Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

2013

ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT OF DZ BANK AG

DZ BANK
Zusammen geht mehr.

KEY FIGURES

DZ BANK AG

€ million	2013	2012
FINANCIAL PERFORMANCE		
Operating profit before allowances for losses on loans and advances	800	1,214
Allowances for losses on loans and advances	-292	-114
Operating profit	508	1,100
Net income for the year	166	128
Cost/income ratio (percent)	53.1	41.9

	Dec. 31, 2013	Dec. 31, 2012
NET ASSETS		
Assets		
Loans and advances to banks	82,695	86,993
Loans and advances to customers	22,634	24,094
Bonds and other fixed-income securities	39,825	40,782
Shares and other variable-yield securities	315	344
Trading assets	56,652	69,363
Other assets	15,777	16,928
Equity and liabilities		
Deposits from banks	87,757	96,565
Deposits from customers	29,505	26,133
Debt certificates issued including bonds	34,626	38,900
Trading liabilities	47,245	58,371
Other liabilities	12,304	12,118
Equity	6,461	6,417
Total assets/total equity and liabilities	**217,898**	**238,504**
Volume of business[1]	**238,779**	**260,657**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	31.5	26.7
Tier 1 capital ratio (percent)	20.5	17.7
DERIVATIVES		
Notional amount	893,426	907,546
Positive fair values	22,346	36,118
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**4,111**	**3,979**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	A1	A1
Fitch Ratings	A+	A+

1 Total equity and liabilities including contingent liabilities and other obligations

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MANAGEMENT REPORT OF DZ BANK AG

DZ BANK AG fundamentals

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DZ BANK) implements the transparency requirements as specified in section 289 HGB with the publication of this management report. In addition, the report satisfies German accounting standard no. 20 (Group Management Report), which relates to management reports that apply at group level.

1. BUSINESS MODEL

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. Its objective is to consolidate the position of the cooperative financial network as one of the leading financial services providers in Germany on a long-term basis.

Based on close cooperation with the local cooperative banks in their end-customer business and the decentralized provision of competitive products and services, the activities of the DZ BANK Group are a significant contributing factor in helping the cooperative banks to strengthen their market position. The primary banks also benefit from other types of assistance, including substantial financial support in the form of fees, commissions, bonuses, profit distributions, and the transfer of cost benefits.

The guiding principle followed by the DZ BANK Group is to fulfill the role of a network-oriented central institution and financial services group. The focus on network-based business is always given priority, especially in times when resources are in short supply.

In its role as a corporate bank, DZ BANK offers complementary services using existing products, platforms, and support activities. These services are constantly reviewed both from a strategic perspective (for example, so that there is no direct competition with the cooperative banks) and from an economic perspective (for example, so that the returns are appropriate and the risk acceptable).

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.

2. SUCCESSFUL STRATEGIC FOCUS AS NETWORK-ORIENTED CENTRAL INSTITUTION AND FINANCIAL SERVICES GROUP MAINTAINED

The 1,101 cooperative banks with their 13,211 branches serve 30 million customers, of whom more than half (a total of 17.3 million customers) are also members of the cooperative banks. This structure forms the basis for the success of DZ BANK and is the foundation for one of Germany's largest financial services groups: the Volksbanken Raiffeisenbanken cooperative financial network.

During the course of 2013, DZ BANK successfully strengthened its customer-oriented focus on the needs of the cooperative banks. The aim of DZ BANK is to work hand in hand with the local cooperative banks to offer innovative products and efficient processes so that it can continue to position itself as one of the leading financial services groups in the years to come.

To achieve this aim, it is steadfastly pursuing a strategy of network-oriented growth, a consistent focus, and closer integration of DZ BANK within the cooperative financial network, driven by its guiding principle, which is to be a network-oriented central institution and financial services group.

2.1. NETWORK-ORIENTED GROWTH

CORPORATE BANKING

Corporate banking is one of the core strategic business lines for the local cooperative banks and DZ BANK. DZ BANK has therefore put in place a number of organizational structures commensurate with the importance of the business line to the group. It has introduced a well-defined geographical organizational structure by establishing four regional corporate customer units, which are helping to increase customer focus. The further development of the joint marketing strategy with the local cooperative banks based on the ProFi DZ BANK customer relationship management system is also intended to enhance the profile of the cooperative financial network in the corporate banking market.

In addition to the focus on joint business with the local cooperative banks, DZ BANK continued its efforts to step up its direct business with medium-sized companies and major corporate customers in the reporting year. In 2014, it is planned to maintain the successful 'Deutschland – made by Mittelstand' promotional campaign initiated in 2012. The aim of the campaign is to ensure further expansion in business with small and medium-sized enterprises (SMEs) in Germany, the most important customer group in corporate banking as far as DZ BANK and the local cooperative banks are concerned. The campaign highlights the performance capabilities of the cooperative financial network.

One of the organizational refinements to support this business line has been to create a competence center for international business, which is responsible for handling all DZ BANK's international business with corporate customers. This interface to the relevant product and customer areas enables corporate customers of DZ BANK and of the local cooperative banks throughout Germany to obtain a comprehensive range of advice on international business. In another initiative to pool expertise, DZ BANK has also set up a competence center focusing on renewable energies.

The objective of this strategic realignment is to help the cooperative banks achieve greater penetration of the corporate banking market, in particular by increasing cross-selling activities.

RETAIL BANKING

DZ BANK's main focus of sales in the retail banking securities business in 2013 was on capital preservation investment certificates (capital guarantees and partial protection) and structured interest-rate investment certificates.

In the reporting year, DZ BANK was able to achieve further consolidation of its dominant position in the market for capital preservation certificates, increasing its market share by 3.0 percentage points to 53.5 percent, based on a strict quality strategy that places great emphasis on the priority investor requirements for guarantees, opportunities, and security.

TRANSACTION BANKING

National systems for credit transfers and direct debits are being replaced by the Single Euro Payments Area (SEPA), which came into force on February 1, 2014, although there is a transition period up to August 1, 2014. DZ BANK has developed an action plan to enable it to work together with its partners in the cooperative financial network to actively help customers with the transition. The action plan includes all relevant aspects of the SEPA transition and is the subject of a comprehensive information and communication campaign launched by the bank.

During 2013, DZ BANK reached a milestone as a depositary when the value of assets held in custody passed the €100 billion mark. This makes DZ BANK the only German bank among the top 5 depositaries in Germany, the other four being international competitors.

Transaction banking has to operate within an environment of broad-ranging demands in terms of regulatory activities, innovation, and operational improvement. An example of new services offered to the local cooperative banks is DZ BANK's service for implementing the requirement to submit reports to a transaction register as stipulated in the European Market Infrastructure Regulation (EMIR). The comprehensive obligations and procedural measures in connection with submitting reports independently to a registered trade repository would require individual cooperative banks to commit a huge amount of time, effort, and expense. In line with the principles of the decentralized structure of the cooperative financial network, DZ BANK is therefore offering a service as a central institution that will enable the local cooperative banks to continue operating their derivatives business in the current form in the future.

2.2. CONSISTENT FOCUS

FURTHER DEVELOPMENT IN CAPITAL MARKETS BUSINESS

In 2013, DZ BANK focused its activities in the capital market business in order to meet the enhanced regulatory capital adequacy requirements and align business with the substantial changes in market conditions. In addition to organizational changes, DZ BANK also implemented various action plans to improve its income and cost position as well as adapt its range of products and services.

2.3. CLOSER INTEGRATION OF DZ BANK WITHIN THE COOPERATIVE FINANCIAL NETWORK

DZ BANK works in close cooperation with the WGZ BANK Group and the special committees of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin, (BVR) (National Association of German Cooperative Banks) on critical future-related issues affecting the cooperative financial network. These issues include both corporate banking and the financial services strategy in retail banking.

The BVR's special 'Market' committee recently launched a project aimed at protecting competitiveness and long-term profitability in corporate banking. In this project, the cooperative financial network is defining the strategic challenges and areas of activity in relation to the small company and large/medium-sized company customer segments. The results can then be used as the basis for a project to develop marketing solutions for the local cooperative banks.

The development of a number of retail banking projects has continued, including the following:

In the BVR 'webErfolg' project, DZ BANK has provided assistance for the development of a network-wide integration architecture encompassing the individual websites of the local cooperative banks. The resulting IT architecture is now being tested and will form the basis for the future online activities of the cooperative financial network.

The objective of the BVR's 'Beratungsqualität' project is to create a uniform cooperative selling culture. To this end, the project is developing standardized, legally verified processes for the provision of holistic customer advisory services within the local cooperative banks.

2.4. CAPITAL MANAGEMENT

REGULATORY CHALLENGES

Efforts to strengthen the capital base of DZ BANK remain the top priority. Various measures that the bank has taken over the last few years have led to a significant increase in the Tier 1 capital ratio. These measures have included retaining earnings, taking steps in relation to long-term equity investments, and reducing the capital tied up in connection with certain portfolios that are being phased out, such as the asset-backed securities portfolio or selected European government bonds. Assuming the adjusted values as at December 31, 2013 on the basis of IFRS, and assuming that the regulatory legal basis valid from January 1, 2014, i.e. the Capital Requirements Regulation (CRR), had already come into force as at the reporting date and would have been applicable to the company, the core Tier 1 capital ratio would, as a consequence, be 8.6 percent.

Although the current easing in the European sovereign debt crisis and the economic environment in Germany are giving cause for optimism, DZ BANK's expectations for the new year are tinged with some apprehension.

In 2014, DZ BANK is facing the largest capital increase in its history. Despite doubling the capital ratio over the last 5 years, the new regulatory requirements mean that it will be necessary to increase capital on a scale beyond anything that the DZ BANK Group can manage from its own resources. The support of the German cooperative banks will be required. Various events are being held to ensure that shareholders are provided with comprehensive information about the current situation and the prospects for DZ BANK. A successful capital increase will enable the cooperative financial network to furnish proof of its robust cohesion and the strength of the group – a key factor in ensuring that the bank is viewed positively by the general public and continues to be awarded a good credit rating.

3 MANAGEMENT OF DZ BANK AG

3.1. GOVERNANCE

3.1.1. Integration within the cooperative financial network

The DZ BANK Group is a financial services group comprising entities that function as product specialists, providing the Volksbanken Raiffeisenbanken cooperative financial network with an entire range of financial services. Given the particular nature of the group, the Board of Managing Directors of DZ BANK consciously manages the group with a balanced centralized and decentralized approach with clearly defined interfaces and taking into account business policy requirements.

The three defining features of governance in the DZ BANK Group are the general management approach of the DZ BANK Group, appointments to key posts in the subsidiaries, and the committee structure.

For the purposes of managing the subsidiaries through appointments to key posts, a representative of DZ BANK is appointed in each case as the chairman of the supervisory body and generally also as the chairman of any associated committees (risk and investment committee, audit committee, human resources committee).

3.1.2. Corporate management committees

The **Group Coordination Committee** ensures coordination between the key entities in the DZ BANK Group to achieve consistent management of opportunities and risks, allocate capital, deal with strategic issues, and leverage synergies. In addition to the entire Board of Managing Directors of DZ BANK, the members of this committee comprise the chief executive officers of Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH), DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK S.A.), R+V Versicherung AG, Wiesbaden, (R+V), TeamBank AG Nürnberg, Nuremberg, (TeamBank), Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding), VR-LEASING AG, Eschborn, (VR LEASING AG), and Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP).

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

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

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

- The **Group Risk Management working group** supports the Group Risk Committee in all matters concerning risk and the management of risk capital in the DZ BANK Group, and in matters relating to external risk reporting. At DZ BANK level, the monitoring and control of the aggregate risks to the bank is coordinated by the Risk Committee.

- Credit risk management activities throughout the group are brought together under the **Group Credit Management working group**. This body is responsible for overarching, fully functioning credit risk management in the DZ BANK Group. The measurement and management of credit risk is based on a shared understanding of risk that recognizes the specific business needs of the individual group entities. The monitoring and control of DZ BANK's credit portfolio is coordinated by the Credit Committee. This committee normally meets every two weeks and makes decisions on material lending exposures at DZ BANK, taking into account the credit risk strategy of both the bank and the group. The Credit Committee is also responsible for managing DZ BANK's credit risk and country risk throughout the DZ BANK Group.

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

- The **Finance working group** advises the GRC on matters concerning accounting, tax law, and financial regulation. The Finance working group considers accounting, tax law, and regulatory issues and their significance for the DZ BANK Group. It discusses new statutory requirements and works out possible implementation options.

3.2. MANAGEMENT UNITS

In the Bank, Retail, Real Estate Finance, and Insurance operating segments, the DZ BANK Group comprises DZ BANK as the parent company, the DZ BANK Group's fully consolidated subsidiaries in which DZ BANK directly or indirectly holds the majority of the shares, and other long-term equity investments that are not fully consolidated.

All entities in the DZ BANK Group are integrated into groupwide management. In the case of subgroups, the disclosures in the group management report on management units relate to the entire subgroup comprising the parent company of the subgroup plus its subsidiaries and second-tier subsidiaries. From a formal, company-law perspective, the management units are managed by the parent company in the subgroup, which is responsible for compliance with management directions in the subsidiaries and second-tier subsidiaries. The following entities form the core of the financial services group.

The management units are assigned to the operating segments, as follows:

- Bank operating segment:
  DZ BANK, DZ BANK Ireland plc, Dublin, (DZ BANK Ireland), VR-LEASING AG and DVB Bank SE, Frankfurt am Main, (DVB) (including the respective subgroups)

- Retail operating segment:
  TeamBank, DZ PRIVATBANK S.A. and Union Asset Management Holding (including the subgroup)

- Real Estate Finance operating segment:
  BSH and DG HYP (including the respective subgroups)

- Insurance operating segment:
  R+V (including the subgroup)

These fully consolidated entities are material or important management units and form the core of the financial services group. DZ BANK AG forms a separate management unit from a higher-level perspective.

Until October 31, 2013, DZ BANK Polska was a separate management unit. The main operating activities of DZ BANK Polska were transferred to the newly established DZ BANK branch in Warsaw with effect from November 1, 2013.

3.3. KEY PERFORMANCE INDICATORS

- **Profitability/earnings:**
  The profitability figures (operating profit before allowances for losses on loans and advances, allowances for losses on loans and advances, operating profit, net income for the year) are presented in section II.3.1. and 3.2. of this management report.

- **Volume figures:**
  One of the main volume KPIs is equity. Equity is presented in section II.4.

- **Productivity:**
  One of the main productivity KPIs is the cost/income ratio. This is presented in section II.3.1. of this management report.

- **Capital adequacy:**
  The KPIs and the calculation method for economic capital adequacy are described in section V.7.2. of this management report. The KPIs for regulatory capital adequacy are included in section V.7.3.

3.4. MANAGEMENT PROCESS

In the annual strategic planning process, the management units produce a business strategy (objectives, strategic direction, and initiatives), a finance and capital requirements plan, and a risk strategy derived from the business strategy.

The feasibility of the planning by the management units is then assessed and the plans are also discussed and examined in strategy meetings. When the individual entity planning has been completed, the process then moves on to consolidated group planning, allowing active management of the DZ BANK Group's economic and regulatory capital adequacy.

Target attainment is monitored in a number of ways, including through quarterly meetings with the subsidiaries and the DZ BANK divisions.

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

At DZ BANK level, the main divisions involved in the strategic planning process are Strategy & Controlling, Risk Control, Group Finance, and Research and Economics. The planning coordinators in the market units and the subsidiaries are also incorporated into the process. The Strategy & Controlling division is responsible for overall coordination, including strategic financial planning as part of the strategic planning process.

II. Business report

1. ECONOMIC CONDITIONS

Over the reporting year, average inflation-adjusted gross domestic product (GDP) in Germany increased by 0.4 percent year on year.

Against the backdrop of an unusually long winter period, economic output in Germany remained static in the first quarter of 2013 compared with the previous quarter. Over the rest of the year, the domestic economic climate brightened with aggregate output up by 0.7 percent in the second quarter, 0.3 percent in the third quarter, and 0.4 percent in the fourth quarter, in each case compared with the preceding quarter.

In **individual European countries** economic growth continued to vary significantly in 2013. Overall economic output in the countries of the European Monetary Union once again declined slightly during the year. The economies throughout the entire eurozone continued to be constrained in 2013 by austerity measures taken as part of economic and financial policies in the countries on the periphery to overcome their high budget deficits and lack of competitiveness.

In the EU countries as a whole however, a weak start to the year in which economic output fell by 0.1 percent in the first quarter of 2013 compared with the previous quarter – a continuous run of 6 quarters with a negative growth outlook – was finally followed by an improvement again in the second quarter, with output up by 0.3 percent. This overall positive trend for the eurozone (even though driven for the most part by just a few of the EU core countries) was sustained through the third and fourth quarters of 2013, in which output was up on the preceding quarter by 0.1 percent and 0.3 percent respectively.

Consumer sentiment in the eurozone improved significantly during the second half of 2013 despite the tough conditions in the labor market overall. A more promising outlook for corporate capital investment also gradually continued to emerge, particularly with the manufacturing sector reporting a rise in new orders in the last two quarters of 2013.

The **United States** achieved only muted economic growth in 2013, despite continuing to pursue a markedly expansionary monetary policy. Even though Democrats and Republicans were unable to reach an agreement in the reporting year on necessary fiscal consolidation measures, some previously agreed spending cuts did come into force during the year with the effect of damping down the US economy. The first signs of easing in the US labor market appeared with a further drop in the unemployment rate during the course of the year. The US economy was given some impetus however, mainly by the trend in residential construction. After years in the doldrums, the US housing market was once again able to provide a considerable boost to growth in the reporting year.

In the **emerging markets in Asia and Latin America**, economic growth lost some of its pace in 2013. Discussions surrounding a possible imminent change of direction in the United States, involving restrictions on its expansionary monetary policy, led to an outflow of capital from the emerging markets in the reporting year. Nevertheless, demand from the emerging economies again provided strong stimulus for growth and a boost for exports in Germany.

Adjusted for inflation, consumer demand once again rose year on year in **Germany** and, as in 2012, made a considerable contribution to the country's economic growth. The willingness of consumers to spend was given a push by the healthy position in the jobs market and the persistently low levels of interest available on savings. At the same time however, businesses remained unenthusiastic about spending on capital equipment as a result of the uncertainty caused by the crisis in the eurozone.

In Germany, additional tax revenues generated on the back of an upturn in economic performance during the course of 2013 limited the overall federal budgetary deficit for the year to 0.1 percent of gross domestic product.

2. THE BANKING INDUSTRY AS EUROPEAN SOVEREIGN DEBT CRISIS BEGINS TO EASE

Trends in **European capital markets in the year under review benefited from the provision of an adequate level of liquidity by the European Central Bank (ECB)**. Since the beginning of 2012, **the ECB has made 2 three-year tenders available to the financial markets with a total value of around €1 trillion**, the drawdown of which had declined markedly by the end of the year under review. In order to ensure the continued provision of liquidity for the financial markets, **the ECB stated at the beginning of November 2013 that it would be maintaining its full allotment policy until mid-2015.**

Back in the summer of 2012, Cyprus had submitted **a request for financial assistance to its euro partners**. In **January 2013** the **rating agencies Moody's and Fitch downgraded Cyprus' 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).**

An agreement between the EU finance ministers, the IMF, and the Cypriot government was not reached until March 25, 2013. This agreement provided for **extensive restructuring at** the two major banks in the country, **Laiki Bank – which was to be subsequently closed – and Bank of Cyprus**, together with the requirement that a radical **share of the liabilities would have to be assumed by the shareholders, bondholders, and depositors (if deposits had a value greater than €100,000).**

In mid-April 2013, the German parliament voted in favor of the €10 billion bailout for Cyprus. Most of these funds (**€9 billion**) **were to be provided under the European Stability Mechanism (ESM)**. The balance of the bailout funds amounting to **€1 billion was to be 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. It was only after the re-election of Giorgio Napolitano as President in mid-April 2013 that **future Prime Minister Enrico Letta** succeeded in **forming a coalition government with a workable majority at the end of April 2013. This government was replaced in February 2014 by a government led by a new Prime Minister, Matteo Renzi.**

On July 9, 2013, Standard & Poor's downgraded Italy's credit rating from BBB+ to BBB with a negative outlook, citing the low prospects for growth in the economy.

Further waves of uncertainty were sent through financial markets **at the beginning of April 2013 when the Portuguese Constitutional Court ruled that key elements in the 2013 austerity budget** submitted by the Portuguese government led by Prime Minister Pedro Passos Coelho **were in breach of the constitution. 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.

In mid-2013, EU finance ministers decided to follow a corresponding decision made by the EU Commission at the end of May 2013 **and allow some member states more time to lower their budget deficits below the threshold of 3 percent of economic output** in the country concerned. 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.

After **Standard & Poor's had confirmed the United Kingdom's top rating of AAA at the beginning of April 2013**, (albeit with **outlook negative**), **Fitch** followed the lead given by Moody's 2 months previously **and downgraded the United Kingdom on April 19, 2013 by one notch 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 rating for 3 of the major banks (Barclays, Deutsche Bank, and Credit Suisse) from A+ to A citing the reduced earnings potential in investment banking, enhanced regulatory requirements, and the general uncertainty in the market environment.

France lost its top rating from Fitch on July 12, 2013, which cut the country's credit score to AA+. 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. **At the beginning of November 2013, Standard & Poor's downgraded France's credit rating from AA+ to AA but raised the outlook from 'negative' to 'stable'.**

On November 29, 2013, Standard & Poor's lowered the rating for the Netherlands from AAA to AA+ citing the worsening growth prospects, making it more difficult for the country to carry out rapid fiscal consolidation. On the same day, Standard & Poor's **raised its long-term rating for Cyprus from CCC+ to B-, and also adjusted the outlook attaching to Spain's BBB- rating to 'stable'.**

In mid-October 2013, **EU finance ministers** unanimously approved **the procedure for the introduction of the regulation governing the single supervisory mechanism (SSM). As a result of this regulation, responsibility for the direct supervision of the largest banks in the eurozone (and in other European countries that join the SSM) will be transferred to the ECB.** The change affects approximately 130 banks that have total assets in excess of €30 billion, or that are important to the economy of the European Union or a member state, or that are important at an international level.
DZ BANK is among the banks that are expected to be supervised by the ECB from the autumn of 2014, following the completion of a comprehensive assessment.

At a **meeting held on June 20/21, 2013** in Luxembourg, **EU finance ministers had reached an agreement on the conditions under which the ESM could be used for direct recapitalization of struggling banks. However, a direct bailout under the ESM for major banks to save them from failure** could **not** be considered **until the single supervisory mechanism under the auspices of the ECB was in place and operational. Furthermore, national parliaments would first have to approve the expansion of the role of the ESM.** One of the provisions in the resolution directive agreed by the finance ministers is that, before any such bailout, **shareholders, creditors, and depositors with credit balances of more than €100,000 would also have to contribute to the rescue.**

In a further step toward a standardized resolution mechanism for struggling banks, **Michel Barnier, European Commissioner for Internal Market and Services, had presented draft legislation for the single resolution mechanism (SRM) on July 10, 2013.** In addition to **creating a resolution fund to be funded by the banks**, the draft also provides for a **central resolution committee with representatives from the national supervisory authorities, the EU Commission, and the ECB. EU finance ministers agreed this resolution mechanism in mid-December 2013 subject to the proviso that the resolution committee would also have ultimate decision-making authority over the resolution of a bank.** However, the EU Commission would also be granted a right of objection in this regard. If this right were to be enforced, EU finance ministers would make the final decision. Individual details are still being negotiated by the EU institutions involved.

In addition, **negotiators from the EU Parliament and Council Presidency reached agreement in mid-December 2013 on the principles of a bail-in system**. These principles, which will come into effect from 2016, specify that primarily the **shareholders, creditors, and depositors with balances of more than €100,000 must be the first in line to help rescue a bank.** At the same time, it was decided that **support for struggling banks from public funds would only be considered in exceptional cases and only if an amount equivalent to 8 percent of the liabilities of the bank concerned** could be **made available** under the bail-in system referred to above.

It was also specified in the agreement that **funds were to be set up in the EU member states** to be used in connection with the recovery or resolution of banks. **Contributions from the banks are to be used to build up the funds so that they reach a target level of 1 percent of the covered bank deposits in the country concerned by 2025.** However, the length of the accumulation phase is still the subject of negotiations between the EU institutions.

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 the scenarios are believed to be exceptions to the banking segregation rules specified above, but any exemption is subject to a decision by the regulators.

Draft legislation published by EU Commissioner Michel Barnier on January 29, 2014 governing the structural separation of banks provides for a ban on proprietary trading for banks with total assets of more than €30 billion and trading business that exceeds €70 billion or 10 percent of total assets. The ban is also intended to apply to investments in certain alternative investment funds (AIF). Under the proposed rules, **regulators would also be given a significant degree of discretion to require the transfer of other trading activities.** The proposed regulation provides for a **ban on proprietary trading from 2017**. It is not yet possible to assess the implications from this draft legislation because the final version of the proposed regulation text has not yet been agreed.

In 2013, **international capital markets continued to be influenced by the expansionary monetary policies of the central banks**. While the **ECB** focused on **providing liquidity directly** to banks in the eurozone, the **central banks in the United States, United Kingdom, and Japan** made liquidity available 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 (Fed) 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.

When **the Fed indicated on May 22, 2013 that there was a possibility it could trim back its existing monthly bond-buying of US$ 85 billion in the future**, this triggered a drop in market prices in almost all asset classes. It was then evident that this was followed by a flow of investor capital back from the emerging markets to the industrialized countries in the expectation of an improving return on assets henceforward. To pre-empt possible interest-rate rises in the eurozone 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.**

To widespread surprise, the Fed decided in mid-September 2013 to maintain its monthly bond-buying policy at the existing level, stating that it still needed to wait for more evidence of a sustained economic recovery. One of the consequences of this monetary policy decision by the Fed was a sharp rise in market prices.

In view of the improvement in economic data, **the Fed decided on December 18, 2013 to cut its monthly bond-buying by US$ 10 billion to US$ 75 billion from January 2014.** At the same time, the Fed stressed that it also intended to keep interest rates at the current low level, even if the unemployment rate in the United States fell below the current target of 6.5 percent. In a second step, **the Fed announced on January 29, 2014 that it was scaling back its monthly bond purchases by a further US$ 10 billion to US$ 65 billion from February 2014.**

Similarly unexpectedly, and in response to the marked drop in the rate of inflation in the eurozone, **the ECB lowered its key interest rate in early November 2013 by a further 25 basis points to a record low of 0.25 percent.** The DAX responded by soaring to a record high, and bond yields slipped significantly.

Almost without exception, **the major German banks** suffered a contraction in operating income at group level during 2013, primarily as a consequence of the prevailing low interest rates. In some cases, the allowances for losses on loans and advances recognized by banks increased markedly compared with 2012. Administrative expenses rose moderately for the most part.

3. FINANCIAL PERFORMANCE

3.1. FINANCIAL PERFORMANCE AT A GLANCE

DZ BANK successfully overcame the tough market conditions and the significant number of challenges to its performance in 2013.

The year-on-year changes in the key figures that make up the operating profit generated by DZ BANK in 2013 were as described below.

Operating income amounted to €1,705 million, a year-on-year decrease of €384 million (2012: €2,089 million). It is made up of net interest income, net fee and commission income, net trading income, and other net operating income/expenses.

Administrative expenses increased by €30 million or 3.4 percent to €905 million (2012: €875 million).

The **cost/income ratio** for 2013 was 53.1 percent (2012: 41.9 percent).

Allowances for losses on loans and advances amounted to €292 million compared with €114 million in 2012.

The **operating profit** amounted to €508 million (2012: €1,100 million), a year-on-year decline of €592 million.

The details on the financial performance of the DZ BANK set out above and below (3.2.) do not include any variances compared with the information provided in the 2012 outlook.

3.2. FINANCIAL PERFORMANCE IN DETAIL

The individual changes in earnings performance for the DZ BANK in 2013 are described in detail below:

Net interest income advanced by 7.6 percent to €1,202 million (2012: €1,117 million).

Net interest income from operating business (excluding income from long-term equity investments) fell by 19.2 percent to €555 million (2012: €687 million).

This decrease resulted from a significant year-on-year fall in net interest income related to funding activities in money markets caused by market conditions. A lower expense arising from the funding of long-term equity investments was offset by a slight drop in income from long-term securities, mainly attributable to the strategy of reducing loan securitizations with the aim of recovering capital.

In the corporate customer lending business, net operating interest income of €212 million equated to an increase of 5.2 percent compared with the 2012 figure of €201 million.

Despite this encouraging performance, it is worth pointing out that the sluggish economy and a general disinclination to commit to capital spending in 2013 combined to prevent the demand for lending reaching the 2012 level, both in the direct business with large and medium-sized corporate customers and in the joint credit business with the local cooperative banks.

Especially against the backdrop of the European sovereign debt crisis, many corporate customers seemed to be nervous about economic trends on international markets going forward and decided to postpone capital spending until the next year. Furthermore, large and medium-sized companies continued to enjoy a reasonable liquidity position making them reluctant to

FIG. 1 – INCOME STATEMENT

€ million	2013	2012	Change (%)
Net interest income[1]	**1,202**	1,117	7.6
Net fee and commission income	**257**	261	-1.5
Net trading income	**267**	705	-62.1
of which: amounts added to reserves required by sec. 340g HGB	-30	-81	-63.0
Administrative expenses	**-905**	-875	3.4
Staff expenses	-472	-447	5.6
Other administrative expenses[2]	-433	-428	1.2
Other net operating income/ expenses	**-21**	6	>100.0
Operating profit before allowances for losses on loans and advances	**800**	1,214	-34.1
Allowances for losses on loans and advances	**-292**	-114	>100.0
Operating profit	**508**	1,100	-53.8
Other net income/expense[3]	**-131**	-759	-82.7
Changes to reserves required by sec. 340f, 340g HGB	-135	-658	-79.5
Profit/loss before taxes	242	-317	>100.0
Income taxes	**-76**	445	>100.0
Net income for the year	**166**	128	29.7

1 Including current income and income from profit transfer agreements
2 Other administrative expenses, and amortization and write-downs on intangible assets, and depreciation and write-downs on property, plant and equipment
3 Gains and losses on investments, extraordinary income/expense, and other items

commit to new borrowing. Corporate capital investment was increasingly self-funded.

This trend was also evident in the development lending business with the cooperative banks. Following an unusually encouraging start of the year, the total volume of new business over the whole of the year just fell short of the challenging level set in 2012. Given the low level of interest rates, the local cooperative banks increasingly used their own funds for funding purposes. The growth in the programs for energy-efficient construction and renovation, and in the programs for start-up finance and corporate capital investment subsidies, was unable to fully make up for the drop in new business volume.

In contrast, the year under review saw greater demand for structured finance (including syndicated loans and acquisition finance), particularly in corporate banking business with major corporate customers.

The trends also continued to be positive in the agriculture, nature, and (renewable) energies (ANE) product sector. Significant growth was achieved in both agriculture and renewable energies finance with customers of the local cooperative banks, although finance business involving photovoltaic installations diminished considerably as a result of changes to the development support available in Germany. The prolonged discussion surrounding changes to the Renewable Energy Sources Act (EEG) in Germany and a restriction on the financial assistance available to support green electricity also had an adverse impact. However, these negative developments were significantly outweighed by growth in other areas, notably finance business involving wind farms.

During the reporting period, DZ BANK paid particular attention to stepping up its joint marketing activities with the entities in the cooperative financial network. One of the consequences of the successful collaboration within the network was a further increase in the proportion of corporate banking business derived from cross-selling.

The Structured Finance division focuses on meeting the finance needs of German businesses at home and abroad. It also supports foreign businesses with a substantial involvement in Germany.

One of the key features of the market environment was the low level of interest rates. Customers exploited this opportunity to stock up on a long-term basis using the bond and promissory note markets.

Net operating interest income in the Structured Finance division amounted to a total of €81 million, an increase of 0.6 percent on the equivalent figure in 2012. The trends in the individual product areas within this division (acquisition finance, international trade and export finance, project finance, and asset securitization) in 2013 are described below.

In the acquisition finance business, the division arranges and structures debt finance to support the acquisition of large and medium-sized companies, primarily in German-speaking Europe. Large numbers of customers have made use of the high degree of liquidity in lending and bond markets to fund their loans. Redemptions in combination with a selective approach to the granting of new loans led to a reduction in the size of the portfolio, as a result of which net operating interest income declined year on year by 10.9 percent to €33 million (2012: €38 million).

The emphasis in the international trade and export finance business was very much on providing support for both SMEs and large corporate customers in Germany. In an environment characterized by increasingly fierce competition, this business saw a slightly lower level of net operating interest income compared with 2012 at €28 million, a year-on-year decrease of 3.0 percent (2012: €29 million). Given the changes in market conditions, the decline in the business involving short-term trade finance was almost completely offset by the slight shift of business toward structured trade finance and long-term export finance arrangements secured by government export credit insurance.

Growth in project finance business during the year under review was somewhat muted overall, with net operating interest income amounting to €24 million (2012: €26 million). As in previous years, one notable exception was the finance business aimed at capital investment in renewable energies in Germany, where performance remained strong in 2013.

The Structured Finance division uses asset securitization products to offer structured investments and asset finance for a broad selection of asset types. Liquidity costs in the asset securitization business amounting to €4 million saw an improvement of €8.0 million compared with the equivalent 2012 costs of €12.1 million as a result of the overall drop in such costs.

DZ BANK's reported income from long-term equity investments increased by 50.5 percent to €647 million (2012: €430 million). This was mainly the result of increased earnings, especially at DG HYP and Union Asset Management Holding, partially offset by lower income from other long-term equity investments, most notably R+V. DG HYP generated an additional profit contribution of €180 million in 2013 as a result of the increase in value resulting from the redemption in full of a corporate bond guaranteed by an EU country that was due to mature at the end of March 2013.

The **net fee and commission income** at DZ BANK amounted to €257 million, a decrease of 1.5 percent on the comparable figure in 2012 (€261 million).

The higher contributions to this net income generated in the securities business from commission and custody business were offset to a fractionally greater degree by lower income from the securities issuing business (attributable to market conditions) and higher payments to the banks in the cooperative financial network in connection with the issuance of DZ BANK bonds. The contribution from the lending business was down slightly as a result of a fall in loan processing fees. The contribution generated by payments processing was slightly below the 2012 level. The contribution from the international business remained virtually unchanged year on year.

In the year under review, the corporate customer divisions succeeded in increasing their contribution to net fee and commission income by 6.5 percent to €55 million (2012: €52 million) despite fierce competition in the marketplace.

In the Structured Finance division, net fee and commission income in 2013 amounted to a total of €89 million, slightly below (5.4 percent) the corresponding figure for 2012 of €94 million. The trends in the individual product areas within this division in 2013 are described below.

In the acquisition finance business, the year under review saw substantially greater competition from banks outside Germany and debt funds, among others. Nevertheless, the division was still able to achieve a further slight year-on-year rise in net fee and commission income from acquisition finance, increasing the figure by 7.6 percent to €21 million (2012: €19 million). The main reasons behind this increase were delays in finalizing some larger finance agreements that were then not signed until 2013.

One of the factors that had significantly impacted the level of net fee and commission income from international trade and export finance in 2012 had been a high level of one-off items. With a contribution of €10 million in 2013, it was therefore not possible to repeat the excellent level of the contribution achieved in 2012 (€13 million).

The net fee and commission income from project finance business amounting to €11 million also fell short of the 2012 figure of €15 million as a consequence of the subdued level of activity in the market.

In the loan syndication business, net fee and commission income ran counter to the general market trend with a further increase of 5.7 percent to €5 million (2012: €4 million). This excellent performance in the loan syndication business was attributable to improved networking with the cooperative banks and the very good credit ratings held by DZ BANK.

For about 2 years, the number of transactions in the international documentary business (letters of credit, guarantees, collections) has been falling. As a consequence, the net fee and commission income of €11 million in 2013 was down 6.3 percent on the corresponding figure for 2012 of €12 million.

Net fee and commission income from the asset securitization business amounted to €32 million, driven by the positive performance of the business. This represented a slight improvement of 3.7 percent compared with the equivalent figure for 2012 of €31 million.

In Capital Markets business with equities customers, DZ BANK once again successfully placed its expertise and its product range at the disposal of its own corporate customers and companies advised by the cooperative banks. DZ BANK benefited from the encouraging level of activity in rights issues, a critical market segment for DZ BANK's business, and was involved in a number of high-profile transactions in a lead capacity.

Net trading income amounted to €267 million in 2013 (2012: €705 million).

Net trading income from operating business was exceptionally high in 2012 due to a sharp increase in the valuation – primarily in the first quarter of the year – of the securities held for dealing purposes as a result of the market-induced narrowing of spreads.

In addition, net trading income was adversely impacted in the reporting year by increases of €83 million (2012: €113 million) in the carrying amounts of DZ BANK's liabilities recognized at fair value as a result of the narrowing of spreads.

Conversely, net trading income in 2013 was boosted by the net figure for unrealized and realized gains and losses relating to asset-backed securities (ABSs), which amounted to a gain of €46 million (2012: gain of €89 million).

An amount pursuant to section 340e German Commercial Code (HGB) of €30 million (2012: €81 million) was added to the fund for general banking risks pursuant to section 340g HGB in 2013.

As in previous years, the net trading income of DZ BANK in 2013 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.

The factors that defined the capital market environment in 2013 were interest rates at a record low, the bull market for equities, and the simultaneous and persistent investor uncertainty. The main focus of sales in the retail banking securities business in 2013 was on capital preservation products (capital guarantees and partial protection) and structured interest-rate products.

In 2013, DZ BANK was once again able to achieve a further consolidation of its dominant position in the market for capital preservation certificates, increasing its market share by 3.0 percentage points to 53.5 percent, based on a strict quality strategy that places great emphasis on the priority investor requirements for guarantees, opportunities, and security.

Structured interest-rate products generating the greatest retail investor demand included subordinated debt issuances, products with simple interest-rate structures, and floating-rate bonds with a minimum coupon. In 2013, DZ BANK also continued to help the cooperative banks support independent decision-makers among investor customers by introducing the new VR-ProfiBroker e-brokerage application. It was also able to maintain its average share of the flow products market at around 8 percent in the reporting year, consolidating its position as one of the top 3 providers in the overall market.

The cooperative banks extended the diversification of their new investments as part of their own-account investing activities with the aim of exploiting the historically low level of interest rates to stabilize their financial performance over the long term. In this regard, the cooperative banks showed a preference for fund products, primarily in the real estate and equities asset classes. There was also significant growth in the volume of fixed-term funds.

The volume of securities and deposit-taking business with corporate customers achieved in 2012 was sustained in the year under review. Given the persistent low level of interest rates, DZ BANK was hit by deterioration in the margins achievable in money market business. Commercial paper business contracted during the course of the year, mainly as a result of a further drop in issuance activity. Products offering long-term hedging of interest rates continued to be in high demand. DZ BANK also systematically continued to expand its foreign exchange business with corporate customers during the reporting year and succeeded in attracting a large number of new customers despite low volatility and a contraction in trading volumes on currency markets.

Among institutional clients, demand picked up again for corporate bonds, covered bonds, and government bonds issued by peripheral countries of the eurozone. Investors in this case increasingly tended to favor coupon structures with long maturities. Multitranche paper was bought in addition to callable bonds with single or multiple call dates. DZ BANK also continued to consolidate its leading market position in interest-rate derivative products.

In the highly competitive primary market for new bond issues, there was a substantial fall in the number of covered bond and bank bond issues. This reflected the impact on financial-sector issuers from the reduction in total assets on balance sheets.

Administrative expenses at DZ BANK amounted to €905 million, an increase of 3.4 percent on the comparable figure in 2012 (€875 million).

Other administrative expenses rose by €5 million to €433 million (2012: €428 million), above all as a result of higher project costs in connection with regulatory requirements.

Staff expenses advanced by €25 million to €472 million (2012: €447 million), owing in particular to a rise in the number of employees and an increase in salaries.

Other **net operating income and expenses** at DZ BANK amounted to an expense of €21 million in 2013 (2012: income of €6 million).

