Volksbanken Raiffeisenbanken
cooperative financial network

HALF-YEAR FINANCIAL REPORT 2013

DZ BANK Group

KEY FIGURES

DZ BANK GROUP

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
FINANCIAL PERFORMANCE		
Operating profit[1]	1,591	723
Allowances for losses on loans and advances	-248	-208
Profit before taxes	1,343	515
Net profit	917	404
Cost/income ratio (percent)	47.1	65.6
€ million	**Jun. 30, 2013**	**Dec. 31, 2012**
FINANCIAL POSITION		
Assets		
Loans and advances to banks	80,486	79,429
Loans and advances to customers	122,780	123,811
Financial assets held for trading	56,037	66,709
Investments	57,769	59,792
Investments held by insurance companies	68,108	66,296
Remaining assets	10,836	11,199
Equity and liabilities		
Deposits from banks	88,735	100,596
Deposits from customers	96,428	92,169
Debt certificates issued including bonds	61,222	63,290
Financial liabilities held for trading	55,005	58,715
Insurance liabilities	65,867	63,260
Remaining liabilities	15,457	16,565
Equity	13,302	12,641
Total assets / total equity and liabilities	**396,016**	**407,236**
Volume of business[2]	**622,424**	**627,412**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	16.9	13.8
Tier 1 capital ratio (percent)	16.1	13.6
AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD	**28,899**	**28,168**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	A1	A1
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,

“The cooperative financial network is strong.” These words have frequently been used to describe the 2012 annual financial statements of the Volksbanken Raiffeisenbanken cooperative financial network, which were recently published by the National Association of German Cooperative Banks, BVR. Overall, 2013 is also expected to be an encouraging year for our organization, despite the many different uncertainties and challenges that we face. The DZ BANK Group would again like to play its part in achieving this.

The half-year results, which we report on here, will help us to fulfill this objective. The profit before taxes earned by the DZ BANK Group in the first six months of 2013 came to €1.3 billion, compared with €515 million in the same period last year. We have therefore already made significant progress in reaching our net income target for the year as a whole. This solid figure is founded on the stable operating profit generated by the entire DZ BANK Group. All the companies in our banking group delivered a good business performance in the first half of the year. The figures reported also indicate that the sovereign debt crisis in Europe has now eased: DG HYP, in particular, not only did well in its operating business, it also saw reversals of impairment losses in its portfolios of bonds from euro-zone periphery countries – mirroring the write-downs that were required at what had been the peak of the crisis so far.

The continued abatement of the sovereign debt crisis in recent months is primarily down to the efforts of the European Central Bank to preempt crisis-related tension in the capital markets by applying an expansionary monetary policy. It remains to be seen whether the crisis-hit countries of the European Union are making a concerted effort to use the time that this policy has won them to consolidate their budgets and implement structural reforms. The sustained high levels of unemployment in southern Europe are a particular cause for concern. As a result, short-term tension in the financial markets and the related uncertainty about business performance in our sector are unlikely to go away.

Moreover, we banks must not allow efforts to deal with the immediate crisis to shift our attention from the increasingly apparent long-term challenges: historically low interest rates, the significant complexity of future regulatory requirements, and fundamental changes in customer behavior and thus in the competitive landscape. Web 2.0 and demographic change are just two of the factors that will influence the banking world in the future.

Given this environment, our results for the first half of 2013 are all the more encouraging. Net interest income remained fairly stable at the high level of €1.6 billion, with DZ BANK AG's corporate banking business performing especially well. Joint marketing with the local cooperative banks is bearing fruit. The main growth was achieved in financing for the agriculture and renewable energies sectors. The closer collaboration is also reflected in a rise in the proportion of cross-selling in corporate banking. Allowances for losses on loans and advances increased from €208 million to €248 million. Net fee and commission income climbed by 11.9 percent to €498 million. Gains and losses on trading activities amounted to a net gain of €154 million, compared with €496 million in the first half of 2012, which had benefited from a significant narrowing of spreads. The level of gains and losses on investments improved from a loss of €185 million to a loss of €71 million. As far as other gains and losses on valuation of financial instruments were concerned, we achieved a gain of €1.3 billion (first half of 2012: loss of €540 million), above all because of the reversals of impairment losses in DG HYP's bond portfolio. Net income from insurance business fell from €193 million to €82 million. Administrative expenses grew by 3.1 percent to €1.42 billion due to, among other factors, the increase in regulatory requirements. This overall impressive business performance is also attributable to the hard work of our highly motivated employees, to whom all of us on the Board of Managing Directors would like to express our sincere thanks.

Each group company made a positive contribution to the results achieved in the first half of 2013. Union Investment's assets under management rose to an all-time record of €197.7 billion. R+V Versicherung saw further growth in premiums earned, thereby building on the high level of such premiums reported in the first half of 2012. Bausparkasse Schwäbisch Hall signed 800,000 new contracts and therefore accounted for more than 60 percent of the total new business generated by all private building societies in Germany. TeamBank and DZ PRIVATBANK can also look back on a successful six months, with both of them boosting their earnings. DG HYP continued to consolidate its leading market position in the commercial real-estate finance business. VR Leasing is progressing well thanks to its focus on the needs of the local cooperative banks and was able to report a positive level of earnings at the end of June 2013.

Further optimization of our level of capital remains a high priority for the work of the Board of Managing Directors. DZ BANK's Tier 1 capital ratio stood at 16.1 percent (Basel 2.5) as at June 30, 2013, which equates to an improvement of 8.7 percentage points within five years. However, Basel III has been the de facto regulatory standard since its adoption in Europe as of the beginning of this year. The corresponding Capital Requirements Regulation (CRR) will formally come into force on January 1, 2014. These steps particularly affect DZ BANK because of its capital structure and group structure. Regulatory capital analysis will switch from the definitions used in the German Commercial Code (HGB) to those in the International Financial Reporting Standards (IFRS) on the same date. Both of these events will have a marked negative impact on the capital base built up in recent years. Calculated on a pro-forma basis in accordance with the new requirements, our core Tier 1 capital ratio was 8.2 percent as at June 30, 2013. This figure is significantly higher than the regulatory minimum ratio of 4.5 percent that will apply under Basel III from the end of 2013. However, it remains difficult to predict how the regulatory situation will pan out owing to the upcoming asset quality review by the ECB, the transfer of responsibility for European banking supervision to the ECB, and the stress test scheduled for 2014 by the EBA.

We are therefore continuing to work on strengthening our capital base from our own resources. Retaining profits, further sharpening the focus of our business, and carefully managing risk-weighted assets enabled us to raise our Tier 1 capital ratio again in the first half of 2013. In addition, we are planning a capital increase by our owners, a move that should be completed in mid-2014. We on the Board of Managing Directors of DZ BANK are confident that our organization will rise to this particular challenge, satisfying the interests of everyone involved and with everyone playing their part. After all, DZ BANK is an attractive investment for its owners, from both a strategic and a business perspective.

We anticipate that the minor recovery of the German economy will boost our operating performance in the second half of 2013. For 2014, our economists predict a sharp rise in gross domestic product (GDP) growth to more than 2 percent. Furthermore, there are more and more signs that the economy of the euro zone as a whole will grow slightly in the coming year. In the second half of 2013, we will not be able to sustain the earnings performance that we delivered in the first six months due, among other reasons, to one-off effects resulting from remeasurement. But a substantial year-on-year rise in net income appears realistic, provided there is no further turbulence in the financial markets.

“The cooperative financial network is strong.” It is up to us to underpin what outside observers are increasingly saying about us. This is what guides the DZ BANK Group in its current initiatives, the most important ones being strengthening the regional presence of DZ BANK AG’s corporate banking business, expanding business with wealthy private customers at DZ PRIVATBANK, and supporting our organization’s key projects for the future such as ‘Web 2.0’ and ‘Beratungsqualität’ (quality of advice), to name the two most important current examples. We want to continue down this path independently, yet as part of the fundamentally strong community to which we contribute.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer

INTERIM GROUP MANAGEMENT REPORT

I. Business performance

1. ECONOMIC CONDITIONS

Germany's average inflation-adjusted economic output rose only slightly in the first half of 2013, increasing by 0.1 percent on the second half of 2012.

Compared with the fourth quarter of 2012, German economic output in the first quarter of 2013 was stagnant owing, in part, to the unusually long winter. Fueled above all by increasingly brisk activity in the construction industry as a result of pent-up demand, gross domestic product (GDP) in the second quarter was up by 0.7 percent on the first quarter of 2013.

Economic growth varied significantly **from one European country to another** in the first 6 months of 2013. With a decrease of 0.3 percent in the first quarter and an increase of 0.3 percent in the second quarter, the combined economic output of the countries in the euro zone in the period under review contracted by 0.4 percent compared with the second half of 2012. Whereas some of the euro zone's core countries again achieved stable economic growth, the economies of the countries in southern Europe continued to show a trend toward recession against the backdrop of the far-reaching changes they have made to deal with their significant budget deficits.

Economic growth in the **United States** continued to pick up in the first 6 months of 2013 although not at the same fast pace seen in previous periods. Consumer spending, which is a key driver of the US economy, was influenced by a gradual improvement in the situation both in the labor market and in the US real-estate market. Financial policy continues to face the challenge of containing the still significant deficits and spiraling national debt.

The majority of the **emerging markets of Asia and Latin America,** the main growth engines of the global economy, lost some of their momentum in the final few months of the reporting period. Nonetheless, the pace of growth in these countries is markedly faster than in most industrialized nations.

Demand from the emerging markets therefore continued to bolster strong export growth in **Germany,** which has one of the highest levels of economic growth in the euro zone. However, the negative impact of weak demand from the euro zone's periphery resulted in only a small rise in German foreign trade in the first 6 months of the year.

In the first half of 2013, the German economy was stimulated by robust consumer spending on the back of the positive trend in the labor market and higher disposable income as well as by a recent further increase in construction investment. In contrast, capital expenditure on machinery, equipment, and vehicles decreased slightly.

Muted economic growth during the reporting period means it is likely to be difficult for German public finances to finish the current year without a funding deficit.

2. THE BANKING INDUSTRY IN THE MIDST OF ONGOING ECONOMIC AND POLITICAL INSTABILITY IN THE EURO ZONE

The performance of the **European capital markets** was **boosted by a reasonable injection of liquidity by the European Central Bank (ECB) in the first 6 months of the year.** Since the start of 2012, **2 three-year tenders from the ECB worth a total of approximately €1 trillion** have been available to the financial markets, whose use of them reduced considerably over the remainder of 2012 and in the first half of 2013. To ensure liquidity levels in the financial markets, **the ECB announced in early May 2013 that it would adhere to its full allotment policy until mid-2014.**

Whereas the budget deficits of individual EU countries had been at the center of political discussion in the first few weeks of the reporting period, the focus shifted to how some EU countries could strike an **adequate balance between budgetary stability and proactive promotion of growth** when **European heads of state and government met for a summit in Brussels on March 14/15, 2013.** Several governments called for the deadlines for eliminating their budget deficits to be put back.

Cyprus had **asked its euro-zone partners** for **financial support back in the summer of last year.** In the first few months of 2013, public attention was on **political parties' views** on the **terms on which Germany would be willing to grant financial assistance to Cyprus.** In **January 2013,** the **rating agencies Moody's and Fitch downgraded Cyprus's credit rating from B3 to Caa3 and from BB- to B respectively.**

Following a further deterioration in the financial crisis in Cyprus, **EU finance ministers meeting in Brussels on March 15/16, 2013** decided on a **bailout for the country of up to €10 billion with the involvement of the International Monetary Fund** (**IMF**). The conditions imposed included partial liability of bank customers with deposits of up to €100,000. This was in contrast to the protection guarantee that had previously existed across the EU for deposits of up to this amount. **On March 19, 2013, the EU finance ministers reiterated their view that deposits of up to €100,000 should be guaranteed after all** in order to prevent a possible loss of confidence among affected investors, including those outside Cyprus.

The Cypriot parliament rejected the EU rescue package on March 19, 2013. Only **once the deadline was reached for a subsequent ultimatum issued by the ECB Governing Council** that it would discontinue the temporary Emergency Liquidity Assistance (ELA) on **March 25, 2013** did the **EU finance ministers and the IMF manage to reach a last-minute agreement with the Cypriot government.** The agreement stipulated **far-reaching restructuring requirements for** the country's two major banks, **Laiki Bank – which would be later shut down – and Bank of Cyprus,** as well as extensive **liability to be assumed by shareholders, bondholders, and investors (those with deposits of over €100,000).**

In mid-April 2013, the German parliament voted in favor of the €10 billion bailout for Cyprus. The largest contribution, of **€9 billion, came from the European Stability Mechanism** (**ESM**), while the remaining funding of **€1 billion was provided by the IMF.** In return, the **Cypriot parliament voted** by a slim majority on April 30, 2013 **to implement a comprehensive program of cuts amounting to €13 billion.**

Having held parliamentary elections on February 24/25, 2013, Italy underwent a period of almost 2 months without any party being able to form a **workable majority with which to govern. On March 8, 2013, Fitch lowered Italy's credit rating by a notch to BBB+** in view of the political uncertainty created by this situation. Only once Giorgio Napolitano had been re-elected as Italy's president in mid-April 2013 did **the future prime minister Enrico Letta manage to form a coalition government with a parliamentary majority at the end of April 2013. On July 9, 2013, Standard & Poor's downgraded Italy from BBB+ to BBB with a negative outlook,** citing the country's poor potential for economic growth.

Further uncertainty in the financial markets was triggered **in early April 2013 when the Portuguese constitutional court ruled** that **significant aspects of the 2013 austerity budget** presented by the Portuguese government under prime minister Pedro Passos Coelho, **were unconstitutional. At the start of May 2013, the Portuguese government** therefore decided on new **spending cuts worth €1.8 billion** in order to meet the restructuring conditions imposed by international lenders. It then emerged that Portugal's budget deficit would be unlikely to shrink to below the target of 3 percent of GDP until 2015. The resignations of finance minister Vitor Gaspar and, shortly afterwards, foreign minister Paulo Portas **in early July 2013 briefly revived the political crisis in Portugal.**

Although **Standard & Poor's had confirmed the United Kingdom's top AAA rating at the start of April 2013**, albeit **with a negative outlook**, **Fitch downgraded the United Kingdom by a notch on April 19, 2013** – as Moody's had done 2 months previously – **to AA+.** By contrast, **Fitch upgraded** the **credit rating of Greece** by a notch from CCC **to B- in mid-May 2013. On July 3, 2013, Standard & Poor's moved Cyprus's credit rating up from SD to CCC+.**

On the same day, Standard & Poor's lowered the long-term credit ratings of the three major banks Barclays, Deutsche Bank, and Credit Suisse from A+ to A, pointing to the reduced potential for earnings in investment banking, tighter regulatory requirements, and the general uncertainty in the markets.

Following on from the downgrading by Standard & Poor's and Moody's in 2012, **Fitch also withdrew France's top credit rating, which it lowered to AA+ on July 12, 2013.** Fitch said that it had taken this step predominantly because the country's debt ratio was likely to remain at a high level for a long time.

Building on the initial ideas debated at their summit in Brussels on March 14/15, 2013, **the EU finance ministers decided in mid-June 2013** – following the adoption of a resolution on the matter by the European Commission at the end of May 2013 – **to grant a number of member states more time to shrink their budget deficits to below the threshold of 3 percent** of their country's **individual economic output**. Besides **deadline extensions for Spain (until 2016)**, the ministers also approved **longer deadlines for France, Portugal, and Slovenia (until 2015) and for the Netherlands and Poland (until 2014).** The excessive deficit procedure that had been initiated against a number of EU countries, including Italy, was stopped because these countries had since managed to reduce their excessive deficits.

The decision made by EU finance ministers in mid-December 2012 to **transfer responsibility for supervising euro-zone banks with total assets of €30 billion or more to the ECB** has **not yet been approved by the European parliament.** German lawmakers have now given their authorization for consent to be given at EU level.

The **establishment of a European banking supervision system in which the ECB has a central role was** – according to a resolution adopted by European heads of state and government in late June 2012 – **a prerequisite for crisis-hit large banks to be able to receive direct injections of capital from the ESM. However,** the **European parliament is also yet to reach a resolution on the future EU rules governing such restructuring and resolution measures for banks.**

At their **meeting** in Luxembourg on **June 20/21, 2013, EU finance ministers agreed on the conditions for direct recapitalization by the ESM of crisis-hit banks.** The conditions stipulate that **a maximum of €60 billion can be taken from the ESM to directly support** systemically important large banks on restrictive terms, including on a retrospective basis, but only if the member state concerned complies with further rules requiring an advance injection of capital by the member state. In addition, **shareholders, creditors, and investors with deposits of more than €100,000 would be expected to have already made a contribution.**

Initiating the next step in establishing a **Single Resolution Mechanism** (SRM) for crisis-hit banks, **Michel Barnier, commissioner for internal market and services, presented draft legislation on the matter on July 10, 2013.** The draft legislation envisages **creating a resolution fund that would be funded by the banks.** There would also be a two-stage process in which a **Single Resolution Board, consisting of representatives from the European Commission, the ECB as the future central supervisory body, and national regulators,** would prepare decisions. The final, formal **decision about a bank's resolution would remain the responsibility of the European Commission.** This **proposal was met with resistance, in particular from the German government.** It pointed out that giving the European Commission the power to make the final decision constituted a transfer of national authority and would then require existing EU treaties to be revised.

The **Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups (Bank Separation Act), which was passed by German lawmakers on June 8, 2013,** includes greater liability for the managing directors of financial institutions as part of their risk management obligations and a duty for systemically important banks to draw up precautionary restructuring plans in case of crisis, known as recovery plans. In addition, the Act **obliges banks to segregate certain non-customer-related securities transactions recognized on the balance sheet under 'financial instruments held for trading' and 'available-for-sale financial assets' in self-contained subsidiaries** that are separate from other divisions **if the total volume of these transactions exceeds €100 billion or 20 percent of total assets.**

Although the DZ BANK Group exceeds these thresholds, its **securities portfolios make a significant contribution to** the **cash-pooling function allowed for in the Bank Separation Act, which is typical of network structures, or they are held on behalf of customers.** Both of these circumstances count as exceptions to the aforementioned bank separation rules.

Irrespective of the bank separation laws enacted at national level, **the European Commission plans** to present draft legislation **in the second half of 2013 that is based on far more extensive proposals that were put forward by a group of experts headed by Erkki Liikanen, governor of the Finnish central bank**.

In the first 6 months of this year, the **international capital markets** were **influenced by the central banks' expansionary monetary policy.** While the **ECB** focused on **providing liquidity directly** to banks in the euro zone, the **central banks in the United States, United Kingdom, and Japan** made liquidity availably by **buying up securities on a large scale.**

As a result of **the ECB lowering its key interest rate by 25 basis points to 0.50 percent on May 2, 2013** and, a day earlier, the Federal Reserve confirming that it would continue with its policy of quantitative easing, **both the DAX and the Dow Jones hit historic highs in early May 2013.**

The **Fed's general indication on May 22, 2013 that it would possibly scale back its US$ 85 billion bond purchase program in the future** led to a worldwide fall in prices across almost all asset classes and caused a slight increase in volatility. **Not quite a month later, on June 19, 2013, the Fed announced that the total volume of monthly purchases under the program might be reduced this year** if the economy and labor market continued to recover and **might stop entirely by mid-2014.** This led to further **significant drops in price** in the **bond and equity markets.** To pre-empt possible interest-rate rises in the euro zone on the back of the Fed's announcement, **Mario Draghi issued** the ECB's first ever forward guidance on interest rates **in early July 2013, which stated that interest rates would remain at the current low level for a long time and might even be lowered again.**

During the reporting period, some of the **major German banks** saw their operating income either decline or remain at almost the same level as in the first half of 2012, mainly because of the low level of interest rates. Allowances for losses on loans and advances increased for the most part. Administrative expenses rose moderately overall.

3. SUCCESSFUL FOCUS ON THE COOPERATIVE BANKS

The aim of the DZ BANK Group is to work hand in hand with the 1,100 cooperative banks to offer needs-based and innovative products as well as efficient processes so that it can continue to position itself as a leading financial services group in the years to come.

To achieve this aim, it is steadfastly pursuing a strategy of network-related growth, a continued focus, and strong integration of DZ BANK Group within the cooperative financial network.

3.1. NETWORK-ORIENTED GROWTH

Comprehensive range of services from DZ BANK AG

Within retail banking, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) was able to sustain its market share for business in investment certificates – in what was a falling market – by working hand in hand with the local cooperative banks. The bank achieved a slight increase in the market share of its core product in this area, capital preservation investment certificates, which had risen to 52 percent as at March 30, 2013 (compared with 50 percent at the end of 2012). DZ BANK's new VR-ProfiBroker is a cutting-edge e-brokerage platform that offers independent private investors comprehensive market data, real-time push prices, and a broad range of stock market expertise from a single source. Following the successful launch of VR-ProfiBroker for the business activities of Fiducia IT AG, Karlsruhe, (Fiducia), DZ BANK and WGZ BANK are now planning to cooperate on introducing it for the business activities of GAD eG, Münster, (GAD).

A wide selection of products are available for the cooperative banks' own-account investing activities. These are complemented by tailored advisory services and high-quality support services that are continually enhanced by DZ BANK. For example, the new online application known as EGon has been updated to include analysis of credit rating and country allocations.

Within corporate banking, DZ BANK again stepped up its cooperation with the local cooperative banks in the agriculture, nature, and renewable energies (ANE) sector. DZ BANK is continuing to expand its ANE support team across Germany in 2013.

In addition, the local cooperative banks and DZ BANK are further intensifying their joint marketing activities in corporate banking as part of an initiative to promote Germany's metropolitan regions. The target is to secure new customers with annual revenue of between €25 million and €500 million for the cooperative financial network.

Transaction banking focused, among other things, on continuing to drive the transition to the Single Euro Payments Area (SEPA). So that the cooperative financial network can work together to proactively help customers with the transition, a practical guide was developed in conjunction with selected cooperative banks to back up the comprehensive information and communication campaign.

