liabilities.

APPLICATION OF THE FAIR VALUE OPTION

Under the provisions of IAS 39, the fair value option can be exercised in 3 different scenarios. The DZ BANK Group applies the fair value option in all 3 scenarios.

The fair value option is applied to eliminate or significantly reduce accounting mismatches between non-derivative financial instruments and derivatives that are contracted for hedging. Derivatives are measured at fair value through profit or loss, whereas non-derivative financial instruments are generally measured at amortized cost or changes in fair value are recognized in other comprehensive income. If the relevant hedge accounting criteria are not met, this gives rise to accounting mismatches that can be significantly reduced by applying the fair value option. For the purposes of preventing accounting mismatches, the fair value option is exercised in the case of financial assets for loans and advances to banks and customers and for bearer bonds. In the case of financial liabilities, the fair value option is exercised to avoid accounting mismatches for loan liabilities to banks and customers, issued registered or bearer Pfandbriefe, other bonds and commercial paper, and for registered or bearer subordinated liabilities. Some of the promissory notes and bonds are structured financial instruments containing derivatives (in the form of caps, floors, collars, or call options) for which bifurcation is not required. The derivative components of these instruments are subject to economic hedging that does not meet the criteria for the application of hedge accounting.

The risk and the performance arising from certain investments held by the DZ BANK Group are evaluated and reported on the basis of their fair values. Application of the fair value option to these investments helps harmonize both the financial management and the presentation of the DZ BANK Group's financial position and financial performance. These investments comprise units in money market funds, fixed-income funds, equity funds, real estate funds, and other investment products with significant diversification of risk. The investments concerned are primarily in funds from the Union Investment Group.

The fair value option is also applied to structured financial assets and financial liabilities containing embedded derivatives requiring bifurcation, provided that the embedded derivatives cannot be measured separately and the financial assets and financial liabilities are not classified as held for trading. The issued financial instruments in this case are primarily guarantee certificates, discount certificates, profit-participation certificates, variable-rate bonds, inflation-linked notes, collateralized loan obligations, and credit-linked notes.

INITIAL RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivatives are initially recognized on the trade date. Regular way purchases and sales of non-derivative financial assets are generally recognized and derecognized using settlement date accounting. In the case of consolidated investment funds, all financial instruments are recognized on the trade date. Changes in fair value between the trade date and settlement date are recognized in accordance with the category of the financial instrument.

All financial instruments are measured at fair value on initial recognition. In the case of financial assets or financial liabilities not measured at fair value through profit or loss, initial recognition includes transaction costs directly attributable to the acquisition of the asset or issue of the liability concerned.

Differences between transaction prices and fair values determined using valuation techniques largely based on observable market data are recognized in profit or loss on initial recognition. If the fair value is derived from transaction prices at the time of acquisition and this value is then used as a basis for any subsequent measurement, any changes in fair value are only recognized in profit or loss if they can be attributed to a change in observable market data. Any differences not recognized at the time of initial recognition are allocated over the maturity of the financial instruments concerned and recognized in profit or loss accordingly.

Financial assets are derecognized if the contractual rights to the cash flows from the financial assets have expired or these rights have been transferred to third parties, and substantially no risks or rewards of ownership in the financial assets or financial liabilities remain. If the criteria for derecognizing financial assets are not satisfied, the transfer to third parties is recognized as a secured loan. Financial liabilities are derecognized when the contractual obligations have been settled, extinguished or have expired.

IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Financial assets not measured as at fair value through profit or loss must be tested at each balance sheet date to establish whether there is any objective evidence that these assets are impaired.

In the case of debt instruments, important objective evidence of impairment includes financial difficulties on the part of the issuer or debtor, delay or default on interest payments or repayments of principal, failure to comply with ancillary contractually agreed arrangements or the contractually agreed provision of collateral, a significant downgrading in credit rating or issue of a default rating. In the case of securitization exposures, impairment testing requires an assessment of the assets underlying the securitization.

Significant objective evidence of impairment in the case of equity instruments includes a lasting deterioration in financial performance, sustained losses or consumption of equity, substantial changes with adverse consequences for the issuer's technological, market, economic or legal environment, and / or a considerable or enduring reduction in fair value associated with such changes.

As regards securities, the disappearance of an active market for a financial asset owing to financial difficulties on the part of the issuer may constitute evidence of impairment.

LOANS AND RECEIVABLES, FINANCE LEASE RECEIVABLES

If there is objective evidence of impairment in the case of financial assets in the category 'loans and receivables' or in the case of finance lease receivables, the impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows. Estimated future cash flows include payments of interest, repayments of principal, and cash flows from the recovery of collateral. Specific allowances in the amount of the determined impairment loss requirement are recognized for the financial assets concerned. These allowances are recognized separately for individual financial assets or as a specific loan loss allowance evaluated on a group basis.

Financial assets with similar features for which impairment losses are not recognized on an individual basis are grouped into portfolios and tested collectively for impairment. Impairment losses are calculated on the basis of historical default rates for comparable portfolios. If any impairment is identified, a portfolio loan loss allowance is recognized.

Changes in the present value of estimated future cash flows between 2 balance sheet dates resulting from unwinding the discount in accordance with IAS 39.AG93 are recognized as interest income.

If an impairment test shows that a previously recognized impairment loss no longer exists, the impairment loss must be reversed. The resulting carrying amount must not be greater than the amortized cost of the asset or the amount determined in accordance with the accounting requirements for finance lease receivables that would have been reported if the impairment loss had not been recognized.

Impairment losses on loans and advances to banks and customers in the category 'loans and receivables' and on finance lease receivables are recognized in the DZ BANK Group by using allowance accounts. As long as a receivables default is deemed to be probable, an impairment loss is recognized as an allowance for losses on loans and advances. The allowance is derecognized against the financial asset if the default is almost certain or definitively occurs. Significant indications of such a situation include residual unsettled receivables even after collateral has been recovered, identification of impaired collateral, insolvency, permanent lack of assets on the part of the debtor, or if the whereabouts of the debtor are unknown. Impairment losses are recognized directly if no allowances for losses on loans and advances were recognized for the receivables concerned in prior years or insufficient allowances were recognized. Any recoveries on loans and advances for which impairment losses have already been directly recognized, are recognized immediately in profit or loss.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

If there is a negative revaluation reserve as at the balance sheet date for individual financial assets in the 'available-for-sale financial assets' category, an impairment test is carried out to establish whether there is any objective evidence, as detailed above, that the assets concerned are impaired. In this case the cumulative negative amount in the revaluation reserve must be reclassified to profit or loss. Impairment losses related to equity instruments measured at cost are deducted directly from the carrying amounts of the financial assets concerned and recognized in profit or loss.

In the case of debt instruments, if the reasons for a previously recognized impairment loss no longer apply and this can be attributed to an event that occurred after the impairment was identified, any such impairment loss must be reversed. The reversal of impairment losses in respect of equity instruments measured at fair value in the 'available-for-sale financial assets' category is not permitted. Any subsequent increases in fair value are recognized in other comprehensive income. Impairment losses may not be reversed for equity instruments measured at cost.

EMBEDDED DERIVATIVES

Embedded derivatives that are combined with a non-derivative financial instrument (host contract) in a hybrid (compound) instrument must be separated from the host contract and accounted for separately if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid (compound) instrument is not measured at fair value through profit or loss. If these conditions are not met, the embedded derivative may not be separated from the host contract. If an embedded derivative has to be separated, the individual components of the compound instrument are recognized and measured in accordance with the rules for the original financial instruments.

In the DZ BANK Group, non-derivative financial instruments with embedded derivatives are largely classified as financial instruments at fair value through profit or loss if bifurcation would otherwise be required.

CLASSES OF FINANCIAL INSTRUMENTS

For the purposes of the disclosures on the importance of financial instruments to the financial position and financial performance of the DZ BANK Group, financial instruments falling within the scope of IFRS 7 are classified using the 6 classes of financial instruments described below.

CLASSES OF FINANCIAL ASSETS

Financial assets measured at fair value

The class of financial assets measured at fair value comprises the following categories defined by IAS 39:

- financial instruments at fair value through profit or loss with the subcategories
  - financial instruments held for trading and
  - financial instruments designated as at fair value through profit or loss
- available-for-sale financial assets.

This class does not include financial assets under the category 'available-for-sale financial assets' whose fair value cannot be reliably determined and are therefore measured at cost. These financial assets are classified as financial assets measured at amortized cost.

In addition to the financial assets in the categories specified above, this class of financial instruments additionally includes derivatives used for hedging (positive fair values), which are also measured at fair value.

Financial assets measured at amortized cost

The 'financial assets measured at amortized cost' class includes financial assets in the category 'loans and receivables' and those in the category 'available-for-sale financial assets' for which a fair value cannot be reliably determined.

Other financial assets

In the DZ BANK Group, the class 'other financial assets' comprises solely finance lease receivables.

CLASSES OF FINANCIAL LIABILITIES

Financial liabilities measured at fair value

Financial liabilities in the category 'financial instruments at fair value through profit or loss' with the subcategories 'financial instruments held for trading' and financial instruments designated as at fair value through profit or loss, along with derivatives used for hedging (negative fair values), together make up the class 'financial liabilities measured at fair value' in the DZ BANK Group.

Financial liabilities measured at amortized cost

The class known as 'financial liabilities measured at amortized cost' is identical to the category of financial liabilities of the same name.

Other financial liabilities

In the DZ BANK Group, the 'other financial liabilities' class comprises finance lease liabilities and liabilities from financial guarantee contracts.

GENERAL INFORMATION ON HEDGE ACCOUNTING

As an integral part of its risk management strategy, the DZ BANK Group hedges against risks arising in connection with financial instruments. Hedging methods include the use of derivatives.

If the hedging of risk in connection with financial instruments gives rise to accounting mismatches between the hedged item and the derivative used for the hedge, the DZ BANK Group designates the hedging transaction as a hedge in accordance with the hedge accounting requirements of IAS 39 in order to eliminate or reduce such mismatches.

FAIR VALUE HEDGES

A fair value hedge is intended to ensure that changes in the fair value of the hedged item are offset by countervailing changes in the fair value of the hedging instrument. Changes in the fair value of the hedged item attributable to the hedged risk and changes in the fair value of the hedging instrument are recognized in profit or loss. Risks may be hedged by designating hedges either on an individual or on a portfolio basis.

Hedged items categorized as 'loans and receivables', 'financial assets at amortized cost', or receivables under finance leases are measured in accordance with the general measurement principles for these financial instruments. The values are adjusted for the change in fair value attributable to the hedged risk. Hedged items categorized as 'available-for-sale financial assets' are measured at fair value, although only changes not attributable to the hedged changes in fair value are recognized in other comprehensive income. Interest income and interest expense arising from hedged items or hedging instruments are recognized under net interest income.

If the fair value is hedged against interest-rate risks on a portfolio basis, the cumulative changes in fair value attributable to the hedged risk are reported on the face of the balance sheet under fair value changes of the hedged items in portfolio hedges of interest-rate risk, either under assets or liabilities depending on whether the portfolio comprises financial assets or financial liabilities.

In fully effective hedges, the changes in fair value (attributable to the hedged risk) recognized in profit or loss over the lifetime of the hedge match exactly. Any changes in fair value recognized in the carrying amount of the hedged items are amortized through profit or loss by the time the hedge has been terminated.

CASH FLOW HEDGES

The purpose of cash flow hedges is to ensure that changes in uncertain future cash flows from hedged items are offset by changes in cash flows from hedging instruments.

Hedging instruments are measured at fair value. Changes in fair value attributable to the effective portion of the hedge are recognized in other comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge must be recognized in profit or loss. Hedged items are recognized and measured in accordance with the general principles for the relevant measurement category. At the end of a hedging relationship, any changes in fair value recognized in other comprehensive income must be reclassified to profit or loss on the date on which the hedged items or transactions are also recognized in profit or loss.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

The purpose of hedges of net investments in foreign operations is to offset exchange differences resulting from net investments denominated in foreign currency.

Hedges of net investments in foreign operations are accounted for in the same way as cash flow hedges.

» 07 CURRENCY TRANSLATION

All monetary assets and liabilities, together with unsettled spot transactions, are translated at the closing rate into the relevant functional currency of the entities in the DZ BANK Group. Cash in foreign currency is translated using the buying rate for cash on the balance sheet date. The translation of non-monetary assets and liabilities depends on the way in which these assets and liabilities are measured. If non-monetary assets are measured at amortized cost, they are translated using the historical exchange rate. Non-monetary assets measured at fair value are translated at the closing rate. Income, expenses, gains, and losses are translated on the date they are recognized either in profit or loss or in other comprehensive income.

If the functional currency of subsidiaries consolidated in the DZ BANK Group is different from the group's reporting currency (euros), all assets and liabilities are translated at the closing rate. Equity is translated at the historical rate. Income and expenses are also translated at the closing rate, provided that there is no material effect compared with the use of average rates. Any differences arising from currency translation are reported in the currency translation reserve. In most cases, the functional currency of the companies included in the consolidated financial statements is the euro, i.e. the group reporting currency.

» 08 SALE AND REPURCHASE AGREEMENTS, SECURITIES LENDING

Sale and repurchase agreements (repos) are transactions in which the parties agree the sale and subsequent repurchase of securities at a fixed price and time. The risks and rewards of ownership of the sold securities remain in full with the original seller, provided that the buyer is under an obligation to sell back the securities. If the DZ BANK Group enters into repos as the original seller, the securities sold continue to be recognized on the balance sheet because the derecognition criteria in IAS 39 are not satisfied. A liability corresponding to the amount of the purchase price received is recognized. If the group enters into reverse repos as a buyer, the securities purchased must not be recognized on the balance sheet. A receivable corresponding to the amount of the purchase price paid is recognized.

Securities lent as part of securities lending transactions remain on the balance sheet. Where collateral is received in this regard, and this collateral is in cash, a liability is recognized. Borrowed securities do not meet the recognition criteria set out in IAS 39 and must therefore not be recognized on the balance sheet. Any cash collateral furnished in connection with borrowed securities is reported as a receivable.

Sale and repurchase agreements and securities lending transactions result in transfers in which the transferred assets remain on the balance sheet in their entirety. The DZ BANK Group is not involved in any transfers in which the transferred assets are recognized according to the extent of continuing involvement or transfers of financial assets with a continuing involvement that are fully derecognized.

» 09 COLLATERAL

Receivables are recognized for assets pledged as collateral in the form of cash deposits. Other assets pledged as collateral continue to be reported on the face of the balance sheet unchanged. Where collateral is received, and this collateral is in cash, a liability for a corresponding amount is recognized. Other financial or non-financial assets received as collateral are not recognized on the balance sheet unless the assets are obtained in connection with the recovery of collateral or a purchase of real estate that was previously held as collateral.

GENERAL INFORMATION ON THE ACCOUNTING TREATMENT OF INSURANCE BUSINESS

» 10
INSURANCE
BUSINESS

The DZ BANK Group's insurance business comprises insurance contracts, capitalization transactions, and service contracts. It also includes financial guarantee contracts with insured parties.

Insurance contracts govern the transfer of significant insurance risk from the insured party to the insurer and the payment of compensation if a future contingent event materializes and adversely impacts the insured party. Insurance contracts are recognized in accordance with the requirements of IFRS 4. Capitalization transactions comprise, in particular, fund-linked or index-linked contracts without policyholder bonuses, pension fund contracts based on defined benefit plans, and contracts to protect credit balances associated with preretirement part-time employment against the risk of insolvency. Capitalization transactions are classified as financial instruments within the scope of IAS 39. Service contracts comprise, in particular, separable and transferable administrative components of insurance and capitalization contracts. Such service contracts are subject to the revenue recognition requirements specified in IAS 18. Any financial guarantee contracts in connection with insurance business are recognized in accordance with the accounting requirements applicable to insurance contracts.

The insurance business of the DZ BANK Group is reported under specific insurance items on the face of the income statement and balance sheet. Material components of the specific insurance items are described below.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities held or acquired as part of insurance business are accounted for in accordance with the accounting policies for financial instruments described in note 5. These financial assets and financial liabilities are reported under investments held by insurance companies, other assets held by insurance companies, and other liabilities of insurance companies. Any impairment losses related to financial assets reported under investments held by insurance companies or other assets held by insurance companies are applied directly to the carrying amount.

Other liabilities of insurance companies include the benefit obligations under capitalization transactions, which are in turn reported under liabilities from capitalization transactions. The underlying financial instruments in these transactions are reported as part of assets related to unit-linked contracts under investments held by insurance companies.

INVESTMENT PROPERTY

The investment property included in the investments held by insurance companies is measured at amortized cost in accordance with the cost model. Non-interest-bearing, low-interest or forgivable loans are recognized in the same way as government grants. The amount of financial assistance or any government grant is deducted when the carrying amount of the asset is identified and is then recognized in profit or loss over the period covered by the assistance or grant by means of a reduced depreciation charge.

Real estate is generally subject to impairment tests using standard valuation methods based on the requirements of the German Real Estate Valuation Regulation (ImmoWertV), the German Real Estate Valuation Guidelines (WertR 2006), and the German Building Code (BauGB). Accordingly, the current value of real estate is determined by using the sales comparison approach, income approach, or cost approach and taking into account the provisions of any relevant contracts.

Any expenditure that increases value and extends the useful life of real estate or results in a significant improvement in the fabric of a building is capitalized. Maintenance and repair costs are expensed as incurred.

INSURANCE LIABILITIES

Insurance companies are permitted to continue applying existing accounting policies to certain insurance-specific items during a transition period. Insurance liabilities are therefore recognized and measured in accordance with HGB and other German accounting provisions applicable to insurance companies. Insurance liabilities are shown before the deduction of the share of reinsurers, which is reported as an asset.

PROVISION FOR UNEARNED PREMIUMS

The provision for unearned premiums represents premiums that have already been collected but that relate to future periods.

The provision for unearned premiums from direct non-life insurance operations is calculated from the gross premiums using the 360-day system. Calculation of non-transferable income components is based on the letter from the Bundesministerium der Finanzen (BMF) [German Federal Ministry of Finance], dated April 30, 1974. According to this letter, 85 percent of the fees, commissions, and payments to representatives, as well as some administrative personnel expenses, in non-life insurance may not be transferred.

Unearned premiums from life insurance are calculated taking into account the starting date of each individual policy after deduction of non-transferable premium components. As far as life insurance is concerned, imputed collection expenses equivalent to up to 4 percent of premiums may not be transferred.

The provision for unearned premiums in health insurance predominantly relates to international travel healthcare insurance business.

The proportion of the provision for unearned premiums relating to ceded insurance business is calculated as specified in the individual reinsurance contracts.

BENEFIT RESERVE

The purpose of the benefit reserve is to ensure that guaranteed entitlements to future insurance benefits can be satisfied on a permanent basis. Guaranteed entitlements for insured persons in respect of life insurance and casualty insurance with premium refund as well as the provision for increasing age in health insurance are reported under the benefit reserve.

The benefit reserve for life insurance and casualty insurance with premium refund is calculated in Germany on the basis of individual policies taking into account starting dates in accordance with approved business plans and the principles declared to the relevant regulatory authorities. The prospective method is used for life insurance (except for fund-linked insurance products and account management arrangements) and for casualty insurance (with the exception of premium-based policies that started prior to 1982). The retrospective method is used for other types of insurance. Negative benefit reserves on an individual policy basis are generally recognized with an amount of zero.

The assumptions used in calculations are determined in accordance with current recommendations issued by Deutsche Aktuarvereinigung e.V. (DAV) [German Actuarial Association] and the regulator and in accordance with other national statutory provisions and regulations. As a rule, calculation of the benefit reserve is based on interest rates of between 1.75 percent and 4.00 percent (2011: between 2.25 percent and 4.00 percent). These interest rates are generally determined by the legally prescribed maximum discount rates. The calculation assumptions apply from the date on which the policy is written until the policy expires.

Calculation of the benefit reserve is generally based on the Zillmer method, which spreads the imputed cost of writing the policy over its entire term. For old life insurance policies, the maximum Zillmer rate is 3.5 percent of the sum insured; for new policies, 4.0 percent of total premiums. Reduced rates may apply for special policies, for example group or collective policies. In the casualty insurance business, zillmerizing is only applied to new business from June 2000 onward. Zillmerizing is not applied to subsidized pension insurance policies under the German Personal Pension Plan Act (AVmG), credit insurance policies, or pension insurance policies under reinsured pension plans.

The benefit reserve implicitly includes administrative expenses for contracts with ongoing payment of premiums. A provision for administrative costs has been recognized to cover premium-free years under insurance policies, fully paid-up insurance, and some legacy insurance commitments.

In health insurance, benefit reserves are computed prospectively on an individual policy basis using the technical parameters for calculating rates. Negative benefit reserves and positive benefit reserves are netted. The parameters for the computation of the reserves involve, in particular, assumptions regarding mortality, rates of return on investment, cancellations, and costs. The discount rate is 3.50 percent (unisex insurance scales: 2.75 percent). The group uses mortality tables issued by the Verband der privaten Krankenversicherung (PKV) [Association of German private healthcare insurers], company-specific probability rates for policy cancellations, and profiles of benefit drawdown. These assumptions are regularly reviewed in accordance with actuarial principles and updated, where appropriate.

When the benefit reserves are prospectively calculated, the parameters used are generally retained throughout the term of the policy. If the actuarial analyses conducted once a year reveal that the level of cover offered is inadequate in terms of either biometric parameters or discount rate, appropriate adjustments are made. The biometric parameters used in such computations are based primarily on the mortality and invalidity tables published by the DAV.

As a result of an amendment to the German Benefit Reserve Regulation (DeckRV), new requirements have applied since 2011; companies that have existing policies with a discount rate in excess of the reference rate specified in the DeckRV must recognize a supplementary discount rate reserve.

PROVISION FOR CLAIMS OUTSTANDING

The provision for claims outstanding represents benefit obligations arising from claims in which it is not yet possible to reliably determine the amount and / or the timing of the payment. The provision is recognized for claims that have already been reported and also for insured events that have occurred but have not yet been reported. It includes both internal and external expenses as well as the cost of settling claims.

The provision for claims outstanding in direct non-life insurance business is determined on a case-by-case basis for all known claims. Recourse claims, excess proceeds, and claims under loss sharing agreements are netted. Based on claims reports in previous years, an additional claims provision is recognized for claims that occur or are caused before the balance sheet date but have not yet been reported by this date. Statistical estimates are used in this measurement. The provision for claims outstanding is not discounted, except in the case of the pension benefits reserve. The provisions for claims settlement expenses, which are also included in this item, have been calculated in accordance with the requirements set out in the coordinated regulations issued by the German federal states on February 2, 1973 and in accordance with formula 48 (German Insurance Association [GDV] formula) as specified in a letter dated March 20, 1973. Under these arrangements, internal costs likely to be incurred in connection with the settlement of future claims are projected using an overall rate applied to the present level of expenses.

The provision for claims outstanding as regards life insurance and pension funds is determined on a case-by-case basis. The provision is recognized for claims that have already been incurred and reported by the balance sheet date, but have not yet been settled. It also includes an estimate for claims already incurred but not yet reported. A provision for settlement expenses is recognized in an amount equivalent to 1 percent of the claims provision to cover claims incurred and reported by the balance sheet date (excluding maturing policies) and also IBNR losses.

In health insurance, the provision for claims outstanding is determined on the basis of the costs paid out in the financial year in connection with claims during the year. The calculation is based on claims experience over the previous 3 financial years. Recourse claims are deducted from the provision for claims outstanding. The recognized provision includes the costs of settling claims, calculated in accordance with tax rules. The reinsurers' share of the provision is determined in accordance with reinsurance agreements. Where appropriate, provisions for claims outstanding are recognized on a case-by-case basis for claims relevant to reinsurance.

PROVISION FOR PREMIUM REFUNDS

The provision for premium refunds represents obligations not yet due for settlement on the balance sheet date relating to premium refunds to insured parties. It includes amounts allocated to policyholders under statutory or contractual arrangements for bonuses and rebates as well as provisions resulting from time-restricted cumulative recognition and measurement differences between items in the financial statements prepared in accordance with IFRS and those prepared in accordance with HGB. In the case of measurement differences recognized in other comprehensive income, such as unrealized gains and losses on available-for-sale financial assets, an appropriate provision for premium refunds is recognized in other comprehensive income; otherwise, changes in the provision are recognized in profit or loss.

The provision for premium refunds in the non-life insurance business is recognized in an amount equivalent to 90 percent of the difference between the carrying amounts for items in the financial statements prepared in accordance with IFRS and those in the financial statements prepared in accordance with HGB net of deferred taxes.

The provision for premium refunds related to life insurance policies and pension funds is recognized to cover the entitlement of policyholders to profit-related premium refunds. Funds earmarked in this way are therefore made available for future allocation of bonuses to policyholders on an individual policy basis. Within the overall provision for premium refunds, a distinction is made between provisions attributable to bonuses already declared but not yet allocated (including participation in valuation reserves in accordance with HGB), the funding used to finance future terminal bonuses, and the free provision for premium refunds. Under section 56a of the Supervision of German Insurance Companies Act (VAG), that element of the provision for premium refunds not attributable to bonuses already declared but not yet allocated may be used to avert an imminent crisis and may therefore be seen as mitigating risk. A provision for premium refunds is recognized as the need arises in an amount equivalent to 90 percent of the difference between the carrying amounts for items in the financial statements prepared in accordance with IFRS and those in the financial statements prepared in accordance with HGB net of deferred taxes.

The provision for premium refunds related to health insurance includes amounts allocated to policyholders under statutory or contractual arrangements for bonuses and rebates. A provision for premium refunds is recognized in an amount equivalent to 80 percent of the difference between the carrying amounts for items in the financial statements prepared in accordance with IFRS and those in the financial statements prepared in accordance with HGB net of deferred taxes.

OTHER INSURANCE LIABILITIES

Other insurance liabilities include the non-life insurance obligations arising from membership of the Verein Verkehrsopferhilfe e.V. (VOH) [road casualty support organization], Berlin, in line with the object of this organization. This item also includes the provision for unearned premiums under dormant vehicle insurance policies, the provision being determined on an individual policy basis. The cancellation provision is calculated on the basis of past experience, whereas operational planning is used as the basis for measuring the premium deficiency provision.

Other life insurance liabilities are computed on the basis of individual policies from premiums that are already due but have yet to be paid and have not yet been included in the life insurance liability to the extent that the investment risk is borne by the policyholders.

REINSURANCE BUSINESS

In the case of reinsurance business, the insurance liabilities are recognized in accordance with the requirements specified by the ceding insurers. If no such details are available as at the balance sheet date, the provision for the financial year is estimated. The critical factors in estimating the provision are the contractual terms and conditions and the pattern of this business to date. In a few instances, loss provision details provided by ceding insurers are deemed to be too low in the experience of DZ BANK; in such cases, appropriate increases are applied, the increases having been determined in accordance with prudent business practice, past experience, and actuarial calculation methods.

RESERVE FOR UNIT-LINKED INSURANCE CONTRACTS

The reserve for unit-linked insurance contracts is an item corresponding to assets related to unit-linked contracts where the related investments arise out of contracts to be reported in accordance with IFRS 4. The reserve is similarly measured at fair value on the basis of the attributable investments.

ADEQUACY TEST FOR INSURANCE LIABILITIES

Insurance liabilities must be regularly reviewed and subjected to an adequacy test. The adequacy test determines, on the basis of a comparison with estimated future cash flows, whether the carrying amount of insurance liabilities needs to be increased.

To review the insurance liabilities in the health insurance companies, a regular comparison is made between the present values of estimated future insurance benefits and costs, on the one hand, and the present values of estimated future premium payments on the other. In the event of any deficits, the insurance company has the option of adjusting premiums.

» 11 LEASES

A lease is classified as a finance lease if substantially all the risks and rewards incidental to the ownership of an asset are transferred to the lessee. If the risks and rewards remain substantially with the lessor, the lease is an operating lease.

DZ BANK GROUP AS LESSOR

If a lease is classified as a finance lease, a receivable due from the lessee must be recognized. The receivable is measured at an amount equal to the net investment in the lease at the inception of the lease. Lease payments are apportioned into a payment of interest and repayment of principal. The interest portion based on the lessor's internal discount rate for a constant periodic rate of return is recognized as interest income, whereas the repayment of principal reduces the carrying amount of the receivable.

If a lease is classified as an operating lease, the DZ BANK Group retains beneficial ownership of the leased asset. These leased assets are reported as assets. The leased assets are measured at cost less depreciation and any impairment losses. Unless another systematic basis is more representative of the pattern of income over time, lease income is recognized in profit or loss on a straight-line basis over the term of the lease and is included in the current income from operating leases reported under net interest income.

THE DZ BANK GROUP AS LESSEE

If a lease is classified as a finance lease, the DZ BANK Group is the beneficial owner of the leased asset. The leased asset must therefore be recognized as an asset on the group's balance sheet. On initial recognition, the leased asset is recognized at the lower of fair value and the present value of the minimum lease payments, and a liability of an equivalent amount is also recognized. The lease payments made must be broken down into an interest portion and a repayment portion.

Lease payments under operating leases are recognized on a straight-line basis over the term of the leases concerned and reported as administrative expenses.

INTEREST AND DIVIDENDS RECEIVED

» 12
INCOME

In the DZ BANK Group, interest income is accrued and recognized in the relevant period using the effective interest method.

The cash flows used to calculate the effective interest rate take into account contractual agreements in connection with the financial assets and financial liabilities concerned.

Premiums and discounts are allocated over the expected life of financial instruments using the effective interest method. Any additional costs incurred that are directly connected with the acquisition or sale of a financial asset or financial liability, and thus can be directly assigned to the transaction, are factored into the calculation of the effective interest rate. Such costs include sales charges directly associated with the origination of home savings contracts and commitment fees for loans. If an impairment loss has been recognized for a financial asset, interest income is no longer accrued on the basis of the contractual terms and conditions for the financial instrument concerned; instead, interest income is determined and recognized on the basis of the present value of the impaired asset using the unwinding mechanism as specified by IAS 39.AG93.

Dividends are recognized as soon as a legal entitlement to the payment of such a dividend is established.

FEES AND COMMISSIONS

Income from fees and commissions is recognized when the underlying services have been performed, it is probable that the economic benefits will flow to the group, and the amount of the income can be reliably measured. Such income is therefore recognized in profit or loss over the period in which the underlying service is performed or immediately after the service has been performed.

Fees and commissions earned over the period in which a service is performed include certain types of fees for administration and safe custody as part of the securities business and asset management, and fees in connection with the furnishing of financial guarantees. In the case of performance-related management fees, income is recognized when the contractually agreed performance criteria have been satisfied.

INSURANCE BUSINESS

For each insurance contract, gross premiums written are calculated pro rata temporis for an exact number of days based on the actual start date of the insurance. These premiums comprise all amounts that become due in the financial year in connection with insurance premiums, premium installments, and one-off premiums for direct insurance and reinsurance business. Premiums for unit-linked life insurance, except capitalization transactions without policyholder bonuses, are also recognized as gross premiums written.

The components of premiums covering administration fees are reported pro rata temporis as income in the income statement. In the case of index-linked policies and service contracts, additional administration charges, fees, and commissions are deferred in accordance with IAS 18 and apportioned over the relevant periods for the duration of the policy or contract concerned in line with the service performed.

» 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, balances with central banks and other government institutions, treasury bills, and non-interest-bearing treasury notes.

Cash on hand comprises euros and foreign currencies. Cash in euros is measured at nominal value; foreign currency cash is translated at the buying rate. Balances with central banks and other government institutions, treasury bills, and non-interest-bearing treasury notes are classified as 'loans and receivables' and measured at amortized cost. Interest income on cash and cash equivalents is recognized as interest income from lending and money market business.

» 14 LOANS AND ADVANCES TO BANKS AND CUSTOMERS

All receivables attributable to registered debtors not classified as 'financial instruments held for trading' are recognized as loans and advances to banks and customers. In addition to fixed-term receivables and receivables payable on demand in connection with lending, lease, and money market business, loans and advances to banks and to customers include promissory notes and registered bonds.

Loans and advances to banks and customers are measured at amortized cost using the effective interest method. In fair value hedges, the carrying amounts of hedged receivables are adjusted for the change in fair value attributable to the hedged risk. The resulting hedge adjustments are recognized within other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions. To avoid or significantly reduce accounting mismatches, certain loans and advances are designated as at fair value through profit or loss. Finance lease receivables are recognized and measured in accordance with the requirements for the accounting treatment of leases.

Interest income on loans and advances to banks and customers is recognized as interest income from lending and money market business. This also includes gains and losses on the sale of such loans and advances classified as 'loans and receivables' and the amortization of hedge adjustments to carrying amounts due to fair value hedges. Gains and losses on the valuation of loans and advances designated as at fair value through profit or loss are also shown under the same item as part of other gains and losses on valuation of financial instruments.

» 15 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Allowances for losses on loans and advances are reported as a separate line item on the assets side of the balance sheet. Additions to allowances for losses on loans and advances, and any reversals of such allowances, are recognized under allowances for losses on loans and advances on the face of the income statement.

The recognition of allowances for losses on loans and advances in the DZ BANK Group also includes changes in the provisions for loan commitments, other provisions for loans and advances, and liabilities from financial guarantee contracts. Any additions or reversals under these items are also recognized in profit or loss under allowances for losses on loans and advances.

» 16 DERIVATIVES USED FOR HEDGING (POSITIVE AND NEGATIVE FAIR VALUES)

The carrying amounts of derivatives designated as hedging instruments in effective and documented hedging relationships are reported under either derivatives used for hedging (positive fair values) or derivatives used for hedging (negative fair values).

These derivatives are measured at fair value. Changes in the fair value of hedging instruments in fair value hedges between 2 balance sheet dates are recognized in the income statement as an element of other gains and losses on valuation of financial instruments under gains and losses from hedge accounting.

If the derivative hedging instruments are being used as cash flow hedges or hedges of net investments in foreign operations, changes in fair value attributable to the effective portion of the hedges must be recognized in other comprehensive income. These changes are shown in the cash flow hedge reserve or in the currency translation reserve as part of equity. Changes in fair value attributable to the ineffective portion of hedges are included in other gains and losses on valuation of financial instruments under gains and losses from hedge accounting.

» 17 FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

Financial assets and financial liabilities held for trading comprise solely financial assets and financial liabilities that fall within the measurement category 'financial instruments held for trading'.

Derivatives with positive fair values are classified as financial assets held for trading if they were entered into for trading purposes or, despite being intended to be used as hedges, do not meet the requirements for an accounting treatment as hedging instruments. Financial assets held for trading also include bonds and other fixed-income securities, shares and other variable-yield securities, and receivables held for trading purposes.

Financial liabilities held for trading include short positions, bonds and other debt certificates issued, and liabilities held for trading purposes. The procedure for classifying derivatives with negative fair values as financial liabilities held for trading is the same as that used for financial assets held for trading.

Financial instruments reported as financial assets or financial liabilities held for trading are always measured at fair value through profit or loss. Gains and losses on valuation, interest income and expense, and dividends arising from financial assets and financial liabilities held for trading are recognized under gains and losses on trading activities, provided that there is an actual intent to trade the instruments concerned.

Gains and losses on valuation of derivatives that are entered into for hedging purposes, but are not recognized as hedging transactions, are recognized under other gains and losses on valuation of financial instruments as gains and losses on derivatives used for purposes other than trading. If, to avoid accounting mismatches, hedged items are classified as 'financial instruments designated as at fair value through profit or loss', valuation gains and losses on the related derivatives concluded for hedging purposes are recognized under gains and losses on financial instruments designated as at fair value through profit or loss. Interest income and interest expense arising in connection with derivatives that were not entered into for trading purposes or are used to hedge financial instruments designated as at fair value through profit or loss are reported under net interest income.

» 18 INVESTMENTS

The following are recognized as investments: bearer bonds and other fixed-income securities, shares and other variable-yield securities, and other bearer or registered shareholdings in companies in which the DZ BANK Group has no significant influence, provided that these securities or shares are not held for trading purposes. Investments also include investments in subsidiaries, interests in joint ventures and investments in associates.

Investments are initially recognized at fair value. Shares and other shareholdings, and investments in subsidiaries, interests in joint ventures and investments in associates that are accounted for using the equity method or for which a fair value cannot be reliably determined are initially recognized at cost. These investments are subsequently measured in accordance with the principles applicable to the relevant measurement category. In the case of interests in joint ventures and investments in associates, the equity method is used for subsequent measurement.

Impairment losses on investments are determined on the basis of the IAS 39 requirements applicable to the relevant category of financial assets or on the basis of accounting standards relevant to the financial assets concerned. Impairment losses are applied directly to the carrying amount of the investment.

Interest and any investment premiums or discounts amortized over the maturity of the investment using the effective interest method are recognized under net interest income. Dividends derived from equity instruments are recognized as current income under net interest income. Gains or losses on investments accounted for using the equity method are also reported under net interest income. Impairment losses, reversals of impairment losses, and gains and losses realized on the sale of investments not measured at fair value through profit or loss are reported under gains and losses on investments.

» 19 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

Property, plant and equipment, and investment property comprises land and buildings as well as office furniture and equipment with an estimated useful life of more than one year used by the entities in the DZ BANK Group. This item also includes assets subject to operating leases. Investment property is real estate held for the purposes of generating rental income or capital appreciation.

Property, plant and equipment, and investment property is measured at cost less cumulative depreciation and cumulative impairment losses in subsequent financial years. Depreciation is largely recognized on a straight-line basis over the useful life of the asset. Borrowing costs directly assignable to property, plant and equipment, and investment property are capitalized as part of the asset cost, provided that the asset concerned is a qualifying asset.

Depreciation on property, plant and equipment and investment property is recognized as an administrative expense. Impairment losses and reversals of impairment losses are reported under other net operating income.

» 20 INCOME TAX ASSETS AND LIABILITIES

Current and deferred tax assets are shown under the income tax assets balance sheet item; current and deferred tax liabilities are reported under income tax liabilities. Current income tax assets and liabilities are recognized in the amount of any expected refund or future payment.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts recognized in the financial statements in accordance with IFRS and those in the financial statements for tax purposes. Deferred tax assets are also recognized in respect of as yet unused tax loss carryforwards, provided that utilization of these loss carryforwards is sufficiently probable. Deferred tax assets are measured using the national and company-specific tax rates expected to apply at the time of realization. A uniform tax rate is applied in the case of group companies forming a tax group with DZ BANK.