Other net operating expense included, in particular, a net expense of €42 million (2012: income of €18 million) resulting from the measurement of the occupational pension plan, a gain of €47 million (2012: €27 million) from the reversal of provisions, and interest expenses of €23 million on revised tax liabilities (2012: interest expenses of €8 million). The figure for the measurement of the occupational pension plan included the interest cost of €54 million (2012: €48 million) reported in 2013 in connection with the valuation of pension obligations. It also included interest income earned from plan assets in 2013 of €21 million (2012: €21 million), impairment charges of €9 million (2012: reversals of impairment charges of €43 million) in respect of plan assets recognized at fair value, and a price gain recognized on plan assets of €0.2 million (2012: €2 million).

Allowances for losses on loans and advances came to €292 million in 2013, compared with €114 million in 2012.

DZ BANK reported a net addition to its specific loan loss allowances of €186 million in the year under review, roughly at the same level as the net addition of

€183 million in 2012. Despite individual allowances relating to corporate banking and long-term equity investments – but also as a result of the reversal of allowances following successful turnarounds – specific loan loss allowances remained in line with budgets and therefore, overall, reflected DZ BANK's risk policy, which continued to be sustainable.

In 2013, DZ BANK switched the calculation of allowances for losses on loans and advances in respect of latent credit risk from the tax recognition of the general loan loss allowance and country risk loan loss allowance to the portfolio loan loss allowance calculated in accordance with the incurred loss model pursuant to IAS 39. The calculation of the portfolio loan loss allowance is based on the method for calculation of expected losses used for regulatory purposes. Other measurement factors are determined on the basis of internal parameters. Country risk is covered when the probability of default and/or the credit rating is determined. This switch resulted in an increase in allowances for losses on loans and advances of €86 million. In total, the net addition to the portfolio loan loss allowance amounted to €119 million.

Gains and losses on securities in the liquidity reserve amounted to a gain of €13 million in the year under review (2012: gain of €71 million). This reflects the reversal of impairment losses in the securities portfolio in the period under review. The securities portfolio was significantly down, however, in 2013.

Further detailed disclosures regarding the risk situation in DZ BANK can be found in this management report in V. Opportunity and risk report.

In the year under review, DZ BANK's **other net income and expense** amounted to an expense of €131 million (2012: expense of €759 million).

Within this figure, losses on investments of €50 million (2012: losses of €502 million) included both gains from long-term equity investments of €12 million (2012: losses of €410 million) and write-downs totaling €62 million on long-term securities (2012: write-downs of €92 million).

Losses from long-term equity investments in 2013 included, in particular, write-downs of €10 million and €4 million (2012: write-down of €15 million) respectively on the carrying amounts of DZ BANK's direct investments in DZ BANK Ireland and Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento. The write-downs were made in view of the challenging economic conditions faced by these long-term equity investments. A reversal of a write-down of €26 million on shares held by DZ BANK in NATIXIS S.A., Paris, was also recognized in the year under review.

Losses from long-term equity investments in 2012 included, in particular, write-downs of €225 million and €150 million respectively on the carrying amounts of DZ BANK's direct investments in DZ PRIVATBANK S.A. and BSH.

In 2013, net write-downs of €36 million (2012: €159 million) were recognized on long-term securities, largely in relation to sales of ABSs aimed at optimizing capital. Write-downs were also recognized on above-par securities in 2013 in the amount of €51 million.

The expense in respect of the transfer of losses in 2013 amounted to €73 million (2012: €41 million). It is largely attributable to an expense of €16 million in favor of VR-LEASING AG and an expense of €20 million (2012: €25 million) relating to DZ Beteiligungsgesellschaft mbH Nr. 11, Frankfurt am Main. The latter expense results from the write-down of the capital increase in Volksbank Romania S.A., Bucharest, attributable to DZ Beteiligungsgesellschaft mbH Nr. 11. An additional €21 million of expenses from the transfer of losses related to DZ Beteiligungsgesellschaft mbH Nr. 18, Frankfurt am Main, resulting from the write-down of the carrying amount of the equity investment in GAF Active Life 1 Renditebeteiligungs-GmbH & Co. KG, Nidderau.

In 2013, net extraordinary income/expenses for the year amounted to an expense of €8 million (2012: expense of €216 million), attributable to the restructuring of business operations at DZ BANK in Poland carried out during the reporting year. In the past, DZ BANK has operated in Poland via a subsidiary, but in the future its activities here will be substantially reduced as responsibility for managing the business passes to a newly established foreign branch of DZ BANK. In 2012, the expenses had included an income subsidy of €202 million paid by DZ BANK to VR-LEASING AG.

An amount of €135 million was added to the reserves (2012: €658 million) pursuant to section 340g HGB in the reporting year.

With a tax expense of €76 million, **net income** for the year was €166 million (2012: €128 million).

The tax expense for the year under review of €76 million (2012: income of €445 million) includes a deferred tax expense of €24 million (2012: income of €442 million), income from group tax levies of €223 million (2012: €285 million), and a tax expense of €275 million (2012: €282 million).

As a result of the net income for the year of €166 million and after addition of €8 million to revenue reserves, DZ BANK is able to distribute a **dividend** of €158 million. A dividend payment of €0.13 per share for 2013 will be proposed to the Annual General Meeting.

3.3. NUMBER OF BRANCHES

As at December 31, 2013, DZ BANK had 4 German branches in Berlin, Hannover, Stuttgart, and Munich as well as 5 foreign branches situated in London, New York, Hong Kong, Singapore, and Poland.

The Hannover and Munich branches oversee two sub-offices in Hamburg and Nuremberg.

4. NET ASSETS

As at December 31, 2013, DZ BANK's **total assets** had decreased by €20.6 billion to €217.9 billion (December 31, 2012: €238.5 billion), a decline of 8.6 percent.

DZ BANK's foreign branches accounted for €20.1 billion or around 9.2 percent of the total assets of DZ BANK as at December 31, 2013. New York (€10.2 billion) and London (€6.1 billion) together accounted for around 81 percent of the €20.1 billion. The remaining €3.8 billion was attributable to the branches in Singapore (€2.1 billion), Hong Kong (€1.2 billion) and Poland (€0.5 billion).

FIG. 2 – TOTAL ASSETS

As at December 31, 2013, **total volume** amounted to €238.8 billion (December 31, 2012: €260.6 billion). This figure comprises total equity and liabilities, contingent liabilities, and other DZ BANK obligations.

The derivatives recognized at fair value of €851.4 billion (December 31, 2012: €865.7 billion) **and the derivatives not recognized at fair value** of €42.0 billion (December 31, 2012: €41.8 billion) came to a notional amount of €893.4 billion as at December 31, 2013 (December 31, 2012: €907.5 billion). Of this total amount, €22.3 billion was accounted for by positive fair values (December 31, 2012: €36.1 billion).

Loans and advances to banks had fallen by €4.3 billion to €82.7 billion as at December 31, 2013 (December 31, 2012: €87.0 billion). Loans and advances to affiliated banks had increased slightly to €50.8 billion as at December 31, 2013, a rise of €0.8 billion or 1.6 percent. Loans and advances to other banks declined by €5.1 billion or 13.8 percent to €31.9 billion.

Loans and advances to customers had reduced by €1.5 billion to €22.6 billion as at December 31, 2013 (December 31, 2012: €24.1 billion). Within this figure, loans were down by €1.2 billion.

As at December 31, 2013, the value of **bonds, shares, and other securities** had fallen by €1.0 billion year on year to €40.1 billion (December 31, 2012: €41.1 billion). This change was attributable almost exclusively to holdings of bonds, the value of which amounted to €39.8 billion as at December 31, 2013 (December 31, 2012: €40.8 billion). The value of shares and other variable-yield securities was unchanged year on year at €0.3 billion (December 31, 2012: €0.3 billion).

The **trading assets** line item was €56.7 billion as at December 31, 2013, a drop of €12.7 billion compared with December 31, 2012 (€69.4 billion). This was mainly the result of a decrease of €13.4 in the fair value of derivatives, coupled with a slight increase in the fair value of repurchase agreements (€0.8 billion).

Deposits from banks had contracted by €8.8 billion to €87.8 billion as at December 31, 2013 (December 31, 2012: €96.6 billion). Deposits from affiliated banks had declined by €4.8 billion, or 11.5 percent, to €36.9 billion. Deposits from other banks had gone down by €4.0 billion, or 7.3 percent, to €50.9 billion.

Deposits from customers as at December 31, 2013 had increased by €3.4 billion year on year to €29.5 billion (December 31, 2012: €26.1 billion). This was mainly due to an increase in time deposits (€2.7 billion). The €0.7 billion increase in current account credit balances and €0.4 billion rise in overnight money were offset by a €0.2 billion drop in promissory notes and a €0.2 billion fall in registered bonds.

Debt certificates issued including bonds had decreased by €4.3 billion to €34.6 billion as at December 31, 2013 (December 31, 2012: €38.9 billion). This was mainly due to the fall of €2.3 billion in the bond portfolio (excluding domestic commercial paper). Overall, commercial paper had declined by €2.0 billion.

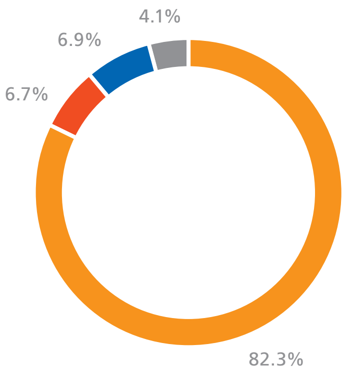
The **trading liabilities** line item was €47.2 billion as at December 31, 2013, a decline of €11.2 billion compared with December 31, 2012 (€58.4 billion). Within this figure, derivatives categorized as trading liabilities had fallen by €15.0 billion year on year as a result of changes in fair value, while repurchase agreements had gone up by €4.2 billion.

The **fund for general banking risks** in accordance with section 340g HGB amounted to €4,209 million as at December 31, 2013 (December 31, 2012: €4,044 million).

The **equity** of €6,461 million reported on the balance sheet as at December 31, 2013 was €44 million up on the equivalent figure as at December 31, 2012 (€6,417 million). As at December 31, 2013, distributable profit amounted to €158 million (December 31, 2012: €122 million).

DZ BANK's equity and solvency situation is described in this management report in V. Opportunity and risk report, section 7. Risk capital management.

FIG. 3 – SHAREHOLDERS AS AT DECEMBER 31, 2013



Total subscribed capital: €3,160 million
- Local cooperative banks*: €2,601 million
- WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank*: €211 million
- Other cooperatives: €217 million
- Other: €131 million

* Directly and indirectly

5. FINANCIAL POSITION

In the context of **funding**, DZ BANK 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.

DZ BANK 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. DZ BANK therefore has a comfortable level of liquidity at its disposal. Funding on the interbank market is not strategically important to DZ BANK.

DZ BANK issues securitized money market products through its branches in Frankfurt, New York, Hong Kong, and London.

DZ BANK's main **sources of funding** on the unsecured money markets as at December 31, 2013 were as follows:

FIG. 4 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

%	Dec. 31, 2013	Dec. 31, 2012
Local cooperative banks	55	57
Other banks, central banks	11	14
Corporate customers, institutional customers	26	19
Commercial paper (institutional investors)	8	10

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, all repo and securities lending activities, together with the collateral management process, are managed centrally in Group Treasury. Group Treasury also has at its disposal a portfolio of investment-grade liquid securities (collateral pool). These securities can be used through repos in connection with market funding activities and are also eligible for central bank borrowing.

Structural liquidity is used to manage and satisfy the long-term financing requirements (more than 1 year) of DZ BANK.

It is measured daily on the basis of total liquidity flows. The long-term ratio is also used to support the management of structural liquidity. This key figure is also determined on a daily basis. It quantifies the ratio of sources of funds to application of funds with a residual maturity of more than one year on a cash flow basis.

DZ BANK's **long-term ratio** as at December 31, 2013 was 102 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. DZ BANK also has the option of obtaining liquidity through covered issues known as DZ BANK BRIEFE. In this case, the funding is primarily obtained from institutional investors.

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

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

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

To complement the description of the funding structure, further information on **DZ BANK's liquidity risk** can be found in this management report in V. Opportunity and risk report, section 11. Liquidity risk.

6. EVENTS AFTER THE BALANCE SHEET DATE

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

III. Human resources report and sustainability

1. HUMAN RESOURCES REPORT

1.1. DIVERSITY PROJECT:'VIELFALT@DZ BANK'

The Vielfalt@DZ BANK (Diversity@DZ BANK) project was launched in 2012 with the aim increasing the number of female experts and managers at all hierarchy levels within the organization. The project is headed up by a mixed team of male and female managers.

The measures implemented during the reporting period included introducing diversity targets into the target agreements of managers and a discussion guideline for managers and staff on parental leave, to support the change in culture. The proportion of women on career development programs increased, with female staff now making up 50 percent of the participants on development programs for high-potential employees (PFP). The training course launched in 2012, 'Success strategies for women', is aimed at women with career ambitions. The feedback received so far has been extremely positive. A second open day for female students was held in 2013. From the pool of participants from the previous year, the bank has recruited one management trainee and three interns. DZ BANK also attended a number of trade fairs with the specific aim of reaching out to female students, graduates, and professionals.

1.2. PROFESSIONAL DEVELOPMENT

The bank's professional development program provided almost 40 percent of all training courses, covering 121 different topics, while bespoke, division-specific programs accounted for a further 26 percent. Demand for courses in the area of banking and business studies, specifically those focusing on statutory and regulatory changes, remained strong in 2013.

In addition to the external trainers, many internal specialists contributed their valuable expertise to courses, including those on banking regulation. In 2013, inhouse trainers delivered 86 of DZ BANK's seminars, 54 within the general professional development program and 32 of those aimed at specific divisions. The bank thanked the trainers for their commitment by hosting a lunch for them in the third quarter. Targeted professional development seminars support employees in their day-to-day work and thereby make an important contribution to the success of the business. For example, the new training courses for project managers have been instrumental in ensuring that these employees can continue to carry out their duties successfully in the face of increasing demands.

The emphasis in the management training programs remains on practical relevance. Three new programs were launched which focus on the specific needs of managers and have direct application to their everyday management activities. They covered topics such as 'Dealing with challenging management situations', 'Change management' and 'Leading teams', and were delivered in a variety of forms, including practical workshops.

1.3. TRAINING AND DEVELOPMENT OF YOUNG TALENT

In 2013, 63 trainees (35 women and 28 men) began their professional career by joining various training programs at DZ BANK after completing their studies at school or university.

Training and developing the next generation is regarded as a shared responsibility within the bank. The HR division establishes the necessary structures and monitors the trainees and the departmental coordinators, but the training itself is carried out within the individual departments. In 2013 the company-wide standards for mentoring trainees were revised, and the profiles of all those involved in training were more clearly defined. Training and development of trainees was designated a managerial task. In the future the divisional managers will appoint the departmental coordinators. The responsibility for the direct supervision of the trainees within the departments will rest with the group leaders.

DZ BANK encourages individual responsibility among the newcomers in order to prepare them as fully as possible for taking on suitable roles in the bank. Besides equipping trainees with specialist knowledge, the development programs focus on expanding their methodological, social, and personal skills.

A job-shadowing assignment in another entity within the DZ BANK Group has been included as a standard component of the trainee and postgraduate program since 2012. Nine DZ BANK trainees undertook such assignments with a DZ BANK Group entity in 2013 and, in return, 15 trainees from other entities within the DZ BANK Group carried out job-shadowing assignments at DZ BANK. Job-shadowing assignments were also arranged between individual entities of the DZ BANK Group. The program will be continued in 2014.

In the light of the age structure within the organization and its future requirements, DZ BANK has started training at its regional sites again. A total of seven new places were created on the vocational training course leading to a Bachelor of Arts degree in banking. New students will join the degree course each year. The bank has also responded to the changing requirements for specialist skills and the constant demand from the IT division by creating a new course of study in applied information technology so that it can train staff specifically for its IT division. The course focuses on the design and user-friendly implementation of computerized information and communication systems.

1.4. HEALTH MANAGEMENT

In 2013, DZ BANK provided a number of services aimed at promoting the health of employees, such as attractive sporting opportunities within the bank and anti-stress programs. 'Health days' covered topics such as regeneration and exercise, with lectures and workshops providing employees with a wealth of information.

If employees face challenges or problems at work or at home, they can turn to the independent social counseling service which was set up in 2007.

1.5. WORK AND FAMILY LIFE

One of the core objectives of DZ BANK's HR policy is to create a working environment that takes account of the changing requirements of employees and employers arising from the changes to family structures and age demographics. DZ BANK supports parents and carers by offering flexible working hours, teleworking, and parent-and-child offices. External service providers have also been contracted to ensure regular daycare places are available for employees' children and to offer a service that finds au-pairs and carers. This service is free of charge for bank employees.

DZ BANK's carer network meets once a month, giving employees the opportunity to discuss matters surrounding relatives who require care, and to support one another.

In 2013 the bank once again offered daycare on Saturdays during Advent, thereby helping to ease the burden on parents in the run-up to Christmas. Employees' children can also attend art workshops on a number of weekends and during school holidays. At the end of the year, the bank successfully underwent the auditberufundfamilie® audit carried out by the non-profit-making Hertie Foundation. The Hertie Foundation recognizes companies with family-friendly and life-stage-oriented HR policies with a certificate that lasts for three years. At the end of this period, companies must undergo another audit. The bank has held the award since 2007 and is in line to receive it again.

1.6. EMPLOYER AWARDS

In 2013, DZ BANK competed successfully for the following awards: Top German Employer (Top Employers Institute, since 2008), Career-enhancing & fair trainee program (Absolventa, since 2012), and Germany's 100 Top Employers (trendence, since 2008).

FIG. 5 – EMPLOYEE DATA
(AVERAGE NUMBER OF EMPLOYEES IN THE YEAR)

Employees (excluding trainees)	2013	2012
Total	4,111	3,979
Germany	3,836	3,735
ROW	275	244
Staff turnover (%)	3.1	2.9
Years of service (as at Dec. 31)	13.2	12.9
Trainees		
Total	126	113
Male	70	64
Female	56	49
Full-time/part-time		
Total full-time	3,396	3,292
Total part-time	715	687
Germany, full-time	3,130	3,058
Germany, part-time	706	677
ROW, full-time	266	234
ROW, part-time	9	10
Proportion of part-time (%) (as at Dec. 31)	16.5	17.1
Gender		
Total male	2,382	2,315
Total female	1,729	1,664
Germany, male	2,235	2,182
Germany, female	1,601	1,553
ROW, male	147	133
ROW, female	128	111
Proportion of women (%, Germany & ROW, as at Dec. 31)	42.5	41.9
Proportion of female managers (%, Germany & ROW, as at Dec. 31)	17.2	16.1
Professional development*		
Total professional development days	10,483	11,894
Professional development days per employee	2.6	3.1

(* excluding trainees and ROW)

2. SUSTAINABILITY

2.1. COOPERATIVES: RESPONSIBILITY AS A CORPORATE OBJECTIVE

The philosophy of meeting commercial and social challenges together is the foundation on which the cooperatives are based and is a fundamental principle of sustainability. Around the globe, almost 800 million people in more than 100 countries are members of a cooperative. Cooperatives provide a place of work for 100 million people.

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

DZ BANK is now one of the leading financial institutions in terms of sustainability. This is confirmed by the sustainability rating received from the sustainability ratings agency oekom research, which awarded the DZ BANK Group prime status in 2011 and again in 2013. This status is given by oekom research to entites that stand out from the crowd because of their above-average environmental and social commitment.

2.2. SUSTAINABILITY-RELATED PRODUCTS AND SERVICES

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

Since the beginning of 2009, the renewable energies sector has been a strategic area of activity for DZ BANK. As well as traditional bank loans funded from our own liquidity, the arrangement of development loans is currently a key aspect of our activities. In the renewable energies sector, DZ BANK AG currently provides lending of around €2 billion to fund the expansion of infrastructure and the development of new, more efficient technologies.

DZ BANK also offers other sustainability-related products and services, ranging from special investment certificates in the 'Anlage Zukunft' product line to sustainability research. As part of its commitment to corporate social responsibility, DZ BANK stopped all speculative trading in agricultural commodities in spring 2013.

In addition to offering sustainability-related products and services, DZ BANK has also enhanced key processes so that they satisfy social and environmental criteria. On January 1, 2013 DZ BANK signed up to the Equator Principles, which provide a global standard for project finance. Since then, all project finance involving a total investment of more than US$ 10 million has been subject to an additional review in compliance with the requirements of the Equator Principles. DZ BANK's lending guidelines also include carrying out its own sustainability check, which is based on the principles of the UN Global Compact. Branch guidelines and the lending risk strategy also stipulate which activities cannot be funded due to their environmental or social risks.

2.3. SUSTAINABILITY MARKET INITIATIVE

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

The entities that make up the DZ BANK Group will continue to work closely together on this in the future, setting up a standing committee, the Group Corporate Responsibility Committee, in 2014. The committee will be made up of the sustainability coordinators and communications managers from the various entities. Another of the initiative's goals for 2014 will be to draw up a joint climate strategy.

2.4. TRANSPARENCY IN SUSTAINABILITY ACTIVITIES

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

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

IV. Outlook

1. ECONOMIC CONDITIONS

1.1. GLOBAL ECONOMIC TRENDS

Two years of marginal growth have now finally been followed by an uptrend in the global economy which is set to last for the next two years, with numerous indicators confirming that the global economic slowdown has been reversed. There will again be a slightly higher contribution to global expansion from the advanced industrialized nations in 2014, although above-average growth rates are still expected to be the norm in the emerging markets. Overall, global gross domestic product (GDP) is likely to grow at a rate of around 3.6 percent in 2014 and 2015.

Forecasts predict that the stronger rate of global expansion will also be reflected in higher volumes of international trade. Global trade is expected to see a return to significantly higher rates of growth, with 5 percent estimated for 2014. On the other hand, the lingering crisis in the eurozone, onerous levels of sovereign debt, and underlying structural problems – even outside the eurozone – mean that it would be foolish to rule out the possibility of further setbacks on the road to global economic recovery.

1.2. TRENDS IN THE USA

There are several factors pointing to an improvement in the economy in the US, not least encouraged by the apparent new-found ability of the two political camps to come to a compromise. The recovery in the housing market has perceptibly gathered pace. After a period of market correction that has dragged on for well over five years, house prices are now climbing rapidly with double-digit annual growth rates. Rising retail sales and greater utilization of industrial capacity are both indicators that the economic recovery will be sustained. As the mood becomes more optimistic, consumer spending continues to be a key growth driver. However, there have recently also been encouraging figures from industry showing that output has risen.

Although there is still no long-term plan addressing the huge federal deficit, the smoldering budget dispute has been doused for now, clearing one of the obstacles on the path to economic recovery. All things considered, real GDP in the US is likely to increase by around 3 percent in 2014 and 2015. Inflation is forecast at approximately 2.1 percent in 2014, followed by a slight acceleration in 2015.

1.3. TRENDS IN THE EUROZONE

Unlike the US, Europe is still bearing the scars from the financial crisis and the excesses that preceded it; the situation remains considerably more serious. Nevertheless, the recession in the eurozone has died away over the past year and has been replaced by excellent prospects for stabilization of the economy. Recovery is likely to be rather weak, however, compared with economic upturns in the past. The crisis has been deep-seated and prolonged, its fallout severe. The resulting high unemployment, persistently low capacity utilization, and enormous levels of government debt represent major obstacles to a dynamic economic recovery following the recession.

The gathering pace of foreign trade activity will provide some impetus for growth in 2014. As the rise in unemployment is halted, consumer spending is likely to pick up again slightly. Additional stimulus for capital investment will come from the greater potential for replacement investment and an improvement in sales prospects. In 2014, most of the EU member states are likely to return to positive growth, with GDP higher than in 2013. Overall, a rise in eurozone economic output of around 1.2 percent in 2014 would be a reasonable assumption. Further growth can be expected in 2015. Consumer prices will increase slightly as economic activity gradually picks up again. It is only in 2015 that the inflation rate is likely to return to levels around 2 percent.

1.4. TRENDS IN GERMANY

The economic outlook for Germany continues to brighten. Significantly, there has been a further rise in business climate barometers for the coming months. In terms of fundamentals, many indicators point to an imminent rebound in the German economy.

In most businesses, the profits situation and conditions for capital investment are very favorable. The financing options for German businesses are exceptionally advantageous and finance continues to be readily available, according to information provided by businesses. The prospects for consumer spending have also continued to improve. Low unemployment and rising incomes are boosting consumer confidence. For some years now, the German labor market has proven to be the anchor of stability in the economy. Employment rates are moving steadily upward and have already reached record levels.

The end of the recession in the eurozone and recovery in the global economy will drive demand for German industrial products. Given the improvement in sales prospects, it is likely that capital spending projects held in the pipeline for some time will be reactivated. Businesses with a strong domestic focus are going to be looking at investing in expansion again in view of the stable demand within Germany.

Growth in Germany is predicted to exceed the 2 percent mark in each of the next two years. Average consumer price inflation in 2014 will be around 2.1 percent because there will be a gradual build-up of pressure on prices from the domestic economy and any cushioning effect from a fall in prices for mineral oil products will subside. The continuation of the ECB's expansionary monetary policy and the sustained pressure on costs are also likely to fuel the rise in consumer prices.

1.5. TRENDS IN THE FINANCIAL SECTOR

Banks and insurance companies remain at the center of public attention as a result of the sovereign debt crisis in the eurozone and judicial investigations into the financial crisis. Public debate is focusing particularly on the macro and micro financial risks arising from the interaction between the real economy and the different segments within the financial sector.

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. A desirable outcome would be a set of sound, transparent measures that take into account the efficiency of the banks and the diversity within the German financial sector while at the same time remaining proportionate.

2. CHANGES IN FINANCIAL POSITION AND FINANCIAL PERFORMANCE

2.1. FINANCIAL PERFORMANCE

The improving economic situation in Germany and the rest of Europe provides a solid basis on which DZ BANK can deliver a positive business performance. Ignoring the year-on-year effect of the income from long-term equity investments reported for 2013, DZ BANK therefore expects to see a significant rise in operating income in 2014 compared with 2013. This uptrend is likely to continue in 2015.

The smoldering sovereign debt crisis and financial policies introduced to resolve the problems could also lead to volatility on capital markets in 2014. This may affect the earnings performance of DZ BANK in 2014 and 2015.

The corporate banking initiative should have a positive impact on net interest income excluding income from long-term equity investments. The strategic objective is to improve DZ BANK's market share in corporate banking, in particular in relation to the provision of funding for large and medium-sized companies.

The planned implementation of the approved growth strategy, coupled with a regional organizational structure, is intended to generate a slight increase in new business volume in 2014 and 2015, both in direct business and in joint lending business with other parties, while at the same time ensuring steady growth in margins. Overall, the volume is expected to rise in 2014 and 2015.

Net interest income excluding income from long-term equity investments is likely to be negatively impacted by the predicted fall in interest income from money market business and by the effects of securities in the investment portfolio. As a result, a small decline in net interest income excluding income from long-term equity investments is anticipated in 2014, only picking up again slightly in 2015.

The sharp drop that is expected for income from long-term equity investments in 2014 is attributable to the high level generated in 2013 owing to the one-off increase in income from DG HYP. Excluding this one-off item, income from long-term equity investments is anticipated to go up slightly in 2014 and 2015 due to the growth in operating income from business at subsidiaries.

In 2014, the specific loan loss allowances reported under allowances for losses on loans and advances are likely to remain at roughly the same level as 2013 due to improving economic conditions and a sustained and rigorous risk policy. Whereas 2013 was characterized by the effects of a change in methodology for calculating loan loss allowances, in 2014 and 2015 allowances for losses on loans and advances are predicted to increase slightly overall in line with the growth in the volume of new business.

A possible economic downturn combined with a flaring up of the sovereign debt crisis could have an adverse effect on allowances for losses on loans and advances.

At the same time, cross-selling as part of the corporate banking initiative and the strategic focus of capital markets business will continue to be encouraged within the DZ BANK Group with the aim of generating an extra boost for net fee and commission income and net gains on trading activities.

Given this stimulus, net fee and commission income is expected to remain a steady source of income in 2015 after a small reduction in 2014 caused, in particular, by the higher planned fee and commission payments in the capital markets business.

The main factor influencing net trading income will be the strategy of the capital markets business. This business's strategic objective continues to be to strengthen its market position as the number one for own-account investing activities at the local cooperative banks, which it will achieve with a service campaign aimed at building up the management of own-account business. In parallel, a greater focus on lasting profitable relationships with institutional clients is intended to boost profitability.

The capital markets business for retail customers is to continue pursuing its strategy of being a full-service provider of high-quality securities product solutions. This strategic approach is to be underpinned by the expansion of support services aimed at improving the skills of advisors in the local cooperative banks.

Overall, the strategies to be implemented in 2014 should lead to a substantial improvement in net trading income. In 2015, the level of net trading income is expected to remain at its 2014 level.

The predicted rise in administrative expenses in 2014 and 2015 results from the enhanced requirements imposed under the tighter regulatory framework for banks.

The necessary increase in the number of employees and the additional IT costs as a consequence of projects related to regulatory requirements are likely to be particularly apparent in the increase in administrative expenses.

Another negative factor will be the increase in staff, general, and administrative expenses caused by inflation and changes to collective pay agreements.

DZ BANK aims to limit the rise in administrative expenses by proactively managing costs, with the result that administrative expenses should rise only slightly in both 2014 and 2015.

The anticipated growth in operating income combined with the limited increase in administrative expenses will probably lead to a sharp decline in the cost/income ratio in 2014 and 2015 excluding the one-off item at DG HYP in 2013.

The Board of Managing Directors of DZ BANK expects slight year-on-year growth in earnings in 2014 and again in 2015. Nonetheless, this positive trend could be negatively affected if the sovereign debt crisis were to flare up again.

2.2. LIQUIDITY AND NET ASSETS

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

The structural funding of the DZ BANK Group is expected to continue to be underpinned by stable sales of secured and unsecured funding products using the broad, well established customer base.

However, the regulatory requirements in force since January 1, 2014, which gradually introduce tighter regulation over the next few years, will place a significant additional burden on DZ BANK. With this in mind, DZ BANK intends to create an additional capital buffer using the net proceeds of approximately €1.5 billion from the issue of new shares.

The DZ BANK
Group had adequate economic capital available at all times during the course of the year under review. This is not expected to change in 2014 or 2015.

V. Opportunity and risk report

1. DISCLOSURE PRINCIPLES

DZ BANK implements the transparency requirements regarding opportunities and risks as specified in section 289 HGB with the publication of this opportunity and risk report. In addition, the report satisfies German accounting standard no. 20 (Group Management Report), which relates to management reports that apply at group level.

This opportunity and risk report also includes information in compliance with those recommended risk-related disclosures that have been issued by the Financial Stability Board and the European Banking Authority (EBA) that extend beyond the statutory requirements and that are intended to improve the usefulness of the disclosures in the decision-making process.

As the parent company of the DZ BANK Group, DZ BANK defines the guidelines for groupwide management of opportunities and risks that apply equally to DZ BANK. The following report describes the risk position and the management of opportunities and risks as well as the factors that influence them at DZ BANK level. However, this analysis cannot be viewed independently of the situation at group level as DZ BANK plays a central role in the management of the DZ BANK Group. The disclosures must therefore be considered in the context of the 2013 opportunity and risk report of the DZ BANK Group.

DZ BANK takes a holistic view of all these risks when using risk management tools and when assessing the risk position. As a consequence, the groupwide risk management system not only covers risks that arise specifically in connection with financial instruments, but also all other relevant types of risk. This integrated approach is reflected in this opportunity and risk report.

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

2. SUMMARY

2.1. RISK MANAGEMENT SYSTEM

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

Risks are adverse developments affecting financial position or financial performance, and essentially comprise the risk of future losses or insolvency.

DZ BANK has a comprehensive risk management system that in general meets the bank's own business management needs and statutory requirements. The management of opportunities and risks forms an integral part of the strategic planning process. The risk management system is based on risk strategies adopted by the Board of Managing Directors.

The risk management system is more detailed than the system for the management of opportunities because risk management is subject to comprehensive statutory requirements and is also of critical importance to the continued existence of DZ BANK as a going concern. The management of opportunities is based on a qualitative approach and is tightly integrated into the strategic planning process.

The purpose of the risk capital management system is to ensure that the risks in the risk types backed by capital are calculated consistently. Risk management also covers a further type of risk, liquidity risk, which is not covered by capital owing to the nature of the risk involved.

Efficient management and control tools are used in all areas of risk. These tools are subject to gradual further development and refinement. The development of these tools is derived from business management requirements and, in terms of risk management, is based on regulatory requirements. The methods used for the measurement of risk are integrated into the risk management system. Risk model calculations are used for the management of DZ BANK.

Given the methods, organizational arrangements, and IT systems that have been implemented, DZ BANK is, to the greatest possible extent, in a position to identify material opportunities and risks at an early stage and to initiate appropriate control measures. This applies in particular to the early detection of risks that could affect the bank's survival as a going concern.

The tools used for the purposes of risk management also enable DZ BANK 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 are intended to 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 material risk types, and a flexible internal reporting system generally ensure that the management is in a position to initiate targeted corrective action if required.

2.2. RISK FACTORS AND RISKS

DZ BANK is exposed to risk factors related to both the market and sector. These risk factors are reflected in the risk types covered by capital and in liquidity risk.

The **regulatory environment** encompassing the entire banking industry is characterized by a steady progression of ever tighter regulatory capital and liquidity standards and increasingly stringent process and reporting requirements. These developments are reflected mainly in business risk.

Potentially, the **European sovereign debt crisis** could have a negative impact on credit risk, equity risk, market risk, business risk, and reputational risk.

The **protracted period of low interest rates** could reduce profits in the banking, retail, real-estate, and insurance businesses.

Moreover, DZ BANK is exposed to business-specific risk factors of an overarching nature that affect **a number of risk types**. These factors may include potential shortcomings in the risk management system, the possible downgrading of the credit rating for DZ BANK, pension obligations, ineffective hedges, or impairment losses on deferred tax assets. These risks are generally taken into account as part of overall risk management.

The main features of the directly managed risks are shown in figure 6.

The subcategories shown under credit risk and market risk are those that are relevant to DZ BANK. The risk management system also includes other subcategories of credit risk and market risk but these additional subcategories are not described in this opportunity and risk report because they are of minor significance in the overall risk management picture, although they are included in the figures disclosed in the report.

DZ BANK remained within its economic **risk-bearing capacity** in 2013 and also complied with regulatory requirements at all times. The **solvency** of DZ BANK was never in jeopardy at any point during the reporting period. By holding ample liquidity reserves, the bank ensured that it was able to protect its liquidity against any potential crisis-related threats.

The opportunities presented by the forecast development of DZ BANK are reasonable in relation to the risks that will be incurred. There are no indications that DZ BANK's **continued existence as a going concern** might be at risk.

FIG. 6 – OVERVIEW OF RISK AT DZ BANK[1]

	Risk type	Definition	Risk factors	Risk management KPIs disclosed	
Core financial sector risks	**Credit risk** – Traditional credit risk – Issuer risk – Replacement risk	Risk of losses arising from the default of counterparties (borrowers, issuers, other counterparties)	– Concentration of loans with a longer term to maturity and a non-investment-grade credit rating – Deterioration in the credit quality of public-sector bonds – Increased requirement for allowances for loans on losses and advances	– Lending volume and allowances for losses on loans and advances – Risk capital requirement	Sections 8.4., 8.5. Section 8.6.
	Equity risk	Risk of losses arising from negative changes in the fair value of that portion of the long-term equity investments portfolio in which the risks are not included in other types of risk	Increased requirement for the recognition of impairment losses on the carrying amounts of investments	– Investment volume – Risk capital requirement	Section 9.3.
	Market risk – Interest-rate risk – Spread risk – Equity price risk – Currency risk – Commodity risk – Market liquidity risk	– Risk of losses on financial instruments or other assets arising from changes in market prices or in the parameters that influence prices (market risk in the narrow sense of the term) – Risk of losses arising from adverse changes in market liquidity (market liquidity risk)	– Widening of credit spreads on European government bonds – Shortages of market liquidity	– Risk capital requirement – Value-at-risk	Section 10.5.
	Liquidity risk	Risk that cash and cash equivalents will not be available in sufficient amounts to ensure that payment obligations can be met (insolvency risk)	– Funding structure for lending business – Uncertainty surrounding tied-up liquidity – Changes in the volume of deposits and loans – Funding potential in money markets and capital markets – Fluctuations in fair value, marketability of securities, and the eligibility of such securities for use in collateralized funding arrangements – Exercise of liquidity options – An obligation on DZ BANK to pledge its own collateral	– Minimum liquidity surplus in the risk scenarios and stress scenarios – Liquidity forecast	Section 11.5. Section 11.5.
Business-performance risk	**Operational risk**	Risk of losses from human behavior, technological failure, weaknesses in process or project management, or external events	– Business interruptions – Insufficient availability of employees – Malfunctions or breakdowns in data processing systems – Disruptions to outsourced processes and services – Inaccurate external financial reporting – Impact of market manipulation and accounting or tax fraud – Failure to recognize violations of legal provisions	– Loss events and losses – Risk capital requirement	Section 12.4. Section 12.6.
	Business risk	Risk of losses arising from earnings volatility which, for a given business strategy, is caused by changes in external conditions or parameters	– Fiercer competition based on pricing and terms – Insufficiently competitive electronic trading platforms	Risk capital requirement	Section 13.2.
	Reputational risk	Risk of losses from events that damage the confidence of customers, investors, the labor market, or the general public in DZ BANK Group entities or in the products and services they offer	Worsening of the reputation of the banking sector as a result of the financial crisis and the sovereign debt crisis	Risk capital requirement	Section 14.

1 Apart from spread risk, migration risk on securities, and migration risk on traditional loans, which are covered by the capital buffer

3. RISK STRATEGY

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

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

In order to implement these principles, the Board of Managing Directors has drawn up risk strategies for each of the material risks using the business strategy as a basis. The individual risk substrategies each encompass the main risk-bearing business activities, the objectives of risk management (including the requirements for accepting or preventing risk), and the action to be taken to attain the objectives. The risk substrategies are described in the following sections covering the individual risk types.

4. FUNDAMENTAL PRINCIPLES OF MANAGING OPPORTUNITIES AND RISKS

4.1. REGULATORY FRAMEWORK FOR RISK MANAGEMENT

DZ BANK's risk management system complies with the statutory requirements specified in section 25a KWG and the German Minimum Requirements for Risk Management in the banking sector (MaRisk BA).

BaFin has identified the DZ BANK Group as systemically important to Germany as a financial center and has requested the group to prepare a recovery plan in accordance with the German Minimum Requirements for the Design of Recovery Plans (MaSan). DZ BANK has drawn up the required recovery plan and submitted it to BaFin.

4.2. RISK-ORIENTED CORPORATE GOVERNANCE

4.2.1. Governance structure

DZ BANK's risk management system builds on the risk strategies adopted by the Board of Managing Directors. It is based on three pillars that are interlinked and well established in the monitoring and control environment. DZ BANK thereby has a governance structure that complies with MaRisk requirements, sets out the operational framework for risk management, and fosters the development of an appropriate risk culture.

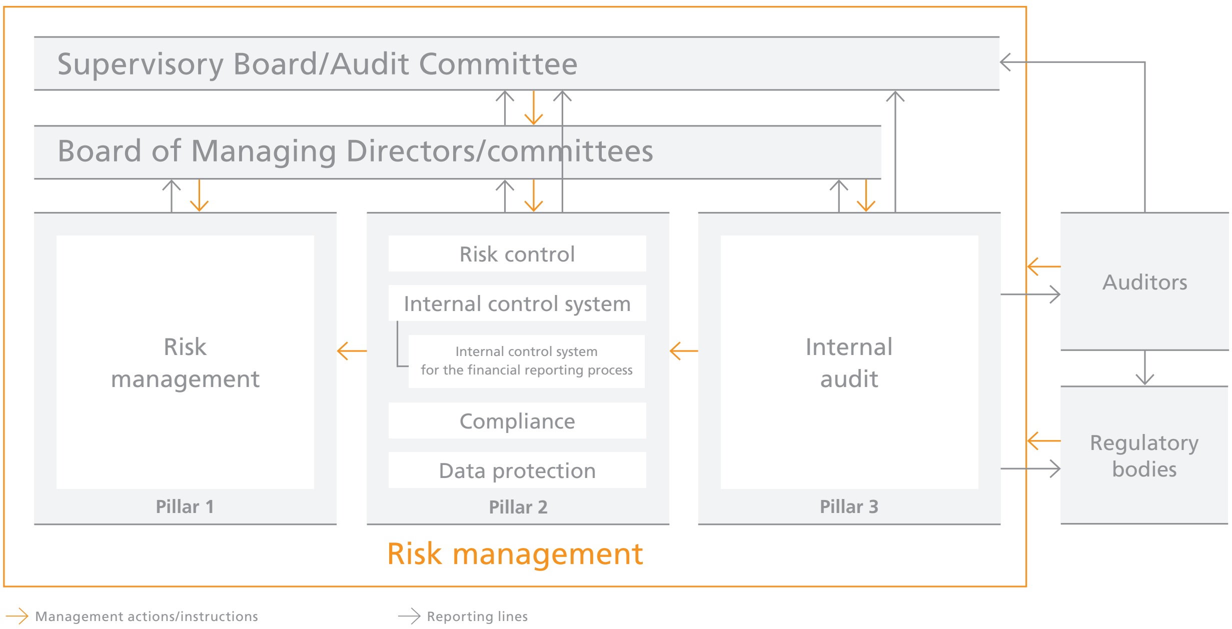
The diagram in figure 7 shows the governance structure for risk management at DZ BANK.