DZ BANK's innovative mobile card-acceptance solution is now being marketed, having been piloted successfully. This system enables small businesses, self-employed people, and individuals to accept card payments made via smartphone. By offering this solution, DZ BANK and the local cooperative banks are addressing the changes in how people make payments in Germany.

Steady growth in the subsidiaries

DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK S.A.) remains on a path of growth in its collaboration with the local cooperative banks and their high-net-worth retail and corporate customers. It has now signed cooperation agreements with almost 1,000 partner banks and, in the first half of the year, carried out joint marketing activities with more than 300 local cooperative banks under the premium VR-Private-Banking brand. The Luxembourg office further strengthened its market position with wealthy German customers at the beginning of this year when it acquired and migrated the retail banking business of Hauck & Aufhäuser Banquiers Luxembourg S.A., Luxembourg.

The retail banking business of the Union Investment Group (UIG) – the asset management company in the cooperative financial network – concentrated on maintaining a firm focus on the customer. In the first half of 2013, Union Investment registered a rise in demand for fund-linked savings plans as a method of targeted capital accumulation. Furthermore, it positioned itself as a leading expert in active management of risks and opportunities in its fast growing institutional business.

Demographic change means there is an increasing trend toward buying rather than renting property, with buyers keen on energy efficiency. Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH) was able to capitalize on this trend and easily defend its market-leading position. It successfully expanded its business in this segment thanks to the close involvement of the cooperative banks and to new products that are particularly popular with young people.

The innovative advisory concept known as 'easyCredit-Liquiditätsberater', which was developed by TeamBank AG Nürnberg, Nuremberg, (TeamBank) and has been available to all partner banks in Germany and Austria since the end of June 2012, ensures customers can tailor the scope of borrowing to their individual needs. The cooperative idea is promoted at the same time thanks to attractive member benefits. TeamBank also continued to grow in the market for consumer finance.

Against a background of persistently stiff competition in the insurance industry, R+V Versicherung AG, Wiesbaden, (R+V) benefited from its strategic integration in the cooperative financial network. R+V is aiming for further income-oriented and sustainable growth this year, for example by focusing on products for retirement provision and nursing care requirements.

3.2. CONTINUED FOCUS

Successful joint activities in commercial real-estate finance

Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) notched up success with its now well-established business model in the first 6 months of the year. In particular, there was a sharp rise in the local cooperative banks' interest in products that enable participation in commercial real-estate lending to customers of DG HYP. The scaling back of portfolios that are being phased out remains on schedule.

Systematic realignment of VR-LEASING

VR-LEASING AG, Eschborn, (VR-LEASING AG) is making progress in realigning its sales and product policy with the needs of the local cooperative banks. The areas of focus in the first half of the year were factoring and the innovative 'VR-LEASING express', a hire-purchase product in which an instant decision is given on amounts up to €50,000. VR-LEASING AG was therefore able to help the local cooperative banks make better use of the potential offered by small and medium-sized enterprises (SMEs). Moreover, VR-LEASING AG substantially scaled back its non-strategic business segments, particularly outside Germany.

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

The DZ BANK Group is collaborating closely with the BVR, the cooperative banks, WGZ BANK, the computing centers, and the network's regional banking associations on the cooperative financial network's two big-ticket projects 'Beratungsqualität' and 'webErfolg'. The 'Beratungsqualität' (quality of advice) project is split into subprojects, headed up by individual companies in the DZ BANK Group, in which optimum advisory processes for particular topics are being developed, for example to make it easier to fulfill regulatory requirements relating to the documentation of advisory services. In the 'webErfolg' project, the design of the cooperative financial network's online presence is being tailored to customer needs. Plans for 2013 include online availability of DZ BANK Group products via the websites of the cooperative banks and a significantly extended online financial services status that enables customers to view all of the products that they have obtained from the cooperative financial network.

3.4. FURTHER OPTIMIZATION OF THE LEVEL OF CAPITAL

With an eye to the future, DZ BANK has significantly improved its level of capital over the past few years, focusing, above all, on rigorous capital management, profit retention, and the scaling back of portfolios that are to be phased out. Transfer of responsibility for banking supervision to the ECB and implementation of European legislation on Basel III – Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR) mean it is likely that the capital base will need to be strengthened with amounts that extend beyond those available from retained profit. DZ BANK will therefore increase the level of capital by an amount equivalent to the authorized capital. The shareholders of DZ BANK will be contacted systematically in the second half of 2013 and will be kept up to date on the planned capital increase.

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 many challenges facing its business in the first half of 2013.

The year-on-year changes in the key figures that make up the net profit generated by the DZ BANK Group in the first half of 2013 were as described below.

Operating income in the DZ BANK Group amounted to €3,010 million (first half of 2012: €2,099 million). This figure 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.

Allowances for losses on loans and advances during the reporting period came to €248 million (first half of 2012: €208 million).

FIG. 1 – INCOME STATEMENT

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012	Change (%)
Net interest income	1,571	1,657	-5.2
Allowances for losses on loans and advances	-248	-208	19.2
Net fee and commission income	498	445	11.9
Gains and losses on trading activities	154	496	-69.0
Gains and losses on investments	-71	-185	-61.6
Other gains and losses on valuation of financial instruments	738	-540	> 100.0
Net income from insurance business	82	193	-57.5
Administrative expenses	-1,419	-1,376	3.1
Staff expenses	-753	-727	3.6
Other administrative expenses[1]	-666	-649	2.6
Other net operating income	38	33	15.2
Profit before taxes	1,343	515	> 100.0
Income taxes	-426	-111	> 100.0
Net profit	917	404	> 100.0

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

The DZ BANK Group's **administrative expenses** rose by €43 million, or 3.1 percent, to €1,419 million (first half of 2012: €1,376 million).

Profit before taxes for the first 6 months of the year amounted to €1,343 million compared with €515 million in the first half of 2012.

4.1.2. Financial performance in detail

The changes in individual items on the DZ BANK Group income statement in the first half of 2013 are described in detail below.

Net interest income (including income from long-term equity investments) in the DZ BANK Group decreased by 5.2 percent year on year to €1,571 million.

DZ BANK's net interest income (excluding income from long-term equity investments) fell by €28 million. Net interest income improved by €35 million at DG HYP, by €12 million at TeamBank, by €2 million in the subgroup headed by DVB Bank SE, Frankfurt am Main, (DVB), and by €1 million in the VR LEASING subgroup (VR LEASING). This figure fell by €13 million in the BSH subgroup and by €23 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) went down by 9.6 percent to €264 million.

This reduction was predominantly due to a year-on-year decline in the level of money market funding caused by market conditions.

Net operating interest income from the corporate banking business rose sharply compared with the first 6 months of 2012.

In corporate banking, demand for loans was muted, both in direct business with medium-sized companies and in joint credit business with the local cooperative banks. This was due to uncertainty about how the economic situation in the international markets would unfold, especially in view of the ongoing sovereign debt crisis in Europe. Reluctance on the part of SMEs to take out new loans was also attributable to their continued ample supply of liquidity.

By contrast, there was greater demand for structured finance (including syndicated loans, acquisition finance, and project finance), particularly in the corporate banking business with major customers.

In the agriculture, nature, and renewable energies (ANE) sector, substantial growth was again achieved from agriculture and renewable energies. The main growth driver as far as renewable energies was concerned was funding for wind farms. Nevertheless, this business is being affected by the current discussions about the future direction of the shift in German energy policy. The ANE support team is continuing to be expanded across Germany in 2013 with the objective of providing even stronger marketing support than hitherto for the local cooperative banks in this sector.

There was also substantial growth in the volume of new development lending business – an important area of activity for the local cooperative banks – in the first 6 months of 2013. The main reasons for this growth were programs for energy-efficient construction and renovation work and for capital investment in renewable energies. Support for finance projects aimed at dealing with demographic change is an increasingly important element, predominantly involving programs for the age-appropriate renovation of housing.

During the reporting period, 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 structured finance business offers sophisticated financing solutions that meet corporate clients' needs. Activities primarily take place at headquarters in Frankfurt, but employees at international branches in London, New York, Hong Kong, and Singapore also sell the innovative range of products in all the major financial centers. This ensures that we are able to meet the needs of German customers and their interests and provide support for corporate customers in other countries.

Net operating interest income from structured finance business in the first half of 2013 exceeded slightly the corresponding period of the previous year. The decline in new business, which resulted from strong competition, was more than offset by payments made in the first quarter of 2013 relating to new business that had been won in 2012.

Net operating interest income from acquisition finance was practically unchanged compared to the first half of 2012. There were material outflows of funds in the portfolio, particularly in the European market, owing to companies' high levels of liquidity.

Against a background of increasingly fierce competition, net operating interest income from trade and export finance in the first half of 2013 was below the level in the first half of 2012. Changing market conditions resulted in a reduction in short-term trade finance business with a slight shift toward structured trade finance and long-term export finance that is covered by government credit insurance. Overall, margins shrank in this business. The emphasis was again very much on providing support for German medium-sized and large corporate customers. DZ BANK's branches and representative offices outside Germany also contributed to the success of the business.

The reduction in the volume of new business on the back of fierce competition in the market meant that net operating interest income from project finance was below the very good level reported in the first half of 2012, which had been bolstered by one-off items.

The net interest income generated by DG HYP jumped by 28.0 percent year on year to €160 million in the first half of 2013.

The planned expansion of commercial real-estate finance, DG HYP's target business, pushed up interest income, which more than compensated for the decrease in interest income resulting from the ongoing scaling back of non-strategic business (private real-estate finance).

Germany is becoming increasingly attractive in terms of real estate, grabbing the attention of foreign investors and enjoying a high level of trust. The reasons for this are the country's economic strength and low interest rates. In Germany, the volume of commercial real-estate transactions grew by 37.3 percent year on year in the first half of 2013. This uptrend confirms Germany's position internationally as one of the key real-estate markets.

Against a backdrop of further intensifying competition, DG HYP stabilized its performance in the commercial real-estate finance business at a good level during the first 6 months of the year. Its volume of new business amounted to €1,746 million as at June 30, 2013 (June 30, 2012: €2,091 million). Reflecting the corporate strategy, by far the largest proportion of this amount was accounted for by the core German market, which had a volume of €1,733 million (June 30, 2012: €2,009 million).

Cooperation within the cooperative financial network, which DG HYP intensified and expanded in the first half of 2013, was particularly fruitful: The volume of joint credit business with the local cooperative banks rose by 47.9 percent to €1,078 million as at June 30, 2013 (June 30, 2012: €729 million). This sustained positive trend highlights the attractiveness and increasing importance of commercial real-estate finance for the cooperative banks. As a consequence, DG HYP is gradually expanding its regional presence and, besides its six real-estate centers across Germany, now has regional offices in Hannover, Kassel, and Leipzig, the latter two being located in those cities' cooperative banks.

In the interests of the cooperative financial network, DG HYP assists the local cooperative banks with public-sector funding inquiries. This enables the cooperative banks to strengthen their presence in the market and enter into additional business relationships with local authorities. Taking account of borrowers' credit ratings, DG HYP prepares finance offers that the local banks then present to the authorities. DG HYP had extended local authority loans with a total volume of €180 million as at June 30, 2013 (June 30, 2012: €106 million).

Net interest income at TeamBank advanced by 5.1 percent to €249 million in the first half of 2013.

Despite extremely fierce competition in the market, the volume of easyCredit business (at nominal values) generated by the cooperative financial network's consumer finance specialist had grown to €6,561 million at the end of the reporting period (December 31, 2012: €6,231 million), an increase of €330 million.

The tried-and-tested quality strategy again centered around the principles of sustainability and fairness – which are rooted in cooperative values – in the first half of 2013. TeamBank's innovative range of products is focused on creating long-term benefits for the cooperative financial network.

With this in mind, TeamBank made further inroads into the market in the first 6 months of 2013. The rise in the total number of customers to 602 thousand as at June 30, 2013 (December 31, 2012: 591 thousand) highlights the continued increase in customer interest.

By the end of the reporting period, 53 thousand customers (December 31, 2012: 47 thousand customers) had opted for TeamBank's innovative easyCredit-Finanzreserve product, which is now well established in the marketplace and is still currently the only credit card with a consumer finance function. This equates to an increase of 12.8 percent.

The newly designed advisory concept known as 'Liquiditätsberater' gave easyCredit a fresh and distinctive profile. An integrated financial compass makes it easy for the customer and advisor alike to gain a clear picture of the credit decision, which is tailored to the customer's individual needs. In addition, easyCredit-Liquiditätsberater promotes the cooperative idea by offering customers attractive member benefits. Approximately 58 thousand members benefited from advice in the first half of 2013, and this included around 15 thousand new members for the cooperative financial network.

Net interest income in the DVB subgroup increased by 1.7 percent to €122 million in the first half of 2013.

All segments of worldwide freight and passenger transportation were impacted by the noticeable yet still muted economic recovery in the United States, an overall trend toward recession in the euro zone, and signs of slower economic growth in the emerging markets, the latter becoming apparent in the last few months of the reporting period.

Given this challenging economic environment and surplus transportation capacity, particularly in some segments of the shipping market, the DVB subgroup – a leading provider in the international transport finance business – was forced to focus its activities on stable and sustianable new business and on risk management.

Using a highly diversified credit portfolio (based on a number of criteria, including mode of transport, region, and user), the DVB subgroup concluded 71 deals in the first half of 2013 with a new business volume of €1.8 billion. A total of 63 transactions with a volume of €2.2 billion had been concluded in the first 6 months of 2012.

Net interest income in the VR LEASING subgroup was slightly up on the first half of 2012 at €119 million, an increase of 0.8 percent.

The increase in net interest income was largely driven by business in Germany, whereas net interest income from business outside Germany declined overall. This trend is in line with VR LEASING's new business strategy.

Leasing via the automotive trade, vehicle fleet business, and real-estate leasing no longer form part of VR LEASING's core domestic business. Now, VR LEASING's main task is to support the local cooperative banks in this core business with the aim of better exploiting the as yet unutilized growth potential that exists in the SME target group – by focusing on offering them quick and easy finance solutions in the form of leases, factoring, and centralized settlement.

During the period under review, VR LEASING strengthened its market position with two targeted campaigns run in collaboration with the cooperative banks. The campaign in the first quarter related to the innovative 'VR LEASING express', a hire-purchase product in which an instant decision is given on amounts up to €50,000. The second-quarter campaign focused on factoring, which also offers considerable opportunities for growth.

After only slight growth in the volume of lease originations in the previous year, the leasing sector continued to be affected by German companies' cautious approach to investment in the first half of 2013. One of the main factors contributing to this trend was the ongoing crisis in the euro zone during the reporting period and the impact on corporate planning from the associated uncertainty. Moreover, the recession that prevailed overall in the euro zone caused German exports within this currency area to slow down in the period under review.

Net interest income in the BSH subgroup declined slightly, by 2.6 percent, to €487 million in the first 6 months of the year.

Non-collective home finance business registered a rise in interest income from advance and interim financing. Nevertheless, financial management of available funds was made more difficult due to interest rates falling year on year to their lowest ever level. This reflects, in particular, the obligation on building societies to maintain adequate levels of liquidity; BSH continued to meet this requirement by pursuing a conservative investment strategy. Moreover, the fall in the investment interest rate was not entirely offset by the increase in volume generated from the high level of new home savings business over the past few years.

In building society operations, demographic change means building society customers of all ages are showing a strong preference for buying rather than renting property, with buyers keen on energy efficiency. This preference also reflects the increased importance attached to maintaining an environmentally compatible and resource-efficient lifestyle.

BSH addressed this change in values and customers' related requirements when it updated its well-established Schwäbisch Hall Tarif Fuchs scale of rates and charges on April 1, 2013. The updated scale includes particularly cost-efficient home savings products for customers carrying out modernization work as well as special finance products. These changes also cater to the substantial demand for secure, uncomplicated, and affordable finance.

In the period under review, the long-term customer acceptance of the Schwäbisch Hall rates and charges once again confirmed BSH as the market leader in building society operations.

Net interest income at DZ PRIVATBANK fell by 20.4 percent to €90 million.

This reduction is attributable to the low level of interest rates and the bank's risk-conscious investment strategy. In the corresponding period of the previous year, net interest income had still included interest income from bonds of euro-zone periphery countries that were sold later on in 2012.

DZ PRIVATBANK acts as the competence center for foreign-currency lending and borrowing in the interest-earning business. The volume of loans guaranteed for the local cooperative banks' clients as part of LuxCredit foreign-currency lending amounted to €6.1 billion as at June 30, 2013 (December 31, 2012: €6.5 billion).

The DZ BANK Group's income from long-term equity investments came to €66 million, which was €7 million below the income of €73 million reported for the comparable period of 2012. The figure for the first half of 2012 had included income of €14 million from DZ Vierte Beteiligungsgesellschaft mbH, Frankfurt am Main, (DZ Vierte), which itself has investments in real-estate companies. In the first half of 2013, however, DZ Vierte was consolidated in the DZ BANK Group for the first time, which means income from long-term equity investments is no longer reported in respect of this company.

In the reporting period, **allowances for losses on loans and advances** in the DZ BANK Group came to €248 million (first half of 2012: €208 million).

In the VR LEASING subgroup, allowances for losses on loans and advances declined by €35 million to €35 million (first half of 2012: €70 million). At DZ BANK, they rose by €49 million to €71 million (first half of 2012: €22 million). Another reason for the increase in allowances for losses on loans and advances in the DZ BANK Group was the inclusion of DZ BANK Polska S.A., Warsaw, (DZ BANK Polska) and VR Equitypartner GmbH, Frankfurt am Main, in the scope of consolidation of the DZ BANK Group for the first time. Allowances for losses on loans and advances in the first 6 months of 2013 came to €26 million at DZ BANK Polska and €17 million at VR Equitypartner GmbH.

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

Net fee and commission income in the DZ BANK Group increased by 11.9 percent to €498 million.

Net fee and commission income improved by €3 million at DZ BANK, by €89 million in the Union Investment Group, by €5 million at DZ PRIVATBANK, and by €2 million in the DVB subgroup. At TeamBank and in the BSH subgroup, this income fell by €3 million and €38 million respectively.

DZ BANK's net fee and commission income increased by 2.2 per cent to €140 million year on year.

The income generated from payments processing including card processing, lending business, and trust activities was slightly higher than in the first half of 2012, while the income from securities business was a little lower. Income from international business was almost at the same level reported for the first 6 months of last year.

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 first half of the year, coming very close to the challenging level set by the figure achieved in the first half of 2012.

Net fee and commission income earned from structured finance declined slightly year on year owing to the overall reduction in the volume of new deals closed during the reporting period.

Net fee and commission income from acquisition finance was higher than in the first half of 2012. This was predominantly due to the German market, where delays to various investment projects resulted in numerous fees being collected in the first half of 2013 instead of in 2012.

Owing to the exceptionally high level of fee and commission income from international trade and export finance in the comparable period of last year, there was a reduction in this figure in the first half of 2013.

Net fee and commission income from the loan syndication business in the first 6 months of 2013 was up considerably year on year due to several significant transactions being concluded in the first quarter. As expected, the number of new transactions was below the level seen in the first half of 2012.

The drop in the volume of new business meant that net fee and commission income from project finance was lower than in the first half of 2012. Fierce competition in the renewable energies sector put intense pressure on prices, in particular in relation to new photovoltaics business. The year-on-year decline was partly offset by growing demand for wind farm finance.

DZ BANK's comprehensive range of services for corporate action proved popular with customers of the primary banks and with DZ BANK's direct customers in the first 6 months of 2013. Given the constantly changing and fiercely contested market, customers are actively seeking out DZ BANK's expertise as it offers them security when they implement such action.

Net fee and commission income in the Union Investment Group improved by 23.5 percent to €468 million.

The average volume of assets under management in the first half of 2013 went up by €19.2 billion year on year to €196.4 billion. In addition to the increase in income generated by this business, performance fees also rose during the reporting period.

The crisis in Cyprus again drew public attention to the economic and political instability of some EU countries. This led to substantial price volatility in the capital markets in the first half of 2013. Nevertheless, the expansionary monetary policies implemented by central banks worldwide as support measures in the first half of the year ensured that average prices in the international equity and bond markets were far higher than in the corresponding period of 2012.

Against this economic backdrop, Union Investment maintained its tried-and-tested sales partnerships with the cooperative banks and succeeded in securing significant new inflows of cash from customers, both in retail banking and institutional business.

In its retail business, Union Investment pursued a strategy of focusing firmly on the customer, providing investment solutions geared to customer requirements that complement its range of classic funds. For example, the individual funds in the PrivatFonds product range have graded risk profiles that are individually matched to customers' needs in terms of security. Net inflows totaled €960 million during the reporting period.

A considerable proportion of the inflows generated in the first half of 2013 was attributable to open-ended real estate funds, which invest in tangible assets. These brought in net inflows of €1.5 billion for retail business.

In its retail business, Union Investment also registered a rise in demand for fund-linked savings plans as an effective method of targeted capital accumulation. During the reporting period, this form of savings with regular payments brought in net inflows of €570 million thanks to 134,000 new savings contracts – a record number for a half-year period.

UniProfiRente, a cornerstone of long-term private capital preservation, again made a substantial contribution to net inflows in retail business during the reporting period. Union Investment remained market leader with this innovative fund-based Riester solution. As at June 30, 2013, the assets in the UniProfiRente fund stood at €8.8 billion, an increase of €1.1 billion (December 31, 2012: €7.7 billion).

Union Investment has also positioned itself as a leading expert in active management of risks and opportunities in its fast-growing institutional business. The assets under management for institutional clients swelled by €3.6 billion to €108.4 billion during the reporting period. New business was mainly in the areas of corporate bonds, dividend strategies, securities from emerging markets, and real-estate funds. Sustainable investments are becoming an increasingly significant driver of new business. The value of the funds under management in this area came to €6.5 billion as at June 30, 2013.