Deferred tax assets and liabilities are not discounted. Where temporary differences arise in relation to items recognized in other comprehensive income, the resulting deferred tax assets and liabilities are also recognized in other comprehensive income. Current and deferred tax income and expense to be recognized through profit or loss is reported under income taxes in the income statement.

» 21 OTHER ASSETS

Other assets include a number of items, including intangible assets. Intangible assets are recognized at cost. In the subsequent measurement of software, acquired customer relationships, and other intangible assets with a finite useful life, carrying amounts are reduced by cumulative amortization and cumulative impairment losses. Goodwill and other intangible assets with an indefinite useful life are not amortized but are subject to an impairment test at least once during the financial year.

» 22 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The carrying amount of non-current assets or disposal groups for which a sale is planned is recovered principally through a sale transaction rather than through their continuing use. These assets and disposal groups therefore need to be classified as held for sale if the criteria set out below are satisfied.

To be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset or disposal group, an active program to locate a buyer and complete the plan has been initiated, the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to the current fair value, and a sale is expected to be completed within one year of the date on which the asset or disposal group is classified as held for sale.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The assets are no longer depreciated from the date on which they are classified as held for sale.

Assets and disposal groups classified as held for sale are shown separately on the face of the balance sheet under non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale. Gains and losses arising on measurement as well as gains and losses on the sale of these assets or disposal groups that do not belong to a discontinued operation are recognized in the income statement under other net operating income. If the assets or disposal groups belong to discontinued operations, all gains and losses arising from these assets and disposal groups must be shown separately as 'profit / loss from discontinued operations, net of tax'.

» 23 DEPOSITS FROM BANKS AND CUSTOMERS

All liabilities attributable to registered creditors not classified as 'financial instruments held for trading' are recognized as deposits from banks and customers. In addition to fixed-maturity liabilities and liabilities repayable on demand arising from the deposit, home savings and loan, and money market businesses, these liabilities also include, in particular, registered bonds and promissory notes issued.

Deposits from banks and customers are measured at amortized cost using the effective interest method. Where deposits from banks and customers are designated as a hedged item in an effective fair value hedge, the carrying amount is adjusted for any change in the fair value attributable to the hedged risk. If, to avoid or significantly reduce accounting mismatches, the fair value option is applied for deposits from banks and customers, the liabilities are measured at fair value as at the balance sheet date.

Interest expense on deposits from banks and customers is recognized separately under net interest income. Interest expense also includes gains and losses on early redemptions and the amortization of hedge adjustments to carrying amounts due to fair value hedges. Hedge adjustments to the carrying amount due to fair value hedges are reported within other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions. If liabilities are designated as at fair value through profit or loss, the gains and losses on valuation are recognized under the same item as part of other gains and losses on valuation of financial instruments.

» 24
DEBT CERTIFICATES ISSUED INCLUDING BONDS

Debt certificates issued including bonds cover 'Pfandbriefe', other bonds, and commercial paper for which transferable bearer certificates have been issued.

Debt certificates issued including bonds and gains and losses thereon are measured and recognized in the same way as deposits from banks and customers.

» 25
PROVISIONS

PROVISIONS FOR EMPLOYEE BENEFITS

Pension plans agreed with the employees of the companies in the DZ BANK Group are based on various types of pension schemes that depend on the legal, economic, and tax situation in each country and include both defined contribution plans and defined benefit plans.

Where a commitment is made to defined contribution plans, fixed contributions are paid to external pension providers. The amount of the contributions and the income earned from the pension assets determine the amount of future pension benefits. No provisions are recognized for these indirect pension commitments. The contributions paid are recognized as pension and other post-employment benefit expenses under administrative expenses.

Pension obligations arising from defined benefit plans are measured on the basis of the projected unit credit method. The measurement of the obligations depends on various actuarial assumptions. These include, in particular, assumptions about long-term salary and pension trends and average life expectancy. Assumptions about salary and pension trends are based on past trends and take into account expectations regarding future changes in the labor market. Generally accepted biometric tables (2005G mortality tables published by Professor Dr. Klaus Heubeck) are used to estimate average life expectancy. The discount rate used to discount future payment obligations is an appropriate market interest rate for investment-grade fixed-income corporate bonds with a maturity equivalent to that of the defined benefit obligations. The discount rate depends on the obligation structure (duration) and is determined using a portfolio of high-quality corporate bonds that must satisfy certain criteria in terms of quality and volume (outstanding face value). One of the notable quality criteria is an average AA rating from Moody's Investors Service, New York, Standard & Poor's, New York, Fitch Ratings, New York / London, and DBRS, Toronto. Bonds with existing call options in the form of embedded derivatives are not included in this process. The estimated long-term growth in existing plan assets is determined on the basis of the structure of investment assets, taking into account historical experience.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding the defined benefit obligations, plan assets and reimbursement rights are recognized as other comprehensive income in the financial year in which they occur.

The plan assets for the DZ BANK Group's defined benefit plans consist to a significant extent of the plan assets of DZ BANK. These are managed as trust assets by DZ BANK Pension Trust e.V., Frankfurt am Main.

In addition to the provisions for defined benefit obligations, the provisions for employee benefits include provisions for other long-term employee benefits, provisions for termination benefits, and provisions for short-term employee benefits. Provisions for other long-term employee benefits are recognized, in particular, to cover long-service bonuses. Provisions for early retirement and partial retirement schemes are included under the provisions for termination benefits.

PROVISIONS FOR SHARE-BASED PAYMENTS

The entities in the DZ BANK Group have entered into various agreements covering variable remuneration components to be paid to members of the Board of Managing Directors and certain other executives. The amount and timing of such remuneration depends on a number of factors, not least the performance of the entity concerned. These agreements are classified as cash-settled share-based payment transactions.

Provisions for share-based payment transactions are recognized at fair value. A fair value is already available if it is sufficiently probable that the remuneration will be paid out in the future. The timing of initial recognition is therefore before the grant date and before any payout in subsequent years. This results in discrepancies compared with the nominal amounts disclosed in note 89 for share-based payments granted but not yet paid out.

Provisions for share-based payment transactions are also subsequently measured at fair value. Any changes in fair value are recognized in profit or loss.

OTHER PROVISIONS

Provisions are liabilities in which the amounts or due dates are uncertain. Provisions are recognized for present obligations arising out of past events, in which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

The provisions are recognized and measured using the best estimate of the present value of their anticipated utilization. This estimate takes account of future events as well as the risks and uncertainties relating to the issue concerned.

Provisions for loan commitments and other provisions for losses on loans and advances factor in the usual sector-specific level of uncertainty. The underlying assumptions and estimates used include figures based on past experience as well as expectations and forecasts relating to future trends and developments.

Provisions relating to building society operations are recognized to cover the payment of any bonuses that may have been agreed in the terms and conditions of home savings contracts. These bonuses may take the form of a reimbursement of some of the sales charges or interest bonuses on deposits.

The expense incurred by the unwinding of the discount on provisions is recognized as interest expense under net interest income.

» 26 SUBORDINATED CAPITAL

Subordinated capital comprises all registered or bearer debt instruments that, in the event of insolvency or liquidation, are repaid only after settlement of all unsubordinated liabilities but before distribution to shareholders of any proceeds from the insolvency or liquidation.

Subordinated liabilities largely comprise subordinated bearer bonds and promissory notes. Capital contributions from typically dormant partners are recognized as liabilities to dormant partners. Profit-sharing rights outstanding comprise registered and bearer profit-participation certificates in issue. Regulatory Tier 1 capital that does not meet IFRS equity criteria is recognized as other hybrid capital. The share capital repayable on demand comprises the non-controlling interests in partnerships controlled by companies in the DZ BANK Group. These non-controlling interests must be classified as subordinated.

Subordinated capital and gains and losses on this capital are measured and recognized in the same way as deposits from banks and customers.

» 27 CONTINGENT LIABILITIES

Contingent liabilities are possible obligations arising from past events. The existence of these obligations will only be confirmed by future events outside the control of the entities in the DZ BANK Group. Present obligations arising out of past events but not recognized as provisions because of the improbability of an outflow of resources embodying economic benefits or because the amount cannot be measured with sufficient reliability also constitute contingent liabilities.

The amount of contingent liabilities is disclosed in the notes unless the probability of an outflow of resources embodying economic benefits is remote.

Contingent liabilities are measured at the best estimate of possible future outflows of resources embodying economic benefits.

B Disclosures relating to the income statement and the statement of comprehensive income

INFORMATION ON OPERATING SEGMENTS

» 28
SEGMENT INFORMATION

2012

€ million	Bank	Retail	Real Estate Finance	Insurance	Consoli-dation/ reconciliation	**Total**
Net interest income	1,607	709	1,251	–	-307	3,260
Allowances for losses on loans and advances	-396	-89	-42	–	–	-527
Net fee and commission income	470	855	-206	–	-95	1,024
Gains and losses on trading activities	640	7	7	–	5	659
Gains and losses on investments	-260	-38	-45	–	-99	-442
Other gains and losses on valuation of financial instruments	-46	12	-249	–	7	-276
Premiums earned	–	–	–	11,787	–	11,787
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	3,353	-67	3,286
Insurance benefit payments	–	–	–	-12,509	–	-12,509
Insurance business operating expenses	–	–	–	-2,145	113	-2,032
Administrative expenses	-1,342	-950	-569	–	6	-2,855
Other net operating income	-60	-24	45	4	-21	-56
Profit before taxes	**613**	**482**	**192**	**490**	**-458**	**1,319**
Cost/income ratio (%)	57.1	62.5	70.9	–	–	60.7

2011

€ million	Bank	Retail	Real Estate Finance	Insurance	Consoli-dation/ reconciliation	**Total**
Net interest income	1,484	669	1,225	–	-241	3,137
Allowances for losses on loans and advances	-212	-63	-120	–	–	-395
Net fee and commission income	460	831	-216	–	-112	963
Gains and losses on trading activities	393	16	-7	–	-4	398
Gains and losses on investments	-44	-292	22	–	-19	-333
Other gains and losses on valuation of financial instruments	45	25	-1,045	–	-24	-999
Premiums earned	–	–	–	11,193	–	11,193
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	2,175	-87	2,088
Insurance benefit payments	–	–	–	-10,968	–	-10,968
Insurance business operating expenses	–	–	–	-2,095	130	-1,965
Administrative expenses	-1,280	-925	-525	–	8	-2,722
Other net operating income	-81	13	35	-19	-21	-73
Profit/loss before taxes	**765**	**274**	**-631**	**286**	**-370**	**324**
Cost/income ratio (%)	56.7	73.3	> 100.0	–	–	79.1

GENERAL INFORMATION ON OPERATING SEGMENTS

The information on operating segments has been prepared using the management approach in accordance with IFRS 8. Under this standard, external reporting must include segment information that is used internally for the management of the company and for the purposes of quantitative reporting to the chief operating decision-makers. The DZ BANK Group's information on operating segments has therefore been prepared on the basis of the internal management reporting system.

DEFINITION OF OPERATING SEGMENTS

The Group Coordination Committee ensures coordination between the key companies in the DZ BANK Group to achieve consistent management of opportunities and risks, allocate capital, deal with strategic issues, and leverage synergies. In addition to the entire Board of Managing Directors of DZ BANK, the members of this committee comprise the chief executive officers of Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH), DZ PRIVATBANK S.A., Luxembourg-Strassen, R+V Versicherung AG, Wiesbaden, (R+V), TeamBank AG Nürnberg, Nuremberg, (TeamBank), Union Asset Management Holding AG, Frankfurt am Main, and VR-LEASING AG, Eschborn, and the Spokesman of the Board of Managing Directors of Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP). A coordination model is used to harmonize activities throughout the group. For the purposes of operating segment disclosures, 4 segments have been identified on the basis of this model.

The Bank operating segment brings together the activities of the DZ BANK Group in the cooperative financial network and in its corporate banking, institutional customers, and capital markets businesses. The segment focuses mainly on corporate customers. The subgroups VR LEASING and DVB Bank (DVB) and the following companies are reported under this segment: DZ BANK Ireland plc, Dublin, (DZ BANK Ireland) and DZ BANK. The Bank operating segment also includes consolidated companies that do not form part of the core operating businesses of the DZ BANK Group.

The Retail operating segment covers the DZ BANK Group's private banking operations and activities relating to asset management. The segment generally focuses on private clients and includes DZ PRIVATBANK, TeamBank, and the Union Asset Management Holding subgroup.

The Real Estate Finance operating segment encompasses the group's building society operations together with the retail and commercial real estate business. The companies assigned to this segment include DG HYP and the BSH subgroup.

The Insurance operating segment comprises the R+V Versicherung subgroup.

PRESENTATION OF OPERATING SEGMENTS

Interest income and associated interest expenses generated by the operating segments are offset and reported as net interest income in the information on operating segments because, from a group perspective, the operating segments are managed solely on the basis of the net figure.

MEASUREMENT

Internal reporting to the chief operating decision-makers in the DZ BANK Group is primarily based on the generally accepted accounting and measurement principles applicable to the DZ BANK Group.

Intragroup transactions between operating segments are carried out on an arm's-length basis. These transactions are reported internally using the financial reporting standards applied to external financial reporting.

The key indicators for assessing the performance of the operating segments are profit / loss before taxes and the cost / income ratio. The cost / income ratio shows the ratio of administrative expenses to operating income and reflects the economic efficiency of the operating segment concerned.

Operating income includes net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

CONSOLIDATION / RECONCILIATION

The adjustments shown under Consolidation / reconciliation to reconcile operating segment profit / loss before taxes to consolidated profit / loss before taxes were fully attributable to the elimination of intragroup transactions and to the fact that interests in joint ventures and investments in associates were accounted for using the equity method.

The adjustments to net interest income were primarily the result of the elimination of intragroup dividend payments and profit distributions in connection with intragroup liabilities to dormant partners and were also attributable to the early redemption of issued bonds and commercial paper that had been acquired by companies in the DZ BANK Group other than the issuer.

The figure under Consolidation / reconciliation for net fee and commission income largely relates to the fee and commission business of TeamBank and BSH with R+V Versicherung.

The remaining adjustments are mostly also attributable to the consolidation of income and expenses.

DZ BANK GROUP-WIDE DISCLOSURES

INFORMATION ABOUT GEOGRAPHICAL AREAS

The DZ BANK Group's operating income was generated in the following geographical areas:

€ million	2012	2011
Germany	3,862	2,568
Rest of Europe	831	633
Rest of World	288	437
Consolidation/reconciliation	-280	-197
Total	**4,701**	**3,441**

Information on geographical areas is presented according to the home countries of the companies included in the consolidated financial statements.

This information does not include the separate disclosure of certain non-current (largely tangible) assets because these assets are of minor significance in the DZ BANK Group's business model.

INFORMATION ABOUT PRODUCTS AND SERVICES

Information on products and services offered by the DZ BANK Group is included in the income statement disclosures below.

» 29 NET INTEREST INCOME

€ million	2012	2011
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**8,544**	**9,106**
Interest income from	**8,309**	**8,854**
Lending and money market business	7,515	7,709
of which relating to: local authority loans	723	701
mortgage loans	848	935
home savings loans	221	246
advance and interim financing	705	647
other building loans	72	60
finance leases	394	398
Fixed-income securities	1,242	1,412
Portfolio hedges of interest-rate risk	-448	-267
Current income from	**129**	**147**
Shares and other variable-yield securities	42	43
Investments in subsidiaries	10	4
Operating leases	77	100
Income / loss from using the equity method for	**84**	**85**
Interests in joint ventures	66	74
Investments in associates	18	11
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**22**	**20**
INTEREST EXPENSE ON	**-5,284**	**-5,969**
Deposits from banks and customers	-3,868	-4,307
of which: relating to home savings deposits	-727	-702
Debt certificates issued including bonds	-1,260	-1,469
Subordinated capital	-202	-226
Portfolio hedges of interest-rate risk	59	51
Provisions and other liabilities	-13	-18
Total	**3,260**	**3,137**

» 30 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	2012	2011
Allowances for losses on loans and advances to banks	**28**	**-26**
Additions	-13	-38
Reversals	41	13
Directly recognized impairment losses	–	-1
Allowances for losses on loans and advances to customers	**-544**	**-379**
Additions	-1,054	-1,073
Reversals	522	732
Directly recognized impairment losses	-94	-102
Recoveries on loans and advances previously impaired	82	64
Changes in provisions for loan commitments, in other provisions for loans and advances, and in liabilities from financial guarantee contracts	**-11**	**10**
Total	**-527**	**-395**

» 31 NET FEE AND COMMISSION INCOME

€ million	2012	2011
Fee and commission income	**2,643**	**2,554**
Securities business	1,637	1,603
Asset management	31	30
Payments processing including card processing	160	151
Lending business and trust activities	270	250
Financial guarantee contracts and loan commitments	40	37
International business	14	15
Building society operations	325	309
Other	166	159
Fee and commission expenses	**-1,619**	**-1,591**
Securities business	-562	-559
Asset management	-20	-22
Payments processing including card processing	-85	-80
Lending business	-227	-214
Financial guarantee contracts and loan commitments	-3	-4
Building society operations	-584	-574
Other	-138	-138
Total	**1,024**	**963**

» 32 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	2012	2011
Gains and losses on non-derivative financial instruments and embedded derivatives	800	712
Gains and losses on derivatives	-244	-239
Gains and losses on exchange differences	103	-75
Total	**659**	**398**

» 33 GAINS AND LOSSES ON INVESTMENTS

€ million	2012	2011
Gains and losses on bonds and other fixed-income securities	**-270**	-314
Disposals	-194	-27
Impairment losses	-120	-527
Reversals of impairment losses	44	240
Gains and losses on shares and other variable-yield securities	**-14**	-13
Disposals	–	2
Impairment losses	-14	-15
Gains and losses on investments in subsidiaries	**-6**	-6
Disposals	–	2
Impairment losses	-6	-8
Gains and losses on interests in joint ventures	**-59**	–
Impairment losses	-59	–
Gains and losses on investments in associates	**-93**	–
Impairment losses	-22	–
Transitional accounting	-71	–
Total	**-442**	-333

As DZ BANK ceased to have significant influence over ÖVAG in 2012, the investment in this company is no longer accounted for using the equity method; instead, it is recognized in accordance with the requirements of IAS 39. The share of cumulative other comprehensive loss for the ÖVAG Group amounting to €71 million was reclassified to gains and losses on investments as part of transitional accounting arrangements.

» 34 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	2012	2011
Gains and losses from hedge accounting	**-7**	23
Gains and losses on derivatives used for purposes other than trading	**-21**	-1
Gains and losses on financial instruments designated as at fair value through profit or loss	**-248**	-1,021
Gains and losses on non-derivative financial instruments and embedded derivatives	-714	-1,187
Gains and losses on derivatives	466	166
Total	**-276**	-999

Gains and losses on derivatives used for purposes other than trading result from gains and losses on valuation of derivatives that are used for economic hedging but are not included in hedge accounting.

» 35 PREMIUMS EARNED

€ million	2012	2011
Net premiums written	**11,828**	**11,241**
Gross premiums written	11,875	11,332
Reinsurance premiums ceded	-47	-91
Change in provision for unearned premiums	**-41**	**-48**
Gross premiums	-14	-36
Reinsurers' share	-27	-12
Total	**11,787**	**11,193**

» 36 GAINS AND LOSSES ON INVESTMENTS HELD BY INSURANCE COMPANIES AND OTHER INSURANCE COMPANY GAINS AND LOSSES

€ million	2012	2011
Income from investments held by insurance companies	**4,269**	**3,823**
Interest income and current income	2,579	2,547
Income from reversals of impairment losses and unrealized gains	130	222
Gains on valuation through profit or loss of investments held by insurance companies	788	243
Gains on disposals	772	811
Expenses in connection with investments held by insurance companies	**-1,139**	**-1,942**
Administrative expenses	-121	-121
Depreciation/amortization expense, impairment losses, and unrealized losses	-289	-772
Losses on valuation through profit or loss of investments held by insurance companies	-89	-405
Losses on disposals	-640	-644
Other gains and losses of insurance companies	**156**	**207**
Other insurance gains and losses	215	248
Other non-insurance gains and losses	-59	-41
Total	**3,286**	**2,088**

The income and expenses relating to investments and other gains and losses include losses of €9 million on exchange differences (2011: gains of €14 million).

» 37 INSURANCE BENEFIT PAYMENTS

€ million	2012	2011
Expenses for claims	**-8,301**	**-9,035**
Gross expenses for claims	-8,342	-9,091
Reinsurers' share	41	56
Changes in benefit reserve, provision for premium refunds, and in other insurance liabilities	**-4,208**	**-1,933**
Changes in gross liabilities	-4,181	-1,897
Reinsurers' share	-27	-36
Total	**-12,509**	**-10,968**

The net reinsurance income amounted to €40 million (2011: net expense of €52 million).

» 38 INSURANCE BUSINESS OPERATING EXPENSES

€ million	2012	2011
Gross expenses	-2,051	-1,997
Reinsurers' share	19	32
Total	**-2,032**	**-1,965**

» 39 ADMINISTRATIVE EXPENSES

€ million	2012	2011
Staff expenses	**-1,478**	**-1,414**
Wages and salaries	-1,211	-1,165
Social security contributions	-149	-142
Pension and other post-employment benefit expenses	-112	-101
Expenses for share-based payments	-6	-6
General and administrative expenses	**-1,266**	**-1,196**
Expenses for temporary staff	-16	-18
Contributions and fees	-96	-97
of which: contributions to the German restructuring fund for banks	-15	-19
Consultancy	-252	-203
Office expenses	-187	-187
IT expenses	-278	-244
Property and occupancy costs	-153	-153
Information procurement	-50	-46
Public relations/marketing	-139	-154
Other general and administrative expenses	-90	-89
Expenses for administrative bodies	-5	-5
Depreciation and amortization	**-111**	**-112**
Property, plant and equipment, and investment property	-46	-48
Other assets	-65	-64
Total	**-2,855**	**-2,722**

The following table shows a breakdown of pension and other post-employment benefit expenses:

€ million	2012	2011
Expenses in respect of defined benefit obligations	**-88**	-82
Current service cost	-34	-33
Interest expense	-86	-86
Expected return on plan assets	32	37
Expenses in respect of defined contribution obligations	**-10**	-9

» 40 OTHER NET OPERATING INCOME

€ million	2012	2011
Other income from leasing business	9	5
Expenses for other taxes	-11	-28
Gains and losses on non-current assets and disposal groups classified as held for sale	-2	-13
Restructuring expenses	-36	-5
Gains and losses on deconsolidation of subsidiaries	31	3
Residual other net operating income	-47	-35
Total	**-56**	**-73**

Gains and losses on non-current assets and disposal groups classified as held for sale include impairment losses of €3 million (2011: losses of €11 million) and realized gains of €1 million on disposals (2011: losses of €2 million). The impairment losses largely relate to non-current assets and disposal groups classified as held for sale whose measurement does not fall within the scope of IFRS 5.

Gains and losses on deconsolidation of subsidiaries include a gain amounting to €37 million. This arose from the disposal of shares in TES Holding, as a result of which DZ BANK lost control over this company.

Residual other net operating income includes rental income from investment property of €6 million (2011: €4 million) and directly assignable expenses of €1 million. In 2011, there had only been negligible directly assignable expenses.

» 41 INCOME TAXES

€ million	2012	2011
Current tax expense	-478	-266
Deferred tax income	128	551
Total	**-350**	**285**

The total for current taxes includes expenses of €28 million (2011: income of €41 million) attributable to previous years. Deferred taxes include income of €499 million (2011: €69 million) arising from the appearance and disappearance of temporary differences.

Current taxes in relation to the German limited companies in the group are calculated using an effective corporation tax rate of 15.825 percent based on a corporation tax rate of 15.0 percent plus the solidarity surcharge. The tax rate applied in 2012 was unchanged from the rate used in 2011. The effective rate for trade tax is 15.027 percent (2011: 14.7 percent) for DZ BANK and subsidiaries that are members of the tax group. The slight increase in the rate of trade tax resulted from a change in the average multiplier used for the companies in the tax group.

Deferred taxes must be calculated using tax rates expected to apply when the tax asset or liability arises. The tax rates used are therefore those that are valid or have been announced for the periods in question as at the balance sheet date.

The following table shows a reconciliation from expected income taxes to reported income taxes based on application of the current tax law in Germany:

€ million	**2012**	2011
Profit before taxes	**1,319**	324
Group income tax rate	30.852 %	30.525 %
Expected income taxes	**-407**	-99
Income tax effects	**57**	384
Impact of tax-exempt income and non-deductible expenses	-56	-100
Adjustments resulting from other types of income tax, other trade tax multipliers, and changes in tax rates	40	-35
Tax rate differences on income subject to taxation in other countries	20	3
Current and deferred taxes relating to prior years	-17	86
Change in impairment losses on deferred tax assets	73	434
Other effects	-3	-4
Recognized income taxes	**-350**	285

» 42
AMOUNTS RECLASSIFIED TO THE INCOME STATEMENT

€ million	2012	2011
Gains and losses on available-for-sale financial assets	**1,873**	**-664**
Gains (+)/losses (-) arising during the reporting period	1,708	-1,228
Gains (-)/losses (+) reclassified to the income statement	165	564
Gains and losses on cash flow hedges	**42**	**-10**
Gains (+)/losses (-) arising during the reporting period	9	-8
Gains (-)/losses (+) reclassified to the income statement	33	-2
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	**89**	**-8**
Gains (+)/losses (-) arising during the reporting period	18	-8
Gains (-)/losses (+) reclassified to the income statement	71	–

The table below shows the income taxes on the various components of other comprehensive income:

» 43
INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2012			2011		
€ million	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Gains and losses on available-for-sale financial assets	1,873	-563	1,310	-664	167	-497
Gains and losses on cash flow hedges	42	-12	30	-10	2	-8
Exchange differences on currency translation of foreign operations	13	–	13	–	–	–
Gains and losses on hedges of net investments in foreign operations	-2	1	-1	–	–	–
Actuarial gains and losses on defined benefit plans	-492	147	-345	3	-9	-6
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	89	–	89	-8	–	-8
Total	**1,523**	**-427**	**1,096**	**-679**	**160**	**-519**

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» 44 CASH AND CASH EQUIVALENTS

€ million	Dec. 31, 2012	Dec. 31, 2011
Cash on hand	237	164
Balances with central banks and other government institutions	2,138	2,313
of which: with Deutsche Bundesbank	1,377	2,168
Treasury bills and non-interest-bearing treasury notes	122	79
Total	2,497	2,556

The average target minimum reserve for 2012 was €590 million (2011: €534 million).

» 45 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Domestic banks	6,562	6,680	61,417	61,571	67,979	68,251
Affiliated banks	2,345	3,268	49,392	49,075	51,737	52,343
Other banks	4,217	3,412	12,025	12,496	16,242	15,908
Foreign banks	6,385	6,199	5,065	5,585	11,450	11,784
Total	12,947	12,879	66,482	67,156	79,429	80,035

The following table shows the breakdown of loans and advances to banks by type of business:

€ million	Dec. 31, 2012	Dec. 31, 2011
Local authority loans	5,404	2,611
Mortgage loans	28	57
Other loans secured by mortgages on real estate	45	45
Home savings loans	3	9
Money market placements	15,567	14,608
Other loans and advances	58,382	62,705
Total	79,429	80,035

» 46 LOANS AND ADVANCES TO CUSTOMERS

€ million	Dec. 31, 2012	Dec. 31, 2011
Loans and advances to domestic customers	88,428	87,016
Loans and advances to foreign customers	35,383	33,744
Total	**123,811**	**120,760**

The following table shows the breakdown of loans and advances to customers by type of business:

€ million	Dec. 31, 2012	Dec. 31, 2011
Local authority loans	14,553	14,973
Mortgage loans	21,575	20,748
Loans secured by ship mortgages or other loans secured by mortgages on real estate	1,722	1,294
Building loans advanced by building society	25,447	23,975
of which: from allotment (home savings loans)	5,640	6,430
for advance and interim financing	17,860	15,880
other building loans	1,947	1,665
Finance leases	5,518	5,590
Money market placements	197	490
Other loans and advances	54,799	53,690
Total	**123,811**	**120,760**

» 47 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

The changes in allowances for losses on loans and advances recognized under assets were as follows:

	Allowances for losses on loans and advances to banks		Allowances for losses on loans and advances to customers		Total
€ million	Specific loan loss allowances	Portfolio loan loss allowances	Specific loan loss allowances	Portfolio loan loss allowances	
Balance as at Jan. 1, 2011	145	26	1,736	317	2,224
Additions	26	12	776	297	1,111
Utilizations	–	–	-271	–	-271
Reversals	-12	-1	-620	-112	-745
Interest income	-1	–	-34	–	-35
Changes in scope of consolidation	–	–	1	–	1
Other changes	5	–	-12	–	-7
Balance as at Dec. 31, 2011	163	37	1,576	502	2,278
Additions	12	1	908	146	1,067
Utilizations	-16	–	-281	–	-297
Reversals	-31	-10	-376	-146	-563
Interest income	–	–	-40	–	-40
Changes in scope of consolidation	–	–	60	2	62
Other changes	-9	–	11	–	2
Balance as at Dec. 31, 2012	**119**	**28**	**1,858**	**504**	**2,509**

The interest income arises from unwinding the discount on impaired loans and advances as specified in IAS 39.AG93.

» 48 DERIVATIVES USED FOR HEDGING (POSITIVE FAIR VALUES)

€ million	Dec. 31, 2012	Dec. 31, 2011
Derivatives used as fair value hedges	**809**	**900**
Interest-linked contracts	809	900
Derivatives used as cash flow hedges	**11**	**1**
Currency-linked contracts	11	1
Total	**820**	**901**

» 49 FINANCIAL ASSETS HELD FOR TRADING

€ million	Dec. 31, 2012	Dec. 31, 2011
DERIVATIVES (POSITIVE FAIR VALUES)	**36,710**	**32,904**
Interest-linked contracts	34,090	28,005
Currency-linked contracts	543	923
Share-/index-linked contracts	538	881
Other contracts	878	1,008
Credit derivatives	661	2,087
BONDS AND OTHER FIXED-INCOME SECURITIES	**11,690**	**17,390**
Money market instruments	**489**	**115**
from public-sector issuers	175	30
from other issuers	314	85
Bonds	**11,201**	**17,275**
from public-sector issuers	2,182	3,149
from other issuers	9,019	14,126
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**507**	**446**
Shares	381	274
Investment fund units	55	69
Other variable-yield securities	71	103
LOANS AND ADVANCES	**17,802**	**21,118**
Money market placements	**17,267**	**18,926**
with banks	14,921	17,602
of which: with affiliated banks	3,050	2,899
with other banks	11,871	14,703
with customers	2,346	1,324
Promissory notes, registered bonds, and other loans and advances	**535**	**2,192**
with banks	395	1,318
of which: affiliated banks	25	834
other banks	370	484
with customers	140	874
Total	**66,709**	**71,858**

» 50 INVESTMENTS

€ million	Dec. 31, 2012	Dec. 31, 2011
BONDS AND OTHER FIXED-INCOME SECURITIES	**56,399**	**58,246**
Money market instruments	**343**	**110**
from public-sector issuers	163	–
from other issuers	180	110
Bonds	**56,056**	**58,136**
from public-sector issuers	21,434	20,228
from other issuers	34,622	37,908
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,195**	**1,301**
Shares and other shareholdings	251	232
Investment fund units	668	793
Other variable-yield securities	276	276
INVESTMENTS IN SUBSIDIARIES	**1,227**	**1,265**
of which: in banks	19	80
in financial services institutions	12	13
INTERESTS IN JOINT VENTURES	**637**	**660**
of which: in banks	436	426
INVESTMENTS IN ASSOCIATES	**334**	**218**
of which: in banks	34	55
Total	**59,792**	**61,690**

The carrying amount of interests in joint ventures accounted for using the equity method totaled €586 million (December 31, 2011: €609 million). €324 million of the investments in associates has been accounted for using the equity method (December 31, 2011: €217 million).

» 51 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Dec. 31, 2012	Dec. 31, 2011
Investment property	1,530	1,402
Investments in subsidiaries	377	378
Interests in joint ventures	20	19
Investments in associates	40	34
Mortgage loans	6,494	5,722
Promissory notes and loans	9,838	10,544
Registered bonds	9,859	10,033
Other loans	1,573	1,718
Variable-yield securities	4,479	4,254
Fixed-income securities	26,101	19,949
Derivatives (positive fair values)	301	198
Deposits with ceding insurers	182	152
Assets related to unit-linked contracts	5,502	4,945
Total	**66,296**	**59,348**

The fair value of investment property was €1,768 million as at the balance sheet date (December 31, 2011: €1,588 million). As in 2011, government grants of €5 million were deducted from the carrying amount of investment property. The grants are non-interest-bearing, low-interest or forgivable loans.

Some investment property has been pledged as collateral and is subject to restrictions on disposal, the total furnished collateral value of the property being €368 million (December 31, 2011: €378 million). The group also has capital expenditure commitments amounting to €141 million (December 31, 2011: €80 million). A total of €29 million was spent on the repair and maintenance of investment property in 2012 (2011: €53 million). Vacant property resulted in repair and maintenance expenses of €1 million (2011: €2 million).

The carrying amount of interests in joint ventures accounted for using the equity method totaled €20 million (December 31, 2011: €19 million).

» 52 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Dec. 31, 2012	Dec. 31, 2011
Land and buildings	420	462
Office furniture and equipment	104	107
Assets subject to operating leases	1,029	1,353
Investment property	89	117
Payments in advance	199	180
Total	**1,841**	**2,219**

The fair value of investment property was €106 million as at the balance sheet date (December 31, 2011: €137 million).

» 53 INCOME TAX ASSETS AND LIABILITIES

€ million	Dec. 31, 2012	Dec. 31, 2011
Income tax assets	**2,056**	**2,916**
Current income tax assets	576	703
Deferred tax assets	1,480	2,213
Income tax liabilities	**641**	**1,001**
Current income tax liabilities	376	300
Deferred tax liabilities	265	701

In addition to deferred tax assets recognized for tax loss carryforwards, deferred tax assets and liabilities are also recognized for temporary differences in respect of the items shown below:

	Deferred tax assets		Deferred tax liabilities	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Tax loss carryforwards	309	680		
Loans and advances to banks and customers (net)	154	129	356	686
Financial assets and liabilities held for trading, derivatives used for hedging (positive and negative fair values)	711	561	–	35
Investments	359	600	586	435
Investments held by insurance companies	24	158	305	237
Property, plant and equipment, and investment property	16	13	18	37
Deposits from banks and customers	697	822	21	32
Debt certificates issued including bonds	153	74	27	48
Provisions for employee benefits and for share-based payment transactions	350	208	20	28
Other provisions	109	101	9	9
Insurance liabilities	80	328	249	534
Other balance sheet items	58	118	214	199
Total (gross)	**3,020**	**3,792**	**1,805**	**2,280**
Netting of deferred tax assets and deferred tax liabilities	-1,540	-1,579	-1,540	-1,579
Total (net)	**1,480**	**2,213**	**265**	**701**

Deferred tax assets for temporary differences and tax loss carryforwards are only recognized if it is sufficiently probable that the asset can be realized in the future. No deferred tax assets have been recognized for corporation tax loss carryforwards amounting to €161 million (December 31, 2011: €82 million), which can be carried forward indefinitely, or for trade tax loss carryforwards amounting to €92 million (December 31, 2011: €959 million). There remained foreign loss carryforwards of €830 million (December 31, 2011: €677 million) that mostly expire in no more than 17 years and for which no deferred tax assets are recognized. As regards companies (or permanent establishments of companies) in the DZ BANK Group that have suffered tax losses in 2012 or 2011 in their tax jurisdiction, it will be possible to utilize deferred tax assets amounting to €2 million (December 31, 2011: €141 million) in the future if a corresponding level of taxable income is available. It is assumed that this will in fact be the case based on information available from planning of taxable income.

Overall, there is a deferred tax asset surplus of €42 million (December 31, 2011: €472 million) recognized in other comprehensive income. These deferred tax assets primarily relate to investments, investments held by insurance companies, and to provisions for employee benefits.

Deferred tax assets of €864 million (December 31, 2011: €1,612 million) and deferred tax liabilities of €136 million (December 31, 2011: €662 million) are expected to be realized only after a period of 12 months.

No deferred tax liabilities have been recognized for subsidiaries' retained profits of €226 million (December 31, 2011: €192 million) that do not give rise to permanent differences because profits are unlikely to be distributed in the foreseeable future.

» 54 OTHER ASSETS

€ million	Dec. 31, 2012	Dec. 31, 2011
Other assets held by insurance companies	3,553	3,433
Goodwill	275	280
Other intangible assets	348	365
of which: software	173	195
acquired customer relationships	137	145
Other loans and advances	144	136
Residual other assets	1,460	1,239
Total	**5,780**	**5,453**

Other intangible assets include internally generated intangible assets amounting to €28 million (December 31, 2011: €41 million).

The breakdown of other assets held by insurance companies is as follows:

€ million	Dec. 31, 2012	Dec. 31, 2011
Intangible assets	**180**	**161**
Reinsurance assets	**290**	**369**
Provision for unearned premiums	10	37
Benefit reserve	91	118
Provision for claims outstanding	189	214
Receivables	**814**	**1,055**
Receivables arising out of direct insurance operations	622	585
Receivables arising out of reinsurance operations	144	164
Other receivables	48	306
Credit balances with banks, checks and cash on hand	**298**	**218**
Residual other assets	**1,971**	**1,630**
Property, plant and equipment	437	458
Prepaid expenses	32	19
Remaining assets held by insurance companies	1,502	1,153
Total	**3,553**	**3,433**

The intangible assets in the remaining assets held by insurance companies include internally generated intangible assets amounting to €29 million (December 31, 2011: €29 million).