The risk management committees are described elsewhere in this management report in the section covering the fundamentals of DZ BANK (section I.3.1.2.). The business opportunities are discussed during the course of the strategic planning process at the level of the individual management units and within special closed sessions held by the Board of Managing Directors.

4.2.2. Risk management

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

FIG. 7 – GOVERNANCE STRUCTURE OF RISK MANAGEMENT AT DZ BANK



4.2.3. Risk control

Central Risk Control at DZ BANK is responsible for identifying, measuring, and assessing risk. This is accompanied by the planning of upper loss limits. It includes early detection, full recording of data (to the extent that this is possible) and internal monitoring for all material risks. Risk Control is also responsible for the transparency of risks assumed and aims to ensure that all risk measurement methods used are up to date. It reports risks to the Supervisory Board, the Board of Managing Directors, and the divisions.

4.2.4. Internal control system

DZ BANK uses the internal control system to implement the relevant regulatory requirements specified in MaRisk. The internal control system also takes into account the framework for internal controls produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which can be applied to any industry.

The objective of the internal control system is to ensure the effectiveness and efficiency of the risk management activities at DZ BANK by means of suitable basic principles, action plans, and procedures.

Organizational structures and precautions built into work processes serve to ensure that the monitoring of risk management activity is integrated into processes. IT systems are systematically protected by authority-dependent management of authorizations and by technical precautions, the aim of which is to prevent unauthorized access both within and outside the bank.

4.2.5. Internal control system for the financial reporting process

OBJECTIVE AND RESPONSIBILITIES

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

In order to limit operational risk in this area of activity, DZ BANK has set up an internal control system for the financial reporting process as an integral component of the control system put in place for the general risk management process. In this context, the activities of employees, the implemented controls, the technologies used, and the design of work processes are structured to ensure that the objective associated with financial reporting is achieved.

Responsibility for external financial reporting lies in the first instance with Group Finance and Risk Control.

INSTRUCTIONS AND RULES

The methods to be applied at DZ BANK in the preparation of the annual financial statements are set out in writing in organization manuals, which are constantly updated. The basis for external risk reporting is the disclosure policy approved by the Board of Managing Directors. This policy sets out the principles and fundamental decisions for the methods, organizational structure, and IT systems to be used in opportunity and risk disclosure, for the integration of opportunity and risk disclosure into general financial disclosure, and for the interconnection between opportunity and risk disclosure and internal risk reporting at DZ BANK. By adopting this disclosure policy, the Board of Managing Directors also established the key elements of the risk-related disclosure procedures and communicated them throughout the bank. The instructions and rules are audited regularly to assess whether they remain appropriate and are amended in line with internal and external requirements.

RESOURCES AND METHODS

The processes set up at DZ BANK are intended to permit – with the use of suitable IT systems – efficient risk management in respect of financial reporting, taking into account the rules in the organization manuals, the risk manual, and the risk disclosure policy.

Financial reporting is chiefly the responsibility of employees of DZ BANK. If required, external experts are brought in where the financial reporting process involves certain cost calculations, such as those for determining pension obligations.

DZ BANK's financial reporting procedures are subject to mandatory workflow plans. These govern the collation and generation of quantitative and qualitative information required for the preparation of statutory reports and necessary for internal management.

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

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

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

INFORMATION TECHNOLOGY

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

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

The information technology used for accounting purposes is equipped with the functionality to enable it to handle posting transactions.

IT-supported accounting processes are audited as an integral part of internal audit work.

ENSURING AND IMPROVING EFFECTIVENESS

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

4.2.6. Compliance and data protection

COMPLIANCE

The role of the compliance office is to ensure that DZ BANK's business activities are conducted in accordance with applicable law, regulatory requirements, and internal rules and regulations. These relate to the compliance function pursuant to MaRisk BA and the minimum requirements for the compliance function, the Additional Requirements Governing Rules of Conduct, Organization and Transparency pursuant to section 31 et seq. WpHG for investment services companies (MaComp), and other guidelines aimed at preventing money laundering, the financing of terrorism, and other criminal activities.

A project was initiated in the second quarter of 2013 aimed at implementing the new requirements for the compliance function pursuant to MaRisk BA.

The compliance office's monitoring and control activities are particularly focused on preventing insider trading, market manipulation, money laundering, and other criminal offenses as well as on private transactions carried out by employees (guiding principles for employees). In addition, there are instructions and rules regarding the avoidance of conflicts of interest in investment services and regarding the giving and receiving of gifts. The purpose of these activities is to protect customers, employees, and DZ BANK itself.

In terms of organizational structure, the compliance office reports directly to the member of the Board of Managing Directors responsible for this area of activity.

DATA PROTECTION

DZ BANK has introduced suitable precautions to ensure that it complies with data protection provisions. This has involved, in particular, creating the function of data protection officer and issuing standard data protection principles.

4.2.7. Control functions

INTERNAL AUDIT

DZ BANK's **Internal Audit** division is responsible for control and monitoring tasks that are not specific to individual processes. It carries out systematic, regular risk-based audits focusing on compliance with statutory and regulatory requirements. Internal Audit also reviews and assesses the risk management system to ensure that it has a fully operational capability, and monitors the action taken in response to audit findings to ensure that identified problems have been rectified.

Internal Audit reports directly to the Chief Executive Officer of DZ BANK. DZ BANK also satisfies the special requirements for the structure of the Internal Audit function specified by MaRisk BA.

FURTHER CONTROL FUNCTIONS

The **Supervisory Board** of DZ BANK satisfies itself at regular intervals that the risk management system is appropriate and functioning properly.

Independent auditors carry out an assessment pursuant to section 317 (4) HGB during the course of the audit of the annual financial statements to establish whether the early-warning system for risk and the internal monitoring system used by DZ BANK are fit for purpose. Audits are also carried out by **banking regulatory authorities**.

4.3. RISK MANAGEMENT TOOLS

4.3.1. Accounting basis for risk measurement

The transaction data that is used to prepare DZ BANK's annual financial statements also forms the basis for the measurement of credit risk, equity risk, market risk, and liquidity risk. A wide range of other factors are also taken into account in the calculation of risk. These factors are explained in more detail during the course of this opportunity and risk report.

The line items in the annual financial statements relevant to risk measurement are shown in figure 8.

The calculation of **liquidity risk** is derived from future cash flows, which in general terms are determined from all of the balance sheet items in the annual financial statements.

Operational risk, **business risk**, and **reputational risk** are measured independently of the balance sheet items reported in the annual financial statements.

4.3.2. Measurement of risk and risk concentrations

BASIC PRINCIPLES

Economic capital (known as the '**risk capital requirement**') is calculated for credit risk, equity risk, market risk, operational risk, and business risk. This risk capital requirement is generally calculated as value-at-risk with a holding period of one year and a confidence level of 99.90 percent.

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

The reason for managing **risk concentrations** by analyzing portfolios is to identify potential downside risks that may arise from the accumulation of individual risks and, if necessary, to take corrective action. A distinction is made between risk concentrations that occur within a risk type (intra-risk concentrations) and concentrations that arise as a result of the interaction between different types of risk (inter-risk concentrations). Inter-risk concentrations are implicitly taken

FIG. 8 – RISK-BEARING EXPOSURES IN THE FINANCIAL STATEMENTS OF DZ BANK[1]

		Credit risk				Market risk						
											Portfolio assignment	
	Annual financial statements	Traditional credit risk[2]	Issuer risk	Replacement risk	**Equity risk**	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity risk	Trading portfolios	Non-trading portfolios
Risk-bearing assets	Loans and advances to banks	●		●		●	●		●		●	●
	Loans and advances to customers	●				●	●		●		●	●
	Trading assets		●	●		●	●	●	●	●	●	
	Investments		●	●	●	●	●	●	●			●
	Other assets			●								
Risk-bearing liabilities	Deposits from banks					●	●		●		●	●
	Deposits from customers					●	●		●		●	●
	Debt certificates issued including bonds					●	●	●	●	●	●	●
	Trading liabilities			●		●	●	●	●	●	●	

1 As liquidity risk is determined on the basis of all exposures in the annual financial statements, the details for liquidity risk are not provided here for reasons of clarity

2 Contingent liabilities and irrevocable loan commitments are also used to determine traditional credit risk.

into account when determining correlation matrices for the purposes of inter-risk aggregation. They are mainly managed by using quantitative stress test approaches and qualitative analyses to provide a holistic view across all types of risk. The analysis of intra-risk concentrations is described for each type of risk in the sections below.

CREDIT RISK

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

In order to highlight **concentrations of credit risk**, the exposure at portfolio level is categorized by, among other things, industry sector, country group, term to maturity, size category, and rating. In addition, risks resulting from large exposures to individual single borrower units are closely monitored and managed.

The key factor to be considered when determining concentrations of credit risk is the possibility of a simultaneous default by a number of borrowers who share one or more characteristics. This is why determining the correlated exposure to loss as a part of the calculation of the risk capital required for credit risk is essential for managing risk concentrations.

EQUITY RISK

Equity risk is determined as value-at-risk on the basis of a variance-covariance approach. Concentrations of equity risk are identified by allocating investments to different categories according to the purpose of the investee company; the risk model used assumes a high level of correlation within each category.

MARKET RISK

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

Further improvements were introduced in 2013 in the methods used to record market risk, particularly the spread risk and migration risk associated with securities.

OPERATIONAL RISK

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

BUSINESS RISK

Business risk is determined using a risk model based on an earnings-at-risk approach. Risk concentrations may arise if business activities are focused on a small number of areas. Concentrations of business risk are limited by using qualitative criteria as part of strategic management. The strategic risk analyzed in the context of business risk is not considered to be material.

REPUTATIONAL RISK

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

LIQUIDITY RISK

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

4.3.3. Stress tests

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

4.3.4. Limitation principles

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

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

4.3.5. Hedging objectives and hedging transactions

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

DZ BANK has exercised the option provided for in section 254 HGB and has generally not recognized hedges on the balance sheet, although economic hedges do exist. However, there is one hedge, which is described in Note 41 of the notes to the financial statements.

4.3.6. Risk reporting and risk manual

The quarterly **overall risk report**, which encompasses the risks identified by DZ BANK, is the main channel by which risks are communicated to the Board of Managing Directors, Group Risk Committee, and Supervisory Board. In addition, the Board of Managing Directors and Supervisory Board receive portfolio and exposure-related management information in the **credit risk report**, which is also produced quarterly. The Board of Managing Directors also receives daily, weekly, and monthly information on **liquidity risk**.

DZ BANK also has further reporting systems for all relevant types of risk. Depending on the degree of materiality in the risk exposures concerned, the purpose of these systems is to ensure that decision-makers and supervisory bodies at all times receive transparent information on the risk profile of the company units for which they are responsible.

The **risk manual**, which is available to all employees of DZ BANK, sets out the general parameters for identifying, measuring, assessing, managing, monitoring, and communicating risks. These general parameters are intended to ensure that risk management is properly carried out at DZ BANK. The manual forms the basis for a shared understanding of the minimum standards for risk management.

4.3.7. Risk inventory and adequacy review

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

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

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

5. OPPORTUNITIES

5.1. MANAGEMENT OF OPPORTUNITIES

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

Details on the strategic planning process are described elsewhere in this management report in the section covering the fundamentals of DZ BANK (section I.3.4.).

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

5.2. POTENTIAL OPPORTUNITIES

5.2.1. 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 SME business.

Furthermore, it is planned to enhance **corporate governance** at DZ BANK with the aim of integrating the local cooperative banks even more closely. Over the last few years, DZ BANK has also stepped up its collaboration with WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK), in order to leverage synergies for the entire cooperative financial network, besides improving the range of products and services offered.

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

The strategic focus of DZ BANK, guided by the 'Verbund First' principle, is a significant contributing factor in helping **the cooperative banks strengthen their market position**. The local cooperative banks therefore not only receive substantial financial support in the form of fees, commissions, and profit distributions, they also enjoy the transfer of cost benefits and the availability 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 management report describes expected developments in the market and business environment together with DZ BANK's business strategy and the implications for the earnings performance forecast for 2014. These are crucial factors in DZ BANK's strategic positioning and resulting opportunities for increasing revenue and cutting costs during 2014.

5.2.2. Credit ratings

DZ BANK is awarded credit ratings by the three largest rating agencies, Standard & Poor's, Moody's, and Fitch. In view of the high degree of cohesion within the cooperative financial network, Fitch and Standard & Poor's issue a network rating, for the purposes of which the cooperative financial institutions are analyzed on a consolidated basis. The criteria used by the agencies include factors such as strategy, risk assessment, transparency, and solidarity within the cooperative financial network in addition to business performance and collaboration.

The ratings are critical in determining the funding opportunities available on money and capital markets. They open up additional business options and potential opportunities for DZ BANK.

During the course of the year under review, the rating agencies reviewed the credit ratings issued for DZ BANK. The very good ratings issued for DZ BANK by Standard & Poor's, Moody's (A1 long-term rating), and Fitch (A+ long-term rating) were reconfirmed. Figure 9 provides an overview of DZ BANK's credit ratings.

FIG. 9 – 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+

During 2013, Standard & Poor's and Fitch issued long-term credit ratings for the cooperative financial network of AA- and A+ respectively. There were no changes in the credit ratings compared with 2012.

6. GENERAL RISK FACTORS

6.1. MARKET AND SECTOR RISK FACTORS

DZ BANK is subject to a range of risk factors that apply generally to the German and European banking industry as a whole. These market and sector risk factors have an impact on the risks covered by capital and also on liquidity risk. For the most part, the factors can be classified under business risk but are addressed separately here because of their key importance for DZ BANK.

6.1.1. Regulatory environment

CRD IV AND CRR

The European financial sector is faced with considerable challenges as a result of the implementation of European legislation in connection with Basel III in the form of the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). This legislation is imposing much tighter regulatory standards, including process and reporting requirements, and in particular more stringent capital adequacy requirements. German banks must start to apply the new regulations from January 1, 2014.

The CRR not only includes stricter capital requirements, it is also introducing completely new liquidity requirements. In essence, these comprise a requirement to comply with a liquidity coverage ratio (LCR) relating to the maintenance of a portfolio of particularly liquid assets providing cover for a 30-day period, and with a net stable funding ratio (NSFR) relating to stable funding of long-term assets.

As the different business activities of DZ BANK generate risk-weighted assets to varying degrees and tie up capital and/or liquidity, the tighter capital and liquidity requirements could force DZ BANK to cease activities that tie up a disproportionately high amount of capital or liquidity and that can no longer be operated profitably.

COMPREHENSIVE ASSESSMENT

From a provisional date in autumn 2014, the ECB will assume responsibility for the supervision of a large number of banks in the eurozone, including DZ BANK. The ECB supervisory activities will be based on the Single Supervisory Mechanism (SSM).

Before the Single Supervisory Mechanism is initiated, each bank will be subject to a comprehensive assessment. The process of assessments started in 2013 and is scheduled to be completed by October 2014. The comprehensive assessment comprises a risk assessment and a stress test. The objective of the comprehensive assessment is to use a largely standardized assessment procedure throughout Europe to uncover risks on the balance sheets of the banks subject to the assessment and determine resulting action plans necessary to strengthen capital adequacy.

The ECB plans to publish the overall findings from all the components of the comprehensive assessment before its scheduled assumption of responsibility of supervision in September 2014.

LEVERAGE RATIO

The CRR has introduced the principle of a leverage ratio for banks. This shows the ratio of a bank's Tier 1 capital to its overall exposure. In contrast to risk-based capital requirements for which the assumptions are derived from models, the individual line items in the leverage ratio are not given their own risk weighting but are included in the KPI without any weighting at all. All banks are subject to an obligation to report the leverage ratio from 2014. The disclosure requirement applies from 2015.

Initially, there is no mandatory minimum value for the leverage ratio because its effect is to be analyzed in more detail in a monitoring phase up to January 2017. A decision will then be made as to whether and at what level there is to be a mandatory minimum for the leverage ratio at European level.

The introduction of the leverage ratio could lead to an additional capital requirement for DZ BANK based on the current volume of business. Implications for DZ BANK's business model and competitive position cannot be ruled out either.

The disclosure of DZ BANK's leverage ratio and an assessment of this ratio by financial market players could have an adverse impact on the external assessment of the bank's capital position and on DZ BANK's funding costs.

CAPITAL REQUIREMENTS FOR MARKET RISK

Based on the experience of the financial crisis, the Basel Committee on Banking Supervision published in October 2013 its second consultative document entitled 'Fundamental review of the trading book', which sets out plans for a fundamental review of the existing rules for capital requirements in relation to the market risk in the trading book (referred to as Basel 3.5).

Significant new features include a revision of the boundary between the trading book and banking book, the introduction of a new standardized approach, a complete revision of the risk measurement approach for the internal market risk model, and more stringent criteria for the approval of internal market risk models. The plans are also aiming for greater integration between the Standardized Approach and internal models-based approaches. The consequence of this is that DZ BANK, which is a bank with an internal model, will have to reintroduce the Standardized Approach in the future and will be subject to a mandatory requirement to use this approach to calculate the capital requirement for market risk in the trading book alongside its calculations using the internal model.

It is likely that the 'Fundamental review of the trading book' will lead to far-reaching, very time-consuming, and costly changes relating to the calculation of capital requirements for market risk in the trading book.

The date on which these new requirements are expected to come into force is as yet unknown. The implementation of the new requirements could mean that DZ BANK is subject to an additional capital requirement. Similarly, DZ BANK cannot rule out the possibility of a negative impact on its cost structure or implications for its internal organizational structures, risk management system, business model, or competitive position.

RISK DATA MANAGEMENT

In January 2013, the Basel Committee on Banking Supervision published principles for effective risk data aggregation and risk reporting. The principles aim to increase aggregation capability for all risk data used for internal risk management and to improve the risk management and decision-making processes (including internal risk reporting) at banks. The requirements must be implemented by global systemically important banks (G-SIBs) by 2016.

The German banking regulators also intend to make compliance with these principles mandatory for domestic systemically important banks (D-SIBs) by including the principles in MaRisk BA. Currently, the timing for implementation and compliance with the principles in Germany has not yet been definitively specified, but it is likely that the rules will come into force not long after 2016.

The implementation of the new requirements, and possibly also inadequate implementation, could involve changes to DZ BANK's business model, have a negative effect on the competitive position of the group, or lead to the need for additional capital. Moreover, it is impossible to gauge whether the principles will be implemented in the original form proposed by the Basel Committee on Banking Supervision or in some amended form.

OTHER REGULATORY RISK FACTORS

In addition to the regulatory requirements described above, the following planned initiatives may give rise to risks for DZ BANK:

- EU Crisis Management Directive
- Single Supervisory Mechanism
- Reform of deposit protection schemes
- Classification of DZ BANK as a domestic systemically important bank (D-SIB)
- German Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups
- Financial transaction tax
- Publication of the findings from regulatory audits

6.1.2. Economic trends

The business performance of DZ BANK is particularly influenced by Germany's economic position and the situation in financial and capital markets. Besides regular fluctuations in demand and production, extraordinary or unparalleled events can play a particular role. For example, the German economy is currently being substantially affected by the sovereign debt crisis in Europe. Germany's export-driven economy is highly dependent on international trade. A persistent period of weak growth, stagnation, or a sharp downturn in international trade would cause a drop in production and a correspondingly lower level of demand for finance from businesses.

Domestic economic performance is also dependent on national political decision-making in addition to the general economic factors. For example, negotiations are currently taking place about the introduction of a nationwide minimum wage. Higher staff costs generally lead to an increase in production costs, which could adversely impact competitiveness and result in a loss of market share both in Germany and abroad. Ultimately, the consequent contraction in production and capital investment in the companies concerned could lead to lower demand for borrowing.

6.1.3. European sovereign debt crisis

During the year under review, trends in international financial markets continued to be shaped to a large degree by the fallout from the global financial crisis, which was also the main reason behind the high degree of uncertainty in capital markets and in the real economy. Even though global economic growth and, in particular, the situation in financial markets saw a slight improvement again, the economy, the confidence of financial market players, and the extent of customer activity in the banking business continue to be adversely impacted by the sovereign debt crisis and, in particular, by the restrictive policy of fiscal consolidation and high level of unemployment in some of the countries of the European Union.

Substantial budget deficits accompanied by government debt levels that are high in relation to gross domestic product remain a feature of the eurozone economies of Portugal, Ireland, Greece, and Spain. In Italy, the budget deficit is comparatively modest, but the Italian national debt in relation to gross domestic product is one of the highest in the world. Nevertheless, it is evident that all of the countries in the eurozone affected by the crisis have made substantial progress since 2012 in consolidating their budgets and stabilizing their economies. For example, Ireland was able to exit the bailout under the European Stability Mechanism and return to the international financial markets in January 2014.

However, the financial position of Greece and Cyprus is still considered to be precarious. Despite a partial debt write-off by foreign creditors in 2012, Greek government debt is at one of the highest levels in the world at 176 percent of gross domestic product. In Cyprus too, which finds itself at the beginning of a harsh economic readjustment process following the collapse of its banking system, government debt could reach an unsustainable level over the next few years. Further debt restructuring in these countries in the coming years cannot therefore be ruled out. Another haircut for the Greek debt could renew the uncertainty in capital markets and in the real economy.

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.

The European sovereign debt crisis has implications for various risks faced by DZ BANK. It affects credit risk (deterioration in the credit quality of public-sector bonds, increase in the allowances for losses on loans and advances), equity risk (increased requirement for the recognition of impairment losses on the carrying amounts of investments), market risk (increase in credit spreads, reduced market liquidity), business risk (contraction in the demand for bank loans), and reputational risk (standing of the banking industry).

6.1.4. Environment of low interest rates

With interest rates at a historically low level, interest receivable on loans is low and the interest margin is relatively narrow, restricting the opportunities for earning income in traditional banking business. A risk scenario involving a very long period of low interest rates, possibly combined with a deflationary trend, would therefore also have a considerable negative impact on the performance of DZ BANK.

A rapid rise in interest rates on capital markets could also involve some risks. The pricing losses on fixed-income securities and necessary remeasurement of low-interest long-term lending business that could result from such an upturn could have a detrimental impact on the earnings of DZ BANK.

6.2. OVERARCHING BANK-RELATED RISKS

DZ BANK is exposed to bank-specific risk factors that impact the risks backed by capital and liquidity risk. These factors are described below. They are generally taken into account as part of the bank's overall risk management.

6.2.1. Shortcomings in the risk management system

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

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

The measurement of liquidity risk is subject to similar model risk related to the design of stress scenarios and the validation of models and parameters. In addition, risks arising from scenarios that extend beyond the risk tolerance for serious crises set by the Board of Managing Directors are accepted and are therefore not taken into account for risk management purposes.

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

6.2.2. Rating downgrades

If DZ BANK's credit rating or the network rating for the cooperative financial network were to be downgraded, this would have a negative impact on the costs of equity and borrowing. As a result, new liabilities could arise, or liabilities dependent on the maintenance of a specific credit rating could become due for immediate payment.

DZ BANK's credit rating is an important element in any comparison with competitor banks. A downgrade or even just the possibility of a downgrade in the rating for DZ BANK or one of its subsidiaries could have a detrimental effect on the relationship with customers and on the sale of products and services.

Furthermore, if a rating downgrade were to occur, DZ BANK could face a situation in which it had to furnish additional collateral in connection with rating-linked collateral agreements for derivatives or in which it was no longer considered a suitable counterparty for derivative transactions at all. If the credit rating for DZ BANK or one of its subsidiaries were to fall out of the range covered by the top four rating categories (investment grade ratings, disregarding rating subcategories) the operating business of DZ BANK or the subsidiary concerned, and therefore also the funding costs for all the entities in the group, could suffer an adverse impact.

In contrast to Standard & Poor's, Fitch and Moody's include in their ratings a potential government bailout in the event of crisis that could affect the continued existence of DZ BANK as a going concern. Without the inclusion of potential support from the German government or within the cooperative financial network, DZ BANK's rating would be at an inferior level. It is also possible that the weighting given to either of these factors in DZ BANK's rating could be reduced in the future with a resulting negative impact on the rating itself.

6.2.3. Hedge ineffectiveness

DZ BANK is exposed to the risk that the counterparty in a hedge could become insolvent and therefore no longer be in a position to meet its obligations. Consequently, the hedge could turn out to be ineffective and DZ BANK would then be exposed to risks that it had hitherto believed to be minimized.

Unforeseen market trends could undermine the effectiveness of action taken to minimize market risk. One example is the risk in connection with the financial crisis and sovereign debt crisis. In this case, DZ BANK could only have minimized some of this risk with great difficulty; it may not have been possible to hedge some of the risk at all. One of the particular factors to take into account is that some of the quantitative measurement methods and key risk indicators in the risk management system are based on DZ BANK's past experience. Furthermore, the quantitative risk management system does not encompass all risks and makes assumptions about the market environment that are not based on specific events. It is conceivable there could be market scenarios in which the measurement methods and key risk indicators used by DZ BANK incorrectly forecast certain potential losses, resulting in miscalculations.

In the context of the management of market risk, use is made of credit derivatives, comprising credit-linked notes, credit default swaps, and total return swaps, in order to reduce the issuer risk attaching to bonds and derivatives. Macro hedges are used dynamically to mitigate spread risk and risks attaching to underlying assets. In isolated cases, transactions are conducted on a back-to-back basis. If these instruments and measures turn out to be only partially effective or ineffective, it is possible that DZ BANK could incur losses against which the instruments or measures ought to have provided protection. Moreover, hedging activities give rise to costs and may result in additional risks. Gains and losses arising from ineffective risk hedges can increase the volatility of the earnings generated.

7. RISK CAPITAL MANAGEMENT

7.1. STRATEGY, ORGANIZATION, AND RESPONSIBILITY

Risk capital management is an integral component of business management at DZ BANK. Active management of economic capital adequacy on the basis of both internal risk measurement methods and regulatory capital adequacy requirements aims to ensure that the assumption of risk is always consistent with capital resources.

The **Board of Managing Directors** defines the corporate objectives and the capital requirement in terms of both risks and returns. In managing the risk profile, the Board of Managing Directors strives for an appropriate ratio of risk capital requirement to aggregate risk cover.

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

The integration of economic risk capital requirements planning into the strategic planning process aims to ensure that the risk strategy for types of risk covered by capital is closely linked with the business strategies.

7.2. MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

7.2.1. Measurement methods

Economic capital management is based on internal risk measurement methods, which take into account all key types of risk with the exception of liquidity risk. The selected methods serve to meet the requirements specified by MaRisk BA.

7.2.2. Risk-bearing capacity

Owing to the close ties between risk capital management at DZ BANK and in the DZ BANK Group, the information below relates to the DZ BANK Group.

As part of risk-bearing-capacity analysis, the risk capital requirement at the DZ BANK Group level 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 generally reviewed on a quarterly basis and also partly updated on a monthly basis.

The aggregate risk cover available to the DZ BANK Group as at December 31, 2013 was measured at €16,652 million (December 31, 2012: €15,041 million). The year-on-year increase was largely attributable to the improvement in net profit and the issue of new subordinated capital. The aggregate risk cover originally calculated as at December 31, 2012 had amounted to €15,326 million. This amount has been restated as a result of the need for an adjustment in accordance with IAS 8.41 et seq. The adjustment was required because of hidden liabilities at DZ BANK.

The purpose of the capital buffer 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, for example, to spread risk and migration risk on securities and to migration risk on traditional loans.

The individual components of the capital buffer are quantified using a method based on scenarios and models with input from experts. As at December 31, 2013, the capital buffer amounted to €3,001 million (December 31, 2012: €3,453 million).

Derived from the aggregate risk cover minus the capital buffer, the total upper loss limit for the DZ BANK Group amounted to €10,302 million as at December 31, 2013 (December 31, 2012: €10,164 million).

The risk capital requirement was determined at €7,753 million (December 31, 2012: €7,556 million). The year-on-year rise in the risk capital requirement was largely attributable to greater credit risk following adjustments in the portfolio modeling.

The DZ BANK Group had adequate economic capital available at all times during the course of the year under review. From the current perspective, this is also expected to be the case for 2014.

7.2.3. Economic stress tests

DZ BANK is integrated into the standard risk capital requirement stress tests conducted in the DZ BANK Group. The DZ BANK Group's stress test framework includes hypothetical stress tests (both overarching tests and tests specific to each risk type), an overarching historical stress test not specific to any risk type, and an inverse stress test. Stress tests are applied to the risk capital requirement and/or the aggregate risk cover, depending on the stress scenario. The tests may be specific to a particular type of risk or may apply across all risk types. The specific risk-type stress tests are supplemented by a stress scenario that models the correlations between different types of risk. Internal risk measurement methods are used in the risk capital requirement stress test.

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

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

7.2.4. Possible impact from crystallized risk

If risk covered by capital actually materializes, this has a negative impact on both financial performance and financial position. In the income statement, the recognized expenses are higher and/or the recognized income is lower than originally expected. This is accompanied by a decrease in the net assets on the balance sheet because assets are unexpectedly lower and/or liabilities are unexpectedly higher.

If there is a deterioration in financial performance, there is the risk of long-term **negative risk-adjusted profitability**. The cost of capital cannot then be covered, and economic value added (EVA) becomes negative. If this situation arose, there would no longer be any point in continuing business operations from a business management perspective.

Viewed in isolation and assuming there are no other influencing factors, this chain of events would apply particularly in a scenario where the equity holder is simply seeking to maximize profits. In the case of DZ BANK however, there is another significant factor in that the intention of the equity holders (who in many cases are also customers of DZ BANK and its subsidiaries) in committing equity to DZ BANK is not only to achieve, as far as possible, market-level returns commensurate with the risk involved, but also to utilize the decentralized services that DZ BANK provides as a central institution in the cooperative financial network. The return on investment that forms part of any purely monetary analysis therefore needs to be adjusted in the case of DZ BANK to factor in the effects of the extra benefits. Given this background, EVA is only of limited use for assessing the advantages of the investment in DZ BANK. Thus, a negative EVA is not necessarily associated with the discontinuation of business activities undertaken by DZ BANK.

If risk were to materialize and associated losses be incurred, there would be a risk that the **economic capital adequacy target** would be missed. However, this situation could also occur with an increase in risk arising from heightened market volatility or as a consequence of changes in the business structure.
In addition, a decrease in aggregate risk cover, for

example because its components have expired or are no longer eligible, could mean that the risk capital requirement exceeds the aggregate risk cover. Additional or more stringent statutory or regulatory requirements could also have a negative impact on economic capital adequacy.

In a situation in which economic capital adequacy could not be guaranteed, there would be insufficient capital available to meet the bank's own standards with regard to the coverage of risk. This could lead to a deterioration in the credit ratings for DZ BANK. If there is also insufficient capital to meet the level of protection demanded by regulators, these regulators could initiate action, which in extreme cases could aim to wind up DZ BANK.

7.3. MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

7.3.1. Regulatory framework

In addition to the management of economic capital – the key figure in the management of business activities – regulatory solvency requirements are also strictly observed. DZ BANK is the parent institution in the DZ BANK financial conglomerate and DZ BANK banking group and is thus integrated into the regulatory capital management of the group as a whole.

To calculate the regulatory capital requirements in accordance with KWG and the Solvency Regulation (SolvV), DZ BANK uses the foundation internal ratings-based approach (foundation IRB approach) for credit risk, primarily its own internal models for market risk, and the Standardized Approach for operational risk.

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

7.3.2. Regulatory capital ratios

DZ BANK's regulatory capital amounted to a total of €15,492 million as at December 31, 2013 (December 31, 2012: €13,706 million).

There was an increase of €1,020 million in Tier 1 capital as at December 31, 2013, compared with the end of 2012. This increase was mainly attributable to the retention of €745 million from the net income for 2012. Of this amount, €739 million was added to the fund for general banking risks as defined by section 340g HGB. Another factor in the capital increase was the decrease of €270 million in the capital deductions for 50 percent of, in particular, securitization exposures.

Tier 2 capital was €766 million higher than it had been at December 31, 2012. The main factors behind this increase were the addition of new subordinated liabilities, which increased the total volume of these liabilities by €527 million net, and the decrease of €270 million in the capital deductions for 50 percent of, in particular, securitization exposures. Some of the overall increase was offset by a slight reduction in the excess of valuation allowances over expected loss, which are allocated to the internal ratings-based (IRB) approaches.

As at December 31, 2013, regulatory **capital adequacy requirements** were calculated at €3,940 million (December 31, 2012: €4,105 million). The reduction in capital requirements for credit risk exposures was largely attributable to redemptions and maturities.

The **total capital ratio** rose from 26.7 percent as at December 31, 2012 to 31.5 percent as at the balance sheet date. As at December 31, 2013 , the **Tier 1 capital ratio** was 20.5 percent, compared with the ratio of 17.7 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 10 provides an overview of DZ BANK's regulatory capital ratios.

7.3.3. Stress tests

DZ BANK conducts the quarterly regulatory stress tests that are required to verify that the bank satisfies the solvency requirements in crisis situations. Depending on the three scenarios simulated in these tests, a deterioration in credit ratings and collateral values is applied. As at December 31, 2013, the solvency requirements were satisfied without qualification in the three stress scenarios, as had also been the case 12 months earlier.

7.4. OUTLOOK

7.4.1. Capital increase

DZ BANK is planning a capital increase in 2014, the impetus for which primarily comes from the need to meet regulatory requirements. Further details on the regulatory background can be found in the financial report (section I.2.4. of this management report).

The capital increase is also expected to strengthen the aggregate risk cover, thereby improving the ability to absorb economic losses.

7.4.2. Management of economic risk capital

In 2014, DZ BANK intends to sustain the continuous improvement in the tools used for risk capital management, making changes in line with the new requirements of the regulatory environment.

At the start of 2014, spread risk and migration risk on securities is being separated from the capital buffer and integrated into risk capital management. An upper loss limit, operational limits, and a dedicated monitoring process will be introduced for these risk types in order to ensure that the associated risk capital is managed more effectively. The increase in aggregate risk cover associated with the separation from the capital buffer will match the increase in risk capital requirement. This change will not therefore have any overall effect on DZ BANK's risk-bearing capacity.

7.4.3. Regulatory requirements

BASEL III

As part of its implementation of the new regulatory liquidity requirements, DZ BANK will participate in Basel III monitoring, which will involve submitting the results from the calculation of the new key ratios (LCR and NSFR) to the regulators on a quarterly basis. Since the beginning of 2013 these ratios have also been calculated once a month for internal purposes. In this connection, DZ BANK 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 2014. Efforts will be focused particularly on closely monitoring the main capital drivers and

FIG. 10 – REGULATORY CAPITAL RATIOS

€ million	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Capital					
Tier 1 capital	10,107	10,107	10,080	9,950	9,087
Total Tier 2 capital after capital deductions	5,385	5,533	4,929	4,622	4,619
Total	**15,492**	**15,640**	**15,009**	**14,572**	**13,706**
Capital requirements					
Credit risk (including long-term equity investments)	3,104	3,179	3,207	3,277	3,335
Market risk	640	507	545	704	572
Operational risk	196	196	196	196	198
Total	**3,940**	**3,882**	**3,948**	**4,177**	**4,105**
Capital ratios					
Total capital ratio	31.5%	32.2%	30.4%	27.9%	26.7%
Tier 1 capital ratio	20.5%	20.8%	20.4%	19.1%	17.7%

implementing the defined measures to reallocate capital in order to improve capital distribution within the DZ BANK banking group. From the current perspective, it is reasonable to assume that DZ BANK will satisfy the requirements of Basel III.

One of the consequences of CRD IV and CRR is that 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.

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 at DZ BANK, DZ BANK believes that its sharp strategic focus on being a network-oriented central institution with close ties to the local cooperative banks offers ample potential for further network-based growth going forward.

CAPITAL REQUIREMENTS FOR MARKET RISK

By way of preparation for the planned 'Fundamental review of the trading book', under which the regulatory capital requirements for market risk are to be comprehensively reorganized, DZ BANK is tracking the ongoing development of the implementation requirements and is participating in the associated consultation process. DZ BANK will also be participating in the quantitative impact study being planned by the Basel Committee on Banking Supervision in connection with this project. In addition, further activities are being planned for early preparation of a concept study related to Basel 3.5.

RISK DATA MANAGEMENT

DZ BANK has given a high priority to implementing the principles for effective risk data aggregation and risk reporting published by the Basel Committee on Banking Supervision. In an initial step, an analysis of the existing position was carried out and any need for action identified. In 2014, this analysis will be used as the basis for preparing a target scenario for DZ BANK, from which a step-by-step implementation plan can then be created, enabling the bank to satisfy the requirements by 2016.

8. CREDIT RISK

8.1. RISK STRATEGY

DZ BANK pursues a strictly decentralized business policy aimed at promoting the cooperative banks and is bound by the core strategic guiding principle of a 'network-oriented central institution and financial services group'. The business and risk policy for the credit-risk-bearing core businesses is formulated on the basis of risk-bearing capacity. The credit risk strategy therefore ensures that there is a standard approach to credit risk at DZ BANK. Lending is based on the 'VR rating' system, a rating procedure developed by DZ BANK in collaboration with the BVR and WGZ BANK.

DZ BANK seeks to maintain a good rating structure in its credit portfolio at all times. In the future, the portfolio will continue to be characterized by a high degree of diversification. In the case of an individual lending transaction, risk-adjusted pricing taking into account adequate standard risk costs and risk-adjusted economic capital costs is of critical importance.

As part of the annual updates to the DZ BANK credit risk strategy, a few clarifications were added to the strategy in 2014. This did not result in any material changes compared with the previous year.

Where required, the Board of Managing Directors makes decisions during the course of the year to ensure that the rules for the medium-term and long-term credit risk strategy are adjusted in line with changing circumstances and current developments.

8.2. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

Responsibilities in the lending process have been defined and are documented in a written set of procedural rules. These responsibilities cover loan applications, approvals, and processing, including periodic credit control with regular analysis of ratings. Decision-making authority levels are specified in appropriate **rules** based on the risk content of lending transactions.

Established **reporting and monitoring processes** help provide information for decision-makers on changes in the risk structure of credit portfolios and form the basis for the active management of credit risks.

As part of the **credit risk reporting system**, the Group Risk Committee is kept informed of the economic capital required to cover credit risks. Internal reporting also includes an in-depth analysis of the portfolio structure in regard to concentration risk based on key risk characteristics such as country, industry, and credit rating class, and on the lending volume to individual customers. In addition, the reports include details on specific exposures and specific loan loss allowances.

8.3. RISK MANAGEMENT

8.3.1. Rating systems

RATING SYSTEM CHARACTERISTICS

The **VR rating system** used as standard throughout the cooperative financial network ensures that all the entities in the network apply a sophisticated uniform methodology producing ratings that are comparable.

DZ BANK primarily uses VR rating systems as part of its credit risk management system to assess large and medium-sized companies, major corporate customers, banks, and countries, as well as project finance, asset finance, acquisition financing, and investment funds. The internal assessment approach is also used to evaluate the liquidity lines and credit enhancements made available by DZ BANK to programs for the issuance of asset-backed commercial paper (ABCP). These rating systems have been approved by BaFin for the purposes of calculating regulatory capital using the foundation IRB approach.