The successful IMMUNO capital preservation concept has been supplemented by the KONVEXO strategy, allowing customers to make better use of opportunities with only a relatively 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 €0.7 billion.

Net fee and commission income at DZ PRIVATBANK advanced by 13.2 percent to €43 million.

Collaboration with the partner banks as part of the enhanced market presence in the cooperative private banking business continued to be stepped up. Additional impetus came from the retail customer portfolio acquired from Hauck & Aufhäuser Banquiers Luxembourg S.A. in the first quarter of 2013. At the end of the period under review, the funds managed on behalf of high-net-worth individuals totaled €13.3 billion (December 31, 2012: €13.5 billion).

Furthermore, DZ PRIVATBANK expanded its business in services for investment funds in the first 6 months of 2013. The value of funds under management had grown to €74.1 billion as at June 30, 2013, €3.3 billion more than at December 31, 2012. The number of fund-related mandates as at June 30, 2013 had risen to 563 (December 31, 2012: 562).

Net fee and commission income in the DVB subgroup advanced by 3.7 percent to €56 million in the first half of 2013, up slightly on the figure reported in the corresponding period of the previous year despite the difficult economic situation.

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

In the first half of 2013, the DVB subgroup's core areas of lending in its transport finance business – aviation, shipping, offshore finance, and land transport – were affected by the patchy recovery of the global economy, Europe's ongoing sovereign debt crisis, and the associated adverse impact on international goods and transport markets.

The net fee and commission income earned by TeamBank in the first half of 2013 fell by 7.1 percent to a net expense of €45 million (first half of 2012: net expense of €42 million).

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

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 expenses resulted in a negative figure for net fee and commission income in the BSH subgroup, which amounted to minus €159 million in the half-year under review compared with minus €121 million in the corresponding period of 2012. This change resulted from steps taken by customers to lock in rates and charges ahead of the new scale of rates and charges that was introduced on April 1, 2013.

In the home savings business, BSH signed approximately 800 thousand home savings contracts in the first 6 months of 2013, with a volume of €22.9 billion (up 34.7 percent on the first half of 2012). This included approximately 54 thousand Fuchs WohnRente contracts (up 3.9 percent).

In the home finance business, the volume of lending to clients jointly brokered with the cooperative banks grew to €6.1 billion in the first half of 2013, representing an increase of 6.8 percent. A further €2.8 billion was accounted for by home finance supported by a home savings contract from BSH.

The attractiveness of home savings and home finance is attributable, in particular, to the current high level of housing in Germany in need of modernization. Approximately 85 percent of Germany's total housing stock is more than 20 years old and does not meet the latest energy efficiency standards.

Additional potential demand is expected as a result of demographic change. An ageing population and a widespread desire to remain in one's own home in old age means many properties need to be adapted or extended because, at the moment, only around 1 percent of Germany's housing stock has been renovated in an age-appropriate way.

At the same time, the falling birth rate means younger people make up a smaller proportion of the total population. They will therefore remain a significant target group, above all in the future, which is why BSH launched its new 'Fuchs Junge Leute' scale of rates and charges specifically for young people in July 2012. By the end of the reporting period, BSH had signed a total of 320 thousand home savings contracts for this scale.

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 R+V insurance policies.

The DZ BANK Group's **gains and losses on trading activities** in the first half of 2013 came to a net gain of €154 million compared with a figure of €496 million for the corresponding period of 2012.

This result was attributable to the gains of €127 million on trading activities earned by DZ BANK (first half of 2012: €499 million). DZ BANK's gains on trading activities had been exceptionally high in the first half of 2012 due to the considerably higher valuation – mainly in the first quarter of 2012 – of the securities held for dealing purposes as a result of the narrowing of spreads caused by market conditions.

The group's gains on trading activities in the first 6 months of 2013 were reduced by increases of €77 million in DZ BANK's liabilities measured at fair value (first half of 2012: increases of €48 million) owing to narrower spreads. DZ BANK's balance of unrealized and realized gains and losses relating to asset-backed securities (ABSs) accounted for €37 million of the group's gains on trading activities (first half of 2012: €49 million).

The group's gains and losses on trading activities also included a loss of €28 million caused by interest-rate-related changes in the value of cross-currency basis swap spreads, above all at DZ BANK (first half of 2012: loss of €108 million).

As in previous years, gains and losses on trading activities in the DZ BANK Group during the reporting period 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. 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 direct corporate customers as well as national and international institutional clients.

Given the continuation of the European sovereign debt crisis in the first half of 2013, the priority for private investors was security and capital protection for their investments. DZ BANK's AKZENT Invest product brand enabled it to increase its share of the market for capital protection investment certificates in the first 6 months of the year. In addition, DZ BANK stepped up its activities in relation to selling exchange-traded derivative securities products.

In a volatile market environment, not only bank bonds and corporate bonds but also traditional Pfandbriefe and covered bonds were in demand from customers. DZ BANK impressively reiterated its leading position in the market for structured products.

The cooperative banks' own-account investing centered around credit-linked products from dependable financial institutions and companies. In addition to purchasing conventional bonds, many cooperative banks – aiming to stabilize their financial performance – sought out simply structured credit products where they could select the maturities and reference entities.

In corporate banking, major corporate customers' demand for short-dated securities investments was primarily focused on commercial paper from issuers in Germany and other countries of 'core Europe'. Financing business with corporate customers was also expanded in the period under review, backed by sound and valuable pools of receivables and by the associated interest on the loans. Continued uncertainty among large and medium-sized corporate customers about the future performance of the euro led to increased hedging activities. The focus was on classic forex options and forward forex transactions.

In business with institutional investors, the sustained low level of interest rates boosted customers' interest in structured interest-bearing products, with long-dated multi-callable structures and multi-tranche products proving especially popular.

In the primary market business for new bond issues, the volume of newly issued bonds declined significantly. The impact of reductions in total assets was particularly noticeable in cases where banks were the issuers. Investors' interest in primary market issues from banks and public-sector entities was dampened by low interest rates and very low individual credit spreads. Demand for corporate bonds remained high.

Gains and losses on investments in the DZ BANK Group amounted to a loss of €71 million (first half of 2012: loss of €185 million).

The large loss reported in the first half of 2012 was attributable, above all, to a loss of €71 million that arose in connection with the investment in the Österreichische Volksbanken-AG Group. Following the loss of significant influence over this group in the first half of last year, the group is no longer included in the consolidated financial statements using the equity method. In the comparable period of last year, there had also been losses on disposals and impairment losses totaling €87 million in connection with ABSs. During the reporting period, the corresponding loss in connection with ABSs came to €53 million. The loss reported in the first half of 2012 had also included one-off losses with a total amount of €16 million resulting from the disposal of Greek bonds.

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a gain of €738 million in the reporting period (first half of 2012: loss of €540 million).

Of the group's net gain of €738 million, a net gain of €700 million was attributable to DG HYP in the first half of 2013. This figure was influenced by gains on DG HYP's portfolio of bonds from the euro zone's periphery. In particular, this resulted from a narrowing of credit spreads and from repayment in an amount of €180 million of a corporate bond with a nominal amount of €240 million that was guaranteed by an EU member state; the bond was valued at €60 million at the time of its maturity.

Of the net loss of €540 million reported in the first half of 2012, a loss of €528 million had been attributable to DG HYP. It was largely caused by write-downs in the portfolio of government bonds of euro-zone countries affected by the sovereign debt crisis, a portfolio that is being phased out.

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. This income dropped by 57.5 percent to €82 million in the first half of 2013 (first half of 2012: €193 million).

The decrease resulted largely from a deterioration in gains and losses on investments held by insurance companies and from higher insurance benefit payments.

Against a background of persistently stiff competition in the insurance industry, R+V is benefiting from its extensive strategic integration in the cooperative financial network. Close collaboration with the local cooperative banks was crucial to the good level of insurance premiums achieved by R+V.

Premiums earned rose by 11.5 percent to €6,351 million (first half of 2012: €5,694 million), exceeding the excellent level of premiums earned in the first half of 2012.

Forecasts that R+V would outperform the general sectoral trend in terms of premium growth in its non-life insurance business were confirmed, with growth driven above all by vehicle insurance.

R+V generated higher premium income in its life insurance business, especially in its one-off premium pension insurance business and from its R+V-PrivatRente IndexInvest product.

Despite the adverse impact of the ongoing debate about the future structure of the healthcare system in Germany, R+V Krankenversicherung was able to increase its premium income at an above-average rate, largely because of the encouraging growth in regular premiums.

Premiums earned (net) from inward reinsurance fell slightly year on year.

Gains and losses on investments held by insurance companies and other insurance company gains and losses amounted to a net gain of €1,229 million (first half of 2012: gain of €1,418 million). Long-term interest rates were substantially higher during the period under review than in the corresponding prior-year period. The equity markets relevant to R+V performed only slightly better in the first 6 months of 2013 than they had in the first half of 2012. Overall, these trends resulted in lower unrealized gains, primarily in the life insurance and health insurance businesses. Whereas net gains from currency translation had deteriorated compared with the first half of 2012, there was an improvement in net gains on the disposal of investments held by insurance companies during the reporting period.

Owing to countervailing effects from the recognition of reserves for deferred policyholder participation in life insurance and claims from policyholders in fund-linked life insurance business in the ‘insurance benefit payments’ line item presented below, however, the change in the level of gains on investments held by insurance companies only partially affected the level of net income from insurance business in the period under review.

Insurance benefit payments increased by 9.8 percent from €5,887 million in the first half of 2012 to €6,461 million in the first 6 months of 2013.

Non-life insurance business was affected by a number of major claims in the first half of 2013. Losses of around €80 million caused by the flooding seen across many parts of Germany in June and losses of approximately €40 million resulting from a hailstorm in late June impacted on earnings.

In inward reinsurance, losses caused by major claims – especially those resulting from natural disasters – were within expectations, however. They included claims expenses of around €50 million in respect of flooding and other severe weather conditions that occurred in June.

Higher additions were made to insurance liabilities at companies offering personal insurance, in particular in line with the changes in premium income.

Insurance business operating expenses incurred in the course of ordinary business activities rose from €1,032 million in the first half of 2012 to €1,037 million in the first 6 months of 2013.

Administrative expenses in the DZ BANK Group rose by 3.1 percent year on year to €1,419 million (first half of 2012: €1,376 million), including an increase in staff expenses of €26 million (3.6 percent) to €753 million (first half of 2012: €727 million) and an increase in other administrative expenses of €17 million (2.6 percent) to €666 million (first half of 2012: €649 million).

Within the DZ BANK Group, other administrative expenses increased at DZ BANK by €11 million to €209 million, at DG HYP by €5 million to €36 million, in the BSH subgroup by €4 million to €108 million, and in the VR LEASING subgroup by €4 million to €43 million, in each case predominantly as a result of regulatory requirements.

The increase in the DZ BANK Group’s staff expenses was primarily attributable to the fact that DZ BANK’s staff expenses rose by €15 million to €249 million owing to a rise in the number of employees and an increase in salaries in connection with a collective bargaining agreement.

Other net operating income earned by the DZ BANK Group in the reporting period climbed by €5 million to €38 million (first half of 2012: €33 million). A decline of €36 million in the DVB subgroup was counteracted by the higher net operating income achieved, in particular, in the R+V subgroup (up €12 million) as well as at DZ PRIVATBANK (up €9 million) and in the BSH subgroup (up €7 million). The sharp fall in income in the DVB subgroup was predominantly due to the fact that the income reported in the corresponding period of 2012 had been influenced by a book gain of €37 million resulting from the disposal of 60 percent of DVB's shares in TES Holdings Ltd., Bridgend, United Kingdom.

The **cost/income ratio** for the DZ BANK Group was 47.1 percent in the first half of 2013 (first half of 2012: 65.6 percent).

The DZ BANK Group's **income taxes** in the first half of the year amounted to €426 million compared with a figure of €111 million for the comparable period of 2012. This included a deferred tax expense amounting to €204 million (first half of 2012: deferred tax income of €67 million) and a current tax expense of €222 million (first half of 2012: current tax expense of €178 million).

Net profit for the first half of 2013 amounted to €917 million compared with €404 million in the first half of 2012.

4.1.3. Segment performance

The **segment breakdown** of the DZ BANK Group's **profit before taxes** of €1,343 million for the first half of 2013 was as follows:

FIG. 2 – PERFORMANCE OF THE OPERATING SEGMENTS

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Bank	329	842
Retail	330	196
Real Estate Finance	894	-312
Insurance	57	167
Consolidation/reconciliation	-267	-378

Profit before taxes improved by €134 million in the Retail operating segment and by €1,206 million in the Real Estate Finance operating segment compared with the first 6 months of 2012. Profit before taxes fell by €513 million and €110 million respectively in the Bank and Insurance operating segments. The figure for consolidation/reconciliation effects changed by minus €111 million to minus €267 million.

The income statements for the individual operating segments are shown in detail in section 4 of the notes to the interim consolidated financial statements.

4.2. NET ASSETS

As at June 30, 2013, the DZ BANK Group's **total assets** had decreased by €11.2 billion to €396.0 billion (December 31, 2012: €407.2 billion). The reduction was largely due to the decline of €11.7 billion in DZ BANK's total assets.

The DZ BANK Group's **loans and advances to banks** rose by €1.1 billion to €80.5 billion, an increase of 1.3 percent. Loans and advances to domestic banks grew by €2.6 billion, or 3.8 percent, to €70.6 billion; loans and advances to foreign banks were down €1.5 billion, or 13.4 percent, to €9.9 billion.

Loans and advances to customers in the DZ BANK Group had decreased by €1.0 billion, or 0.8 percent, to €122.8 billion as at June 30, 2013. An increase in loans and advances to customers in the BSH subgroup (up €1.2 billion) contrasted with a fall in loans and advances to customers at DG HYP (down €1.2 billion), at DZ BANK (down €0.8 billion), and at DZ PRIVATBANK (down €0.4 billion).

As at June 30, 2013, **financial assets held for trading** amounted to €56.0 billion, a sharp decrease of €10.7 billion (16.0 percent) on the figure as at December 31, 2012. Whereas there was an overall rise of €0.9 billion in money market placements (up €0.6 billion) and loans and advances from promissory notes, registered bonds, and other loans and advances (up €0.3 billion), the amount of derivatives (positive fair values) decreased by a substantial €11.5 billion to €25.2 billion owing to higher interest rates.

Investments reduced by €2.0 billion, or 3.4 percent, to €57.8 billion. This was primarily attributable to a decrease of €2.0 billion in the volume of bonds.

The DZ BANK Group's **deposits from banks** as at June 30, 2013 amounted to €88.7 billion, which was €11.9 billion (11.8 percent) below the figure reported as at December 31, 2012. Deposits from domestic banks declined by €11.6 billion to €77.1 billion, this sharp decline being caused by market conditions. Deposits from foreign banks amounted to €11.6 billion, constituting a small reduction of €0.3 billion.

Deposits from customers grew by €4.3 billion, or 4.6 percent, to €96.4 billion. In particular, the BSH subgroup and DZ BANK reported increases in deposits from customers of €2.5 billion and €1.5 billion respectively.

At the end of the period under review, the carrying amount of **debt certificates issued including bonds** in the DZ BANK Group had reached €61.2 billion (December 31, 2012: €63.3 billion). This decline of €2.1 billion in the group was largely due to a fall of €2.7 billion in debt certificates issued including bonds at DG HYP and an equivalent rise of €0.8 billion in the DVB subgroup.

Financial liabilities held for trading declined by €3.7 billion, or 6.3 percent, to €55.0 billion. Within this figure, the decrease of €12.4 billion in the amount of derivatives (negative fair values) more than offset the growth of €8.2 billion in money market deposits.

As at June 30, 2013, the **equity** reported by the DZ BANK Group was €13,302 million (December 31, 2012: €12,641 million). This change essentially reflects the net profit generated during the period under review. The revaluation reserve for available-for-sale financial assets had grown by €36 million to €72 million as at June 30, 2013 (December 31, 2012: €36 million).

The DZ BANK Group's **equity and solvency situation** is described in this interim group management report in III. Opportunities and risks associated with forecast development, section 3 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 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 June 30, 2013 were as follows:

FIG. 3 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

(%)	Jun. 30, 2013	Dec. 31, 2012
Local cooperative banks	39	48
Other banks, central banks	18	15
Corporate customers, institutional customers	22	22
Commercial papers (institutional investors)	21	15

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 used to manage and satisfy the long-term financing requirements (more than 1 year) of DZ BANK and, in consultation with the group companies, the corresponding requirements of the DZ BANK Group. 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 June 30, 2013 was 95 percent (December 31, 2012: 88 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.

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.

In addition to the information on the refinancing structure, further information on the **DZ BANK Group's liquidity risk** is provided in this interim group management report in III. Opportunities and risks associated with forecast development, section 6 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 interim consolidated financial statements.

4.4. EVENTS AFTER THE BALANCE SHEET DATE

Severe weather conditions occurred in Germany again in July and August 2013 which will impact negatively on the 2013 financial year. It is not yet possible to estimate the financial implications.

II. Outlook

1. ECONOMIC CONDITIONS

1.1. GLOBAL ECONOMIC TRENDS

A number of leading indicators suggest that the **global economy** is set to stage a moderate recovery. Provided that the structural adjustments being implemented in the euro zone are continued as scheduled and that the eventually inevitable abandonment of extremely expansionary monetary policy is accomplished without sending shock waves through the financial markets, the global economy is likely to pick up additional momentum over the further course of this year and in 2014.

The structural adjustments and deleveraging taking place in the crisis-stricken member countries of the euro area will act as a drag on growth in most of the advanced economies. Global gross domestic product (GDP) should grow by an average of just under 3 percent this year and by slightly more in 2014.

Global trade, from which Germany has derived above-average benefit in recent years, will probably increase by just barely 3 percent in 2013 and might not achieve much stronger growth until 2014.

1.2. TRENDS IN THE USA

Although the public finances in the **United States** are still heavily in deficit, consumers and companies have made progress in consolidating their budgets. The positive news coming out of the housing market suggests that the process of recovery is still intact. Sentiment is being buoyed by the sharp rise in sales of new builds as well as the steady increase in building permits and housing starts.

The industrial sector reveals modest growth, with its capacity utilisation declining slightly. Even though individual survey-based indicators continue to point to growth, the number of industrial workers has recently fallen slightly. Nonetheless, the latest US labor market data and the sustained rise in employment suggest that the economy as a whole is performing more robustly.

In addition to the housing market recovery and expanding employment, lower energy prices over the coming months will boost consumer spending, which accounts for roughly two-thirds of GDP in the United States. Because construction investment is also likely to continue to rise sharply, growth is expected to accelerate in 2014.

With energy prices falling and wage costs exerting only weak pressure, consumer price rises should remain below 2 percent in 2013. They are expected to be slightly higher in 2014.

1.3. TRENDS IN THE EURO ZONE

Although the **euro-zone** economy overall remains in recession, sentiment in both industry and the services sector has improved. This more upbeat mood has not only manifested itself in Germany, the largest economy in the single currency area. A growing sense of optimism in France and the other euro-zone member states also suggests that the recession in this region might come to an end in mid-2013, even if economic activity for this year as a whole is still expected to contract. The euro-area economy is then forecast to grow modestly in 2014.

The rise in harmonized consumer prices is likely to remain below 2 percent over the coming months, largely on the back of lower commodity and energy prices. The average rate of inflation for 2014 is expected to increase moderately as a result of the economic recovery.

Although the situation is improving, there are still risks that could hamper the economic recovery. Short-term unknowns – such as the Greek government reshuffle and the continuation of Italy's governing coalition – still have the potential to exacerbate the uncertainty prevailing in financial markets. Time and a concerted counter-offensive will continue to be needed in order to achieve lasting reductions in the spiralling level of unemployment, especially in southern Europe. Above all, this will require a sustained economic recovery.

Companies in the euro zone have so far been reluctant to expand their manufacturing capacity in view of the lacklustre economic outlook. What's more, bank lending to firms on Europe's periphery continues to decline. A significant rise in capital market interest rates could act as an additional drag on the tough process of recovery.

1.4. TRENDS IN GERMANY

The outlook for **Germany** going forward looks encouraging. Having overcome a brief slowdown during the current year, business activity is likely to increase in 2014 despite the adverse effects continuing to emanate from abroad. The high level of employment, moderate wage settlements, and falling inflation should underpin this positive sentiment.

Taken together, the stability of the operating environment is seen as an encouraging sign for the German economy. Having started the year on a disappointing note, growth is likely to accelerate during the remainder of 2013 and is expected to rise significantly to more than 2 percent for 2014.

Nonetheless, price pressures in Germany remain very much muted. Whereas food inflation has risen sharply in recent months, heating costs and petroleum prices have fallen significantly. Consumer price inflation is forecast to be below 2 percent in 2013, while the rate of inflation for 2014 could return to above two percent.

1.5. TRENDS IN THE FINANCIAL SECTOR

Banks and insurance companies remain very much in the public eye as a result of the European sovereign debt crisis. Both macrofinancial and, to a lesser extent, microfinancial risks caused by the interaction between the real economy and the various parts of the financial sector are attracting greater attention.

A number of regulatory measures have been introduced to ensure the stability of the financial sector. Over the next few years these measures will need to be enshrined in law and reviewed to ensure that they are fit for purpose.

The financial sector as a whole must expect to face additional regulatory requirements and the imposition of further statutory conditions over the coming years. What the DZ BANK Group would like to see here is consistent and transparent measures that take account of banks' capabilities and the diversity of the German financial sector while maintaining a sense of proportionality.

2. CHANGES IN FINANCIAL POSITION AND FINANCIAL PERFORMANCE

2.1. FINANCIAL PERFORMANCE

The outlook for the DZ BANK Group's operating performance during the remainder of this year and in 2014 is positive despite the continued uncertainty surrounding the European sovereign debt crisis. Against this background the group expects to raise its income overall.