The following tables show the reinsurers' share of the changes in insurance liabilities:

REINSURERS' SHARE OF THE CHANGES IN THE PROVISION FOR UNEARNED PREMIUMS

€ million	2012	2011
Balance as at Jan. 1	37	47
Additions	39	52
Utilizations/reversals	-66	-62
Balance as at Dec. 31	**10**	**37**

REINSURERS' SHARE OF THE CHANGES IN THE BENEFIT RESERVE

€ million	2012	2011
Balance as at Jan. 1	118	154
Additions	5	12
Utilizations/reversals	-32	-48
Balance as at Dec. 31	**91**	**118**

REINSURERS' SHARE OF THE CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2012	2011
Balance as at Jan. 1	214	258
Claims expenses	38	53
less payments	-63	-97
Balance as at Dec. 31	**189**	**214**

The following table shows the changes in investment property included in the investments held by insurance companies, the changes in property, plant and equipment, and investment property, and the changes in intangible assets included in other assets:

» 55 CHANGES IN NON-CURRENT ASSETS

	Investments held by insurance companies
€ million	Investment property
Carrying amounts as at Jan. 1, 2011	1,170
Cost as at Jan. 1, 2011	1,365
Additions	184
Reclassifications	-1
Disposals	-34
Changes attributable to currency translation	–
Changes in scope of consolidation	121
Cost as at Dec. 31, 2011	**1,635**
Reversals of impairment losses as at Jan. 1, 2011	18
Additions	1
Reversals of impairment losses as at Dec. 31, 2011	**19**
Depreciation/amortization and impairment losses as at Jan. 1, 2011	-213
Depreciation/amortization expense for the year	-40
Impairment losses for the year	-3
Reclassifications	1
Disposals	3
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Depreciation/amortization and impairment losses as at Dec. 31, 2011	**-252**
Carrying amounts as at Dec. 31, 2011	1,402
Cost as at Dec. 31, 2011	1,635
Additions	180
Additions in respect of borrowing costs eligible for capitalization	1
Reclassifications	–
Disposals	-10
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Cost as at Dec. 31, 2012	**1,806**
Reversals of impairment losses as at Jan. 1, 2012	19
Additions	1
Reversals of impairment losses as at Dec. 31, 2012	**20**
Depreciation/amortization and impairment losses as at Jan. 1, 2012	-252
Depreciation/amortization expense for the year	-40
Impairment losses for the year	-4
Reclassifications	–
Disposals	–
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Depreciation/amortization and impairment losses as at Dec. 31, 2012	**-296**
Carrying amounts as at Dec. 31, 2012	**1,530**

Property, plant and equipment, and investment property					Other assets	
Land and buildings	Office furniture and equipment	Assets subject to operating leases	Investment property	Payments in advance	Goodwill	Other intangible assets
319	112	1,488	112	121	151	226
556	506	1,839	129	121	151	723
5	31	643	18	102	133	213
152	1	205	1	-38	–	2
–	-50	-146	-6	-13	-4	-2
–	-1	32	-	8	–	-2
–	–	-882	-	–	–	–
713	**487**	**1,691**	**142**	**180**	**280**	**934**
–	–	–	–	–	–	–
6	–	1	–	–	–	–
6	**–**	**1**	**–**	**–**	**–**	**–**
-237	-394	-351	-17	–	–	-497
-13	-33	-152	-2	–	–	-73
-7	–	-25	-6	–	–	–
–	1	–	–	–	–	-1
–	46	85	–	–	–	1
–	–	-8	–	–	–	1
–	–	112	–	–	–	–
-257	**-380**	**-339**	**-25**	**–**	**–**	**-569**
462	107	1,353	117	180	280	365
713	487	1,691	142	180	280	934
1	31	510	–	83	3	81
–	–	7	–	–	–	–
6	9	28	-41	-42	–	7
-3	-31	-729	–	-20	-8	-22
1	1	-17	–	-2	–	1
-8	4	-130	2	–	–	8
710	**501**	**1,360**	**103**	**199**	**275**	**1,009**
6	–	1	–	–	–	–
–	–	19	–	–	–	–
6	**–**	**20**	**–**	**–**	**–**	**–**
-257	-380	-339	-25	–	–	-569
-13	-32	-131	-1	–	–	-82
-24	–	-20	–	–	–	-4
-5	-7	-2	12	–	–	-3
3	28	115	–	–	–	5
–	-1	6	–	–	–	-1
–	-5	20	–	–	–	-7
-296	**-397**	**-351**	**-14**	**–**	**–**	**-661**
420	**104**	**1,029**	**89**	**199**	**275**	**348**

In 2012, the useful life of the assets varied from 6 to 65 years for buildings (2011: 16 to 50 years), from 1 to 25 years for office furniture and equipment (as in 2011), and from 1 to 25 years for assets subject to operating leases (2011: 1 to 23 years); the useful life for investment property was 3 to 77 years (as in 2011). As in prior years, software included in other intangible assets was amortized over a useful life of 1 to 15 years.

In 2012, borrowing costs of €1 million were capitalized for investment property held by insurance companies and borrowing costs of €7 million were capitalized for assets subject to operating leases. Borrowing costs had been capitalized only to a minor extent in 2011. The capitalization rate used to determine the amount of capitalized borrowing costs was 3.58 percent for investment property (2011: 3.87 percent) and 1.62 percent for assets subject to operating leases (2011: 1.64 percent).

Disclosures regarding the changes in goodwill are included in note 82.

» 56 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The non-current assets and disposal groups classified as held for sale largely comprise shares in companies and individual items of real estate, together with all the assets and liabilities of a consolidated subsidiary and a consolidated special fund.

» 57 DEPOSITS FROM BANKS

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Domestic banks	**26,966**	20,553	**61,697**	72,132	**88,663**	92,685
Affiliated banks	19,070	14,423	24,878	35,901	43,948	50,324
Other banks	7,896	6,130	36,819	36,231	44,715	42,361
Foreign banks	**2,389**	2,139	**9,544**	12,095	**11,933**	14,234
Total	**29,355**	22,692	**71,241**	84,227	**100,596**	106,919

The following table shows the breakdown of deposits from banks by type of business:

€ million	Dec. 31, 2012	Dec. 31, 2011
Home savings deposits	900	388
Money market deposits	21,644	34,154
Other deposits	78,052	72,377
Total	**100,596**	106,919

» 58 DEPOSITS FROM CUSTOMERS

€ million	Dec. 31, 2012	Dec. 31, 2011
DEPOSITS FROM DOMESTIC CUSTOMERS	**82,510**	**83,465**
Home savings deposits	**39,482**	**37,500**
Other deposits	**43,028**	**45,965**
Repayable on demand	7,144	7,357
With agreed maturity or notice period	35,884	38,608
DEPOSITS FROM FOREIGN CUSTOMERS	**9,659**	**9,406**
Home savings deposits	**1,453**	**1,245**
Other deposits	**8,206**	**8,161**
Repayable on demand	3,824	4,136
With agreed maturity or notice period	4,382	4,025
Total	**92,169**	**92,871**

The following table shows the breakdown of deposits from customers by type of business:

€ million	Dec. 31, 2012	Dec. 31, 2011
Home savings deposits	40,935	38,745
Finance leases	–	12
Money market deposits	3,210	7,016
Other deposits	48,024	47,098
Total	**92,169**	**92,871**

The other deposits from customers are broken down by customer group as follows:

€ million	Dec. 31, 2012	Dec. 31, 2011
Germany	**43,028**	**45,965**
Retail customers	1,835	1,760
Corporate customers	40,981	44,074
Public sector	212	131
International	**8,206**	**8,161**
Retail customers	427	341
Corporate customers	7,560	7,516
Public sector	219	304
Total	**51,234**	**54,126**

» 59 DEBT CERTIFICATES ISSUED INCLUDING BONDS

€ million	Dec. 31, 2012	Dec. 31, 2011
Bonds issued	**51,564**	**47,369**
Mortgage Pfandbriefe	7,546	6,690
Public-sector Pfandbriefe	9,240	11,383
Other bonds	34,778	29,296
Other debt certificates issued	**11,726**	**7,745**
Total	**63,290**	**55,114**

All other debt certificates issued are commercial paper.

» 60 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Dec. 31, 2012	Dec. 31, 2011
Derivatives used as fair value hedges	**3,011**	**2,571**
Interest-linked contracts	3,011	2,571
Derivatives used as cash flow hedges	**1**	**27**
Interest-linked contracts	–	9
Currency-linked contracts	1	18
Derivatives used for hedges of net investments in foreign operations	**1**	–
Currency-linked contracts	1	–
Total	**3,013**	**2,598**

» 61 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Dec. 31, 2012	Dec. 31, 2011
DERIVATIVES (NEGATIVE FAIR VALUES)	**36,935**	**34,556**
Interest-linked contracts	33,703	28,171
Currency-linked contracts	617	983
Share-/index-linked contracts	928	1,816
Other contracts	1,088	1,430
Credit derivatives	599	2,156
SHORT POSITIONS	**828**	**2,977**
BONDS AND OTHER DEBT CERTIFICATES ISSUED	**13,086**	**16,555**
Commercial paper	–	3,163
Other bonds	13,086	13,392
DEPOSITS	**7,866**	**13,283**
Money market deposits	**7,714**	**13,244**
from banks	5,809	11,074
of which: from affiliated banks	2,390	3,841
from other banks	3,419	7,233
from customers	1,905	2,170
Promissory notes and registered bonds issued	**152**	**39**
to banks	129	30
of which: to affiliated banks	129	30
to customers	23	9
Total	**58,715**	**67,371**

Other bonds mainly comprise share- and index-linked certificates.

» 62 PROVISIONS

€ million	Dec. 31, 2012	Dec. 31, 2011
Provisions for employee benefits	**1,550**	**1,037**
Provisions for defined benefit obligations	1,310	845
Provisions for other long-term employee benefits	76	62
Provisions for termination benefits	121	89
of which: for early retirement schemes	14	14
for preretirement part-time employment schemes	34	29
for restructuring	55	31
Provisions for short-term employee benefits	43	41
Provisions for share-based payments	**10**	**7**
Other provisions	**848**	**779**
Provisions for onerous contracts	15	16
Provisions for restructuring	7	5
Provisions for loan commitments	58	61
Other provisions for loans and advances	47	31
Provisions relating to building society operations	459	423
Residual provisions	262	243
Total	**2,408**	**1,823**

PROVISIONS FOR DEFINED BENEFIT OBLIGATIONS

The following table shows the breakdown of provisions for defined benefit obligations:

€ million	Dec. 31, 2012	Dec. 31, 2011
Present value of defined benefit obligations not funded by plan assets	1,080	819
Present value of defined benefit obligations funded by plan assets	1,262	989
Present value of defined benefit obligations	**2,342**	**1,808**
less fair value of plan assets	-1,034	-985
Defined benefit obligations (net)	1,308	823
Recognized surplus	2	22
Provisions for defined benefit obligations	**1,310**	**845**
Reimbursement rights recognized as assets	4	4

The changes in the present value of the defined benefit obligations were as follows:

€ million	2012	2011
Present value of defined benefit obligations as at Jan. 1	1,808	1,772
Current service cost	34	33
Interest expense	86	86
Employee contributions	6	7
Pension benefits paid	-79	-82
Actuarial gains (-)/losses (+)	488	-18
Plan takeovers/settlements	-1	2
Changes attributable to currency translation	-2	3
Changes in scope of consolidation	2	5
Present value of defined benefit obligations as at Dec. 31	**2,342**	**1,808**

The following table shows the changes in plan assets:

€ million	2012	2011
Fair value of plan assets as at Jan. 1	985	981
Expected return on plan assets	32	37
Actuarial gains (+)/losses (-)	47	-13
Contributions to plan assets	14	15
of which: contributions by employer	13	8
employee contributions	1	7
Pension benefits paid	-45	-44
Withdrawals from plan assets	–	-1
Plan takeovers/settlements	–	2
Changes attributable to currency translation	1	3
Changes in scope of consolidation	–	5
Fair value of plan assets as at Dec. 31	**1,034**	**985**

The actual return on plan assets amounted to €79 million (2011: €24 million). Additional contributions to plan assets of €31 million are expected in 2012.

The breakdown of plan assets as at the balance sheet date was as follows:

€ million	Dec. 31, 2012	Dec. 31, 2011
Investment fund units	788	762
Land and buildings	6	6
Other assets	2	2
Share of plan assets jointly held by several employers	238	215
Total	**1,034**	**985**

The investment fund units as reported are units in special funds whose investment focus is on bonds and other fixed-income securities.

The following actuarial assumptions have been used:

%	Dec. 31, 2012	Dec. 31, 2011
Discount rate	3.25	5.00
Expected return on plan assets	3.10	3.76
Expected rate of return on reimbursement rights recognized as assets	4.22	4.54
Salary increases	1.50–3.50	1.50–3.50
Pension increases	0.00–3.50	0.00–3.00
Staff turnover	1.00–9.60	1.00–7.00

The table below shows the breakdown of funding for pension plans as at the reporting date and the 4 previous balance sheet dates:

€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Present value of defined benefit obligations	2,342	1,808	1,772	1,619	1,479
less fair value of plan assets	-1,034	-985	-981	-974	-878
Total	**1,308**	**823**	**791**	**645**	**601**

The following experience adjustments arose during the reporting year and the 4 previous financial years in the measurement of the defined benefit obligations and plan assets:

€ million	2012	2011	2010	2009	2008
Experience adjustments to the present value of defined benefit obligations (gains (-)/losses (+))	11	-10	-16	28	9
Experience adjustments to plan assets (gains (+)/losses (-))	46	-13	-8	60	-59

OTHER PROVISIONS

The following table shows the changes in other provisions:

€ million	Provisions for onerous contracts	Provisions for restruc-turing	Provisions for loan commit-ments	Other provisions for loans and advances	Provisions relating to building society operations	Residual provisions	**Total**
Balance as at Jan. 1, 2012	16	5	61	31	423	243	779
Additions	2	3	8	24	90	117	244
Utilizations	-3	-1	–	–	-54	-62	-120
Reversals	–	–	-15	-8	–	-37	-60
Interest expense/ changes in discount rate	–	–	1	1	–	2	4
Other changes	–	–	3	-1	–	-1	1
Balance as at Dec. 31, 2012	**15**	**7**	**58**	**47**	**459**	**262**	**848**

The expected maturities of other provisions are shown in the tables below.

AS AT DECEMBER 31, 2012

€ million	≤ 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provisions for onerous contracts	–	–	–	15	–
Provisions for restructuring	–	2	2	3	–
Provisions for loan commitments	41	2	6	–	9
Other provisions for loans and advances	27	3	2	2	13
Provisions relating to building society operations	5	233	185	36	–
Residual provisions	12	175	42	22	11
Total	**85**	**415**	**237**	**78**	**33**

AS AT DECEMBER 31, 2011

€ million	≤ 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provisions for onerous contracts	–	–	–	16	–
Provisions for restructuring	–	–	5	–	–
Provisions for loan commitments	37	6	12	4	2
Other provisions for loans and advances	11	14	3	2	1
Provisions relating to building society operations	5	239	154	25	–
Residual provisions	15	155	41	25	7
Total	**68**	**414**	**215**	**72**	**10**

» 63 INSURANCE LIABILITIES

€ million	Dec. 31, 2012	Dec. 31, 2011
Provision for unearned premiums	1,069	1,053
Benefit reserve	43,440	40,344
Provision for claims outstanding	6,967	6,510
Provision for premium refunds	6,601	4,871
Other insurance liabilities	39	34
Reserve for unit-linked insurance contracts	5,144	4,625
Total	**63,260**	**57,437**

CHANGES IN PROVISION FOR UNEARNED PREMIUMS

€ million	2012	2011
Balance as at Jan. 1	1,053	1,016
Additions	1,071	1,052
Utilizations/reversals	-1,055	-1,017
Changes attributable to currency translation	-2	2
Changes in scope of consolidation	2	–
Balance as at Dec. 31	**1,069**	**1,053**

CHANGES IN BENEFIT RESERVE

€ million	2012	2011
Balance as at Jan. 1	40,344	39,145
Additions	5,217	4,503
Interest component	1,109	1,141
Utilizations/reversals	-3,389	-4,445
Changes in scope of consolidation	159	–
Balance as at Dec. 31	**43,440**	**40,344**

CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2012	2011
Balance as at Jan. 1	6,510	6,115
Claims expenses	5,136	4,734
less payments	-4,673	-4,348
Changes attributable to currency translation	-6	9
Balance as at Dec. 31	**6,967**	**6,510**

CHANGES IN PROVISION FOR PREMIUM REFUNDS

€ million	2012	2011
Balance as at Jan. 1	4,871	5,253
Additions	612	715
Utilizations/reversals	-749	-787
Changes resulting from unrealized gains and losses on investments (through other comprehensive income)	1,580	-262
Changes resulting from other remeasurements (through profit or loss)	278	-48
Changes in scope of consolidation	9	–
Balance as at Dec. 31	**6,601**	**4,871**

The breakdown of maturities for insurance liabilities is shown in the following tables:

AS AT DECEMBER 31, 2012

€ million	≤ 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provision for unearned premiums	986	68	15	–
Benefit reserve	1,728	6,866	11,978	22,868
Provision for claims outstanding	2,965	2,449	1,553	–
Provision for premium refunds	674	546	848	4,533
Other insurance liabilities	30	6	1	2
Total	**6,383**	**9,935**	**14,395**	**27,403**

AS AT DECEMBER 31, 2011

€ million	≤ 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provision for unearned premiums	956	79	18	–
Benefit reserve	1,605	6,957	12,204	19,578
Provision for claims outstanding	2,597	2,439	1,473	1
Provision for premium refunds	705	546	883	2,737
Other insurance liabilities	27	5	1	1
Total	**5,890**	**10,026**	**14,579**	**22,317**

» 64 OTHER LIABILITIES

€ million	Dec. 31, 2012	Dec. 31, 2011
Other liabilities of insurance companies	4,149	4,063
Liabilities from financial guarantee contracts	87	113
Accruals	775	756
Other payables	470	491
Residual other liabilities	375	425
Total	**5,856**	**5,848**

The table below gives a breakdown of insurance companies' other liabilities.

€ million	Dec. 31, 2012	Dec. 31, 2011
Other provisions	**307**	**229**
Provisions for employee benefits	274	202
Provisions for share-based payments	1	2
Other provisions	32	25
Payables and residual other liabilities	**3,842**	**3,834**
Subordinated capital	37	37
Deposits received from reinsurers	115	138
Payables arising out of direct insurance operations	1,848	1,947
Payables arising out of reinsurance operations	269	209
Debt certificates issued including bonds	26	25
Deposits from banks	321	207
Derivatives (negative fair values)	41	110
Liabilities from capitalization transactions	662	674
Other payables	150	147
Residual other liabilities	373	340
Total	**4,149**	**4,063**

» 65 SUBORDINATED CAPITAL

€ million	Dec. 31, 2012	Dec. 31, 2011
Subordinated liabilities	3,251	2,740
Liabilities to dormant partners	–	103
Profit-sharing rights	615	647
Other hybrid capital	379	387
Share capital repayable on demand	57	58
Total	**4,302**	**3,935**

SUBSCRIBED CAPITAL

» 66
EQUITY

The subscribed capital of DZ BANK consists of 1,215,422,303 registered no-par-value shares each with an imputed value of €2.60. All shares in issue are in circulation and are fully paid-up. For the 2011 financial year DZ BANK paid a dividend of €0.05 per share in 2012 (paid in 2011: €0.12 per share).

AUTHORIZED CAPITAL

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by May 31, 2017 on one or more occasions by up to a total of €100,000,000.00 by way of issuing new registered non-par value shares in return for cash or noncash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of shareholders both in the case of capital increases in return for non-cash contributions and in the case of capital increases in return for cash contributions if the capital is increased for the purpose of
- issuing new shares to employees of the company (employee shares);
- issuing new shares to one or more cooperative banks which, measured in terms of their total assets, directly and indirectly have a below-average stake in the corporation's share capital, i. e. less than 0,5 percent of their total assets (using the nominal value of €2.60 per DZ BANK share);
- acquiring companies, equity investments in companies or for granting equity investments in the corporation in order to back strategic partnerships.

The Board of Managing Directors is also authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ('Authorized Capital I').

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by May 31, 2017 on one or more occasions by up to a total of €400,000,000.00 by issuing new registered non-par value shares in return for cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ('Authorized Capital II').

The Board of Managing Directors did not make use of any of this authorized action in 2012.

DISCLOSURES ON SHAREHOLDERS

At the end of 2012, 95.9 percent of shares were held by cooperative enterprises, as was also the case at December 31, 2011. These cooperative enterprises include the cooperative banks, the cooperative central institutions, and other legal entities and trading companies economically associated with the cooperative movement or cooperative housing sector.

CAPITAL RESERVE

The capital reserve comprises the amounts from the issue of DZ BANK shares in excess of the imputed par value of the shares.

RETAINED EARNINGS

Retained earnings comprise earned, undistributed consolidated profit together with actuarial gains and losses on defined benefit plans after taking into account deferred taxes. Cumulative actuarial gains and losses amounted to a loss of €240 million (December 31, 2011: gain of €62 million).

REVALUATION RESERVE

The revaluation reserve shows changes in the fair value of available-for-sale financial assets after allowing for deferred taxes. Gains and losses are only recognized in profit or loss when the relevant asset is sold or an impairment has been identified. As at December 31, 2012, non-current assets classified as held for sale accounted for €10 million (December 31, 2011: minus €10 million) of the revaluation reserve.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve comprises the gains and losses on the measurement of hedging instruments attributable to the effective portion of the hedge after taking into account deferred taxes.

CURRENCY TRANSLATION RESERVE

The currency translation reserve is the result of the translation of financial statements of subsidiaries denominated in foreign currency into euros (the group reporting currency). It also includes the gains and losses on hedges of net investments in foreign operations and the change in the currency translation reserve for entities accounted for using the equity method.

NON-CONTROLLING INTERESTS

Non-controlling interests comprise the equity of subsidiaries not attributable to DZ BANK. Of the total for non-controlling interests, €3 million (December 31, 2011: minus €3 million) is attributable to cumulative other comprehensive income in connection with non-current assets classified as held for sale.

BREAKDOWN OF CHANGES IN EQUITY BY COMPONENT OF OTHER COMPREHENSIVE INCOME

2012

€ million	Equity earned by the group	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	Non-controlling interests
Gains and losses on available-for-sale financial assets	–	1,061	–	–	249
Gains and losses on cash flow hedges	–	–	27	–	3
Exchange differences on currency translation of foreign operations	–	–	–	10	3
Gains and losses on hedges of net investments in foreign operations	–	–	–	-1	–
Actuarial gains and losses on defined benefit plans	-302	–	–	–	-43
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-14	76	3	23	1
Other comprehensive income/loss	**-316**	**1,137**	**30**	**32**	**213**

2011

€ million	Equity earned by the group	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	Non-controlling interests
Gains and losses on available-for-sale financial assets	–	-435	–	–	-62
Gains and losses on cash flow hedges	–	–	-8	–	–
Exchange differences on currency translation of foreign operations	–	–	–	3	-3
Actuarial gains and losses on defined benefit plans	-4	–	–	–	-2
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	1	-5	–	-4	–
Other comprehensive income / loss	**-3**	**-440**	**-8**	**-1**	**-67**

D Financial instruments disclosures

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument:

» 67
CLASSES, CATEGORIES, AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	Dec. 31, 2012		Dec. 31, 2011	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**157,672**	**157,672**	**156,450**	**156,450**
Financial instruments held for trading	**67,010**	**67,010**	**72,056**	**72,056**
Financial assets held for trading	66,709	66,709	71,858	71,858
Investments held by insurance companies	301	301	198	198
Fair value option	**21,027**	**21,027**	**22,080**	**22,080**
Loans and advances to banks	1,678	1,678	1,483	1,483
Loans and advances to customers	6,441	6,441	6,462	6,462
Investments	11,774	11,774	13,156	13,156
Investments held by insurance companies	1,134	1,134	979	979
Derivatives used for hedging	**820**	**820**	**901**	**901**
Derivatives used for hedging (positive fair values)	820	820	901	901
Available-for-sale financial assets	**68,815**	**68,815**	**61,413**	**61,413**
Loans and advances to customers	60	60	–	–
Investments	38,130	38,130	37,059	37,059
Investments held by insurance companies	30,625	30,625	24,354	24,354
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**226,371**	**232,112**	**226,386**	**227,886**
Loans and receivables	**225,902**	**231,643**	**225,644**	**227,144**
Cash and cash equivalents	2,260	2,260	2,392	2,392
Loans and advances to banks	77,604	79,329	78,352	79,336
Loans and advances to customers	109,522	113,595	106,679	108,718
Investments	8,509	7,812	9,907	8,103
Investments held by insurance companies	27,002	28,157	27,299	27,935
Other assets	490	490	660	660
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	515		355	
Available-for-sale financial assets	**469**	**469**	**742**	**742**
Investments	469	469	742	742
OTHER FINANCIAL ASSETS	**5,426**	**5,931**	**5,541**	**5,873**
Finance leases	**5,426**	**5,931**	**5,541**	**5,873**
Loans and advances to customers	5,426	5,931	5,541	5,873

	Dec. 31, 2012		Dec. 31, 2011	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**93,035**	**93,035**	**103,213**	**103,213**
Financial instruments held for trading	**58,756**	**58,756**	**67,481**	**67,481**
Financial liabilities held for trading	58,715	58,715	67,371	67,371
Other liabilities	41	41	110	110
Fair value option	**31,266**	**31,266**	**33,134**	**33,134**
Deposits from banks	6,572	6,572	7,420	7,420
Deposits from customers	9,476	9,476	11,490	11,490
Debt certificates issued including bonds	13,816	13,816	12,797	12,797
Subordinated capital	1,402	1,402	1,427	1,427
Derivatives used for hedging	**3,013**	**3,013**	**2,598**	**2,598**
Derivatives used for hedging (negative fair values)	3,013	3,013	2,598	2,598
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**231,057**	**235,698**	**227,467**	**228,592**
Deposits from banks	94,024	95,385	99,499	99,274
Deposits from customers	82,693	85,276	81,369	82,468
Debt certificates issued including bonds	49,474	50,359	42,317	42,718
Other liabilities	1,635	1,635	1,549	1,549
Subordinated capital	2,900	3,043	2,508	2,583
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	331		225	
OTHER FINANCIAL LIABILITIES	**118**	**122**	**157**	**161**
Finance leases	**31**	**35**	**44**	**48**
Deposits from customers	–	–	12	12
Other liabilities	31	35	32	36
Liabilities from financial guarantee contracts	**87**	**87**	**113**	**113**
Other liabilities	87	87	113	113

If there is an active market in financial assets and financial liabilities, the fair value is determined on the basis of the relevant market price as at the balance sheet date. This applies, for example, to exchange-traded futures and options as well as the vast majority of quoted shares, government bonds, bank bonds, corporate bonds, and Pfandbriefe held.

If no active market is available at the balance sheet date, generally accepted valuation models are used to determine fair value. Discounted cash flow methods are generally used for non-derivative financial instruments and non-option derivatives. Option derivatives are measured using generally accepted option pricing models such as the Black-Scholes model and the Garman-Kohlhagen model. The valuation models rely on valuation parameters that are primarily based on observable market data such as credit risk and liquidity risk premiums, and interest rates for matching maturities. When measuring non-option derivatives, variable cash flows are projected using tenor-specific fixing curves, factoring in existing collateral agreements (discounted using the overnight indexed swaps curve). In the case of unreliable market prices in illiquid markets, non-observable parameters or substitute values are estimated for use in valuation models. For the purposes of valuation, structured products are broken down into their constituent components. Market participants establish whether markets are inactive by analyzing the transaction volumes supplied by market data providers.

The fair value of investments classified as equity instruments that are not quoted in an active market is determined using an income capitalization approach based on unobservable parameters such as beta factors or discount rates that reflect the risk involved. If fair value cannot be reliably determined largely owing to the unavailability of profit planning data, equity instruments that are not quoted in an active market are measured at cost.

The fair values of investment fund units are the redemption prices published by the relevant asset management companies.

The fair value of financial instruments repayable on demand is equivalent to their carrying amount. This applies specifically to current account balances and demand deposits.

The valuation methods described above are used to determine the fair values of all classes of financial instruments.

The fair values of financial assets and financial liabilities resulting from building society operations are shown at their carrying amounts. Given the complex structure of home savings contracts, these fair values cannot be reliably determined using either comparable market prices or suitable option pricing models. The purpose of the building society management models developed in practice is solely to support the overall management of the building society; these models do not provide an adequate basis for the determination of fair values as required by IFRS. On the basis of the models used for building society management, the overall performance of building society operations during the reporting year was positive.

The carrying amounts and fair values reported under investments held by insurance companies relate to receivables and fixed-income securities matched as cover for long-term insurance contract obligations as part of insurance operations. Because these instruments are normally held over their entire maturity, interest-rate-related changes in fair value during the maturity of the financial assets balance each other out in full.

FAIR VALUE HIERARCHY

Fair values within hierarchy Level 1 are determined using prices available in active markets for the identical financial instrument (quoted market prices). The fair values within hierarchy Level 2 are either calculated using prices available in active markets for similar, but not identical, financial instruments or are determined using valuation techniques based primarily on observable market data. If valuation techniques are used that include a significant valuation parameter that is not observable in the market, the relevant fair values are classified within hierarchy Level 3.

The fair values determined for the purposes of balance sheet measurement are broken down into the following hierarchy levels:

	Level 1		Level 2		Level 3	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Financial assets measured at fair value	**75,949**	**70,288**	**81,073**	**85,700**	**650**	**462**
Loans and advances to banks	–	–	1,678	1,483	–	–
Loans and advances to customers	–	–	6,441	6,462	60	–
Derivatives used for hedging (positive fair values)	–	–	820	901	–	–
Financial assets held for trading	9,318	12,923	57,288	58,758	103	177
Investments	38,276	35,011	11,386	15,188	242	16
Investments held by insurance companies	28,355	22,354	3,460	2,908	245	269
Financial liabilities measured at fair value	**3,879**	**6,753**	**88,160**	**95,352**	**996**	**1,108**
Deposits from banks	–	–	6,520	7,353	52	67
Deposits from customers	–	–	9,457	11,469	19	21
Debt certificates issued including bonds	2,290	2,201	10,827	9,751	699	845
Derivatives used for hedging (negative fair values)	–	–	3,013	2,598	–	–
Financial liabilities held for trading	1,587	4,494	56,902	62,702	226	175
Other liabilities	2	58	39	52	–	–
Subordinated capital	–	–	1,402	1,427	–	–

The following transfers took place between hierarchy Levels 1 and 2:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	**2012**	2011	**2012**	2011
Financial assets measured at fair value	**832**	**4,306**	**2,384**	**4,943**
Financial assets held for trading	96	187	529	738
Investments	597	3,845	1,659	4,091
Investments held by insurance companies	139	274	196	114
Financial liabilities measured at fair value	**–**	**107**	**–**	**77**
Debt certificates issued including bonds	–	100	–	–
Financial liabilities held for trading	–	6	–	77
Other liabilities	–	1	–	–

The table below shows the changes in fair values of Level 3 financial assets.

€ million	Loans and advances to customers	Financial assets held for trading	Investments	Investments held by insurance companies
Balance as at Jan. 1, 2011	–	1,295	404	435
Additions (purchases)	–	54	–	22
Transfers	–	-1,169	-331	-222
from Level 3 to Levels 1 and 2	–	-1,175	-335	-228
from Levels 1 and 2 to Level 3	–	6	4	6
Disposals (sales)	–	-25	-59	-3
Changes resulting from measurement at fair value	–	22	3	-13
through profit or loss	–	22	3	-5
through other comprehensive income	–	–	–	-8
Other changes	–	–	-1	50
Balance as at Dec. 31, 2011	–	177	16	269
Additions (purchases)	–	1	–	14
Transfers	–	14	131	-8
from Level 3 to Levels 1 and 2	–	–	–	-9
from Levels 1 and 2 to Level 3	–	14	131	1
Disposals (sales)	–	-82	-9	-29
Changes resulting from measurement at fair value	–	-7	-35	-1
through profit or loss	–	-7	-35	12
through other comprehensive income	–	–	–	-13
Other changes	60	–	139	–
Balance as at Dec. 31, 2012	**60**	**103**	**242**	**245**

The table below shows the changes in fair values of Level 3 financial liabilities.

€ million	Deposits from banks	Deposits from customers	Debt certificates issued including bonds	Financial liabilities held for trading
Balance as at Jan. 1, 2011	87	20	1,306	29
Additions (issues)	–	–	–	129
Transfers	–	–	-3	–
from Level 3 to Levels 1 and 2	–	–	-3	–
Disposals (settlements)	-6	–	-394	–
Changes resulting from measurement at fair value through profit or loss	-14	1	-54	13
Other changes	–	–	-10	4
Balance as at Dec. 31, 2011	67	21	845	175
Additions (issues)	–	–	–	79
Disposals (settlements)	-12	-1	-181	–
Changes resulting from measurement at fair value through profit or loss	-2	-1	39	-28
Other changes	-1	–	-4	–
Balance as at Dec. 31, 2012	**52**	**19**	**699**	**226**

The other changes relate to reclassifications, accrued interest, currency translation, and changes in the scope of consolidation.

In 2012, a loss of €1 million (2011: gain of €107 million) was recognized in profit or loss on the measurement of Level 3 financial instruments held at the balance sheet date.

The transfers from hierarchy Level 2 to hierarchy Level 1, and from hierarchy Level 1 to hierarchy Level 2 arose because of the different changes in the availability of valid market data applicable to each financial instrument. The transfers from hierarchy Level 3 to Levels 1 and 2 were attributable to the availability of observable input factors and market data for certain valuation parameters on the balance sheet date. The transfers from Levels 1 and 2 to Level 3 became necessary because of the inclusion of at least one material input factor that was not observable in the market.

Alternative assumptions about the default correlations used could lead to significant changes in certain structured securities issued by the DZ BANK Group (nth-to-default credit-linked notes). All other things being equal, a rise of 1 percent in correlation assumptions would lead to an increase in the fair value of these financial liabilities of €0.4 million (December 31, 2011: €1.1 million). Sensitivity analysis is used to calculate the aforementioned changes in fair values. Non-performing exposures and strategically held investments in subsidiaries and other shareholdings whose fair values are calculated using an income capitalization approach are not included in the sensitivity analysis.

DIFFERENCES NOT ACCOUNTED FOR ON INITIAL RECOGNITION

As at the balance sheet date, there were no differences that had not been accounted for on initial recognition of financial assets subsequently measured at fair value (December 31, 2011: €10 million). The financial assets concerned were reclassified in 2012 from 'financial instruments held for trading' to 'loans and receivables'.

FINANCIAL INSTRUMENTS MEASURED AT COST

Investments include shares and other variable-yield securities, investments in subsidiaries, interests in joint ventures, and investments in associates measured at cost with a total carrying amount of €469 million (December 31, 2011: €742 million). There are no active markets for these investments, nor can their fair value be reliably determined by using a valuation technique based on assumptions that do not rely on available observable market data. Furthermore, there are no other markets for these instruments. The purpose of these investments is largely to support the business operations of the DZ BANK Group on a permanent basis.

In the reporting year, the DZ BANK Group sold investments measured at cost in non-consolidated subsidiaries and other shareholdings in companies in which the group had no significant influence with a total carrying amount of €21 million measured at cost (2011: €10 million). The total gains on these disposals amounted to €1 million (2011: €3 million).

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FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

LOANS AND RECEIVABLES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table shows the maximum exposure to credit risk of loans and receivables designated as at fair value through profit or loss:

€ million	Dec. 31, 2012	Dec. 31, 2011
Loans and advances to banks	1,678	1,483
Loans and advances to customers	6,492	6,528
Investments	506	475
Investments held by insurance companies	763	716
Total	**9,439**	**9,202**

Financial guarantee contracts with a value of €4,333 million (December 31, 2011: €4,865 million) furnished by affiliated banks mitigate this credit risk.

As a result of changes in the credit risk, the fair value of loans and receivables designated as at fair value through profit or loss increased by €56 million during the reporting year (2011: decrease of €24 million). As at the balance sheet date, the cumulative amount by which the fair value had decreased owing to changes in the credit risk was €49 million (December 31, 2011: decrease of €122 million). Any changes in fair value attributable to changes in the credit risk are determined as a residual amount. They take into account all changes to market conditions that do not affect market risk.

FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following overview shows the fair value of financial liabilities designated as at fair value through profit or loss compared with the amounts contractually required to be repaid at maturity to the creditors concerned:

	Fair value		Amount repayable	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Deposits from banks	6,572	7,420	6,327	7,269
Deposits from customers	9,476	11,490	8,017	10,699
Debt certificates issued including bonds	13,816	12,797	13,229	12,603
Subordinated capital	1,402	1,427	1,326	1,355
Total	**31,266**	**33,134**	**28,899**	**31,926**

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RECLASSIFICATIONS

In 2012, financial assets with a carrying amount of €117 million were reclassified from the category ‘financial instruments held for trading’ to the category ‘loans and receivables’. No financial assets were reclassified in 2011.

The table below shows the carrying amounts and the fair values of all reclassified financial assets that were held at the balance sheet date:

€ million	Dec. 31, 2012	Dec. 31, 2011
Carrying amounts	2,096	3,038
Fair values	1,852	2,335

Only negligible gains and losses on financial assets reclassified in the current financial year were recognized in net profit in 2012 and in 2011.

If all the reclassifications in 2012 and in previous financial years had not taken place, an additional gain of €114 million before taxes would have been recognized in the income statement in 2012 as a result of the fair value measurement (2011: loss of €125 million). In addition, gains before taxes of €308 million in respect of the fair value measurement would have been recognized in other comprehensive income in the reporting year (2011: loss before taxes of €87 million).

In 2012, profit before taxes included a loss of €23 million from gains, losses, income, and expenses in connection with all the reclassified financial assets held (2011: profit of €136 million).

The range of effective interest rates for the financial assets reclassified in 2012 was, at the time of reclassification, 2.2 to 5.8 percent. At the date of reclassification, cash flows amounting to €137 million were expected to be achievable for the financial assets reclassified in 2012.

TRANSFERS OF FINANCIAL ASSETS

» 70
SALE AND REPURCHASE AGREEMENTS, SECURITIES LENDING

In 2012, the only transfers carried out by the DZ BANK Group in which the transferred assets remained on the balance sheet in their entirety were transfers under sale and repurchase agreements (repos), in which the DZ BANK Group was the original seller, and transfers as part of securities lending transactions.

SALE AND REPURCHASE AGREEMENTS

The entities in the DZ BANK Group enter into sale and repurchase agreements using standard banking industry master agreements, notably the Global Master Repurchase Agreement (GMRA) and the master agreement provided by the International Securities Market Association (ISMA). Under these agreements, the buyer of the securities is permitted to make use of the securities without restriction (with no requirement for a prior counterparty default) and return securities of the same type. If the fair value of the securities received or transferred in such transactions increases or decreases, the entity concerned may be required to furnish additional collateral or may demand additional collateral.

As at the balance sheet date, the sale and repurchase agreements entered into by companies in the DZ BANK Group were exclusively genuine sale and repurchase agreements, that is to say agreements in which the buyer is under an obligation to sell back the securities.