For internal management purposes, further rating systems are used to assess SMEs, agricultural businesses, public-sector entities, not-for-profit organizations, and foreign SMEs. Although these systems satisfy the requirements for the foundation IRB approach in the opinion of DZ BANK, they are deemed to be of less significance and have not yet been reviewed by the regulator.

DEVELOPMENT OF RATING SYSTEMS

The rating systems for ABCP programs (internal assessment approach), asset finance, acquisition finance, project finance, foreign SMEs, and major corporate customers were revised and implemented during the course of the reporting year.

8.3.2. Pricing in the lending business

To ensure that lending business remains profitable, **standard risk costs** are determined in the management of individual transactions. The purpose of these costs is to cover average expected losses from borrower defaults. The aim is to ensure that the net allowances for losses on loans and advances recognized in the financial statements are covered on average over the long term in an actuarial-type approach by the standard risk costs included in the pricing.

In addition to standard risk costs, **an imputed cost of capital** based on the economic capital requirement is integrated into the contribution margin costing. In this way, DZ BANK obtains a return on the economic capital tied up that is in line with the risk involved and that covers any unexpected losses arising from the lending business. At the same time, pricing also includes an appropriate amount to cover the costs of risk concentration.

8.3.3. Management of exposure in the traditional lending business

MEASURING EXPOSURES IN TRADITIONAL LENDING BUSINESS

Individual lending exposures are managed on the basis of an analysis of gross lending exposure. The period taken into account in this case is equivalent to the monitoring cycle of one year. Together with risk-related credit-portfolio management, volume-oriented credit risk management is one of the components in the management of concentration risk in the lending business.

In traditional lending business, the credit exposure or lending volume is the same as the nominal value of the total loan book and reflects the maximum volume at risk of default. The credit exposure is a gross value because risk-bearing financial instruments are measured before the application of any credit risk mitigation and before the recognition of any allowances for losses.

LIMIT SYSTEM FOR MANAGING EXPOSURES IN TRADITIONAL LENDING BUSINESS

Limits are set for individual borrowers. Group limits are also set at DZ BANK Group level for critical counterparties. Suitable **early warning processes** have been established to ensure that limits are monitored on a timely basis. Loan agreements frequently include financial covenants that act as early warning indicators for changes in credit standing and as a tool for proactive risk management. In addition, processes have been set up to handle instances in which limits have been **exceeded. Country exposure** in the traditional lending business is managed by setting **limits for individual countries** at the DZ BANK Group level and by allocating these limits to DZ BANK.

8.3.4. Management of credit exposure in trading transactions

MEASURING CREDIT EXPOSURE IN TRADING TRANSACTIONS

Issuer risk, replacement risk, and settlement risk are exposure-based measurements of the maximum potential loss in trading transactions. These are determined without taking into account the likelihood of a default. In order to determine the credit exposure, securities in the banking book and trading book are measured at fair value and derivatives at a loan equivalent value.

The fair value of a securities exposure is used to determine the **issuer risk**. Risks relating to the underlying instruments in derivative transactions are also included in issuer risk.

Replacement risk on OTC derivatives and unsecured money market transactions is calculated mainly on the basis of fair value and the add-on for an individual transaction. The add-on takes into account specific risk factors and residual maturities. Where legally enforceable, netting agreements and collateral agreements are used at counterparty level to reduce exposure. In the case of repos and securities lending transactions, haircuts are applied instead of add-ons.

As regards **settlement risk**, the amount to be set aside is deemed to be the amount owed, i.e. the amount actually due to be paid by the counterparty to DZ BANK. Settlement risk is recognized for the specified settlement period. It takes into account the amount and timing of outstanding cash flows for the purposes of managing the risk associated with mutual settlement at some point in the future. These future cash flows are already factored into the replacement risk through the fair value measurement and are therefore included in the risk capital requirement. As a result, settlement risk does not need to be covered with risk capital in addition to that for the other types of credit risk related to trading activities.

LIMIT SYSTEM FOR MANAGING TRADING EXPOSURE

DZ BANK has established an exposure-oriented **limit system** to limit the credit risk arising from trading business. Replacement risk is managed via a structure of limits broken down into maturity bands. Unsecured money market transactions are subject to separate limits. A daily limit is set in order to manage settlement risk. A specific limit related to credit ratings or a fixed-term general limit is determined for each issuer as the basis for managing issuer risk. Pfandbriefe are subject to separate limits. Material subsidiaries have their own comparable limit systems.

Exposure in connection with DZ BANK's trading business is measured and monitored using a standard method and a central, IT-supported limit management system to which all relevant trading systems are connected.

As in the traditional lending business, appropriate processes have also been established for the trading business to provide **early warnings and notification of limit overruns**. The member of the Board of Managing Directors responsible for risk monitoring is sent a daily list of significant exceeded trading limits. A monthly report is prepared covering the utilization of replacement and issuer risk in connection with trading activities.

Country exposure in the trading business is managed in the same way as in the traditional lending business by setting **limits for countries** at the DZ BANK Group level.

8.3.5. Management of risk concentration and correlation risks

CONCENTRATIONS OF RISK IN CREDIT AND COLLATERAL PORTFOLIOS

In managing the traditional lending business and its trading business, DZ BANK takes into account the correlation between collateral and the borrower pledging the collateral or between the collateral and the counterparty whose replacement risk the collateral is intended to mitigate. If there is a significant positive correlation between the collateral and the borrower or the counterparty pledging the collateral, the collateral is disregarded or accorded a reduced value as collateral. This situation arises, for example, where a guarantor, garnishee, or issuer forms an economic entity with the borrower or counterparty, or together with the borrower or counterparty represents a single borrower as defined by section 19 (2) KWG.

WRONG-WAY RISK

Correlation risk can arise due to the inter-relationship between the default probability of counterparties and the general market risk ('general wrong-way risk'). Another type of correlation risk, called a 'specific wrong-way risk', occurs if the value of an exposure to a counterparty is negatively correlated to the counterparty's rating owing to the specific transaction structure involved.

Given the nature of trading business at DZ BANK, specific wrong-way risk arises largely in connection with repos and credit derivatives, in which the counterparty and underlying transaction form part of the financial sector. This risk is not material as far as DZ BANK is concerned because of the measures described below.

MEASURES TO PREVENT CONCENTRATION RISK AND WRONG-WAY RISK

In order to avoid unwanted risks that may arise from the concentration or correlation of collateral in the trading business or correlations between default risk in trading transactions and market risk, DZ BANK has brought into force a collateral policy and its own internal 'minimum requirements for bilateral reverse repo transactions and securities lending transactions'.

These requirements are based on the Credit Support Annex (ISDA Master Agreement) and the Collateralization Annex (German Master Agreement for Financial Futures) and stipulate that, in accordance with the collateral policy, only collateral in the form of cash (mainly in euros or US dollars), investment-grade government bonds, and/or Pfandbriefe can be used for mitigating risks arising from **OTC derivatives**. Exceptions to this rule are only permitted for local cooperative banks, although a very good credit rating (at least 2B on DZ BANK's credit rating master scale) is still required for the relevant securities collateral. The collateral must also be eligible for use as collateral at the ECB. High-grade collateral is also required for **repo transactions** in compliance with DZ BANK's own internal minimum requirements and the generally accepted master agreements, although the range of collateral is somewhat broader here than in the case of OTC derivatives.

In addition, the 'minimum requirements for bilateral reverse repos and securities lending transactions' exclude prohibited concentrations and correlations and specify collateral quality depending on the credit rating of the counterparties. To monitor the relevant rules and regulations, the bank has set up a separate reporting system involving daily monitoring and an annual report to the Credit Committee.

Specific wrong-way risk in connection with **credit derivatives** in which the counterparty and underlying instrument form part of the financial sector is notified to the Credit Committee in a quarterly report and is of minor significance.

8.3.6. Minimizing credit risk

COLLATERAL STRATEGY AND SECURED TRANSACTIONS

In accordance with the credit risk strategy, **customer credit quality** forms the basis for any lending decision; collateral has no bearing on the borrower's credit rating. However, depending on the structure of the transaction, collateral may be of material significance in the assessment of risk in a transaction.

DZ BANK generally seeks to obtain collateral in line with the level of risk in medium-term or long-term financing arrangements. In particular, recoverable collateral equivalent to 50 percent of the finance volume is required for new business with SME customers in rating category 3D or below on the credit rating master scale. The credit rating master scale is shown in section 8.4.1. of the DZ BANK Group's 2013 opportunity and risk report.

Collateral is used as an appropriate tool for the management of risk in export finance or structured trade finance transactions. In the case of project finance, the financed project itself or the assignment of the rights in the underlying agreements typically serve as collateral.

Secured transactions in traditional lending business encompass commercial lending including contingent liabilities and irrevocable loan commitments. Decisions to protect transactions against credit risk are made on a case-by-case basis, the protection taking the form of traditional collateral.

TYPES OF COLLATERAL

DZ BANK uses all forms of **traditional loan collateral**. Specifically, these include mortgages on residential and commercial real estate, registered ship mortgages, guarantees (primarily in the form of sureties, indemnity agreements, credit insurance, and letters of comfort), financial security (certain fixed-income securities, shares, and investment fund units), assigned receivables (blanket and individual assignments of trade receivables), and physical collateral.

Privileged mortgages, guarantees, and financial collateral are the main sources of collateral recognized for regulatory purposes under SolvV. Assigned receivables and physical collateral are only recognized for regulatory purposes to a limited extent.

In accordance with DZ BANK's collateral policy, only cash, investment-grade government bonds, and/or Pfandbriefe are accepted as **collateral for trading transactions** required by the collateral agreements used to mitigate against the risk attaching to OTC derivatives. DZ BANK also enters into netting agreements to reduce the credit risk arising in connection with OTC derivatives. The prompt evaluation of collateral within the agreed margining period also helps to limit risk.

In order to reduce the issuer risk attaching to bonds and derivatives, use is made of credit derivatives, comprising credit-linked notes, credit default swaps, and total return swaps. Macro hedges are used dynamically to mitigate spread risk and risks attaching to underlying assets. In isolated cases, transactions are conducted on a back-to-back basis. For risk management purposes, the protection provided by credit derivatives is set against the reference entity risk, thereby mitigating it. The main protection providers/counterparties in credit derivatives are financial institutions, mostly investment-grade banks in the VR rating classes 1A to 2C.

MANAGEMENT OF TRADITIONAL COLLATERAL

Collateral management is the responsibility mainly of **specialist units** outside the front-office divisions. The core tasks of these units include providing, inspecting, measuring, recording, and managing collateral and providing advice to all divisions in matters concerning collateral.

To a large extent, standardized contracts are used for the provision of collateral and the associated declarations. Specialist departments are consulted in cases where customized collateral agreements are required. Collateral is managed in separate IT systems.

Collateral **is measured** in accordance with internal guidelines and is the responsibility of back-office units. As a minimum, carrying amounts are reviewed on the monitoring dates specified by the back-office units – normally annually – or on the agreed submission date for documents relevant to measurement of the collateral. Shorter monitoring intervals may be specified for critical lending exposures. Regardless of the specified intervals, collateral is tested for impairment without delay if any indications of impairment become evident.

The workout units are responsible for processing collateral for **non-performing loans** including the recovery of collateral. In the case of non-performing loans, the collateral is measured on the basis of its likely recoverable value and time of recovery, rather than on the basis of the general measurement guidelines. In another departure from the general collateralization criteria, collateral involved in restructuring exposures can be measured using market values or the estimated liquidation proceeds.

COLLATERAL MANAGEMENT

In addition to netting agreements (ISDA Master Agreement and German Master Agreement for Financial Futures), DZ BANK enters into collateral agreements (Credit Support Annex to the ISDA Master Agreement and Collateralization Annex to the German Master Agreement for Financial Futures) as instruments to reduce credit exposure in OTC transactions.

DZ BANK's policy on collateral regulates the content of collateral agreements and the responsibilities and authorities for implementing the rights and obligations they confer within the bank. This policy specifies contract parameters, such as the quality of collateral, frequency of transfer, minimum transfer amounts, and thresholds. DZ BANK regularly uses bilateral collateral agreements. Exceptions apply to cover assets and special purpose entities, as the special legal status of the counterparties means that only unilateral collateral agreements can be usefully enforced, and to supranational or government entities. Any decision not to use a bilateral collateral agreement must be approved by a person with the relevant authority.

Netting and collateralization generally result in a significant reduction in the exposure from trading business. IT systems are used to measure exposures and collateral. Margining is carried out on a daily basis for the vast majority of collateral agreements in accordance with the collateral policy.

Collateral agreements entered into by DZ BANK generally include thresholds and minimum transfer amounts that are independent of credit rating. There are also some agreements with rating-based triggers. In these agreements, the unsecured part of an exposure is reduced in the event of a deterioration in credit quality or the borrower is required to make additional payments (for example, payments known as 'independent amounts'). Rating-dependent payment obligations are treated as low risk and are covered by liquidity risk management.

CENTRAL COUNTERPARTY CLEARING (CCP)

The European Market Infrastructure Regulation (EMIR) is permanently changing the environment in which banks, insurance companies, and investment funds conduct OTC derivative transactions. Under this regulation, market players must trade certain standardized derivatives in the future using central counterparties (known as clearing houses), report these contracts in a central transaction register, and use risk mitigation methods for OTC derivatives that are not processed centrally through a clearing house. This is intended to minimize counterparty risk.

Any market players not exempted from this new clearing obligation must be connected to a central counterparty. The market player concerned may be a direct member of a clearing house or may process its derivative contracts using a bank that is a member of the central counterparty.

Since 2011, DZ BANK has been a direct member of Europe's largest clearing house for interest-rate derivatives, the London Clearing House (LCH). It therefore has direct access to a central counterparty for derivatives for the purposes of clearing its own derivative positions. In August 2013, DZ BANK also joined Eurex Clearing AG as a clearing member. This diversification helps to prevent concentration risk that arises from the use of central counterparties.

8.3.7. Management of non-performing exposures

MANAGING AND MONITORING NON-PERFORMING EXPOSURES

Identified non-performing loans are transferred to the **workout units** at an early stage. By providing intensified loan management for critical exposures and applying tried-and-tested solutions, these special units lay the basis for securing and optimizing non-performing risk positions.

In the traditional lending business, DZ BANK has a comprehensive range of tools at its disposal for the early identification, close support, and high-quality monitoring of non-performing exposures. The subportfolio of non-performing loans is reviewed, updated, and reported on a quarterly basis. The process is also carried out at shorter intervals if required. This process is comprehensively supported by IT systems. A key element is the internal reporting system, which is informative, target-group-oriented, and timely. If necessary, the intensified loan management put in place for individual borrowers is transferred to task forces specially set up for this purpose. The risks in subportfolios are monitored and analyzed with regular reports.

GUIDELINES AND PROCEDURES FOR THE RECOGNITION OF PROVISIONS, IMPAIRMENT LOSSES, AND ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Provisions for lending risks comprise valuation allowances and provisions for credit risk and latent credit risk for all portfolios of loans and advances on the balance sheet and off-balance-sheet transactions at individual transaction level and/or on a portfolio basis. Provisions are recognized for all identifiable credit risks in the amount of the expected loss as dictated by prudent business practice. Further details can be found in Note 2 of the notes to the financial statements of DZ BANK for 2013.

DZ BANK's internal guidelines provide for the recognition of **specific allowances for losses on loans and advances** if there are reasonable grounds to suppose that a receivable is not collectable because of a borrower's financial circumstances or inadequate collateral or if there are indications that the borrower will not be able to service the loan over the long term. Contingent assets are treated in the same way. Specific allowances for losses on loans and advances must be recognized in accordance with the requirements of the HGB, in particular the prudence principle. Allowances are therefore measured such that at least one of the probable default scenarios in each case is covered. This includes a prudent measurement of existing collateral.

In 2013, DZ BANK switched the calculation of allowances for losses on loans and advances in respect of latent credit risk from the tax recognition of the general loan loss allowance and country risk loan loss allowance to the portfolio loan loss allowance calculated in accordance with the incurred loss model pursuant to IAS 39. Loans and advances with similar features for which impairment losses are not recognized on an individual basis are grouped into portfolios and tested for impairment. If a need for allowances is identified, a portfolio loan loss allowance is recognized. The calculation of the portfolio loan loss allowance is based on the method for calculation of expected losses used for regulatory purposes. Other measurement factors are determined on the basis of internal parameters.

Country risk is covered when the probability of default and/or the credit rating is determined.

Trading transactions are recognized at fair value. Any impairments are therefore already taken into account, precluding the need for the recognition of any allowances for losses on trading business.

NON-PERFORMING LOANS

At DZ BANK, a loan is classified as non-performing if it has been rated between 5A and 5E on the VR master scale. This corresponds to the definition of default specified by SolvV. Non-performing loans are also referred to by the abbreviation NPLs.

The following key figures are used to manage non-performing loans:

- loan loss allowance ratio (balance of allowances for losses on loans and advances as a proportion of total lending volume)
- risk cover ratio (balance of allowances for losses on loans and advances as a proportion of the volume of non-performing loans)
- NPL ratio (volume of non-performing loans as a proportion of total lending volume)

The balance of allowances for losses on loans and advances is calculated as the total of specific loan loss allowances, portfolio loan loss allowances, provisions for irrevocable loan commitments, and contingent liabilities.

8.3.8. Credit-portfolio management

In risk-related credit-portfolio management, a distinction is made between the expected loss and unexpected loss arising from the credit portfolio as a whole. The calculation of an expected loss for each individual transaction prevents a creeping erosion of equity. Most of the management units determine the standard risk costs necessary for this calculation. These costs vary according to credit rating.

Portfolio models are also used together with value-at-risk methods to quantify unexpected losses that may arise from the credit portfolios of group entities. Credit value-at-risk describes the risk of unexpected losses arising should a default event occur in the credit portfolio. Credit portfolio models are used to measure the credit value-at-risk. Key factors in determining this credit risk include the lending volume, concentrations in terms of sectors and/or counterparties, and the credit quality structure of the credit portfolio. The measurement includes credit risk from both lending and trading businesses.

8.3.9. Managing credit risk arising from securitizations

OBJECTIVES AND SCOPE OF SECURITIZATION

During the course of the financial crisis, DZ BANK ceased all its securitization activities except for those in a few, clearly defined areas of business. Areas where such activity has continued include the ABCP programs, although investment in ABSs has been halted. The bulk of the portfolio comprises residual balances of investor-related exposures dating back to the period prior to the financial crisis. The following details describe the management of credit risk in the present securitization business.

DZ BANK's objective in its role as an **originator** of long-term funded securitizations is to transfer risk, thereby releasing economic and regulatory capital.

As a **sponsor**, DZ BANK also uses special-purpose entities, which are funded by issuing money market-linked ABCP. The ABCP programs are made available for DZ BANK customers who then securitize their own assets via these companies. In these programs, the customers sell their assets to a separate special-purpose entity, the consideration normally including an adjustment for risk. The purchase of the assets is funded by issuing money market-linked ABCP. The redemption of the ABCP is covered by the entire asset pool in the program. The contractual structure of the transactions ensures that the assets do not form part of the asset seller's net assets if the asset seller should become insolvent.

The CORAL **ABCP** program has been set up to provide securitization of assets from European companies. This program is funded by liquidity lines and by the issuance of ABCP. There are plans to expand the ABCP-based funding still further.

DZ BANK is also the sponsor of the **AUTOBAHN** ABCP program, which offers securitization for assets from North American customers and is funded by ABCP issues.

DZ BANK's **investor-related exposures** are assigned to the banking book, and to a lesser extent to the trading book, and are actively managed with the aim of scaling back the portfolio and reducing risk. The action taken to achieve this aim includes the disposal of selected exposures to optimize equity.

In addition to these activities, DZ BANK **arranges** and **places** securitizations issued by the DZ BANK Group and the Volksbanken Raiffeisenbanken cooperative financial network. The local cooperative banks are involved in one multi-seller transaction undertaken by the DZ BANK Group.

CAUSES OF RISK

Credit risk in connection with securitizations in the banking book arises primarily from investments in securitizations and the provision of liquidity facilities for ABCP. The liquidity facilities provided as part of the ABCP programs are managed in the banking book. The resulting risk largely depends on the quality of the asset pool.

In the context of the portfolio as a whole, the re-securitization exposures and related risks are of minor significance. Re-securitizations are structures in which the securitized exposure in turn comprises one or more other securitization exposures.

ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

Exposures to asset-backed securities (ABSs), which for DZ BANK constitute investor-related exposures within the meaning of KWG, are managed in accordance with the general risk management standards. These standards require that securitization exposures be individually analyzed and limited.

The structure of transactions is analyzed, a comparison is made between the transactions and the relevant ABS market, and the external credit ratings awarded by the rating agencies are validated as part of a well-established process. Furthermore, all major ABS asset classes are subjected to an annual portfolio analysis process that assesses the macroeconomic and asset-class-specific risks involved.

RISK MONITORING AND STRESS TESTS

Securitization exposures are monitored independently of whether they are assigned to the banking book or the trading book. Besides continuous monitoring of external credit ratings, exposures are classified on a quarterly basis using stress tests specific to each asset class. A particular feature of the tests is that factors such as payment delays, defaults, and degree of loss are balanced against the existing credit enhancements in each transaction. If an exposure does not pass a stress test, the expected loss is determined using a model particular to the asset class concerned.

The credit risk arising in connection with the transactions in the ABCP programs is monitored using performance reports prepared at least monthly by the asset seller. The purchased assets are generally subject to a due diligence in the form of regular random sample tests.

Re-securitization exposures are monitored in much the same way as other asset classes. Expected losses on these exposures are modeled using portfolio models from rating agencies which particularly factor in the range of ratings in the securitized portfolio and the assumptions made by the agencies with regard to the extent of losses and industry correlations.

The economic stress tests encompass both the credit risk and the spread risk arising from the entire securitization exposures.

RISK MITIGATION

In a small number of individual cases, DZ BANK uses credit default swaps to mitigate the risk from individual exposures. The counterparties in these derivatives are investment-grade financial institutions. As part of the ABCP programs managed exclusively in the banking book, the risk arising from some of the purchased asset portfolios is covered by credit insurance in addition to the discount on the purchase price already referred to above.

8.4. LENDING VOLUME AND ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

8.4.1. Lending volume

LENDING VOLUME AS RISK FACTOR

The amount and structure of the lending volume are key factors in determining the credit risk. For the purposes of internal credit risk management at DZ BANK, the lending volume is broken down by credit-risk-bearing instrument – traditional lending, securities business, and derivatives and money market business.

The credit-risk-bearing instruments are also classified by sector, country group, credit rating, and term to maturity so that volume concentrations can be identified. Particularly in the case of an accumulation of exposures that have longer terms to maturity and a non-investment-grade rating, there is a danger that the credit risk will become serious, causing losses with a considerable negative impact on the financial performance and financial position of DZ BANK.

The following disclosures relate to the lending volume based on internal management figures. There are discrepancies between the internal management and external financial reporting measurements for some products owing to the focus on the risk content of the items. The other main reasons for the discrepancies between the internal management figures and those in the external financial statements are differences in the definition of lending volume and various differences in recognition and measurement methods.

CHANGE IN LENDING VOLUME

As at December 31, 2013, the total lending volume of DZ BANK was down by 0.4 percent to €158.7 billion (December 31, 2012: €159.4 billion). This decline predominantly related to derivatives and money market business, whereas the traditional lending business with local cooperative banks registered a small rise in lending volume.

COLLATERALIZED LENDING VOLUME

Figure 11 shows the breakdown of collateralized lending volume by type of collateral and class of risk-bearing instrument at overall portfolio level. In the case of traditional lending business, figures are 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.

FIG. 11 – COLLATERALIZED LENDING VOLUME BY TYPE OF COLLATERAL

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Guarantees, indemnities, risk subparticipation	0.8	0.9	–	–	0.3	0.4	1.0	1.3
Credit insurance	1.5	1.3	–	–	–	–	1.5	1.3
Land charges, mortgages, ship mortgages	0.5	0.6	–	–	–	–	0.5	0.6
Pledged loans and advances, assignments, other pledged assets	1.0	1.1	–	–	–	–	1.0	1.1
Financial collateral	0.3	0.4	–	–	–	–	0.4	0.5
Other collateral	–	–	–	–	–	–	–	–
Collateralized lending volume	**4.1**	**4.3**	**–**	**–**	**0.3**	**0.5**	**4.4**	**4.7**
Gross lending volume	105.0	103.9	41.2	40.9	12.5	14.6	158.7	159.4
Uncollateralized lending volume	**100.9**	**99.7**	**41.2**	**40.9**	**12.2**	**14.1**	**154.3**	**154.7**

FIG. 12 – LENDING VOLUME BY SECTOR[1]

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Financial sector	69.6	67.4	14.9	15.8	9.5	11.0	94.0	94.1
Public sector	0.5	0.5	19.7	16.9	0.9	0.9	21.0	18.3
Corporates	31.7	32.9	2.6	3.0	1.6	2.3	35.9	38.3
Retail	0.4	0.1	2.5	3.3	–	–	3.0	3.5
Industry conglomerates	2.7	3.0	1.5	1.9	0.5	0.3	4.8	5.2
Other	–	–	–	–	–	–	–	–
Total	**105.0**	**103.9**	**41.2**	**40.9**	**12.5**	**14.6**	**158.7**	**159.4**

1 Assignment to the individual sectors is based on the industry codes used by Deutsche Bundesbank.

At €4.4 billion, the collateralized lending volume at December 31, 2013 was slightly down year on year (December 31, 2012: €4.7 billion). The collateralization rate of 3 percent at the reporting date was the same as it had been a year earlier.

Because DZ BANK bases its lending decisions primarily on borrower credit quality, collateral in the traditional lending business is of lesser importance. There is generally no collateralization in the traditional securities business. A low level of personal collateral (guarantees and indemnity agreements) and financial collateral are used to mitigate risk in derivatives and money market business.

SECTOR STRUCTURE OF THE CREDIT PORTFOLIO

The sectoral breakdown of the credit portfolio presented in figure 12 shows that the total volume of lending as at December 31, 2013 remained highly concentrated in the financial sector (59 percent). In addition to the local cooperative banks, the borrowers in this customer segment comprised banks from other sectors of the banking industry and other financial institutions. Loans and advances to public-sector borrowers rose by €2.7 billion year on year due to an increase in the exposure, in particular to investment-grade counterparties in Germany.

In its role as the central institution for the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK provides funding for the entities 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 large-scale funding to corporate customers. The resulting syndicated business and DZ BANK's direct business with corporate customers in Germany and abroad determines the industry breakdown for the remainder of the portfolio.

GEOGRAPHICAL STRUCTURE OF THE CREDIT PORTFOLIO

Figure 13 shows the geographical distribution of the credit portfolio by **country group**. As at December 31, 2013, an unchanged 94 percent of the total lending volume was concentrated in Germany and in other western industrialized countries.

RATING STRUCTURE OF THE CREDIT PORTFOLIO

Figure 14 shows DZ BANK's lending volume by **rating class** according to the credit rating master scale. 'Not rated' comprises counterparties for which a rating classification is not required. The complete credit rating master scale is shown in section 8.4.1. of the DZ BANK Group's 2013 opportunity and risk report. On this scale, rating class 1A is the best and rating class 5E the worst credit rating.

The proportion of the total credit portfolio accounted for by rating classes 1A to 3A (investment grade) remained unchanged at 89 percent between December 31, 2012 and December 31, 2013. The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) remained unchanged at 9 percent between December 31, 2012

FIG. 13 – LENDING VOLUME BY COUNTRY GROUP[1]

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31. 2013	Dec. 31. 2012	Dec. 31. 2013	Dec. 31. 2012	Dec. 31. 2013	Dec. 31. 2012	Dec. 31. 2013	Dec. 31. 2012
Germany	91.0	89.0	26.6	24.5	7.3	9.2	124.9	122.7
Other industrialized nations	8.2	9.0	12.2	13.9	4.4	4.8	24.8	27.7
Advanced economies	1.1	1.5	0.4	0.4	–	0.2	1.5	2.0
Non-industrialized nations	4.7	4.4	0.6	0.5	0.3	0.1	5.5	5.1
Supranational institutions	–	–	1.5	1.5	0.6	0.4	2.1	1.9
Total	105.0	103.9	41.2	40.9	12.5	14.6	158.7	159.4

1 Assignment to the individual country groups is based on the International Monetary Fund's breakdown, which is updated annually.

FIG. 14 – LENDING VOLUME BY RATING CLASS

€ billion		Traditional lending business		Securities business		Derivatives and money market business		Total	
		Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Investment grade	1A	1.5	1.6	17.5	16.1	3.7	3.5	22.7	21.2
	1B	0.5	0.7	1.6	2.7	0.2	0.5	2.3	3.9
	1C	65.9	63.8	7.7	8.1	3.4	4.6	77.1	76.4
	1D	0.5	0.6	1.2	1.4	0.2	0.6	1.9	2.7
	1E	1.0	0.6	0.9	0.6	0.2	0.1	2.1	1.3
	2A	1.7	2.5	0.8	0.9	1.1	1.0	3.6	4.4
	2B	2.2	2.6	3.4	3.8	0.7	0.6	6.4	7.1
	2C	3.1	3.5	2.7	2.3	0.7	1.1	6.5	7.0
	2D	4.7	4.2	1.5	1.2	0.9	0.6	7.2	6.1
	2E	5.3	5.1	1.3	1.0	0.5	0.6	7.1	6.8
	3A	3.8	4.2	0.5	0.8	0.2	0.3	4.5	5.3
Non-investment grade	3B	3.9	3.8	0.3	0.2	0.1	0.1	4.3	4.1
	3C	2.8	3.2	0.6	0.5	0.1	0.1	3.4	3.8
	3D	2.8	2.6	0.2	0.3	0.1	0.1	3.1	3.0
	3E	1.0	0.8	0.2	0.1	–	0.1	1.2	1.0
	4A	0.5	0.8	–	–	–	–	0.6	0.8
	4B	0.3	0.4	0.1	0.1	–	–	0.4	0.5
	4C	0.1	0.1	–	–	–	–	0.2	0.1
	4D	0.3	0.1	–	–	–	–	0.3	0.1
	4E	0.3	0.2	0.2	0.5	0.1	0.1	0.5	0.8
Default		2.8	2.4	–	–	–	–	3.0	2.4
Not rated		0.1	0.1	–	–	0.3	0.4	0.4	0.5
Total		105.0	103.9	41.2	40.9	12.5	14.6	158.7	159.4

and December 31, 2013. Defaults (rating classes 5A to 5E) accounted for less than 2 percent of the total lending volume as at December 31, 2013, which was largely unchanged year on year.

FIG. 15 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	Specific loan loss allowances	Country risk loan loss allowances	General loan loss allowances	Portfolio loan loss allowances	**Total allowances for losses on loans and advances**
Balance as at Jan. 1, 2013	1,172	52	45	–	**1,269**
Change in 2013	-23	-52	-45	216	**96**
Balance as at Dec. 31, 2013	1,149	–	–	216	**1,365**

As at December 31, 2013, the **ten counterparties associated with the largest lending volumes** accounted for 11 percent of DZ BANK's total lending exposure – as they had at December 31, 2012. These counterparties predominantly comprised financial-sector and public-sector borrowers, issuers, and counterparties.

8.4.2. Allowances for losses on loans and advances, non-performing exposures

ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

DZ BANK reported a net addition to its **specific loan loss allowances** of €186 million on its income statement in the year under review, roughly at the same level as the net addition of €183 million in 2012. Despite individual allowances relating to corporate banking and long-term equity investments – but on the other hand also as a result of the reversal of allowances following successful turnarounds – specific loan loss allowances remained in line with budgets and therefore, overall, reflected DZ BANK's risk policy, which continued to be sustainable.

The increase in total allowances for losses on loans and advances is largely attributable to the change of method for general loan loss allowances and country risk loan loss allowances in relation to the introduction of a **portfolio loan loss allowance**.

Figure 15 shows the year-on-year changes in the allowances for losses on loans and advances pursuant to HGB. In contrast with the balance sheet perspective, the income statement does not include the utilizations of changes in other comprehensive income/loss.

VOLUME OF NON-PERFORMING LOANS

Figure 16 shows key figures relating to the volume of non-performing loans. The increase in the volume of non-performing loans in 2013 from €2.4 billion to €3.0 billion led to a year-on-year rise in the NPL ratio of 1.9 percent given the marginal contraction in the total lending volume from €159.4 billion to €158.7 billion. The greater volume of non-performing loans reflected the migration of individual exposures into the 'Default' rating category. This did not have any material adverse impact on the quality of the credit portfolio as a whole.

8.5. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

8.5.1. Targeted management action

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 at DZ BANK.

Since the start of the financial crisis, DZ BANK has stepped up the monitoring of its credit portfolio, with attention focused on exposure to the financial sector and to selected countries and regions of the world. Individual exposures are subject to intensified loan management using standard processes within the workout management system. The risks in subportfolios are monitored and analyzed with regular reports.

FIG. 16 – KEY FIGURES FOR THE VOLUME OF NON-PERFORMING LOANS

€ billion	**Dec. 31, 2013**	Dec. 31, 2012
Total lending volume	158.7	159.4
Volume of non-performing loans	3.0	2.4
Balance of allowances for losses on loans and advances	1.4	1.3
Loan loss allowance ratio	0.9%	0.8%
Risk cover ratio	45.6%	52.5%
NPL ratio	1.9%	1.5%

8.5.2. Peripheral European countries

In 2013, DZ BANK achieved further significant reductions in its exposure to counterparties in countries hit directly by the European sovereign debt crisis. Loans and advances in this subportfolio amounted to a total of €3,096 million as at December 31, 2013 (December 31, 2012: €3,693 million), which constituted a year-on-year decrease of 16 percent. Figure 17 shows the borrower structure broken down by credit-risk-bearing instrument.

As at December 31, 2013, the lending volume extended to counterparties in Cyprus, Hungary, and Slovenia in total accounted for less than 1 percent of the total lending volume, a low level similar to that at the end of 2012.

8.5.3. Shipping finance

DZ BANK offers shipping finance as part of its joint credit business with the local cooperative banks. Shipping finance in the narrow sense refers to capital investment in mobile assets involving projects that are separately defined, both legally and in substance, and in which the borrower is typically a special-purpose entity whose sole business purpose is the construction and operation of ships. In such arrangements, the debt is serviced from the cash flows generated by the ship. The assessment of the credit risk is therefore based not only on the recoverability of the asset, but also in particular on the capability of the ship to generate earnings. To reduce the risk, the finance must normally be secured by a first mortgage on the vessel.

FIG. 17 – LOANS AND ADVANCES TO BORROWERS IN THE COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Portugal	36	59	138	151	3	3	176	213
of which: public sector	–	–	21	–	–	–	21	–
of which: non-public sector	36	59	117	151	3	3	155	213
of which: financial sector	–	–	62	94	3	3	65	97
Italy	68	140	1,306	1,291	49	75	1,423	1,506
of which: public sector	–	–	843	604	–	–	843	604
of which: non-public sector	68	140	463	687	49	75	580	902
of which: financial sector	36	42	357	543	49	75	442	660
Ireland	27	32	78	119	55	254	160	405
of which: public sector	–	–	–	–	–	–	–	–
of which: non-public sector	27	32	78	119	55	254	160	405
of which: financial sector	–	–	58	80	55	253	113	333
Greece	5	26	39	36	–	–	45	62
of which: public sector	–	–	–	–	–	–	–	–
of which: non-public sector	5	26	39	36	–	–	45	62
of which: financial sector	–	1	2	3	–	–	2	4
Spain	307	361	932	1,113	53	33	1,292	1,507
of which: public sector	53	62	250	220	–	–	303	282
of which: non-public sector	254	298	682	893	53	33	989	1,225
of which: financial sector	39	44	31	156	53	32	123	232
Total	443	617	2,493	2,710	160	366	3,096	3,693
of which: public sector	53	62	1,114	823	–	–	1,167	886
of which: non-public sector	390	555	1,379	1,887	160	366	1,928	2,807
of which: financial sector	76	87	510	876	160	362	746	1,325

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments

A distinction is made between shipping finance in the narrow sense and finance provided for shipyards and shipping companies. The following disclosures relate solely to shipping finance in the narrow sense.

The lending volume associated with shipping finance comprises loans and advances to customers, guarantees and indemnities, irrevocable loan commitments, and derivatives.

The global economic crisis and the sovereign debt crisis in Europe have in some cases led to falling asset values and a deterioration in credit quality in the shipping finance business. This has given rise to an increased credit risk for DZ BANK.

As at December 31, 2013, the shipping finance portfolio had a value of €916 million (December 31, 2012: €939 million). The shipping finance portfolio is mainly concentrated in Germany but broadly diversified by type of vessel, borrower, charterer, and shipping activity. Broken down by type of ship, the portfolio was focused mainly on multifunctional merchant vessels and, in terms of carrying capacity, comprised almost exclusively small- to medium-sized vessels.

Figure 18 shows the structure of the shipping finance portfolio broken down by country group and credit-risk-bearing instrument.

As at December 31, 2013, allowances for losses on loans and advances in respect of the shipping finance portfolio stood at €176 million (December 31, 2012: €108 million).

8.5.4. Securitizations

The changes in DZ BANK's securitization portfolio in 2013 were largely in line with expectations, whether in terms of redemptions, rating migrations, or the performance of the portfolio. One positive aspect worth highlighting was the continued rise in house prices in the United States. During the course of 2013, DZ BANK made greater use of the more benign market environment accompanying this trend to focus on disposals with the objective of optimizing capital.

The **fair value** of the securitization exposure as at December 31, 2013 amounted to €6.3 billion after having been as high as €8.0 billion as at December 31, 2012. This equates to a further reduction of 21 percent following the reduction of 18 percent achieved in 2012. The fall in the fair value of the portfolios held by the bank was largely the result of redemptions and disposals. These changes offset the increases in value derived from the recovery in prices. Since December 31, 2008, the securitization exposure has been cut by a total of 65 percent.

As at December 31, 2013, 50 percent (December 31, 2012: 42 percent) of the loans and advances in the reference portfolios were to borrowers in European countries, in particular Germany, Spain, the United Kingdom, and the Netherlands. Of the total borrowers, 43 percent were domiciled in the United States as at the reporting date (December 31, 2012: 49 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 December 31, 2013, 39 percent (December 31, 2012: 42 percent) of the **securitization exposure on the balance sheet**

FIG. 18 – SHIPPING FINANCE LENDING VOLUME BY COUNTRY GROUP[1]

	Traditional lending business		Derivatives business		Total	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Germany	786	852	20	32	806	884
Other industrialized nations	47	52	1	2	49	54
Advanced economies	1	1	–	–	1	1
Non-industrialized nations	60	–	–	–	60	–
Total	**895**	905	**21**	33	**916**	939

1 Assignment to the individual country groups is based on the International Monetary Fund's breakdown, which is updated annually.

consisted of AAA tranches rated by external credit agencies. A total of 86 percent (December 31, 2012: 76 percent) was rated as investment grade (up to BBB-).

Within the total exposure at the end of the financial year, €2.7 billion (December 31, 2012: €3.0 billion) was related to **exposures to conduits**. Of this amount, 71 percent was accounted for by undrawn conduit lines of credit, the same level as at December 31, 2012. As at December 31, 2013, 81 percent (December 31, 2012: 75 percent) of securitization exposure to conduits was in external rating class A or higher.

Securitization exposure rated as AAA or AA accounted for 19 percent of the total exposure to conduits as at December 31, 2013 (December 31, 2012: 17 percent). Rating classes BBB+ to B- also made up 19 percent (December 31, 2012: 24 percent) of the total exposure to conduits as at December 31, 2013.

Securitization exposures in the **collateralized debt obligations** (CDOs) product category amounted to €0.4 billion as at December 31, 2013 (December 31, 2012: €0.7 billion). The volume of the **subprime portfolio** totaled €0.3 billion as at December 31, 2013, also a decrease compared with December 31, 2012 (€0.6 billion). As at December 31, 2013, the volume of assets insured by **monoliners** remained negligible and therefore unchanged year on year.

Figure 19 summarizes the changes in the securitization portfolio in 2013, broken down by **changes in portfolio composition and changes in fair value**. As at December 31, 2013, there had been an overall increase in fair value of €120 million, largely attributable to the recovery in prices (December 31, 2012: increase in fair value of €368 million).