Net interest income will decline a little in 2013 owing to the slightly less positive economic outlook for Germany and the persistently sluggish performance of the other key euro-zone member states. It is only during the course of 2014 that an 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 sentiment about future economic growth over the next few years and if there is any further reduction in key interest rates.

Allowances for losses on loans and advances will decrease this year largely as a result of the strategic adjustments made to leasing activities. The level of allowances for losses on loans and advances recognized for 2014 is expected to slightly exceed this year's figure owing to the economic growth being forecast and the rigorous long-term risk policy being pursued.

The latest assessments suggest that there is a risk of a sharp economic downturn throughout Europe that would inevitably also affect Germany and could be caused by the European sovereign debt crisis spreading to the real economy. Such cyclical trends would then have a detrimental impact on the level of allowances for losses on loans and advances.

The **net fee and commission income** earned this year will exceed the already high figure achieved in 2012. In particular, the fee and commission income generated by the impressive performance of assets under management could compensate for the sharp rise in fees and commissions paid owing to the strong growth in new business. Net fee and commission income is expected to grow modestly in 2014, partly as a result of the larger volume of business in private banking.

Any resurgence of uncertainty in financial and capital markets could undermine confidence and sentiment among retail and institutional investors and reduce the level of net fee and commission income.

The net gains under **gains and losses on trading activities** will be lower in 2013. The benign effects resulting from the changes in credit spreads in 2012 have tailed off significantly, especially in the case of Pfandbriefe, sovereign debt, and government bonds.

Any increase in net gains on trading activities will require a sustained period of economic growth coupled with stability in financial markets. This is expected to materialize from 2014 onward. Additional stimulus will come from further cross-selling income, which is likely to be generated by the timely implementation of the corporate banking initiative.

Severe volatility in financial markets combined with a cautious approach by retail and institutional investors may continue to affect the level of gains and losses on trading activities going forward. Any further tightening of regulatory requirements could also impair the amount of net gains realised on trading activities in the future.

Following the adverse effects arising from the sovereign debt crisis, and after the recognition of losses caused by the disposal of securitized investments in order to optimize capital recovery, there is expected to be a significant improvement in the level of **gains and losses on investments** both this year and, especially, in 2014. In addition, impairment losses on securitization exposures are expected to continue to fall in 2014, thereby increasing gains on investments.

Net income from insurance business is expected to contract in 2013. Although premiums earned will continue to increase slightly on the back of expected premium growth in non-life insurance and life/health insurance, prudent estimates suggest that net gains on investments held by insurance companies are likely to decline. The amounts paid in settlement of claims relating to Germany's flood disaster in the early summer will impair this result in 2013.

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

Exceptional events in the capital markets or changes in underwriting practices may affect the level of net income expected to be earned from insurance business.

Administrative expenses are set to rise in 2013. This increase will reflect the DZ BANK Group's response to the tighter regulation and legislation. Appropriate countermeasures will be taken to substantially rein in the growth in administrative expenses in subsequent years.

The aim remains to improve the cost/income ratio by rigorously managing costs and accelerating growth in operating activities despite ongoing additional pressures.

Assuming that the sovereign debt crisis can be contained, the situation in the capital markets eases, and the economy improves slightly in 2014, the DZ BANK Group expects its **net profit** for both this year and 2014 to increase.

The group's earnings performance could be affected by any resurgence of volatility in financial and capital markets. Fiscal policies introduced in response to the persistently high levels of government debt and the associated cyclical trends may also have an impact on profit forecasts.

The DZ BANK Group believes that its strategic focus on the cooperative financial network continues to provide it with lasting potential to generate growth this year and in 2014 by working closely with the local cooperative banks.

The entire 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.

DZ BANK has already significantly improved its capital situation in previous years. However, the transfer of banking supervision to the European Central Bank (ECB) and the introduction of the Capital Requirements Regulation (CRR) will place a substantial burden on the group's capital base.

Further progress in this direction was made in the first half of the current financial year. The strengthening of Tier 1 capital by €1,800 million was largely attributable to the profit retained from the net income for 2012 and to the reduced capital deductions in respect of securitization exposures. Tier 2 capital also increased, mainly as a result of the reduced capital deductions for securitization exposures.

DZ BANK will be asking its shareholders to provide support in the form of appropriate capital-raising measures in order to supplement the continuous strengthening of its capital base from its own resources. The current plan is for DZ BANK to use authorized capital to increase its share capital by a nominal €500 million in the second quarter of 2014.

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 valuable contribution to the diversification of funding.

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

III. Opportunities and risks associated with forecast development

DZ BANK, as the parent company in the DZ BANK Group, meets the transparency requirements related to opportunities and risks as specified in sections 37w and 37y of the German Securities Trading Act (WpHG) and in section 315 of the German Commercial Code (HGB) in conjunction with German accounting standard number 16 (interim financial reporting) 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 the applicable international requirements of IAS 34 with respect to risk-related disclosure requirements.

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

1. OPPORTUNITY AND RISK MANAGEMENT

The objectives and strategies of the DZ BANK Group's opportunity and risk management system and the types of risk relevant to the group are set out in the disclosures on page 84 onwards of the opportunity and risk report in the group management report for 2012.

All DZ BANK Group companies are integrated into the groupwide opportunity and risk management system. The following companies form 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
- DZ PRIVATBANK S.A.
- R+V
- TeamBank
- Union Asset Management Holding AG, Frankfurt
- VR LEASING

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

The management units ensure that their own subsidiaries and long-term equity investments are 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.

No material changes have been made to the opportunity and risk management system since December 31, 2012. The pertinent details set out in the opportunity and risk report within the 2012 group management report therefore continue to apply.

2. OPPORTUNITIES

2.1. 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, Transaction Banking and Capital Markets, which focuses on the cooperative financial network.

DZ BANK's **focus on the cooperative banks** is vital in view of the need to manage scarce resources and 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 retail banking and business with SMEs.

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 'Verbund First' strategy pursued by the DZ BANK Group in this connection is a significant contributing factor in helping the **cooperative banks to strengthen their market position.** Apart from receiving substantial financial contributions in the form of fees, commissions, bonuses, and profit distributions, the local cooperative banks are supported by the transfer of cost benefits and by the provision of competitive products and services.

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 do not compete directly with those of the cooperative banks and they enable further economies of scale to be created for the entire cooperative financial network.

The **Outlook** section of the interim group management report describes expected developments in the market and operating environment together with the DZ BANK Group's business strategy and their implications for the earnings performance forecast for the reporting year. These are crucial factors in determining the DZ BANK Group's strategic positioning and resultant potential for increasing revenue and cutting costs during the reporting year.

2.2. RATINGS

The credit rating agencies Standard & Poor's Financial Services LLC (Standard & Poor's), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings Inc. (Fitch) use credit ratings to regularly assess whether potential borrowers will be able to meet their future repayment obligations as agreed. The rating agencies' assessments are based on a number of factors such as the borrowers' earnings potential, capital adequacy, risk positioning, profitability, sources of funding, and liquidity situation. DZ BANK is regularly analyzed by all three agencies.

DZ BANK's long-term credit ratings from 2012 were reaffirmed by Moody's (A1) and Fitch (A+) in the first half of 2013. Standard & Poor's had already confirmed DZ BANK's existing long-term credit rating (AA-) in November 2012. Figure 4 provides an overview of DZ BANK's credit ratings.

FIG. 4 – DZ BANK RATINGS

	Standard & Poor's		Moody's		Fitch	
	2013	2012	**2013**	2012	**2013**	2012
Covered bonds (DZ BANK BRIEFE)	AAA	AAA	–	–	AA	AA
Long-term rating	AA-	AA-	A1	A1	A+	A+
Short-term rating	A-1+	A-1+	P-1	P-1	F1+	F1+

3. RISK CAPITAL MANAGEMENT

3.1. ECONOMIC CAPITAL ADEQUACY

As part of risk-bearing-capacity analysis, the risk capital requirement is compared with the aggregate risk cover (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 aggregate risk cover and bearing in mind the necessary capital buffer. These limits then restrict the risk capital requirement. Aggregate risk cover comprises equity and hidden reserves. It is reviewed in full on a quarterly basis and also partly updated on a monthly basis.

The aggregate risk cover available to the DZ BANK Group as at June 30, 2013 amounted to €16,074 million (December 31, 2012: €15,326 million). The year-on-year increase was largely attributable to the higher net profit for the period. This more than com pensated for the decrease in fair value reserves resulting from the rise in interest rates in May and June 2013.

FIG. 5 – ECONOMIC CAPITAL ADEQUACY

€ million	Jun. 30, 2013	Dec. 31, 2012
Aggregate risk cover	16,074	15,326
Capital buffer	-3,445	-3,453
Aggregate risk cover after deduction of capital buffer	**12,629**	**11,873**
Upper loss limit	10,412	10,164
Credit risk	2,821	2,843
Equity risk	815	822
Market risk	1,948	2,138
Technical risk of a home savings and loan company	576	593
Actuarial risk	1,914	1,840
Operational risk	736	720
Business risk[1]	412	311
Risk capital requirement (after diversification)	**7,510**	**7,556**
Economic capital adequacy	**168.2%**	**157.1%**

1 Including reputational risk

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. The capital buffer amounted to €3,445 million as at June 30, 2013 (December 31, 2012: €3,453 million).

Derived from the aggregate risk cover minus the capital buffer, the upper loss limit for the DZ BANK Group totaled €10,412 million as at June 30, 2013 (December 31, 2012: €10,164 million). The risk capital requirement was calculated to be €7,510 million, which was a slight year-on-year decrease overall (December 31, 2012: €7,556 million).

The economic capital adequacy ratio for the DZ BANK Group was calculated to be 168.2 percent as at June 30, 2013 (December 31, 2012: 157.1 percent).

The aggregate risk cover (after deduction of the capital buffer) exceeded the calculated risk capital requirement at all times during the first half of 2013. As things stand, this will also be ensured during the remaining 6 months of the year.

Figure 5 shows the economic capital adequacy and its components.

3.2. 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 also strictly observed.

3.2.1. DZ BANK financial conglomerate

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 calculation of financial conglomerate solvency as at June 30, 2013 demonstrates that the DZ BANK financial conglomerate significantly exceeds the minimum regulatory requirements.

3.2.2. DZ BANK banking group

REGULATORY CAPITAL RATIOS

As in prior years, the DZ BANK banking group's **regulatory capital** was calculated on the basis of the HGB single-entity financial statements of the companies included within the scope of consolidation and amounted to a total of €14,733 million as at June 30, 2013 (December 31, 2012: €12,314 million).

Tier 1 capital as at June 30, 2013 had grown by €1,800 million since the end of 2012. The strengthening of Tier 1 capital by just under 20 percent was largely attributable to the profit of €1,411 million retained from the net income for 2012 and to the reduction of €275 million in capital deductions in respect of securitization exposures.

Tier 2 capital grew by €619 million compared with the end of 2012 to €748 million. This almost fivefold increase in Tier 2 capital stemmed mainly from the total decrease of €558 million in capital deductions for securitization exposures and other capital deductions. Tier 2 capital was further strengthened by the raising of subordinated capital totaling a net €60 million.

Regulatory **capital requirements** were calculated to be €6,969 million as at June 30, 2013 (December 31, 2012: €7,148 million). Of the total decrease of €179 million compared with the end of 2012, €154 million was attributable to credit risk exposures and €34 million to market risk exposures. This decrease was partly offset by an increase of €9 million in capital requirements for operational risk.

The **total capital ratio** rose from 13.8 percent as at December 31, 2012 to 16.9 percent at the balance sheet date. The **Tier 1 capital ratio** was 16.1 percent as at June 30, 2013 compared with the lower ratio of 13.6 percent as at December 31, 2012. 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).

Figure 6 provides an overview of the DZ BANK banking group's regulatory capital ratios.

FIG. 6 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP

€ million	Jun. 30, 2013	Dec. 31, 2012
Capital		
Tier 1 capital	13,985	12,185
Total Tier 2 capital after capital deductions	748	129
Total	**14,733**	**12,314**
Capital requirements		
Credit risk (including long-term equity investments)	5,673	5,827
Market risk	611	645
Operational risk	685	676
Total	**6,969**	**7,148**
Capital ratios		
Total capital ratio	16.9%	13.8%
Tier 1 capital ratio	16.1%	13.6%

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. The solvency requirements as at June 30, 2013 were fully satisfied for both stress scenarios, as had also been the case at December 31, 2012.

BASEL III

The European financial sector is faced with considerable challenges related to the implementation of European legislation in connection with Basel III CRD IV and CRR. German banks must start to apply the new regulations from 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 successively 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. DZ BANK has systematically prepared for the transition of regulatory reporting systems 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.

The regulatory liquidity requirements, which constitute a stringent supplementary requirement for economic liquidity risk management, will in the future be met internationally under Basel III in the form of the new liquidity coverage ratio (LCR) and net stable funding ratio. There will be an initial observation phase for this approach, during which time there will be no obligation to comply with the minimum ratios. The DZ BANK Group is taking part in the Basel III monitoring process, during which the results of calculations of the two aforementioned ratios are sent to the regulatory authorities every 3 months. Since the beginning of 2013 these ratios have also been calculated once a month for internal purposes. In this connection the DZ BANK Group is examining the impact that the new regulatory requirements will have on its liquidity management and its funding. This process involves a close dialog between DZ BANK's Group Treasury division and the units responsible for regulatory compliance.

Measures to implement these requirements in the bank's operations have already been initiated and will continue in the second half of 2013. Efforts will be particularly focused on close monitoring of the main capital drivers and implementation of the defined measures to reallocate capital in order to improve capital distribution within the DZ BANK banking group. As things stand, 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.

3.2.3. R+V insurance group

The R+V insurance group and its companies met the minimum regulatory solvency requirements in the first half of 2013.

Analysis of the capital market scenarios applied during the internal planning process shows that the R+V insurance group's solvency ratio will continue to exceed the minimum statutory requirement as at December 31, 2013.

4. CREDIT RISK

4.1. LENDING VOLUME

4.1.1. Classes and concentrations

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.

4.1.2. Change in lending volume

The DZ Bank Group's total lending volume fell by less than 1 percent in the first half of the year to €308.3 billion as at June 30, 2013 (December 31, 2012: €308.5 billion).

Having contracted at the beginning of the reporting year, the volume of **traditional lending business** had grown to €205.7 billion by June 30, 2013, although it fell short of the level it had attained at the end of 2012 (€206.5 billion). The credit quality breakdown within this type of business was unchanged year on year.

The contraction in lending volume within the **securities business** that had begun back in 2007 continued during the first half of 2013. Most of this decrease was attributable to the financial sector. By contrast, the volume of loans and advances to the public sector grew modestly. Credit exposure in the securities business amounted to €83.4 billion as at June 30, 2013 (December 31, 2012: €85.1 billion). This trend is a result of the continued reduction of 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 increase in lending for **derivatives and money market operations** was mainly attributable to the expansion of DZ BANK's money market operations. The volume of lending in this business totaled €19.2 billion as at June 30, 2013 (December 31, 2012: €16.9 billion). The volume of lending in DZ BANK's unsecured money market operations fluctuated significantly in the first 6 months of 2013.

4.1.3. Collateralized lending volume

Figure 7 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 declined by 2 percent compared with the end of 2012. Because the underlying gross lending volume was also slightly reduced, the collateralization rate as at June 30, 2013 amounted to 28 percent (December 31, 2012: 29 percent).

The largest proportion of collateralized lending volume (73 percent as at June 30, 2013) in traditional lending business continued to be 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.

FIG. 7 – COLLATERALIZED LENDING VOLUME BY TYPE OF COLLATERAL

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Guarantees, indemnities, risk subparticipation	14.3	15.0	–	–	0.3	0.4	14.6	15.4
Credit insurance	1.4	1.3	–	–	–	–	1.4	1.3
Land charges, mortgages, registered ship mortgages	62.6	63.7	–	–	0.1	0.1	62.7	63.8
Pledged loans and advances, assignments, other pledged assets	1.3	1.4	–	–	–	–	1.3	1.4
Financial collateral	0.9	0.9	–	–	0.3	0.1	1.2	1.0
Other collateral	4.7	5.0	–	–	–	–	4.7	5.0
Collateralized lending volume	**85.3**	87.3	**–**	–	**0.7**	0.6	**85.9**	88.0
Gross lending volume	205.7	206.5	83.4	85.1	19.2	16.9	308.3	308.5
Uncollateralized lending volume	**120.4**	119.1	**83.4**	85.1	**18.5**	16.3	**222.3**	220.5

4.1.4. Sectoral structure of the credit portfolio

The sectoral breakdown of the credit portfolio presented in figure 8 shows that the total volume of lending as at June 30, 2013 remained highly concentrated in the financial sector (41 percent). In addition to the local cooperative 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.

4.1.5. Geographical structure of the credit portfolio

Figure 9 shows the geographical breakdown of the credit portfolio by **country group**. 94 percent of the total lending volume continued to be concentrated on Germany and other industrialized countries as at June 30, 2013.

FIG. 8 – LENDING VOLUME BY SECTOR

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Financial sector	75.6	73.9	35.7	38.1	15.2	13.0	126.5	125.1
Public sector	7.6	7.9	37.7	35.5	1.0	1.0	46.2	44.3
Corporates	77.8	79.9	2.8	3.3	1.9	2.5	82.5	85.7
Retail	40.9	40.6	4.4	5.1	–	–	45.3	45.8
Industry conglomerates	3.0	3.1	2.8	3.1	1.1	0.4	6.8	6.6
Other	0.9	0.9	–	–	–	–	0.9	0.9
Total	**205.7**	**206.5**	**83.4**	**85.1**	**19.2**	**16.9**	**308.3**	**308.5**

FIG. 9 – LENDING VOLUME BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Germany	165.2	164.7	51.6	50.8	11.7	9.7	228.5	225.2
Other industrialized nations	25.7	26.8	28.4	30.9	6.6	6.4	60.7	64.2
Advanced economies	4.5	4.9	0.7	0.6	0.2	0.2	5.3	5.7
Non-industrialized nations	10.3	10.0	0.8	0.9	0.3	0.2	11.4	11.1
Supranational institutions	–	–	2.0	1.9	0.4	0.4	2.4	2.2
Total	**205.7**	**206.5**	**83.4**	**85.1**	**19.2**	**16.9**	**308.3**	**308.5**

4.1.6. Residual maturity structure of the credit portfolio

The breakdown of the credit portfolio by residual maturity presented in figure 10 shows that the lending volume in the short-maturity band as at June 30, 2013 had grown by €4.4 billion compared with December 31, 2012, which was largely attributable to short-term money market operations at DZ BANK. The decrease in lending volumes in the medium-maturity band stemmed mainly from the contraction in the securities portfolios held by DG HYP. The reduction in lending volumes in the longer-maturity band was primarily a result of the decline in derivatives business at DZ BANK.

4.1.7. Lending volume past due but not impaired

Figures 11 and 12 show the portion of the lending volume that is past due but not impaired. The disclosures largely relate to traditional lending business.

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 contraction in lending volumes that were past due but not impaired was partly attributable to decreases in past-due loans in arrears by up to five days or up to one month at DG HYP and DZ BANK respectively. The past-due loans in arrears by more than 3 months amounting to €345 million (December 31, 2012: €403 million) were predominantly loans secured by mortgages.

FIG. 10 – LENDING VOLUME BY RESIDUAL MATURITY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
≤ 1 year	51.1	51.3	16.0	15.6	13.3	9.0	80.4	75.9
> 1 year to ≤ 5 years	52.1	51.8	34.2	36.4	2.4	2.7	88.7	90.9
> 5 years	102.5	103.4	33.2	33.1	3.6	5.2	139.2	141.7
Total	**205.7**	**206.5**	**83.4**	**85.1**	**19.2**	**16.9**	**308.3**	**308.5**

FIG. 11 – 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	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Financial sector	92	357	26	299	–	3	1	–	5	4	125	662
Public sector	82	52	–	1	–	1	–	1	1	–	83	56
Corporates	270	244	392	232	54	74	52	94	308	365	1,074	1,008
Retail	539	491	23	26	13	15	6	8	30	32	611	573
Industry conglomerates	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	2	–	1	–	1	–	1	–	5
Total	**1,032**	**1,144**	**443**	**561**	**67**	**93**	**60**	**104**	**345**	**403**	**1,947**	**2,304**

FIG. 12 – 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	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Germany	988	1,095	107	341	65	82	50	46	119	125	1,328	1,688
Other industrialized nations	32	31	98	15	–	–	–	39	140	92	270	177
Advanced economies	–	–	–	70	–	–	–	–	–	130	–	200
Non-industrialized nations	10	18	109	134	2	11	10	19	51	56	181	239
Supranational institutions	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,032	1,144	443	561	67	93	60	104	345	403	1,947	2,304

FIG. 13 – LENDING VOLUME BY RATING CLASS

		Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion		Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Investment grade	1A	11.0	10.2	35.4	33.8	6.9	4.6	53.3	48.5
	1B	0.5	0.7	3.4	5.0	0.4	0.5	4.3	6.2
	1C	66.6	65.8	11.4	11.4	4.8	4.8	82.7	81.9
	1D	1.3	1.2	3.2	3.4	0.7	0.7	5.1	5.3
	1E	1.6	1.1	0.9	0.9	0.1	0.1	2.7	2.1
	2A	6.0	6.7	1.6	1.9	1.2	1.2	8.8	9.7
	2B	5.9	11.3	7.1	8.2	0.8	0.9	13.8	20.3
	2C	11.2	6.8	6.9	6.8	1.7	1.5	19.9	15.1
	2D	9.9	9.8	1.9	3.0	0.8	0.6	12.7	13.4
	2E	11.9	12.3	3.6	3.1	0.5	0.7	16.0	16.1
	3A	11.4	11.7	2.1	2.4	0.3	0.3	13.8	14.4
Non-investment grade	3B	15.9	15.9	0.8	0.4	0.1	0.2	16.9	16.5
	3C	11.7	11.7	1.7	1.8	0.1	0.1	13.6	13.5
	3D	7.9	8.0	0.6	0.9	0.1	0.1	8.6	9.0
	3E	7.5	8.3	1.2	0.4	–	0.1	8.7	8.8
	4A	2.2	2.6	0.2	0.4	–	–	2.4	3.0
	4B	2.0	1.5	0.2	0.2	–	–	2.1	1.8
	4C	4.6	4.4	0.3	0.3	–	–	5.0	4.7
	4D	4.6	5.1	–	–	–	–	4.6	5.2
	4E	5.3	4.7	0.4	0.7	0.1	0.1	5.8	5.5
Default		5.4	5.4	0.2	0.1	–	0.1	5.6	5.5
Not rated		1.4	1.4	0.1	0.1	0.3	0.4	1.9	1.9
Total		205.7	206.5	83.4	85.1	19.2	16.9	308.3	308.5

4.1.8. Credit rating structure of the credit portfolio

RATING STRUCTURE OF THE TOTAL LENDING VOLUME

Figure 13 shows the DZ BANK Group's consolidated lending volume by **rating class** according to the credit rating master scale (the credit rating master scale is presented on page 104 in the opportunity and risk report within the 2012 group management report). 'Not rated' comprises counterparties for which a rating classification is not required.