SALE AND REPURCHASE AGREEMENTS IN WHICH DZ BANK ACTS AS A SELLER (REPOS)

Under sale and repurchase agreements, bonds and other fixed-income securities classified as financial assets measured at fair value are temporarily transferred to another party. As at the balance sheet date, the carrying amounts of securities subject to such sale and repurchase agreements were:

€ million	Dec. 31, 2012
Financial instruments held for trading	**4,988**
Financial assets held for trading	4,988
Fair value option	**175**
Investments	175
Available-for-sale financial assets	**1,263**
Investments	1,263
Total	**6,426**

As at December 31, 2012, cash collateral amounting to €10 million had also been furnished in connection with sale and repurchase agreements.

The carrying amounts of liabilities arising from sale and repurchase agreements were as follows:

€ million	Dec. 31, 2012
Liabilities associated with financial assets classified as held for trading	**4,988**
Liabilities associated with financial assets held for trading	4,988
Liabilities associated with financial assets classified as fair value option	**160**
Liabilities associated with investments	160
Liabilities associated with available-for-sale financial assets	**1,173**
Liabilities associated with investments	1,173
Total	**6,321**

SALE AND REPURCHASE AGREEMENTS IN WHICH DZ BANK ACTS AS THE BUYER (REVERSE REPOS)

In reverse repo transactions, bonds and other fixed-income securities are bought on a temporary basis. As at December 31, 2012, the fair value of securities involved in such transactions was €14,104 million.

The receivables arising from these reverse repo transactions and reported under financial assets held for trading amounted to €14,117 million as at the balance sheet date. As part of the collateral management requirements, the original seller provides the DZ BANK Group with additional collateral for reverse repo transactions in which the fair value of the securities purchased is less than the amounts receivable from the seller.

SECURITIES LENDING

Securities lending transactions are undertaken on the basis of the Global Master Securities Lending Agreement (GMSLA) or on the basis of individual contractual arrangements. Under these agreements, the borrower of the securities is permitted to make use of the securities without restriction (with no requirement for a prior counterparty default) and return securities of the same type. If the fair value of the securities received or transferred in such transactions increases or decreases, the entity concerned may be required to furnish additional collateral or may demand additional collateral.

SECURITIES LENDING

In securities lending transactions, shares and other variable-yield securities reported under financial assets held for trading and variable-yield securities reported under investments held by insurance companies are temporarily transferred to another party. All securities lent by the DZ BANK Group are classified as financial assets at fair value. As at the balance sheet date, the carrying amounts of securities lent under securities lending arrangements were as follows:

€ million	Dec. 31, 2012
Financial instruments held for trading	**6**
Financial assets held for trading	6
Available-for-sale financial assets	**578**
Investments held by insurance companies	578
Total	**584**

Collateral is provided or received as part of collateral management arrangements in connection with financial assets held for trading that are lent under securities lending agreements. In this process, all positions with the counterparty concerned are netted to determine the collateral to be provided or received. In the case of securities reported under investments held by insurance companies that are then lent under a securities lending agreement, the borrower pledges holdings of securities as collateral, which is not reported on the balance sheet of the DZ BANK Group.

SECURITIES BORROWING

The fair value of borrowed securities as at the balance sheet date was as follows:

€ million	Dec. 31, 2012
Bonds and other fixed-income securities	113
Shares and other variable-yield securities	211
Total	**324**

Collateral is furnished for borrowed securities as described in the collateral management arrangements above.

SECURITIES SUBJECT TO A SALE AND REPURCHASE OR LENDING AGREEMENT THAT THE RECIPIENT MAY SELL OR PLEDGE ELSEWHERE AS COLLATERAL WITH NO REQUIREMENT FOR A PRIOR COUNTERPARTY DEFAULT

All securities transferred to another party by entities in the DZ BANK Group under sale and repurchase agreements or securities lending agreements may be sold or pledged elsewhere as collateral by the recipient without restriction.

The carrying amounts of the individual balance sheet items concerned are as follows:

€ million	Dec. 31, 2012
Financial assets held for trading	4,994
Investments	1,438
Investments held by insurance companies	578
Total	**7,010**

COLLATERAL PLEDGED

» 71
COLLATERAL

The breakdown of the carrying amount of financial assets pledged as collateral for liabilities is as follows:

€ million	Dec. 31, 2012	Dec. 31, 2011
Loans and advances to banks	31,845	30,974
Loans and advances to customers	498	100
Financial assets held for trading	10,800	10,262
Investments	13	619
Investments held by insurance companies	382	299
Total	**43,538**	**42,254**

Of the total financial assets pledged as collateral for liabilities, financial assets held for trading with a carrying amount of €1,320 million may be sold or pledged elsewhere as collateral by the recipient, even if the relevant entity in the DZ BANK Group is not in default.

Funds received from Kreditanstalt für Wiederaufbau (KfW bank) that are to be specifically used for the purposes of development program loans are passed on to affiliated banks. The resulting loans and advances to affiliated banks are lodged with the KfW bank as collateral.

The loans and advances to customers pledged as collateral are building loans issued as part of KfW development program loans. The amounts due to the KfW bank are secured by assigning to KfW bank the receivables arising from the forwarding of the development loans together with the collateral furnished by the borrowers.

Securities and money market placements recognized as financial assets held for trading are pledged as collateral for exchange-traded forward transactions, non-exchange-traded derivatives and for forward forex transactions. These arrangements are governed by standard industry collateral agreements.

The investments pledged as collateral comprise securities furnished as collateral to cover a facility for short-term drawdown of funding in the event of a financial squeeze. In 2011, securities that form part of the DZ BANK Group's investments were also pledged as collateral for liabilities to Deutsche Bundesbank.

The investments held by insurance companies are predominantly securities pledged as collateral as part of the reinsurance business; this collateral may only be sold or pledged by the recipient in the event of default by the assignor.

COLLATERAL HELD

Foreign mortgage rights with a fair value of €100 million (December 31, 2011: €132 million) used as collateral for loans and advances to customers may be repledged as collateral or sold, even in the absence of any payment default by the party providing the collateral. However, there is an obligation to return the collateral to the owner.

NET GAINS AND LOSSES

» 72
ITEMS OF INCOME, EXPENSE, GAINS, AND LOSSES

The breakdown of net gains or net losses on financial instruments by IAS 39 category for financial assets and financial liabilities is as follows:

€ million	2012	2011
Financial instruments at fair value through profit or loss	**659**	-381
Financial instruments held for trading	1,475	931
Financial instruments designated as at fair value through profit or loss	-816	-1,312
Available-for-sale financial assets	**1,709**	1,044
Loans and receivables	**7,129**	7,790
Financial liabilities measured at amortized cost	**-4,546**	-5,097

Net gains or net losses comprise gains and losses on fair value measurement through profit or loss, impairment losses and reversals of impairment losses, and gains and losses on the sale or early repayment of the financial instruments concerned. These items also include interest income and expense, current income, income from profit-pooling, profit-transfer agreements, partial profit-transfer agreements, and expenses from the transfer of losses.

INTEREST INCOME AND EXPENSE

The following total interest income and expense arose in connection with financial assets and financial liabilities that are measured not at fair value through profit or loss:

€ million	2012	2011
Interest income	9,715	10,163
Interest expense	-4,556	-5,119

FEE AND COMMISSION INCOME AND EXPENSES

€ million	2012	2011
Fee and commission income		
from financial instruments not at fair value through profit or loss	593	559
from trust and other fiduciary activities	1,669	1,634
Fee and commission expenses		
for financial instruments not at fair value through profit or loss	-734	-710
for trust and other fiduciary activities	-571	-570

INTEREST INCOME ON IMPAIRED FINANCIAL ASSETS

Interest income arising from unwinding the discount on impaired loans and advances recognized at present value as specified in IAS 39.AG93 amounted to €67 million (as in 2011).

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows impairment losses on financial assets broken down by class of financial instrument.

€ million	2012	2011
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-160**	**-967**
Available-for-sale financial assets	**-160**	**-967**
Investments	-2	-397
Investments held by insurance companies	-158	-570
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**-1,200**	**-1,273**
Loans and receivables	**-1,181**	**-1,255**
Loans and advances to banks	-13	-39
Loans and advances to customers	-1,047	-1,079
Investments	-119	-135
Investments held by insurance companies	-2	-2
Available-for-sale financial assets	**-19**	**-18**
Investments	-19	-18
OTHER FINANCIAL ASSETS	**-82**	**-42**
Finance leases	**-82**	**-42**
Loans and advances to customers	-82	-42

The changes in impairment losses included in the allowances for losses on loans and advances recognized under assets, shown by class of financial instrument, were as follows:

€ million	Financial assets measured at amortized cost	Other financial assets
Balance as at Jan. 1, 2011	2,111	37
Additions	1,024	42
Utilizations	-246	-13
Reversals	-689	-14
Interest income	-32	-2
Changes in scope of consolidation	1	-
Other changes	-6	-1
Balance as at Dec. 31, 2011	2,163	49
Additions	973	82
Utilizations	-281	-7
Reversals	-513	-35
Interest income	-37	-1
Changes in scope of consolidation	59	-
Other changes	2	4
Balance as at Dec. 31, 2012	**2,366**	**92**

The financial assets measured at amortized cost are loans and advances to banks and customers in the category 'loans and receivables'. The other financial assets comprise solely finance lease receivables from customers.

» 73 DERIVATIVES

The DZ BANK Group uses derivatives primarily to hedge against market risk as well as for trading purposes. As at the balance sheet date, the breakdown of the portfolio of derivatives was as follows:

€ million	Notional amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
	≤ 1 year	> 1 year – 5 years	> 5 years	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
INTEREST-LINKED CONTRACTS	**120,033**	**368,444**	**265,955**	**754,432**	**809,723**	**35,154**	**29,062**	**36,718**	**30,754**
OTC products									
Forward rate agreements	5,773	–	–	5,773	24,519	–	12	–	16
Interest-rate swaps	89,227	290,404	233,729	613,360	640,159	32,375	26,505	31,992	25,924
Interest-rate options – call	6,056	36,579	11,320	53,955	56,534	2,535	2,445	33	17
Interest-rate options – put	9,981	39,094	20,906	69,981	71,066	74	28	4,693	4,796
Other interest-rate contracts	973	753	–	1,726	852	170	70	–	–
Exchange-traded products									
Interest-rate futures	8,023	1,614	–	9,637	16,593	–	2	–	1
CURRENCY-LINKED CONTRACTS	**58,437**	**5,910**	**100**	**64,447**	**64,532**	**576**	**957**	**634**	**1,064**
OTC products									
Forward forex transactions	49,532	4,071	73	53,676	54,699	517	853	555	983
Forex options – call	4,609	883	–	5,492	4,822	38	91	22	18
Forex options – put	4,047	922	–	4,969	4,313	20	13	51	58
Exchange-traded products									
Forex futures	42	–	–	42	28	–	–	–	–
Forex options	207	34	27	268	670	1	–	6	5
SHARE-/INDEX-LINKED CONTRACTS	**12,299**	**9,887**	**1,158**	**23,344**	**34,137**	**552**	**881**	**928**	**1,830**
OTC products									
Share/index options – call	303	281	20	604	942	62	161	–	–
Share/index options – put	48	88	–	136	818	–	–	25	187
Other share/index contracts	729	3,578	1,009	5,316	6,648	86	58	141	306
Exchange-traded products									
Share/index futures	481	2	–	483	709	–	1	–	10
Share/index options	10,738	5,938	129	16,805	25,020	404	661	762	1,327
OTHER CONTRACTS	**10,106**	**37,968**	**17,643**	**65,717**	**66,931**	**888**	**1,016**	**1,110**	**1,460**
OTC products									
Cross-currency swaps	8,180	28,652	7,420	44,252	44,717	825	923	1,056	1,387
Precious metal contracts	14	9	1	24	51	2	2	1	–
Commodities contracts	601	935	55	1,591	1,816	58	90	19	35
Other contracts	863	8,306	10,100	19,269	19,014	–	–	6	4
Exchange-traded products									
Futures	120	9	–	129	106	–	–	–	–
Options	328	57	67	452	1,227	3	1	28	34
CREDIT DERIVATIVES	**20,344**	**33,285**	**7,164**	**60,793**	**82,595**	**661**	**2,087**	**599**	**2,156**
Protection buyer									
Credit default swaps	9,356	15,415	3,147	27,918	39,456	390	1,987	192	74
Protection seller									
Credit default swaps	10,988	17,870	3,652	32,510	42,772	249	89	387	2,071
Total return swaps	–	–	365	365	367	22	11	20	11
Total	221,219	455,494	292,020	968,733	1,057,918	37,831	34,003	39,989	37,264

The derivatives held at the balance sheet date involved the following counterparties:

€ million	Fair value			
	Positive		Negative	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
OECD central governments	331	219	475	221
OECD banks	30,673	30,588	32,822	34,496
OECD financial services institutions	57	57	108	98
Other companies, private individuals	6,711	3,080	6,259	2,244
Non-OECD banks	59	59	324	205
Non-OECD financial services institutions	–	–	1	–
Total	**37,831**	34,003	**39,989**	37,264

The Union Investment Group has capital preservation commitments under section 1 (1) no. 3 German Personal Pension Plan Certification Act (AltZertG) amounting to €6,957 million (December 31, 2011: €5,883 million). These commitments are the total amount of the contributions paid by investors into the individual variants of the *UniProfiRente* and *UniProfiRente Select* products. Statutory provisions specify that this is the minimum amount that must be made available at the start of the payout phase. The group also has minimum payment commitments of €12,312 million (December 31, 2011: €13,131 million) in connection with genuine guarantee funds launched by fund management companies in the group.

TYPES OF HEDGES

» 74
HEDGE
ACCOUNTING

The DZ BANK Group designates three types of hedges: fair value hedges, cash flow hedges, and hedges of net investments in foreign operations.

HEDGED ITEMS

Fair value hedges are used in the hedging of interest-rate risk. The hedged financial assets are loans and advances to banks and customers that are classified as 'loans and receivables' or that arise in connection with finance leases. Bonds in the category 'available-for-sale financial assets' are also designated as hedged items in fair value hedges. Hedged financial liabilities are deposits from banks and customers, mortgage Pfandbriefe, other bonds, and subordinated liabilities, all of which are measured at amortized cost. Interest-rate risk portfolios under both assets and liabilities are designated as hedged items in portfolio hedges. Fair value hedges are also used in connection with loan commitments issued by the DZ BANK Group.

Cash flow hedges are designated in connection with hedging exposure to currency risk. Hedged items are expected receipt of interest payments, together with payments made for administrative expenses, in each case in a foreign currency different from the reporting currency (euros).

Hedges of net investments in foreign operations are designated in connection with hedging exposure to currency risk. The hedged items are interests in joint ventures and investments in associates accounted for using the equity method and denominated in foreign currency.

HEDGING INSTRUMENTS

Interest-rate swaps and swaptions are designated as hedging instruments in fair value hedges of financial assets and financial liabilities.

Forward forex transactions are used as hedging instruments in cash flow hedges and hedges of net investments in foreign operations.

ASSESSMENT OF HEDGE EFFECTIVENESS

The prerequisite for recognizing a hedge under IAS 39 is that the hedge must be highly effective on both a prospective and retrospective basis. Highly effective in this case means that the changes in fair value or expected cash flows for the hedged items must be offset by the changes in fair value or expected cash flows for the hedging instruments within a range of 80 percent to 125 percent specified by IAS 39. Hedge effectiveness must be assessed and documented at every balance sheet date as a minimum. If this assessment identifies that a hedge has not achieved the required effectiveness, the hedge must be reversed retrospectively to the balance sheet date of the last assessment in which the hedge was found to be effective.

In the case of fair value hedges, prospective effectiveness is assessed by using sensitivity analyses (based on the basis point value method), the dollar offset method, a noise threshold value, and linear regression analysis. Retrospective effectiveness is assessed primarily by using the dollar offset method and a noise threshold value. In these methods, the cumulative changes in the fair value of the hedged items attributable to the hedged risk are compared with the changes in the fair value of the hedging instruments. Linear regression analysis is also used for the retrospective assessment of effectiveness.

When assessing the retrospective and prospective effectiveness of cash flow hedges, the changes in the present value of the expected or actual cash flows for the hedged item are compared against the change in the fair value of the hedging instrument.

The prospective effectiveness of hedges of net investments in foreign operations is assessed by means of sensitivity analyses. The dollar offset method is used for the retrospective assessment of effectiveness.

CASH FLOW HEDGES

Cash flows hedged by cash flow hedges comprise cash inflows and cash outflows that will take place in the 2013 financial year and that will be recognized in profit or loss in this period.

In 2012, overall gains of €42 million were recognized in other comprehensive income in connection with cash flow hedges (2011: losses of €10 million). Within this total, gains of €9 million were attributable to gains and losses in the reporting year (2011: losses of €8 million); reclassifications to the income statement accounted for €33 million (2011: minus €2 million).

Of the gains and losses reclassified to the income statement, minus €35 million was recognized under net interest income and €2 million as a reduction of administrative expenses. In 2011, reclassified gains and losses of €1 million had been recognized under net interest income, with €1 million included under other gains and losses on valuation of financial instruments.

HEDGE ACCOUNTING GAINS AND LOSSES RECOGNIZED IN PROFIT OR LOSS

Gains and losses arising on hedging instruments and hedged items that need to be recognized in profit or loss are reported in the gains and losses from hedge accounting under other gains and losses on valuation of financial instruments. The breakdown of gains and losses from hedge accounting, by type of hedge, is as follows:

€ million	2012	2011
Gains and losses on fair value hedges	**-2**	**9**
Gains and losses on hedging instruments	182	62
Gains and losses on hedged items	-184	-53
Gains and losses on portfolio fair value hedges	**-5**	**13**
Gains and losses on hedging instruments	-968	-846
Gains and losses on hedged items	963	859
Gains and losses on cash flow hedges	**–**	**1**
Total	**-7**	**23**

With the exception of the maturity analyses required by IFRS 7.39(a) and (b) and IFRS 4.39(d)(i), the disclosures on the nature and extent of risks arising from financial instruments (IFRS 7.31-42) and insurance contracts (IFRS 4.38-39A) are included in the opportunity and risk report within the group management report. The maturity analyses can be found in notes 76 and 63.

» 75
NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS

» 76
MATURITY
ANALYSIS

AS AT DECEMBER 31, 2012

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Financial assets	**44,963**	**17,520**	**37,757**	**163,077**	**165,049**	**13,457**
Cash and cash equivalents	2,219	41	–	–	–	–
Loans and advances to banks	15,758	2,164	7,831	33,890	27,698	4
Loans and advances to customers	17,151	6,388	16,307	59,322	42,505	257
Derivatives used for hedging (positive fair values)	17	22	115	378	188	–
Financial assets held for trading	6,826	6,552	6,300	18,506	28,661	429
of which: non-derivative financial assets held for trading	6,282	5,964	4,141	5,173	8,010	429
Derivatives (positive fair values)	544	588	2,159	13,333	20,651	–
Investments	1,385	1,353	4,147	31,326	25,353	1,099
Investments held by insurance companies	847	948	2,958	19,135	40,644	11,668
of which: non-derivative investments held by insurance companies	818	942	2,961	19,093	40,606	11,668
of which: derivatives (positive fair values)	29	6	-3	42	38	–
Other assets	760	52	99	520	–	–
Financial liabilities	**-65,039**	**-17,217**	**-28,676**	**-98,294**	**-93,878**	**-42,820**
Deposits from banks	-34,423	-7,379	-10,897	-27,800	-23,944	-900
Deposits from customers	-17,593	-3,028	-3,206	-9,655	-26,972	-40,935
Debt certificates issued including bonds	-6,593	-4,825	-8,850	-32,412	-15,308	–
Derivatives used for hedging (negative fair values)	-35	-21	-82	-1,151	-1,686	–
Financial liabilities held for trading	-5,637	-1,611	-5,086	-23,964	-23,062	-1
of which: non-derivative financial liabilities held for trading	-5,003	-976	-2,388	-9,723	-3,706	–
Derivatives (negative fair values)	-634	-635	-2,698	-14,241	-19,356	-1
Other liabilities	-723	-293	-332	-796	-1,097	-582
of which: non-derivative other liabilities	-707	-292	-330	-785	-1,083	-582
Derivatives (negative fair values)	-16	-1	-2	-11	-14	–
Subordinated capital	-35	-60	-223	-2,516	-1,809	-402
Financial guarantee contracts and loan commitments	**-23,564**	**-131**	**-351**	**-645**	**-1,074**	**-77**
Financial guarantee contracts	-5,026	-28	-31	-85	-133	-77
Loan commitments	-18,538	-103	-320	-560	-941	–

AS AT DECEMBER 31, 2011

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Financial assets	**45,564**	**20,832**	**38,683**	**160,186**	**162,014**	**17,762**
Cash and cash equivalents	2,392	–	–	–	–	–
Loans and advances to banks	14,873	3,753	6,602	34,190	30,791	–
Loans and advances to customers	18,371	6,032	14,199	52,894	41,275	5,356
Derivatives used for hedging (positive fair values)	38	15	92	450	357	–
Financial assets held for trading	6,668	7,997	10,022	20,727	24,520	1,181
of which: non-derivative financial assets held for trading	6,210	7,383	7,182	8,960	7,060	1,181
Derivatives (positive fair values)	458	614	2,840	11,767	17,460	–
Investments	1,370	1,815	4,429	32,628	26,298	1,535
Investments held by insurance companies	832	1,176	3,300	19,096	38,772	9,690
of which: non-derivative investments held by insurance companies	795	1,165	3,285	19,045	38,736	9,690
Derivatives (positive fair values)	37	11	15	51	36	–
Other assets	1,020	44	39	201	1	–
Financial liabilities	**-66,437**	**-22,321**	**-39,470**	**-100,849**	**-87,932**	**-41,270**
Deposits from banks	-32,403	-11,212	-18,229	-32,034	-22,496	-519
Deposits from customers	-20,559	-3,489	-2,279	-9,928	-29,328	-38,831
Debt certificates issued including bonds	-5,626	-2,361	-7,120	-35,311	-11,437	–
Derivatives used for hedging (negative fair values)	-34	-21	-96	-887	-1,553	–
Financial liabilities held for trading	-6,534	-4,828	-10,920	-19,815	-20,205	-996
of which: non-derivative financial liabilities held for trading	-6,168	-4,170	-7,559	-9,416	-3,497	-996
Derivatives (negative fair values)	-366	-658	-3,361	-10,399	-16,708	–
Other liabilities	-1,280	-373	-621	-1,191	-1,152	-509
of which: non-derivative other liabilities	-1,218	-360	-620	-1,180	-1,137	-509
Derivatives (negative fair values)	-62	-13	-1	-11	-15	–
Subordinated capital	-1	-37	-205	-1,683	-1,761	-415
Financial guarantee contracts and loan commitments	**-25,649**	**-70**	**-224**	**-395**	**-58**	**-48**
Financial guarantee contracts	-5,504	-24	-1	-11	-22	-48
Loan commitments	-20,145	-46	-223	-384	-36	–

The maturity analysis shows contractually agreed cash inflows with a plus sign and contractually agreed cash outflows with a minus sign. In the case of financial guarantee contracts and loan commitments, the potential cash outflows are shown.

The contractual maturities do not match the estimated actual cash inflows and cash outflows, especially in the case of financial guarantee contracts and loan commitments. The management of liquidity risk is described in the opportunity and risk report within the group management report.

» 77
EXPOSURES TO COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

The table below shows the carrying amounts of the DZ BANK Group's exposures to bonds issued by governments and public authorities in countries particularly affected by the sovereign debt crisis, broken down into the categories applied to financial instruments under IAS 39.

€ million	Dec. 31, 2012	Dec. 31, 2011
Portugal	**347**	**336**
Financial instruments held for trading	3	12
Fair value option	262	202
Available-for-sale financial assets	33	73
Loans and receivables	49	49
Italy	**3,797**	**3,271**
Financial instruments held for trading	–	84
Fair value option	1,290	1,148
Available-for-sale financial assets	2,507	2,039
Ireland	**79**	**146**
Financial instruments held for trading	–	40
Fair value option	52	50
Available-for-sale financial assets	27	56
Greece	**–**	**169**
Fair value option	–	9
Available-for-sale financial assets	–	160
Spain	**2,136**	**2,657**
Financial instruments held for trading	11	111
Fair value option	1,717	2,036
Available-for-sale financial assets	408	510
Total	**6,359**	**6,579**

The fair value of Portuguese government bonds categorized as 'loans and receivables' amounts to €36 million (December 31, 2011: €23 million).

Bonds issued by countries particularly affected by the sovereign debt crisis and held as part of the insurance business are only recognized in the proportion attributable to the shareholders of the DZ BANK Group.

FAIR VALUE HIERARCHY

The fair values of the bonds as measured and recognized on the balance sheet are broken down into the following hierarchy levels:

	Level 1		Level 2	
€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Portugal	**298**	**285**	**–**	**2**
Financial instruments held for trading	3	12	–	–
Fair value option	262	202	–	–
Available-for-sale financial assets	33	71	–	2
Italy	**2,970**	**2,261**	**827**	**1,010**
Financial instruments held for trading	–	84	–	–
Fair value option	897	733	393	415
Available-for-sale financial assets	2,073	1,444	434	595
Ireland	**79**	**145**	**–**	**1**
Financial instruments held for trading	–	40	–	–
Fair value option	52	50	–	–
Available-for-sale financial assets	27	55	–	1
Greece	**–**	**46**	**–**	**123**
Fair value option	–	–	–	9
Available-for-sale financial assets	–	46	–	114
Spain	**731**	**659**	**1,405**	**1,998**
Financial instruments held for trading	–	35	11	76
Fair value option	670	507	1,047	1,529
Available-for-sale financial assets	61	117	347	393
Total	**4,078**	**3,396**	**2,232**	**3,134**

PARTICIPATION IN THE DEBT RESTRUCTURING OFFER FOR GREEK GOVERNMENT BONDS

At a summit held on October 26, 2011, the heads of state and heads of government of the countries in the euro zone decided to include private creditors in the restructuring of Greece's debt. On February 24, 2012, the Greek government circulated a proposal with an offer to exchange Greek government bonds for new securities. The entities in the DZ BANK Group participated in this debt swap involving the Greek government bonds and sold them completely in the reporting year.

The swap involved a waiver equivalent to 53.5 percent of the nominal value of the original bonds. Of the remaining 46.5 percent, 31.5 percent was exchanged for new Greek government bonds with various maturities ranging from 10 to 30 years, and 15.0 percent was exchanged for European Financial Stability Facility (EFSF) notes with maturities of 1 or 2 years. Bondholders also received GDP-linked notes, allowing these bondholders the opportunity to share in the growth of Greece's gross domestic product. The unpaid interest on the original bonds accrued up to February 24, 2012 was covered by 6-month EFSF notes.

IMPAIRMENT

No impairment losses were recognized to cover exposures in respect of the bonds from other countries particularly affected by the sovereign debt crisis (Portugal, Italy, Ireland, and Spain) because there was insufficient objective evidence of impairment.

MATURITY ANALYSIS

AS AT DECEMBER 31, 2012

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years
Portugal	–	–	13	264	170
Italy	23	28	255	1,362	3,844
Ireland	–	–	59	7	20
Spain	2	33	150	1,644	1,810
Total	**25**	**61**	**477**	**3,277**	**5,844**

AS AT DECEMBER 31, 2011

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years
Portugal	–	–	18	333	235
Italy	14	26	122	1,400	3,844
Ireland	–	1	24	112	57
Greece	–	13	6	54	567
Spain	3	3	342	1,825	2,107
Total	**17**	**43**	**512**	**3,724**	**6,810**

The maturity analysis shows the contractually agreed cash inflows. The amount reported at December 31, 2011 as having an indefinite maturity has been reclassified to the 'greater than 5 years' category.

E Other disclosures

» 78 CONTINGENT LIABILITIES

€ million	Dec. 31, 2012	Dec. 31, 2011
Contingent liabilities in respect of litigation risk	45	–
Other contingent liabilities	10	11
Total	**55**	**11**

The contingent liabilities in respect of litigation risk largely relate to pending court proceedings involving DZ BANK Polska. The claim that has been brought against this subsidiary is considered to be without substance.

» 79 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Dec. 31, 2012	Dec. 31, 2011
Financial guarantee contracts	**5,380**	**5,610**
Loan guarantees	2,680	2,754
Letters of credit	321	291
Other guarantees and warranties	2,379	2,565
Loan commitments	**20,462**	**20,834**
Credit facilities to banks	3,109	2,769
Credit facilities to customers	8,202	7,544
Guarantee credits	127	108
Letters of credit	46	80
Global limits	8,978	10,333
Total	**25,842**	**26,444**

The amounts shown for financial guarantee contracts and loan commitments are the nominal values of the exposure in each case.

» 80 TRUST ACTIVITIES

Assets held and liabilities entered into as part of trust activities do not satisfy the criteria for recognition on the balance sheet. The following table shows the breakdown for trust activities:

€ million	Dec. 31, 2012	Dec. 31, 2011
Trust assets	**3,799**	**2,609**
Loans and advances to banks	290	372
Loans and advances to customers	2,390	1,116
Investments	1,119	1,121
Trust liabilities	**3,799**	**2,609**
Deposits from banks	2,509	1,276
Deposits from customers	1,290	1,333

Trust assets and trust liabilities each include trust loans amounting to €2,545 million (December 31, 2011: €1,315 million).

» 81 ASSET MANAGEMENT BY THE UNION INVESTMENT GROUP

€ million	Dec. 31, 2012	Dec. 31, 2011
Fund assets	**173,663**	**156,341**
Other types of asset management	**26,023**	**20,303**
Unit-linked asset management	315	–
Institutional asset management	5,561	3,659
Advisory and outsourcing	20,147	16,644
Accounts managed by third parties	**-9,151**	**-6,368**
Total	**190,535**	**170,276**

As at the balance sheet date, Union Investment Group (through Union Asset Management Holding) had total assets under management of €190,535 million (December 31, 2011: €170,276 million). The fund assets comprise equity funds, fixed-income funds, money market funds, mixed funds, other securities funds, capital preservation funds, real estate funds, alternative investment funds, and hybrid funds issued by Union Investment Group.

As at the balance sheet date, Union Investment Group also managed assets as part of unit-linked asset management, institutional asset management, and advisory and outsourcing operations. The fund value of funds that have been issued by Union Investment Group but whose portfolio management has been outsourced is shown as a deduction. The definition of assets under management is based on the aggregate statistics from the Bundesverband Investment und Asset Management e.V. (BVI) [Federal Association of German Fund Management Companies], Frankfurt am Main.

Assets managed on behalf of group companies are included in the figures presented above. Some of these assets are consolidated in accordance with SIC-12. To maintain consistency with the BVI aggregate statistics, the fund volumes for BEA Union Investment Management

Limited, Hong Kong, a joint venture accounted for using the equity method, and the non-consolidated subsidiaries IPConcept (Luxembourg) S.A., Luxembourg-Strassen, and IPConcept (Schweiz) AG, Zurich, have also been included in the figures presented above.

» 82 BUSINESS COMBINATIONS

With effect from January 1, 2012, DZ PRIVATBANK S.A. took over the private banking division of WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, with the aim of further pooling expertise and strengthening the position of the cooperative financial network. The transaction represents a business combination implemented by means of an asset deal. The acquired operations were integrated into the operations at the Düsseldorf branch of DZ PRIVATBANK S.A.

The purchase consideration amounted to €7 million. Of this amount, €4 million was paid in cash; the remaining €3 million represented the fair value of a contingent consideration at the acquisition date. The transferred net assets largely comprised intangible assets with a fair value of €7 million. These assets are recognized under other assets.

In the second half of 2012, the R+V Versicherung subgroup acquired all the shares in Volksfürsorge Pensionskasse AG, Hamburg, in return for a purchase price of €20 million, all of which was paid in cash. The company was subsequently merged with R+V Pensionskasse AG, Wiesbaden. For the most part, the acquired company offers occupational pensions within the framework of Germany's dedicated pension scheme for the engineering industry, known as MetallRente. The deal allows the R+V Versicherung subgroup to increase its share of the MetallRente consortium.

Measurement of the assets and liabilities of the acquired company as at the acquisition date revealed total net assets amounting to €17 million. The acquired assets, remeasured at a total of €195 million, largely comprised investments held by insurance companies and other assets. The acquired liabilities of €178 million were accounted for mainly by insurance liabilities and other liabilities. The business combination gave rise to goodwill of €3 million, mainly justified by the expected synergies.

In 2011, WGZ BANK Luxembourg S.A., Luxembourg (WGZ Luxembourg), had been merged into DZ PRIVATBANK S.A. The deal constitutes a business combination under IFRS 3 with DZ PRIVATBANK S.A. as the acquirer and WGZ Luxembourg the acquired company. The date of the acquisition was June 9, 2011. New shares in DZ PRIVATBANK S.A. with a fair value of €377 million were issued to the former shareholders of WGZ Luxembourg as part of the merger.

Measurement of WGZ Luxembourg's assets and liabilities at their fair value as at the acquisition date revealed total net assets of €249 million, which are broken down as follows:

€ million	Fair value
Assets	
Cash and cash equivalents	1
Loans and advances to banks	1,184
Loans and advances to customers	508
Financial assets held for trading	22
Investments	1,142
Property, plant and equipment, and investment property	1
Income tax assets	1
Other (intangible) assets	127
Liabilities	
Deposits from banks	1,121
Deposits from customers	1,500
Financial liabilities held for trading	27
Provisions	4
Income tax liabilities	60
Other liabilities	1
Subordinated capital	24

The business combination gave rise to goodwill of €128 million. The main reasons for the recognition of this goodwill were future anticipated synergies and surplus income.

Also in 2011, the group company DZ PRIVATBANK S.A. acquired parts of the private banking business owned by UniCredit Luxembourg S.A., Luxembourg. This transaction took the form of an asset deal. The consideration transferred amounted to €27 million. Measurement of the acquiree's assets and liabilities at their fair value as at the acquisition date revealed total net assets of €27 million, which are broken down as follows:

€ million	Fair value
Assets	
Loans and advances to banks	555
Loans and advances to customers	25
Other (intangible) assets	27
Liabilities	
Deposits from customers	580

Goodwill is allocated to the DZ BANK Group's operating segments – each of which constitutes a group of cash-generating units – that are likely to derive benefits from the synergies generated by the business combination. As at the balance sheet date, the allocation of goodwill was broken down as follows: €47 million to the Bank operating segment (December 31, 2011: €55 million), €59 million to the Insurance operating segment (December 31, 2011: €56 million), and €169 million to the Retail operating segment (December 31, 2011: €169 million).

Goodwill is regularly tested for possible impairment in the last quarter of the financial year. If there are any indications of possible impairment, more frequent impairment tests are also carried out. In an impairment test, the carrying amount of the goodwill-bearing units is compared with the relevant recoverable amount. The carrying amount is equivalent to the equity attributable to the goodwill-bearing entity. For the purposes of the test, the goodwill is notionally increased by the amount attributable to non-controlling interests. If the recoverable amount exceeds the carrying amount, no impairment of the goodwill is recognized. The recoverable amount is determined as the value in use of the goodwill-bearing entity. Value in use is based on the DZ BANK Group's 4-year plan, from which estimated future cash flows can be derived.

The macroeconomic scenario used as the basis for the 4-year plan assumes that growth in gross domestic product in Germany and the other countries of the European Monetary Union will be muted. It also assumes that both the euro and the US dollar will continue to be hit by rising inflation from 2013. Central banks are expected to adjust key interest rates accordingly after some delay. The scenario anticipates a gradual narrowing of spreads on government bonds issued by the peripheral countries of the euro zone.

Cash flows beyond the end of the planning period are estimated using constant rates of growth. In the reporting year, the individual growth rates for each segment used in the impairment test were between 1.1 percent and 1.2 percent and were therefore unchanged on the rates used in 2011. The value in use for a goodwill-bearing entity is produced by discounting these cash flows back to the date of the impairment test. Discount rates used in the calculation were determined on the basis of the capital asset pricing model. The rates used in 2012 (before taxes) were between 13.3 percent and 16.6 percent (2011: between 13.7 percent and 15.1 percent). As in 2011, no impairment was identified in the reporting year.

Sensitivity analyses are also carried out in which parameters relevant to the calculation of value in use are modified within a plausible range of values. The parameters that are particularly relevant to the DZ BANK Group are the forecast cash flows and the discount rates. No impairment would result in the Retail or Bank operating segments in any of the scenarios. In the Insurance segment, the recoverable amount is €171 million higher than the carrying amount relevant for the impairment test. A reduction of 5 percent in the forecast cash flows would result in the need to recognize an impairment loss of €4 million on the goodwill attributable to this operating segment.

FINANCIAL DATA ON INTERESTS IN JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

» 83
SUMMARY FINANCIAL DATA ON JOINT VENTURES AND ASSOCIATES

€ million	Dec. 31, 2012	Dec. 31, 2011
Assets	5,637	5,452
Liabilities	5,014	4,900

€ million	2012	2011
Income recognized in profit or loss	851	886
Expenses recognized in profit or loss	-770	-812

The presentation of the cumulative financial data for joint ventures accounted for using the equity method is disclosed in respect of the DZ BANK Group's proportion of ownership interest.

FINANCIAL DATA ON INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

€ million	Dec. 31, 2012	Dec. 31, 2011
Assets	6,875	47,072
Liabilities	6,058	45,274

€ million	2012	2011
Income recognized in profit or loss	882	2,222
Net profit/loss	56	-658

The presentation of the cumulative financial data for associates accounted for using the equity method is based on the figures reported by the associates for the items concerned i.e. regardless of the DZ BANK Group's proportion of ownership interest.

In 2011, a pro rata loss of €162 million incurred by the ÖVAG Group was not recognized because the carrying amount of the investment was already €0. DZ BANK no longer has significant influence over ÖVAG, so the cumulative amount of non-recognized proportionate profit / loss is €0 (2011: loss of €162 million).

FINANCE LEASES

» 84
LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2012	Dec. 31, 2011
Gross investment	**6,452**	**6,700**
Up to 1 year	1,745	1,787
More than 1 year and up to 5 years	3,445	3,450
More than 5 years	1,262	1,463
less unearned finance income	**-934**	**-1,112**
Net investment	5,518	5,588
less present value of unguaranteed residual values	**-114**	**-107**
Present value of minimum lease payment receivables	**5,404**	**5,481**
Up to 1 year	1,464	1,501
More than 1 year and up to 5 years	2,902	2,913
More than 5 years	1,038	1,067

As at the balance sheet date, the accumulated allowance for uncollectible minimum lease payments at lessor companies amounted to €92 million (December 31, 2011: €49 million).