8.5.5. Leveraged finance

DZ BANK's lending business covers a number of areas, including the provision of finance in connection with mergers and acquisitions. If this finance is to support a transaction with above-average leverage, this leads to increased risk. Such leveraged finance transactions primarily include the types of acquisition finance listed below, especially for private equity companies whose credit ratings essentially depend on the cash flows expected to be generated by the acquired companies.

DZ BANK distinguishes between the following types of transaction:

– leveraged buyouts by financial sponsors
– recapitalization and refinancing of acquisitions
– management buyouts and management buyins.

The following disclosures relate to the gross lending volume of leveraged finance transactions, which is based on carrying amounts and does not include credit

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

€ million	Fair value as at Jan. 1, 2013 before changes in composition and value	Changes in composition due to purchases, sales, redemptions, and exchange-rate fluctuations	Changes in value	Fair value as at Dec. 31, 2013 after changes in composition and value
Receivables from retail loans	3,348	-1,099	119	2,368
of which: RMBSs	3,048	-1,038	119	2,129
of which: assets classified as subprime	640	-311	14	343
of which: assets classified as Alt-A	141	-75	10	76
Receivables from corporate loans	359	145	2	506
Receivables from CMBSs	542	-270	-1	271
Receivables from CDOs	744	-299	–	444
Total exposure reported on the balance sheet	4,993	-1,523	120	3,590
Exposures to conduits[1]	2,959	-272	–	2,687
Total	**7,953**	**-1,796**	**120**	**6,277**

1 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits

risk mitigation techniques or the recognition of loan loss allowances.

The loan commitments in this product segment totaled €1,216 million as at December 31, 2013 (December 31, 2012: €1,508 million). Of this total, loans amounting to €968 million (December 31, 2012: €1,183 million) had already been drawn down and outstanding loan commitments came to €248 million (December 31, 2012: €325 million).

The leveraged finance portfolio was hedged by credit derivatives and guarantees in the amount of €5 million as at the balance sheet date (December 31, 2012: €2 million).

As at December 31, 2013, the exposures in the portfolio revealed a broad sectoral diversification, with over 80 percent relating to entities based in the European Union, as indeed had also been the case at the end of 2012.

As at December 31, 2013, specific loan loss allowances of €26 million (December 31, 2012: €47 million) had been recognized in the leveraged finance portfolio.

8.6. RISK POSITION

The amount of capital required to cover credit risk is based on a number of factors, including the size of single-borrower exposures, individual ratings, and the industry sector of each exposure.

As at December 31, 2013, the risk capital requirement amounted to €948 million (December 31, 2012: €982 million). DZ BANK also set an upper loss limit of €1,237 million (December 31, 2012: €1,400 million). The risk capital requirement remained well below the upper loss limit at all times during 2013.

The risk capital requirement originally measured as at December 31, 2012 had amounted to €1,047 million. During the reporting year changes were made to the methodology and the value as at December 31, 2012 has thus been restated incorporating the new methodology in order to ensure that the change in the risk in the credit portfolio in 2013 is transparent. This retroactive adjustment only relates to the risk value shown here and not to the disclosures relating to risk-bearing capacity in section 7.2.2. of this opportunity and risk report.

The decline in the risk capital requirement is due, among other things, to the reduction of individual single-borrower concentrations at local cooperative banks and other banks, disposals in the securitization portfolio, and the decline in exposures in the derivatives business. This decline was partly offset by increases in public-sector exposures that, for the most part, had very good credit ratings.

Figure 20 shows the risk capital requirement together with the average probability of default and expected loss.

FIG. 20 – FACTORS DETERMINING THE CAPITAL REQUIREMENT FOR CREDIT RISK

	Average probability of default		Expected loss (€ million)		Risk capital requirement (€ million)	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Traditional credit risk	0.2%	0.2%	98	103	609	633
Issuer risk	0.4%	0.9%	59	135	239	236
Replacement risk	0.1%	0.1%	8	9	100	113
Total			**165**	**247**	**948**	**982**
Average	0.3%	0.4%				

8.7. SUMMARY AND OUTLOOK

In 2013, all internal **rating systems** and the rating systems approved by the banking regulators for compliance under SolvV were validated in detail. Existing rating systems for the ABCP programs (internal assessment approach), asset finance, acquisition finance, project finance, and major corporate customer segments were refined. In 2014, DZ BANK is planning to develop a rating system for insurance companies and, among other plans, is also intending to revise the rating system for project finance.

As in 2012, a key area of **collateral management** activity was the enhancement of data quality. Activities focused in particular on implementing reporting adjustments and improving data provision with technical enhancements and optimization measures. DZ BANK also continued to translate requirements for the refinement of the collateral management system into functional specifications. In 2014, further development of the collateral management system at DZ BANK will focus on implementing new regulatory requirements (CRR, CRD IV).

On October 21, 2013, the EBA published its reporting requirements for **non-performing and renegotiated loans** in the form of definitions of terms and new reporting forms. In the future, DZ BANK's relevant reports must be integrated into the existing financial reporting framework (FINREP) in the DZ BANK banking group and submitted to the regulator. The deadline for initial application is September 30, 2014. DZ BANK is undertaking a project to implement these requirements.

In addition, DZ BANK intends to initiate further measures in 2014 as part of its continuous optimization of the internal **credit risk measurement** system. These measures will include the gradual introduction of a portfolio-based approach for measuring the replacement risk in the bulk of the derivatives portfolio.

In the current year, the DZ BANK Group will continue to implement the **risk-strategy approach** to lending business that it has already initiated. It is also planned to continue to scale back non-network activities. At DZ BANK this is consistent with further stepping up structured business with the cooperative financial network and selected customers. In addition, the bank plans to significantly increase its market share in SME business and strengthen its positioning in this segment in Germany, especially in the medium-sized company subsegment.

In view of the forecasts of further trends in the economic environment, DZ BANK is currently of the opinion that the **requirement for allowances for losses on loans and advances** in 2014 will be at the same level as in 2013.

9. EQUITY RISK

9.1. RISK STRATEGY AND RESPONSIBILITY

Risk strategy requirements must be observed in the management of investments. Such management is subject to the principle that DZ BANK may take on equity risk (measured as risk capital requirement) only if this risk is considered together with the associated opportunities and only if the risk remains within the existing upper loss limits.

The investments in the banking book are held largely for strategic reasons and normally cover markets, market segments or parts of the value chain in which DZ BANK itself or the local cooperative banks are not active. These investments therefore support the sales activities of the cooperative banks or help reduce costs by bundling functions. The investment strategy is continuously aligned with the needs of cooperative financial network policy.

Decisions on whether to acquire or dispose of **equity investments** are made by the Board of Managing Directors at DZ BANK in consultation with the relevant committees. The Strategy & Controlling division is responsible for **supporting these investments**.

The **monitoring and measurement** of equity risk is the responsibility of Risk Control, which must then submit quarterly reports on the results of its activities to the Supervisory Board, the Board of Managing Directors, and the division responsible for supporting the investments.

9.2. RISK MANAGEMENT

Goodwill relating to the investments is regularly tested for possible impairment in the last quarter of the financial year. If there are any indications during the course of the year of possible impairment, more frequent impairment tests are also carried out. In an impairment test, the carrying amount of the units to which the goodwill relates is compared with the market price that could be achieved at this point.

The risk capital requirement for equity risk is determined on the basis of a variance-covariance approach as a value-at-risk with a holding period of one year and a confidence level of 99.90 percent. Risk drivers are the market values of the investments, the volatility of the market values, and the correlations between the market values, with market price fluctuations mainly derived from reference prices listed on an exchange. The measurement of equity risk takes into account all long-term equity investments and shares in affiliated companies.

9.3. RISK FACTORS AND RISK POSITION

If a future impairment test determines that the goodwill reported on the balance sheet is significantly **impaired**, this could have an adverse impact on the financial performance and financial position of DZ BANK.

In the case of **non-controlling interests**, there is a risk that key information may not be available or cannot be obtained promptly by virtue of the fact that the investment is a minority stake; this would lead to an increase in the impairment risk.

The **investment carrying amounts** relevant for the measurement of equity risk amounted to €1,773 million as at December 31, 2013 (December 31, 2012: €1,815 million).

As at December 31, 2013, the **economic capital requirement** for equity risk was measured at €407 million, a small decrease on the corresponding figure of €411 million as at December 31, 2012. The upper loss limit as at December 31, 2013 was €520 million (December 31, 2012: €613 million). The upper loss limit was not exceeded at any time during 2013.

10. MARKET RISK

10.1. RISK STRATEGY

DZ BANK operates on the principle that the assumption of market risk is only permitted within the existing limits and provided it is considered together with the associated opportunities.

DZ BANK conducts trading activities as part of its role as a central institution in the Volksbanken Raiffeisenbanken cooperative financial network and – on this basis – as a corporate bank for customers outside the cooperative financial network. As part of a range of services for the cooperative banks and the cooperative financial network, DZ BANK provides investment and risk management products, platforms, research, and expertise, and acts as an intermediary transforming small deposits into larger-scale lending. DZ BANK also provides facilities ensuring risk transfer from the cooperative financial network and cash pooling within the cooperative financial network. DZ BANK's trading strategy is aimed at generating profits primarily from customer margins and structuring margins. The main approach used to mitigate market risk arising on portfolios held for these purposes is dynamic hedging within the relevant limits.

Open market-risk positions, primarily involving spread risk, arise in connection with customer business and from holding securities portfolios in trading for customer account. To support its liquidity management function as a central institution and corporate bank, and on behalf of the DZ BANK Group, DZ BANK also maintains liquidity portfolios in which it holds – within the relevant limits – bonds eligible for central bank borrowing. DZ BANK manages market risk in its lending business and own issues and also incurs market risk from holding issues from the primary banks and subsidiaries.

10.2. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

At DZ BANK, as a trading book institution, market risk is managed on a decentralized basis using portfolios, with the trader who is responsible for the management of each portfolio bearing responsibility for risk and performance.

Key figures for market risk are submitted to the members of the Treasury Committee once a week. The committee notes these weekly reports at its meetings. As part of the management reporting system, Risk Control provides the senior managers responsible for risk management and risk control, and the portfolio managers, with daily, weekly, and monthly market risk updates. Reports on market risk are also included in the DZ BANK Group's overall risk report to the Group Risk Committee.

In addition, any backtesting results showing that the value-at-risk has been exceeded and any potential losses identified by stress test simulations are reported to senior management on a monthly basis.

10.3. RISK MANAGEMENT

10.3.1. Measurement of market risk

Market risk is determined using the **value-at-risk** method. Value-at-risk is a key performance indicator that describes the maximum expected loss for a given probability (confidence level) and within a specified holding period for the positions under normal market conditions. The model does not show the maximum potential loss that could arise under extreme market conditions. It is based on market scenarios that were observed within the prior year and simulates these scenarios for the bank's current positions (historical simulation).

DZ BANK measures **market liquidity risk** using a special stress scenario when determining the risk capital requirement for market risk. The economic capital requirement necessary in this stress scenario is compared against the available cover assets in order to obtain an indication of capital adequacy during periods of adverse trends in market liquidity.

10.3.2. Backtesting and stress tests

The purpose of **backtesting** as prescribed by regulatory requirements on banks is to check the predictive quality of value-at-risk approaches used to measure the risk in trading portfolios. Actual daily changes in the value of portfolios are compared against the value-at-risk calculated using risk modeling.

Risks from extreme market situations are primarily recorded using **stress tests**. The crisis scenarios underlying the stress tests include the simulation of significant fluctuations in risk factors and serve to highlight potential losses not generally recognized in the value-at-risk approach. Stress tests use as their basis extreme market fluctuations that have actually occurred in the past together with crisis scenarios that – regardless of market data history – are considered to be economically relevant. The crisis scenarios used are constantly reviewed to ensure they are appropriate. The following are deemed to be material risk factors: interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk.

10.3.3. Management of limits for market risk

Market risk is managed using a limit system appropriate to the portfolio structure. This system limits the risks assumed as well as any losses arising during the course of the year. Within the trading divisions of DZ BANK, the management of risk based on value-at-risk is supported by a limit system structured around sensitivities and scenarios.

10.3.4. Mitigation of market risk

As part of the decentralized management of portfolios, **market risk is hedged** by the relevant portfolio managers. Risks are hedged either through internal transactions with the front-office trading unit responsible for the relevant product or through external exchange-based and OTC transactions.

The measurement of market risk is based on the inclusion of the individual positions subject to market risk. There is therefore no need to monitor the **economic effectiveness of hedges**. There are also a small number of positions in back-to-back and repackaging transactions for which the market risk has been transferred. These transactions, or some of their components, are not included in the assessment as individual positions and instead, the affected portfolios are monitored daily. Monitoring is carried out by the Risk Control unit responsible for the portfolio concerned.

10.3.5. Managing market risk arising from securitizations

For the purposes of internal management, market risk associated with securitizations (for example, interest-rate risk, spread risk, or currency risk) is included in DZ BANK's internal market risk model regardless of whether the securitizations are posted in the banking book or the trading book. The regulatory capital requirement for general price risk is also calculated for securitizations in the trading book using the internal model.

The risk exposure arising from securitizations in the banking book and the trading book forms an integral part of the daily market risk report and is reflected in the values from the weekly stress scenario calculations for market risk. A special feature in the case of securitizations is that extreme scenarios are also applied for the weighted average lifetime and recovery assumptions.

10.3.6. Managing the risk arising from defined benefit obligations

DZ BANK has various pension obligations (defined benefit obligations) to its current and former employees. By entering into such direct defined benefit obligations, DZ BANK assumes a number of risks, including risks associated with the measurement of the amounts recognized on the balance sheet, in particular risk arising from a change in the discount rate, risk of longevity, inflation risk, and risk in connection with salary and pension increases. Assets recognized to satisfy the subsequent pension benefits (plan assets) are subject to the risks typically associated with an investment. These risks include, in particular, equity price risk, interest-rate risk, and credit spread risk.

A requirement may arise to adjust the existing provisions for pensions and other post employment benefits as a result of decisions by the courts, legislation, or accounting changes.

The strategy adopted for the pension assets is generally driven by the needs of the defined benefit obligation. The risks arising in connection with the assets and liabilities are regularly assessed by an investment committee; corrective action to eliminate risk is taken where necessary.

Risk arising in connection with the plan assets is implicitly taken into account when other key types of risk are measured.

Further disclosures regarding the measurement of the defined benefit obligation can be found in Note 2 of the notes to the financial statements.

10.4 RISK FACTORS

CREDIT SPREADS

During the course of the European sovereign debt crisis, credit spreads on bonds from some European countries have widened significantly. This means that the yield differential between bonds from individual government issuers or from issuers backed by a government guarantee – particularly in southern Europe – and investments that market players largely consider to be of high credit quality and free of default risk has become much greater. Generally speaking, government bonds cannot therefore be classified as free of default risk. If there is a widening of credit spreads on government bonds or other market investments, this leads to a drop in market values. Present value losses of this nature could have a temporary or permanent adverse impact on DZ BANK's operating profit.

MARKET LIQUIDITY

A marketwide liquidity squeeze could be detrimental to the business activities of the DZ BANK Group and therefore also to its financial position and financial performance. Tighter **market liquidity** arises particularly in stressed market conditions, for example during the financial crisis. If the European sovereign debt crisis deteriorates again, this could restrict market liquidity for individual European government bonds.

In the reporting year, there was an improvement in market liquidity, both in general terms and also in relation to European government bonds.

FIG. 21 – VALUE-AT-RISK FOR 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	Total
Trading portfolios							
Dec. 31, 2013	7	34	1	–	–	-11	**31**
Average	7	39	1	2	–	-12	37
Maximum	12	50	3	3	–	-18	51
Minimum	4	30	–	–	–	-5	28
Dec. 31, 2012	7	43	2	3	–	-12	44
Non-trading portfolios							
Dec. 31, 2013	1	12	4	–	–	-4	**14**
Average	2	12	3	1	–	-4	14
Maximum	3	15	4	1	–	-5	17
Minimum	1	10	2	–	–	-2	11
Dec. 31, 2012	2	10	3	–	–	-3	11

1 Value-at-risk at 99.00% confidence level, 1-day holding period, 1-year observation period

10.5. RISK POSITION

As at December 31, 2013, DZ BANK's **economic capital requirement for market risk** amounted to €809 million (December 31, 2012: €1,094 million) with an upper loss limit of €1,550 million (December 31, 2012: €1,700 million). The fall in the risk capital requirement was attributable to the discontinuation of the use of certain risk-related scenarios in the historical simulation.

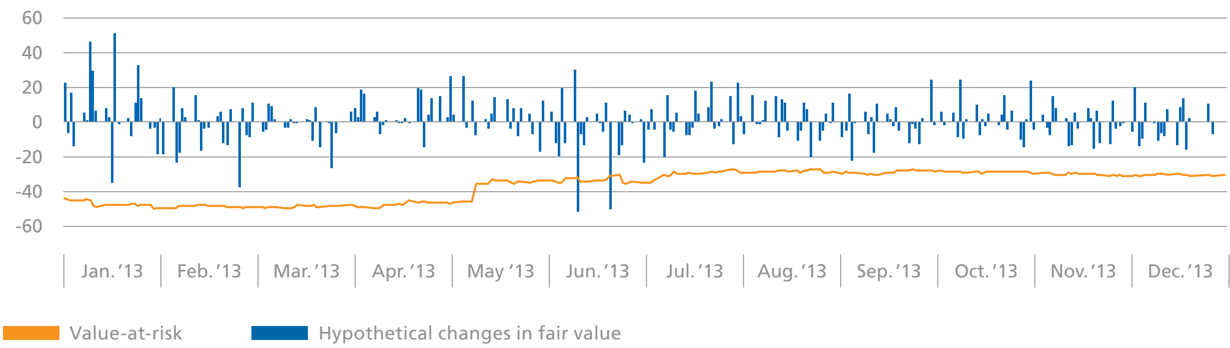
The change in the **value-at-risk** for the different types of market risk in the trading and non-trading portfolios in 2013 is shown in figure 21. These values-at-risk are used for short-term risk management.

Figure 22 shows the changes in value-at-risk and the results of daily backtesting of the trading portfolios. The fall in value-at-risk during the course of 2013 was largely attributable to the fact that one market scenario was no longer included from May onward in the period relevant for the historical simulation.

In the first half of 2013, there were 2 trading days during which changes in the fair value of DZ BANK's trading portfolio led to the forecast risk values being exceeded. The limit overrun on June 11, 2013 was attributable to the non-synchronous updating of valuation parameters on both this day and the previous day (where this was manifested as an increase in fair value).

FIG. 22 – VALUE-AT-RISK FOR MARKET RISK AND HYPOTHETICAL CHANGES IN FAIR VALUE IN THE TRADING PORTFOLIOS

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



The limit overrun on June 21, 2013 was caused by a significant simultaneous increase in both interest rates for euros and US dollars and widening of credit spreads for banks and public-sector entities. For some of the risk factors involved, the extent of the change in market data relevant to this overrun considerably exceeded the movements in market data observed over the previous 250 trading days. This overrun was an exception as defined by section 318 (1) SolvV.

10.6. SUMMARY AND OUTLOOK

As in previous years, the focus of DZ BANK's trading business in 2014 will be on customer business. In addition, securities will be managed as a liquidity buffer. The setting of limits will continue to be based on the risk-bearing capacity of the group.

11. LIQUIDITY RISK

11.1. RISK STRATEGY

DZ BANK operates on the principle that the assumption of liquidity risk is only permitted if it is considered together with the associated opportunities and complies with the **risk tolerance** specified by the Board of Managing Directors. Solvency must be ensured, even in times of serious crisis. Risk tolerance is expressed in the form of crisis scenarios, and stress tests must demonstrate that there is adequate cover for these scenarios. The crisis scenarios also take into account the specific requirements for the structure of stress scenarios at publicly listed banks.

Having said that, further extreme scenarios are not covered by the risk tolerance. The risks arising in this regard are accepted and therefore not taken into account in the management of risk. Examples of such scenarios are a run on the bank, i.e. an extensive withdrawal of customer deposits as a result of damage to the reputation of the banking system, or a situation in which all non-collateralized funding sources on money markets completely dry up over the long term, also encompassing transactions with DZ BANK's closely associated corporate customers, institutional customers, and bank customers. On the other hand, the risk that interbank funding could dry up is not accepted and this risk is the subject of relevant stress scenarios.

Liquidity reserves in the form of liquid securities are held by DZ BANK so that it can remain solvent, even in the event of a crisis. DZ BANK ensures that it has potential sources of funding on the secured and unsecured money markets by maintaining a broadly diversified national and international customer base comprising, for example, corporate, institutional, and bank customers. This is achieved with active market and customer support, intensively maintained customer relationships, and an excellent reputation in the money markets. The local cooperative banks also provide a significant and stable source of funding.

DZ BANK's liquidity risk strategy is consistently aligned with its overall business strategy and to this end is reviewed at least once a year, adjustments being made to the strategy where appropriate.

11.2. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

The strategic guidelines for liquidity risk management at DZ BANK are decided by the Treasury Committee. Liquidity risk is managed by Group Treasury. Liquidity risk control is carried out centrally by Risk Control and independently of liquidity risk management.

Liquidity up to one year and structural liquidity are reported on a daily basis to the members of the Board of Managing Directors of DZ BANK responsible for the Group Treasury and Risk Control divisions. The entire Board of Managing Directors receives a weekly report on the current situation and the changes over the previous week. The Group Treasury units responsible for the management of liquidity risk also receive detailed daily information showing the contribution from each individual position to the aggregate position.

Group Treasury is informed on a daily basis of the largest providers of liquidity to DZ BANK in the unsecured money markets. This is reported to Board of Managing Directors on a weekly basis. Reports make a distinction between customers and banks and refer to DZ BANK in Frankfurt and to each international branch. These reports ensure that any possible concentration risk as regards sources of liquidity can be clearly identified at an early stage.

11.3. RISK MANAGEMENT

11.3.1. Measurement of liquidity risk

INTRADAY LIQUIDITY

The units at DZ BANK responsible for liquidity risk management ensure and monitor intraday liquidity via the ongoing management of accounts held with central and correspondent banks in Germany and abroad. To this end, the intraday cash flows for each trading day are broken down by time of day; the collateral required to execute the payments is also measured. This allows DZ BANK to identify any payment concentrations during the course of a day as quickly as possible. The measurement results are also used to model the collateral requirement in connection with intraday risk as part of the overall measurement of liquidity covering a period of up to one year.

LIQUIDITY UP TO ONE YEAR

To determine liquidity risk for a one-year time horizon, DZ BANK uses its own **liquidity risk measurement and control method** approved by BaFin in accordance with section 10 of the German Liquidity Regulation (LiqV) for the assessment of adequate liquidity in accordance with section 2 LiqV in place of the standard regulatory method.

A 'minimum liquidity surplus' figure is calculated for each scenario. This figure quantifies the minimum surplus cash that would be available if the scenario were to materialize within the next 12 months.
To carry out this calculation, cumulative cash flow (forward cash exposure) is compared against available liquidity reserves (counterbalancing capacity) on a day-by-day basis. Forward cash exposure includes both expected and unexpected payments. The counterbalancing capacity includes balances on nostro accounts, securities eligible for central bank borrowing, and unsecured funding capacity with customers and banks.

The risk scenario reflects the current market and company situation and takes into account the usual fluctuations in cash flow. **Stress tests** are conducted for the forward cash exposure and for the counterbalancing capacity using the following four scenarios: 'downgrading', 'corporate crisis', 'market crisis', and 'combination crisis'.

The simulated event in each stress scenario represents a serious deterioration in conditions. The stress scenarios look at sources of crises in both the market and the bank itself. A combination of market-specific and institution-specific sources is also taken into consideration. In crisis scenarios with institution-specific causes, such as a deterioration in the institution's reputation, it is assumed for example that it will be very difficult to obtain unsecured funding from customers and banks over the forecast period of one year.

Because the forward cash exposure is compared with the counterbalancing capacity, the minimum liquidity surplus calculated already takes into account the effect on liquidity of the measures that could be implemented to generate liquidity in each scenario. The measures include, for example, collateralized funding of securities in the repo market.

The internal liquidity risk model is constantly revised as part of an **adequacy review** and adjusted in line with changes in the market, products, and processes.

11.3.2. Management of limits for liquidity risk

Liquidity risk limits are based on the minimum liquidity surplus calculated for the four stress scenarios (known as limit scenarios). The Board of Managing Directors has set a limit and an observation threshold that is higher than the limit. The limit system ensures that the bank remains solvent even in serious stress scenarios. DZ BANK has **emergency liquidity plans** in place so that it is able to respond to serious events. The emergency plans are revised annually.

DZ BANK also analyzes '**introductory**' **scenarios** in addition to the limit scenarios. These introductory scenarios differ in terms of the definition of the securities recognized for liquidity generation purposes, which means that only highly liquid securities are recognized within the first forecasting month. The ability to readily convert such securities into cash in private markets (as opposed to the ability to obtain funding from central banks) is a focal point of this analysis, especially for forecasting periods of up to one week.

11.3.3. Liquidity risk mitigation

Measures to reduce liquidity risk are initiated by Group Treasury as part of its liquidity management function. Active liquidity risk management is made possible by holding a large number of instruments in the form of cash and liquid securities, and by managing the maturity profile of money-market and capital market transactions.

11.3.4. Liquidity costs

DZ BANK aims to use liquidity – which is both a resource and a success factor – as efficiently as possible in terms of opportunities and risks. DZ BANK applies an internal liquidity costs strategy in which the costs of liquidity are charged within the bank by the units generating liquidity to the units consuming liquidity on the basis of transfer prices. Transfer prices are set, in particular, for the liquidity costs of loans, loan commitments, and securities.

11.4. RISK POSITION

INTEGRATION WITHIN THE DZ BANK GROUP

Because of the DZ BANK Group's particular importance to liquidity risk management at DZ BANK, the following describes the risk values for the DZ BANK Group.

MINIMUM LIQUIDITY SURPLUS

Figure 23 shows the results from the measurement of liquidity risk in the risk scenario and in the stress scenarios on which the limits are based (limit scenarios) as at December 31, 2013 and December 31, 2012. 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. The trend in forward cash exposure, counterbalancing capacity, and liquidity surplus in the risk scenario as calculated at December 31, 2013 is shown in figure 24. The overviews take into account the effect on liquidity of the measures that can be implemented to generate liquidity in the individual scenarios.

The minimum liquidity surplus of the DZ BANK Group in the risk scenario measured as at December 31, 2013 amounted to €27.6 billion (December 31, 2012: €19.4 billion). DZ BANK's liquidity did not fall below the observation threshold of €4.0 billion or the limit of €1.0 billion for the minimum liquidity surplus in any of the limit scenarios during the reporting period. The observation threshold and limit were unchanged compared with December 31, 2012.

FUNDING AND LIQUIDITY MATURITIES

The level of liquidity risk at DZ BANK is largely determined by the short- and medium-term funding structure. Further details are provided in the business report (section II.5 of this management report).

POSSIBLE IMPACT FROM CRYSTALLIZED RISK

One of the main operating activities of DZ BANK is the extension of loans. These loans tie up liquidity and involve different maturities and currencies. DZ BANK generally organizes its **funding** to match the transactions that tie up liquidity. Any funding needs that are not covered by the local cooperative banks are met by obtaining additional funding on the money and capital markets. The deposit base from the money market funding reduces the requirement for long-term funding.

The possibility cannot be ruled out that funding could expire, giving rise to the need for replacement funding to ensure that transactions with longer maturities continue to be funded. In such cases, there is a risk that DZ BANK could fail to find the necessary funding or only obtain the funding on unfavorable terms. The uncertainty regarding the availability of liquidity is factored into the measurement of liquidity risk.

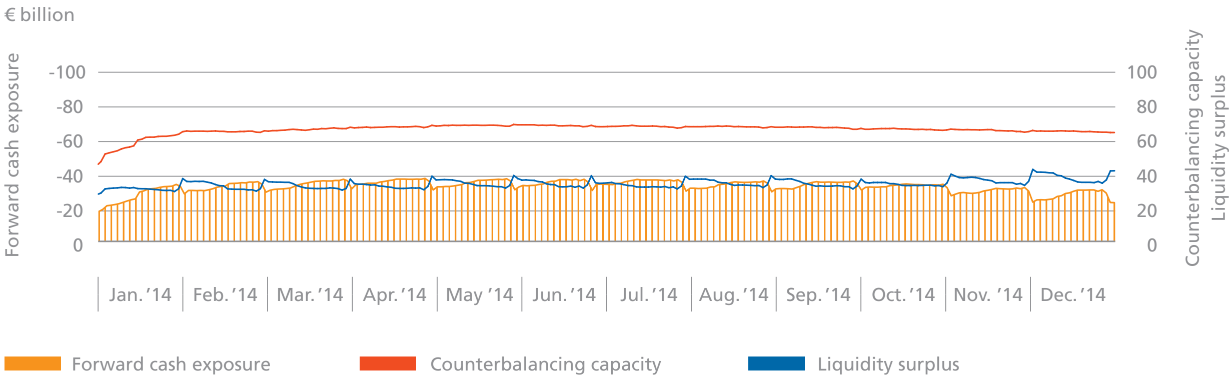
DZ BANK is also exposed to a risk that the minimum liquidity surplus will fall below the observation threshold or the limit. If it repeatedly fell below the observation threshold, there is an increased risk that the bank would not be able to keep within the limit. If the minimum liquidity surplus were to fall below the limit for an extended period, the possibility of reputational damage and a downgrade in the rating of DZ BANK or its subsidiaries could not be ruled out.

If liquidity risk became more serious, this would lead to an unexpected fall in the liquidity surplus and have a negative impact on financial position. If a crisis were to occur in which the circumstances were more serious or the combination of factors significantly different from those assumed in the stress scenarios, this could lead to a risk of insolvency.

FIG. 23 – LIQUIDITY UP TO 1 YEAR IN RISK SCENARIO AND IN THE STRESS SCENARIOS ON WHICH THE LIMITS ARE BASED (LIMIT SCENARIOS): FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ billion	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
Risk scenario (base scenario)	-17.7	-58.9	45.3	78.4	27.6	19.4
Stress scenarios						
Downgrading	-39.4	-59.5	60.4	71.9	20.9	12.5
Corporate crisis	-37.3	-53.6	53.7	63.6	16.4	10.0
Market crisis	-37.3	-61.5	57.9	76.2	20.7	14.6
Combination crisis	-37.4	-40.0	50.4	48.7	13.0	8.7

FIG. 24 – LIQUIDITY FORECAST IN RISK SCENARIO



11.5. SUMMARY AND OUTLOOK

In 2013, liquidity risk management at DZ BANK formed part of standard daily processes. The solvency of DZ BANK was never in jeopardy at any point during the year.

Stress tests to measure and monitor liquidity are carried out on a daily basis, independently of the trading function. The results of the stress tests suggest that, in the limit scenarios, DZ BANK will not experience a liquidity squeeze in 2014, even if a serious crisis should arise.

In the reporting year, maturing securities in the liquidity portfolio were invested in highly liquid issues to improve the resilience of DZ BANK in stress situations. This approach is to be continued in 2014.

12. OPERATIONAL RISK

12.1. RISK STRATEGY

DZ BANK aims to manage operational risk efficiently. The following substrategies represent areas in which DZ BANK has taken action, or is planning to take action, to ensure this core objective is achieved:

- Continuous enhancement of **risk awareness,** so that it is reflected in an appropriate risk culture focusing not only on individual areas of responsibility but also on the overarching interests of the bank. Establishment of comprehensive, open communication systems to support these aims.
- An open and largely penalty-free **approach to operational risk** promoting a problem-solving culture.
- Depending on the materiality of the operational risk identified, **action** to prevent, reduce, or transfer the risk, or alternatively a conscious decision to accept the risk.
- **Risk appetite** defined in the form of upper loss limits and materiality limits for operational risk and continuously adjusted in line with prevailing circumstances.
- Individual **methods** for managing operational risk coordinated with each other to provide an accurate, comprehensive picture of the risk situation coherently integrated into the overall management of all risk types.
- Mandatory rule for all material **decisions** to take into account the impact on operational risk; this applies in particular to the new product process and to business continuity planning.
- Subject to cost effectiveness, appropriate **resources** for managing operational risk to be made available.
- **Management** of operational risk on a decentralized basis, but within the boundaries set by strategic requirements.
- Compliance with relevant **regulatory requirements** guaranteed at all times.

12.2. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

The starting point for all other tools for the management and control of operational risk is the **functional organization model,** which describes in detail the roles and responsibilities of all persons involved in the process. The management of operational risk is decentralized and lies with each division.

Regular **reports** on loss data, risk self-assessment, and risk indicators are submitted to the Board of Managing Directors, the Group Risk Committee, and operational management, ensuring that operational risk is managed on a timely basis.

12.3. RISK MANAGEMENT

12.3.1. Measurement of operational risk

The **Standardized Approach** specified by SolvV is used to estimate the risk capital requirement for operational risks, both in the context of risk management and to determine the regulatory capital requirement. In this approach, the risk is largely determined on the basis of the gross margin for the year.

12.3.2. Identifying operational risk

LOSS DATABASE

The collection of loss data allows DZ BANK to identify, analyze, and evaluate loss events, highlighting patterns, trends, and concentrations of operational risk. This data-gathering focuses particularly on loss data related to risks that have become critical, for example in connection with the risk factors specified in section 12.5. The assembled data history also forms the basis for the planned calculation of economic capital using a portfolio model (known as OpVaR). Losses are recorded if they are above a threshold value of €1,000.

RISK SELF-ASSESSMENT

Managers in the divisions assess operational risk as part of the risk self-assessment process in order to identify and evaluate all material operational risks and ensure maximum possible transparency regarding the risk position. The main potential risks for all first-level risk categories as defined by SolvV are calculated and described using risk scenarios. The findings will be fed into the internal portfolio model in the future. The scenarios also allow the bank to identify risk concentrations.

RISK INDICATORS

In addition to the loss database and risk self-assessment, risk indicators help the bank identify risk trends and concentrations at an early stage and detect weaknesses in business processes. A system of warning lights is used to indicate risk situations based on specified threshold values. Risk indicators are collected systematically and regularly on a wide scale.

12.3.3. Mitigating and avoiding operational risk

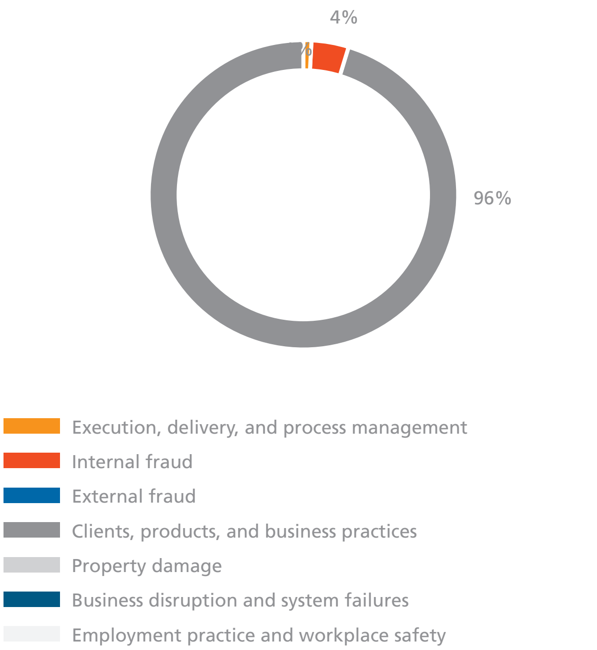
Continuous improvement of business processes is one of the methods used with the aim of **mitigating** operational risk. The transfer of risk by means of insurance or outsourcing as permitted by liability regulations provides further protection.

Operational risk is **avoided**, for example, by rejecting products that can be identified during the new product process as entailing too much risk.

Comprehensive contingency plans covering business-critical processes have been established to ensure the continuation of business in the event of process disruption or system breakdown. These business continuity plans are regularly reviewed and simulated to ensure they are fully functional.

A number of ways are used to minimize the operational risk associated with **securitization exposures**, one of which is to carry out regular due diligence reviews with the parties involved.

FIG. 25 – NET LOSSES BY EVENT CATEGORY IN 2013[1]



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

12.4. LOSS EVENTS

Figure 25 shows the losses reported in 2013 classified by loss event category. The high proportion of net losses in the 'Clients, products, and business practices' event category is attributable to a loss resulting from changes in the legal precedent and in how the law is interpreted. Over the course of time, there are regular fluctuations in the pattern of losses as the probability of relatively large losses occurring in each individual case is very low. Losses did not reach a critical level relative to the upper loss limit at any point during 2013.

12.5. RISK FACTORS

The risk factors listed below primarily impact operational risk but also affect business risk and reputational risk. This also applies in particular to some aspects of HR risk, IT risk, outsourcing risk, and tax risk.

12.5.1. HR risk

RISK MANAGEMENT

DZ BANK has developed a mechanism known as an **HR KPI cockpit** with standardized key performance indicators. The HR KPI cockpit is intended to enable the measurement and management of HR activities. To this end, the cockpit specifies 21 KPIs across the following four categories: value added/finance, employer appeal, organization/efficiency, and innovation/learning.

DZ BANK pursues the objective of preventing or minimizing HR risk by identifying negative trends and abnormalities, and then initiating suitable corrective action. HR risk is managed and monitored using the following four risk factors embedded in the HR KPI cockpit:

– **Exit risk**: Exit risk is measured and assessed using the employee turnover rate and the employee resignation rate.

– **Availability risk**: Quantitative and qualitative staffing requirements are managed on an annual basis as part of the strategic and operational planning in the group entities. Data on sickness and absenteeism, appointment ratios for key positions, and information on numbers in trainee development help to minimize this risk.

– **Skills and qualifications risk**: The suitability, skills, and qualifications of employees are recorded, for example, with data on the ratios of employees undertaking professional development or managerial qualifications.

– **Motivational risk**: DZ BANK uses standardized employee surveys to regularly update the Organizational Commitment Index (OCI) and the results are presented transparently in the cockpit. Remuneration is also a key management and motivational tool.

Compliance functions and a comprehensive internal control system are used to counter fraud. Examples include internal rules on the minimum absence for employees with responsibility for trading positions.

RISK CHARACTERISTICS

The majority of employees at the German offices of DZ BANK fall within the scope of collective pay agreements or other collective arrangements, such as company agreements. DZ BANK could be hit by strikes called by labor unions. Because the collective pay agreement was terminated by employers in November 2012, there is currently no obligation not to engage in industrial action at DZ BANK.

Other HR measures, such as job cuts in response to a permanent fall in demand or to achieve efficiency enhancements, could lead to industrial disputes between the employees or their labor unions and DZ BANK.

As part of contingency and crisis management systems, DZ BANK has initiated a range of measures to counter **strikes and other business interruptions**. However, the possibility cannot be ruled out that simultaneous industrial action at all sites over several days could cause lasting disruption to processes and workflows. Moreover, sensitive internal and external interfaces could be jeopardized by long-term business interruptions.

Similar concerns would also apply in the event of business interruptions, strikes or similar action at DZ BANK partners on whom DZ BANK's operating activities are reliant.

The future success of DZ BANK is dependent upon **capable managers and employees with the necessary skills and qualifications**. Given the current challenges presented by the regulatory environment, this particularly applies in the areas of regulatory reporting, external financial reporting, and risk control. In the labor market, there is fierce competition for managers and employees in these areas of activity driven by high demand and insufficient numbers of suitable individuals.

Unless the necessary number of suitable managers and employees can be attracted to DZ BANK within the required timeframe, and/or existing managers and employees can be retained by the bank, there will be a heightened risk that the bank will be unable or insufficiently able to satisfy the statutory requirements regarding regulatory reporting, external financial reporting, and risk control as a result of inadequate expertise in terms of either quality or quantity.

This could lead to sanctions from the banking or insurance regulators and a qualified audit opinion in the annual financial statements and management report of DZ BANK, which would impact negatively on DZ BANK's reputation.

12.5.2. IT risk

RISK MANAGEMENT

DZ BANK uses computers and data processing systems to carry out its operating activities. Practically all business transactions and activities are processed electronically using appropriate IT systems. Some of these systems are networked with each other and are operationally interdependent.