The proportion of the total lending volume accounted for by rating classes 1A to 3A (investment grade) remained unchanged at 76 percent as at June 30, 2013. The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) was also unchanged at 22 percent as at June 30, 2013. The defaults shown in rating classes 5A to 5E accounted for 2 percent of the DZ BANK Group's total lending volume as at June 30, 2013 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 14. Investment-grade exposures accounted for 89 percent of the total volume of investments held as at June 30, 2013 (December 31, 2012: 88 percent). The proportion of non-investment-grade exposures continued to fall from 3 percent as at December 31, 2012 to 2 percent as at the reporting date and therefore remains of minor importance. 74 percent (December 31, 2012: 75 percent) of non-investment-grade exposures were attributable to borrowers in the financial and public sectors.

SINGLE-BORROWER CONCENTRATIONS

The ten counterparties associated with the largest lending volumes together accounted for 9 percent of the DZ BANK Group's total lending exposure as at June 30, 2013 (December 31, 2012: 8 percent). 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 2D or better.

4.1.9. Allowances for losses on loans and advances; non-performing loans

ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Figure 15 shows the changes in allowances (specific loan loss allowances – including the specific loan loss allowances evaluated on a group basis – and portfolio loan loss allowances), in the provisions for loan commitments, and in liabilities arising on financial guarantee contracts in the first half of 2013 and in the corresponding period of 2012. The components of the loan-loss allowances shown in the tables are also disclosed in the notes to the interim consolidated financial statements.

Total specific loan loss allowances in the DZ BANK Group were reduced by €33 million in the first half of 2013. These allowances had increased by a net €26 million in the corresponding period of 2012. The total specific loan loss allowances set aside for DZ BANK's lending business as at June 30, 2013 were lower than forecast.

FIG. 14 – INVESTMENTS HELD BY INSURANCE COMPANIES BY RATING CATEGORY AND BORROWER GROUP

	Investment grade		Non-investment grade		Default		Not rated[1]		Total	
€ billion	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Financial sector	27.3	26.6	0.6	0.8	–	–	1.6	2.3	29.5	29.8
Public sector	14.1	13.4	0.5	0.7	–	–	0.3	–	14.9	14.1
Corporates	5.3	4.8	0.1	0.1	–	–	2.7	2.4	8.2	7.3
Other	7.2	7.1	–	–	–	–	0.5	0.6	7.7	7.7
Total	**53.9**	**51.9**	**1.3**	**1.6**	**–**	**–**	**5.1**	**5.3**	**60.3**	**58.8**

1 The 'not rated' column largely comprises variable-yield securities, predominantly equities and investment fund shares/units

FIG. 15 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES FOR THE ENTIRE CREDIT PORTFOLIO

	Specific loan loss allowances[1]		Portfolio loan loss allowances		Total loan loss allowances		Provisions for loan commitments and liabilities under financial guarantee contracts	
€ million	1st half of 2013	1st half of 2012	1st half of 2013	1st half of 2012	1st half of 2013	1st half of 2012	1st half of 2013	1st half of 2012
Balance as at Jan. 1	**1,977**	1,761	**532**	539	**2,509**	2,299	**145**	174
Additions	410	369	83	109	493	478	24	14
Utilizations	-223	-160	-	–	-223	-160	–	–
Reversals	-196	-189	-97	-76	-293	-265	-22	-31
Interest income	-17	-20	–	–	-17	-20		
Other changes	-7	25	-1	–	-8	25	–	–
Balance as at Jun. 30	**1,944**	1,787	**517**	572	**2,461**	2,358	**147**	157
Directly recognized impairment losses	71	36	–	–	71	36		
Receipts from loans and advances previously impaired	-24	-26	–	–	-24	-26		

1 Including specific loan loss allowances evaluated on a group basis

FIG. 16 – 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	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Financial sector	316	284	248	205	68	79
Public sector	–	–	–	–	–	–
Corporates	2,874	2,885	1,139	1,236	1,735	1,649
Retail	1,120	1,121	555	501	565	620
Industry conglomerates	3	7	–	–	3	7
Other	6	40	2	35	4	5
Total	**4,320**	4,340	**1,944**	1,977	**2,376**	2,363

FIG. 17 – 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	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Germany	2,256	2,349	1,180	1,164	1,076	1,185
Other industrialized nations	1,002	986	283	358	719	628
Advanced economies	506	417	150	147	356	270
Non-industrialized nations	556	588	331	309	225	279
Supranational institutions	–	–	–	–	–	–
Total	**4,320**	4,340	**1,944**	1,977	**2,376**	2,363

Given the current market environment, the level of specific loan loss allowances is now expected to rise over the further course of this year.

The DZ BANK Group reversed portfolio loan loss allowances amounting to a net €15 million in the first 6 months of 2013 (first half of 2012: net additional allowances of €33 million).

The level of provisions recognized by the entities in the DZ BANK Group was raised by €2 million in the first 6 months of 2013 (first half of 2012: reduced by €17 million).

Provisions for loan commitments form part of the provisions reported on the face of the balance sheet. Liabilities arising from financial guarantee contracts are reported as other liabilities on the balance sheet. The provisions shown in the opportunity and risk report are attributable almost entirely to DZ BANK.

IMPAIRED LENDING VOLUME

Figures 16 and 17 show the impaired lending volume. The disclosures largely relate to traditional lending business. The lending volume after allowances and impairment losses had risen to €2,376 million by June 30, 2013 (December 31, 2012: €2,363 million), which was mainly attributable to the Corporates segment at DZ BANK.

4.2. 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.

4.2.1. European sovereign debt crisis

ECONOMIC CONDITIONS AND TRENDS DURING THE REPORTING PERIOD

As 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 these countries' gross domestic product (GDP). Although the ratio of national debt to GDP also remains high in Italy, the process of budget deficit reduction successfully initiated last year has continued.

Government debt in **Greece** is still at a critical level of more than 160 percent of GDP – despite the partial debt write-off by foreign creditors in March 2012 – and is set to rise further this year. The need for further debt rescheduling cannot therefore be ruled out.

The **Portuguese government** is continuing its efforts to implement the fiscal consolidation policies agreed with the European Union (EU) and the International Monetary Fund (IMF). Since the country's constitutional court vetoed parts of the austerity budget in April 2013, however, the government might well struggle to meet the conditions imposed. The domestic political tensions exacerbated by the austerity package could lead to political destabilization. It is not yet clear when Portugal will be able to return to the international financial markets on terms that are sustainable in the long run.

The **Irish government** has so far met all the bailout conditions imposed by the EU and IMF and has made good progress in consolidating the country's public finances and banking system. Nevertheless, the financial sector continues to pose a risk to the public finances because banks are being hit by rising levels of defaults on their real-estate loans. It is therefore by no means certain that Ireland will be able on its own to raise the necessary funding at sufficiently low interest rates in the open capital markets once the rescue package runs out at the end of this year.

The prospects for a continuation of the reform policies introduced in **Italy** have deteriorated sharply since parliamentary elections had to be brought forward to February 2013 following the resignation of prime minister Mario Monti. Because these elections failed to produce an outright majority in either the Chamber of Deputies or the Senate, it was only after lengthy negotiations that a grand coalition was formed at the end of April 2013. This coalition government includes the Democratic Party of prime minister Enrico Letta, Silvio Berlusconi's conservative People of Freedom party, and the centrist party around Mario Monti. However, the governing coalition's diverse composition and fundamental political differences make it highly unstable. The possibility that the government will disintegrate, causing the country's risk premiums and borrowing costs to rise, cannot be ruled out.

The **Spanish government** is attempting to pursue tough fiscal consolidation policies. However, the process of rebalancing the country's public finances is taking much longer than planned as a result of the recession. In order to rescue its banking system Spain is reliant on financial support from the EU, which promised assistance worth €100 billion in June 2012. Because these funds are intended to shore up the banking sector, there will be no external intervention in the country's fiscal policies. Nonetheless, there is still a chance that Spain will have to apply for a rescue package from the European Stability Mechanism in order to meet its financial needs. Such a bailout would also make it possible for the European Central Bank (ECB) to purchase Spanish government bonds in the secondary market.

FIG. 18 – LOANS AND ADVANCES TO BORROWERS IN THE COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS[1]

€ million	Traditional lending business[2]		Securities business		Derivatives and money market business		Total	
	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Portugal	136	140	856	848	2	3	994	992
of which: public sector	–	–	651	606	–	–	651	606
of which: non-public sector	136	140	206	242	2	3	344	385
of which: financial sector	–	–	–	127	–	3	–	130
Italy	305	327	3,292	3,388	78	87	3,674	3,802
of which: public sector	–	–	2,271	2,082	–	–	2,271	2,082
of which: non-public sector	305	327	1,020	1,306	78	87	1,403	1,719
of which: financial sector	41	42	595	820	71	78	707	940
Ireland	995	1,011	258	359	237	255	1,491	1,625
of which: public sector	–	–	–	52	–	–	–	52
of which: non-public sector	995	1,011	258	307	237	255	1,491	1,572
of which: financial sector	–	–	–	194	–	253	–	447
Greece	183	303	62	113	–	–	245	416
of which: public sector	–	–	–	62	–	–	–	62
of which: non-public sector	183	303	62	51	–	–	245	354
of which: financial sector	1	1	3	3	–	–	4	4
Spain	472	505	5,409	5,277	41	33	5,922	5,815
of which: public sector	55	62	2,634	2,376	–	–	2,689	2,438
of which: non-public sector	417	442	2,775	2,901	41	33	3,233	3,377
of which: financial sector	63	67	1,509	1,592	40	32	1,612	1,691
Total	**2,091**	**2,285**	**9,877**	**9,986**	**358**	**378**	**12,326**	**12,649**
of which: public sector	55	63	5,556	5,178	–	–	5,611	5,241
of which: non-public sector	2,036	2,223	4,321	4,807	358	378	6,715	7,408
of which: financial sector	105	110	2,339	2,736	345	365	2,789	3,212

1 R+V limited to exposure involving free assets; exposure relating to special funds and Assimoco is not included
2 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments

Although a loan provided by the European Stability Mechanism in the spring of 2013 managed to avert a default by the **Cypriot government**, the country's economy is now merely at the beginning of a lengthy adjustment process. The collapse of the banking sector, which has traditionally generated roughly 45 percent of GDP, is expected to slash Cyprus's economic output dramatically. At the same time, government debt could reach unsustainable levels over the coming years as a result of the resources needed to turn around the banking sector, given that the full extent of this task is not yet clear. It is quite possible that Cyprus will require further rescue packages in the future or that creditors will have to accept a haircut on the country's government debt.

Among the other countries on the periphery of the European sovereign debt crisis, **Hungary** and **Slovenia** remain particularly vulnerable to developments in international financial markets and a potential resultant deterioration in the options available to them for refinancing their national debt.

EXPOSURE OF THE DZ BANK GROUP

During the reporting period the DZ BANK Group further reduced its exposure to counterparties in countries directly affected by the European sovereign debt crisis. The loans and advances in this subportfolio amounted to a total of €12,326 million as at June 30, 2013 (December 31, 2012: €12,649 million), which constituted a year-on-year decrease of 3 percent. Figure 18 shows the borrower structure broken down by credit-risk-bearing instrument.

The total volume of lending extended to counterparties in Cyprus, Hungary, and Slovenia as at June 30, 2013 accounted for less than 1 percent of the DZ BANK Group's total lending volume, which was in line with the low level reported at the end of 2012.

4.2.2. Impact of the financial crisis on the securitization portfolio

OBJECTIVES AND SCOPE OF SECURITIZATION

During the course of the financial crisis the DZ BANK Group discontinued all its securitization activities except for those in a few clearly defined areas of business. Areas where such activity has continued include the asset-backed commercial paper (ABCP) programs, although investment in asset-backed securities (ABSs) has been halted. The following details describe the management of credit risk in the securitization business still remaining.

The objective of the entities 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 conduits, which obtain funding by issuing money market-linked ABCP. The ABCP programs are predominantly made available to DZ BANK customers who then securitize their own assets via these companies. Under these programs the customers sell their assets to a separate conduit, 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 entities. This program is partially funded by liquidity lines but DZ BANK is seeking to expand this 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.

Details of securitizations are presented on page 112 in the opportunity and risk report within the 2012 group management report.

During the first half of 2013 the securitization portfolio evolved largely as expected in terms of repayments, rating migrations, and performance of the portfolio. One positive aspect worth highlighting was the continued rise in house prices in the United States. The entities in the DZ BANK Group took advantage of the resultant, more benign market environment prevailing during the first 6 months of 2013 by continuing their efforts to scale back their portfolios through disposals.

The **fair value** of the DZ BANK Group's securitization exposure as at June 30, 2013 amounted to €9.5 billion after having been as high as €10.8 billion as at December 31, 2012. This equates to a decrease of 12 percent (first half of 2012: reduction of 5 percent). The decrease in the fair value of the portfolios held by the group was largely the result of redemptions and disposals. This trend was partly offset by fair value increases resulting from the recovery in prices.

56 percent of the loans and advances held in the reference portfolios as at June 30, 2013 (December 31, 2012: 54 percent) were from European countries, in particular from the United Kingdom, Germany, Spain, and the Netherlands. 37 percent of borrowers were domiciled in the United States as at the reporting date (December 31, 2012: 39 percent).

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 June 30, 2013, 28 percent (December 31, 2012: 29 percent) of the **securitization exposure on the balance sheet** consisted of AAA tranches rated by external credit agencies. 75 percent of this exposure continued to be rated as investment grade (BBB- or higher).

Total exposure to conduits amounted to €2.8 billion as at June 30, 2013 (December 31, 2012: €3.0 billion). Of this amount, 74 percent (December 31, 2012: 71 percent) related to unutilized liquidity lines for con-

FIG. 19 – CHANGES IN THE COMPOSITION AND VALUE OF THE SECURITIZATION PORTFOLIO

€ million	Fair value as at Jan. 1, 2013	Changes in composition due to purchases, sales, redemptions, and exchange-rate fluctuations	Changes in value	Fair value as at Jun. 30, 2013
Receivables from retail credits	5,155	-749	191	**4,598**
of which: RMBSs[1]	4,825	-713	190	**4,301**
of which: assets classified as subprime	785	-253	25	**556**
of which: assets classified as Alt-A	155	-62	12	**104**
Receivables from corporate credits[2]	389	-96	1	**295**
Receivables from CMBSs[1]	1,308	-302	41	**1,048**
Receivables from CDOs[1]	953	-216	23	**760**
Total exposures reported on the balance sheet	7,806	-1,362	257	**6,701**
Exposures to conduits[3]	2,959	-152	–	**2,807**
Total	**10,765**	**-1,514**	**257**	**9,508**

1 RMBSs = residential mortgage-backed securities, CMBSs = commercial mortgage-backed securities, CDOs = collateralized debt obligations
2 Including receivables from purchased leased assets amounting to €35 million (December 31, 2012: €40 million)
3 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits

duits. 75 percent of total securitization exposure to conduits was externally rated A or higher as at June 30, 2013, as it had been at the end of 2012.

Securitization exposure rated as AAA or AA accounted for 17 percent of the total exposure to conduits as at June 30, 2013. Rating categories BBB+ to B- accounted for 24 percent of the total exposure to conduits as at June 30, 2013. This was unchanged from the values determined as at December 31, 2012.

Securitization exposures in the collateralized debt obligation (**CDO**) product category amounted to €0.8 billion as at June 30, 2013 (December 31, 2012: €1.0 billion). Loans and advances in the **subprime portfolio** totaled €0.6 billion as at June 30, 2013, which was €0.2 billion lower than the corresponding figure at the end of 2012. The value of loans and advances insured by **monoliners** remained negligible at the reporting date and was unchanged year on year.

Figure 19 shows the changes in the securitization portfolio in the first 6 months of 2013, broken down by **changes in portfolio composition and changes in fair value.** The reporting period saw an increase of €257 million in fair value (first half of 2012: rise of €325 million in fair value), which was largely attributable to the recovery in prices.

4.3. 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. The risk capital requirement for the DZ BANK Group amounted to €2,821 million as at June 30, 2013 (December 31, 2012: €2,843 million). The DZ BANK Group also set an upper loss limit of €3,827 million (December 31, 2012: €3,711 million).

The fall in the risk capital requirement reflected the slight contraction in lending volume during the first half of 2013.

In addition, the decrease in the risk capital requirement was attributable to various factors affecting DZ BANK over the course of the year.

The introduction of a credit portfolio model at DVB also helped to reduce the risk capital requirement. This method, which has been used since the beginning of 2013, enables DVB to improve its mapping of migration risk and concentrations of risk in its lending business.

At no time was the upper loss limit exceeded during the first 6 months of 2013.

Figure 20 shows the lending volume and the associated risk capital requirement, by sector.

FIG. 20 – LENDING VOLUME AND CAPITAL REQUIREMENT FOR CREDIT RISK, BY SECTOR

	Risk capital requirement € million		Lending volume (€ billion)	
	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Financial sector	958	997	126.5	125.1
Public sector	296	211	46.2	44.3
Corporates	824	920	82.5	85.7
Retail	510	561	45.3	45.8
Industry conglomerates	93	121	6.8	6.6
Other	140	33	0.9	0.9
Total	2,821	2,843	308.3	308.5

FIG. 21 – UPPER LOSS LIMITS AND CAPITAL REQUIREMENT FOR MARKET RISK BY TYPE OF BUSINESS

	Upper loss limit		Risk capital requirement	
€ million	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Banking	2,018	2,046	1,066	1,253
Building society operations and insurance business	1,636	1,633	882	885
Total	3,654	3,679	1,948	2,138

5. MARKET RISK

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 period in the banking business, building society operations, and the insurance business. Figure 21 shows the pertinent figures as at June 30, 2013 and December 31, 2012.

The decrease in the risk capital requirement was attributable to the reduction in the confidence level, management action plans, the discontinuation of the use of certain risk-related scenarios in historical simulations – accompanied by a decline in market volatility – and the sale of asset-backed securities.

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 the first 6 months of 2013 is shown in figure 22. These values-at-risk are used for short-term risk management.

Figure 23 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 that occurred during the first half of 2013 was largely attributable to the fact that a particular scenario was no longer included in the historical observation period from May onward.

On two trading days in the first half of 2013 there were registered changes in the fair value of DZ BANK's trading portfolio that caused the forecast risk values to be exceeded. The limit overrun on June 11, 2013 was attributable to the nonsynchronous updating of valuation parameters on both this day and the previous day (where this was manifested as an increase in fair value).

The limit overrun on June 21, 2013 was caused by a significant simultaneous increase in both the euro and US dollar interest rates and in the credit spreads for banks and public-sector entities. The extent of the market data changes of relevance to this limit overrun considerably exceeded the market data movements observed over the previous 250 trading days for some of the aforementioned risk factors. This limit overrun is deemed to be an exception as defined in section 318 (1) of the Solvency Regulation (SolvV).

Generally speaking, market liquidity in the first 6 months of 2013 remained below the level seen prior to the onset of the crisis in financial markets. The performance of European government bonds continued to vary from country to country, being largely determined by the issuer's credit rating.

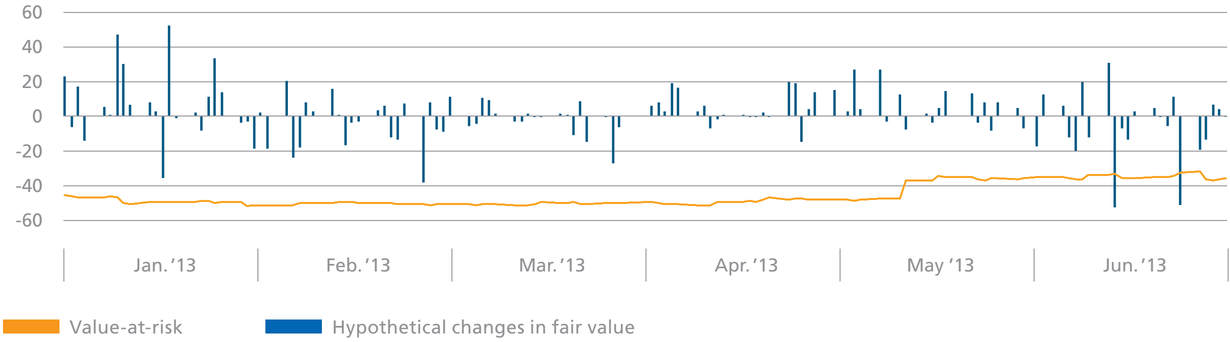
FIG. 22 – VALUE-AT-RISK FOR BANKING MARKET RISK IN THE TRADING AND NON-TRADING PORTFOLIOS[1]

€ million	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity risk	Diversification effect[2]	**Total**
Trading portfolios							
Jun. 30, 2013	**9**	**37**	**2**	**2**	**–**	**-14**	**36**
Average	6	43	2	2	–	-9	45
Maximum	12	50	3	3	–	-16	51
Minimum	4	30	2	1	–	-5	32
Dec. 31, 2012	7	43	2	3	–	-12	45
Non-trading portfolios							
Jun. 30, 2013	**5**	**12**	**7**	**2**	**–**	**-4**	**22**
Average	5	11	5	2	–	-3	19
Maximum	6	13	7	2	–	-5	22
Minimum	4	10	4	–	–	-2	16
Dec. 31, 2012	4	10	5	1	–	-3	17

1 Value-at-risk for 99.00 percent 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. 23 – VALUE-AT-RISK FOR MARKET RISK AND HYPOTHETICAL CHANGES IN FAIR VALUE IN DZ BANK'S TRADING PORTFOLIOS

€ million, value-at-risk for 99.00% confidence level, 1-day holding period, 1-year observation period



6. LIQUIDITY RISK

Figure 24 shows the results from the measurement of liquidity risk under the risk scenario and under the stress scenarios subject to limits (limit scenarios). 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.