Within the DZ BANK Group, the DVB and VR LEASING subgroups are active as lessors. The entities in the DVB subgroup primarily enter into finance leases for ships, ship containers, aircraft, and aircraft engines. As in 2011, the terms of the leases in existence in 2012 were for periods of up to 13 years. The companies in the VR LEASING subgroup enter into leases with customers for real estate and equipment.

THE DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2012	Dec. 31, 2011
Total future minimum lease payments	**51**	**66**
Up to 1 year	4	15
More than 1 year and up to 5 years	14	14
More than 5 years	33	37
less discount	**-19**	**-22**
Present value of future minimum lease payments	32	44
Up to 1 year	2	13
More than 1 year and up to 5 years	9	7
More than 5 years	21	24

As at the balance sheet date, there were no non-cancelable subleases for which future minimum payments were expected. In 2011, there had been expected future minimum payments in this regard of €12 million.

Some of these leases include arrangements for the purchase of the leased asset at the end of the lease term (purchase option). In addition, the lease payments in some leases are subject to a review on a specified date based on the situation in capital markets on that date.

Residual other assets held by insurance companies included leased property, plant and equipment amounting to €27 million (December 31, 2011: €28 million). Other payables of insurance companies included finance lease liabilities of €31 million (December 31, 2011: €32 million). In 2011, the item property, plant and equipment, and investment property included assets subject to operating leases totaling €12 million; deposits from customers also included finance lease liabilities amounting to €12 million. In 2012, such leased assets were no longer reported under property, plant and equipment, and investment property; the corresponding finance lease liabilities were no longer reported either.

OPERATING LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2012	Dec. 31, 2011
Total future minimum lease payments under non-cancelable leases	**1,255**	**1,376**
Up to 1 year	222	293
More than 1 year and up to 5 years	647	672
More than 5 years	386	411

In 2012, contingent minimum lease payments of €7 million (2011: €6 million) were recognized as income.

Entities in the DVB subgroup enter into operating leases for ships, aircraft, and rail freight cars as the lessor. As at the balance sheet date, lease terms for ship leases and aircraft leases were up to 10 years (as was also the case as at December 31, 2011); for rail freight cars, lease terms were up to 5 years (December 31, 2011: up to 6 years). The companies in VR LEASING enter into leases with customers for real estate and equipment. Leases are also entered into for residential property and business premises. Some of these leases have price adjustment clauses or renewal options.

THE DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2012	Dec. 31, 2011
Total future minimum lease payments under non-cancelable leases	**749**	**479**
Up to 1 year	134	124
More than 1 year and up to 5 years	355	297
More than 5 years	260	58

As at the balance sheet date, the total future minimum lease payments expected to be received under non-cancelable subleases amounted to €28 million (December 31, 2011: €31 million).

In 2012, minimum lease payments of €123 million (2011: €117 million) and contingent rents of €21 million (2011: €24 million) were recognized as expenses. Payments under subleases in 2011 amounted to €7 million.

Operating leases in the DZ BANK Group are largely leases for properties and business premises, some of which contain extension options or have their lease payments linked to a price index. There are also a smaller number of leases for office furniture and equipment.

SALE AND LEASEBACK TRANSACTIONS

Some companies in the DZ BANK Group, particularly individual companies in the VR LEASING subgroup, enter into sale and leaseback agreements. The classification of such leases as finance leases or operating leases depends on the structure of each individual transaction.

Some group companies entered into sale and leaseback transactions that could not be classified as a lease because of the economic substance of the transaction. The power to use the leased assets and the economic rewards remained with the seller. The leases were replaced during the reporting year. As in 2011, no consideration was received in 2012.

» 85 LETTERS OF COMFORT

Except in the event of political risk, DZ BANK has undertaken to ensure in proportion to its shareholding for the consolidated entity DZ PRIVATBANK S.A. and (since January 1, 2013) for VR Equitypartner and in total for DZ BANK Ireland plc, Dublin, for DG HYP, and for the non-consolidated entity DZ PRIVATBANK Singapore Ltd., Singapore, that these companies are able to meet their contractual obligations. These banks are identified in the list of DZ BANK Group's shareholdings (note 95) as being covered by a letter of comfort. DZ BANK has also issued subordinated letters of comfort in respect of DZ BANK Capital Funding LLC I, DZ BANK Capital Funding LLC II, and DZ BANK Capital Funding LLC III, all based in Wilmington, State of Delaware. In addition, DZ BANK has issued 8 subordinated letters of comfort in respect of DZ BANK Perpetual Funding (Jersey) Limited, St. Helier, Jersey, each relating to different classes of preferred shares.

» 86 EMPLOYEES

Average number of employees by employee group:

	2012	2011
Female employees	**13,049**	**12,861**
Full-time employees	8,790	8,729
Part-time employees	4,259	4,132
Male employees	**15,178**	**14,964**
Full-time employees	14,630	14,428
Part-time employees	548	536
Total	**28,227**	**27,825**

» 87 AUDITOR FEES

The total fees charged for 2012 by the independent auditors of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, broken down by type of service are as follows:

€ million	2012	2011
Auditing services	9.3	6.9
Other attestation services	4.3	3.1
Tax consultancy services	0.7	0.1
Other services	2.9	0.5
Total	**17.2**	**10.6**

The fees for auditing services comprise expenses relating to the audit of the consolidated financial statements and group management report of DZ BANK as well as the audits of the annual financial statements and management reports of DZ BANK and consolidated subsidiaries carried out by the auditors of the consolidated financial statements. The fees for other attestation services comprise the fees charged for the audit in accordance with section 36 of the German Securities Trading Act (WpHG), the review by the auditor of the condensed interim consolidated financial statements and the interim group management report, and services for which the auditors' professional seal was required. Tax consultancy fees relate to fees paid by domestic group companies for services in accordance with section 1 German Tax Consultancy Act (StBerG). The fees for other services mainly resulted from the provision of consulting services.

» 88 REMUNERATION PAID TO THE BOARD OF MANAGING DIRECTORS AND SUPERVISORY BOARD OF DZ BANK

In 2012, the overall remuneration paid by the group to DZ BANK's Board of Managing Directors in accordance with IAS 24.17 amounted to €9.4 million (2011: €8.5 million). This total is broken down into short-term employee benefits of €6.6 million (2011: €6.5 million), post-employment benefits of €1.7 million (2011: €1.3 million), and share-based payments earned in 2012 of €1.1 million (2011: €0.7 million). The remuneration paid to the Board of Managing Directors in 2012 and 2011 included the total bonus awarded to the Board of Managing Directors for the year in question. Supervisory Board compensation amounted to €0.8 million (2011: €0.8 million) and consisted of payments due in the short term.

The remuneration paid to the Board of Managing Directors included contributions of €0.2 million (2011: €0.3 million) to defined contribution pension plans. DZ BANK has defined benefit obligations for the members of the Board of Managing Directors amounting to €16.8 million (2011: €10.2 million).

In 2012, the total compensation paid to the Board of Managing Directors of DZ BANK for the performance of their duties in DZ BANK and its subsidiaries pursuant to section 314 (1) no. 6a HGB was €7.8 million (2011: €7.4 million), while the total remuneration paid to the Supervisory Board for the performance of these duties amounted to €0.8 million (2011: €0.8 million).

The total compensation paid to former members of the Board of Managing Directors or their surviving dependants pursuant to section 314 (1) no. 6b HGB amounted to €8.2 million in 2012 (2011: €8.2 million).

There were no non-share-based payments dependent on whether certain conditions are met in the future.

» 89 SHARE-BASED PAYMENTS

The companies in the DZ BANK Group have entered into share-based payment agreements with the members of the Board of Managing Directors and with certain other salaried employees.

DZ BANK has entered into agreements governing variable remuneration paid over several years with the members of the Board of Managing Directors and a group of selected salaried employees (risk takers). The amount of variable remuneration depends on the achievement of agreed targets. 80 percent of the variable remuneration is deferred over a period of up to 4 years from when the amount of variable remuneration is determined (grant date). Payment is spread out over a period of up to 4 years in total, taking into account deferral and retention periods. Up to a quarter of the deferred remuneration is paid in each subsequent year. The deferred portion of the variable remuneration may be reduced or even fully withdrawn if there is an adverse change in the value of DZ BANK shares or if there are negative contributions to profits from DZ BANK, individual divisions, or individual negative contributions to profits. A rise in the value of DZ BANK shares does not lead to an increase in the deferred remuneration. The deferred portion of the variable remuneration of members of the Board of Managing Directors is reduced by a half if the value of DZ BANK shares falls by between 10 percent and 15 percent. If the value drops by more than 15 percent, the deferred portion of the variable remuneration is canceled. The deferred portion of the variable remuneration of risk takers is reduced by a quarter if the value of DZ BANK shares falls by between 15 percent and 20 percent. If the value of DZ BANK shares drops by between 20 percent and 25 percent, the deferred portion of the variable remuneration is reduced by a half. If the value drops by more than 25 percent, the deferred portion of the variable remuneration is canceled completely. In the event that the change in the value of DZ BANK shares stays above the aforementioned thresholds, the deferred portion of the variable remuneration is not reduced. The value of DZ BANK shares is determined each year by means of an independent business valuation. Based on a value per DZ BANK share of €9.10 from the business valuation as at December 31, 2010, a value per share of €8.80 as at December 31, 2011, and a value per share of €8.90 as at December 31, 2012, it can currently be assumed that the deferred remuneration will be paid in full.

The following summary shows the change in unpaid share-based remuneration components at DZ BANK:

€ million	Board of Managing Directors	Risk takers
Unpaid share-based payments as at Jan. 1, 2011	–	–
Remuneration granted	1.1	–
Unpaid share-based payments as at Dec. 31, 2011	**1.1**	–
Remuneration granted	0.7	1.4
Payment of remuneration granted in 2011	-0.3	–
Unpaid share-based payments as at Dec. 31, 2012	**1.5**	**1.4**

Share-based remuneration is granted in the year after it has been earned.

DZ PRIVATBANK S.A. and DZ BANK Polska have entered into agreements on variable remuneration components with the members of their Boards of Managing Directors. The structure of these agreements is generally similar to that of the agreements with the members of the Board of Managing Directors at DZ BANK. However, in this case the variable remuneration components are measured using a business valuation of DZ PRIVATBANK S.A. or DZ BANK Polska. At DZ PRIVATBANK S.A., share-based payments were granted for the first time in 2012, the amount granted being €0.7 million.

The variable components of the remuneration paid to the Board of Managing Directors of R+V depend on whether both quantitative and qualitative targets are achieved. Half of the variable remuneration depends on changes in the enterprise value of R+V within the last 3 years. The enterprise value of R+V is determined in accordance with the principles specified in IDW S 1 *Principles for the Performance of Business Valuations.* If the change in enterprise value is negative, the Supervisory Board decides whether and to what extent this portion of the variable remuneration will be paid, depending on the extent of the negative performance.

The following table shows the changes in unpaid remuneration components at R+V:

€ million	Board of Managing Directors
Unpaid share-based payments as at Jan. 1, 2011	**–**
Remuneration granted	2.0
Unpaid share-based payments as at Dec. 31, 2011	**2.0**
Remuneration granted	1.0
Payment of remuneration granted in 2011	-2.0
Unpaid share-based payments as at Dec. 31, 2012	**1.0**

At DVB, the variable salary payments to the Board of Managing Directors include a bonus, As was the case in 2011, the bonus for 2012 is to be paid out in 4 tranches: 50 percent in 2013 and 16.66 percent in each of the 3 subsequent years (2014 through 2016). A precondition for the payment of these 3 future tranches is that the allowances for losses on loans and advances in the year before the payment are below a specified threshold value. A further condition applicable to all 4 bonus installments is that 50 percent of each tranche is subject to an additional one-year holding period and is therefore not paid immediately. During this holding period, the value of the retained tranche is replaced by a share-based remuneration instrument linked to the performance of DVB. In this mechanism, the value of the retained tranche is initially converted into notional shares in DVB (phantom shares). At the end of the subsequent year, the tranche due for payment is calculated by multiplying the allocated phantom shares by the closing price of DVB shares on the Frankfurt Stock Exchange on the last trading day of the calendar year concerned, plus the dividend distributed during the course of the year. The calculation of the bonus value therefore does not involve the creation of any genuine shares, just phantom shares used for computational purposes. In 2012, 18,171.19 phantom shares were granted as a bonus for previous financial years. Their payout amount is based on the DVB share price. The fair value at the grant date was €0.4 million based on the share price on December 31, 2011, which was €23.95. The fair value at the balance sheet date was €0.4 million based on the share price on December 31, 2012, which was €24.26. The phantom shares granted will be paid out in full in 2013.

In 2012, the agreements described above gave rise to expenses for share-based payments in the DZ BANK Group of €12 million (2011: €8 million). As at December 31, 2012, the provisions recognized for share-based payments in the DZ BANK Group amounted to €11 million (December 31, 2011: €9 million).

» 90
RELATED PARTY
DISCLOSURES

DZ BANK enters into transactions with related parties (persons or entities) as part of its ordinary business activities. All of this business is transacted on an arm's length basis. Most of these transactions involve typical banking products and financial services.

TRANSACTIONS WITH RELATED PARTIES (ENTITIES)

€ million	Dec. 31, 2012	Dec. 31, 2011
Loans and advances to banks	**134**	**246**
to subsidiaries	79	124
joint ventures	55	121
associates	–	1
Loans and advances to customers	**133**	**457**
to subsidiaries	63	424
joint ventures	28	28
associates	42	5
Financial assets held for trading	**–**	**182**
of subsidiaries	–	6
associates	–	176
Investments	**2**	**1**
of subsidiaries	2	–
associates	–	1
Investments held by insurance companies	**210**	**267**
of subsidiaries	114	115
joint ventures	96	97
associates	–	55
Other assets	**29**	**18**
of subsidiaries	14	15
joint ventures	1	2
associates	–	1
other entities	14	–
Deposits from banks	**312**	**165**
owed to subsidiaries	196	1
joint ventures	116	129
associates	–	35
Deposits from customers	**214**	**108**
owed to subsidiaries	202	90
associates	11	14
other entities	1	4
Financial liabilities held for trading	**–**	**110**
of subsidiaries	–	7
associates	–	103
Other liabilities	**66**	**50**
of subsidiaries	38	39
joint ventures	12	11
associates	4	–
other entities	12	–

€ million	Dec. 31, 2012	Dec. 31, 2011
Financial guarantee contracts	**19**	**108**
for associates	19	108
Loan commitments	**11**	**216**
to subsidiaries	10	215
joint ventures	1	1

Income of €5 million (2011: €19 million) in the total reported net interest income, income of €7 million (2011: €7 million) in the total reported net fee and commission income, and a loss of €12 million (2011: gain of €8 million) in the gains and losses on investments held by insurance companies and other insurance company gains and losses was attributable to transactions with related parties (entities).

TRANSACTIONS WITH RELATED PARTIES (PERSONS)

Related parties (persons) are key management personnel who are directly or indirectly responsible for the planning, management, and supervision of the activities of DZ BANK, as well as their close family members. For the purposes of IAS 24, the DZ BANK Group considers the members of the Board of Managing Directors and the members of the Supervisory Board to be key management personnel. As at December 31, 2012, the DZ BANK Group's loans and loan commitments to related parties amounted to €1.6 million (December 31, 2011: €2.1 million).

Like unrelated parties, key management personnel and their close family members also have the option of obtaining further financial services from the DZ BANK Group, for example in the form of insurance contracts, home savings contracts, and leases. Where they made use of this option, the transactions were carried out on an arm's-length basis.

The declaration of compliance with the German Corporate Governance Code required by section 161 of the German Stock Corporation Act (AktG) has been issued by the Board of Managing Directors and Supervisory Board of DVB Bank SE, a publicly traded company, and has been made available to the shareholders on a permanent basis via the company's website.

» 91
CORPORATE
GOVERNANCE

WOLFGANG KIRSCH
(Chief Executive Officer)

» 92
BOARD OF
MANAGING
DIRECTORS

LARS HILLE

WOLFGANG KÖHLER

HANS-THEO MACKE

ALBRECHT MERZ

THOMAS ULLRICH

FRANK WESTHOFF

» 93
SUPERVISORY BOARD

HELMUT GOTTSCHALK
(Chairman of the Supervisory Board)
Spokesman of the Board of Managing Directors
Volksbank Herrenberg-Rottenburg eG

WOLFGANG APITZSCH
(Deputy Chairman of the Supervisory Board)
Attorney

HENNING DENEKE-JÖHRENS
(Deputy Chairman of the Supervisory Board)
Spokesman of the Board of Managing Directors
Volksbank eG Lehrte-Springe-Pattensen-Ronnenberg

HEINER BECKMANN
(Member of the Supervisory Board since July 1, 2012)
Senior Manager
R+V Allgemeine Versicherung AG

RÜDIGER BEINS
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

ULRICH BIRKENSTOCK
Employee
R+V Allgemeine Versicherung AG

WERNER BÖHNKE
Chief Executive Officer
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

HERMANN BUERSTEDDE
Employee
Union Asset Management Holding AG

KARL EICHELE
Employee
Schwäbisch Hall Kreditservice AG

UWE FRÖHLICH
President
Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR)

DR. ROMAN GLASER
President
Baden-Württembergischer Genossenschaftsverband e.V.

BERND HÜHN
Chief Executive Officer
Volksbank Alzey-Worms eG

RITA JAKLI
(Member of the Supervisory Board until June 30, 2012)
Senior Manager
R+V Versicherung AG

SIGMAR KLEINERT
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

WILLY KÖHLER
(Member of the Supervisory Board until May 23, 2012)
Chief Executive Officer
VR Bank Rhein-Neckar eG
(until December 31, 2011)

RAINER MANGELS
Employee
R+V Rechtsschutzversicherung AG

WALTER MÜLLER
Chief Executive Officer
Volksbank Raiffeisenbank
Fürstenfeldbruck eG

GERHARD J. RASTETTER
(Member of the Supervisory Board since May 23, 2012)
Chief Executive Officer
Volksbank Karlsruhe eG

DIETER REMBDE
Member of the Board of Managing Directors
VR-Bank Schwalm-Eder eG

STEPHAN SCHACK
Spokesman of the Board of Managing Directors
Volksbank Raiffeisenbank eG, Itzehoe

GUDRUN SCHMIDT
Employee
ver.di Landesbezirk Hessen

UWE SPITZBARTH
National Group Director Banks
ver.di Bundesverwaltung

WITHIN DZ BANK

» 94
SUPERVISORY MANDATES HELD BY MEMBERS OF THE BOARD OF MANAGING DIRECTORS AND EMPLOYEES

As at the balance sheet date, members of the Board of Managing Directors and employees also held mandates on the statutory supervisory bodies of major companies. These and other notable mandates are listed below. Mandates in companies included in the consolidation are indicated with an asterisk (*).

MEMBERS OF THE BOARD OF MANAGING DIRECTORS

WOLFGANG KIRSCH
(Chief Executive Officer)

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall,
Chairman of the Supervisory Board (*)

Landwirtschaftliche Rentenbank, Frankfurt am Main,
Member of the Board of Directors

R+V Versicherung AG, Wiesbaden,
Chairman of the Supervisory Board (*)

Südzucker AG, Mannheim,
Member of the Supervisory Board

Union Asset Management Holding AG,
Frankfurt am Main,
Chairman of the Supervisory Board (*)

LARS HILLE	Cassa Centrale Banca - Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board DZ PRIVATBANK (Schweiz) AG, Zurich, Chairman of the Board of Directors (*) DZ PRIVATBANK S.A., Luxembourg-Strassen, Chairman of the Supervisory Board (*) Union Asset Management Holding AG, Frankfurt am Main, Member of the Supervisory Board (*)
WOLFGANG KÖHLER	DVB Bank SE, Frankfurt am Main, Member of the Supervisory Board (*) DZ PRIVATBANK S.A., Luxembourg-Strassen, Member of the Supervisory Board (*) R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
HANS-THEO MACKE	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*) EDEKABANK AG, Hamburg, Member of the Supervisory Board VR-LEASING AG, Eschborn, Chairman of the Supervisory Board (*)
ALBRECHT MERZ	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*) BayWa AG, Munich, Member of the Supervisory Board R+V Allgemeine Versicherung AG, Wiesbaden, Member of the Supervisory Board (*)

	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	TeamBank AG Nürnberg, Nuremberg, Chairman of the Supervisory Board (*)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*)
THOMAS ULLRICH	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Chairman of the Supervisory Board
	Equens SE, Utrecht, Member of the Supervisory Board
	FIDUCIA IT AG, Karlsruhe, Member of the Supervisory Board
FRANK WESTHOFF	BAG Bankaktiengesellschaft, Hamm, Member of the Supervisory Board
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Chairman of the Supervisory Board (*)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DVB Bank SE, Frankfurt am Main, Chairman of the Supervisory Board (*)
	DZ BANK Ireland plc, Dublin, Chairman of the Board of Directors (*)
	TeamBank AG Nürnberg, Nuremberg, Deputy Chairman of the Supervisory Board (*)

DZ BANK EMPLOYEES

ROLF BÜSCHER	Volksbank Romania S.A., Bucharest, Member of the Supervisory Board
DR. LUIS-ESTEBAN CHALMOVSKY	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors
THOMAS KALTWASSER	DZ BANK Ireland plc, Dublin, Director of the Board of Directors (*)
DR. THOMAS KETTERN	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board
BERNHARD KUHN	DZ BANK Polska S.A., Warsaw, Member of the Supervisory Board (*)
WINFRIED MÜNCH	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main, Member of the Supervisory Board
KARL-HEINZ VON OPPENKOWSKI	DZ BANK Polska S.A., Warsaw, Vice Chairman of the Supervisory Board (*)
CLAUDIO RAMSPERGER	Cassa Centrale Banca - Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
DR. CORNELIUS RIESE	DZ BANK Polska S.A., Warsaw, Chairman of the Supervisory Board (*)
JOCHEN RIECKE	Equens SE, Utrecht, Member of the Supervisory Board
GREGOR ROTH	ConCardis GmbH, Frankfurt am Main, Member of the Supervisory Board
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	Equens SE, Utrecht, Deputy Chairman of the Supervisory Board
	ReiseBank AG, Frankfurt am Main, Chairman of the Supervisory Board (*)

IN THE DZ BANK GROUP

As at the balance sheet date, members of the Boards of Managing Directors and employees also held mandates on the statutory supervisory bodies of the following major companies in Germany. Mandates in companies included in the consolidation are indicated with an asterisk (*).

DR. MATTHIAS METZ Chief Executive Officer Bausparkasse Schwäbisch Hall AG	Schwäbisch Hall Kreditservice AG, Schwäbisch Hall, Chairman of the Supervisory Board (*)
GERHARD HINTERBERGER Member of the Board of Managing Directors Bausparkasse Schwäbisch Hall AG	Schwäbisch Hall Kreditservice AG, Schwäbisch Hall, Member of the Supervisory Board (*)
EHRHARD STEFFEN Spokesman of the Board of Managing Directors Schwäbisch Hall Kreditservice AG	BSQ Bauspar AG, Nuremberg, Deputy Chairman of the Supervisory Board Schwäbisch Hall Facility Management GmbH, Schwäbisch Hall, Member of the Supervisory Board

DR. FRIEDRICH CASPERS Chief Executive Officer R+V Versicherung AG	Condor Allgemeine Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) Raiffeisendruckerei GmbH, Neuwied, Member of the Supervisory Board R+V Allgemeine Versicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Krankenversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Lebensversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Pensionsfonds AG, Wiesbaden, Chairman of the Supervisory Board (*) Union Asset Management Holding AG, Frankfurt am Main, Member of the Supervisory Board (*)
FRANK-HENNING FLORIAN Member of the Board of Managing Directors R+V Versicherung AG	CHEMIE Pensionsfonds AG, Munich, Member of the Supervisory Board (*) GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart, Deputy Chairman of the Supervisory Board (*) TeamBank AG Nürnberg, Nuremberg, Member of the Supervisory Board (*) Protektor Lebensversicherungs-AG, Berlin, Member of the Supervisory Board

HEINZ-JÜRGEN KALLERHOFF Member of the Board of Managing Directors R+V Versicherung AG	R+V Krankenversicherung AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*) R+V Service Center GmbH, Wiesbaden, Deputy Chairman of the Supervisory Board (*)
DR. CHRISTOPH LAMBY Member of the Board of Managing Directors R+V Versicherung AG	KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Member of the Supervisory Board (*)
HANS-CHRISTIAN MARSCHLER Member of the Board of Managing Directors R+V Versicherung AG	KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*)
RAINER NEUMANN Member of the Board of Managing Directors R+V Versicherung AG	CHEMIE Pensionsfonds AG, Munich, Member of the Supervisory Board (*) Condor Allgemeine Versicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart, Chairman of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) Sprint Sanierung GmbH, Cologne, Deputy Chairman of the Supervisory Board

DR. NORBERT ROLLINGER Member of the Board of Managing Directors R+V Versicherung AG	Sprint Sanierung GmbH, Cologne, Chairman of the Supervisory Board R+V Service Center GmbH, Wiesbaden, Chairman of the Supervisory Board (*)
PETER WEILER Member of the Board of Managing Directors R+V Versicherung AG	Condor Allgemeine Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Chairman of the Supervisory Board (*)
ALEXANDER BOLDYREFF Chief Executive Officer TeamBank AG Nürnberg	SCHUFA Holding AG, Wiesbaden, Chairman of the Supervisory Board
HANS JOACHIM REINKE Chief Executive Officer Union Asset Management Holding AG	Union Investment Institutional GmbH, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*) Union Investment Privatfonds GmbH, Frankfurt am Main, Chairman of the Supervisory Board (*) Union Investment Real Estate GmbH, Hamburg, Deputy Chairman of the Supervisory Board (*) Union Investment Service Bank AG, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*)

ULRICH KÖHNE Member of the Board of Managing Directors Union Asset Management Holding AG	Union Investment Service Bank AG, Frankfurt am Main, Chairman of the Supervisory Board (*)
ALEXANDER SCHINDLER Member of the Board of Managing Directors Union Asset Management Holding AG	Union Investment Institutional GmbH, Frankfurt am Main, Chairman of the Supervisory Board (*)
JENS WILHELM Member of the Board of Managing Directors Union Asset Management Holding AG	Union Investment Privatfonds GmbH, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*) Union Investment Real Estate GmbH, Hamburg, Chairman of the Supervisory Board (*)
DR. REINHARD KUTSCHER Chief Executive Officer Union Investment Real Estate GmbH	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*)
SONJA ALBERS Employee Union Asset Management Holding AG	Union Investment Service Bank AG, Frankfurt am Main, Member of the Supervisory Board (*)
CHRISTIAN FUTTERLIEB Employee VR Equitypartner GmbH	Clean Car AG, Meerbusch, Deputy Chairman of the Supervisory Board

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LIST OF
SHAREHOLDINGS

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
ABO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	94.80		26	0
ACP IT Finanzierungs (Deutschland) GmbH [1]	Eschborn	95.00		25	0
ACW Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
Adger Ocean KS (I) [1]	Oslo, Norway	0.00		0	0
Adger Ocean KS II [1]	Oslo, Norway	0.00		0	0
Adger Ocean KS III [1]	Oslo, Norway	0.00		0	0
Adirondack Shipping LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
AER Holding N.V. [1]	Willemstad, Netherlands Antilles	100.00		0	0
AFK Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
AFK Grundstücksverwaltungsgesellschaft mbH & Co. Objekt-Betreuung KG [1]	Eschborn	94.00	66.67	10	1
AFU Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		112	0
AGAB Aktiengesellschaft für Anlagen und Beteiligungen	Frankfurt am Main	100.00		90,404	2,177
AGIMA Aktiengesellschaft für Immobilien-Anlage [5]	Frankfurt am Main	100.00		84,025	0
Al Sahaab Aircraft Leasing Company [1]	Mirgab, Cayman Islands	0.00		0	0
Al-Rubban NFC Shipping Fund IV [1]	Majuro, Marshall Islands	0.00		0	0
American Flirtation N.V. [1]	Curaçao, Netherlands Antilles	100.00		0	0
AMORFOS Grundstücksgesellschaft mbH & Co. KG [1]	Eschborn	6.00	55.00	-495	-188
Aquila Aircraft Leasing Ltd. [1]	Dublin, Ireland	0.00		0	0
Aran Airfinance Ltd. [1]	Tokyo, Japan	100.00		5	-3
ARATOS GmbH [1]	Eschborn	100.00		82	57
ARATOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	69	85
ARGINUS GmbH [1]	Eschborn	100.00		153	25
ARGINUS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	-1,949	85
ARMIDA GmbH [1]	Eschborn	100.00		44	19
ARMIDA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	24	23
ASPASIA GmbH [1]	Eschborn	100.00		48	23
ASPASIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	29	731
Assimoco S.p.A. [1]	Segrate (Mi), Italy	78.20		70,710	1,140
Assimoco Vita S.p.A. [1]	Segrate (Mi), Italy	80.80		79,410	10,134
Assimocopartner S.r.l. Unipersonale [1]	Segrate (Mi), Italy	100.00		257	5
ASTERIOS GmbH [1]	Eschborn	100.00		39	10
attrax S.A. [1]	Luxembourg, Luxembourg	100.00		20,259	10,667
Aufbau und Handelsgesellschaft mbH [1]	Stuttgart	94.90		525	0
Augusta GmbH [1]	Ludwigsburg	100.00		26	0
AULOS GmbH [1]	Eschborn	100.00		25	0
AURIGA GmbH [1]	Eschborn	100.00		-508	-86
Autobahn 2003 Holdings LLC [1]	Delaware, USA	0.00		0	0
Autobahn Funding Company LLC	Delaware, USA	0.00		0	0
AXICA Kongress- und Tagungszentrum Pariser Platz 3 GmbH [5]	Berlin	100.00		26	0
BAL Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		31	0
Bathgate Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Bausparkasse Schwäbisch Hall Aktiengesellschaft – Bausparkasse der Volksbanken und Raiffeisenbanken [5]	Schwäbisch Hall	81.80		1,812,302	0
Beteiligungsgesellschaft Westend 1 mbH & Co. KG [1]	Frankfurt am Main	94.90		17,500	0
BFL Gesellschaft des Bürofachhandels mbH & Co. KG [1]	Eschborn	72.91	73.25	11,574	0
BFL Gesellschaft des Bürofachhandels Verwaltungsgesellschaft mbH [1]	Eschborn	100.00		32	0
BFL Leasing Einkaufs-GmbH [1]	Eschborn	100.00		51	0
BFL Leasing GmbH [1]	Eschborn	100.00		11,437	6,872
BIG-Immobilien Gesellschaft mit beschränkter Haftung [1]	Frankfurt am Main	100.00		749	-1
BIG-Immobilien GmbH & Co. Betriebs KG [1]	Frankfurt am Main	100.00		3,505	222
Bischoff GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	17
Blasket Airfinance Ltd. [1]	Tokyo, Japan	100.00		5	-3
Blue Moon Shipping Limited [1]	St. John's, Antigua and Barbuda	0.00		0	0
Bluebell Aircraft Leasing Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Bonham Aircraft Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Braveheart Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Braveheart Shipping Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Bukit Merah Shipping Pte. Ltd. [1]	Singapore, Singapore	0.00		0	0
Bukit Timah Chartering Pte. Ltd. [1]	Singapore, Singapore	100.00	0.00	0	0
Bukit Timah Shipping LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Bukit Timah Shipping Pte. Ltd. [1]	Singapore, Singapore	100.00	0.00	0	0
Bulls Aircraft Leasing (Malta) Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Buzzard Aircraft Leasing Limited [1]	Dublin, Ireland	100.00	0.00	0	0
BWG Baugesellschaft Württembergischer Genossenschaften mbH [1]	Stuttgart	94.78		9,965	0
Calidris Shipping LLC [1]	Majuro, Marshall Islands	100.00		0	0
CALYPSO GmbH [1]	Eschborn	100.00		-130	-126
CANOPOS GmbH [1]	Eschborn	100.00		45	20
CANOPOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		26	24
Capital Lease Limited [1]	Hong Kong, Hong Kong	0.00		0	0
carexpert Kfz-Sachverständigen GmbH [1]	Walluf	60.00		3,060	334
Cash Express Gesellschaft für Finanz- und Reisedienstleistungen mbH [1 5]	Frankfurt am Main	100.00		1,543	0
CATHENA GmbH [1]	Eschborn	100.00		52	27
CBL MOBILE GmbH [1 5]	Eschborn	100.00		39	0
CBL MOBILE II GmbH [1]	Eschborn	100.00		196	4
CEBIR Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
CELES Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		191	-7
Centra Leasing Anlagen GmbH [1 5]	Eschborn	100.00		5,899	0
Centra Leasing Anlagen GmbH & Co. Objektbeteiligungs KG [1]	Eschborn	100.00		70	62
Centrum Mannheim, P2 GmbH [1]	Grünwald	94.00		-1,265	-1,056
CET Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	2
CHEMIE Pensionsfonds AG [1]	Munich	100.00		16,168	1,500
Chiefs Aircraft Holding (Malta) Limited [1]	Floriana, Malta	100.00	0.00	0	0
CHROMARIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	35	34
CI CONDOR Immobilien GmbH [1 5]	Hamburg	100.00		28,500	0
CIRA GmbH & Co. 2. Objekt KG [1]	Frankfurt am Main	100.00		82	-9
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH [1]	Wiesbaden	100.00		3,296	480
Condor Allgemeine Versicherungs-Aktiengesellschaft [1 5]	Hamburg	100.00		41,762	0
Condor Beteiligungsgesellschaft mbH [1]	Hamburg	100.00		27	0
Condor Dienstleistungs GmbH [1]	Hamburg	100.00		187	5
Condor Lebensversicherungs-Aktiengesellschaft [1 5]	Hamburg	94.99		38,588	0
Condor-Fonds-Union [1]	Frankfurt am Main	0.00		0	0
Container Investment Fund I LLC [1]	Majuro, Marshall Islands	0.00		0	0
Container Investment Fund II LLC [1]	Majuro, Marshall Islands	0.00		0	0
CORAL Capital Limited	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) 2 Limited	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) Limited	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Jersey) Limited	St. Helier, Jersey	0.00		0	0
CORETTI GmbH [1]	Eschborn	100.00		25	-4
Cruise/Ferry Master Fund I N.V. [1]	Willemstad, Netherlands Antilles	0.00		0	0
DAC Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		56	30
DAC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lüneburg KG [1]	Eschborn	99.00	83.67	37	37
Dalian Deepwater Developer Ltd. [1]	St. Helier, Jersey	0.00		0	0
DEGEACTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEACTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		10	-53
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	15
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	17	19
DEGEALBUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		24	0
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamm-Heessen KG [1]	Eschborn	90.00	66.67	3	0
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		73	48
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		58	57

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		51	25
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		31	30
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		47	21
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-983	10
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	-128
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		124	98
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.90	75.00	126	120
DEGECALAN Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGECALAN Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	327
DEGECALIX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		33	0
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		77	1
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.99	85.71	-2,808	0
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		48	22
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	12	24
DEGECASTELL GmbH [1]	Eschborn	100.00		22	-1
DEGECEBER Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	15
DEGECEBER Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		20	18
DEGECEDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		699	6
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		44	18
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-43	202
DEGECENUM Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		26	0
DEGECERVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		696	266
DEGECIVO Grundstücksverwaltungsgesellschaft mbH Berlin [1]	Berlin	100.00		29	4
DEGECOMO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	2
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berenbostel KG [1]	Eschborn	100.00		5	47
DEGECOPAX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		77	51
DEGECOPAX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		497	513
DEGECULA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		80	55
DEGECULA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sindelfingen KG [1]	Eschborn	6.00	75.50	89	68
DEGEDELTA Vermietungsgesellschaft für Betriebsvorrichtungen mbH [1]	Eschborn	100.00		26	0
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		59	34
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	41	41
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-8	80
DEGEDEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		24	-1
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		32	6
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Nord KG [1]	Eschborn	100.00		7	92
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Süd KG [1]	Eschborn	100.00		3	14
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	-54	186
DEGEFERRO Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		26	0
DEGEFILA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
DEGEFILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	-531	3
DEGEFULVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		35	9
DEGEGAMMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		32	-2
DEGEGRADUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGEGRAVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEGRAVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.66	363	626
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	51
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		56	31
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-46	69
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekt Hattingen mbH [1]	Eschborn	100.00		21	781
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekte West mbH [1]	Eschborn	100.00		362	314
DEGEIMPULS Objekt Düsseldorf Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		1,336	2,237
DEGEKONKRET Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		23	0
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Worms KG [1]	Eschborn	100.00		3	12
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	37
DEGEMARCA Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
DEGEMARO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGEMARO Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Volksbank Pforzheim KG [1]	Eschborn	0.00	66.67	-1,006	181
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Voerde KG [1]	Eschborn	90.00	66.67	3	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lauingen KG [1]	Eschborn	2.00	66.67	-675	79
DEGEMILA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		43	18
DEGEMILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-1,086	246
DEGEMINAX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	15
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-3,064	491
DEGEMOBIL Vermietungsgesellschaft für Betriebsvorrichtungen mbH [1]	Eschborn	100.00		28	-2
DEGEMODUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		33	7
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-705	148
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		54	29
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	36	261
DEGEMONDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		33	0
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		162	136
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	95.00	75.00	-1,850	627
DEGEMOX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEMOX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	29
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-2,262	322
DEGENASUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
DEGENASUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-2,875	443
DEGENATUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGENATUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-198	19
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-6,315	1,025
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-100	12
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		133	107
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	129	128
DEGENAVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGENAVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-547	90
DEGENIMIS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		66	41
DEGENITOR Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
DEGENOVUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		1,547	249
DEGEPACTO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	-2
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		75	49
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	-2,298	99
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	38
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		46	1
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	66.67	-5	0
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	26	3
DEGEPLAN Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		52	26
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	33	31
DEGEPROJEKT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		327	6
DEGEPROLOG Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-14	-1
DEGEQUADRA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	-1
DEGERADIUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		155	130
DEGEREAL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		378	-214
DEGEREAL Grundstücksverwaltungsgesellschaft mbH & Co. Objekte Pfalz KG [1]	Eschborn	95.00	83.67	417	-210
DEGEREDA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		32	6
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		47	22
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-364	52
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-168	22
DEGEREX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		53	27
DEGEREX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	34	33
DEGERIA Beteiligungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGERIMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGERIMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	3	1
DEGERIPA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	15