Processes in the IT division at DZ BANK are designed with risk issues in mind and are monitored using a variety of controls in order to ensure that IT risk is appropriately managed. The starting point is to determine which risks are unavoidable in certain aspects of IT. Detailed requirements can then be specified. These requirements determine the extent to which checks need to be carried out and are intended to ensure that all activities are conducted in compliance with the previously defined risk appetite.

The IT division applies comprehensive physical and logical precautionary measures to guarantee the security of data and applications and to ensure that day-to-day operations are maintained. A particular risk would be a partial or total breakdown in data processing systems. DZ BANK counters this risk by using segregated data processing centers in which the data and systems are mirrored, special access security, fire control systems, and an uninterruptible power supply supported by emergency power generators. Regular exercises are carried out to test defined restart procedures to be used in disaster situations with the aim of ensuring these procedures are effective. Data is backed up and held within highly secure environments in different buildings.

RISK CHARACTERISTICS

Malfunctions or breakdowns in data processing systems or in the programs used on these systems, including attacks from third parties – such as hackers or malware –, could have an adverse impact on the ability of DZ BANK to efficiently maintain the processes necessary to carry out operating activities, protect saved data, ensure sufficient control, or continue to develop products and services. Furthermore, such malfunctions or breakdowns could lead to temporary or permanent loss of data, or cause additional costs because the original capability would need to be restored and/or preventive measures introduced to provide protection against similar events in the future.

Events outside the control of DZ BANK could also disrupt operational procedures. For example, when executing forward, currency, or commodities trades a risk arises in that, for example, a system breakdown at the clearing agent, exchange, clearing house, or other financial intermediary could prevent the transactions in question from being settled at the agreed time and thus could also prevent DZ BANK from meeting its obligations. This could result in the withdrawal of counterparties from agreements entered into with DZ BANK or lead to claims for damages against DZ BANK.

12.5.3. Outsourcing risk

RISK MANAGEMENT

DZ BANK has outsourced activities and processes to third-party service providers to a considerable extent.

The process of assessing the risk and determining the degree to which an outsourcing arrangement is material is carried out as part of the risk analysis for the outsourcing arrangement by the unit responsible for the outsourcing with the involvement of a number of corporate and functional units, including internal audit, legal affairs, business continuity management, and compliance, and in consultation with the local coordinators for operational risk.

DZ BANK's main IT outsourcing partners are the two cooperative computing centers FIDUCIA IT AG, Karlsruhe, and GAD eG, Münster, which are responsible for running key IT applications. In addition, the entire operation of DZ BANK's network has been outsourced to VR Netze GmbH, Münster. Investment services and custody business services are processed by Deutsche WertpapierService Bank AG, Frankfurt am Main. The service provider Equens SE is contracted to process payments. CardProcess GmbH, Karlsruhe, is responsible for credit card processing and acquiring processes on behalf of DZ BANK. Development loans are processed by Schwäbisch Hall Kreditservice AG, Schwäbisch Hall, a subsidiary of BSH.

At DZ BANK, outsourcing partners are managed in accordance with the guidelines applicable throughout the bank for insourcing and outsourcing. The provider management team regularly holds service meetings with IT service providers to facilitate communication and coordinate the IT services to be provided by the third parties concerned. Compliance with contractually agreed service level agreements is monitored by means of daily status reports and monthly availability statistics. The outsourcing partners submit annual audit reports to the provider management team, in which they evaluate and confirm the effectiveness of the general IT controls and procedures.

RISK CHARACTERISTICS

DZ BANK has limited the risk arising in connection with the outsourcing of business activities to the extent required by the regulator. Nevertheless, there is a risk that a service provider could fail or cease to be available as a result of insurmountable technical or financial difficulties. There is also a risk that the services performed by the service provider might not meet the contractually agreed requirements. The consequences could be that only some of the outsourced processes or services can be provided, or even that the outsourced processes or services cannot be provided at all. This could lead to a loss of business and to claims for damages from customers. Contingency plans and exit strategies, including action to reduce this risk, have been prepared for this eventuality.

12.5.4. Risks in connection with the financial reporting process

RISK MANAGEMENT

In order to limit operational risk in this area of activity, DZ BANK has set up an internal control system for the financial reporting process as an integral component of the control system put in place for the general risk management process. The control system is described in section 4.2.5. of this opportunity and risk report.

RISK CHARACTERISTICS

A control system of this kind can only offer reasonable rather than categoric assurance that the financial statements are free from misstatements. In particular, there is a risk, as a result of unintended misstatement or deliberate action, that the annual financial statements and management report might not provide a true and fair view of the financial position and financial performance of the bank and/or that publication might be delayed. These risks could then have an adverse impact on the confidence of investors or on the reputation of the bank. Furthermore, sanctions could be imposed, for example by banking regulators.

Financial statements do not provide a true and fair view of financial position and financial performance if the figures and disclosures in the statements are materially inaccurate. Differences are classified as material if, individually or as a whole, they could influence economic decisions made by the users of the financial statements on the basis of the financial statements.

12.5.5. Legal risk

RISK MANAGEMENT

Legal risk could arise, in particular, from changes in the legal environment (legislation and decisions by the courts), changes in official interpretations, and changes in the business environment. Tax risk with legal risk implications is not included at this point; it is described in the next section 12.5.6.

DZ BANK has a well-established, locally organized legal risk management system. Responsibility for managing legal disputes lies in each case with the organizational units responsible for dealing with legal issues.

DZ BANK pursues a strategy of avoiding legal risk. The starting point for managing legal risk is the ongoing process of identifying, recording, and monitoring risk.

If any legal risk is identified, the risk parameters are assessed in terms of their probability of occurrence and the possible impact is evaluated quantitatively and qualitatively. Identified risks are limited and mitigated by organizational measures, either legal or procedural, or are recognized by means of provisions or similar allowances.

The legal affairs unit at DZ BANK submits reports on risk-related aspects of pending or actual imminent lawsuits to the member of the Board of Managing Directors with relevant responsibility. Separately, and depending on materiality thresholds, ad hoc risk reports are also submitted to the member of the Board of Managing Directors with relevant responsibility.

RISK CHARACTERISTICS

In the recent past, wide-ranging investigations and audits have been carried out, particularly in Germany, the United Kingdom, the United States, and Asia in connection with **manipulation** of interest rates, foreign exchange, and precious metals markets, as well as in connection with possible fraudulent accounting. The outcome of these investigations and proceedings to date has been significant financial penalties for the banks involved. It is not possible to predict the impact of the ongoing and completed market manipulation proceedings on the markets concerned.

It is difficult to predict the financial implications of such investigations and proceedings or to assess when they will come to an end. The provisions recognized to cover the potential liabilities could be exceeded. Investigations and proceedings that uncover a serious breach of duty could result in substantial regulatory sanctions for the banks concerned.

12.5.6. Tax risk

RISK MANAGEMENT

Tax risk could arise, in particular, from changes in tax circumstances (tax legislation, decisions by the courts), changes in interpretation by tax authorities, changes in non-tax regulations, and from changes in the business environment.

Responsibility for managing tax risk lies with the tax department. DZ BANK pursues a strategy of avoiding tax risk. The starting point for managing tax risk is the ongoing process of identifying, recording, and monitoring risk. If any tax risk is identified, the risk parameters are assessed in terms of their probability of occurrence and the possible impact is evaluated quantitatively and qualitatively. Identified risks are limited and mitigated by means of tax organizational measures.

The tax department reports the data relevant to risk to the head of the Group Finance division and to the member of the Board of Managing Directors with relevant responsibility. Separately, and depending on materiality thresholds, ad hoc risk reports are also submitted to the above individuals.

RISK CHARACTERISTICS

DZ BANK is subject to regular **audits by the tax authorities**. Currently, audits are being carried out by the tax authorities at DZ BANK (including the tax group) in relation to corporation tax, trade tax, value added tax, and payroll tax for the tax-assessment periods from 2006 up to and including 2009. These audits are expected to be completed in the first half of 2014.

In the context of these tax audits, an alternative assessment of the tax risk or, in some cases, other information could give rise to retrospective tax liabilities or retrospective liabilities in relation to social security contributions for periods that have already been assessed. If the retrospective liabilities exceed the provisions recognized for tax risk, this could have a negative effect on the financial performance of DZ BANK.

As there are still outstanding audits by the tax authorities relating to a number of years, there is a risk that retrospective tax payments could be required and these payments would be subject to interest charges.

The business transactions of DZ BANK are assessed for tax purposes on the basis of current tax legislation, taking into account the latest decisions by the courts and interpretations by the authorities. The outcome is factored into the measurement of the provision for the risk. Further risks could arise as a result of **changes in tax law or in decisions by the courts**, which could also have retroactive implications.

12.5.7. Compliance risk

RISK MANAGEMENT

In the context of its operating activities, DZ BANK must comply with various legal requirements in a large number of countries. These include prohibitions on accepting or granting benefits in connection with efforts to attract business, and prohibitions on other unfair business practices.

The management of risk arising from non-compliance with applicable laws, regulatory requirements, and internal rules and regulations is described in section 4.2.6. of this opportunity and risk report.

RISK CHARACTERISTICS

The compliance and risk management systems at DZ BANK are generally appropriate. Nevertheless, there is a risk that these systems could be inadequate for completely preventing or uncovering violations of legal provisions, for identifying and assessing all relevant risks for DZ BANK, or for initiating appropriate corrective measures.

DZ BANK cannot rule out the possibility of the existing compliance system proving to be inadequate, or of employees of DZ BANK violating domestic or foreign legal provisions regardless of the existing legal requirements, internal compliance guidelines and organizational requirements, and despite appropriate training and reviews, or of such activities remaining undiscovered.

A violation of legal provisions may have legal implications for DZ BANK, for the members of its decision-making bodies, or for its employees. It may give rise, for example, to fines, penalties, retrospective tax payments, or claims for damages by third parties. The reputation of DZ BANK may also suffer as a result.

12.6. RISK POSITION

As at December 31, 2013, DZ BANK's capital requirement for operational risk was calculated in accordance with the Standardized Approach as specified by SolvV at €219 million (December 31, 2012: €223 million). The upper loss limit as at December 31, 2013 was also €219 million (December 31, 2012: €223 million).

12.7. SUMMARY AND OUTLOOK

In 2013, DZ BANK undertook two projects to continue the implementation of the internal portfolio model at DZ BANK Group level. Initial calculations are available for DZ BANK but they are still to be validated. In this regard, the main activity was to put in place the prerequisites for the IT infrastructure necessary throughout the group. In addition, the guidelines and the technical documentation relating to operational risk were brought into force throughout the group.

It is planned to use an appropriate project to implement and validate the economic model for quantifying operational risk at the level of the DZ BANK Group by mid-2014.

13. BUSINESS RISK

13.1. ORGANIZATION AND RISK MANAGEMENT

The management of business risk is a primary responsibility of the **Board of Managing Directors** of DZ BANK. The bank's risk management is closely linked with the management of business risk in the DZ BANK Group and is integrated into a committee structure, headed by the **Group Coordination Committee**.

The **Financial Services Advisory Council** is increasing the involvement of the cooperative banks in the joint development and marketing of the DZ BANK Group's products and services and it works closely with the BVR and its special committees. The Financial Services Advisory Council therefore acts as a recommendation committee on product and sales issues arising from the partnership between the cooperative banks and the

DZ BANK Group. This approach endeavors to engender a high degree of mutual commitment while at the same time fully maintaining the decentralized structure to the benefit of the cooperative banks.

The management of business risk is closely linked with the **management of opportunities** and the tools used in the strategic planning process. It is based on the forward-looking assessment of success factors and the setting of associated targets for the divisions of DZ BANK. **Risk is quantified** using a risk model based on an earnings-at-risk approach.

13.2. RISK FACTORS AND RISK POSITION

COMPETITION BASED ON PRICING AND TERMS

One of the features of the German banking sector is the fierce competition, frequently centered on pricing and terms. This can lead to margins that are not attractive from an economic perspective or are inadequate given the risk involved. The earnings situation is under particular pressure in the retail banking business. As a consequence of the financial crisis, many competitors are giving greater focus to retail banking as a core business, so this situation could become even tougher in the future.

Corporate banking is also subject to competition that is becoming increasingly international in nature. A number of foreign providers have already expanded their presence in the German market. The intensity of the competition could therefore continue to increase in the future, with the result that it could be difficult to generate attractive margins, fees and commissions in individual segments or subsegments of the market.

In the event of a renewed economic downturn, this trend could become even worse. The resulting increased pressure on prices and lower business volume would notch up the competitive pressure still further. Again, this could give rise to margins that are economically unattractive or that do not adequately cover the risk arising from the corresponding transactions.

CHANGES IN THE MARKET RESULTING FROM ELECTRONIC TRADING PLATFORMS

DZ BANK increasingly offers its customers the option of conducting transactions in selected financial instruments using electronic trading platforms. Depending also on product demand from market players, European regulation relating to the trading and settlement of financial instruments is expected to lead to a transfer of the trading volume in certain products to electronic trading platforms. It is predicted that this will lead to a change in competitor structure, with competition becoming fiercer in trading certain financial instruments for customer account, resulting in the future in the risk of a reduction in margins and revenue.

RISK CAPITAL REQUIREMENT

As at December 31, 2013, the economic capital requirement for business risk amounted to €215 million (December 31, 2012: €118 million) with an upper loss limit of €230 million (December 31, 2012: €175 million). The main reasons for this increase were adjustments to the measurement methodology. The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2013.

14. REPUTATIONAL RISK

Reputational risk is covered by the risk strategy, which specifies a requirement for fair behavior with all business partners, for example, and precludes transactions with doubtful counterparties. In response to potential critical events, crisis communications aimed at mitigating reputational risk will be undertaken to prevent greater damage to DZ BANK. This therefore supports the sustainability concept embraced by DZ BANK.

Reputational risk is taken into account within business risk and is therefore implicitly included in the measurement of risk and capital adequacy at DZ BANK. In addition, the risk that obtaining funding may become more difficult as a consequence of damage to the bank's reputation is specifically taken into account in liquidity risk management.

The financial crisis and the European sovereign debt crisis, together with the resulting perception of banks currently prevailing among the general public and politicians, have to a considerable extent led to negative reporting in the media and negative statements by the supervisory authorities and policymakers.

2013 ANNUAL FINANCIAL STATEMENTS OF DZ BANK AG

Balance sheet as at December 31, 2013

ASSETS

€ million	(Notes)				Dec. 31, 2013	Dec. 31, 2012
1. Cash and cash equivalents						
a) Cash on hand				223		178
b) Balances with central banks				1,060		881
of which: with Deutsche Bundesbank		544				(443)
					1,283	**1,059**
2. Debt instruments from public-sector entities and bills of exchange eligible for refinancing by central banks						
a) Treasury bills, non-interest-bearing treasury notes and similar debt instruments from public-sector entities				39		40
					39	**40**
3. Loans and advances to banks	(04, 06)					
a) Repayable on demand				9,522		11,281
b) Other loans and advances				73,173		75,712
					82,695	**86,993**
4. Loans and advances to customers	(04)				**22,634**	**24,094**
of which: secured by mortgages		132				(130)
Local authority loans		634				(486)
5. Bonds and other fixed-income securities	(04, 12, 13, 15)					
a) Money market instruments				374		180
aa) from public-sector issuers			65			–
ab) from other issuers			309			180
b) Bonds				39,451		40,602
ba) from public-sector issuers			13,681			11,765
of which: eligible as collateral at Deutsche Bundesbank		13,372				(11,412)
bb) from other issuers			25,770			28,837
of which: eligible as collateral at Deutsche Bundesbank		14,344				(15,568)
					39,825	**40,782**
6. Shares and other variable-yield securities	(12, 13, 15)				**315**	**344**
6a. Trading assets	(14)				**56,652**	**69,363**
7. Long-term equity investments	(13, 15)				**471**	**423**
of which: in banks		305				(263)
8. Shares in affiliated companies	(13, 15)				**10,564**	**10,607**
of which: in banks		6,044				(6,104)
in financial services institutions		253				(253)
9. Trust assets	(08)				**1,126**	**1,282**
of which: trust loans		144				(164)
10. Intangible assets	(15)					
b) Purchased concessions, industrial and similar rights and assets, including licenses for such rights and assets				46		49
d) Payments in advance				11		15
					57	**64**
11. Property, plant and equipment	(15)				**194**	**178**
12. Other assets	(16)				**672**	**1,842**
13. Prepaid expenses and accrued income	(17)					
a) In connection with issuing and lending business				47		49
b) Other				6		7
					53	**56**
14. Deferred tax assets	(18)				**1,316**	**1,340**
15. Excess of plan assets over pension liabilities	(02)				**2**	**37**
Total assets					**217,898**	**238,504**

EQUITY AND LIABILITIES

€ million	(Notes)				Dec. 31, 2013	Dec. 31, 2012
1. Deposits from banks	(04, 06)					
a) Repayable on demand				23,005		26,724
b) With agreed maturity or notice period				64,752		69,841
					87,757	**96,565**
2. Deposits from customers	(04)					
b) Other deposits				29,505		26,133
ba) Repayable on demand			7,187			5,993
bb) With agreed maturity or notice period			22,318			20,140
					29,505	**26,133**
3. Debt certificates issued including bonds	(04)					
a) Bonds issued				32,118		34,645
b) Other debt certificates issued				2,508		4,255
of which: commercial paper		2,508				(4,255)
					34,626	**38,900**
3a. Trading liabilities	(14)				**47,245**	**58,371**
4. Trust liabilities	(08)				**1,126**	**1,282**
of which: trust loans		144				(164)
5. Other liabilities	(23)				**387**	**376**
6. Deferred income and accrued expenses	(17)					
a) In connection with issuing and lending business				77		62
b) Other				4		10
					81	**72**
7. Provisions	(02, 04, 24)					
a) Provisions for pensions and other post-employment benefits				25		14
b) Provisions for taxes				133		177
c) Other provisions				588		582
					746	**773**
8. Subordinated liabilities	(04, 25)				**5,436**	**4,949**
9. Profit-sharing rights	(04, 26)				**319**	**622**
of which: maturing within two years		45				(322)
10. Fund for general banking risks	(02)				**4,209**	**4,044**
of which: special item in accordance with section 340e (4) HGB		168				(138)
11. Equity	(20)					
a) Subscribed capital				3,160		3,160
b) Capital reserve				1,377		1,377
c) Revenue reserves				1,766		1,758
ca) Statutory reserve			104			96
cd) Other revenue reserves			1,662			1,662
d) Distributable profit				158		122
					6,461	**6,417**
Total equity and liabilities					**217,898**	**238,504**
1. Contingent liabilities	(45)					
b) Liabilities under guarantees and indemnity agreements*				4,739		4,925
					4,739	**4,925**
2. Other obligations	(45)					
c) Irrevocable loan commitments				16,142		17,228
					16,142	**17,228**

* See also details under 'Other disclosures' in Notes 39 and 40

Income statement for the period January 1 to December 31, 2013

€ million	(Notes)				2013	2012
1. Interest income from						
a) Lending and money market business			2,234			2,885
b) Fixed-income securities and book-entry securities			996			1,088
				3,230		3,973
2. Interest expenses				2,696		3,308
					534	665
of which: expenses incurred by the unwinding of discounts on provisions		4				(3)
3. Current income from						
a) Shares and other variable-yield securities				21		22
b) Long-term equity investments				19		19
c) Shares in affiliated companies				204		159
					244	200
4. Income from profit-pooling, profit-transfer and partial profit-transfer agreements					**424**	252
5. Fee and commission income	(32)			547		533
6. Fee and commission expenses	(32)			290		272
					257	261
7. Net trading income					**267**	705
of which: amounts added in accordance with section 340e (4) HGB	(02)	30				(81)
income from the discounting of provisions		0				(–)
expenses incurred by the unwinding of discounts on provisions		–				(0)
8. Other operating income	(34)				**101**	80
of which: income from the discounting of provisions		0				(18)
9. General and administrative expenses						
a) Staff expenses				472		447
aa) Wages and salaries			411			388
ab) Social security, post-employment and other employee benefit expenses			61			59
of which: post-employment benefit expenses		15				(13)
b) Other administrative expenses				397		381
					869	828
10. Amortization and write-downs on intangible assets, and depreciation and write-downs on property, plant and equipment					**36**	47
11. Other operating expenses	(34)				**122**	74
of which: expenses incurred by the unwinding of discounts on provisions		50				(6)
12. Write-downs on and allowances for losses on loans and advances and certain securities, and additions to provisions for losses on loans and advances					**292**	114
13. Write-downs on and allowances for long-term equity investments, shares in affiliated companies, and securities treated as fixed assets					**50**	502
14. Addition to the fund for general banking risks					**135**	658
15. Expenses from the transfer of losses					**73**	41
16. Result from ordinary activities					**250**	-101
17. Extraordinary expenses	(35)				**8**	216
18. Extraordinary result					**-8**	-216
19. Income taxes	(36)			75		-446
of which: from deferred taxes		24				(-442)
20. Other taxes not included under 'Other operating expenses'				1		1
					76	-445
21. Net income for the year	(37)				**166**	128
22. Profit brought forward from 2012					**0**	0
23. Additions to revenue reserves					**8**	6
a) To statutory reserve				8		6
24. Distributable profit					**158**	122

NOTES

A. General disclosures

» 01
BASIS OF PREPARATION

The annual financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) for the year ended December 31, 2013 have been prepared in accordance with the requirements of the German Commercial Code (HGB) and the Statutory Order on the Accounts of Banks and Financial Services Institutions (RechKredV). At the same time, the annual financial statements comply with the provisions of the German Stock Corporation Act (AktG), the DG BANK Transformation Act, and the Articles of Association of DZ BANK.

All amounts are stated in euros in accordance with section 244 HGB. DZ BANK has made use of available options to include disclosures in the notes to the financial statements rather than on the balance sheet and income statement.

The accounting policies applied in 2013 were essentially the same as those used in 2012.

» 02
ACCOUNTING POLICIES

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Loans and advances to banks and customers are carried at their principal amounts or at cost. The difference between the principal amount and the amount disbursed is recognized under deferred income and apportioned pro rata over the term of the loan. Promissory notes, registered bonds, and lease receivables acquired from third parties are recognized at cost.

Loans and advances, which are all classified as current assets without exception, are measured strictly at the lower of cost and market. The carrying amount for loans and advances to banks and customers includes promissory notes, registered bonds, and lease receivables assigned to the banking book and for which the bank has entered into interest-rate hedges as part of its overall risk management.

Provisions for lending risks comprise valuation allowances and provisions for credit risk and latent credit risk for all portfolios of loans and advances on the balance sheet and off-balance-sheet transactions at individual transaction level and/or on a portfolio basis. Provisions are recognized for all identifiable credit risks in the amount of the expected loss as dictated by prudent business practice. In 2013, DZ BANK switched the calculation of allowances for losses on loans and advances in respect of latent credit risk from the tax recognition of the general loan loss allowance and country risk loan loss allowance to the portfolio loan loss allowance calculated in accordance with the incurred loss model pursuant to IAS 39. The calculation of the portfolio loan loss allowance is based on the method for calculation of expected losses used for regulatory purposes. Other measurement factors are determined on the basis of internal parameters. Country risk is covered when the probability of default and/or the credit rating is determined. This switch resulted in an increase in allowances for losses on loans and advances of €86 million.

BONDS AND OTHER FIXED-INCOME SECURITIES AND SHARES AND OTHER VARIABLE-YIELD SECURITIES

These line items on the balance sheet comprise long-term securities and securities in the liquidity reserve. Securities in the liquidity reserve are measured strictly in accordance with the principle of lower of cost and market. Long-term securities that are permanently impaired are written down to the lower of cost and market. In 2013, as in the previous year, temporarily impaired long-term securities were optionally measured at the lower of cost and market or their carrying amount was retained in accordance with section 340e (1) HGB. Under the item 'Bonds and other fixed-income securities', the carrying amount of marketable securities not measured at the lower of cost and market was €8,188 million. For further information on the impact on net assets, financial position, and results of operations, please refer to Note 15, 'Changes in intangible assets and in property, plant and equipment, and investments'.

The fair value of securities is determined by reference to current market prices or by using measurement models based on observable market parameters, such as yield curves, spreads, volatility, or exchange rates. If specific parameters relevant to the measurement cannot be observed or cannot be determined directly from market data, the bank's own internal estimated parameters are used (for example, correlations).

DZ BANK individually measures securities that are held either as long-term investments or in the liquidity reserve.

Dividend income from shares and other variable-yield securities that are held either as long-term investments or in the liquidity reserve is reported as current income from shares and other variable-yield securities.

TRADING ASSETS AND TRADING LIABILITIES

Trading assets and trading liabilities comprise bonds and other fixed-income securities, shares and other variable-yield securities, promissory notes, registered bonds, sale and repurchase agreements, and derivatives (interest-rate, currency, credit, and equity derivatives). DZ BANK reports its own structured issues of credit-linked notes and share certificates – because they are held for trading purposes – as trading liabilities in accordance with the criteria specified in accounting guidance statement 2 issued by the banking committee of the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) [Institute of Public Auditors in Germany].

Since 2013, the fair values of over-the-counter (OTC) interest-rate derivatives that are traded through a central counterparty have been netted with the carrying amounts of the underlying derivatives positions contained in the trading assets and trading liabilities line items on the balance sheet. As at December 31, 2013, this netting reduced the carrying amount of trading assets by €2,160 million and the carrying amount of trading liabilities by €3,041 million.

Financial instruments held for trading purposes are measured at their fair value in accordance with section 340e (3) HGB in conjunction with section 255 (4) HGB, minus any risk premiums or adjustments. To ensure that the income statement only includes unrealized gains from positions that are substantially closed, a risk adjustment is applied to the net gains and losses. This adjustment comprises a value-at-risk adjustment, a mathematical calculation that describes the maximum potential loss that is considered to be highly probable. An internal model is used to calculate the value-at-risk adjustment based on regulatory requirements. It applies the 10-day value-at-risk adjustment required by the regulator. The calculation of the value-at-risk adjustment was based on an observation period of 250 trading days and a confidence level of 99 percent. The value-at-risk adjustment amounted to €19 million.

Where markets are inactive, generally accepted valuation methods are used to determine fair value. When measuring its structured products, DZ BANK uses models that are based on certain distribution assumptions and/or smile modeling. Fair value is determined on the basis of parameters that are observable in the market as far as possible; only in justified exceptional cases is it determined using parameters that are not observable in the market. In order to determine fair value reliably, write-downs are also taken into account for uncertain measurements, particularly in the case of option pricing models. Securities and promissory notes are subject to a mid-market valuation adjusted for the relevant costs of closing out the positions.

The amounts added to the special item, which is included in the fund for general banking risks in accordance with section 340e (4) HGB, are reported as net trading income on the income statement.

Fair value gains and losses, current interest payments and dividend income from securities held for trading purposes, current payments arising from derivatives and from sale and repurchase agreements and securities lending/borrowing transactions entered into for trading purposes, promissory notes and other receivables, foreign exchange, and precious metals – including the corresponding deferrals – are all recognized as part of the net trading result. In addition, the funding costs attributable to trading assets and trading liabilities in the form of internal fixed-term deposits and imputed overnight rates are also reported as part of the net trading result.

SECURITIES LENDING AND BORROWING

For securities involved in securities lending and borrowing transactions, the accounting treatment of securities lending is the same as the accounting treatment for genuine sale and repurchase agreements (i.e. agreements in which the buyer is under an obligation to sell back the securities) in accordance with section 340b HGB. The securities remain on the balance sheet. Borrowed securities are not recognized on the balance sheet.

LONG-TERM EQUITY INVESTMENTS AND SHARES IN AFFILIATED COMPANIES

Long-term equity investments and shares in affiliated companies are measured at amortized cost or, if expected to be permanently impaired, at the lower of cost and fair value. If the reasons for a previous write-down no longer exist, the write-down is reversed so that the asset is measured at fair value. However, the reversal must not result in a carrying amount higher than the original cost.

PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Property, plant and equipment is measured at cost and reduced by depreciation over its estimated useful life. Useful life is based on the depreciation tables published by the German tax authorities.

Low-value assets with an individual net value of up to €150 are written off in full in the year of acquisition and expensed. In the case of assets with an individual net value between €150 and €1,000, the aggregate item that needs to be recognized on an annual basis for tax purposes has been included in the HGB financial statements to simplify matters. In accordance with tax rules, annual aggregate items with overall carrying amounts that are not material are depreciated at a flat rate of 20 percent in the year of recognition and then in each of the 4 subsequent years.

Office furniture and equipment including operating equipment is depreciated on a straight-line basis.

Assets are written down if they are considered to be impaired on a permanent basis. If the reasons for a previous write-down no longer exist, the write-down is reversed.

Intangible fixed assets are measured at cost and amortized on a straight-line basis. A useful life in the range of 3 to 10 years is used as the basis for the amortization.

LIABILITIES

Liabilities are carried at the settlement amount. The difference between the notional amount and the amount disbursed is recognized under prepaid expenses and apportioned pro rata over the term of the loan.

PROVISIONS

Pension obligations are calculated in accordance with actuarial principles. Their computation is based on the projected unit credit method. The discount rate used is the average market interest rate for the past 7 years published by Deutsche Bundesbank (4.89 percent), which corresponds to a residual maturity of 15 years. In Germany, the biometric tables used in these calculations are the 2005 G mortality tables published by Professor Dr. Klaus Heubeck, Cologne. Measurement is based on anticipated annual rates of increase of 2.0 percent for salaries and 1.9 percent for pensions. In order to provide cover for its pension obligations, DZ BANK has transferred assets to DZ BANK Pension Trust e.V., Frankfurt am Main, which acts as a trustee on behalf of the pension beneficiaries. The valuation of pension obligations outside Germany is based on the applicable country-specific biometric factors and parameters. The requirement to offset pension obligations against individual plan assets resulted in excess cover of €2 million in the New York branch, which is reported on the balance sheet as 'Excess of plan assets over pension liabilities'. Unfunded pension plans and the bank's early-retirement obligations gave rise to provisions for pensions and other post-employment benefits of €25 million.

DZ BANK recognizes provisions for current taxes in accordance with German tax law.

It recognizes its other provisions at the amounts needed to settle contingent liabilities and/or anticipated losses as dictated by prudent business practice.

Provisions that are recognized for more than one year are discounted at the average market interest rate for the past 7 years, which corresponds to their residual maturity and is calculated and published by Deutsche Bundesbank.

Income from the discounting of provisions for banking business and expenses incurred by the unwinding of discounts on such provisions are reported as interest income and interest expenses respectively. Income from the discounting of remaining provisions and expenses incurred by the unwinding of discounts on such provisions are reported as other operating income and other operating expenses respectively. If the provisions are related to trading activities, the income resulting from discounting and expenses incurred by the unwinding of discounts are shown in the net trading result.

INTEREST-LINKED CONTRACTS OF THE BANKING BOOK

In accordance with the principles of write-downs to anticipate identifiable expected losses, evidence was provided for all on-balance sheet and off-balance sheet interest-linked financial instruments of the banking book to show that no losses will be incurred on contracted interest-linked items in the future. This was done using the present value/carrying amount method. In this method, the carrying amounts of the interest-bearing transactions of the banking book are offset against the interest-rate-related present values, taking account of the associated costs of managing the risk and the portfolio. Any remaining shortfall after offsetting would require a corresponding provision to be recognized. As at December 31, 2013, there was no need to recognize a provision for anticipated losses pursuant to section 340a HGB in conjunction with section 249 (1) sentence 1 HGB.

MISCELLANEOUS

Expenses in connection with investments are offset against investment income in accordance with section 33 RechKredV in conjunction with section 340c (2) HGB. Fair value gains and losses on the measurement of loans and advances and the securities in the liquidity reserve are reported as a net figure in accordance with section 32 RechKredV in conjunction with section 340f (3) HGB.

The fund for general banking risks amounted to €4,209 million as at December 31, 2013 (December 31, 2012: €4,044 million). This fund for general banking risks includes a special item in accordance with section 340e (4) HGB, to which €30 million was added in the reporting year. An amount of €135 million was also added to the reserves pursuant to section 340g HGB.

The methods used to recognize and measure internal transactions are the same as those applied to external transactions. These transactions are shown as netted amounts in the respective line items on the balance sheet.

If there are differences between the carrying amounts of assets, liabilities, and prepaid expenses/accrued income and deferred income/accrued expenses recognized in the financial statements in accordance with HGB and their carrying amounts in the financial statements for tax purposes, and these differences are likely to be eliminated in subsequent years, any resulting tax expense is recognized under ‘Deferred tax liabilities’ and any resulting tax benefit is recognized under ‘Deferred tax assets’ on the balance sheet. Deferred tax assets and liabilities are reported as a net figure. The calculation of deferred tax assets takes account of tax loss carryforwards in the amount of the losses expected to be offset within the next 5 years.

Deferred tax assets and liabilities from temporary differences from the subsidiaries are recognized at DZ BANK level. The resulting tax expenses and benefits are recognized using the entity-specific tax rates at the time the differences are eliminated and are not discounted.

» 03 CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies as well as claims and delivery obligations under currency transactions are translated in compliance with section 256a HGB in conjunction with section 340h HGB. This legislation requires that foreign currencies be translated at the middle spot exchange rate on the balance sheet date.

All currency exposures arising in connection with trading assets and trading liabilities are recognized and measured in accordance with the rules governing trading assets and trading liabilities. The corresponding exchange gains and losses on foreign-currency transactions designated as trading assets and trading liabilities are reported as net trading income on the income statement.

Non-trading transactions are generally specifically covered in the same currency as part of the bank's currency risk management strategy. Assets are deemed to be specifically covered in the same currency if they are matched by liability items, forward transactions, or options. Any excess fair value measurement is reported as an offsetting item under 'Other assets'. The fair value gains and losses on non-trading transactions that are not specifically covered in the same currency are reported as other operating income and other operating expenses respectively.

If DZ BANK has entered into currency forwards in connection with the hedging of interest-bearing balance sheet items, the swap income and expenses are treated as interest income and expense reflecting the nature of the income and expense involved.

B. Balance sheet disclosures

ASSET ITEMS

» 04
MATURITY STRUCTURE

€ million	Dec. 31, 2013	Dec. 31, 2012
Other loans and advances to banks	**73,173**	**75,712**
– up to 3 months	9,328	6,692
– between 3 months and 1 year	8,063	9,316
– between 1 year and 5 years	30,326	30,627
– more than 5 years	25,456	29,077
Loans and advances to customers	**22,634**	**24,094**
– up to 3 months	5,472	5,290
– between 3 months and 1 year	1,938	2,032
– between 1 year and 5 years	8,619	9,668
– more than 5 years	4,696	5,197
– no fixed maturity	1,909	1,907
Bonds and other fixed-income securities	**39,825**	**40,782**
– up to 3 months (maturing in subsequent year)	999	897
– between 3 months and 1 year (maturing in subsequent year)	3,468	2,620
– between 1 year and 5 years	21,035	22,361
– more than 5 years	14,323	14,904

LIABILITY ITEMS

€ million	Dec. 31, 2013	Dec. 31, 2012
Deposits from banks with agreed maturity or notice period	**64,752**	**69,841**
– up to 3 months	13,491	16,705
– between 3 months and 1 year	7,006	7,683
– between 1 year and 5 years	19,773	19,277
– more than 5 years	24,482	26,176
Deposits from customers		
Other deposits with agreed maturity or notice period	**22,318**	**20,140**
– up to 3 months	12,486	9,473
– between 3 months and 1 year	1,552	1,555
– between 1 year and 5 years	939	1,008
– more than 5 years	7,341	8,104
Debt certificates issued including bonds		
Bonds issued	**32,118**	**34,645**
– of which: maturing in subsequent year	6,146	8,156
Other debt certificates issued	**2,508**	**4,255**
– up to 3 months	2,350	3,285
– between 3 months and 1 year	158	970
Provisions	**746**	**773**
– up to 3 months	62	102
– between 3 months and 1 year	281	279
– between 1 year and 5 years	130	56
– more than 5 years	273	336
Subordinated liabilities	**5,436**	**4,949**
– up to 3 months	103	88
– between 3 months and 1 year	160	244
– between 1 year and 5 years	1,549	1,112
– more than 5 years	3,624	3,505
Profit-sharing rights	**319**	**622**
– up to 3 months	20	39
– between 3 months and 1 year	25	283
– between 1 year and 5 years	211	25
– more than 5 years	63	275

» 05
AFFILIATED COMPANIES AND OTHER LONG-TERM INVESTEES AND INVESTORS

Loans and advances to and deposits from affiliated companies:

€ million	Dec. 31, 2013	Dec. 31, 2012
Loans and advances to banks	22,747	23,630
Loans and advances to customers	4,795	5,337
Bonds and other fixed-income securities	11,619	13,157
Deposits from banks	6,237	6,213
Deposits from customers	1,802	3,292
Debt certificates issued including bonds	453	617
Subordinated liabilities	2,190	2,190

Loans and advances to and deposits from other long-term investees and investors:

€ million	Dec. 31, 2013	Dec. 31, 2012
Loans and advances to banks	38,816	37,994
Loans and advances to customers	434	472
Bonds and other fixed-income securities	2,184	2,620
Deposits from banks	29,871	33,753
Deposits from customers	258	204
Debt certificates issued including bonds	26,152	25,042
Subordinated liabilities	194	243

The list of shareholdings compiled in accordance with section 285 no. 11 HGB is shown in Note 51.

» 06
LOANS AND ADVANCES TO AND DEPOSITS FROM AFFILIATED BANKS

Loans and advances to and deposits from banks include the following amounts:

€ million	Dec. 31, 2013	Dec. 31, 2012
Loans and advances to affiliated banks	**50,817**	**49,999**
of which: to cooperative central institutions	11	1
Deposits from affiliated banks	**36,891**	**41,670**
of which: from cooperative central institutions	4	541

» 07 SUBORDINATED ASSETS

The following balance sheet items include subordinated assets in the amounts stated:

€ million	Dec. 31, 2013	Dec. 31, 2012
Loans and advances to banks	**1,521**	**1,915**
of which: to affiliated companies	1,447	1,618
to investees	11	36
Loans and advances to customers	**80**	**66**
of which: to investees	0	0
Bonds and other fixed-income securities	**348**	**487**
of which: to affiliated companies	141	141
to investees	–	100
Shares and other variable-yield securities	**20**	**20**
Trading assets	**626**	**939**
of which: to affiliated companies	225	12
to investees	16	0
Total	**2,595**	**3,427**

» 08 TRUST ACTIVITIES

Total trust assets and trust liabilities are broken down as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Trust assets		
Loans and advances to banks	134	155
Loans and advances to customers	10	9
Long-term equity investments	982	1,118
Total	**1,126**	**1,282**

€ million	Dec. 31, 2013	Dec. 31, 2012
Trust liabilities		
Deposits from banks	139	158
Deposits from customers	987	1,124
Total	**1,126**	**1,282**

» 09 FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Assets	23,138	30,365
Liabilities	13,744	18,759

» 10 SALE AND REPURCHASE AGREEMENTS

The carrying amount of assets subject to sale and repurchase agreements as at December 31, 2013 was €9,232 million (December 31, 2012: €4,990 million).

» 11 ASSETS ASSIGNED AS COLLATERAL

The following table lists liabilities for which assets in the amount shown have been pledged as collateral:

€ million	Dec. 31, 2013	Dec. 31, 2012
Deposits from banks	32,664	31,797
Trading liabilities	9,283	5,170
Total	**41,947**	**36,967**

The amount pledged as collateral for exchange-traded forward transactions and in connection with collateral agreements as part of OTC trading business was €7,982 million (December 31, 2012: €10,854 million).