Figure 25 shows the trend in forward cash exposure, counterbalancing capacity as at June 30, 2013, and liquidity surplus under the risk scenario.

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 DZ BANK Group's **minimum liquidity surplus** under the risk scenario measured as at June 30, 2013 amounted to €25.7 billion (December 31, 2012: €19.4 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.

7. ACTUARIAL RISK

7.1. SITUATION IN THE LIFE INSURANCE BUSINESS

Owing to current interest-rate levels, the long-term funding of guarantee commitments made to customers is a challenge, especially for **life insurers**. R+V proactively fulfills these requirements by building up adequate reserves and offering attractive products.

7.2. CLAIMS RATE TREND

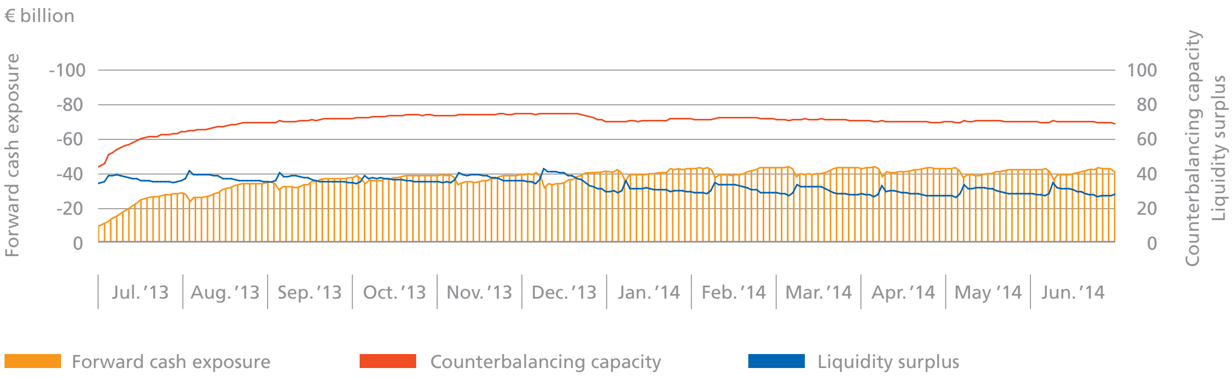
During the first half of 2013 the **non-life insurance business** of the companies in the R+V group achieved consistently high growth at a rate above that of the market. The level of claims was affected by two natural disasters in June 2013 (floods and storms including torrential rain and hail) that resulted in heavy losses of €120 million in the financial statements of the companies concerned. The cost of major claims incurred in the motor vehicle liability insurance and banking/credit insurance segments was also higher and was partly caused by substantial individual losses.

Although the number of high-volume minor claims declined, the average value of claims rose. The anticipated effect of measures taken to improve earnings – such as restructuring, claims settlement management,

FIG. 24 – 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	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Risk scenario (base scenario)	-43.2	-58.9	69.0	78.4	25.7	19.4
Stress scenarios						
Downgrading	-43.8	-59.5	61.8	71.9	18.0	12.5
Corporate crisis	-41.6	-53.6	53.3	63.6	11.7	10.0
Market crisis	-44.4	-61.5	67.9	76.2	23.5	14.6
Combination crisis	-46.0	-40.0	65.4	48.7	19.4	8.7

FIG. 25 – LIQUIDITY FORECAST IN RISK SCENARIO



and adjustment of premiums – was partly offset by the claims for natural disasters.

These trends and developments caused the operating claims rate as at June 30, 2013 to rise slightly compared with the corresponding prior-year reporting date. There was adequate reinsurance in place to cover the risk of natural disasters.

An appropriate level of non-life insurance reserves continued to be held as at June 30, 2013.

The major **inward reinsurance** claims incurred in the first 6 months of 2013 – including the floods and storms with torrential rain and hail that occurred in June 2013 resulting in losses of €60 million in the financial statements of the companies concerned – generally remained at an average level and were in line with expectations.

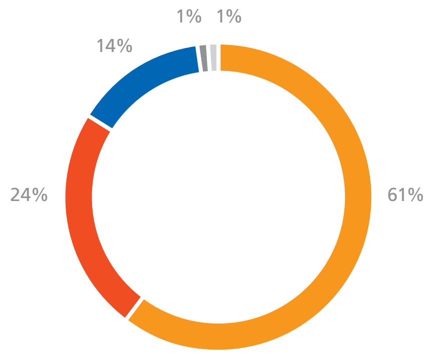
8. OPERATIONAL RISK

The collection of loss data enables the DZ BANK Group's entities to identify, analyze, and evaluate loss events, thereby highlighting trends and concentrations of operational risk. The data history collected also provides the basis for the risk-sensitive allocation of capital. Losses are recorded if they are above a threshold value of €1,000.

Figure 26 shows the losses reported in the first half of 2013 classified by loss event category. Over the course of time, there are regular fluctuations in the pattern of losses as the probability of relatively large losses occurring in individual cases is very low. Losses did not reach a critical level relative to the upper loss limit at any point during the first 6 months of the year.

The DZ BANK Group's **economic capital requirement** for operational risk was calculated to be €736 million as at June 30, 2013 (December 31, 2012: €720 million), while the upper loss limit was set at €812 million (December 31, 2012: €765 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the first 6 months of 2013. The year-on-year increase in the risk capital requirement and upper loss limit was attributable to a rise in gross margin, particularly at DG HYP, TeamBank, and UMH.

FIG. 26 – NET LOSSES BY EVENT CATEGORY IN THE 1ST HALF OF 2013[1]



Clients, products, and business practices
External fraud
Execution, delivery, and process management
Business disruption and system failures
Property damage
Internal fraud
Employment practice and workplace safety

1 In accordance with SolvV, losses caused by operational risks that are associated with risks such as credit risk are also shown.

9. SUMMARY

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 the first 6 months of 2013 and complied with regulatory requirements at all times. The solvency of the DZ BANK Group was never in jeopardy at any point during the reporting period. By holding ample liquidity reserves the group ensured that it was able to protect its liquidity against any potential crisis-related threats.

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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement
for the period January 1 to June 30, 2013

€ million	(Note)	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Net interest income	(5)	1,571	1,657
Allowances for losses on loans and advances	(6)	-248	-208
Net fee and commission income	(7)	498	445
Gains and losses on trading activities	(8)	154	496
Gains and losses on investments	(9)	-71	-185
Other gains and losses on valuation of financial instruments	(10)	738	-540
Premiums earned	(11)	6,351	5,694
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(12)	1,229	1,418
Insurance benefit payments	(13)	-6,461	-5,887
Insurance business operating expenses	(14)	-1,037	-1,032
Administrative expenses	(15)	-1,419	-1,376
Other net operating income	(16)	38	33
Profit before taxes		1,343	515
Income taxes	(17)	-426	-111
Net profit		**917**	**404**
Attributable to:			
Shareholders of DZ BANK		799	302
Non-controlling interests		118	102

Statement of comprehensive income for the period January 1 to June 30, 2013

€ million	(Note)	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Net profit		917	404
Other comprehensive income/loss		-49	414
Amounts reclassified to the income statement		**-47**	**592**
Gains and losses on available-for-sale financial assets	(18)	31	648
Gains and losses on cash flow hedges	(18)	-5	4
Exchange differences on currency translation of foreign operations		-9	6
Gains and losses on hedges of a net investment in a foreign operation		-2	-4
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	(18)	-6	76
Income taxes	(19)	-56	-138
Amounts not reclassified to the income statement		**-2**	**-178**
Gains and losses arising from remeasurement of defined benefit plans		-1	-257
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method		-1	–
Income taxes	(19)	–	79
Total comprehensive income		**868**	**818**
Attributable to:			
Shareholders of DZ BANK		818	608
Non-controlling interests		50	210

Balance sheet as at June 30, 2013

ASSETS

€ million	(Note)	Jun. 30, 2013	Dec. 31, 2012
Cash and cash equivalents	(20)	3,639	2,497
Loans and advances to banks	(21)	80,486	79,429
Loans and advances to customers	(22)	122,780	123,811
Allowances for losses on loans and advances	(23)	-2,461	-2,509
Derivatives used for hedging (positive fair values)	(24)	821	820
Financial assets held for trading	(25)	56,037	66,709
Investments	(26)	57,769	59,792
Investments held by insurance companies	(27)	68,108	66,296
Property, plant and equipment, and investment property	(28)	1,651	1,841
Income tax assets		1,752	2,056
Other assets	(29)	5,019	5,780
Non-current assets and disposal groups classified as held for sale	(30)	28	199
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		387	515
Total assets		**396,016**	**407,236**

EQUITY AND LIABILITIES

€ million	(Note)	Jun. 30, 2013	Dec. 31, 2012
Deposits from banks	(31)	88,735	100,596
Deposits from customers	(32)	96,428	92,169
Debt certificates issued including bonds	(33)	61,222	63,290
Derivatives used for hedging (negative fair values)	(34)	2,481	3,013
Financial liabilities held for trading	(35)	55,005	58,715
Provisions	(36)	2,395	2,408
Insurance liabilities	(37)	65,867	63,260
Income tax liabilities		613	641
Other liabilities	(38)	5,353	5,856
Subordinated capital	(39)	4,298	4,302
Liabilities included in disposal groups classified as held for sale	(30)	45	14
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		272	331
Equity		13,302	12,641
Subscribed capital		3,160	3,160
Capital reserve		1,111	1,111
Retained earnings		3,506	3,488
Revaluation reserve		72	36
Cash flow hedge reserve		2	5
Currency translation reserve		16	29
Non-controlling interests		4,636	4,690
Unappropriated earnings		799	122
Total equity and liabilities		**396,016**	**407,236**

Statement of changes in equity

€ million	Sub-scribed capital	Capital reserve	Equity earned by the group	Revalua-tion reserve	Cash flow hedge reserve	Currency transla-tion reserve	**Equity before non-control-ling interests**	Non-control-ling interests	**Total equity**
Equity as at Jan. 1, 2012	3,160	1,111	3,249	-1,101	-25	-3	6,391	4,384	10,775
Net profit	–	–	302	–	–	–	302	102	404
Other comprehensive income/loss	–	–	-171	452	6	19	306	108	414
Total comprehensive income	**–**	**–**	**131**	**452**	**6**	**19**	**608**	**210**	**818**
Capital repaid	–	–	–	–	–	–	–	-6	-6
Acquisition/disposal of non-controlling interests	–	–	3	–	–	–	3	5	8
Dividends paid	–	–	-61	–	–	–	-61	-239	-300
Equity as at Jun. 30, 2012	**3,160**	**1,111**	**3,322**	**-649**	**-19**	**16**	**6,941**	**4,354**	**11,295**
Equity as at Jan. 1, 2013	3,160	1,111	3,610	36	5	29	7,951	4,690	12,641
Net profit	–	–	799	–	–	–	799	118	917
Other comprehensive income/loss	–	–	-1	36	-3	-13	19	-68	-49
Total comprehensive income/loss	**–**	**–**	**798**	**36**	**-3**	**-13**	**818**	**50**	**868**
Capital repaid	–	–	–	–	–	–	–	-3	-3
Changes in scope of consolidation	–	–	21	–	–	–	21	2	23
Acquisition/disposal of non-controlling interests	–	–	-2	–	–	–	-2	-1	-3
Dividends paid	–	–	-122	–	–	–	-122	-102	-224
Equity as at Jun. 30, 2013	**3,160**	**1,111**	**4,305**	**72**	**2**	**16**	**8,666**	**4,636**	**13,302**

In the first half of 2013 a dividend of €0.10 per share was paid for the 2012 financial year (first half of 2012: €0.05).

Statement of cash flows

€ million	2013	2012
Cash and cash equivalents as at January 1	2,497	2,556
Cash flows from operating activities	1,171	105
Cash flows from investing activities	-110	-1,357
Cash flows from financing activities	81	-476
Cash and cash equivalents as at June 30	**3,639**	**828**

The statement of cash flows shows the changes in cash and cash equivalents during the reporting period. 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.

NOTES

A General disclosures

» 01
BASIS
OF PREPARATION

Pursuant to section 37w of the German Securities Trading Act (WpHG) in conjunction with section 37y no. 2 WpHG, the interim consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) for the first half of the 2013 financial year have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). In particular, the requirements of IAS 34 *Interim Financial Reporting* have been taken into account.

» 02
ACCOUNTING POLICIES
AND ESTIMATES

CHANGES IN ACCOUNTING POLICIES

The financial statements of the entities consolidated in the DZ BANK Group have been prepared using uniform accounting policies. The accounting policies used to prepare these financial statements were the same as those applied in the consolidated financial statements for the 2012 financial year, unless these policies are subject to the amendments described below.

FIRST-TIME APPLICATION OF CHANGES IN IFRS

The following new, amended, and revised versions of financial reporting standards, the new interpretation below, and the specified improvements to IFRS are applied for the first time in DZ BANK's interim consolidated financial statements for the first half of the 2013 financial year:

– IFRS 13 *Fair Value Measurement*,
– 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 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*,
– 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*,
– IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*,
– Annual Improvements to International Financial Reporting Standards, cycle 2009-2011.

IFRS 13 standardizes the IFRS provisions relating to the fair value measurement. The fair value is now defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. IFRS 13 also harmonizes and expands the disclosures in the notes relating to fair values. The scope of the disclosure requirements differentiates between disclosures about assets and liabilities recognized at fair value on the balance sheet and disclosures about assets and liabilities recognized not at fair value on the balance sheet. The adoption of IFRS 13 has no material impact on the carrying amounts in DZ BANK's interim consolidated financial statements. Disclosures about assets and liabilities recognized on the balance sheet at fair value are included in the interim consolidated financial statements. This includes the assignment of non-recurring fair value measurements to the levels of the fair value hierarchy. The interim consolidated financial statements now also contain disclosures relating to quantitative information about significant unobservable inputs for fair values that are measured on a recurring or non-recurring basis and are assigned to Level 3. Disclosures concerning transfers between Level 1 and Level 2 of the fair value hierarchy are only made for assets and liabilities that are still held at the end of the reporting period. Reasons are given for all transfers between fair value hierarchy levels and a description is provided of how the timing of the transfers was determined. A description of the valuation process used for recurring and non-recurring fair value measurements categorized within Level 3 is also provided. Furthermore, IFRS 13 will result in an additional disclosure relating to fair value hierarchy for fair value of assets and liabilities not recognized at fair value on the balance sheet in the consolidated financial statements for the year ended December 31, 2013. The DZ BANK Group is applying IFRS 13 prospectively. Where comparative values are provided in the interim consolidated financial statements, they are calculated in accordance with IFRS 7.

The consolidated financial statements for the year ended December 31, 2013 will contain enhanced disclosures in the notes for the first time as a result of the amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*. These disclosures will contain information on the effects and potential effects of netting arrangements on the financial position of the group and information about the nature of these arrangements. In particular, these changes will lead to the disclosure of gross amounts for financial assets and financial liabilities, net amounts shown on the face of the balance sheet, and amounts that are subject to enforceable master netting arrangements or similar agreements. The amendments to IFRS 7 are applied retrospectively.

The amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* have led to a change in the breakdown of other comprehensive income reported by the DZ BANK Group in the interim consolidated financial statements. Disclosures about other comprehensive income are split into amounts of other comprehensive income that will be reclassified to the income statement and amounts that will not be reclassified. The amendments to IAS 1 have been applied retrospectively.

The amendments to IAS 19 have had no material impact on the carrying amounts in DZ BANK's interim consolidated financial statements. As a result of the change in the definition of termination benefits, top-up amounts committed as part of preretirement part-time employment agreements are reported as provisions for other long-term or short-term employee benefits and no longer as provisions for termination benefits. The amendments to IAS 19 will result in a significant increase in the disclosures for the first time in the consolidated financial statements for the year ended December 31, 2013, in particular relating to the key characteristics of defined benefit plans, including the associated risks and the management of these risks.

The other aforementioned amended financial reporting standards and the new interpretation referred to above have no material impact on DZ BANK's interim consolidated financial statements.

VOLUNTARY CHANGES IN ACCOUNTING POLICIES

The composition of the classes of financial instruments as defined has been revised by IFRS 7. Receivables and payables under finance leases, which were previously assigned to the other financial assets and other financial liabilities classes, are now reported in their own separate classes.

Liabilities under financial guarantee contracts and provisions for loan commitments within the scope of IAS 37 are aggregated in a new class, called 'financial guarantee contracts and loan commitments'.

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 and liabilities as well as income and expenses recognized in these interim 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.

» 03 SCOPE OF CONSOLIDATION

In the first half of 2013, the subsidiaries consolidated for the first time included, in particular, DZ Vierte Beteiligungsgesellschaft mbH, Frankfurt am Main, and DZ Immobilien GmbH & Co. KG WH10, Frankfurt am Main.

During the reporting period, Zhong De Zhu Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd., Tianjin, was added to the group of joint ventures accounted for under the equity method.

B Disclosures relating to the income statement and the statement of comprehensive income

» 04 SEGMENT INFORMATION

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2013

€ million	Bank	Retail	Real Estate Finance	Insurance	Consolidation/reconciliation	**Total**
Net interest income	817	344	647	–	-237	**1,571**
Allowances for losses on loans and advances	-177	-52	-19	–	–	**-248**
Net fee and commission income	235	466	-149	–	-54	**498**
Gains and losses on trading activities	143	9	2	–	–	**154**
Gains and losses on investments	-33	-3	-32	–	-3	**-71**
Other gains and losses on valuation of financial instruments	27	10	699	–	2	**738**
Premiums earned	–	–	–	6,351	–	**6,351**
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	1,261	-32	**1,229**
Insurance benefit payments	–	–	–	-6,461	–	**-6,461**
Insurance business operating expenses	–	–	–	-1,101	64	**-1,037**
Administrative expenses	-690	-452	-282	–	5	**-1,419**
Other net operating income	7	8	28	7	-12	**38**
Profit before taxes	**329**	**330**	**894**	**57**	**-267**	**1,343**
Cost/income ratio (%)	57.7	54.2	23.6	–	–	**47.1**

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2012

€ million	Bank	Retail	Real Estate Finance	Insurance	Consolidation/reconciliation	**Total**
Net interest income	924	361	626	–	-254	**1,657**
Allowances for losses on loans and advances	-120	-51	-37	–	–	**-208**
Net fee and commission income	229	375	-107	–	-52	**445**
Gains and losses on trading activities	495	4	-8	–	5	**496**
Gains and losses on investments	-74	-28	-7	–	-76	**-185**
Other gains and losses on valuation of financial instruments	10	-7	-528	–	-15	**-540**
Premiums earned	–	–	–	5,694	–	**5,694**
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	1,458	-40	**1,418**
Insurance benefit payments	–	–	–	-5,887	–	**-5,887**
Insurance business operating expenses	–	–	–	-1,093	61	**-1,032**
Administrative expenses	-652	-456	-271	–	3	**-1,376**
Other net operating income	30	-2	20	-5	-10	**33**
Profit/loss before taxes	**842**	**196**	**-312**	**167**	**-378**	**515**
Cost/income ratio (%)	40.4	64.9	> 100.0	–	–	**65.6**

» 05 NET INTEREST INCOME

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**3,843**	**4,430**
Interest income from	**3,726**	**4,305**
Lending and money market business	3,432	3,845
Fixed-income securities	546	664
Portfolio hedges of interest-rate risk	-252	-204
Current income from	**82**	**66**
Shares and other variable-yield securities	31	33
Investments in subsidiaries	23	9
Investments in associates	1	–
Operating leases	27	24
Income from using the equity method for	**34**	**40**
Interests in joint ventures	32	36
Investments in associates	2	4
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**1**	**19**
INTEREST EXPENSE ON	**-2,272**	**-2,773**
Deposits from banks and customers	-1,638	-2,057
Debt certificates issued including bonds	-554	-635
Subordinated capital	-98	-104
Portfolio hedges of interest-rate risk	26	30
Provisions and other liabilities	-8	-7
Total	**1,571**	**1,657**

» 06 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Allowances for losses on loans and advances to banks	**1**	**15**
Reversals	–	15
Recoveries on loans and advances previously impaired	1	–
Allowances for losses on loans and advances to customers	**-248**	**-236**
Additions	-493	-473
Reversals	293	247
Directly recognized impairment losses	-71	-36
Recoveries on loans and advances previously impaired	23	26
Changes in provisions for loan commitments, in other provisions for loans and advances, in liabilities from financial guarantee contracts, and impairment losses on available-for-sale loans and advances	**-1**	**13**
Total	**-248**	**-208**

» 07 NET FEE AND COMMISSION INCOME

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Fee and commission income	**1,441**	**1,263**
Securities business	894	773
Asset management	20	14
Payments processing including card processing	85	76
Lending business and trust activities	119	127
Financial guarantee contracts and loan commitments	21	21
International business	4	7
Building society operations	221	167
Other	77	78
Fee and commission expenses	**-943**	**-818**
Securities business	-317	-281
Asset management	-9	-9
Payments processing including card processing	-46	-40
Lending business	-109	-114
Financial guarantee contracts and loan commitments	-2	-2
Building society operations	-390	-301
Other	-70	-71
Total	**498**	**445**

» 08 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Gains and losses on non-derivative financial instruments and embedded derivatives	247	762
Gains and losses on derivatives	-104	-258
Gains and losses on exchange differences	11	-8
Total	**154**	**496**

» 09 GAINS AND LOSSES ON INVESTMENTS

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Gains and losses on bonds and other fixed-income securities	**-43**	-107
Disposals	-83	-76
Impairment losses	-8	-41
Reversals of impairment losses	48	10
Gains and losses on shares and other variable-yield securities	**5**	-7
Disposals	9	–
Impairment losses	-4	-7
Gains and losses on investments in subsidiaries	**-25**	–
Impairment losses	-25	–
Gains and losses on interests in joint ventures	**-8**	–
Impairment losses	-8	–
Gains and losses on investments in associates	**–**	-71
Transitional accounting	–	-71
Total	**-71**	-185

As DZ BANK ceased to have significant influence over Österreichische Volksbanken-Aktiengesellschaft, Vienna, (ÖVAG) in the first half of 2012, the investment in this company was no longer accounted for using the equity method; instead, it was 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 in the first half of 2012 as part of transitional accounting arrangements.