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
DEGERIPA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	76.00	-467	-33
DEGERISOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGERISOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	25	3
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-2,300	87
DEGERODO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	-12	1
DEGERUDENS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		21	0
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		70	44
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-287	87
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		47	21
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	27	108
DEGESALTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		20	-1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	3	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neuss KG [1]	Eschborn	90.00	66.67	3	0
DEGESANNA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		9	0
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	35
DEGESATURA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	0
DEGESELLA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	0
DEGESERA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGESERA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	718	79
DEGESERVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGESERVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-799	39
DEGESIDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		84	59
DEGESIDO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	71	71
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		60	34
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.91	75.00	472	195
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		51	25
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	32	30
DEGESILEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		70	44
DEGESILEX Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Karlsfeld KG [1]	Eschborn	5.00	75.50	-2,196	194
DEGESILVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		36	11
DEGESISTO Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		114	0
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		45	19
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	-1,439	31
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	1.18	6.67	-2,384	586
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	66.67	-2,161	-126
DEGESTRENA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		62	36

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
DEGESUR Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		634	0
DEGETALUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		31	1
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		50	23
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	10.00	75.50	2,545	49
DEGETANDEM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		42	17
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [2]	Eschborn	100.00		-371	27
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	20
DEGETERRA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	15
DEGETERRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	75.50	-777	14
DEGETEXTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		23	-1
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		48	22
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	67.34	19	116
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		58	32
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	66.67	40	39
DEGETRAPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGETRAPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	97
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		48	23
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	75.50	22	27
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	12
DEGEVIA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEVIA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Rhede Gronauer Strasse 21 KG [1]	Eschborn	90.00	66.67	3	0
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		48	22
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-282	98
DEGEZONA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEZONA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	10	1
DESPINA GmbH [1]	Eschborn	100.00		58	12
DESTRA Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Deucalion Capital I (UK) Ltd. [1]	London, UK	0.00		0	0
Deucalion Capital I Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital II (MALTA) Limited [1]	Valletta, Malta	0.00		0	0
Deucalion Capital II (UK) Ltd. [1]	London, UK	0.00		0	0
Deucalion Capital II Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital V Limited [1]	Majuro, Marshall Islands	0.00		0	0
Deucalion Capital VI Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VII Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VIII Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital XI Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Engine Leasing (Ireland) Ltd. [1]	Dublin, Ireland	0.00		0	0
Deucalion Engine Leasing France [1]	Paris, France	0.00		0	0
Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft [3 5]	Hamburg	100.00		1,407,258	0
DEVIF-Fonds Nr. 150 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 2 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 250 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 500 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 526 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 528 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
DEVIF-Fonds Nr. 60 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DG Betriebsservice Verwaltungs-Gesellschaft mbH	Frankfurt am Main	100.00		7	0
DG Funding LLC	New York, USA	0.89	100.00	720,539	11,385
DG Holding Trust	New York, USA	100.00		672,171	-1,817
DG LEASING GmbH [1]	Eschborn	100.00		26	0
DG Participacoes Ltda. [1]	São Paulo, Brazil	100.00		0	0
DINO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	4
DIVUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		101	76
DOBAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		62	36
Dom Maklerski AmerBrokers S.A. [1]	Warsaw, Poland	100.00		4,373	-199
DORADUS GmbH [1]	Eschborn	100.00		18	-7
DOSA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	0
DOSA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Ramstein KG [1]	Eschborn	5.00	66.67	-471	87
DRITTE DG Vermietungsgesellschaft für Immobilien mbH [1] [5]	Eschborn	100.00		26	0
DUNAVAGON s.r.o. [1]	Dunajská Streda, Slovakia	100.00	0.00	0	0
DURO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		50	25
DV01 Szarazfoldi Jarmukolcsonzo rt [1]	Áporka, Hungary	0.00		0	0
DVB Aviation Finance Asia Pte Ltd. [1]	Singapore, Singapore	100.00		-10,676	-5,407
DVB Bank America N.V. [1]	Willemstad, Netherlands Antilles	100.00		126,103	16,966
DVB Bank SE	Frankfurt am Main	95.45		206,008	27,880
DVB Capital Markets LLC [1]	Wilmington, USA	100.00		1,497	-1,026
DVB Container Finance America LLC [1]	Ajeltake Island, Marshall Islands	100.00		0	0
DVB Container Finance Asia Pte Ltd. [1]	Singapore, Singapore	100.00		6	92
DVB Group Merchant Bank (Asia) Ltd. [1]	Singapore, Singapore	100.00		360,162	40,760
DVB Holding (US) Inc. [1]	Greenwich, USA	100.00		2,140	67
DVB Holding GmbH [1] [5]	Frankfurt am Main	100.00		13,000	0
DVB Invest (Suisse) AG [1]	Zurich, Switzerland	99.90		229	-17
DVB Investment Management N.V. [1]	Willemstad, Netherlands Antilles	100.00		0	0
DVB LogPay GmbH [1] [5]	Eschborn	100.00		3,000	0
DVB Objektgesellschaft Geschäftsführungs GmbH [1]	Frankfurt am Main	100.00		24	0
DVB Service (US) LLC [1]	Delaware, USA	100.00		5	-205
DVB Transport (US) LLC [1]	New York, USA	100.00		734	-420
DVB Transport Finance Limited [1]	London, UK	100.00		6,058	-1,985
DVG Deutsche Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung [5]	Frankfurt am Main	100.00		13,038	0
DVL Deutsche Verkehrs-Leasing GmbH [1]	Eschborn	74.90		5,448	2,270
DZ BANK Capital Funding LLC I [2] [4]	Wilmington, USA	100.00		301,126	9,833
DZ BANK Capital Funding LLC II [2] [4]	Wilmington, USA	100.00		500,997	11,877
DZ BANK Capital Funding LLC III [2] [4]	Wilmington, USA	100.00		350,430	7,997
DZ BANK Capital Funding Trust I	Wilmington, USA	0.00	100.00	300,001	10,398
DZ BANK Capital Funding Trust II	Wilmington, USA	0.00	100.00	500,001	12,585
DZ BANK Capital Funding Trust III	Wilmington, USA	0.00	100.00	350,001	8,320
DZ BANK Ireland public limited company [3]	Dublin, Ireland	100.00		212,220	2,290
DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH	Frankfurt am Main	100.00		815	-801
DZ BANK Perpetual Funding (Jersey) Limited [4]	St. Helier, Jersey	0.00	100.00	1,026,684	-2,352
DZ BANK Perpetual Funding Issuer (Jersey) Limited	St. Helier, Jersey	0.00		463,154	16,283
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	St. Helier, Jersey	0.00		500,005	45,556
DZ BANK Polska S.A.	Warsaw, Poland	100.00		81,646	70
DZ BANK Sao Paulo Representacao Ltda. [2]	São Paulo, Brazil	100.00		139	-21
DZ Beteiligungsgesellschaft mbH Nr. 11 [5]	Frankfurt am Main	100.00		36,620	0
DZ Beteiligungsgesellschaft mbH Nr. 14 [5]	Frankfurt am Main	100.00		51	0
DZ Beteiligungsgesellschaft mbH Nr. 16 [5]	Frankfurt am Main	100.00		25	0
DZ Beteiligungsgesellschaft mbH Nr. 18 [5]	Frankfurt am Main	100.00		123,576	0
DZ Beteiligungsgesellschaft mbH Nr. 19	Frankfurt am Main	100.00		24	-2
DZ Beteiligungsgesellschaft mbH Nr. 20 [5]	Frankfurt am Main	100.00		26	0
DZ Beteiligungsgesellschaft mbH Nr. 3 [5]	Frankfurt am Main	100.00		18,881	0
DZ Capital Management GmbH	Frankfurt am Main	100.00		72	-94
DZ FINANCIAL MARKETS LLC	New York, USA	100.00		2,882	-4,112
DZ Gesellschaft für Grundstücke und Beteiligungen mbH [5]	Frankfurt am Main	100.00		4,037	0
DZ Immobilien GmbH & Co. KG WH10	Frankfurt am Main	100.00		43,315	1,359
DZ PRIVATBANK (Schweiz) AG [1]	Zurich, Switzerland	100.00		172,497	3,332
DZ PRIVATBANK S.A. [3]	Luxembourg-Strassen, Luxembourg	70.04		674,197	45,607

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
DZ PRIVATBANK Singapore Ltd. [1 3]	Singapore, Singapore	100.00		11,404	-1,603
DZ Vermögensverwaltung I GmbH	Frankfurt am Main	100.00		28	2
DZ Versicherungsvermittlung Gesellschaft mbH [5]	Frankfurt am Main	100.00		51	0
DZ Vierte Beteiligungsgesellschaft mbH [5]	Frankfurt am Main	100.00		334,687	0
e@syCredit Marketing und Vertriebs GmbH [1]	Nuremberg	100.00		21	0
Eagle Aircraft Leasing Limited [1]	George Town, Cayman Islands	0.00		0	0
EC Verwertungsgesellschaft 1 GmbH & Co. KG [1]	Frankfurt am Main	100.00		21,233	0
EC Verwertungsgesellschaft 1 GmbH i.L. [1]	Klosterneuburg, Austria	99.27	100.00	106,960	86,228
EC Verwertungsgesellschaft 2 GmbH & Co. KG [1]	Frankfurt am Main	100.00		0	0
EC Verwertungsgesellschaft 2 GmbH i.L. [1]	Regensburg	100.00		2,196	8
ENDES Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Englische Strasse 5 GmbH [1]	Berlin	90.00		1,583	-247
EPI Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Euro Toll Fuel Spain S.L. [1]	Barcelona, Spain	100.00		0	0
Euro Toll Service GmbH [1 5]	Eschborn	75.12		201	0
Europäische Genossenschaftsbank S. A. [1]	Luxembourg-Strassen, Luxembourg	100.00		12,499	64
EXEDRA GmbH [1]	Eschborn	100.00		25	-2
EXERT Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Falcon Aircraft Leasing Limited [1]	Dublin, Ireland	0.00		0	0
FB-LEASING OOO [1]	Moscow, Russia	100.00		0	0
Finassimoco S.p.A. [1]	Segrate (Mi), Italy	56.95		83,212	15
Finch Aircraft Leasing Limited [1]	Dublin, Ireland	0.00		0	0
FLORIN GmbH [1]	Eschborn	100.00		52	27
FLORIN GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-21	33
France Maritime LLC [1]	Majuro, Marshall Islands	100.00		0	0
Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt. [1]	Budapest, Hungary	51.25		96,741	19,059
Fundamenta-Lakáskassza Pénzügyi Közvetítő Kft. [1]	Budapest, Hungary	100.00		915	-109,662
GAF Active Life 1 Renditebeteiligungs-GmbH & Co. KG [1]	Nidderau	64.32		75,700	0
GAF Active Life 2 Renditebeteiligungs-GmbH & Co. KG [1]	Nidderau	63.33		48,702	0
Gandari Shipping Pte. Ltd. [1]	Singapore, Singapore	0.00		0	0
GbR Dortmund Westenhellweg 39 – 41 [1]	Wiesbaden	94.00		41,610	2,825
GENO-Haus Stuttgart GmbH & Co. KG Verwaltungsgesellschaft [2]	Stuttgart	55.20		13	0
Genossenschaftlicher Informations Service GIS GmbH	Frankfurt am Main	100.00		3,222	37
Glen Aros Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Campbell Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Etive Opco [1]	Majuro, Marshall Islands	0.00		0	0
Glen Lyon Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Nevis Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Tress Opco [1]	Majuro, Marshall Islands	0.00		0	0
Glencoe Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
GMS Management und Service GmbH [1]	Nidderau	66.67		98	38
Gola Airfinance Ltd. [1]	Tokyo, Japan	100.00		5	-1
Goldberg Zweite Grundstücksverwaltungsgesellschaft Sütex mbH & Co. KG [1]	Eschborn	94.50	88.00	129	128
Green Eagle Investments N.V. [1]	Willemstad, Netherlands Antilles	0.00		0	0
Green Mountain Shipping Ltd. [1]	Willemstad, Netherlands Antilles	0.00		0	0
Grundstücksverwaltungsgesellschaft Sütex mbH [1]	Eschborn	100.00		127	-1
GTIS Brazil II S-Feeder LP [1]	Edinburgh, UK	100.00	0.00	8,021	-15,231
GWG 1. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		1,893	0
GWG 2. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		3,000	0
GWG 3. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		7,000	1,163
GWG Beteiligungsgesellschaft mbH [1]	Stuttgart	100.00		25	0
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG [1]	Stuttgart	90.77		185,929	14,007
GWG ImmoInvest GmbH [1]	Stuttgart	94.90		5,218	1,631
GZ-Immobilien-Management GmbH & Co. Objekt KG	Frankfurt am Main	100.00		0	-18
GZ-Trust Consult GmbH i.L.	Stuttgart	100.00		505	-16
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG [1]	Berlin	100.00		27,804	286
Havel Nordost Grossmobilien GmbH [1]	Eschborn	100.00		43	9
Havel Nordost Zweite Grossmobilien GmbH [1]	Liebenwalde	100.00		42	9
Havel Nordost Zweite Grossmobilien GmbH & Co. Vermietungs KG [1]	Zehdenick	0.00	52.00	-286	142
Hawk Aircraft Leasing Limited [1]	Dublin, Ireland	0.00		0	0
Henderson Global Investors Real Estate (No.2) LP [1]	London, UK	100.00		20,834	188

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
HGI Immobilien GmbH & Co. GB I KG [1]	Frankfurt am Main	73.91	73.21	100,865	-2,876
HGI Real Estate LP [1]	London, UK	100.00		8,736	-358
Hibiscus Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
Highlanders Aircraft Leasing (IRL) Ltd. [1]	Dublin, Ireland	100.00	0.00	0	0
HLCA I – Universal Fonds [1]	Frankfurt am Main	0.00		0	0
HLCL-Universal-Fonds II [1]	Frankfurt am Main	0.00		0	0
Hollandse Scheepshypotheekbank N.V. [1]	Rotterdam, Netherlands	100.00		711	0
HumanProtect Consulting GmbH [1]	Cologne	100.00		198	82
Hypotheken-Management GmbH [1] [5]	Mannheim	100.00		6,647	0
Ibon Leasing Limited [1]	George Town, Cayman Islands	100.00		0	0
Immobilien-Gesellschaft 'DG Bank-Turm, Frankfurt am Main, Westend' mbH & Co. KG des genossenschaftlichen Verbundes [1]	Frankfurt am Main	95.31		257,857	656
Immobilien-Verwaltungsgesellschaft 'DG BANK-Turm, Frankfurt am Main, Westend' mbH	Frankfurt am Main	100.00		101	16
Immocon Lambda Leasingges. m.b.H. in Liq. [1]	Vienna, Austria	100.00		137	-4
INBEG Industriebeteiligungsgesellschaft mbH i. L. [1]	Frankfurt am Main	93.32		-60,607	4
Indexfinal Limited [1]	London, UK	100.00		1	0
Infifon XI B. V. [1]	Rotterdam, Netherlands	100.00		26	0
Intermodal Investment Fund VI LLC [1]	Majuro, Marshall Islands	100.00		0	0
IPConcept (Luxemburg) S.A. [1]	Luxembourg-Strassen, Luxembourg	100.00		4,599	2,669
IPConcept (Schweiz) AG [1]	Zurich, Switzerland	100.00		3,598	-501
ITF Suisse AG [1]	Zurich, Switzerland	100.00		35,183	2,594
IZD-Beteiligung S.à.r.l. [1]	Luxembourg, Luxembourg	99.50		19,877	-3
JASPIS GmbH [1]	Eschborn	100.00		39	14
JASPIS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		2	17
KALAMOS GmbH [1]	Eschborn	100.00		54	29
KALAMOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	-994	-128
KASTOS GmbH [1]	Eschborn	100.00		20	-6
KBIH Beteiligungsgesellschaft für Industrie und Handel mbH [1]	Frankfurt am Main	100.00		1,862	11
KERKIS I LLC [1]	Majuro, Marshall Islands	0.00		0	0
KERKIS II LLC [1]	Majuro, Marshall Islands	0.00		0	0
KERKIS III LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
KERKIS IV LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
KISSELBERG Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		16	-2
KISSELBERG Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	12,721	2,668
KRAVAG Umweltschutz und Sicherheitstechnik GmbH [1]	Hamburg	100.00		177	6
KRAVAG-ALLGEMEINE Versicherungs-Aktiengesellschaft [1]	Hamburg	100.00		62,900	1,003
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft [1]	Hamburg	51.00		116,094	13,558
L.J.W. S.A. [1]	Sainte-Geneviève-des-Bois, France	100.00		-232	-326
Landes Canada Inc. [1]	Granby, Quebec, Canada	100.00		3,558	317
Landes Holding GmbH [1]	Isny im Allgäu	72.35	74.90	6,826	-1,974
Landes Hong Kong Limited [1]	Kwun Tong, Kowloon, Hong Kong, Hong Kong	100.00		3,309	1,432
Landes Lederwarenfabrik GmbH [1]	Isny im Allgäu	100.00		6,691	0
Lantana Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
LARISSOS GmbH [1]	Eschborn	100.00		25	-2
LEKANIS GmbH [1]	Eschborn	100.00		39	14
LEKANIS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		19	67
LEPORIS GmbH [1]	Eschborn	100.00		22	-1
Lexi Limited [1]	George Town, Cayman Islands	100.00		0	0
LISENE GmbH [1]	Eschborn	100.00		41	16
LISENE GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	20	19
LITOS GmbH [1]	Eschborn	100.00		39	14
LITOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	-36	13
Locanis AG [1]	Unterföhring	56.32		-4,863	-4,863
Lombard Bérlet Gépjármüpark-kezelö és Kereskedelmi Korlátolt Felelösségû Társaság [1]	Szeged, Hungary	100.00		6,187	2,507
Lombard Ingatlan Lízing Zártkörûen Mûködõ Részvénytársaság [1]	Szeged, Hungary	100.00		-689	-3,086
Lombard Pénzügyi és Lízing Zártkörûen Mûködõ Részvénytársaság [1]	Szeged, Hungary	96.76		9,388	3,450

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
Longspur Limited [1]	Grand Cayman, Cayman Islands	100.00		0	0
M.V. Shoe Care Pvt. Ltd. [1]	Noida U.P., India	51.00		282	-440
MagCode AG i.L. [1]	Heidenheim	56.83		-1,724	-259
Maple Leaf Cement Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Maple Leaf Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Maple Leaf Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Medico 12 GmbH & Co. KG [1]	Frankfurt am Main	99.98		13,598	0
Mediterra LLC [1]	Ajeltake Island, Marshall Islands	0.00		0	0
Melvo GmbH [1]	Ludwigsburg	100.00		4,040	0
Melvo Holding GmbH [1]	Munich	70.33	70.23	26,300	3,932
MEROPE GmbH [1]	Eschborn	100.00		21	-3
Mertus einhundertsiebte GmbH [1]	Frankfurt am Main	100.00		25	0
MI-Fonds 384 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds 388 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds 391 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds 392 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 57 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 59 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MINTAKA GmbH [1]	Eschborn	100.00		44	19
MINTAKA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		24	92
MODULUS GmbH [1]	Eschborn	100.00		49	24
MODULUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	30	28
MoRe Mobile Ressourcen GmbH [1 5]	Mannheim	100.00		25	0
Morgenstern Miet + Leasing GmbH [1]	Eschborn	95.00		26	0
Mount Abu Offshore Pte. Ltd. [1]	Singapore, Singapore	100.00	0.00	0	0
Mount Benom Ltd. [1]	Labuan, Malaysia	0.00		0	0
Mount Bintang LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Bubu LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Erskine Shipping Pte. Ltd. [1]	Singapore, Singapore	100.00	0.00	0	0
Mount Kaba Shipping LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Kinabalu LLC [1]	Majuro, Marshall Islands	0.00		0	0
Mount Lawu LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
MOUNT LYDERHORN LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Mulu LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Pleasant Shipping Pte. Ltd. [1]	Singapore, Singapore	100.00	0.00	0	0
Mount Rinjani Shipping Pte. Ltd. [1]	Singapore, Singapore	100.00	0.00	0	0
Mount Santubong Ltd. [1]	Labuan, Malaysia	0.00		0	0
MS 'GEORG SCHULTE' Schifffahrtsgesellschaft mbH & Co. KG [1]	Hamburg	78.77		9,599	0
MSU Management-, Service- und Unternehmensberatung GmbH [1]	Kaiserslautern	74.00		430	155
NALINUS GmbH [1]	Frankfurt am Main	83.00		22,935	-7,974
NEDONAS GmbH [1]	Eschborn	100.00		25	-2
Nedship Participation (Norway) B.V. [1]	Rotterdam, Netherlands	100.00		2,241	198
Nedship Scheepvaarthuis B.V. [1]	Rotterdam, Netherlands	100.00		-535	-53
Nedship Shipping B.V. [1]	Rotterdam, Netherlands	100.00		3,220	88
NELO Dritte GmbH [1]	Eschborn	100.00		45	20
NELO Dritte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	280	25
NELO Erste GmbH [1]	Eschborn	100.00		50	25
NELO Fünfte GmbH [1]	Eschborn	100.00		42	17
NELO Fünfte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	22	20
NELO Zweite GmbH [1]	Eschborn	100.00		39	14
NELO Zweite GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	17
Netherlands Shipmortgage Corporation Ltd. [1]	Hamilton, Bermuda	100.00		0	0
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG [1]	Norderfriedrichskoog	94.00	49.00	0	0
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG [1]	Norderfriedrichskoog	94.00	49.00	0	0
NFC Labuan Shipleasing I Ltd. [1]	Labuan, Malaysia	0.00		0	0
NFC Shipping Fund B LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund C LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund II LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund V LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund VI LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund VII LLC [1]	Majuro, Marshall Islands	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
NOMAC AIRCRAFT LEASING (IRL) Ltd. [1]	Dublin, Ireland	0.00		0	0
NOVA Achte GmbH [1]	Eschborn	100.00		44	19
NOVA Elfte GmbH [1]	Eschborn	100.00		19	-2
NOVA Neunte GmbH [1]	Eschborn	100.00		39	14
NOVA Siebte GmbH [1]	Eschborn	100.00		40	15
NOVA Siebte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
NTK Immobilien GmbH [1]	Hamburg	100.00		41	1
NTK Immobilien GmbH & Co. Management KG [2]	Hamburg	100.00		110	-477
Ocean Container II [1]	Oslo, Norway	0.00		0	0
OCTANS GmbH [1]	Eschborn	100.00		23	0
Old Winterport Corp. [1]	Portland, USA	100.00		0	0
OOO Salamander Woly RUS [1]	Moscow, Russia	100.00		4,711	3,042
Optima Pensionskasse Aktiengesellschaft [1]	Hamburg	100.00		4,016	100
Optima Versicherungs-Aktiengesellschaft [1 5]	Hamburg	100.00		17,113	0
PAMISOS GmbH [1]	Eschborn	100.00		25	-2
PARLA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
Pascon GmbH [1]	Wiesbaden	100.00		25	0
Paul Ernst Versicherungsvermittlungs mbH [1]	Hamburg	51.00		39	-5
PAVONIS GmbH [1]	Eschborn	100.00		22	-3
PDZ Personaldienste & Zeitarbeit GmbH [5]	Darmstadt	100.00		60	0
Pension Consult-Beratungsgesellschaft für Altersvorsorge mbH [1]	Munich	100.00		874	72
Philip Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
POHACONO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	6	38
Puffin Aircraft Leasing Ltd. [1]	Dublin, Ireland	0.00		0	0
Q, Inc. [1]	San Francisco, USA	63.17		0	0
Quoniam Asset Management GmbH [1]	Frankfurt am Main	87.00	100.00	17,353	7,512
Quoniam Rentenfonds issued by Quoniam Asset Management GmbH [1]	Frankfurt am Main	0.00		0	0
R+V Allgemeine Versicherung Aktiengesellschaft [1 5]	Wiesbaden	95.00		694,220	0
R+V Deutschland Real (RDR) [1]	Hamburg	0.00		0	0
R+V Direktversicherung AG [1 5]	Wiesbaden	100.00		9,500	0
R+V Erste Anlage GmbH [1]	Wiesbaden	100.00		1,080	76
R+V Gruppenpensionsfonds AG [1]	Munich	100.00		12,231	0
R+V Gruppenpensionsfonds Service GmbH [1]	Munich	100.00		25	0
R+V Immobilienfonds OIK Nr. 4 [1]	Frankfurt am Main	0.00		0	0
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin [1]	Dublin, Ireland	100.00		585	-2,311
R+V KOMPOSIT Holding GmbH [1 5]	Wiesbaden	100.00		1,679,036	0
R+V Krankenversicherung AG [1]	Wiesbaden	100.00		48,985	5,000
R+V Kureck Immobilien GmbH [1]	Wiesbaden	100.00		77	2
R+V Leben Wohn GmbH & Co. KG [1]	Wiesbaden	100.00		91,246	2,839
R+V Lebensversicherung AG [1 5]	Wiesbaden	100.00		314,981	0
R+V Luxembourg Lebensversicherung S.A. [1]	Luxembourg-Strassen, Luxembourg	100.00		165,865	40,942
R+V Pensionsfonds AG [1]	Wiesbaden	100.00		10,673	34
R+V Pensionskasse AG [1]	Wiesbaden	100.00		54,806	500
R+V Personen Holding GmbH [1 5]	Wiesbaden	100.00		582,089	0
R+V Real Estate Belgium N.V./S.A. [1]	Brussels, Belgium	100.00		1,972	-5
R+V Rechtsschutz-Schadenregulierungs-GmbH [1 5]	Wiesbaden	100.00		53	0
R+V Service Center GmbH [1 5]	Wiesbaden	100.00		2,869	0
R+V Service Holding GmbH [1 5]	Wiesbaden	100.00		156,781	0
R+V Treuhand GmbH [1]	Wiesbaden	100.00		32	2
R+V Versicherung AG [5]	Wiesbaden	74.95		1,911,693	0
RAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		-29	-115
RAS Grundstücksverwaltungsgesellschaft mbH & Co. Objektbeteiligungs KG [1]	Eschborn	100.00		-26	-35
Rathlin Airfinance Ltd. [1]	Tokyo, Japan	100.00		5	-1
RC II S.à.r.l. [1]	Luxembourg, Luxembourg	90.00		0	0
ReiseBank Aktiengesellschaft [1 5]	Frankfurt am Main	100.00		17,724	0
Riga Maritime LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
RISALIS GmbH [1]	Eschborn	100.00		38	13
RISALIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	17	16
RUBINOS GmbH [1]	Eschborn	100.00		132	107
Rushmore Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
RUV Agenturberatungs GmbH [1]	Wiesbaden	100.00		508	240

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
S1 Offshore Pte. Ltd. [1]	Singapore, Singapore	100.00		0	0
SAG Unternehmensbeteiligungsgesellschaft MT Cape Tampa mbH & Co. KG [1]	Dortmund	99.32		17,713	-162
SAREMA GmbH [1]	Eschborn	100.00		47	22
SAREMA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	52.00	29	294
Scheepvaartschappij Ewout B.V. [1]	Rotterdam, Netherlands	0.00		0	0
Schuster Assekuradeur GmbH [1]	Hamburg	100.00		118	0
Schuster Finanzdienstleistungs-GmbH [1]	Bielefeld	100.00		26	0
Schuster Versicherungsmakler GmbH [1]	Bielefeld	51.00		457	381
Schwäbisch Hall Facility Management GmbH [1]	Schwäbisch Hall	51.00		4,354	598
Schwäbisch Hall Kreditservice AG [1 5]	Schwäbisch Hall	100.00		27,775	0
Schwäbisch Hall Wohnen GmbH Gesellschaft für wohnwirtschaftliche Dienstleistungen [1]	Schwäbisch Hall	100.00		503	13
SECURON Hanse Versicherungsmakler GmbH [1]	Hamburg	51.00		43	-7
SECURON Versicherungsmakler GmbH [1]	Munich	51.00		602	382
Shamrock Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Shark Aircraft Leasing (Ireland) Limited [1]	Dublin, Ireland	0.00		0	0
Shipping Capital Antilles N.V. [1]	Willemstad, Netherlands Antilles	100.00		15,168	394
Shipping Capital B.V. [1]	The Hague, Netherlands	100.00		6,862	121
SHT Schwäbisch Hall Training GmbH [1]	Schwäbisch Hall	100.00		3,820	664
SIIM Fund I (Shipping and Intermodal Investment Management Fund) [1]	Majuro, Marshall Islands	0.00		0	0
SIKINOS GmbH [1]	Eschborn	100.00		49	24
SIKINOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-59	15
SINALOA Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
Sprint Sanierung GmbH [1]	Cologne	100.00		20,433	2,135
SRF I Limited [1]	Floriana, Malta	0.00		0	0
SRF II Limited [1]	Floriana, Malta	0.00		0	0
SRF III Limited [1]	Floriana, Malta	0.00		0	0
Stani Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Stephenson Capital Limited [1]	George Town, Cayman Islands	0.00		0	0
Stormers Aircraft Leasing (Malta) Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Stream Vermögensverwaltungs GmbH & Co. KG [1]	Stuttgart	100.00		0	0
TA Miet + Leasing GmbH [1]	Eschborn	95.00		26	0
Taigetos Funding LLC [1]	Majuro, Marshall Islands	0.00		0	0
Taigetos I LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Taigetos II LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Taigetos III LLC [1]	Majuro, Marshall Islands	0.00		0	0
TAR Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
TBS I Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
TeamBank AG Nürnberg [2 5]	Nuremberg	92.14		519,725	0
Technicon GmbH [1]	Wasserburg	100.00		28	0
Technology DZ Venture Capital Fund I GmbH & Co. KG [1]	Munich	68.29		11,449	-8,232
TEGANON GmbH [1]	Eschborn	100.00		27	1
TEGANON GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-5	-6
Teide LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Terra Maris I LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
TEU Asset Company N.V. [1]	Willemstad, Netherlands Antilles	100.00	0.00	0	0
TEU Management Company N.V. [1]	Willemstad, Netherlands Antilles	100.00	0.00	0	0
Tiger Aircraft Leasing (UK) Limited [1]	London, UK	0.00		0	0
TILIAS GmbH [1]	Eschborn	100.00		41	16
TILIAS GmbH & Co. Immobilien KG [1]	Eschborn	50.00	76.00	21	20
Tishman Speyer Brazil Feeder (Scots/D), L.P. [1]	Edinburgh, UK	100.00		155,721	-18,728
Tishman Speyer European Strategic Office Fund Feeder, L.P. [1]	New York, USA	97.18		32,669	1,492
TOPAS GmbH [1]	Eschborn	100.00		43	18
TOPAS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	28	27
TOS Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Tubbataha Aviation Ltd. [1]	George Town, Cayman Islands	100.00		0	0
TUKANA GmbH [1]	Eschborn	100.00		42	17
TUKANA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	22	21
TURMALI GmbH [1]	Eschborn	100.00		23	0
UI Vario: 2 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
UII Immobilien Miteigentumsfonds Nr. 1 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 2 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 3 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 4 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 5 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 1 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 10 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 11 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 12 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 2 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 3 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 4 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 5 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 6 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 7 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 8 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 9 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UIN MultiAssetFonds issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 560 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 635 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 669 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 715 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 716 [1]	Frankfurt am Main	0.00		0	0
UIN-Fonds Nr. 578 Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIR FRANCE 1 S.à.r.l. [1]	Paris, France	100.00		24	3
UIR FRANCE 2 S.à.r.l. [1]	Paris, France	100.00		27	2
UIR Verwaltungsgesellschaft mbH [1]	Hamburg	100.00		92	-1
Ullswater Offshore LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
UMB Unternehmens-Managementberatungs GmbH [1 5]	Wiesbaden	100.00		588	0
UniEM IMMUNO 90 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
Unigeno UG (haftungsbeschränkt) i.L. [1]	Frankfurt am Main	100.00		0	0
UniGlobal II A issued by Union Investment Luxembourg S.A. [1]	Frankfurt am Main	0.00		0	0
UniImmo: Flexibel issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
UniImmo: Metropolon issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
UniInstitutional Flexible Commodities issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniInstitutional Residential Real Estate issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
Union Asset Management Holding AG [2]	Frankfurt am Main	78.69		428,839	159,458
Union Investment Financial Services S.A. [1]	Luxembourg, Luxembourg	100.00		17,506	3,603
Union Investment Institutional GmbH [1 5]	Frankfurt am Main	100.00		32,770	0
Union Investment Institutional Property GmbH [1]	Hamburg	90.00		11,377	16
Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	100.00		242,100	109,481
Union Investment Privatfonds GmbH [1 5]	Frankfurt am Main	100.00		100,442	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
Union Investment Real Estate Asia Pacific Pte. Ltd. [1]	Singapore, Singapore	100.00		137	80
Union Investment Real Estate France S.A.S. [1]	Paris, France	100.00		1,739	4,440
Union Investment Real Estate GmbH [2]	Hamburg	94.50		54,991	29,138
Union Investment Service Bank AG [1] [5]	Frankfurt am Main	100.00		36,115	0
Union Investment Towarzystwo Funduszy Inwestycyjnych S. A. [1]	Warsaw, Poland	100.00		23,567	7,553
Union IT-Services GmbH [1] [5]	Frankfurt am Main	100.00		1,802	0
Union Service-Gesellschaft mbH [1] [5]	Frankfurt am Main	100.00		5,072	0
UniRak Nachhaltig A issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniSystem FIZ issued through Union Investment Towarszystwo Funduszy Inwestycyjnych S.A. [1]	Warsaw, Poland	0.00		0	0
UniVorsorge 1 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 2 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 3 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 4 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 5 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 6 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 7 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
Unterstützungskasse der Condor Versicherungsgesellschaften GmbH [1]	Hamburg	100.00		26	0
VAUTID (SHANGHAI) Wear Resistant Material Trading Co. Ltd. [1]	Shanghai, China	100.00		0	0
VAUTID Austria GmbH [1]	Marchtrenk, Austria	100.00		0	0
VAUTID GmbH [1]	Ostfildern	82.51		1,449	188
Vautid North America, Inc. [1]	Pittsburgh, USA	0.00	100.00	-26	-80
Vautid-Belgium PGmbH [1]	Raeren-Eynatten, Belgium	100.00		275	-222
VMB Vorsorgemanagement für Banken GmbH [1]	Overath	51.00		28	2
VR DISKONTBANK GmbH [1] [5]	Eschborn	100.00		71,147	0
VR Equitypartner Beteiligungskapital GmbH & Co. KG UBG [2]	Frankfurt am Main	100.00		44,501	893
VR Equitypartner GmbH [5]	Frankfurt am Main	78.00		59,206	0
VR Equitypartner Management GmbH [1]	Frankfurt am Main	100.00		591	91
VR FACTOREM GmbH [1] [5]	Eschborn	100.00		23,285	0
VR GbR [2]	Frankfurt am Main	88.75		181,092	36,124
VR Hausbau AG [1]	Stuttgart	94.48		2,750	0
VR HYP GmbH [1]	Hamburg	100.00		25	0
VR Kreditservice GmbH [1] [5]	Hamburg	100.00		25	0
VR Real Estate GmbH [1]	Hamburg	100.00		25	0
VR WERT Gesellschaft für Immobilienbewertung mbH [1] [5]	Hamburg	100.00		100	0
VR.medico LEASING GmbH [1]	Eschborn	100.00		6,246	5,642
VR.medico LEASING Verwaltungsgesellschaft mbH [1]	Eschborn	100.00		31	0
VR-IMMOBILIEN-LEASING GmbH [1] [5]	Eschborn	100.00		14,123	0
VRL-Beteiligungs GmbH [1]	Eschborn	100.00		27	4
VR-LEASING ABYDOS GmbH [1]	Eschborn	100.00		57	32
VR-LEASING ABYDOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-26	24
VR-LEASING AKANTHUS GmbH [1]	Eschborn	100.00		37	12
VR-LEASING AKANTHUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		16	15
VR-LEASING Aktiengesellschaft	Eschborn	83.46		207,279	4,030
VR-LEASING ALDEBARA GmbH [1]	Eschborn	100.00		41	16
VR-LEASING ALDEBARA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-238	-48
VR-LEASING ALTANOS GmbH [1]	Eschborn	100.00		24	-4
VR-LEASING AMASIS GmbH [1]	Eschborn	100.00		22	-5
VR-LEASING AMETRIN GmbH [1]	Eschborn	100.00		42	17
VR-LEASING AMETRIN GmbH & Co. Immobilien KG [1]	Eschborn	100.00		22	21
VR-LEASING ANDROS GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ANDROS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		26	193
VR-LEASING ARCADIA GmbH [1]	Eschborn	100.00		25	-1
VR-LEASING ARINA GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ARINA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	26	25
VR-LEASING ARKI GmbH [1]	Eschborn	100.00		45	20
VR-LEASING ARKI GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	25	24
VR-LEASING ARRIANUS GmbH [1]	Eschborn	100.00		39	14
VR-LEASING ARRIANUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	17	18
VR-LEASING ASARO GmbH [1]	Eschborn	100.00		46	4
VR-LEASING ASARO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	6	5