» 12 STRUCTURE OF SECURITIES PORTFOLIO BY PURPOSE

The table below shows the breakdown of the securities portfolio by purpose:

€ million	Dec. 31, 2013	Dec. 31, 2012
Bonds and other fixed-income securities		
Fixed assets	39,458	39,732
Liquidity reserve	367	1,050
Total	**39,825**	**40,782**

€ million	Dec. 31, 2013	Dec. 31, 2012
Shares and other variable-yield securities		
Fixed assets	298	295
Liquidity reserve	17	49
Total	**315**	**344**

» 13 MARKETABLE SECURITIES

The following asset items include marketable securities in the amounts shown:

€ million	Dec. 31, 2013	Dec. 31, 2012
Bonds and other fixed-income securities	**39,825**	**40,782**
of which: listed on a stock exchange	34,542	34,714
Shares and other variable-yield securities	**29**	**57**
of which: listed on a stock exchange	11	39
Long-term equity investments	**78**	**31**
of which: listed on a stock exchange	78	31
Shares in affiliated companies	**3,041**	**3,041**
of which: listed on a stock exchange	536	536

» 14 TRADING ASSETS AND TRADING LIABILITIES

The table below shows a breakdown of trading assets and trading liabilities:

€ million	Dec. 31, 2013	Dec. 31, 2012
Trading assets		
Derivatives	21,934	35,315
Loans and advances to banks	15,055	15,525
Loans and advances to customers	3,653	2,454
Bonds and other fixed-income securities	15,792	15,990
of which: own bonds	(1,599)	(1,453)
Shares and other variable-yield securities	563	488
Other (risk adjustments)	-345	-409
Total	**56,652**	**69,363**

€ million	Dec. 31, 2013	Dec. 31, 2012
Trading liabilities		
Derivatives	20,619	35,587
Deposits from banks	10,486	5,659
Deposits from customers	1,221	2,116
Debt certificates issued including bonds	14,919	15,009
Total	**47,245**	**58,371**

The changes in fixed assets were as follows:

» 15
CHANGES IN INTANGIBLE ASSETS AND IN PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENTS

INTANGIBLE ASSETS, AND PROPERTY, PLANT AND EQUIPMENT

	Cost				Reversals of write-downs	Depreciation/ amortization and write-downs		Net carrying amount	
€ million	Jan. 1, 2013	Additions	Disposals	Reclassifi-cations		Current year	Cumula-tive	Dec. 31, 2013	Dec. 31, 2012
Intangible assets	309	19	1	0	–	25	270	57	64
Land and buildings	167	–	2	–	–	2	26	139	142
of which: used for own operations	(166)	(–)	(2)	(1)	(–)	(2)	(26)	(139)	(141)
Office furniture and equipment	180	20	2	0	0	9	151	47	35
Payments in advance on property, plant and equipment	1	7	–	0	–	–	–	8	1
Total	657	46	5	–	0	36	447	251	242

INVESTMENTS

€ million	Change	Carrying amount Dec. 31, 2013	Carrying amount Dec. 31, 2012
Bonds and other fixed-income securities	-274	39,458	39,732
Shares and other variable-yield securities	3	298	295
Long-term equity investments	48	471	423
Shares in affiliated companies	-43	10,564	10,607
Total	-266	50,791	51,057

The fair value of financial instruments reported under investments and reported at a carrying amount exceeding their fair value because write-downs have not been recognized in accordance with section 253 (3) sentence 4 HGB was €7,750 million (carrying amount: €8,188 million) for bonds and other fixed-income securities. Internal analyses of long-term securities revealed that none were expected to be permanently impaired. Since the impairment of these securities was only temporary, the securities were not written down to fair value. In the case of asset-backed securities (ABSs), DZ BANK carried out detailed cash flow analyses related to the receivables in the securitization pool taking into account the waterfall structure of each ABS tranche.

» 16 OTHER ASSETS

Other assets largely include tax credits of €501 million (December 31, 2012: €634 million) and receivables arising from currency translation of €88 million (December 31, 2012: –). Since 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 underlying derivatives positions contained in the trading assets and trading liabilities line items on the balance sheet. As at December 31, 2013, this netting reduced the carrying amount of other assets by €881 million.

» 17 PREPAID EXPENSES/ACCRUED INCOME AND DEFERRED INCOME/ACCRUED EXPENSES

€ million	Dec. 31, 2013	Dec. 31, 2012
Prepaid expenses/accrued income		
Discount on deposits	47	49
Other prepaid expenses/accrued income	6	7
Total	**53**	**56**

€ million	Dec. 31, 2013	Dec. 31, 2012
Deferred income/accrued expenses		
Discount on loans and advances	18	13
Premium on bonds issued	59	49
Other deferred income/accrued expenses	4	10
Total	**81**	**72**

» 18 DEFERRED TAX ASSETS

This line item included deferred tax assets in accordance with section 274 HGB amounting to €1,316 million as at December 31, 2013 (December 31, 2012: €1,340 million). Deferred tax assets were recognized primarily in respect of temporary balance sheet differences, in respect of the fund for home savings risk recognized by Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, and in respect of tax loss carryforwards. Deferred taxes are measured using the national and entity-specific tax rates expected to apply at the time of realization. The income tax group was subject to a standard tax rate of 30.910 percent (trade tax of 15.085 percent and corporation tax/solidarity surcharge of 15.825 percent). Deferred taxes at branches outside Germany were measured at the statutory rates applicable in the countries concerned, which vary between 12.00 percent and 45.43 percent.

» 19 NETTING OF ASSETS AND LIABILITIES

The table below shows the cost and the fair value of netted assets that are protected from the claims of all other creditors and are used solely to settle liabilities arising from pension obligations; it also shows the amount needed to settle these netted liabilities. It also shows the pertinent netted income and expenses resulting from discounting and from the netted assets.

€ million	Dec. 31, 2013	Dec. 31, 2012
Cost of netted assets	757	777
Fair value of netted assets	777	806
Amount needed to settle the netted liabilities	787	769
Netted expenses	63	48
Netted income	21	66

The offsetting of pension obligations against individual plan assets resulted in excess cover of €2 million in the New York branch. Taking account of unfunded pension plans, which amounted to €10 million, provisions for pensions stood at €22 million.

» 20 CHANGES IN EQUITY

The subscribed capital comprises DZ BANK's share capital of €3,160,097,987.80. It is divided into 1,215,422,303 registered no-par-value shares, each with an imputed share capital of €2.60.

The changes in equity were as follows:

€ million	Jan. 1, 2013	Additions/ (-)Withdrawals	Dec. 31, 2013
Subscribed capital	3,160	–	**3,160**
Capital reserve	1,377	–	**1,377**
Revenue reserves	1,758	8	**1,766**
– Statutory reserve	96	8	104
– Other revenue reserves	1,662	–	1,662
Distributable profit	122	36	**158**
– 2012 appropriation of profits / dividend Profit carried forward	122	-122 0	–
– 2013 distributable profit	–	158	158
Total equity	6,417	44	**6,461**

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by May 31, 2017 on one or more occasions by up to a total of €100 million by way of issuing new registered no-par-value shares in return for cash or non-cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of shareholders both in the case of capital increases in return for non-cash contributions and in the case of capital increases in return for cash contributions if the capital is increased for the purpose of

a) issuing new shares to employees of the company (employee shares),

b) issuing new shares to one or more cooperative banks which, measured in terms of their total assets, directly and indirectly have a below-average stake in the corporation's share capital, i. e. less than 0.5 percent of their total assets (using the nominal value of €2.60 per DZ BANK share),

c) acquiring companies, equity investments in companies or for granting equity investments in the corporation in order to back strategic partnerships.

The Board of Managing Directors is also authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ('Authorized Capital I').

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by May 31, 2017 on one or more occasions by up to a total of €400 million by issuing new registered no-par-value shares in return for cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ('Authorized Capital II').

The Board of Managing Directors did not make use of any of this authorized action in 2013.

The table below gives a breakdown of the total amount that is not allowed to be distributed as a dividend:

» 21
AMOUNTS NOT ALLOWED TO BE DISTRIBUTED AS DIVIDENDS

€ million	Dec. 31, 2013	Dec. 31, 2012
Recognition of deferred taxes	1,316	1,340
Recognition of assets at fair value	20	29

The total amounts of €1,336 million that were not allowed to be distributed as dividends were more than offset by readily available revenue reserves of €1,662 million. Consequently, the distributable profit of €158 million was not prevented from being paid out as a dividend.

» 22 DISCLOSURES ON SHAREHOLDERS

At the end of 2013, 95.9 percent of DZ BANK's share capital was held by cooperative enterprises. These cooperative enterprises include the cooperative banks, the cooperative central institutions, and other legal entities and trading companies economically associated with the cooperative movement or cooperative housing sector.

» 23 OTHER LIABILITIES

Other liabilities include profit-participation certificates that matured at the end of 2013 and are due to be repaid in 2014 (including dividend distribution) of €293 million (December 31, 2012: €55 million) and liabilities owed to the tax authorities of €30 million (December 31, 2012: €15 million).

» 24 CHANGES IN TAX PROVISIONS AND OTHER PROVISIONS

The table below shows the changes in tax provisions and other provisions:

CHANGES IN PROVISIONS

€ million	Jan. 1, 2013	Additions	Utilizations	Reversals	Reclassifications	Changes recognized directly in equity	Changes resulting from discounts and unwinding of discounts	**Dec. 31, 2013**
Provisions for taxes	177	48	79	12	–	-1	–	133
Other provisions	582	409	222	192	1	-1	11	588

Provided that the necessary conditions were met, provisions for corporation tax were netted with entitlements to reimbursement of creditable tax.

» 25 SUBORDINATED LIABILITIES

As at December 31, 2013, €5,084 million of the total volume of subordinated liabilities had been identified as liable capital in accordance with section 10 (5a) German Banking Act (KWG). DZ BANK had no Tier 3 capital within the meaning of section 10 (2c) sentence 1 no. 3 KWG.

There are no early redemption obligations in respect of the subordinated capital. In the event of insolvency or liquidation, all rights in connection with these liabilities, including rights to interest, are subordinated to the claims of all non-subordinated creditors.

The conversion of these funds into capital or another form of debt has not been agreed, nor are there any plans for any such conversion.

The subordinated liabilities carry an average interest rate of 3.65 percent (2012: 4.35 percent) and have initial maturities of between 5 and 30 years.

Subordinated liabilities are issued in the form of fixed-income and variable-yield securities, promissory notes, and registered bonds.

The interest expense for the liabilities reported under this item amounted to €209 million in 2013 (2012: €212 million).

Accrued interest not yet due for payment amounting to €91 million (December 31, 2012: €87 million) is included within the subordinated liabilities balance sheet item.

» 26 PROFIT-SHARING RIGHTS

The total volume of profit-sharing rights – which are identified as liable capital under section 10 (5) KWG – amounted to €275 million.

Profit-sharing rights also incur a share of losses of up to their full amount. Interest payments are subject to the availability of distributable profit. Claims by holders of profit-sharing rights to the repayment of the capital are subordinated to the claims of other creditors. DZ BANK has issued the following bearer profit-sharing rights:

Year of issue	Nominal amount	Coupon	Maturity
	€ million	%	
2008	139	7.40	2018
2008	72	4.04[1]	2018

1 Dependent on market interest rate

DZ BANK has issued registered profit-participation certificates with a volume of €88 million. Total registered profit-participation certificates comprise 7 separate issues with original maturities of 15 to 16 years and coupons of between 7.06 percent and 7.50 percent.

The total interest expense in respect of profit-sharing rights in 2013 was €39 million (2012: €45 million).

Accrued interest not yet due for payment amounting to €20 million (December 31, 2012: €39 million) is included within profit-sharing rights on the balance sheet.

The table below shows a list of the derivatives recognized at fair value by product area:

» 27
LIST OF DERIVATIVES RECOGNIZED AT FAIR VALUE BY PRODUCT AREA

	Nominal amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
€ million	≤ 1 year	> 1-5 years	> 5 years	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
INTEREST-LINKED CONTRACTS	**143,083**	**315,643**	**273,038**	**731,764**	**719,545**	**18,791**	**32,353**	**18,108**	**32,521**
OTC products									
Forward rate agreements	5,753	–	–	5,753	5,773	0	0	0	0
Interest-rate swaps (same currency)	105,183	252,670	238,853	596,706	581,306	16,806	29,744	14,794	27,759
Interest-rate options – call	14,372	27,439	12,117	53,928	53,918	1,870	2,535	45	33
Interest-rate options – put	11,038	34,688	22,068	67,794	69,120	115	74	3,269	4,729
Exchange-traded products									
Interest-rate futures	6,737	846	–	7,583	9,428	–	–	–	–
CURRENCY-LINKED CONTRACTS	**14,040**	**4,272**	**109**	**18,421**	**18,773**	**190**	**181**	**315**	**240**
OTC products									
Forward forex transactions	5,716	1,760	74	7,550	8,002	95	86	201	124
Forex options – call	4,051	1,224	–	5,275	5,492	14	37	21	22
Forex options – put	4,021	1,224	–	5,245	4,969	16	20	19	51
Exchange-traded products									
Forex futures	73	–	–	73	42	–	–	–	–
Forex options	179	64	35	278	268	65	38	74	43
SHARE-/INDEX-LINKED CONTRACTS	**11,082**	**7,384**	**1,155**	**19,621**	**23,359**	**950**	**705**	**1,184**	**1,101**
OTC products									
Share/index options – call	423	140	27	590	536	42	48	0	0
Share/index options – put	183	182	–	365	324	2	–	40	32
Other share/index contracts	1,163	3,143	859	5,165	5,316	106	86	127	140
Exchange-traded products									
Share/index futures	451	6	–	457	390	–	–	–	–
Share/index options	8,862	3,913	269	13,044	16,793	800	571	1,017	929

	Nominal amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
€ million	≤ 1 year	> 1-5 years	> 5 years	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
OTHER CONTRACTS	**9,306**	**20,508**	**6,778**	**36,592**	**41,240**	**890**	**1,014**	**525**	**794**
OTC products									
Cross-currency swaps	8,417	19,819	6,736	34,972	39,043	836	915	473	710
Precious metal contracts	–	8	–	8	25	0	2	1	0
Commodities contracts	430	660	20	1,110	1,591	19	58	7	19
Exchange-traded products									
Futures	99	9	–	108	129	0	–	0	0
Options	360	12	22	394	452	35	39	44	65
CREDIT DERIVATIVES	**8,969**	**32,544**	**3,546**	**45,059**	**62,810**	**406**	**662**	**475**	**920**
Protection buyer									
Credit default swaps	4,204	13,985	830	19,019	27,626	131	390	167	190
Total return swaps	37	1,689	995	2,721	2,701	3	24	194	343
Protection seller									
Credit default swaps	4,728	16,870	1,721	23,319	32,483	272	248	114	387
Total	**186,480**	**380,351**	**284,626**	**851,457**	**865,727**	**21,227**	**34,915**	**20,607**	**35,576**

A substantial proportion of the transactions listed were entered into for the purposes of hedging interest-rate, exchange-rate, market, or credit risk.

The table below shows a list of the derivatives recognized at fair value by counterparty structure:

» 28
LIST OF DERIVATIVES RECOGNIZED AT FAIR VALUE BY COUNTERPARTY STRUCTURE

	Fair value			
	Positive		Negative	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
OECD central governments	194	306	285	429
OECD banks	18,221	28,031	17,732	28,442
OECD financial services institutions	7	11	0	–
Other companies, private individuals	2,704	6,514	2,366	6,392
Non-OECD central governments	0	–	–	–
Non-OECD banks	101	53	224	313
Total	**21,227**	**34,915**	**20,607**	**35,576**

The table below shows a list of the derivatives not recognized at fair value by product area:

» 29
LIST OF DERIVATIVES NOT RECOGNIZED AT FAIR VALUE BY PRODUCT AREA

	Nominal amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
€ million	≤ 1 year	> 1-5 years	> 5 years	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
INTEREST-LINKED CONTRACTS	**1,979**	**997**	**3,770**	**6,746**	**6,858**	**754**	**940**	**514**	**736**
OTC products									
Interest-rate swaps (same currency)	950	977	3,770	5,697	6,769	753	939	514	735
Interest-rate options – put	–	20	–	20	20	1	1	–	–
Exchange-traded products									
Interest-rate futures	1,029	–	–	1,029	69	–	0	–	1
CURRENCY-LINKED CONTRACTS	**30,613**	**1,748**	**142**	**32,503**	**31,973**	**332**	**235**	**186**	**298**
OTC products									
Forward forex transactions	30,613	1,748	142	32,503	31,973	332	235	186	298
OTHER CONTRACTS	**807**	**1,166**	**705**	**2,678**	**2,940**	**33**	**28**	**104**	**148**
OTC products									
Cross-currency swaps	807	1,166	705	2,678	2,940	33	28	104	148
Exchange-traded products									
Options	–	–	–	–	0	–	–	–	–
CREDIT DERIVATIVES	**–**	**–**	**42**	**42**	**48**	**–**	**–**	**2**	**2**
Protection buyer									
Credit default swaps	–	–	42	42	48	–	–	2	2
Total	**33,399**	**3,911**	**4,659**	**41,969**	**41,819**	**1,119**	**1,203**	**806**	**1,184**

The transactions listed were entered into for the purposes of hedging interest-rate, exchange-rate, market, or credit risk.

The carrying amounts of non-trading derivatives not recognized at fair value included the offsetting item for currency translation of €88 million (December 31, 2012: –) under other assets and premiums from options of €0 million (December 31, 2012: €0 million) under other liabilities.

Prepaid expenses and accrued income include upfront payments of €0 million on interest-rate swaps (December 31, 2012: €0 million). Deferred income and accrued expenses include upfront payments of €1 million on interest-rate swaps (December 31, 2012: €4 million). Deferred interest income from non-trading derivatives not recognized at fair value is reported in the amount of €59 million (December 31, 2012: €69 million) under loans and advances to banks and in the amount of €16 million (December 31, 2012: €15 million) under loans and advances to customers, while accrued interest expenses on non-trading derivatives not recognized at fair value is reported in the amount of €54 million (December 31, 2012: €66 million) under deposits from banks, and in the amount of €12 million (December 31, 2012: €12 million) under deposits from customers.

The table below shows a list of the derivatives not recognized at fair value by counterparty structure:

» 30
LIST OF DERIVATIVES NOT RECOGNIZED AT FAIR VALUE BY COUNTERPARTY STRUCTURE

	Fair value			
	Positive		Negative	
€ million	**Dec. 31, 2013**	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
OECD banks	917	985	638	1,077
Other companies, private individuals	202	213	168	98
Non-OECD banks	–	5	0	9
Total	**1,119**	**1,203**	**806**	**1,184**

C. Income statement disclosures

» 31 BREAKDOWN OF INCOME BY GEOGRAPHICAL MARKET

The table below shows the geographical breakdown of total interest income, current income from shares and other variable-yield securities, long-term equity investments and shares in affiliated companies, fee and commission income, net trading income, and other operating income:

%	2013	2012
Germany	94.20	94.04
International	5.80	5.96

» 32 FEE AND COMMISSION INCOME AND EXPENSES

The surplus of fee and commission income over fee and commission expenses resulted from the following services:

€ million	2013	2012
Securities business	86	87
Transaction banking/international business	51	51
Lending and financial guarantee business	93	99
Other	27	24
Total	**257**	**261**

» 33 ADMINISTRATION AND AGENCY SERVICES PROVIDED FOR THIRD PARTIES

Services provided for third parties relate primarily to custody services and the management of trust assets.

» 34 OTHER OPERATING INCOME AND EXPENSES

The other operating income of €101 million largely comprised income of €47 million from the reversal of provisions, rental income of €16 million, and residual income of €10 million resulting from completed settlement negotiations in connection with the New York branch's ABS business.

Other operating expenses of €122 million were mainly attributable to net expenses of €42 million incurred by the measurement of pension plans, interest expenses of €23 million on revised tax liabilities, operating costs of €22 million in connection with premises not used for banking operations, and the unwinding of discounts on other provisions amounting to €8 million.

» 35 EXTRAORDINARY EXPENSES

Restructuring costs in connection with the integration of the Polish branch resulted in extraordinary expenses of €8 million.

» 36 INCOME TAXES

The expenses reported under income taxes arose from corporation tax and trade tax gains allocated to the tax groups amounting to €223 million, a tax expense of €202 million for the current year, foreign withholding tax of €5 million, a tax expense of €76 million relating to prior years, and income of €9 million from the unwinding of the discount on the corporation tax credit claim. This item also included deferred tax expenses of €24 million in accordance with section 274 HGB in 2013.

» 37 PROPOSED APPROPRIATION OF PROFITS

It will be proposed to the Annual General Meeting that the distributable profit be appropriated for a dividend payment of €0.13 (2012: €0.10) per no-par-value share.

D. Other disclosures

» 38 TYPE, PURPOSE, RISKS, AND BENEFITS OF OFF-BALANCE-SHEET TRANSACTIONS

The following unused liquidity lines were available as at December 31, 2013 in connection with asset-backed commercial paper (ABCP) transactions:

Transaction	Type of transaction	Purpose of transaction	Unused liquidity lines (€ million)	Risks
CORAL	ABCP conduit	Customer-focused corporate funding to generate commission income	146	Utilization of available liquidity lines
AUTOBAHN	ABCP conduit	Customer-focused corporate funding to generate commission income	1,684	Utilization of available liquidity lines
Non-DZ BANK Group conduits	ABCP conduit	Customer-focused corporate funding to generate commission income	86	Utilization of available liquidity lines
Total			**1,916**	

These unused liquidity lines are the undrawn portions of lines granted externally to ABCP conduits. The purpose of the liquidity lines is to ensure that the individual conduits can be funded if commercial paper cannot be placed in the market. The above-mentioned risks are included in DZ BANK's liquidity risk models in full.

As part of the strategic management of the DZ BANK Group, Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) has been granted a standby commitment amounting to €2,500 million. This can be used for funding purposes at short notice, if required.

» 39 OTHER FINANCIAL OBLIGATIONS

As at December 31, 2013, the total amount of other financial obligations for the following year was €239 million (December 31, 2012: €236 million). Most of these obligations related to follow-up obligations under memoranda and articles of association and to obligations under lease agreements, capital expenditure projects, and pending transactions. This amount includes obligations to affiliated companies of €26 million (December 31, 2012: €32 million).

Other financial obligations will amount to €366 million for years from 2015 onward. This amount includes obligations to affiliated companies of €170 million.

DZ BANK has given transfer guarantee declarations to domestic entities and public institutions in respect of certain deposits at its branches in London and New York covering eventualities in which the branches may be prevented from meeting their repayment obligations by the decision of governments.

DZ BANK is a participant in the protection scheme operated by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR) [National Association of German Cooperative Banks], Berlin. This facility comprises a guarantee fund and a guarantee network. Under the terms of its statutes, DZ BANK is bound, if the need arises, to lodge a guarantee bond of up to €97 million with the BVR in support of the guarantee network.

» 40 LETTERS OF COMFORT

Except in the event of political risk, DZ BANK has undertaken to ensure in proportion to its shareholding for the consolidated entity DZ PRIVATBANK S.A., Luxembourg-Strassen, for VR Equitypartner GmbH, Frankfurt am Main, and in total for the consolidated entity DZ BANK Ireland plc, Dublin, for DG HYP, and for the non-consolidated entity DZ PRIVATBANK Singapore Ltd., Singapore, that these companies are able to meet their contractual obligations. These banks are identified in the list of DZ BANK's shareholdings (Note 51) as being covered by a letter of comfort. DZ BANK has also issued subordinated letters of comfort in respect of DZ BANK Capital Funding LLC I, DZ BANK Capital Funding LLC II, and DZ BANK Capital Funding LLC III, all based in Wilmington, Delaware, USA. In addition, DZ BANK has issued 8 subordinated letters of comfort in respect of DZ BANK Perpetual Funding (Jersey) Limited, St. Helier, Jersey, Channel Islands, each relating to different classes of preferred shares.

» 41 HEDGE ACCOUNTING

DZ BANK has recognized a micro-hedge and included it in hedge accounting in accordance with section 254 HGB in order to hedge the currency risk arising from its long-term equity investment in DG Funding LLC, New York, USA. The bank funded the carrying amount of its investment by raising US dollar-denominated fixed-term deposits. These fixed-term deposits are rolled over every 3 months. This perfect hedge ensures that the exchange-rate fluctuations in the hedge over the term of the deposits totally cancel each other out. DZ BANK proves the effectiveness of its hedge both prospectively and retrospectively by reconciling the measurement-related parameters.

» 42 EMPLOYEES

Average number of employees by employee group:

	2013	2012
Female employees	**1,729**	**1,664**
Full-time employees	1,129	1,093
Part-time employees	600	571
Male employees	**2,382**	**2,315**
Full-time employees	2,267	2,199
Part-time employees	115	116
Total employees	**4,111**	**3,979**

» 43 AUDITOR FEES

For information on the total fees billed for 2013 by the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, please refer to Note 91 'Auditor fees' in DZ BANK's 2013 consolidated financial statements.

» 44 INVESTMENT FUND ASSETS

DZ BANK owned the following holdings of more than 10 percent of the units in investment fund assets within the meaning of section 285 no. 26 HGB as at December 31, 2013:

INVESTMENT FUND ASSETS BY INVESTMENT OBJECTIVE

€ million	Carrying amount	Fair value	Difference between fair value and carrying amount	Distributions paid for 2013
Mixed fund (pension fund)	757	757	–	20
Mixed fund	1	1	–	–

DZ BANK uses its investments in the pension fund to cover and fund its direct pension obligations in Germany over the long term.

» 45 CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

DZ BANK only assumes liabilities in the form of guarantees and indemnity agreements after it has carefully assessed the risks involved. Having constantly evaluated the risks attaching to the guarantees and indemnity agreements that it has entered into, the bank is currently of the view that the principal debtors concerned will be able to meet the obligations underlying these guarantees and indemnity agreements. DZ BANK believes that these guarantees and indemnity agreements are unlikely to be utilized.

In order to cover acute risks arising from guarantees, indemnity agreements, and irrevocable loan commitments, the bank has recognized provisions of an appropriate amount and has reduced the relevant figures reported by a corresponding amount.

» 46 COVER STATEMENT

The following cover is in place for outstanding covered bonds and derivatives:

€ million	Dec. 31, 2013	Dec. 31, 2012
Total cover assets	**23,190**	**24,619**
Ordinary cover	**23,188**	**24,617**
Loans and advances to banks	13,451	14,719
Loans and advances to customers	788	829
Bonds and other fixed-income securities	8,949	9,069
Derivatives held as cover	**2**	**2**
Cover requirement	**17,673**	**18,614**
Outstanding, covered		
– bearer bonds	6,894	7,265
– registered bonds	10,779	11,349
Derivatives	0	0
Excess cover	**5,517**	**6,005**

» 47 TRUSTEES OF COVER ASSETS

The trustees are appointed by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [Federal Financial Supervisory Authority] and have a duty under law to ensure that the issuance, administration, and collateralization of DZ BANK's covered bonds comply with statutory requirements, the provisions of the Articles of Association, and the terms and conditions of the bonds.

TRUSTEE

KLAUS SCHLITZ
Vice President of the
Frankfurt am Main regional court (retired)
(until January 31, 2014)

KLAUS SCHMITZ
Presiding Judge at the
Frankfurt am Main regional court (retired)
(since February 1, 2014)

DEPUTY TRUSTEE

KLAUS SCHMITZ
Presiding Judge at the
Frankfurt am Main regional court (retired)
(until January 31, 2014)

KLAUS SCHLITZ
Vice President of the
Frankfurt am Main regional court (retired)
(since February 1, 2014)

» 48 RELATED-PARTY DISCLOSURES

The exercise of DZ BANK's normal business activities involves parties related to DZ BANK. Transactions with related parties within the meaning of section 285 no. 21 HGB are conducted on an arm's length basis.

The total remuneration paid to the members of the Board of Managing Directors of DZ BANK in 2013 was €8,453 thousand (2012: €7,441 thousand). The total remuneration paid to the Supervisory Board was €573 thousand (2012: €575 thousand). The total remuneration paid to the Board of Managing Directors in 2013 and 2012 included the total bonus awarded to the Board of Managing Directors for the year in question. A sum of 20 percent of the total bonus determined on the basis of targets achieved is paid out in the subsequent year immediately after the annual financial statements have been formally adopted. Payment of the remaining 80 percent of the bonus of €1,278 thousand granted for 2013 (2012: €1,098 thousand) depends on the sustained share price performance based on a calculation of enterprise value per DZ BANK share and is spread out over a period of up to 4 years in total.

» 49
DECISION-MAKING BODIES

A total amount of €8,721 thousand (2012: €8,194 thousand) was paid to former members of the Board of Managing Directors or their surviving dependants, for whom pension obligations of €96,039 thousand (2012: €99,737 thousand) were also recognized.

BOARD OF MANAGING DIRECTORS OF DZ BANK

WOLFGANG KIRSCH
(Chief Executive Officer)

LARS HILLE

WOLFGANG KÖHLER

HANS-THEO MACKE
(Member of the Board of Managing Directors until December 31, 2013)

ALBRECHT MERZ

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

THOMAS ULLRICH

FRANK WESTHOFF

STEFAN ZEIDLER
(Member of the Board of Managing Directors since October 1, 2013)

SUPERVISORY BOARD OF DZ BANK

HELMUT GOTTSCHALK
(Chairman of the Supervisory Board)
Spokesman of the Board of Managing Directors
Volksbank Herrenberg-Rottenburg eG

WOLFGANG APITZSCH
(Deputy Chairman of the Supervisory Board)
Attorney

HENNING DENEKE-JÖHRENS
(Deputy Chairman of the Supervisory Board)
Spokesman of the Board of Managing Directors
Volksbank eG Lehrte-Springe-Pattensen-Ronnenberg

HEINER BECKMANN
Senior manager
R+V Allgemeine Versicherung AG

RÜDIGER BEINS
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

ULRICH BIRKENSTOCK
Employee
R+V Allgemeine Versicherung AG

WERNER BÖHNKE
Member of the Supervisory Board
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

HERMANN BUERSTEDDE
Employee
Union Asset Management Holding AG

KARL EICHELE
Employee
Schwäbisch Hall Kreditservice AG

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

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

BERND HÜHN
Chief Executive Officer
Volksbank Alzey-Worms eG

SIGMAR KLEINERT
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

RAINER MANGELS
Employee
R+V Rechtsschutzversicherung AG

WALTER MÜLLER
Chief Executive Officer
Volksbank Raiffeisenbank Fürstenfeldbruck eG

GERHARD J. RASTETTER
Bank Director (ret.)

DIETER REMBDE
Member of the Board of Managing Directors
VR-Bank Schwalm-Eder Volksbank Raiffeisenbank 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

As at December 31, 2013, members of the Board of Managing Directors and employees also held mandates on the statutory supervisory bodies of major companies. These and other notable mandates are listed below. Companies included in the consolidation are indicated with an asterisk (*).

» 50
SUPERVISORY MANDATES HELD BY MEMBERS OF THE BOARD OF MANAGING DIRECTORS AND EMPLOYEES

MEMBERS OF THE BOARD OF MANAGING DIRECTORS

WOLFGANG KIRSCH (Chief Executive Officer)	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Chairman of the Supervisory Board (*)
	Landwirtschaftliche Rentenbank, Frankfurt am Main, Member of the Board of Directors
	R+V Versicherung AG, Wiesbaden, Chairman of the Supervisory Board (*)
	Südzucker AG, Mannheim, Member of the Supervisory Board
	Union Asset Management Holding AG, Frankfurt am Main, Chairman of the Supervisory Board (*)
LARS HILLE	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*) (since January 13, 2014)
	Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DZ PRIVATBANK (Schweiz) AG, Zurich, Chairman of the Board of Directors (*)
	DZ PRIVATBANK S.A., Luxembourg-Strassen, Chairman of the Supervisory Board (*)
	Union Asset Management Holding AG, Frankfurt am Main, Member of the Supervisory Board (*)

WOLFGANG KÖHLER	DVB Bank SE, Frankfurt am Main, Member of the Supervisory Board (*)
	DZ PRIVATBANK S.A., Luxembourg-Strassen, Member of the Supervisory Board (*)
	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
HANS-THEO MACKE	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*) (until December 31, 2013)
	EDEKABANK AG, Hamburg, Member of the Supervisory Board
	VR-LEASING AG, Eschborn, Chairman of the Supervisory Board (*) (until December 31, 2013)
ALBRECHT MERZ	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*)
	BayWa AG, Munich, Member of the Supervisory Board
	R+V Allgemeine Versicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	TeamBank AG Nürnberg, Nuremberg, Chairman of the Supervisory Board (*)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*) (until March 7, 2014)
DR. CORNELIUS RIESE	DZ Polska S.A., Warsaw, Chairman of the Supervisory Board
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*) (since March 7, 2014 subject to the consent of the Annual General Meeting of VR-LEASING AG on March 7, 2014)

THOMAS ULLRICH	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*) (until December 31, 2013)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Deputy Chairman of the Supervisory Board
	Equens SE, Utrecht, Member of the Supervisory Board
	FIDUCIA IT AG, Karlsruhe, Member of the Supervisory Board
FRANK WESTHOFF	BAG Bankaktiengesellschaft, Hamm, Member of the Supervisory Board
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Chairman of the Supervisory Board (*)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DVB Bank SE, Frankfurt am Main, Chairman of the Supervisory Board (*)
	DZ BANK Ireland plc, Dublin, Chairman of the Board of Directors (*)
	TeamBank AG Nürnberg, Nuremberg, Deputy Chairman of the Supervisory Board (*)
STEFAN ZEIDLER	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*) (since January 1, 2014)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*) (Chairman of the Supervisory Board since January 1, 2014)

EMPLOYEES

ROLF BÜSCHER	Volksbank Romania S.A., Bucharest, Member of the Supervisory Board
DR. LUIS-ESTEBAN CHALMOVSKY	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors
DIETMAR ILG	DZ Polska S.A., Warsaw, Vice Chairman of the Supervisory Board
THOMAS KALTWASSER	DZ BANK Ireland plc, Dublin, Member of the Board of Directors (*)
DR. THOMAS KETTERN	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board
BERNHARD KUHN	DZ Polska S.A., Warsaw, Member of the Supervisory Board
WINFRIED MÜNCH	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main, Member of the Supervisory Board
CLAUDIO RAMSPERGER	Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
JOCHEN RIECKE	Equens SE, Utrecht, Member of the Supervisory Board
GREGOR ROTH	ConCardis GmbH, Frankfurt am Main, Member of the Supervisory Board
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	Equens SE, Utrecht, Deputy Chairman of the Supervisory Board
	ReiseBank AG, Frankfurt am Main, Chairman of the Supervisory Board (*)
DAGMAR WERNER	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors

» 51 LIST OF SHAREHOLDINGS

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
ABO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	94.80		26	0
Adger Ocean KS (I) [1]	Oslo, Norway	0.00		0	0
Adger Ocean KS II [1]	Oslo, Norway	0.00		0	0
Adger Ocean KS III [1]	Oslo, Norway	0.00		0	0
Adirondack Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
AER Holding N.V. [1]	Willemstad, Netherlands Antilles	100.00		0	0
AFK Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
AFK Grundstücksverwaltungsgesellschaft mbH & Co. Objekt-Betreuung KG [1]	Eschborn	94.00	66.67	6	-3
AFU Grundstücksverwaltungsgesellschaft mbH	Eschborn	100.00		112	0
AGAB Aktiengesellschaft für Anlagen und Beteiligungen	Frankfurt am Main	100.00		91,645	17,336
AGIMA Aktiengesellschaft für Immobilien-Anlage [5]	Frankfurt am Main	100.00		84,025	0
Al Sahaab Aircraft Leasing Company [1]	Mirgab, Cayman Islands	0.00		0	0
American Flirtation N.V. [1]	Curaçao, Netherlands Antilles	100.00		0	0
AMORFOS Grundstücksgesellschaft mbH & Co. KG [1]	Eschborn	6.00	55.00	-764	-238
Aquila Aircraft Leasing Ltd. [1]	Dublin, Ireland	0.00		0	0
Aran Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	-3
ARATOS GmbH [1]	Eschborn	100.00		82	57
ARATOS GmbH & Co. Immobilien KG [1 6]	Eschborn	6.00	76.00	69	89
ARGINUS GmbH [1]	Eschborn	100.00		153	24
ARGINUS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	-1,854	126
ARMIDA GmbH [1]	Eschborn	100.00		44	19
ARMIDA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	24	23
ASPASIA GmbH [1]	Eschborn	100.00		51	26
ASPASIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	736	32
Assimoco S.p.A. [1]	Segrate (Mi), Italy	78.20		76,991	5,972
Assimoco Vita S.p.A. [1]	Segrate (Mi), Italy	80.80		81,949	2,465
Assimocopartner S.r.l. Unipersonale [1]	Segrate (Mi), Italy	100.00		260	4
attrax S.A. [1]	Luxembourg, Luxembourg	100.00		26,092	14,733
Aufbau und Handelsgesellschaft mbH [1]	Stuttgart	94.90		525	0
AURIGA GmbH [1]	Eschborn	100.00		-559	-51
Autobahn 2003 Holdings LLC	Delaware, USA	0.00		0	0
Autobahn Funding Company LLC	Delaware, USA	0.00		0	0
AXICA Kongress- und Tagungszentrum Pariser Platz 3 GmbH [5]	Berlin	100.00		26	0
BAL Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		31	0
Bathgate Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Bausparkasse Schwäbisch Hall Aktiengesellschaft – Bausparkasse der Volksbanken und Raiffeisenbanken [5]	Schwäbisch Hall	81.80		1,812,302	0
Best Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
Beteiligungsgesellschaft Westend 1 mbH & Co. KG [1]	Frankfurt am Main	94.90		17,496	-4
BFL Gesellschaft des Bürofachhandels mbH & Co. KG [1]	Eschborn	73.92	74.00	11,990	0
BFL Gesellschaft des Bürofachhandels Verwaltungsgesellschaft mbH [1]	Eschborn	100.00		32	0
BFL Leasing GmbH [1]	Eschborn	100.00		11,853	5,569
BIG-Immobilien Gesellschaft mit beschränkter Haftung [1]	Frankfurt am Main	100.00		740	-8
BIG-Immobilien GmbH & Co. Betriebs KG [1]	Frankfurt am Main	100.00		4,187	681
Bischoff GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
Blasket Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	-3
Blue Moon Shipping Limited [1]	St. John's, Antigua and Barbuda	0.00		0	0
Bluebell Aircraft Leasing Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Bonham Aircraft Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0
Braveheart Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Braveheart Shipping Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Bukit Merah Shipping Pte. Ltd. [1]	Singapore, Singapore	0.00		0	0
Bulls Aircraft Leasing (Malta) Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Buzzard Aircraft Leasing Limited i.L. [1]	Dublin, Ireland	100.00	0.00	0	0
BWG Baugesellschaft Württembergischer Genossenschaften mbH [1]	Stuttgart	94.78		9,965	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Calidris Shipping LLC [1]	Majuro, Marshall Islands	100.00		0	0
CALYPSO GmbH [1]	Eschborn	100.00		-250	-120
CANOPOS GmbH [1]	Eschborn	100.00		46	21
CANOPOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		26	25
Capital Lease Limited [1]	Hong Kong, Hong Kong	0.00		0	0
carexpert Kfz-Sachverständigen GmbH [1]	Walluf	60.00		3,638	578
Cash Express Gesellschaft für Finanz- und Reisedienstleistungen mbH [1] [5]	Frankfurt am Main	100.00		1,543	0
CATHENA GmbH [1]	Eschborn	100.00		52	27
CEBIR Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
CELES Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		312	-6
Centra Leasing Anlagen GmbH [1] [5]	Eschborn	100.00		5,899	0
Centra Leasing Anlagen GmbH & Co. Objektbeteiligungs KG [1]	Eschborn	100.00		69	61
CHEMIE Pensionsfonds AG [1]	Munich	100.00		16,318	150
Chiefs Aircraft Holding (Malta) Limited [1]	Floriana, Malta	100.00	0.00	0	0
CHROMARIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	35	34
CI CONDOR Immobilien GmbH [1] [5]	Hamburg	100.00		28,500	0
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH [1]	Wiesbaden	100.00		3,093	283
Condor Allgemeine Versicherungs-Aktiengesellschaft [1] [5]	Hamburg	100.00		41,762	0
Condor Beteiligungsgesellschaft mbH [1]	Hamburg	100.00		27	-1
Condor Dienstleistungs GmbH [1]	Hamburg	100.00		195	8
Condor Lebensversicherungs-Aktiengesellschaft [1] [5]	Hamburg	94.99		38,588	0
Condor-Fonds-Union [1]	Frankfurt am Main	0.00		0	0
Container Investment Fund I LLC [1]	Majuro, Marshall Islands	0.00		0	0
Container Investment Fund II LLC [1]	Majuro, Marshall Islands	0.00		0	0
CORAL Capital Limited [1]	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) 2 Limited [1]	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) Limited [1]	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Jersey) Limited [1]	St. Helier, Jersey	0.00		0	0
Cruise/Ferry Master Fund I N.V. [1]	Willemstad, Netherlands Antilles	0.00		0	0
D8 Product Tankers I LLC [1]	Majuro, Marshall Islands	0.00		0	0
DAC Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		57	31
DAC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lüneburg KG [1]	Eschborn	99.00	83.67	39	38
Dalian Deepwater Developer Ltd. [1]	St. Helier, Jersey	0.00		0	0
DEGEACTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEACTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		10	-49
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	15
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	17	19
DEGEALBUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		24	0
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamm-Heessen KG [1]	Eschborn	90.00	66.67	3	0
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		74	49
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		60	58
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		51	26
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		33	31
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		59	33
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-973	35
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-9	-120
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		69	43
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.90	75.00	61	55
DEGECALAN Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		78	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.99	85.71	-2,530	279
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		49	23
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	11	26
DEGECASTELL GmbH [1]	Eschborn	100.00		21	-1
DEGECEBER Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	16
DEGECEBER Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		20	19
DEGECEDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		703	55
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		43	17
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		22	87
DEGECENUM Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		26	0
DEGECIVO Grundstücksverwaltungsgesellschaft mbH Berlin [1]	Berlin	100.00		29	4
DEGECOMO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		31	3
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berenbostel KG [1]	Eschborn	100.00		5	51
DEGECOPAX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
DEGECULA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		81	56
DEGECULA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sindelfingen KG [1]	Eschborn	6.00	75.50	91	70
DEGEDELTA Vermietungsgesellschaft für Betriebsvorrichtungen mbH [1]	Eschborn	100.00		26	0
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		60	35
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	43	43
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	69	80
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		42	17
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Nord KG [1]	Eschborn	100.00		20	343
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Süd KG [1]	Eschborn	100.00		3	15
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	-135	124
DEGEFILA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEFILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	-518	14
DEGEFULVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		35	10
DEGEGAMMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	0
DEGEGRAVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	-2
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	53
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		358	333
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		397	481
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekt Hattingen mbH [1]	Eschborn	100.00		9	-12
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekte West mbH [1]	Eschborn	100.00		736	374
DEGEIMPULS Objekt Düsseldorf Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		201	32
DEGEKONKRET Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		23	0
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Worms KG [1]	Eschborn	100.00		3	15
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	38
DEGEMARCA Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		26	0
DEGEMARO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEMARO Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Volksbank Pforzheim KG[1]	Eschborn	0.00	66.67	-812	196
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Voerde KG[1]	Eschborn	90.00	66.67	3	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lauingen KG[1]	Eschborn	2.00	66.67	-599	79
DEGEMILA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		43	18
DEGEMILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-855	254
DEGEMINAX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		47	22
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-2,579	488
DEGEMOBIL Vermietungsgesellschaft für Betriebsvorrichtungen mbH[1]	Eschborn	100.00		-9	-38
DEGEMODUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	-1
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-559	149
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		55	30
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	51.00	37	263
DEGEMONDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		32	0
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		168	142
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	95.00	75.00	-1,316	697
DEGEMOX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEMOX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	30
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-1,737	529
DEGENASUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGENASUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-2,434	443
DEGENATUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGENATUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-182	19
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-5,220	1,098
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-91	12
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		138	113
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.00	75.50	135	134
DEGENAVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGENAVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-459	90
DEGENIMIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGENITOR Grundstücksverwaltungsgesellschaft mbH[1] [5]	Eschborn	100.00		26	0
DEGENOVUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		1,663	256
DEGEPACTO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		75	50
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	75.50	-2,253	104
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	40