» 10 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Gains and losses from hedge accounting	**15**	4
Gains and losses on derivatives used for purposes other than trading	**34**	-16
Gains and losses on financial instruments designated as at fair value through profit or loss	**689**	-528
Gains and losses on non-derivative financial instruments and embedded derivatives	849	-607
Gains and losses on derivatives	-160	79
Total	**738**	-540

» 11 PREMIUMS EARNED

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Net premiums written	**6,949**	**6,268**
Gross premiums written	7,008	6,289
Reinsurance premiums ceded	-59	-21
Change in provision for unearned premiums	**-598**	**-574**
Gross premiums	-609	-571
Reinsurers' share	11	-3
Total	**6,351**	**5,694**

» 12 GAINS AND LOSSES ON INVESTMENTS HELD BY INSURANCE COMPANIES AND OTHER INSURANCE COMPANY GAINS AND LOSSES

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Income from investments held by insurance companies	**1,875**	**2,151**
Interest income and current income	1,308	1,288
Income from reversals of impairment losses and unrealized gains	63	94
Gains on valuation through profit or loss of investments held by insurance companies	125	308
Gains on disposals	379	461
Expenses in connection with investments held by insurance companies	**-678**	**-742**
Administrative expenses	-50	-53
Depreciation/amortization expense, impairment losses and unrealized losses	-157	-146
Losses on valuation through profit or loss of investments held by insurance companies	-175	-65
Losses on disposals	-296	-478
Other gains and losses of insurance companies	**32**	**9**
Other insurance gains and losses	42	52
Other non-insurance gains and losses	-10	-43
Total	**1,229**	**1,418**

» 13 INSURANCE BENEFIT PAYMENTS

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Expenses for claims	**-4,115**	**-3,860**
Gross expenses for claims	-4,132	-3,882
Reinsurers' share	17	22
Changes in the benefit reserve and in other insurance liabilities	**-2,066**	**-1,653**
Gross changes in provisions	-2,062	-1,626
Reinsurers' share	-4	-27
Expenses for premium refunds	**-280**	**-374**
Gross expenses for premium refunds	-80	-586
Expenses for deferred premium refunds	-200	212
Total	**-6,461**	**-5,887**

» 14 INSURANCE BUSINESS OPERATING EXPENSES

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Gross expenses	-1,050	-1,042
Reinsurers' share	13	10
Total	**-1,037**	**-1,032**

» 15 ADMINISTRATIVE EXPENSES

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Staff expenses	-753	-727
General and administrative expenses	-613	-593
Depreciation and amortization	-53	-56
Total	**-1,419**	**-1,376**

» 16 OTHER NET OPERATING INCOME

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Other income from leasing business	6	12
Gains and losses on non-current assets and disposal groups classified as held for sale	10	-4
Residual other net operating income	22	25
Total	**38**	**33**

» 17 INCOME TAXES

IAS 34 states that income taxes in interim financial statements are to be calculated on the basis of the best possible estimate of the weighted average tax rate for the year as a whole. This tax rate is based on the legislation that is in force or has been adopted at the relevant balance sheet date.

» 18 AMOUNTS RECLASSIFIED TO THE INCOME STATEMENT

€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Gains and losses on available-for-sale financial assets	**31**	**648**
Gains (+) / losses (-) arising during the reporting period	28	525
Gains (-) / losses (+) reclassified to the income statement	3	123
Gains and losses on cash flow hedges	**-5**	**4**
Gains (+) / losses (-) arising during the reporting period	-3	-6
Gains (-) / losses (+) reclassified to the income statement	-2	10
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	**-6**	**76**
Gains (+) / losses (-) arising during the reporting period	-6	5
Gains (-) / losses (+) reclassified to the income statement	–	71

» 19
INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

The table below shows the income taxes on the various components of other comprehensive income:

€ million	Jan. 1 – Jun. 30, 2013 Amount before taxes	Jan. 1 – Jun. 30, 2013 Income taxes	Jan. 1 – Jun. 30, 2013 Amount after taxes	Jan. 1 – Jun. 30, 2012 Amount before taxes	Jan. 1 – Jun. 30, 2012 Income taxes	Jan. 1 – Jun. 30, 2012 Amount after taxes
Amounts reclassified to the income statement	**9**	**-56**	**-47**	730	-138	592
Gains and losses on available-for-sale financial assets	31	-58	-27	648	-138	510
Gains and losses on cash flow hedges	-5	2	-3	4	-1	3
Exchange differences on currency translation of foreign operations	-9	–	-9	6	–	6
Gains and losses on hedges of a net investment in a foreign operation	-2	–	-2	-4	1	-3
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-6	–	-6	76	–	76
Amounts not reclassified to the income statement	**-2**	**–**	**-2**	-257	79	-178
Gains and losses arising from remeasurement of defined benefit plans	-1	–	-1	-257	79	-178
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-1	–	-1	–	–	–
Total	7	-56	-49	473	-59	414

C Balance sheet disclosures

» 20 CASH AND CASH EQUIVALENTS

€ million	Jun. 30, 2013	Dec. 31, 2012
Cash on hand	192	237
Balances with central banks and other government institutions	3,292	2,138
Treasury bills and non-interest-bearing treasury notes	155	122
Total	**3,639**	**2,497**

» 21 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Domestic banks	**6,488**	**6,562**	**64,082**	**61,417**	**70,570**	**67,979**
Affiliated banks	3,744	2,345	49,624	49,392	53,368	51,737
Other banks	2,744	4,217	14,458	12,025	17,202	16,242
Foreign banks	**5,387**	**6,385**	**4,529**	**5,065**	**9,916**	**11,450**
Total	**11,875**	**12,947**	**68,611**	**66,482**	**80,486**	**79,429**

» 22 LOANS AND ADVANCES TO CUSTOMERS

€ million	Jun. 30, 2013	Dec. 31, 2012
Loans and advances to domestic customers	88,626	88,428
Loans and advances to foreign customers	34,154	35,383
Total	**122,780**	**123,811**

The following table shows the breakdown of loans and advances to customers by type of business:

€ million	Jun. 30, 2013	Dec. 31, 2012
Local authority loans	14,681	14,553
Mortgage loans	20,680	21,575
Loans secured by ship mortgages or other loans secured by mortgages on real estate	1,660	1,722
Home savings loans advanced by building society	26,085	25,447
Finance leases	5,305	5,518
Money market placements	421	197
Other loans and advances	53,948	54,799
Total	**122,780**	**123,811**

» 23 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

The changes in allowances for losses on loans and advances recognized under assets were as follows:

€ million	Allowances for losses on loans and advances to banks: Specific loan loss allowances	Allowances for losses on loans and advances to banks: Portfolio loan loss allowances	Allowances for losses on loans and advances to customers: Specific loan loss allowances	Allowances for losses on loans and advances to customers: Portfolio loan loss allowances	Total
Balance as at Jan. 1, 2012	163	37	1,576	502	2,278
Additions	–	–	364	109	473
Utilizations	-16	–	-145	–	-161
Reversals	-7	-8	-179	-68	-262
Interest income	–	–	-20	–	-20
Other changes	-9	–	34	–	25
Balance as at Jun. 30, 2012	**131**	**29**	**1,630**	**543**	**2,333**
Balance as at Jan. 1, 2013	119	28	1,858	504	2,509
Additions	–	–	410	83	493
Utilizations	–	–	-223	–	-223
Reversals	–	–	-196	-97	-293
Interest income	–	–	-17	–	-17
Other changes	-1	–	-6	-1	-8
Balance as at Jun. 30, 2013	**118**	**28**	**1,826**	**489**	**2,461**

Interest income arose from unwinding the discount on impaired loans and advances recognized at present value as specified in IAS 39.AG93.

» 24 DERIVATIVES USED FOR HEDGING (POSITIVE FAIR VALUES)

€ million	Jun. 30, 2013	Dec. 31, 2012
Derivatives used for fair value hedges	**814**	809
Interest-linked contracts	814	809
Derivatives used for cash flow hedges	**7**	11
Currency-linked contracts	7	11
Total	**821**	820

» 25 FINANCIAL ASSETS HELD FOR TRADING

€ million	Jun. 30, 2013	Dec. 31, 2012
DERIVATIVES (POSITIVE FAIR VALUES)	**25,197**	**36,710**
Interest-linked contracts	22,832	34,090
Currency-linked contracts	656	543
Share-/index-linked contracts	484	538
Other contracts	707	878
Credit derivatives	518	661
BONDS AND OTHER FIXED-INCOME SECURITIES	**11,555**	**11,690**
Money market instruments	**185**	**489**
from public-sector issuers	66	175
from other issuers	119	314
Bonds	**11,370**	**11,201**
from public-sector issuers	2,135	2,182
from other issuers	9,235	9,019
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**548**	**507**
Shares	437	381
Investment fund units	41	55
Other variable-yield securities	70	71
LOANS AND ADVANCES	**18,737**	**17,802**
Money market placements	**17,918**	**17,267**
with banks	14,844	14,921
of which: with affiliated banks	2,854	3,050
with other banks	11,990	11,871
with customers	3,074	2,346
Promissory notes, registered bonds, and other loans and advances	**819**	**535**
with banks	567	395
of which: with affiliated banks	–	25
with other banks	567	370
with customers	252	140
Total	**56,037**	**66,709**

In 2013, the fair values of over-the-counter (OTC) interest-rate derivatives that are traded through a central counterparty are being netted for the first time with the financial liabilities from variation margin payments arising from these transactions. The variation margin payments are settled on a daily basis. In 2012, the assets resulting from variation margin payments that were settled on a daily net basis were recognized under other assets. As at June 30, 2013, this netting reduced the carrying amount of financial assets held for trading by €1,985 million.

» 26 INVESTMENTS

€ million	Jun. 30, 2013	Dec. 31, 2012
BONDS AND OTHER FIXED-INCOME SECURITIES	**54,373**	**56,399**
Money market instruments	**281**	**343**
from public-sector issuers	169	163
from other issuers	112	180
Bonds	**54,092**	**56,056**
from public-sector issuers	23,953	21,434
from other issuers	30,139	34,622
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,314**	**1,195**
Shares and other shareholdings	248	251
Investment fund units	784	668
Other variable-yield securities	282	276
INVESTMENTS IN SUBSIDIARIES	**1,125**	**1,227**
INTERESTS IN JOINT VENTURES	**623**	**637**
INVESTMENTS IN ASSOCIATES	**334**	**334**
Total	**57,769**	**59,792**

The carrying amount of interests in joint ventures accounted for using the equity method totaled €621 million (December 31, 2012: €586 million). €324 million of the investments in associates has been accounted for using the equity method (December 31, 2012: €324 million).

» 27 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Jun. 30, 2013	Dec. 31, 2012
Investment property	1,608	1,530
Investments in subsidiaries	426	377
Interests in joint ventures	20	20
Investments in associates	39	40
Mortgage loans	6,827	6,494
Promissory notes and loans	9,620	9,838
Registered bonds	10,153	9,859
Other loans	1,404	1,573
Variable-yield securities	4,612	4,479
Fixed-income securities	27,459	26,101
Derivatives (positive fair values)	131	301
Deposits with ceding insurers	165	182
Assets related to unit-linked contracts	5,644	5,502
Total	**68,108**	**66,296**

The carrying amount of interests in joint ventures accounted for using the equity method totaled €20 million (December 31, 2012: €20 million).

» 28 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Jun. 30, 2013	Dec. 31, 2012
Land and buildings	471	424
Office furniture and equipment	117	110
Assets subject to operating leases	972	1,218
Investment property	91	89
Total	**1,651**	**1,841**

Payments in advance are allocated to the relevant property, plant, equipment or investment property. The prior-year figures have been restated accordingly.

» 29 OTHER ASSETS

€ million	Jun. 30, 2013	Dec. 31, 2012
Other assets held by insurance companies	3,898	3,553
Goodwill	275	275
Other intangible assets	342	348
of which: software	199	173
acquired customer relationships	132	137
Other loans and advances	158	144
Residual other assets	346	1,460
Total	**5,019**	**5,780**

From 2013, the variation margin payments of all OTC interest-rate derivatives traded through a central counterparty – which in 2012 were reported under other assets and settled daily on a netted basis – have been netted with the carrying amounts of the derivatives positions traded through the central counterparty, which are reported under financial assets held for trading, financial liabilities held for trading, derivatives used for hedging (positive fair values), and derivatives used for hedging (negative fair values). As at June 30, 2013, this netting reduced the carrying amount of other assets by €1,037 million.

The breakdown of other assets held by insurance companies is as follows:

€ million	Jun. 30, 2013	Dec. 31, 2012
Intangible assets	173	180
Reinsurance assets	288	290
Receivables	795	814
Credit balances with banks, checks, and cash on hand	557	298
Residual other assets	2,085	1,971
Total	**3,898**	**3,553**

» 30 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups classified as held for sale include all the assets and liabilities of a consolidated subsidiary and all the assets and liabilities of a customer portfolio, which are to be transferred as part of disposal transactions.

In addition, non-current assets and disposal groups classified as held for sale essentially include the assets of a consolidated special fund and long-term equity investments in companies and special funds.

» 31 DEPOSITS FROM BANKS

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Domestic banks	**18,761**	26,966	**58,377**	61,697	**77,138**	88,663
Affiliated banks	12,573	19,070	22,190	24,878	34,763	43,948
Other banks	6,188	7,896	36,187	36,819	42,375	44,715
Foreign banks	**2,486**	2,389	**9,111**	9,544	**11,597**	11,933
Total	**21,247**	29,355	**67,488**	71,241	**88,735**	100,596

» 32 DEPOSITS FROM CUSTOMERS

€ million	Jun. 30, 2013	Dec. 31, 2012
DEPOSITS FROM DOMESTIC CUSTOMERS	**84,965**	82,510
Home savings deposits	**41,971**	39,482
Other deposits	**42,994**	43,028
Repayable on demand	7,919	7,144
With agreed maturity or notice period	35,075	35,884
DEPOSITS FROM FOREIGN CUSTOMERS	**11,463**	9,659
Home savings deposits	**1,550**	1,453
Other deposits	**9,913**	8,206
Repayable on demand	5,692	3,824
With agreed maturity or notice period	4,221	4,382
Total	**96,428**	92,169

» 33 DEBT CERTIFICATES ISSUED INCLUDING BONDS

€ million	Jun. 30, 2013	Dec. 31, 2012
Bonds issued	**47,430**	**51,564**
Mortgage Pfandbriefe	7,074	7,546
Public-sector Pfandbriefe	7,031	9,240
Other bonds	33,325	34,778
Other debt certificates issued	**13,792**	**11,726**
Total	**61,222**	**63,290**

All other debt certificates issued are commercial paper.

» 34 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Jun. 30, 2013	Dec. 31, 2012
Derivatives used for fair value hedges	**2,477**	**3,011**
Interest-linked contracts	2,477	3,011
Derivatives used for cash flow hedges	**3**	**1**
Currency-linked contracts	3	1
Derivatives used for hedges of net investments in foreign operations	**1**	**1**
Currency-linked contracts	1	1
Total	**2,481**	**3,013**

» 35 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Jun. 30, 2013	Dec. 31, 2012
DERIVATIVES (NEGATIVE FAIR VALUES)	**24,528**	**36,935**
Interest-linked contracts	21,561	33,703
Currency-linked contracts	635	617
Share-/index-linked contracts	935	928
Other contracts	933	1,088
Credit derivatives	464	599
SHORT POSITIONS	**1,022**	**828**
BONDS ISSUED	**13,366**	**13,086**
DEPOSITS	**16,089**	**7,866**
Money market deposits	**15,912**	**7,714**
from banks	13,438	5,809
of which: from affiliated banks	1,942	2,390
from other banks	11,496	3,419
from customers	2,474	1,905
Promissory notes and registered bonds issued	**177**	**152**
to banks	159	129
of which: to affiliated banks	159	129
to customers	18	23
Total	**55,005**	**58,715**

Bonds issued mainly comprise share- and index-linked certificates.

In 2013, the fair values of over-the-counter (OTC) interest-rate derivatives that are traded through a central counterparty are being netted for the first time with the financial assets from variation margin payments arising from these transactions. The variation margin payments are settled on a daily basis. In 2012, the assets resulting from variation margin payments that were settled on a daily net basis were recognized under other assets. As at June 30, 2013, this netting reduced the carrying amount of financial liabilities held for trading by €2,825 million.

» 36 PROVISIONS

€ million	Jun. 30, 2013	Dec. 31, 2012
Provisions for employee benefits	**1,526**	**1,550**
Provisions for defined benefit plans	1,331	1,310
Provisions for other long-term employee benefits	98	110
of which: for preretirement part-time employment schemes	28	34
Provisions for termination benefits	79	87
of which: for early retirement schemes	12	14
for restructuring	48	55
Provisions for short-term employee benefits	18	43
Provisions for share-based payments	**7**	**10**
Other provisions	**862**	**848**
Provisions for onerous contracts	16	15
Provisions for restructuring	8	7
Provisions for loan commitments	56	58
Other provisions for loans and advances	49	47
Provisions relating to building society operations	483	459
Residual provisions	250	262
Total	**2,395**	**2,408**

» 37 INSURANCE LIABILITIES

€ million	Jun. 30, 2013	Dec. 31, 2012
Provision for unearned premiums	1,675	1,069
Benefit reserve	45,363	43,440
Provision for claims outstanding	7,472	6,967
Provision for premium refunds	6,026	6,601
Other insurance liabilities	39	39
Reserve for unit-linked insurance contracts	5,292	5,144
Total	**65,867**	**63,260**

» 38 OTHER LIABILITIES

€ million	Jun. 30, 2013	Dec. 31, 2012
Other liabilities of insurance companies	3,947	4,149
Liabilities from financial guarantee contracts	91	87
Accruals	568	775
Other payables	314	470
Residual other liabilities	433	375
Total	**5,353**	**5,856**

The table below gives a breakdown of insurance companies' other liabilities.

€ million	Jun. 30, 2013	Dec. 31, 2012
Other provisions	297	307
Payables and residual other liabilities	3,650	3,842
Total	**3,947**	**4,149**

» 39 SUBORDINATED CAPITAL

€ million	Jun. 30, 2013	Dec. 31, 2012
Subordinated liabilities	3,265	3,251
Profit-sharing rights	595	615
Other hybrid capital	383	379
Share capital repayable on demand	55	57
Total	**4,298**	**4,302**

D Financial instruments and fair value disclosures

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class (in accordance with IFRS 7) and by category of financial instruments (in accordance with IAS 39):

» 40
CLASSES, CATEGORIES, AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	Jun. 30, 2013		Dec. 31, 2012	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**147,112**	**147,112**	**157,672**	**157,672**
Financial instruments held for trading	**56,168**	**56,168**	**67,010**	**67,010**
Financial assets held for trading	56,037	56,037	66,709	66,709
Investments held by insurance companies	131	131	301	301
Fair value option	**19,789**	**19,789**	**21,027**	**21,027**
Loans and advances to banks	1,572	1,572	1,678	1,678
Loans and advances to customers	6,355	6,355	6,441	6,441
Investments	10,947	10,947	11,774	11,774
Investments held by insurance companies	915	915	1,134	1,134
Derivatives used for hedging	**821**	**821**	**820**	**820**
Derivatives used for hedging (positive fair values)	821	821	820	820
Available-for-sale financial assets	**70,334**	**70,334**	**68,815**	**68,815**
Loans and advances to customers	56	56	60	60
Investments	38,114	38,114	38,130	38,130
Investments held by insurance companies	32,164	32,164	30,625	30,625
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**227,432**	**231,881**	**226,371**	**232,112**
Loans and receivables	**227,070**	**231,519**	**225,902**	**231,643**
Cash and cash equivalents	3,447	3,447	2,260	2,260
Loans and advances to banks	78,768	80,016	77,604	79,329
Loans and advances to customers	108,831	111,892	109,522	113,595
Investments	7,401	6,994	8,509	7,812
Investments held by insurance companies	27,461	28,395	27,002	28,157
Other assets	775	775	490	490
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	387		515	
Available-for-sale financial assets	**362**	**362**	**469**	**469**
Investments	362	362	469	469
FINANCE LEASES	**5,223**	**5,590**	**5,426**	**5,931**
Loans and advances to customers	5,223	5,590	5,426	5,931

€ million	Jun. 30, 2013 Carrying amount	Jun. 30, 2013 Fair value	Dec. 31, 2012 Carrying amount	Dec. 31, 2012 Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**84,122**	**84,122**	**93,035**	**93,035**
Financial instruments held for trading	**55,068**	**55,068**	**58,756**	**58,756**
Financial liabilities held for trading	55,005	55,005	58,715	58,715
Other liabilities	63	63	41	41
Fair value option	**26,573**	**26,573**	**31,266**	**31,266**
Deposits from banks	4,963	4,963	6,572	6,572
Deposits from customers	7,777	7,777	9,476	9,476
Debt certificates issued including bonds	12,427	12,427	13,816	13,816
Subordinated capital	1,406	1,406	1,402	1,402
Derivatives used for hedging	**2,481**	**2,481**	**3,013**	**3,013**
Derivatives used for hedging (negative fair values)	2,481	2,481	3,013	3,013
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**225,912**	**229,605**	**231,057**	**235,698**
Deposits from banks	83,772	84,803	94,024	95,385
Deposits from customers	88,651	90,809	82,693	85,276
Debt certificates issued including bonds	48,795	49,474	49,474	50,359
Other liabilities	1,530	1,530	1,635	1,635
Subordinated capital	2,892	2,989	2,900	3,043
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	272		331	
FINANCE LEASES	**31**	**35**	**31**	**35**
Other liabilities	31	35	31	35
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**147**	**147**	**145**	**145**
Financial guarantee contracts	**91**	**91**	**87**	**87**
Other liabilities	91	91	87	87
Loan commitments	**56**	**56**	**58**	**58**
Provisions	56	56	58	58

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 management models used for the building society, the overall performance of building society operations during the reporting period 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 lifetime, interest-rate-related changes in fair value during the lifetime of the financial assets balance each other out in full.