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
VR-LEASING ASINE GmbH [1]	Eschborn	100.00		51	26
VR-LEASING ASINE GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-45	-33
VR-LEASING ASOPOS GmbH [1]	Eschborn	100.00		27	2
VR-LEASING ASOPOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		3	15
VR-LEASING ATRIA GmbH [1]	Eschborn	100.00		38	13
VR-LEASING ATRIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	55.00	17	16
VR-LEASING AVENTURIN GmbH [1]	Eschborn	100.00		40	15
VR-LEASING AVENTURIN GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
VR-LEASING AVILA GmbH [1]	Eschborn	100.00		25	0
VR-LEASING BETA GmbH [1]	Eschborn	100.00		36	11
VR-LEASING BETA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		14	13
VR-LEASING Beteiligungs GmbH & Co. KG [1]	Eschborn	100.00		27,942	812
VR-LEASING DELOS GmbH [1]	Eschborn	100.00		40	15
VR-LEASING DELOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		19	32
VR-LEASING DIVO GmbH [1]	Eschborn	100.00		53	28
VR-LEASING DIVO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	35	34
VR-LEASING DOBAS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		43	41
VR-LEASING EINKAUFS-GmbH [1] [5]	Eschborn	100.00		80,008	0
VR-LEASING ERIDA GmbH [1]	Eschborn	100.00		29	1
VR-LEASING ERIDA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-1	-2
VR-LEASING FABIO GmbH [1]	Eschborn	100.00		36	11
VR-LEASING FABIO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	15	18
VR-LEASING FACTA GmbH [1]	Eschborn	100.00		31	4
VR-LEASING FAGURA GmbH [1]	Eschborn	100.00		45	20
VR-LEASING FAGURA GmbH & Co. Dritte Immobilien KG [1]	Eschborn	6.00	66.67	26	40
VR-LEASING FAGURA GmbH & Co. Erste Immobilien KG [1]	Eschborn	100.00		14	13
VR-LEASING FAGURA GmbH & Co. Sechste Immobilien KG [1]	Eschborn	6.00	76.00	23	15
VR-LEASING FAGURA GmbH & Co. Siebte Immobilien KG [1]	Eschborn	6.00	68.00	24	23
VR-LEASING FAGUS GmbH [1]	Eschborn	100.00		31	5
VR-LEASING FAGUS GmbH & Co. Immobilien KG [1]	Eschborn	2.00	81.00	6	9
VR-LEASING FARINA GmbH [1]	Eschborn	100.00		36	11
VR-LEASING FARINA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	14	0
VR-LEASING FERRIT GmbH [1]	Eschborn	100.00		26	-2
VR-LEASING FERRIT GmbH & Co. Erste Immobilien KG [1]	Eschborn	6.00	76.00	564	91
VR-LEASING FERRIT GmbH & Co. Fünfte Immobilien KG [1]	Eschborn	6.00	76.00	18	17
VR-LEASING FERRIT GmbH & Co. Zweite Immobilien KG [1]	Eschborn	0.00	52.00	-406	-4
VR-LEASING FIXUM GmbH [1]	Eschborn	100.00		36	11
VR-LEASING FLAVUS GmbH [1]	Eschborn	100.00		38	13
VR-LEASING FLAVUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-356	-29
VR-LEASING FOLIO GmbH [1]	Eschborn	100.00		40	15
VR-LEASING FOLIO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-1	33
VR-LEASING FORTUNA GmbH [1]	Eschborn	100.00		31	4
VR-LEASING FRONTANIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	25	97
VR-LEASING FULVIUS GmbH [1]	Eschborn	100.00		47	22
VR-LEASING HERMIA GmbH [1]	Eschborn	100.00		25	-2
VR-LEASING IKANA GmbH [1]	Eschborn	100.00		51	26
VR-LEASING IKANA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	7	47
VR-LEASING Immobilien-Holding GmbH & Co. KG [1]	Eschborn	94.80	95.91	151	116
VR-LEASING IRIS GmbH [1]	Eschborn	100.00		37	12
VR-LEASING IRIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	16	15
VR-LEASING ISORA GmbH [1]	Eschborn	100.00		37	12
VR-LEASING ISORA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-83	86
VR-LEASING KOSMOS GmbH [1] [5]	Eschborn	100.00		89	0
VR-LEASING LACARA GmbH [1]	Eschborn	100.00		21	-4
VR-LEASING LATONA GmbH [1]	Eschborn	100.00		25	-2
VR-LEASING LEROS GmbH [1]	Eschborn	100.00		38	13
VR-LEASING LEROS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-83	77
VR-LEASING LIMNOS GmbH [1]	Eschborn	100.00		40	15
VR-LEASING LIMNOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	20	18
VR-LEASING LOTIS GmbH [1]	Eschborn	100.00		55	29
VR-LEASING LOTIS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	37	35

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
VR-LEASING LYRA GmbH [1]	Eschborn	100.00		52	27
VR-LEASING LYRA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	34	33
VR-LEASING MADIUM GmbH [1]	Eschborn	100.00		46	21
VR-LEASING MADIUM GmbH & Co. Immobilien KG [1]	Eschborn	100.00		17	26
VR-LEASING MADRAS GmbH [1]	Eschborn	100.00		294	-6
VR-LEASING MADRAS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-239	87
VR-LEASING MADURA GmbH [1]	Eschborn	100.00		36	11
VR-LEASING MADURA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	14	13
VR-LEASING MAGADIS GmbH [1]	Eschborn	100.00		65	40
VR-LEASING MAGADIS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	23	50
VR-LEASING MAGARO GmbH [1]	Eschborn	100.00		29	4
VR-LEASING MAGARO-FONDS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	68.00	-357	368
VR-LEASING MAGO GmbH [1]	Eschborn	100.00		27	1
VR-LEASING MALAKON GmbH [1]	Eschborn	100.00		27	2
VR-LEASING MALAKON GmbH & Co. Immobilien KG [1]	Eschborn	15.00	75.50	2,453	213
VR-LEASING MANEGA GmbH [1]	Eschborn	100.00		49	24
VR-LEASING MANEGA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	-29	36
VR-LEASING MANIOLA GmbH [1]	Eschborn	100.00		39	13
VR-LEASING MANIOLA GmbH & Co. Immobilien KG [1]	Eschborn	11.20	51.00	1,946	145
VR-LEASING MARKASIT GmbH [1]	Eschborn	100.00		58	33
VR-LEASING MARKASIT GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-77	50
VR-LEASING MAROS GmbH [1]	Eschborn	100.00		40	15
VR-LEASING MAROS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	19	18
VR-LEASING MARTES GmbH [1]	Eschborn	100.00		39	13
VR-LEASING MARTES GmbH & Co. Immobilien KG [1]	Eschborn	14.50	51.00	1,449	112
VR-LEASING MAXIMA GmbH [1]	Eschborn	100.00		26	0
VR-LEASING MAXIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-109	6
VR-LEASING MEDIO GmbH [1]	Eschborn	100.00		130	105
VR-LEASING MEDIO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	127	130
VR-LEASING MELES GmbH [1]	Eschborn	100.00		39	14
VR-LEASING MELES GmbH & Co. Immobilien KG [1]	Eschborn	22.80	51.00	873	74
VR-LEASING MENTHA GmbH [1]	Eschborn	100.00		35	9
VR-LEASING MENTHA GmbH & Co. Immobilien KG [1]	Eschborn	22.00	51.00	625	52
VR-LEASING MENTUM GmbH [1]	Eschborn	100.00		46	21
VR-LEASING MENTUM GmbH & Co. Immobilien KG [1]	Eschborn	7.80	51.00	3,002	369
VR-LEASING MERGUS GmbH [1]	Eschborn	100.00		43	18
VR-LEASING MERGUS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	21	21
VR-LEASING METIS GmbH [1]	Eschborn	100.00		41	16
VR-LEASING METIS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	23	44
VR-LEASING METRO GmbH & Co. Objekte Rhein-Neckar KG [1]	Eschborn	100.00		-1,063	74
VR-LEASING MILETOS GmbH [1]	Eschborn	100.00		43	18
VR-LEASING MILETOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	23	22
VR-LEASING MILIUM GmbH [1]	Eschborn	100.00		39	14
VR-LEASING MILIUM GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	17
VR-LEASING MILVUS GmbH [1]	Eschborn	100.00		28	1
VR-LEASING MILVUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-8	-14
VR-LEASING MORIO GmbH [1]	Eschborn	100.00		33	7
VR-LEASING MORIO GmbH & Co. Immobilien KG [1]	Eschborn	94.00	75.50	-513	17
VR-LEASING MUNDA GmbH [1]	Eschborn	100.00		68	42
VR-LEASING MUNDA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-88	99
VR-LEASING MURALIS GmbH [1]	Eschborn	100.00		27	2
VR-LEASING MUSCAN GmbH [1]	Eschborn	100.00		35	9
VR-LEASING MUSCAN GmbH & Co. Immobilien KG [1]	Eschborn	19.10	51.00	745	60
VR-LEASING MUSCARI GmbH [1]	Eschborn	100.00		71	46
VR-LEASING MUSCARI GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-378	64
VR-LEASING MUSTELA GmbH [1]	Eschborn	100.00		54	29
VR-LEASING NALANDA GmbH [1]	Eschborn	100.00		43	17
VR-LEASING NALANDA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	17	21
VR-LEASING NAPO GmbH [1]	Eschborn	100.00		25	0
VR-LEASING NAPOCA GmbH [1]	Eschborn	100.00		39	13
VR-LEASING NAPOCA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	51.00	56	142

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
VR-LEASING NARUGO GmbH [1]	Eschborn	100.00		12	-21
VR-LEASING NATANTIA GmbH [1]	Eschborn	100.00		29	2
VR-LEASING NAVARINO GmbH [1]	Eschborn	100.00		60	34
VR-LEASING NAVARINO GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-773	61
VR-LEASING NEKTON GmbH [1]	Eschborn	100.00		37	11
VR-LEASING NEKTON GmbH & Co. Immobilien KG [1]	Eschborn	6.00	60.00	15	14
VR-LEASING NEPTUN GmbH [1]	Eschborn	100.00		58	33
VR-LEASING NEPTUN GmbH & Co. Immobilien KG [1]	Eschborn	100.00		40	804
VR-LEASING NESTOR GmbH [1]	Eschborn	100.00		45	20
VR-LEASING NESTOR GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	14	25
VR-LEASING NETTA GmbH [1]	Eschborn	100.00		53	22
VR-LEASING NETTA GmbH & Co. Immobilien KG [1]	Eschborn	94.00	51.00	3	28
VR-LEASING NOVA Fünfte GmbH [1]	Eschborn	100.00		54	29
VR-LEASING NOVA Vierte GmbH [1]	Eschborn	100.00		53	28
VR-LEASING OBLONGA GmbH [1]	Eschborn	100.00		354	-13
VR-LEASING ONDATRA GmbH [1]	Eschborn	100.00		51	26
VR-LEASING ONDATRA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	32	31
VR-LEASING ONYX GmbH [1]	Eschborn	100.00		38	13
VR-LEASING ONYX GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-2,020	60
VR-LEASING OPAL GmbH [1]	Eschborn	100.00		26	0
VR-LEASING OPAVA GmbH [1]	Eschborn	100.00		28	1
VR-LEASING OPAVA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-3,033	-20
VR-LEASING OPHIR GmbH [1]	Eschborn	100.00		39	13
VR-LEASING OPHIR GmbH & Co. Immobilien KG [1]	Eschborn	100.00	75.50	-9,714	518
VR-LEASING OPTIMA GmbH [1]	Eschborn	100.00		71	45
VR-LEASING OPTIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-191	80
VR-LEASING ORDO GmbH [1]	Eschborn	100.00		40	15
VR-LEASING ORION GmbH [1]	Eschborn	100.00		55	30
VR-LEASING ORION GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	37	36
VR-LEASING OSMERUS GmbH [1]	Eschborn	100.00		35	10
VR-LEASING OSMERUS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	-32	-3
VR-LEASING PAROS GmbH [1]	Eschborn	100.00		35	9
VR-LEASING PAROS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-146	17
VR-LEASING PAXOS GmbH [1]	Eschborn	100.00		27	1
VR-LEASING PAXOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		0	19
VR-LEASING POCO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	2	32
VR-LEASING REGELSCHULE GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	19	18
VR-LEASING REGOR GmbH [1]	Eschborn	100.00		24	-4
VR-LEASING REGULUS GmbH [1]	Eschborn	100.00		24	-5
VR-LEASING REMUS GmbH [1]	Eschborn	100.00		23	-3
VR-LEASING RUSSLAND Holding GmbH [1]	Eschborn	75.20		439	-2,072
VR-LEASING SALA GmbH [1]	Eschborn	100.00		11	0
VR-LEASING SALIX GmbH [1]	Eschborn	100.00		71	45
VR-LEASING SALIX GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	55	54
VR-LEASING SALMO GmbH [1]	Eschborn	100.00		44	19
VR-LEASING SALMO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	24	23
VR-LEASING SALONA GmbH [1]	Eschborn	100.00		33	8
VR-LEASING SALONA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	-174	57
VR-LEASING SALTA GmbH [1]	Eschborn	100.00		48	23
VR-LEASING SALTA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	19	26
VR-LEASING SALVIA GmbH [1]	Eschborn	100.00		45	19
VR-LEASING SALVIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	24	23
VR-LEASING SALVIS GmbH [1]	Eschborn	100.00		23	0
VR-LEASING SAMARA GmbH [1]	Eschborn	100.00		74	49
VR-LEASING SAMARA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	53	63
VR-LEASING SANAGA GmbH [1]	Eschborn	100.00		42	17
VR-LEASING SANAGA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		22	21
VR-LEASING SANIDOS GmbH [1]	Eschborn	100.00		42	17
VR-LEASING SANIDOS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	13	31
VR-LEASING SARITA GmbH [1]	Eschborn	100.00		35	10
VR-LEASING SARITA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	14	13

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
VR-LEASING SASKIA GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SASKIA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	20	19
VR-LEASING SEGOVI GmbH[1]	Eschborn	100.00		25	-2
VR-LEASING SEGUSIO GmbH[1]	Eschborn	100.00		23	0
VR-LEASING SEPIA GmbH[1]	Eschborn	100.00		30	5
VR-LEASING SEPIA GmbH & Co. Immobilien KG[1]	Eschborn	4.00	52.00	8	7
VR-LEASING SIGUNE GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SIGUNE GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	20	18
VR-LEASING SILENE GmbH[1]	Eschborn	100.00		72	46
VR-LEASING SIMA GmbH[1]	Eschborn	100.00		47	22
VR-LEASING SIMA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	28	26
VR-LEASING SINABIS GmbH[1]	Eschborn	100.00		33	8
VR-LEASING SINABIS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	75.50	5	10
VR-LEASING SIRIUS GmbH[1]	Eschborn	100.00		47	22
VR-LEASING SIRIUS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		28	27
VR-LEASING SOLIDUS Achte GmbH[1]	Eschborn	100.00		26	0
VR-LEASING SOLIDUS Achtzehnte GmbH[1]	Eschborn	100.00		37	12
VR-LEASING SOLIDUS Achtzehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	15	14
VR-LEASING SOLIDUS Dreizehnte GmbH[1]	Eschborn	100.00		43	18
VR-LEASING SOLIDUS Dreizehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	24	22
VR-LEASING SOLIDUS Dritte GmbH[1]	Eschborn	100.00		33	8
VR-LEASING SOLIDUS Dritte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	58.00	11	10
VR-LEASING SOLIDUS Elfte GmbH[1]	Eschborn	100.00		44	19
VR-LEASING SOLIDUS Elfte GmbH & Co. Immobilien KG[1]	Eschborn	94.00	76.00	24	23
VR-LEASING SOLIDUS Erste GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Erste GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	20	19
VR-LEASING SOLIDUS Fünfte GmbH[1]	Eschborn	100.00		29	4
VR-LEASING SOLIDUS Neunte GmbH[1]	Eschborn	100.00		35	10
VR-LEASING SOLIDUS Neunte GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	2,614	322
VR-LEASING SOLIDUS Neunzehnte GmbH[1]	Eschborn	100.00		42	17
VR-LEASING SOLIDUS Neunzehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	22	21
VR-LEASING SOLIDUS Objekt Karben GmbH[1]	Eschborn	94.00		-1,849	40
VR-LEASING SOLIDUS Sechzehnte GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Sechzehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	19	18
VR-LEASING SOLIDUS Siebte GmbH[1]	Eschborn	100.00		55	30
VR-LEASING SOLIDUS Siebte GmbH & Co. Immobilien KG[1]	Eschborn	0.00	66.67	38	499
VR-LEASING SOLIDUS Vierzehnte GmbH[1]	Eschborn	100.00		39	14
VR-LEASING SOLIDUS Zehnte GmbH[1]	Eschborn	100.00		30	13
VR-LEASING SOLIDUS Zweite GmbH[1]	Eschborn	100.00		50	25
VR-LEASING SOLIDUS Zweite GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	30	26
VR-LEASING SOLIDUS Zwölfte GmbH[1]	Eschborn	100.00		45	20
VR-LEASING SOREX GmbH[1]	Eschborn	100.00		21	0
VR-LEASING TELLUR GmbH[1]	Eschborn	100.00		44	19
VR-LEASING TELLUR GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	24	0
VR-LEASING ZAWISLA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	15	14
VR-Vermögensverwaltungs GmbH, Ges.i.Liquidation[1]	Vienna, Austria	100.00		287	74
Wadi Funding LLC[1]	Majuro, Marshall Islands	0.00		0	0
Wadi Woraya I LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Wadi Woraya III LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
Waldhof GmbH & Co. KG [1]	Hamburg	100.00		5,387	235
Waldhof Verwaltungsgesellschaft mbH [1]	Hamburg	100.00		29	0
Wasps Aircraft Leasing (Ireland) Limited [1]	Dublin, Ireland	0.00		0	0
Wasps Aircraft Leasing Limited [1]	George Town, Cayman Islands	0.00		0	0
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH [1]	Stuttgart	94.90		12,858	807
Weinmann GmbH & Co. Objekt Eichwald KG [1]	Eschborn	100.00		31	30
WGZ Initiativkapital Industriebeteiligungs GmbH [1]	Münster	100.00		25	0
Wiener Kühlhaus WKF Ges. m.b.H. [1]	Vienna, Austria	100.00		8,043	4,570
WKF Holding GmbH [1]	Vienna, Austria	100.00		0	0
Yellow Moon Shipping Limited [1]	St. John's, Antigua and Barbuda	0.00		0	0
ZBA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	1
ZBA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Eintausend KG [1]	Eschborn	94.00	75.50	-68	1,849
ZOP Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		72	43
ZPF Asia Pacific Pte. Ltd. [1]	Singapore, Singapore	100.00		0	0
ZPF Foundry4 GmbH [1]	Hochheim am Main	74.87		552	13
ZPF Holding GmbH [1]	Siegelsbach	95.58		21	-680
ZPF Industrial Furnaces (Taicang) Co. Ltd. [1]	Taicang, China	100.00		0	0
ZPF Services GmbH [1]	Heilbronn	100.00		61	36
ZPF Therm Maschinenbau GmbH [1]	Siegelsbach	100.00		5,709	3,740
Zweite DG Vermietungsgesellschaft für Immobilien mbH [1 5]	Eschborn	100.00		26	0

JOINT VENTURES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
AerCap Partners I Ltd. [1]	Shannon, Ireland	50.00	0.00	0	0
AerCap Partners II Ltd. [1]	Shannon, Ireland	0.00		0	0
BEA Union Investment Management Limited [1]	Hong Kong, Hong Kong	49.00		39,564	2,278
Bella Aircraft Leasing 1 Ltd. [1]	Shannon, Ireland	0.00		0	0
Capital Equipment Management Holding GmbH [1]	Hamburg	50.00		21	-2
Ceskomoravska stavebni sporitelna a.s. [1]	Prague, Czech Republic	45.00		398,488	82,513
Cinclus Aviation Investment Ltd. [1]	Floriana, Malta	0.00		0	0
Deucalion MC Engine Leasing (Ireland) Ltd. [1]	Dublin, Ireland	0.00		0	0
Deutsche WertpapierService Bank AG	Frankfurt am Main	50.00		220,561	16,205
DGVR Alpha Mobilien-Verwaltungsgesellschaft mbH [1]	Eschborn	50.00		34	9
DZ BANK Galerie im Städel Kunstverwaltungsgesellschaft mbH	Frankfurt am Main	50.00		21	-1
First BD Feederships Shipping Limited [1]	St. John's, Antigua and Barbuda	0.00		0	0
Fourth BD Feederships Shipping Limited [1]	St. John's, Antigua and Barbuda	0.00		0	0
Herakleitos 3050 LLC [1]	Majuro, Marshall Islands	50.00		0	0
HGI Immobilien GmbH [1]	Frankfurt am Main	50.00		42	17
Intermodal Investment Fund II LLC [1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund IV LLC [1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund VII LLC [1]	Majuro, Marshall Islands	50.00		0	0
IZD-Holding S.à.r.l. [1]	Luxembourg, Luxembourg	50.30	50.00	39,383	-59
MD Aviation Capital Pte. Ltd. [1]	Singapore, Singapore	0.00		0	0
Modex Energy Rental LLC [1]	Majuro, Marshall Islands	50.00		0	0
Prvá stavebná sporitel'na, a.s. [1]	Bratislava, Slovakia	32.50		251,139	28,808
Raiffeisen Banca Pentru Locuinte S.A. [1]	Bucharest, Romania	33.32		14,310	251
Second BD Feederships Shipping Limited [1]	St. John's, Antigua and Barbuda	50.00		0	0
TAG ASSET Management LLC [1]	Majuro, Marshall Islands	0.00		0	0
Third BD Feederships Shipping Limited [1]	St. John's, Leeward Islands	0.00		0	0
VB-Leasing International Holding GmbH [1]	Vienna, Austria	50.00		75,325	-693
VR Unternehmerberatung GmbH	Düsseldorf	50.00		1,307	402
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd. [1]	Tianjin, China	24.90		119,838	3,045

ASSOCIATES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
8F Leasing S.A.[1]	Contern, Luxembourg	0.00		0	0
A330 Parts Ltd.[1]	Newark, USA	0.00		0	0
Aer Lucht Limited[1]	Dublin, Ireland	0.00		0	0
Aviateur Capital Limited[1]	Dublin, Ireland	20.00		148	561
BAU + HAUS Management GmbH[1]	Wiesbaden	50.00		11,509	761
bbv-service Versicherungsmakler GmbH[1]	Munich	25.20		1,346	290
Beke Drei Vermögensverwaltung GmbH[1]	Munich	50.00		25	0
Beke Vier Vermögensverwaltung GmbH[1]	Munich	50.00		25	0
Bovey Offshore Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
Cassa Centrale Banca – Credito Cooperativo del Nord Est Società per Azioni	Trento, Italy	25.00	26.47	195,135	8,202
Clean Car AG[1]	Meerbusch	29.33		19,228	3,032
DEGECIVIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	49.00		175	98
Epic Pantheon international[1]	Tortola, British Virgin Islands	0.00		0	0
Equens SE	Utrecht, Netherlands	31.05		338,244	21,347
European Property Beteiligungs-GmbH[1]	Frankfurt am Main	38.90	33.20	1,670	1,247
GHM Holding GmbH (until Dec. 31, 2012: Ava Acht Vermögensverwaltung GmbH)[1]	Munich	45.98		14,289	-64
Global Asic GmbH[1]	Dresden	30.80		20,414	2,084
Goldeck Zetti Beteiligungsgesellschaft mbH[1]	Leipzig	39.23		30,574	-34
HEIMAG München GmbH[1]	Munich	30.00		350,610	0
Intermodal Investment Fund V LLC[1]	Majuro, Marshall Islands	50.00		0	0
ismet Holding GmbH[1]	Villingen-Schwenningen	57.50	49.00	5,162	148
Janz IT AG[1]	Paderborn	40.12		3,594	570
KMT MedTec Holding GmbH[1]	Düsseldorf	44.10		25	0
KTP Holding GmbH[1]	Bous	49.82		12,696	-984
MK Metallfolien GmbH[1]	Hagen	37.23		-11,198	9,545
MON A300 Leasing Ltd.[1]	George Town, Cayman Islands	0.00		0	0
Mount Faber KS[1]	Oslo, Norway	0.00		0	0
MSN 223 Leasing Ltd.[1]	George Town, Cayman Islands	0.00		0	0
Neida Holding AG[1]	Appenzell, Switzerland	35.00		2,804	1,085
Pantheon LPG Carriers LLC[1]	Majuro, Marshall Islands	0.00		0	0
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig[1]	Wiesbaden	50.00		9,452	646
Rapid Aircraft Leasing Ltd.[1]	George Town, Cayman Islands	0.00		0	0
SCL GmbH[1]	Butzbach	49.00		3,598	2,186
SRF Railcar Leasing Limited[1]	Portroe, Nenagh, Ireland	100.00	0.00	0	0
Tertianum Besitzgesellschaft Berlin Passauer Strasse 5–7 mbH[1]	Munich	25.00		24,232	3
Tertianum Besitzgesellschaft Konstanz Markstätte 2–6 Sigismundstrasse 5–9 mbH[1]	Constance	25.00		31,188	1,005
Tertianum Seniorenresidenzen Betriebsgesellschaft mbH[1]	Constance	25.00		255	-73
TES Holding Ltd.[1]	Bridgend, UK	40.00		23,260	110
TREVA Entertainment GmbH[1]	Hamburg	26.70		36	0
Ullswater Subsea DIS[1]	Oslo, Norway	0.00		0	0
UTT Beteiligungsgesellschaft mbH[1]	Krumbach	26.00	49.00	14,296	1,891
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH[1]	Dresden	50.00		125	18
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V.[1]	Neubrandenburg	50.00		128	8
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V. (VVB)[1]	Magdeburg	50.00		20	0
VR Netze GmbH	Münster	25.15		8,033	759
VVB Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Brandenburg[1]	Teltow	50.00		33	3
Wessel-Werk Beteiligungsverwaltung GmbH[1]	Karlsruhe	45.00		-2,088	-1,527
West Supply III A/S[1]	Haugesund, Norway	22.22		514	77
West Supply III KS[1]	Haugesund, Norway	20.00		5,551	-6,587
WÜRTT. GENO-HAUS GmbH & Co. KG 2)	Stuttgart	37.16		40,070	1,538

SHAREHOLDINGS OF 20% OR MORE

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
1-2-3. TV GmbH[1]	Unterföhring	20.93		4,527	701
Assical S.r.l.[1]	Rende (CS), Italy	30.00		160	-6
Assiconf S.r.l.[1]	Turin, Italy	20.00		26	4
ASSICRA Servizi Assisurativi Banche di Credito Cooperativo Abruzzo e Molise S.r.l.[1]	Pescara, Italy	25.00		134	43
ATRION Immobilien GmbH & Co. KG[1]	Grünwald	31.63		36,440	6,313
AUREO GESTIONI S.G.R.p.A.[1]	Milan, Italy	25.00		35,502	5,504
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH[1]	Munich	20.00		940	-636
BRASIL FLOWERS S.A.[1]	Barbacena, Brazil	45.00		0	0
Burghofspiele GmbH[1]	Eltville	20.00		99	7
Bürgschaftsbank Brandenburg GmbH	Potsdam	25.31		16,960	6,570
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	30.38		15,295	329
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	29.73		11,865	503
Bürgschaftsbank Thüringen GmbH	Erfurt	22.13		19,477	1,529
CardProcess GmbH	Karlsruhe	29.70		26,190	2,968
CEBAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	24.00		20	-1
Credit Suisse Global Infrastructure SCA SICAR[1]	Luxembourg, Luxembourg	30.09		329,121	25,388
Dacos Software GmbH[1]	Saarbrücken	29.96		-1,604	-2,132
Elbank S.A.[1]	Warsaw, Poland	30.36	24.49	-20	-11
Finatem II GmbH & Co. KG[1]	Frankfurt am Main	20.20		50,261	40,575
FREUNDE DER EINTRACHT FRANKFURT Aktiengesellschaft[1]	Frankfurt am Main	30.77		2,880	3
GbR Ottmann GmbH & Co. Südhausbau KG, München VR Hausbau AG, Stuttgart (GbR 'Ackermannbogen.de-Wohnen am Olympiapark')[1]	Munich	50.00		-784	-1,097
GENO-Haus Stuttgart Beteiligungs GmbH	Stuttgart	33.33		23	1
German Equity Partners III GmbH & Co. KG[1]	Frankfurt am Main	24.19		68,261	8,917
Gesellschaft für ernährungswirtschaftliche Beteiligungen mbH	Ochsenfurt	49.90		5,896	553
Golding Mezzanine SICAV IV[1]	Munsbach, Luxembourg	49.98		86,406	9,070
Kredit-Garantiegemeinschaft des bayerischen Handwerks Gesellschaft mit beschränkter Haftung	Munich	20.00		4,806	0
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH	Stuttgart	20.00		1,023	0
Laetitia Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG	Pullach	39.00		0	-77
MB Asia Real Estate Feeder (Scot.) L.P.[1]	Edinburgh, UK	39.20	0.00	477,485	-2,266
Mercateo Beteiligungsholding AG[1]	Taufkirchen	32.83		4,503	3,164
P 21 GmbH – Power of the 21st Century i.L.[1]	Brunnthal	27.00	22.23	-1,998	-7,684
PWR Holding GmbH[1]	Munich	33.33		1,898	1,868
Schroder Italien Fonds GmbH & Co. KG[1]	Frankfurt am Main	23.08	19.74	35,383	-10,023
Schroder Property Services B.V.[1]	Amsterdam, Netherlands	30.00		11,994	11,517
Seguros Generales Rural S.A. de Seguros y Reaseguros[1]	Madrid, Spain	30.00		140,067	8,040
TFH Technologie-Finanzierungsfonds Hessen GmbH	Frankfurt am Main	33.33		2,147	508
TKW Molding GmbH[1]	Blankenhain	49.90		1,423	186
TXS GmbH[1]	Ellerau	24.50		-828	-302
UTT Beteiligungsgesellschaft mbH[1]	Krumbach	26.00	49.00	14,296	1,891
VAUTID Arabia Coating and Treatment of Metals L.L.C.[1]	Ras Al Khaimah, United Arab Emirates	24.50	0.00	0	0
VAUTID HUIFENG (WUHU) Wear Resistant Material Co. Ltd.[1]	Wuhu, China	50.00		1,010	642
VAUTID-SHAN HARDFACE Pvt. Ltd.[1]	Navi Mumbai, India	37.49		1,078	578
Venture-Capital Beteiligung Gesellschaft bürgerlichen Rechts mit Haftungsbeschränkung i.L.[1]	Stuttgart	20.00		409	236
VR FinanzDienstLeistung GmbH	Berlin	24.50		1,483	263
VR-NetWorld GmbH[2]	Bonn	39.05		3,417	724
VV Immobilien GmbH & Co. United States KG[1]	Munich	25.00		16,640	0
Wessel-Werk Beteiligungsverwaltung GmbH[1]	Karlsruhe	45.00		-560	-952
1-2-3. TV GmbH[1]	Unterföhring	20.93		3,825	-1,525

MORE THAN 5% OF VOTING RIGHTS (LARGE CORPORATIONS)

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit / loss in € '000
ARS Altmann AG[1]	Wolnzach	10.00		31,311	2,614
Banco Cooperativo Español S.A.	Madrid, Spain	12.02		300,201	17,625
ConCardis Gesellschaft mit beschränkter Haftung	Frankfurt am Main	19.60		40,239	11,602
DEPFA BeteiligungsHolding II Gesellschaft mit beschränkter Haftung[1]	Düsseldorf	10.00		242,315	136,877
EDEKABANK Aktiengesellschaft	Hamburg	8.35		83,939	3,652
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt am Main	19.60		10,831	191
Karlsruher Lebensversicherung AG	Karlsruhe	10.00		5,939	1,750
PANELLINIA BANK SOCIETE ANONYME	Athens, Greece	11.98		88,789	-22,802
Protektor Lebensversicherungs-AG[1]	Berlin	5.27		85,572	3,456
Raiffeisendruckerei GmbH[1]	Neuwied	7.88		32,984	1,304
Raiffeisen-Warenzentrale Kurhessen-Thüringen Gesellschaft mit beschränkter Haftung	Kassel	7.87		86,747	10,176
SCHUFA Holding AG[1]	Wiesbaden	17.94		25,892	11,969

1 Held indirectly
2 Including shares held indirectly
3 A letter of comfort exists
4 A subordinated letter of comfort exists
5 Profit-and-loss transfer agreement

RESPONSIBILITY STATEMENT

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 assets, liabilities, financial position and profit or loss of the group, and the group 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 material opportunities and risks associated with the expected development of the group.

Frankfurt am Main, February 26, 2013

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch

Hille

Köhler

Macke

Merz

Ullrich

Westhoff

AUDIT OPINION (TRANSLATION)

We have audited the consolidated financial statements prepared by DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows, and the notes, together with the group management report, for the financial year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB) is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Public Auditors) (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 group 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 group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, 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 group 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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (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 group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 5, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Professor Dr. Pfitzer	Dombek
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

REPORT OF THE SUPERVISORY BOARD

Helmut Gottschalk, Chairman of the Supervisory Board of DZ BANK AG

The 2012 financial year was dominated by challenging economic and political developments at both global and European level, in particular the ongoing sovereign debt crisis in Europe. Implementation of the European Stability Mechanism (ESM), the program launched by the European Central Bank (ECB) to buy bonds of crisis-hit countries, and the ECB President's statement that he intended to do whatever it takes to stabilize the eurozone all brought calm to the capital markets. By contrast, the economic outlook continued to deteriorate. Countries in southern Europe remained firmly in recession and even the economies of Germany and other EMU countries weakened considerably over the course of the year.

The European Banking Authority (EBA) completed its stress test for the European banking sector on June 30, 2012, having launched it the previous year. On this date, DZ BANK was able to comfortably exceed the EBA's minimum requirements even though capital benchmarks that differed from those of Basel III were used for the purposes of the test.

As part of its work, the Supervisory Board discussed the capital situation of DZ BANK and the associated regulatory environment in depth on several occasions. In particular, it looked at the impact of the upcoming implementation of Basel III in Europe.

Another emphasis of the work of the Supervisory Board was DZ BANK's strategic focus as a network-oriented central institution and financial services group. As in previous years, the Supervisory Board held a special meeting dedicated to this matter, at which it discussed the strategy and its ongoing implementation in detail and unanimously reiterated its commitment to the strategy. The Supervisory Board also paid particular attention to the strategic realignment of the subsidiary VR LEASING.

DZ BANK's success in pursuing its strategy was reflected in its continued strong business performance last year. It was able to use the encouraging net profit generated in 2012 to further strengthen its capital base.

SUPERVISORY BOARD AND COMMITTEES

In 2012, the Supervisory Board of DZ BANK monitored the management activities of the Board of Managing Directors in accordance with applicable legal provisions and the Articles of Association and decided on items of business presented to it that required approval. In order to discharge its responsibilities, the Supervisory Board has set up a Personnel Committee, an Audit Committee, a Risk and Investment Committee, and a Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG).

COOPERATION WITH THE BOARD OF MANAGING DIRECTORS

The Board of Managing Directors provided the Supervisory Board with regular, timely, and comprehensive written and oral reports on the position and performance of the bank and the group as well as on general business developments. The Board of Managing Directors also informed the Supervisory Board about the ongoing implementation of DZ BANK's strategy as a network-oriented central institution and financial services group, the capital situation, and the operational and strategic planning of both the bank and the group. The Supervisory Board was constantly updated about the profitability of the bank and the group. Furthermore, the Board of Managing Directors provided the Supervisory Board with regular reports about significant loan and investment exposures.

The Supervisory Board discussed these issues with the Board of Managing Directors, advised it, and monitored its management activities. In particular, the Supervisory Board focused on the strategy and capital situation of DZ BANK, including with regard to current regulatory challenges and the stress test conducted by the EBA on June 30, 2012. It also thoroughly examined the risk position of the bank and the group, the development of systems and procedures used to manage market, credit, and operational risks, and other material banking-specific risks. The Supervisory Board was always involved in decisions of fundamental importance.

SUPERVISORY BOARD MEETINGS

The Supervisory Board held five meetings in 2012. The Personnel Committee, the Audit Committee, and the Risk and Investment Committee each met on several occasions in 2012. Their Chairs regularly reported to the Supervisory Board on the committees' work. The Mediation Committee did not need to meet in 2012.

The Board of Managing Directors notified the Supervisory Board in writing or by telephone of important events between Supervisory Board meetings. In urgent cases, the Supervisory Board decided on significant transactions by adopting resolutions in writing. The Supervisory Board Chairman, the Chief Executive Officer of DZ BANK, the Chairs of the Supervisory Board committees, and the relevant members of the Board of Managing Directors also regularly held discussions ahead of key decisions and important transactions. Supervisory Board members regularly attended the meetings held and participated in the written resolutions adopted by the Supervisory Board in 2012.

COOPERATION WITH THE AUDITORS

The auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, who issued a declaration of independence to the Supervisory Board, confirmed that the single-entity financial statements – together with the bookkeeping system – and the management report of DZ BANK AG as well as the consolidated financial statements and the group management report submitted by the Board of Managing Directors for the 2012 financial year complied with the applicable legal provisions. Ernst & Young issued an unqualified opinion for each of these sets of financial statements. The audit reports were submitted to the members of the Supervisory Board, who discussed and advised on them in detail at their meetings. In addition, the Chairman of the Supervisory Board and the Chairs of the Supervisory Board committees maintained a well-established, intensive dialog with the auditors. The Supervisory Board agrees with the findings of the audit.

ADOPTION OF THE FINANCIAL STATEMENTS

The Supervisory Board and its Audit Committee scrutinized the single-entity financial statements and management report of DZ BANK AG as well as the consolidated financial statements and group management report at their meetings. Representatives of the auditors attended the Supervisory Board meeting convened to adopt the financial statements as well as the preparatory meetings held by the Audit Committee and by the Risk and Investment Committee so that they could report in detail on the material findings of their audit. They were also available to answer questions from the members of the Supervisory Board. The Supervisory Board did not raise any objections to the financial statements. The Supervisory Board approved the single-entity financial statements of DZ BANK AG and the consolidated financial statements prepared by the Board of Managing Directors for the year ended December 31, 2012 at its meeting on March 21, 2013. The financial statements have therefore been adopted. The Supervisory Board approved the Board of Managing Directors' proposal for the appropriation of distributable profit.

CHANGES TO THE SUPERVISORY BOARD

At the end of the Annual General Meeting of DZ BANK AG on May 23, 2012, Mr. Willy Köhler stepped down from the Supervisory Board of DZ BANK. Ms. Rita Jakli resigned from the Supervisory Board on June 30, 2012. The Supervisory Board would like to thank Mr. Köhler and Ms. Jakli for their many years of service. Mr. Gerhard J. Rastetter was newly elected to the Supervisory Board with effect from May 23, 2012. Ms. Jakli was replaced by her substitute member Mr. Heiner Beckmann, who joined the Supervisory Board of DZ BANK with effect from July 1, 2012.

The Supervisory Board wishes to thank the Board of Managing Directors and all employees of DZ BANK for their valuable contribution in 2012.

Frankfurt am Main, March 21, 2013

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main

Helmut Gottschalk
Chairman of the Supervisory Board

DZ BANK ADVISORY COUNCILS

MEMBERS OF THE FINANCIAL SERVICES ADVISORY COUNCIL FOR THE DZ BANK GROUP

CHAIRMAN:

ANDREAS HOF
Chief Executive Officer
VR Bank
Main-Kinzig-Büdingen eG
Büdingen

DEPUTY CHAIRMAN:

EBERHARD HEIM
Chief Executive Officer
Volksbank Tübingen eG
Tübingen

REPRESENTATIVES OF THE COOPERATIVE BANKS:

WOLFGANG ALTMÜLLER
Chief Executive Officer
VR meine Raiffeisenbank eG
Altötting

HERMANN ARENS
Spokesman of the Board of
Managing Directors
Volksbank Lingen eG
Lingen (Ems)

DR. KONRAD BAUMÜLLER
Spokesman of the Board of
Managing Directors
VR-Bank Erlangen-Höchstadt-
Herzogenaurach eG
Erlangen

RICHARD ERHARDSBERGER
Chief Executive Officer
VR-Bank Vilsbiburg eG
Vilsbiburg

UWE GUTZMANN
Chief Executive Officer
Volks- und Raiffeisenbank eG
Wismar

MARTIN HEINZMANN
Spokesman of the Board of
Managing Directors
Volksbank Kinzigtal eG
Wolfach
(since January 2013)

KLAUS HOLDERBACH
Chief Executive Officer
Volksbank Franken eG
Buchen
(since January 2013)

THOMAS JANSSEN
Member of the Board of
Managing Directors
Volksbank Braunlage eG
Braunlage

RUDOLF MÜLLER
Spokesman of the Board of
Managing Directors
Volksbank Kur- und Rheinpfalz eG
Speyer

WOLFGANG MÜLLER
Chief Executive Officer
Volksbank Mittleres Erzgebirge eG
Olbernhau

GERHARD J. RASTETTER
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe
(until June 2012)

(HON.) SENATOR
DR. H.C. THOMAS RENNER
Chief Executive Officer
Sparda-Bank Baden-Württemberg
Stuttgart
(since July 2012)

REINHARD SCHLOTTBOM
(personal representative for
the member from the
Sparda-Bank Group)
Chief Executive Officer
PSD Bank Westfalen-Lippe eG
Münster

MARTIN SCHMITT
Chief Executive Officer
Kasseler Bank eG
Volksbank Raiffeisenbank
Kassel

ROLAND STRIEBEL
Volksbank Hegau eG
Singen
(until December 2012)

RUDOLF VEITZ
Member of the Board of
Managing Directors
Raiffeisenbank Holzheim eG
Holzheim

HEINZ-WALTER WIEDBRAUCK
Chief Executive Officer
Volksbank Hameln-Stadthagen eG
Hameln

MANFRED WÜNSCHE
Member of the Board of
Managing Directors
Volksbank Stuttgart eG
Stuttgart

REPRESENTATIVES OF THE BVR AND ITS SPECIAL COMMITTEES:

DR. WOLFGANG BAECKER
Chief Executive Officer
VR-Bank Westmünsterland eG
Borken
(since January 2013)

JÜRGEN BRINKMANN
Chief Executive Officer
Volksbank eG
Braunschweig Wolfsburg
Wolfsburg
(since January 2013)

UWE FRÖHLICH
President of the Bundesverband
der Deutschen Volksbanken
und Raiffeisenbanken (BVR)
Berlin

PETER GEUSS
Chief Executive Officer
VR Bank
Starnberg-Herrsching-Landsberg eG
Starnberg

CARSTEN GRAAF
(member coopted
as Chairman of the
BVR Association Council)
Chief Executive Officer
Volksbank Meerbusch eG
Meerbusch

DIETMAR PETERMANN
Vereinigte Volksbank Griesheim-
Weiterstadt Branch of Frankfurter
Volksbank eG
Griesheim
(until December 2012)

HORST SCHREIBER
Member of the Board of
Managing Directors
Volksbank Trier eG
Trier

MICHAEL SIEGERS
Chief Executive Officer
Volksbank Hildesheim eG
Hildesheim
(until December 2012)

ANTON SPROLL
Member of the Board of
Managing Directors
Bad Waldseer Bank eG
Bad Waldsee

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR BADEN-WÜRTTEMBERG

CHAIRMAN
(UNTIL DECEMBER 2012):
BERND-DIETER REUSCH
Chief Executive Officer
Volksbank Metzingen-
Bad Urach eG
Metzingen

CHAIRMAN
(SINCE MARCH 2013):
REINHARD KRUMM
Chief Executive Officer
Volksbank Lahr eG
Lahr
(Deputy chairman until
December 2012)

DEPUTY CHAIRMAN
(SINCE MARCH 2013):
HERMANN SONNENSCHEIN
Member of the Board of
Managing Directors
Volksbank Göppingen eG
Göppingen
(since January 2013)

DR. PETER AUBIN
Spokesman of the Board of
Managing Directors
Volksbank Göppingen eG
Göppingen
(until December 2012)

MICHAEL BAUMANN
Member of the Board of
Managing Directors
BBBank eG
Karlsruhe
(since January 2013)

JÜRGEN BEERKIRCHER
Member of the Board of
Managing Directors
Volksbank Backnang eG
Backnang
(since January 2013)

THOMAS BIERFREUND
Member of the Board of
Managing Directors
Volksbank Mössingen eG
Mössingen
(since January 2013)

ULF BLECKMANN
Member of the Board of
Managing Directors
Volksbank Dreiländereck eG
Lörrach

KLEMENS BOGENRIEDER
Chief Executive Officer
Federseebank eG
Bad Buchau
(until December 2012)

ANDREAS BÖHLER
Spokesman of the Board of
Managing Directors
Volksbank Kraichgau
Wiesloch-Sinsheim eG
Wiesloch

ELMAR BRAUNSTEIN
Chief Executive Officer
Volksbank Strohgäu eG
Korntal-Münchingen
(until December 2012)

RICHARD BRUDER
Chief Executive Officer
Volksbank Offenburg eG
Offenburg
(until December 2012)

OLIVER CONRADI
Member of the Board of
Managing Directors
Heidenheimer Volksbank eG
Heidenheim an der Brenz
(since January 2013)

ANDREAS ECKL
Chief Executive Officer
Volksbank Heuberg eG
Messstetten
(until December 2012)

CLAUS EDELMANN
Member of the Board of
Managing Directors
Volksbank Strohgäu eG
Korntal-Münchingen
(since January 2013)

CLEMENS FRITZ
Chief Executive Officer
Volksbank Achern eG
Achern

HELMUT HABERSTROH
Spokesman of the Board of
Managing Directors
Raiffeisenbank Aichhalden-
Hardt-Sulgen eG
Hardt

MICHAEL HÄCKER
Member of the Board of
Managing Directors
Heidenheimer Volksbank eG
Heidenheim an der Brenz
(until December 2012)

EBERHARD HEIM
Chief Executive Officer
Volksbank Tübingen eG
Tübingen
(until December 2012)

MARTIN HEINZMANN
Spokesman of the Board of
Managing Directors
Volksbank Kinzigtal eG
Wolfach

CLAUS HEPP
Member of the Board of
Managing Directors
Volksbank Allgäu-West eG
Isny im Allgäu
(until December 2012)

MATTHIAS HILLENBRAND
Member of the Board of
Managing Directors
Raiffeisenbank Rosenstein eG
Heubach
(until December 2012)

ANDREAS HOFFMANN
Chief Executive Officer
Volksbank Bruhrain-
Kraich-Hardt eG
Oberhausen-Rheinhausen

KLAUS HOFMANN
Member of the Board of
Managing Directors
Raiffeisenbank
Ehingen-Hochsträß eG
Ehingen
(since January 2013)

KLAUS HOLDERBACH
Chief Executive Officer
Volksbank Franken eG
Buchen (Odenwald)
(until December 2012)

JÜRGEN HORNUNG
Spokesman of the Board of
Managing Directors
VR-Bank Ellwangen eG
Ellwangen
(since January 2013)

GOTTFRIED JOOS
Chief Executive Officer
Volksbank Dornstetten eG
Dornstetten
(since January 2013)

EBERHARD KEYSERS
Member of the Board of
Managing Directors
Raiffeisenbank Aidlingen eG
Aidlingen

GEORG KIBELE
Member of the Board of
Managing Directors
Leutkircher Bank –
Raiffeisen- und Volksbank – eG
Leutkirch im Allgäu
(since January 2013)

HANS KIRCHER
Chief Executive Officer
Raiffeisenbank
Bretzfeld-Neuenstein eG
Bretzfeld
(until December 2012)

ROBERT KLING
Member of the Board of
Managing Directors
Volksbank Ebingen eG
Albstadt
(since January 2013)

HARALD KUHN
Member of the Board of
Managing Directors
Volksbank Kirchheim-
Nürtingen eG
Nürtingen
(until December 2012)

MANFRED KUNER
Chief Executive Officer
Volksbank Triberg eG
Triberg (Black Forest)
(until December 2012)

FRITZ LEHMANN
Chief Executive Officer
Raiffeisenbank
Ehingen-Hochsträß eG
Ehingen
(until December 2012)

HERBERT LEICHT
Spokesman of the Board of
Managing Directors
Raiffeisenbank
Vellberg-Grossaltdorf eG
Vellberg
(since January 2013)

WERNER LUZ
Chief Executive Officer
Volksbank Region Leonberg eG
Leonberg
(until December 2012)

WOLFGANG MAUCH
Member of the Board of
Managing Directors
Volksbank Kirchheim-Nürtingen eG
Nürtingen
(since January 2013)

WERNER MAYER
Member of the Board of
Managing Directors
Volksbank Allgäu-West eG
Isny im Allgäu
(since January 2013)

ARNOLD MILLER
Member of the Board of
Managing Directors
Raiffeisenbank Ravensburg eG
Horgenzell
(since January 2013)

PROFESSOR DR.
WOLFGANG MÜLLER
Chief Executive Officer
BBBank eG
Karlsruhe
(until December 2012)

JÜRGEN NEIDINGER
Member of the Board of
Managing Directors
Heidelberger Volksbank eG
Heidelberg

JÜRGEN PINNISCH
Member of the Board of
Managing Directors
Volksbank Heilbronn eG
Heilbronn

THOMAS PÖRINGS
Chief Executive Officer
Volksbank Baden-Baden Rastatt eG
Baden-Baden
(since January 2013)

ADELHEID RAFF
Chief Executive Officer
Volksbank Zuffenhausen eG
Stuttgart
(since January 2013)

MARTIN REICHENBACH
Member of the Board of
Managing Directors
Volksbank Breisgau Nord eG
Emmendingen
(until December 2012)

WOLFGANG RIEDLINGER
Member of the Board of
Managing Directors
Volksbank Baiersbronn Murgtal eG
Baiersbronn
(until December 2012)

EKKEHARD SAUERESSIG
Chief Executive Officer
Volksbank Neckartal eG
Eberbach
(since January 2013)

PAUL ERICH SCHAAF
Chief Executive Officer
Untertürkheimer Volksbank eG
Stuttgart
(until December 2012)

ROLAND SCHÄFER
Chief Executive Officer
Volksbank Bruchsal-Bretten eG
Bretten

JÜRGEN SCHILLER
Member of the Board of
Managing Directors
VR-Bank Weinstadt eG
Weinstadt

VOLKER SCHMELZLE
Member of the Board of
Managing Directors
Volksbank Plochingen eG
Plochingen

WERNER SCHMIDGALL
Chief Executive Officer
Volksbank Backnang eG
Backnang
(until December 2012)

HELMUT SCHWEISS
Member of the Board of
Managing Directors
Raiffeisenbank Vordere Alb eG
Hülben
(since January 2013)

PETER SEIBEL
Member of the Board of
Managing Directors
Ehinger Volksbank eG
Ehingen
(since January 2013)

ANDREAS SIEBERT
Member of the Board of
Managing Directors
Volksbank eG Mosbach
Mosbach
(since January 2013)

EBERHARD SPIES
Chief Executive Officer
VR Bank Schwäbisch
Hall-Crailsheim eG
Schwäbisch Hall

JÖRG STAHL
Spokesman of the Board of
Managing Directors
Volksbank Nagoldtal eG
Nagold

JOACHIM STRAUB
Chief Executive Officer
Volksbank eG
Villingen-Schwenningen

MARKUS TRAUTWEIN
Chief Executive Officer
Raiffeisenbank Oberstenfeld eG
Oberstenfeld
(since January 2013)

KARLHEINZ UNGER
Chief Executive Officer
Volksbank Ludwigsburg eG
Ludwigsburg
(until December 2012)

PETER VETTER
Chief Executive Officer
Volksbank Wilferdingen-Keltern eG
Remchingen
(until December 2012)

JÜRGEN WANKMÜLLER
Chief Executive Officer
Volksbank Wilferdingen-Keltern eG
Remchingen
(since January 2013)

HELMUT WIDMANN
Chief Executive Officer
Raiffeisenbank Ravensburg eG
Horgenzell
(until December 2012)

ROGER WINTER
Member of the Board of
Managing Directors
Volksbank eG
Constance
(since January 2013)

ULRIKE WINTERBAUER
Member of the Board of
Managing Directors
Volksbank Neckartal eG
Eberbach
(until December 2012)

ALFRED WORMSER
Spokesman of the Board of
Managing Directors
Volksbank-Raiffeisenbank
Riedlingen eG
Riedlingen

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR BAVARIA

CHAIRMAN
(UNTIL DECEMBER 2012):
DIETMAR KÜSTERS
Chief Executive Officer
Volksbank Straubing eG
Straubing

CHAIRMAN
(SINCE MARCH 2013):
WOLFGANG VÖLKL
Spokesman of the Board of
Managing Directors
Volksbank Raiffeisenbank
Oberbayern Südost eG
Bad Reichenhall
(since January 2013)

DEPUTY CHAIRMAN
(UNTIL DECEMBER 2012):
JOSEF FRAUENLOB
Spokesman of the Board of
Managing Directors
Volksbank Raiffeisenbank
Oberbayern Südost eG
Bad Reichenhall

DEPUTY CHAIRMAN
(SINCE MARCH 2013)
CLAUS JÄGER
Chief Executive Officer
Raiffeisenbank Aschaffenburg eG
Aschaffenburg
(since July 2012)

ALOIS ATZINGER
Chief Executive Officer
Raiffeisenbank
Am Goldenen Steig eG
Waldkirchen
(until December 2012)

WALTER BELLER
Chief Executive Officer
VR-Bank Werdenfels eG
Garmisch-Partenkirchen
(since January 2013)

WOLFHARD BINDER
Chief Executive Officer
Raiffeisen-Volksbank Ebersberg eG
Grafing b. München
(since January 2013)

BERND BINDRUM
Member of the Board of
Managing Directors
Raiffeisenbank Hammelburg eG
Hammelburg
(until December 2012)

DIETER BORDIHN
Member of the Board of
Managing Directors
Kulmbacher Bank eG
Raiffeisen-Volksbank
Kulmbach
(since January 2013)

HANS BRUNNER
Chief Executive Officer
GenoBank DonauWald eG
Viechtach

HERBERT EDER
Spokesman of the Board of
Managing Directors
Raiffeisenbank
Cham-Roding-Furth im Wald eG
Cham
(until December 2012)

JOACHIM ERHARD
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Würzburg eG
Würzburg
(since January 2013)

ALFRED FOISTNER
Executive Vice President
Münchner Bank eG
Munich
(until December 2012)

HANS JÜRGEN FRÖCHTENICHT
Spokesman of the Board of
Managing Directors
Raiffeisenbank Bobingen eG
Bobingen
(since January 2013)

UDO GEBHARDT
Member of the Board of
Managing Directors
Münchner Bank eG
Munich
(since January 2013)

RAINER GEIS
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Bad Kissingen-Bad Brückenau eG
Bad Kissingen
(since January 2013)

WILFRIED GERLING
Chief Executive Officer
Hallertauer Volksbank eG
Pfaffenhofen
(until December 2012)

MANFRED GEYER
Chief Executive Officer
Raiffeisen Volksbank eG
Gewerbebank
Ansbach

MANFRED GÖHRING
Chief Executive Officer
Raiffeisenbank Altdorf-Feucht eG
Feucht
(until December 2012)

ALBERT GRIEBL
Member of the Board of
Managing Directors
VR-Bank Rottal-Inn eG
Pfarrkirchen
(since January 2013)

ULRICH GUIARD
Member of the Board of
Managing Directors
VR-Bank Memmingen eG
Memmingen

BERNHARD GUTOWSKI
Member of the Board of
Managing Directors
Volksbank Lindenberg eG
Lindenberg i. Allgäu
(since January 2013)

JÜRGEN HANDKE
Chief Executive Officer
VR Bank Hof eG
Hof

HANSJÖRG HEGELE
Member of the Board of
Managing Directors
Raiffeisenbank Tölzer Land eG
Bad Tölz
(since January 2013)

DIRK HELMBRECHT
Chief Executive Officer
Volksbank Raiffeisenbank
Nürnberg eG
Nuremberg
(until December 2012)

KARL-HEINZ HEMPEL
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Dachau eG
Dachau
(since April 2012)

JOSEF HOFBAUER
Member of the Board of
Managing Directors
Raiffeisenbank
Neumarkt i.d.OPf. eG
Neumarkt i.d.OPf.
(since January 2013)

RAINER HÖNL
Member of the Board of
Managing Directors
Raiffeisen-Volksbank Dillingen eG
Dillingen
(since January 2013)

EDMUND KAINER
Chief Executive Officer
Raiffeisenbank Seebachgrund eG
Hessdorf
(since January 2013)

HUBERT KAMML
Chief Executive Officer
Volksbank Raiffeisenbank
Mangfalltal-Rosenheim eG
Rosenheim
(until December 2012)

KARLHEINZ KIPKE
Chief Executive Officer
VR-Bank Coburg eG
Coburg
(until December 2012)

MANFRED KLAAR
Deputy Chairman of the
Board of Managing Directors
Raiffeisenbank im Oberland eG
Miesbach
(until December 2012)

GOTTFRIED KNEISSL
Chief Executive Officer
Raiffeisenbank Pfeffenhausen-
Rottenburg eG
Rottenburg
(since January 2013)

MICHAEL KRUCK
Spokesman of the Board of
Managing Directors
Raiffeisen-Volksbank
Donauwörth eG
Donauwörth

PETER LANG
Member of the Board of
Managing Directors
Raiffeisenbank Hollfeld-
Waischenfeld-Aufseß eG
Hollfeld

ALBERT LORENZ
Chief Executive Officer
Raiffeisenbank Bad Abbach-Saal eG
Bad Abbach
(since January 2013)

DR. WALTER MÜLLER
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Mangfalltal-Rosenheim eG
Rosenheim
(since January 2013)

JOSEF MURR
Chief Executive Officer
Raiffeisenbank Parkstetten eG
Parkstetten
(until December 2012)

REINHOLD NASTVOGEL
Member of the Board of
Managing Directors
Raiffeisen-Volksbank Haßberge eG
Hassfurt
(until December 2012)

HERMANN OTT
Spokesman of the Board of
Managing Directors
Raiffeisenbank Weiden eG
Weiden i.d.OPf.
(until December 2012)

JOHANN PERNPAINTNER
Chief Executive Officer
Raiffeisenbank Oberpfalz Süd eG
Donaustauf
(until December 2012)

PETER POLLICH
Spokesman of the Board of
Managing Directors
Raiffeisenbank
Gaimersheim-Buxheim eG
Gaimersheim
(until December 2012)

KLAUS PRÄHOFER
Member of the Board of
Managing Directors
Raiffeisenbank
Vilshofener Land eG
Vilshofen

ERICH PRÖPSTER
Chief Executive Officer
Raiffeisenbank Neumarkt
i.d.OPf. eG
Neumarkt i.d.OPf.
(until December 2012)

HEINRICH REISENLEITER
Deputy Chairman of the
Board of Managing Directors
Raiffeisenbank Bad Windsheim eG
Bad Windsheim
(since January 2013)

FRIEDRICH REISER
Chief Executive Officer
Raiffeisen-Volksbank Isen-Sempt eG
Isen
(until December 2012)

ROLAND SCHEER
Chief Executive Officer
Raiffeisenbank Bad Windsheim eG
Bad Windsheim
(until December 2012)

GREGOR SCHELLER
Chief Executive Officer
Volksbank Forchheim eG
Forchheim

WOLFGANG SCHREIER
Member of the Board of
Managing Directors
VR-Bank Handels- und
Gewerbebank eG
Gersthofen
(until December 2012)

MANFRED SCHÜTZNER
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Bayern Mitte eG
Ingolstadt
(since January 2013)

CLAUDIUS SEIDL
Chief Executive Officer
VR-Bank Rottal-Inn eG
Pfarrkirchen
(until December 2012)

CHRISTIAN SENFF
Spokesman of the
Board of Managing Directors
Raiffeisen-Volksbank Ebern eG
Ebern
(since January 2013)

PETER SIEGEL
Member of the Board of
Managing Directors
VR Bank Kitzingen eG
Kitzingen
(since January 2013)

ELMAR STAAB
Deputy Chairman of the
Board of Managing Directors
Raiffeisenbank Aschaffenburg eG
Aschaffenburg
(until June 2012)

DR. HERMANN STARNECKER
Member of the Board of
Managing Directors
VR Bank Kaufbeuren-Ostallgäu eG
Marktoberdorf

HEINRICH STUMPF
Member of the Board of
Managing Directors
Augusta-Bank eG
Raiffeisen-Volksbank
Augsburg

RUDOLF VEITZ
Member of the Board of
Managing Directors
Raiffeisenbank Holzheim eG
Holzheim
(until December 2012)

EDMUND WANNER
Member of the Board of
Managing Directors
Volksbank Straubing eG
Straubing
(since January 2013)

BERNHARD WERNER
Member of the Board of
Managing Directors
Raiffeisenbank im Naabtal eG
Nabburg
(since January 2013)

WILFRIED WIEDEMANN
Chief Executive Officer
Raiffeisenbank Weissenburg-
Gunzenhausen eG
Weissenburg
(since January 2013)

RAINER WIEDERER
Spokesman of the Board of
Managing Directors
Volksbank Raiffeisenbank
Würzburg eG
Würzburg
(until December 2012)

BERNHARD WOLF
Member of the Board of
Managing Directors
Raiffeisenbank Weiden eG
Weiden i.d.OPf.
(since January 2013)

ANTON ZWECK
Member of the Board of
Managing Directors
Raiffeisenbank im Naabtal eG
Nabburg
(until December 2012)

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR CENTRAL GERMANY

CHAIRMAN
(UNTIL DECEMBER 2012):
PETER HERBST
Member of the Board of
Managing Directors
Nordthüringer Volksbank eG
Nordhausen

CHAIRMAN
(SINCE MARCH 2013):
CHRISTOPH OCHS
Chief Executive Officer
VR Bank Südpfalz eG
Landau in der Pfalz
(Deputy Chairman
until December 2012)

DEPUTY CHAIRMAN
(SINCE MARCH 2013):
CHRISTOPH KOTHE
Spokesman of the Board of
Managing Directors
Volksbank Leipzig eG
Leipzig

UWE ABEL
Chief Executive Officer
Mainzer Volksbank eG
Mainz
(until December 2012)

NORBERT ATZLER
Chief Executive Officer
PSD Bank Berlin-Brandenburg eG
Berlin
(until June 2012)

MATHIAS BEERS
Chief Executive Officer
Vereinigte Volksbank eG im
Regionalverband Saarbrücken
Sulzbach
(since April 2012)

WOLFGANG BEHR
Member of the Board of
Managing Directors
Volksbank Schupbach eG
Beselich
(until December 2012)

MATTHIAS BERKESSEL
Member of the Board of
Managing Directors
Volksbank Rhein-Lahn eG
Diez
(until December 2012)

MANFRED BERNHART
Chief Executive Officer
Volksbank Montabaur-
Höhr-Grenzhausen eG
Montabaur
(until December 2012)

JÜRGEN BIEN
Member of the Board of
Managing Directors
Raiffeisenbank eG Großenlüder
Grossenlüder
(since January 2013)

HANS-PETER BORN
Chief Executive Officer
Volksbank Südhessen-Darmstadt eG
Darmstadt
(until December 2012)

WOLFGANG BRÜHL
Spokesman of the Board of
Managing Directors
VR Bank Biedenkopf-
Gladenbach eG
Biedenkopf

ACHIM BRUNNER
Chief Executive Officer
Raiffeisenbank Oberursel eG
Oberursel (Taunus)
(since April 2012)

HANS-JOACHIM BUCHEN
Member of the Board of
Managing Directors
Volksbank Daaden eG
Daaden
(since January 2013)

JOHANN BÜCHLER
Chief Executive Officer
PSD Bank Nürnberg eG
Nuremberg
(since July 2012)

ANDREAS DILL
Member of the Board of
Managing Directors
Sparda-Bank Hannover eG
Hannover
(until December 2012)

THOMAS FLUCK
Chief Executive Officer
Raiffeisenbank Friedelsheim-
Rödersheim eG
Friedelsheim

GERHARD GALES
Member of the Board of
Managing Directors
Bank 1 Saar eG
Saarbrücken
(since January 2013)

MANFRED GERHARD
Spokesman of the Board of
Managing Directors
VR Genossenschaftsbank
Fulda eG
Fulda
(until December 2012)

BERND HELL
Chief Executive Officer
LevoBank eG
Lebach

PETER HERBST
Member of the Board of
Managing Directors
Nordthüringer Volksbank eG
Nordhausen
(until December 2012)

DR. MATTHIAS HILDNER
Chief Executive Officer
Wiesbadener Volksbank eG
Wiesbaden
(since January 2013)

ANDREAS HOSTALKA
Member of the Board of
Managing Directors
Volksbank Vogtland eG
Plauen

DIETER JERGENS
Member of the Board of
Managing Directors
Vereinigte Genossenschafts- und
Raiffeisenbank Westpfalz eG
VR-Bank Westpfalz
Landstuhl

GÜNTER JESSWEIN
Member of the Board of
Managing Directors
Raiffeisenbank Trendelburg eG
Trendelburg
(until December 2012)

THOMAS KATZENMAYER
Spokesman of the Board of
Managing Directors
Evangelische
Kreditgenossenschaft eG
Kassel
(since January 2013)

HORST KLUMB
Chief Executive Officer
vr bank Südthüringen eG
Suhl
(since January 2013)

HUBERT KNEUSSEL
Member of the Board of
Managing Directors
Volksbank eG Grebenhain
Grebenhain

THOMAS KÖHLER
Spokesman of the Board of
Managing Directors
Volksbank Butzbach eG
Butzbach
(since January 2013)

WERNER KOLLE
Chief Executive Officer
Raiffeisenbank eG
Calden
(since January 2013)

WALTER KONRAD
Spokesman of the Board of
Managing Directors
Volksbank Südhessen-
Darmstadt eG
Darmstadt

GERD KOSCHMIEDER
Member of the Board of
Managing Directors
Volksbank Chemnitz eG
Chemnitz

JOHANNES LECHNER
Member of the Board of
Managing Directors
Sparda-Bank Ostbayern eG
Regensburg
(since January 2013)

ECKHARD LENZ
Member of the Board of
Managing Directors
Raiffeisenbank eG
Wolfhagen
(until December 2012)

HEINER LÖHL
Chief Executive Officer
Bank 1 Saar eG
Saarbrücken
(until December 2012)

MICHAEL MENGLER
Spokesman of the Board of
Managing Directors
Vereinigte Volksbank Maingau eG
Obertshausen
(until December 2012)

PAUL MEUER
Chief Executive Officer
Rheingauer Volksbank eG
Geisenheim
(until December 2012)

FRANK MÖLLER
Member of the Board of
Managing Directors
Raiffeisenbank eG
Wolfhagen
(since January 2013)

KARL OPPERMANN
Member of the Board of
Managing Directors
Waldecker Bank eG
Korbach
(until December 2012)

ANDREAS PFEIL
Member of the Board of
Managing Directors
Raiffeisen-Volksbank
Saale-Orla eG
Pössneck
(since January 2013)

HUBERT RÖBIG
Deputy Spokesman of the
Board of Managing Directors
VR Genossenschaftsbank
Fulda eG
Fulda
(since January 2013)

TILMAN RÖMPP
Member of the Board of
Managing Directors
Volksbank Bautzen eG
Bautzen
(until December 2012)

MANFRED ROTH
Chief Executive Officer
VR Bank Weimar eG
Weimar
(until December 2012)

MANFRED RUMPF
Spokesman of the Board of
Managing Directors
Raiffeisenbank eG
Rodenbach

FRANK SCHÄFER
Member of the Board of
Managing Directors
Volksbank Hunsrück-Nahe eG
Simmern
(since January 2013)

RAINER SCHÄFER-PRÖSSER
Member of the Board of
Managing Directors
Volksbank Heuchelheim eG
Heuchelheim

HEINZ-PETER SCHAMP
Member of the Board of
Managing Directors
Mainzer Volksbank eG
Mainz
(since January 2013)

PETER SCHMITT
Chief Executive Officer
Raiffeisenbank eG Großenlüder
Grossenlüder
(until December 2012)

ERNST-KONRAD SCHNEIDER
Chief Executive Officer
Volksbank Wissmar eG
Wettenberg
(until December 2012)

BERNHARD SLAVETINSKY
Chief Executive Officer
PSD Bank Karlsruhe-Neustadt eG
Karlsruhe
(until December 2012)

BERNHARD SOEKEN
Chief Executive Officer
PSD Bank Berlin-Brandenburg eG
Berlin
(since January 2013)

DIETER STEFFAN
Member of the Board of
Managing Directors
Volksbank Alzey-Worms eG
Worms
(until December 2012)

ODO STEINMANN
Member of the Board of
Managing Directors
Volksbank Rhein-Nahe-
Hunsrück eG
Bad Kreuznach
(since January 2013)

KARLO UHLEIN
Spokesman of the Board of
Managing Directors
Raiffeisenbank eG
Offenbach/M.-Bieber
Offenbach am Main
(since January 2013)

PETER VAN MOERBEECK
Member of the Board of
Managing Directors
Vereinigte Volksbank
Raiffeisenbank eG Wittlich
Wittlich
(since January 2013)

MARTIN WAGNER
Member of the Board of
Managing Directors
VR Bank Weimar eG
Weimar
(since January 2013)

JÜRGEN WEBER
Chief Executive Officer
Sparda-Bank Hessen eG
Frankfurt am Main
(until December 2012)

HORST WEYAND
Chief Executive Officer
Volksbank Rhein-Nahe-
Hunsrück eG
Bad Kreuznach
(until December 2012)

ANDREAS WODA
Member of the Board of
Managing Directors
VR Bank Leipziger Land eG
Borna
(since January 2013)

CHRISTOPH WUNDERLICH
Member of the Board of
Managing Directors
Raiffeisenbank Schaafheim eG
Schaafheim
(since January 2013)

EVA WUNSCH-WEBER
Chief Executive Officer
Frankfurter Volksbank eG
Frankfurt am Main
(since January 2013)

YVONNE ZIMMERMANN
Member of the Board of
Managing Directors
Sparda-Bank Hamburg eG
Hamburg
(since January 2013)

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR NORTH/EAST GERMANY

CHAIRMAN
(UNTIL DECEMBER 2012):
REINHARD SCHOON
Chairman of the
Association Council
Genossenschaftsverband
Weser-Ems e.V.
Oldenburg

CHAIRMAN
(SINCE MARCH 2013):
ANDREAS MERTKE
Member of the Board of
Managing Directors
Berliner Volksbank eG
Berlin
(Deputy Chairman
until December 2012)

DEPUTY CHAIRMAN
(SINCE MARCH 2013):
MICHAEL ENGELBRECHT
Chief Executive Officer
Volksbank Jever eG
Jever
(since January 2013)

RAINER ADAMCZYK
Member of the Board of
Managing Directors
Volksbank Uelzen-Salzwedel eG
Uelzen
(since January 2013)

HANS-NISSEN ANDERSEN
Chief Executive Officer
Evangelische Darlehns-
genossenschaft eG
Kiel
(until December 2012)

FRANK BAER
Member of the Board of
Managing Directors
Volksbank Spree-Neiße eG
Spremberg
(since January 2013)

PETER BAHLMANN
Member of the Board of
Managing Directors
VR Bank Oldenburg
Land West eG
Hatten

JÖRG BIETHAN
Member of the Board of
Managing Directors
Volksbank Hildesheimer Börde eG
Söhlde
(since January 2013)

GUIDO BLOCH
Member of the Board of
Managing Directors
Raiffeisenbank eG
Hagenow

DR. RAINER BOUSS
Member of the Board of
Managing Directors
VR Bank Neumünster eG
Neumünster
(until December 2012)

MARTIN BRÖDDER
Member of the Board of
Managing Directors
Volks- und Raiffeisenbank
Prignitz eG
Perleberg
(until December 2012)

DR. REINER BRÜGGESTRAT
Spokesman of the Board of
Managing Directors
Hamburger Volksbank eG
Hamburg
(until December 2012)

WERNER BRUNS
Member of the Board of
Managing Directors
Zevener Volksbank eG
Zeven

RALPH CARSTENSEN
Chief Executive Officer
Raiffeisenbank eG
Todenbüttel
(since January 2013)

LÜBBO CREUTZENBERG
Member of the Board of
Managing Directors
Raiffeisen-Volksbank Fresena eG
Norden
(until December 2012)

JOSEF DAHL
Spokesman of the Board of
Managing Directors
Ostharzer Volksbank eG
Quedlinburg
(until June 2012)

HELMUT DOMMEL
Member of the Board of
Managing Directors
Raiffeisenbank Mecklenburger
Seenplatte eG
Waren (Müritz)
(until December 2012)

LUDGER ELLERT
Member of the Board of
Managing Directors
Volksbank Vechta eG
Vechta
(until December 2012)

HEIKO ERNST
Member of the Board of
Managing Directors
Volksbank Lüneburger Heide eG
Winsen (Luhe)
(until December 2012)

RALF EVERTS
Member of the Board of
Managing Directors
Raiffeisen-Volksbank Fresena eG
Norden
(since January 2013)

HEINZ FEISMANN
Member of the Board of
Managing Directors
Volksbank Süd-Emsland eG
Spelle

CHRISTIAN FERCHLAND
Member of the Board of
Managing Directors
Evangelische Darlehns-
genossenschaft eG
Kiel
(since January 2013)

STEFAN FRAHM
Member of the Board of
Managing Directors
VR Bank Ostholstein
Nord-Plön eG
Neustadt in Holstein
(since April 2012)

HOLGER FRANZ
Chief Executive Officer
Ostfriesische Volksbank eG
Leer (Ostfriesland)

ANDREAS FRYE
Chief Executive Officer
Volksbank Bösel eG
Bösel

THOMAS GENSCH
Member of the Board of
Managing Directors
Raiffeisenbank Ostprignitz-
Ruppin eG
Neuruppin
(since January 2013)

ARMIN GERNHÖFER
Member of the Board of
Managing Directors
Volksbank eG
Seesen

BEREND H. GORTMANN
Member of the Board of
Managing Directors
Volksbank Niedergrafschaft eG
Uelsen
(since January 2013)

BJÖRN GROSSMANN
Member of the Board of
Managing Directors
Volksbank Kehdingen eG
Drochtersen
(since January 2013)

ERNST GRUBER
Member of the Board of Managing Directors
Volksbank Wolfenbüttel-Salzgitter eG
Wolfenbüttel
(since January 2013)

AHLRICH HAMEL
Member of the Board of Managing Directors
Volksbank eG Westrhauderfehn
Rhauderfehn
(since January 2013)

CORD HASSELMANN
Member of the Board of Managing Directors
Volksbank Lüneburger Heide eG
Winsen (Luhe)
(since January 2013)

MICHAEL HIETKAMP
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(until December 2012)

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PRINCIPAL SHAREHOLDINGS OF DZ BANK

BANKS

Name & registered office	Group company[1]	Shareholding (%)
Bausparkasse Schwäbisch Hall AG – Bausparkasse der Volksbanken und Raiffeisenbanken –, Schwäbisch Hall	•	81.8
Ceskomoravska stavebni sporitelna a.s., Prague		45.0
Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt., Budapest	•	51.2
Prvá stavebná sporitel'na a.s., Bratislava		32.5
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd., Tianjin		24.9
Schwäbisch Hall Kreditservice AG, Schwäbisch Hall	•	100.0
Cassa Centrale Banca - Credito Cooperativo del Nord Est Società per Azioni, Trento		25.0
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg[2]	•	100.0
Deutsche WertpapierService Bank AG, Frankfurt am Main		50.0
DVB Bank SE, Frankfurt am Main	•	95.4
DZ BANK Polska S.A., Warsaw	•	100.0
DZ BANK Ireland public limited company Dublin[2]	•	100.0
DZ PRIVATBANK S.A., Luxembourg-Strassen[2]	•	70.0
DZ PRIVATBANK (Schweiz) AG, Zürich	•	100.0
ReiseBank AG, Frankfurt am Main (indirect)	•	100.0
TeamBank AG Nürnberg, Nuremberg	•	92.1

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent
2 Letter of comfort from DZ BANK

OTHER SPECIALIZED SERVICE PROVIDERS

Name & registered office	Group company[1]	Shareholding (%)
VR Equitypartner GmbH, Frankfurt am Main[2]	•	78.0
EURO Kartensysteme Gesellschaft mit beschränkter Haftung, Frankfurt am Main		19.6
Equens SE, Utrecht		31.1
VR-LEASING AG, Eschborn	•	83.5
BFL LEASING GmbH, Eschborn	•	72.4
VR DISKONTBANK GmbH, Eschborn	•	100.0
VR FACTOREM GmbH, Eschborn	•	100.0
VR-IMMOBILIEN-LEASING GmbH, Eschborn	•	100.0
VR.medico LEASING GmbH, Eschborn	•	100.0

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent
2 Letter of comfort from DZ BANK

ASSET MANAGEMENT COMPANIES

Name & registered office	Group company[1]	Shareholding (%)
Union Asset Management Holding AG, Frankfurt am Main	•	73.5
Quoniam Asset Management GmbH, Frankfurt am Main	•	100.0[2]
R+V Pensionsfonds AG, Wiesbaden (together with R+V Versicherung AG)	•	49.0
Union Investment Institutional GmbH, Frankfurt am Main	•	100.0
Union Investment Institutional Property GmbH, Hamburg	•	90.0
Union Investment Luxembourg S.A., Luxembourg	•	100.0
Union Investment Privatfonds GmbH, Frankfurt am Main	•	100.0
Union Investment Real Estate GmbH, Hamburg	•	94.0

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent
2 Share of voting power

INSURANCE COMPANIES

Name & registered office	Group company[1]	Shareholding (%)
R+V Versicherung AG, Wiesbaden	•	74.9
Condor Allgemeine Versicherungs-AG, Hamburg	•	100.0
Condor Lebensversicherungs-AG, Hamburg	•	95.0
KRAVAG-Allgemeine Versicherungs-AG, Hamburg	•	76.0
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	•	51.0
R+V Allgemeine Versicherung AG, Wiesbaden	•	95.0
R+V Krankenversicherung AG, Wiesbaden	•	100.0
R+V Lebensversicherung AG, Wiesbaden	•	100.0
R+V Pensionsfonds AG, Wiesbaden (together with Union Asset Management Holding AG)	•	51.0

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent

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