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 €363 million (December 31, 2012: €469 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 financial instruments. The purpose of these investments is largely to support the business operations of the DZ BANK Group on a permanent basis.

No financial instruments measured at cost were sold during the reporting period. In the first half of 2012, the DZ BANK Group sold investments in non-consolidated subsidiaries and other shareholdings in companies in which the group had no significant influence with a total carrying amount of €9 million. This resulted in only negligible gains on disposal.

FAIR VALUE HIERARCHY

» 41
ASSETS AND LIABILITIES MEASURED AT FAIR VALUE IN THE BALANCE SHEET

RECURRING FAIR VALUE MEASUREMENTS

The recurring fair value measurements are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2		Level 3	
€ million	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Assets	**76,408**	**75,949**	**70,183**	**81,073**	**523**	**650**
Loans and advances to banks	–	–	1,572	1,678	–	–
Loans and advances to customers	–	–	6,355	6,441	56	60
Derivatives used for hedging (positive fair values)	–	–	821	820	–	–
Financial assets held for trading	9,279	9,318	46,658	57,288	100	103
Investments	37,680	38,276	11,212	11,386	169	242
Investments held by insurance companies	29,447	28,355	3,565	3,460	198	245
Non-current assets and disposal groups classified as held for sale	2		–		–	
Liabilities	**4,023**	**3,879**	**79,447**	**88,160**	**697**	**996**
Deposits from banks	–	–	4,920	6,520	43	52
Deposits from customers	–	–	7,769	9,457	8	19
Debt certificates issued including bonds	2,276	2,290	9,784	10,827	367	699
Derivatives used for hedging (negative fair values)	–	–	2,481	3,013	–	–
Financial liabilities held for trading	1,743	1,587	53,028	56,902	234	226
Other liabilities	4	2	59	39	–	–
Subordinated capital	–	–	1,406	1,402	–	–
Liabilities included in disposal groups classified as held for sale	–		–		45	

NON-RECURRING FAIR VALUE MEASUREMENTS

Non-recurring fair value measurements were assigned to Level 3 of the fair value hierarchy on a small scale as at the balance sheet date. This related to fair value measurements of non-current assets classified as held for sale.

TRANSFERS

Assets held at the balance sheet date and measured at fair value on a recurring basis were transferred as follows between Levels 1 and 2 of the fair value hierarchy:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Financial assets held for trading	26	8	33	233
Investments	607	473	139	1,711
Investments held by insurance companies	550	129	351	2

Transfers from Level 1 to Level 2 were due to ceasing to obtain quoted prices in active markets for identical financial assets. Transfers from Level 2 to Level 1 were due to the availability of quoted prices in active markets that had previously not existed.

In the DZ BANK Group, transfers between Levels 1 and 2 take place as soon as there is a change in the inputs that is relevant for categorization in the fair value hierarchy.

FAIR VALUE MEASUREMENTS WITHIN LEVELS 2 AND 3

Fair value measurements within Level 2 of the fair value hierarchy either use prices available in active markets for similar, but not identical, financial instruments or use valuation techniques largely based 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 value measurements are categorized within Level 3 of the fair value hierarchy.

The DZ BANK Group predominantly uses discounted cash flow methods for the fair value measurement of loans and advances as well as of bonds and other fixed-income securities. Instrument-specific and issuer-specific interest rates are used to discount the expected cash flows. The interest rates are determined by selecting appropriate yield curves, most of which are subject to further adjustment. As far as loans are concerned, the focus is on secured and unsecured treasury yield curves; for bonds and other fixed-income securities, the focus is on currency-specific swap curves. These are adjusted using issuer-specific spreads (resulting from the issuer's internal and external credit rating, sector, and risk category), basis swap spreads, unobservable liquidity spreads, and other spreads. In exceptional cases, the notional amount of the debt instrument in question provides the best evidence of fair value.

The fair value measurements of liabilities attributable to registered creditors, debt certificates issued including bonds, and subordinated capital are determined in the same way as for the debt instruments held by using discounted cash flow methods. The modeling of instrument-specific and issuer-specific interest rates for the discounting is based on secured and unsecured funding caps for liabilities and on the relevant subordinated spreads respectively. Basis swap spreads are also used in some cases.

The fair value measurements of shares and other variable-yield securities and of long-term equity investments accounted for in accordance with IAS 39 are determined by applying income capitalization approaches and observing transaction prices. The best indicator of fair value is deemed to be the transaction prices for recent transactions involving the relevant financial instruments, provided there have been any such transactions. Essentially, the fair value is measured using income capitalization approaches in which future income and dividends – calculated on the basis of forecasts and estimates – are discounted, taking risk parameters into account.

The fair value measurements of investment fund units are determined using the pro rata net asset value. This is adjusted for any outstanding performance-related remuneration entitlements of fund managers; risk adjustments are also taken into account. Some long-term equity investments in real-estate companies are also measured at net asset value. In this case, the liabilities are subtracted from the fair values of the real estate tied up in the company and the result is multiplied by the percentage of shareholding. The prices of units in real-estate funds that are not managed by the DZ BANK Group are provided by the fund management company that manages these funds. These units are measured regularly at net asset value. Fair value measurements are also based on valuations, current values, and prices in recent transactions.

The fair values of option derivatives are measured using generally accepted option pricing models such as the Black-Scholes and Black 76 models, the one-factor and two-factor Hull-White models, and the Garman-Kohlhagen model. Share/index options are measured on the basis of the local volatility model with constant forward skew using a Monte Carlo simulation. Non-option, interest-rate-based derivatives are generally measured in accordance with the multiple-curve approach. Variable cash flows are projected using tenor-specific fixing curves. When future cash flows are discounted, rating-related and liquidity-related adjustments are made to the relevant interest-rate curves – similarly to the method applied to non-derivative interest-bearing financial instruments. In order to determine the fair value of forward forex transactions, the differences between translation at the spot rate and the agreed forward rate are calculated.

The fair values of structured products are measured by breaking them down into their constituent parts. The fair values of the non-derivative and derivative components are determined in accordance with the methods described above.

The following table shows the valuation techniques, the unobservable inputs, and their volatility range used for the fair value measurements at Level 3 of the fair value hierarchy.

Class according to IFRS 13	**Assets/ Liabilities**	**Fair value € million**	**Valuation technique**	**Unobservable inputs**	**Range of unobservable inputs (%)**
Loans and advances to customers	Silent partnerships	56	Discounted cash flow method	Internal credit ratings	8.1–16.5
Financial assets held for trading	Collateralized loan obligations	100	Discounted cash flow method	Liquidity spread for unsecured cash CDO bonds	1.6–2.6
Investments	Collateralized loan obligations	23	Discounted cash flow method	Liquidity spread for unsecured cash CDO bonds	1.6–2.6
	Profit-participation certificates, investment fund units, long-term equity investments	133	Discounted cash flow method	Assumptions for measurement of risk parameters	6.8–10.1
	Investment fund units	6	Pricing by fund management company	Pricing by fund management company	–
	Investments in subsidiaries	7	Income capitalization approach	Future income	–
Investments held by insurance companies	Investments in subsidiaries and associates	75	Income capitalization approach	Future dividends	–
	Investments in subsidiaries and associates	23	Cost	Transaction price	–
	Shares in cooperative banks, long-term equity investments in real estate	37	Income capitalization approach	Future dividends	–
	Shares in cooperative banks, long-term equity investments in real estate	32	Cost	Transaction price	–
	Registered profit-participation certificates	31	Notional amount	Notional amount	–
Deposits from banks and customers, debt certificates issued including bonds, financial liabilities held for trading	Nth-to-default credit-linked notes	652	Discounted cash flow method	Correlation sensitivity	55–80
Liabilities included in disposal groups classified as held for sale	Liabilities of a subsidiary classified as held for sale, a special fund, and a customer portfolio	45	Expected disposal price	Agreements in relation to the planned disposal transactions	–

FAIR VALUE MEASUREMENTS WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY

The table below shows the changes in the recurring fair value measurements of assets within Level 3 of the fair value hierarchy during the reporting period.

€ million	Loans and advances to customers	Financial assets held for trading	Investments	Investments held by insurance companies
Balance as at Jan. 1, 2013	60	103	242	245
Additions (purchases)	–	–	1	1
Transfers	–	1	1	-47
from Level 3 to Levels 1 and 2	–	–	–	-78
from Levels 1 and 2 to Level 3	–	1	1	31
Disposals (sales)	–	-6	-73	-1
Changes resulting from fair value measurements	-4	2	–	–
through profit or loss	-5	2	-3	–
through other comprehensive income	1	–	3	–
Other changes	–	–	-2	–
Balance as at Jun. 30, 2013	**56**	**100**	**169**	**198**

In the first half of 2012, transfers of investments from Level 1 or Level 2 to Level 3 amounted to €103 million.

The table below shows the changes in the recurring fair value measurements of liabilities at Level 3 of the fair value hierarchy during the reporting period.

€ million	Deposits from banks	Deposits from customers	Debt certificates issued including bonds	Financial liabilities held for trading	Liabilities included in disposal groups classified as held for sale
Balance as at Jan. 1, 2013	52	19	699	226	–
Additions (issues)	–	–	–	14	–
Disposals (settlements)	-8	-10	-329	–	–
Changes resulting from fair value measurements through profit or loss	-1	–	1	-4	–
Other changes	–	-1	-4	-2	45
Balance as at Jun. 30, 2013	**43**	**8**	**367**	**234**	**45**

The other changes relate to accrued interest, currency translation, changes in the scope of consolidation, and application of amended valuation rules in connection with reclassifications.

Transfers from Level 3 to Level 2 of the fair value hierarchy amounting to €78 million were related to the fair value measurements of two registered bonds, for which restructuring was carried out. They are now measured using yield curves. Previously, the main input used was the amount of the restructuring coupon, which was not observable in the market and was instead communicated by the counterparty. The fair values of unquoted registered profit-participation certificates, which amounted to €31 million, were reclassified from Level 2 to Level 3 of the fair value hierarchy. Observable inputs are no longer available for these securities, which means that the notional amount is now used as a significant unobservable input.

In the DZ BANK Group, transfers between the levels generally take place as soon as there is a change in the inputs that are relevant to categorization in the fair value hierarchy. The exception of this are the fair value measurements of long-term equity investments and cooperative-sector shares held as investments by insurance companies that are categorized as Level 3. These are reviewed every six months to ascertain whether their value basis has changed. If it has, the fair value measurements are adjusted. The amount recognized in profit or loss resulting from the recurring fair value measurements within Level 3 of assets and liabilities held at the balance sheet date constituted a loss of €1 million during the period under review. The profit and loss is contained in the line items allowances for losses on loans and advances, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, and gains and losses on investments held by insurance companies and other insurance company gains and losses.

The valuation processes used by the DZ BANK Group for fair value measurements within Level 3 of the fair value hierarchy vary depending on the assets and liabilities and the underlying business models.

The fair value measurements of silent partnerships recognized under loans and advances to customers are generally determined using discounted cash flow methods. If a purchase offer has been made, this is used for fair value measurement. The fair value measurement of collateralized loan obligations recognized under financial assets held for trading and investments are determined by way of assessment independent from trading operations. For the assessment a liquidity discount is calculated by using a reserve process. For determining the fair value measurements of a small portfolio of asset-backed security funds, which is recognized under the investments line item on the balance sheet, the external pricing provided by the managing investment company is applied. The fair value of investments in subsidiaries, which are recognized under investments, is calculated using income capitalization approaches based on parameters such as forecasts, free cash flows, beta factors, or risk-adjusted and interpolated interest rates based on the base rate curve. For equity instruments recognized under investments held by insurance companies that are not traded on an active market the fair value measurements are determined by using income capitalization approaches. Future cash flows from the equity instruments are estimated, as a rule, for a 3-year period and are discounted to the balance sheet date. Fair value measurements of nth-to-default credit-linked notes, which are recognized under deposits from banks and customers, financial liabilities held for trading, and debt certificates issued including bonds, are determined independently from trading operations by using correlation assumptions backed up by valuation reserves that are based on historical correlations. The fair value measurements of liabilities included in disposal groups classified as held for sale are determined by using the expected disposal price. This is derived, among other things, from written agreements in relation to the planned disposal transactions.

Alternative assumptions about the default correlations used could lead to significant changes in the fair values of 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 €0.3 million. Alternative assumptions about the liquidity spreads used could lead to significant changes in respect of unsecured collateralized loan obligations. All other things being equal, a rise of 1 percent in liquidity spread assumptions would lead to a decrease recognized in profit or loss in the fair value of these financial assets of €0.3 million and a decrease recognized in other comprehensive income in their fair value of €0.8 million. Sensitivity analysis is used to calculate the aforementioned changes in the fair value measurement. 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.

EXERCISE OF OPTION PURSUANT TO IFRS 13.48

The option offered by IFRS 13.48 of measuring a net risk position for financial assets and financial liabilities is used for portfolios whose components are recognized under the balance sheet items financial assets held for trading, investments, and financial liabilities held for trading.

» 42 RECLASSIFICATIONS

No financial assets were reclassified in the first half of 2013. In the corresponding period of 2012, financial assets with a carrying amount of €123 million were reclassified from the category 'financial instruments held for trading' to the category 'loans and receivables'.

The table below shows the carrying amounts and the fair values of all financial assets that were reclassified and that were held at the balance sheet date:

€ million	Jun. 30, 2013	Dec. 31, 2012
Carrying amounts	1,538	2,096
Fair values	1,506	1,852

If all the reclassifications in previous years had not taken place, an additional gain of €51 million before taxes would have been recognized in the income statement in the first half of 2013 as a result of the fair value measurement (first half of 2012: pre-tax gain of €30 million). In addition, pre-tax losses of €45 million in respect of the fair value measurement would have been recognized in other comprehensive income/loss in the period under review (first half of 2012: pre-tax gains of €48 million).

In the first half of 2013, the profit before taxes included an amount of €15 million derived from gains, losses, income, and expenses in connection with all the reclassified financial assets held (first half of 2012: €28 million).

The range of effective interest rates for the financial assets reclassified in the first six months of 2012 was, at the time of reclassification, 2.2 percent 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 the first half of 2012.

» 43 HEDGE ACCOUNTING

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	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Gains and losses on fair value hedges	-6	–
Gains and losses on hedging instruments	6	82
Gains and losses on hedged items	-12	-82
Gains and losses on portfolio fair value hedges	21	5
Gains and losses on hedging instruments	384	-481
Gains and losses on hedged items	-363	486
Gains and losses on cash flow hedges	–	-1
Total	15	4

» 44 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS

Selected 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 interim group management report.

» 45 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	Jun. 30, 2013	Dec. 31, 2012
Portugal	**328**	**347**
Financial instruments held for trading	5	3
Fair value option	259	262
Available-for-sale financial assets	15	33
Loans and receivables	49	49
Italy	**3,976**	**3,797**
Financial instruments held for trading	49	-
Fair value option	1,312	1,290
Available-for-sale financial assets	2,615	2,507
Ireland	**21**	**79**
Fair value option	-	52
Available-for-sale financial assets	21	27
Spain	**2,330**	**2,136**
Financial instruments held for trading	-	11
Fair value option	1,929	1,717
Available-for-sale financial assets	401	408
Total	**6,655**	**6,359**

The fair value of Portuguese government bonds categorized as 'loans and receivables' amounts to €39 million (December 31, 2012: €36 million).

Bonds issued by countries particularly affected by the sovereign debt crisis and held as part of the insurance business is only recognized in the proportion attributable to the shareholders of the DZ BANK Group.

FAIR VALUE HIERARCHY

The recurring fair value measurements as measured and recognized on the balance sheet are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2	
€ million	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2013	Dec. 31, 2012
Portugal	**279**	298	**–**	–
Financial instruments held for trading	5	3	–	–
Fair value option	259	262	–	–
Available-for-sale financial assets	15	33	–	–
Italy	**3,134**	2,970	**842**	827
Financial instruments held for trading	49	–	–	–
Fair value option	905	897	407	393
Available-for-sale financial assets	2,180	2,073	435	434
Ireland	**21**	79	**–**	–
Fair value option	–	52	–	–
Available-for-sale financial assets	21	27	–	–
Spain	**792**	731	**1,538**	1,405
Financial instruments held for trading	–	–	–	11
Fair value option	747	670	1,182	1,047
Available-for-sale financial assets	45	61	356	347
Total	**4,226**	4,078	**2,380**	2,232

IMPAIRMENT

No impairment losses were recognized to cover exposures in respect of bonds from 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 JUNE 30, 2013

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years
Portugal	–	–	189	68	156
Italy	51	31	288	1,350	3,843
Ireland	–	–	1	5	20
Spain	18	12	129	1,652	1,677
Total	**69**	**43**	**607**	**3,075**	**5,696**

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**

The maturity analysis shows the contractually agreed cash inflows.

E Other disclosures

» 46 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Jun. 30, 2013	Dec. 31, 2012
Financial guarantee contracts	**3,975**	**5,380**
Loan guarantees	1,353	2,680
Letters of credit	367	321
Other guarantees and warranties	2,255	2,379
Loan commitments	**21,532**	**20,462**
Credit facilities to banks	3,220	3,109
Credit facilities to customers	9,545	8,202
Guarantee credits	79	127
Letters of credit	40	46
Global limits	8,648	8,978
Total	**25,507**	**25,842**

The amounts shown for financial guarantee contracts and loan commitments are the nominal values of the exposure in each case.

» 47 TRUST ACTIVITIES

Trust assets and trust liabilities amounted to €3,228 million at the balance sheet date (December 31, 2012: €3,799 million).

» 48 ASSET MANAGEMENT BY THE UNION INVESTMENT GROUP

The Union Investment Group had total assets under management of €197,673 million at the balance sheet date (December 31, 2012: €190,535 million).

» 49 EMPLOYEES

Average number of employees by employee group:

	Jan. 1 – Jun. 30, 2013	Jan. 1 – Jun. 30, 2012
Female employees	**13,378**	**13,018**
Full-time employees	8,867	8,804
Part-time employees	4,511	4,214
Male employees	**15,521**	**15,150**
Full-time employees	14,892	14,606
Part-time employees	629	544
Total	**28,899**	**28,168**

» 50 EVENTS AFTER THE BALANCE SHEET DATE

Severe weather conditions occurred in Germany in July and August 2013 which will impact negatively on the net profit of the 2013 financial year. Reliable estimates of the financial implications are not yet available.

» 51 BOARD OF MANAGING DIRECTORS

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(Chief Executive Officer)

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WOLFGANG KÖHLER

HANS-THEO MACKE

ALBRECHT MERZ

DR. CORNELIUS RIESE
(Deputy Member of the Board
of Managing Directors since April 1, 2013)

THOMAS ULLRICH

FRANK WESTHOFF

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Spokesman of the Board of Managing Directors
Volksbank Herrenberg-Rottenburg eG

WOLFGANG APITZSCH
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of the Supervisory Board)
Attorney

HENNING DENEKE-JÖHRENS
(Deputy Chairman
of the Supervisory Board)
Spokesman
of the Board of Managing Directors
Volksbank eG
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DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

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R+V Allgemeine Versicherung AG

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Westdeutsche Genossenschafts-Zentralbank

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KARL EICHELE
Employee
Schwäbisch Hall Kreditservice AG

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President
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V. (BVR)

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(Member of the Supervisory Board
until May 29, 2013)
President
Baden-Württembergischer
Genossenschaftsverband e.V.

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Chief Executive Officer
Volksbank Alzey-Worms eG

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DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

RAINER MANGELS
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R+V Rechtsschutzversicherung AG

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Chief Executive Officer
Volksbank Raiffeisenbank Fürstenfeldbruck eG

GERHARD J. RASTETTER
Chief Executive Officer
Volksbank Karlsruhe eG
(until June 30, 2013)

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

DR. WOLFGANG THOMASBERGER
(Member of the Supervisory Board
since May 29, 2013)
Chief Executive Officer
VR Bank Rhein-Neckar eG

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim 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 for the remaining months of the financial year.

Frankfurt am Main, August 20, 2013

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch Hille Köhler Macke

Merz Dr. Riese Ullrich Westhoff

REVIEW REPORT (TRANSLATION)

To DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

We have reviewed the interim condensed consolidated financial statements, comprising the condensed income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the condensed statement of cash flows, and selected explanatory notes, and the interim group management report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, for the period from January 1 to June 30, 2013, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Eschborn/Frankfurt am Main, August 20, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Professor Dr. Pfitzer	Dombek
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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Thomas Ullrich
Frank Westhoff

This half-year financial report is available in electronic form on our website at www.halfyearreport.dzbank.com/2013.

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