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		46	1
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	66.67	-6	0
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	26	3
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		52	27
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	34	32
DEGEPROJEKT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		119	-189
DEGEPROLOG Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		30	1
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-17	-1
DEGEREAL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		65	39
DEGEREAL Grundstücksverwaltungsgesellschaft mbH & Co. Objekte Pfalz KG [1]	Eschborn	95.00	83.67	44	37
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		47	22
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-331	58
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-316	-144
DEGEREX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		53	28
DEGEREX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	35	33
DEGERIA Beteiligungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGERIMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGERIMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	3	1
DEGERIPA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		40	14
DEGERIPA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	76.00	-516	-30
DEGERISOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGERISOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	25	3
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-2,216	87
DEGERODO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	-1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	-12	1
DEGERUDENS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		21	-1
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		70	45
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-242	98
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	-1
DEGESALTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		22	1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	3	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neuss KG [1]	Eschborn	90.00	66.67	3	0
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	36
DEGESERA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESERA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	773	95
DEGESERVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGESERVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-738	62
DEGESIDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		175	149
DEGESIDO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	181	180
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		61	35
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.91	75.00	610	212
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		52	26
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	33	32
DEGESILEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		71	45
DEGESILEX Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Karlsfeld KG [1]	Eschborn	5.00	75.50	-2,013	235
DEGESILVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		36	11
DEGESISTO Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		114	0
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		45	19
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	-1,423	39
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1] [6]	Eschborn	1.18	6.67	-1,976	609
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	66.67	-4	2,153
DEGESTRENA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		65	39
DEGESUR Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		634	0
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		49	23
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	10.00	75.50	2,443	77
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		43	17
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [2]	Eschborn	100.00		-371	27
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	21
DEGETERRA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		40	15
DEGETERRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	75.50	-764	30
DEGETEXTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		24	1
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		49	24
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	67.34	31	40
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		59	34
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	66.67	42	41
DEGETRAPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		243	217
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		48	23
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	75.50	23	28
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	12
DEGEVIA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEVIA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Rhede Gronauer Strasse 21 KG [1]	Eschborn	90.00	66.67	3	0
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		48	23
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-195	114
DEGEZONA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	0
DESPINA GmbH [1]	Eschborn	100.00		60	9
DESTRA Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Deucalion Capital I (UK) Ltd. [1]	London, UK	0.00		0	0
Deucalion Capital II (MALTA) Limited [1]	Valletta, Malta	0.00		0	0
Deucalion Capital II (UK) Ltd. [1]	London, UK	0.00		0	0
Deucalion Capital II Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital V Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VI Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VII Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VIII Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital XI Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Engine Leasing (Ireland) Ltd. [1]	Dublin, Ireland	0.00		0	0
Deucalion Engine Leasing France [1]	Paris, France	0.00		0	0
Deucalion Ltd. [1]	George Town, Cayman Islands	0.00		0	0
Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft [3] [5]	Hamburg	100.00		1,407,258	0
DEVIF-Fonds Nr. 150 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 2 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 250 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 500 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 526 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 528 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 60 Deutsche Gesellschaft für Investmentfonds [1]	Frankfurt am Main	0.00		0	0
DG Betriebsservice Verwaltungs-Gesellschaft mbH	Frankfurt am Main	100.00		7	0
DG Funding LLC	New York, USA	0.89	100.00	690,078	10,472
DG Holding Trust	New York, USA	100.00		654,604	5,425
DG LEASING GmbH [1]	Eschborn	100.00		26	0
DG Participacoes Ltda. [1]	São Paulo, Brazil	100.00		0	0
DINO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	3
DIVUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		132	106
DOBAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		60	35
DOSA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		60	28
DRITTE DG Vermietungsgesellschaft für Immobilien mbH [1] [5]	Eschborn	100.00		26	0
DUNAVAGON s.r.o. [1]	Dunajská Streda, Slovakia	100.00	0.00	0	0
DuoPlast Holding GmbH [1]	Münster	100.00		25	0
DURO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		52	26
DV01 Szarazfoldi Jarmukolcsonzo rt [1]	Áporka, Hungary	0.00		0	0
DVB Aviation Finance Asia Pte Ltd. [1]	Singapore, Singapore	100.00		-2,442	8,234
DVB Bank America N.V. [1]	Willemstad, Netherlands Antilles	100.00		204,231	13,075
DVB Bank SE	Frankfurt am Main	95.45		539,382	27,880
DVB Capital Markets LLC [1]	Wilmington, USA	100.00		1,054	572
DVB Container Finance America LLC [1]	Ajeltake Island, Marshall Islands	100.00		0	0
DVB Container Finance Asia Pte Ltd. [1]	Singapore, Singapore	100.00		2	-4
DVB Group Merchant Bank (Asia) Ltd. [1]	Singapore, Singapore	100.00		350,561	51,764
DVB Holding (US) Inc. [1]	Greenwich, USA	100.00		1,566	-445
DVB Holding GmbH [1] [5]	Frankfurt am Main	100.00		13,000	0
DVB Invest (Suisse) AG [1]	Zurich, Switzerland	99.90		217	-9
DVB Investment Management N.V. [1]	Willemstad, Netherlands Antilles	100.00		0	0
DVB Objektgesellschaft Geschäftsführungs GmbH [1]	Frankfurt am Main	100.00		25	0
DVB Service (US) LLC [1]	Delaware, USA	100.00		0	0
DVB Transport (US) LLC [1]	New York, USA	100.00		4,450	1,202
DVB Transport Finance Limited [1]	London, UK	100.00		27,573	6,990
DVG Deutsche Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung [5]	Frankfurt am Main	100.00		82	0
DVL Deutsche Verkehrs-Leasing GmbH [1]	Eschborn	74.90		2,557	1
DZ BANK Capital Funding LLC I [2] [4]	Wilmington, USA	100.00		301,162	8,269
DZ BANK Capital Funding LLC II [2] [4]	Wilmington, USA	100.00		501,014	9,181
DZ BANK Capital Funding LLC III [2] [4]	Wilmington, USA	100.00		350,443	6,060
DZ BANK Capital Funding Trust I	Wilmington, USA	0.00	100.00	300,001	8,232
DZ BANK Capital Funding Trust II	Wilmington, USA	0.00	100.00	500,001	9,165
DZ BANK Capital Funding Trust III	Wilmington, USA	0.00	100.00	350,001	6,048
DZ BANK Ireland public limited company [3]	Dublin, Ireland	100.00		212,220	2,290
DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH i.L.	Frankfurt am Main	100.00		11	-3
DZ BANK Perpetual Funding (Jersey) Limited [4]	St. Helier, Jersey	0.00	100.00	230,690	2,696

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DZ BANK Perpetual Funding Issuer (Jersey) Limited	St. Helier, Jersey	0.00		2	0
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	St. Helier, Jersey	0.00		2	0
DZ BANK Sao Paulo Representacao Ltda. [2]	São Paulo, Brazil	100.00		141	24
DZ Beteiligungsgesellschaft mbH Nr. 11 [5]	Frankfurt am Main	100.00		6,620	0
DZ Beteiligungsgesellschaft mbH Nr. 14 [5]	Frankfurt am Main	100.00		51	0
DZ Beteiligungsgesellschaft mbH Nr. 16 [5]	Frankfurt am Main	100.00		160	0
DZ Beteiligungsgesellschaft mbH Nr. 18 [5]	Frankfurt am Main	100.00		124,726	0
DZ Beteiligungsgesellschaft mbH Nr. 20 [5]	Frankfurt am Main	100.00		26	0
DZ Beteiligungsgesellschaft mbH Nr. 3 [5]	Frankfurt am Main	100.00		18,881	0
DZ Capital Management GmbH	Frankfurt am Main	100.00		283	-39
DZ FINANCIAL MARKETS LLC	New York, USA	100.00		2,168	-592
DZ Gesellschaft für Grundstücke und Beteiligungen mbH [5]	Frankfurt am Main	100.00		4,037	0
DZ Immobilien GmbH & Co. KG WH10	Frankfurt am Main	100.00		46,226	1,752
DZ Polska Spolka Akcyjna	Warsaw, Poland	100.00		88,665	0
DZ PRIVATBANK (Schweiz) AG [1]	Zurich, Switzerland	100.00		171,905	2,122
DZ PRIVATBANK S.A. [3]	Luxembourg-Strassen, Luxembourg	70.04		739,184	45,529
DZ PRIVATBANK Singapore Ltd. [1] [3]	Singapore, Singapore	100.00		9,341	-932
DZ Vermögensverwaltung I GmbH	Frankfurt am Main	100.00		31	3
DZ Versicherungsvermittlung Gesellschaft mbH [5]	Frankfurt am Main	100.00		51	0
DZ Vierte Beteiligungsgesellschaft mbH [5]	Frankfurt am Main	100.00		334,687	0
e@syCredit Marketing und Vertriebs GmbH [1]	Nuremberg	100.00		20	0
Eagle Aircraft Leasing Limited [1]	George Town, Cayman Islands	0.00		0	0
EC Verwertungsgesellschaft 2 GmbH i.L. [1]	Eschenbach i.d.Opf.	100.00		2,196	8
ENDES Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
Englische Strasse 5 GmbH [1]	Berlin	90.00		1,495	-132
EPI Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
Europäische Genossenschaftsbank S. A. [1]	Luxembourg-Strassen, Luxembourg	100.00		12,505	70
European Food Erste GmbH [1]	Frankfurt am Main	52.13		0	0
EXERT Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
Falcon Aircraft Leasing Limited i.L. [1]	Dublin, Ireland	0.00		0	0
Finassimoco S.p.A. [1]	Segrate (Mi), Italy	56.95		93,756	44
Finch Aircraft Leasing Limited [1]	Dublin, Ireland	0.00		0	0
FLORIN GmbH [1]	Eschborn	100.00		48	23
FLORIN GmbH & Co. Immobilien KG [1] [6]	Eschborn	6.00	76.00	-26	28
France Maritime LLC [1]	Majuro, Marshall Islands	100.00		0	0
Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt. [1]	Budapest, Hungary	51.25		125,352	22,230
Fundamenta-Lakáskassza Pénzügyi Közvetítő Kft. [1]	Budapest, Hungary	100.00		159,933	1,086
GAF Active Life 1 Renditebeteiligungs-GmbH & Co. KG [1]	Nidderau	64.32		69,006	-6,695
GAF Active Life 2 Renditebeteiligungs-GmbH & Co. KG [1]	Nidderau	63.36		67,572	-1,579
Gandari Shipping Pte. Ltd. [1]	Singapore, Singapore	0.00		0	0
GbR Dortmund Westenhellweg 39 – 41 [1]	Wiesbaden	100.00		40,902	2,717
GENO-Haus Stuttgart GmbH & Co. KG Verwaltungsgesellschaft [2]	Stuttgart	55.20		13	0
Genossenschaftlicher Informations Service GIS GmbH	Frankfurt am Main	100.00		3,243	21
Glen Campbell Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen More Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Shee Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Shiel Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glencoe Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
GMS Management und Service GmbH [1]	Nidderau	66.67		93	43
Gola Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	0
Goldberg Zweite Grundstücksverwaltungsgesellschaft Sütex mbH & Co. KG [1]	Eschborn	94.50	88.00	142	275
Great Glen Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Green Eagle Investments N.V. [1]	Willemstad, Netherlands Antilles	0.00		0	0
Green Mountain Shipping Ltd. [1]	Willemstad, Netherlands Antilles	0.00		0	0
Grundstücksverwaltungsgesellschaft Sütex mbH [1]	Eschborn	100.00		24	-1
GTIS Brazil II S-Feeder LP [1]	Edinburgh, UK	100.00	0.00	4,649	-154
GWG 1. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		2,000	0
GWG 2. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		3,000	0
GWG 3. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		7,000	1,163
GWG 4. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		0	0
GWG Beteiligungsgesellschaft mbH [1]	Stuttgart	100.00		203,457	20,378

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG [1]	Stuttgart	91.33		185,929	14,007
GWG ImmoInvest GmbH [1]	Stuttgart	94.90		5,633	615
GZ-Immobilien-Management GmbH & Co. Objekt KG	Frankfurt am Main	100.00		-706	-3
GZ-Trust Consult GmbH i.L.	Stuttgart	100.00		497	-8
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG [1]	Berlin	100.00		1,000	756
Havel Nordost Zweite Grossmobilien GmbH [1]	Liebenwalde-Kreuzbruch	100.00		32	7
Havel Nordost Zweite Grossmobilien GmbH & Co. Vermietungs KG [1]	Zehdenick	0.00	52.00	2	319
Hawk Aircraft Leasing Limited [1]	Dublin, Ireland	0.00		0	0
Henderson Global Investors Real Estate (No. 2) LP [1]	London, UK	100.00		20,399	2,289
HGI Immobilien GmbH & Co. GB I KG [1]	Frankfurt am Main	73.91	73.21	24,500	-69
HGI Real Estate LP [1]	London, UK	100.00		617	-26
Hibiscus Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
Highlanders Aircraft Leasing (IRL) Ltd. [1]	Dublin, Ireland	100.00	0.00	0	0
HLCA I - Universal Fonds [1]	Frankfurt am Main	0.00		0	0
HLCL-Universal-Fonds II [1]	Frankfurt am Main	0.00		0	0
Hollandse Scheepshypotheekbank N.V. [1]	Rotterdam, Netherlands	100.00		707	-4
HumanProtect Consulting GmbH [1]	Cologne	100.00		204	87
Hypotheken-Management GmbH [1] [5]	Mannheim	100.00		6,647	0
Ibon Leasing Limited [1]	George Town, Cayman Islands	100.00		0	0
Immobilien-Gesellschaft 'DG Bank-Turm, Frankfurt am Main, Westend' mbH & Co. KG des genossenschaftlichen Verbundes [1]	Frankfurt am Main	95.88		194,113	-6,140
Immobilien-Verwaltungsgesellschaft 'DG BANK-Turm, Frankfurt am Main, Westend' mbH	Frankfurt am Main	100.00		115	14
Indexfinal Limited [1]	London, UK	100.00		1	0
Infifon XI B. V. [1]	Rotterdam, Netherlands	100.00		26	0
Intermodal Investment Fund VI LLC [1]	Majuro, Marshall Islands	100.00		0	0
IPConcept (Luxemburg) S.A. [1]	Luxembourg-Strassen, Luxembourg	100.00		6,747	3,167
IPConcept (Schweiz) AG [1]	Zurich, Switzerland	100.00		3,572	241
ITF Suisse AG [1]	Zurich, Switzerland	100.00		47,019	537
Ivanhoe Shipping Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
IZD-Beteiligung S.à.r.l. [1]	Luxembourg, Luxembourg	99.50		19,877	1
JASPIS GmbH [1]	Eschborn	100.00		39	14
JASPIS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		4	18
KALAMOS GmbH [1]	Eschborn	100.00		54	29
KALAMOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	-1,130	-101
KBIH Beteiligungsgesellschaft für Industrie und Handel mbH [1]	Frankfurt am Main	100.00		1,337	-525
KERKIS I LLC [1]	Majuro, Marshall Islands	0.00		0	0
KERKIS II LLC [1]	Majuro, Marshall Islands	0.00		0	0
KERKIS III LLC [1]	Majuro, Marshall Islands	0.00		0	0
KERKIS IV LLC [1]	Majuro, Marshall Islands	0.00		0	0
KISSELBERG Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		14	-2
KISSELBERG Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	12,289	2,667
KRAVAG Umweltschutz und Sicherheitstechnik GmbH [1]	Hamburg	100.00		186	9
KRAVAG-ALLGEMEINE Versicherungs-Aktiengesellschaft [1]	Hamburg	100.00		69,515	6,615
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft [1]	Hamburg	51.00		129,987	11,894
Landes Canada Inc. [1]	Granby, Quebec, Canada	100.00		2,968	-235
Landes Holding GmbH [1]	Isny im Allgäu	72.35	74.90	12,300	112
Landes Hong Kong Limited [1]	Kwun Tong, Kowloon, Hong Kong	100.00		567	158
Landes Lederwarenfabrik GmbH [1]	Isny im Allgäu	100.00		6,691	0
Lantana Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
LEKANIS GmbH [1]	Eschborn	100.00		40	15
LEKANIS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		19	30
LEPORIS GmbH [1]	Eschborn	100.00		21	-1
Lexi Limited [1]	George Town, Cayman Islands	100.00		0	0
LISENE GmbH [1]	Eschborn	100.00		41	16
LISENE GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	20	19
LITOS GmbH [1]	Eschborn	100.00		39	14
LITOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	-37	16
LogPay Financial Services GmbH [1] [5]	Eschborn	100.00		3,750	0
LogPay Fuel Spain S.L.U. [1]	Barcelona, Spain	100.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
LogPay Transport Services GmbH [1] [5]	Eschborn	75.12		201	0
Lombard Bérlet Gépjármüpark-kezelö és Kereskedelmi Korlátolt Felelösségû Társaság [1]	Szeged, Hungary	100.00		7,459	1,245
Lombard Ingatlan Lízing Zártkörûen Mûködõ Részvénytársaság [1]	Szeged, Hungary	100.00		701	-6,610
Lombard Pénzügyi és Lízing Zártkörûen Mûködõ Részvénytársaság [1]	Szeged, Hungary	96.76		0	0
Longspur Limited [1]	Grand Cayman, Cayman Islands	100.00		0	0
Maple Leaf Cement Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Maple Leaf Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Maple Leaf Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Medico 12 GmbH & Co. KG [1]	Frankfurt am Main	99.8		9,286	-2,790
Mediterra LLC [1]	Ajeltake Island, Marshall Islands	0.00		0	0
Mertus einhundertsiebte GmbH [1]	Frankfurt am Main	100.00		24	-1
MI-Fonds 384 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds 388 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds 391 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds 392 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 57 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 59 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds J01 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds J03 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
Mile Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
MINTAKA GmbH [1]	Eschborn	100.00		44	19
MINTAKA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		25	-36
MODULUS GmbH [1]	Eschborn	100.00		49	24
MODULUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	30	29
MoRe Mobile Ressourcen GmbH [1] [5]	Mannheim	100.00		25	0
Morgenstern Miet + Leasing GmbH [1]	Eschborn	95.00		26	0
Mount Bintang LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Bubu LLC [1]	Majuro, Marshall Islands	0.00		0	0
Mount Kaba Shipping LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Kinabalu LLC [1]	Majuro, Marshall Islands	0.00		0	0
Mount Lawu LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
MOUNT LYDERHORN LLC [1]	Majuro, Marshall Islands	0.00		0	0
Mount Mulu LLC [1]	Majuro, Marshall Islands	0.00		0	0
Mount Pleasant Shipping Pte. Ltd. [1]	Singapore, Singapore	0.00		0	0
Mount Rinjani Shipping Pte. Ltd. [1]	Singapore, Singapore	100.00	0.00	0	0
Mount Santubong Ltd. [1]	Labuan, Malaysia	0.00		0	0
MS 'GEORG SCHULTE' Schifffahrtsgesellschaft mbH & Co. KG [1]	Hamburg	78.77		12,499	0
MSU Management-, Service- und Unternehmensberatung GmbH [1]	Landau in der Pfalz	74.00		498	168
NALINUS GmbH [1]	Frankfurt am Main	83.00		16,551	-6,383
Nedship Participation (Norway) B.V. [1]	Rotterdam, Netherlands	100.00		2,685	444
Nedship Scheepvaarthuis B.V. [1]	Rotterdam, Netherlands	100.00		-238	-53
Nedship Shipping B.V. [1]	Rotterdam, Netherlands	100.00		3,516	-54
NELO Dritte GmbH [1]	Eschborn	100.00		45	20
NELO Dritte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	95	25
NELO Erste GmbH [1]	Eschborn	100.00		52	27
NELO Fünfte GmbH [1]	Eschborn	100.00		42	17
NELO Fünfte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	22	21
NELO Zweite GmbH [1]	Eschborn	100.00		39	14
NELO Zweite GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	17
Netherlands Shipmortgage Corporation Ltd. [1]	Hamilton, Bermuda	100.00		0	0
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG [1]	Norderfriedrichskoog	94.00	49.00	0	-130
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG [1]	Norderfriedrichskoog	94.00	49.00	0	-85
NFC Labuan Shipleasing I Ltd. [1]	Labuan, Malaysia	0.00		0	0
NFC Shipping Fund B LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund C LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund II LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund VII LLC [1]	Majuro, Marshall Islands	0.00		0	0
NOMAC AIRCRAFT LEASING (IRL) Ltd. i.L. [1]	Dublin, Ireland	0.00		0	0
NOVA Achte GmbH [1]	Eschborn	100.00		44	19
NOVA Elfte GmbH [1]	Eschborn	100.00		18	-1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
NOVA Neunte GmbH [1]	Eschborn	100.00		39	14
NOVA Siebte GmbH [1]	Eschborn	100.00		40	15
NOVA Siebte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
NTK Immobilien GmbH [1]	Hamburg	100.00		41	0
NTK Immobilien GmbH & Co. Management KG [2]	Hamburg	100.00		82	-525
Ocean Container II [1]	Oslo, Norway	0.00		0	0
Old Winterport Corp. [1]	Portland, USA	100.00		0	0
Optima Pensionskasse Aktiengesellschaft [1]	Hamburg	100.00		4,166	150
PARLA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
Pascon GmbH [1]	Wiesbaden	100.00		25	0
Paul Ernst Versicherungsvermittlungs mbH [1]	Hamburg	51.00		10	-29
PAVONIS GmbH [1]	Eschborn	100.00		71	49
PDZ Personaldienste & Zeitarbeit GmbH [5]	Darmstadt	100.00		60	0
Pension Consult-Beratungsgesellschaft für Altersvorsorge mbH [1]	Munich	100.00		1,008	135
Philip Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
POHACONO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	6	40
Puffin Aircraft Leasing Ltd. [1]	Dublin, Ireland	0.00		0	0
Q, Inc. [1]	San Francisco, USA	63.17		0	0
Quoniam Asset Management GmbH [1]	Frankfurt am Main	87.00	100.00	18,091	8,250
R+V Allgemeine Versicherung Aktiengesellschaft [1 5]	Wiesbaden	95.00		694,220	0
R+V Deutschland Real (RDR) [1]	Hamburg	0.00		0	0
R+V Direktversicherung AG [1 5]	Wiesbaden	100.00		9,500	0
R+V Erste Anlage GmbH [1]	Wiesbaden	100.00		1,080	61
R+V Gruppenpensionsfonds AG [1]	Munich	100.00		12,531	300
R+V Gruppenpensionsfonds Service GmbH [1]	Munich	100.00		63	38
R+V Immobilienfonds OIK Nr. 4 [1]	Frankfurt am Main	0.00		0	0
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin [1]	Dublin, Ireland	100.00		585	-2,311
R+V KOMPOSIT Holding GmbH [1 5]	Wiesbaden	100.00		1,704,036	0
R+V Krankenversicherung AG [1]	Wiesbaden	100.00		53,485	5,000
R+V Kureck Immobilien GmbH [1]	Wiesbaden	100.00		78	1
R+V Leben Wohn GmbH & Co. KG [1]	Wiesbaden	100.00		91,246	2,839
R+V Lebensversicherung Aktiengesellschaft [1 5]	Wiesbaden	100.00		314,981	0
R+V Luxembourg Lebensversicherung S.A. [1]	Luxembourg-Strassen, Luxembourg	100.00		200,721	34,856
R+V Mannheim P2 GmbH [1]	Wiesbaden	94.00		-1,533	-270
R+V Pensionsfonds AG [1]	Wiesbaden	100.00		10,885	213
R+V Pensionskasse AG [1]	Wiesbaden	100.00		55,306	500
R+V Personen Holding GmbH [1 5]	Wiesbaden	100.00		582,089	0
R+V Real Estate Belgium N.V./S.A. [1]	Brussels, Belgium	100.00		10,737	159
R+V Rechtsschutz-Schadenregulierungs-GmbH [1 5]	Wiesbaden	100.00		53	0
R+V Service Center GmbH [1 5]	Wiesbaden	100.00		2,869	0
R+V Service Holding GmbH [1 5]	Wiesbaden	100.00		156,781	0
R+V Treuhand GmbH [1]	Wiesbaden	100.00		34	2
R+V Versicherung AG [5]	Wiesbaden	74.95		1,911,693	0
RAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		89	1
RAS Grundstücksverwaltungsgesellschaft mbH & Co. Objektbeteiligungs KG [1]	Eschborn	100.00		-26	2
Rathlin Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	0
RC II S.a.r.l. [1]	Luxembourg, Luxembourg	90.00		8,969	-403
ReiseBank Aktiengesellschaft [1 5]	Frankfurt am Main	100.00		17,724	0
RISALIS GmbH [1]	Eschborn	100.00		38	13
RISALIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	17	16
RUBINOS GmbH [1]	Eschborn	100.00		143	118
Rushmore Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
RUV Agenturberatungs GmbH [1]	Wiesbaden	100.00		324	57
S1 Offshore Pte. Ltd. [1]	Singapore, Singapore	100.00		0	0
SAG Unternehmensbeteiligungsgesellschaft MT Cape Tampa mbH & Co. KG [1]	Dortmund	99.32		16,677	-617
SAREMA GmbH [1]	Eschborn	100.00		49	24
SAREMA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	52.00	30	311
Scheepvaartschappij Ewout B.V. [1]	Rotterdam, Netherlands	0.00		0	0
Schuster Assekuradeur GmbH [1]	Hamburg	100.00		118	0
Schuster Finanzdienstleistungs-GmbH [1]	Bielefeld	100.00		26	0
Schuster Versicherungsmakler GmbH [1]	Bielefeld	51.00		89	63

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Schwäbisch Hall Facility Management GmbH [1]	Schwäbisch Hall	51.00		4,020	166
Schwäbisch Hall Kreditservice AG [1, 5]	Schwäbisch Hall	100.00		27,775	0
Schwäbisch Hall Wohnen GmbH Gesellschaft für wohnwirtschaftliche Dienstleistungen [1]	Schwäbisch Hall	100.00		518	28
SECURON Hanse Versicherungsmakler GmbH [1]	Hamburg	51.00		33	-10
SECURON Versicherungsmakler GmbH [1]	Munich	51.00		647	392
Shamrock Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Shark Aircraft Leasing (Ireland) Limited i.L. [1]	Dublin, Ireland	0.00		0	0
Shipping Capital Antilles N.V. [1]	Willemstad, Netherlands Antilles	100.00		14,527	377
Shipping Capital B.V. [1]	The Hague, Netherlands	100.00		6,845	-12
SHT Schwäbisch Hall Training GmbH [1]	Schwäbisch Hall	100.00		4,614	629
SIIM Fund I (Shipping and Intermodal Investment Management Fund) [1]	Majuro, Marshall Islands	0.00		0	0
SIKINOS GmbH [1]	Eschborn	100.00		49	24
SIKINOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-65	22
SINALOA Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
Sprint Sanierung GmbH [1]	Cologne	100.00		30,252	3,493
SRF I Limited [1]	Floriana, Malta	0.00		0	0
SRF II Limited [1]	Floriana, Malta	0.00		0	0
SRF III Limited [1]	Floriana, Malta	0.00		0	0
SRF Railcar Leasing Limited [1]	Portroe, Nenagh, Ireland	100.00	0.00	0	0
Stani Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Stephenson Capital Limited [1]	George Town, Cayman Islands	0.00		0	0
Stormers Aircraft Leasing (Malta) Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Taigetos Funding LLC [1]	Majuro, Marshall Islands	0.00		0	0
Taigetos II LLC [1]	Majuro, Marshall Islands	0.00		0	0
Taigetos III LLC [1]	Majuro, Marshall Islands	0.00		0	0
TBS I Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
TeamBank AG Nürnberg [2, 5]	Nuremberg	92.14		519,725	0
Technology DZ Venture Capital Fund I GmbH & Co. KG [1]	Munich	68.29		11,531	82
TEGANON GmbH [1]	Eschborn	100.00		35	9
TEGANON GmbH & Co. Immobilien KG [1]	Eschborn	100.00		5	11
Teide LLC [1]	Majuro, Marshall Islands	0.00		0	0
Terra Maris I LLC [1]	Majuro, Marshall Islands	0.00		0	0
TEU Asset Company N.V. [1]	Willemstad, Netherlands Antilles	100.00	0.00	0	0
TEU Management Company N.V. [1]	Willemstad, Netherlands Antilles	100.00	0.00	0	0
Tiger Aircraft Leasing (UK) Limited [1]	London, UK	0.00		0	0
TILIAS GmbH [1]	Eschborn	100.00		44	19
TILIAS GmbH & Co. Immobilien KG [1]	Eschborn	50.00	76.00	24	23
Tishman Speyer Brazil Feeder (Scots/D), L.P. [1]	Edinburgh, UK	100.00		35,869	5,567
Tishman Speyer European Strategic Office Fund Feeder, L.P. [1]	New York, USA	97.18		14,951	-729
TOPAS GmbH [1]	Eschborn	100.00		48	23
TOPAS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	28	27
Tubbataha Aviation Ltd. [1]	George Town, Cayman Islands	100.00		0	0
TUKANA GmbH [1]	Eschborn	100.00		41	16
TUKANA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	21	20
TURMALI GmbH [1]	Eschborn	100.00		23	-1
UI Vario: 2 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 2 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 3 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 4 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 5 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 10 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 11 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 12 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
UII Immobilien Treuhandfonds Nr. 3 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 4 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 5 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 6 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 7 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 8 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 9 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Issy 3 Moulins SCI [1]	Paris, France	100.00		0	0
UIN Fonds Nr. 776 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 779 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 780 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 781 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 782 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 783 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 784 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 785 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 786 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 787 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 788 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 789 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 790 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 791 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 792 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 793 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 794 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 795 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 796 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 797 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 800 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 802 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 803 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN MultiAssetFonds issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 560 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 578 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 635 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 669 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 715 [1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 716 [1]	Frankfurt am Main	0.00		0	0
UIR FRANCE 1 S.a.r.l. [1]	Paris, France	100.00		29	2
UIR FRANCE 2 S.a.r.l. [1]	Paris, France	100.00		32	2
UIR Verwaltungsgesellschaft mbH [1]	Hamburg	100.00		79	-13
UMB Unternehmens-Managementberatungs GmbH [1] [5]	Wiesbaden	100.00		488	0
Uni Euro Anleihen issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UniImmo: Flexibel issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
UniImmo: Metropolon issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
UniInstitutional Residential Real Estate issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
Union Asset Management Holding AG [2]	Frankfurt am Main	78.69		569,335	252,706
Union Investment Financial Services S.A. [1]	Luxembourg, Luxembourg	100.00		17,506	3,603
Union Investment Institutional GmbH [1] [5]	Frankfurt am Main	100.00		41,770	0
Union Investment Institutional Property GmbH [1]	Hamburg	90.00		12,129	1,052
Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	100.00		240,780	101,180
Union Investment Privatfonds GmbH [1] [5]	Frankfurt am Main	100.00		100,442	0
Union Investment Real Estate Asia Pacific Pte. Ltd. [1]	Singapore, Singapore	100.00		1,130	589

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Union Investment Real Estate France S.A.S. [1]	Paris, France	100.00		2,232	1,036
Union Investment Real Estate GmbH [2]	Hamburg	94.50		72,229	43,153
Union Investment Service Bank AG [1 5]	Frankfurt am Main	100.00		36,115	0
Union Investment Towarzystwo Funduszy Inwestycyjnych S.A. [1]	Warsaw, Poland	100.00		20,495	4,738
Union IT-Services GmbH [1 5]	Frankfurt am Main	100.00		2,374	0
Union Service-Gesellschaft mbH [1 5]	Frankfurt am Main	100.00		5,749	0
UniVorsorge 1 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 2 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 3 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 4 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 5 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 6 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 7 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
Unterstützungskasse der Condor Versicherungsgesellschaften GmbH [1]	Hamburg	66.67		26	0
VAUTID (SHANGHAI) Wear Resistant Material Trading Co. Ltd. [1]	Shanghai, China	100.00		775	354
VAUTID Austria GmbH [1]	Marchtrenk, Austria	100.00		578	228
VAUTID GmbH [1]	Ostfildern	82.51		3,172	304
Vautid North America, Inc. [1]	Pittsburgh, USA	0.00	100.00	-177	-2
Vautid-Belgium PGmbH [1]	Raeren-Eynatten, Belgium	100.00		249	-144
VMB Vorsorgemanagement für Banken GmbH [1]	Overath	90.00		68	41
VR BKE Beratungsgesellschaft für Klima & Energie GmbH [1]	Wiesbaden	66.67		0	0
VR DISKONTBANK GmbH [1 5]	Eschborn	100.00		71,147	0
VR Equitypartner Beteiligungskapital GmbH & Co. KG UBG [2]	Frankfurt am Main	100.00		8,783	4,844
VR Equitypartner GmbH [3]	Frankfurt am Main	78.00		70,546	11,340
VR Equitypartner Management GmbH [1]	Frankfurt am Main	100.00		548	48
VR FACTOREM GmbH [1 5]	Eschborn	100.00		23,285	0
VR GbR [2]	Frankfurt am Main	88.75		243,840	49,436
VR Hausbau AG [1]	Stuttgart	94.48		2,750	0
VR HYP GmbH [1]	Hamburg	100.00		25	0
VR Kreditservice GmbH [1 5]	Hamburg	100.00		25	0
VR Real Estate GmbH [1]	Hamburg	100.00		25	0
VR WERT Gesellschaft für Immobilienbewertung mbH [1 5]	Hamburg	100.00		100	0
VR.medico LEASING GmbH [1]	Eschborn	100.00		4,961	4,357
VR-IMMOBILIEN-LEASING GmbH [1 5]	Eschborn	100.00		14,123	0
VRL-Beteiligungs GmbH [1]	Eschborn	100.00		29	2
VR-LEASING ABYDOS GmbH [1]	Eschborn	100.00		49	24
VR-LEASING ABYDOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-39	22
VR-LEASING AKANTHUS GmbH [1]	Eschborn	100.00		41	16
VR-LEASING AKANTHUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		21	19
VR-LEASING Aktiengesellschaft [5]	Eschborn	83.46		211,070	0
VR-LEASING ALDEBARA GmbH [1]	Eschborn	100.00		41	16
VR-LEASING ALDEBARA GmbH & Co. Immobilien KG [1 6]	Eschborn	6.00	76.00	-298	-40
VR-LEASING AMETRIN GmbH [1]	Eschborn	100.00		43	17
VR-LEASING AMETRIN GmbH & Co. Immobilien KG [1]	Eschborn	100.00		22	21
VR-LEASING ANDROS GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ANDROS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		26	205
VR-LEASING ARINA GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ARINA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	27	26
VR-LEASING ARKI GmbH [1]	Eschborn	100.00		45	20
VR-LEASING ARKI GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	26	25
VR-LEASING ARRIANUS GmbH [1]	Eschborn	100.00		42	17
VR-LEASING ARRIANUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	2	19
VR-LEASING ASARO GmbH [1]	Eschborn	100.00		46	1
VR-LEASING ASARO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	2	0
VR-LEASING ASINE GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ASINE GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-76	-27
VR-LEASING ASOPOS GmbH [1]	Eschborn	100.00		29	2
VR-LEASING ASOPOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		3	15
VR-LEASING ATRIA GmbH [1]	Eschborn	100.00		38	13
VR-LEASING ATRIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	55.00	17	16
VR-LEASING AVENTURIN GmbH [1]	Eschborn	100.00		40	14

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING AVENTURIN GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
VR-LEASING BETA GmbH [1]	Eschborn	100.00		44	19
VR-LEASING BETA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		24	23
VR-LEASING Beteiligungs GmbH & Co. KG [1]	Eschborn	100.00		0	0
VR-LEASING DELOS GmbH [1]	Eschborn	100.00		44	19
VR-LEASING DELOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		24	23
VR-LEASING DIVO GmbH [1]	Eschborn	100.00		52	27
VR-LEASING DIVO GmbH & Co. Immobilien KG [1] [6]	Eschborn	6.00	76.00	34	33
VR-LEASING DOBAS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		43	42
VR-LEASING EINKAUFS-GmbH [1] [5]	Eschborn	100.00		80,008	0
VR-LEASING ERIDA GmbH [1]	Eschborn	100.00		47	18
VR-LEASING ERIDA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	23	26
VR-LEASING FABIO GmbH [1]	Eschborn	100.00		36	11
VR-LEASING FABIO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	15	14
VR-LEASING FACTA GmbH [1]	Eschborn	100.00		25	-1
VR-LEASING FAGURA GmbH [1]	Eschborn	100.00		234	209
VR-LEASING FAGURA GmbH & Co. Erste Immobilien KG [1]	Eschborn	100.00		15	13
VR-LEASING FAGURA GmbH & Co. Sechste Immobilien KG [1]	Eschborn	6.00	76.00	24	16
VR-LEASING FAGURA GmbH & Co. Siebte Immobilien KG [1]	Eschborn	6.00	68.00	25	23
VR-LEASING FAGUS GmbH [1]	Eschborn	100.00		29	3
VR-LEASING FAGUS GmbH & Co. Immobilien KG [1]	Eschborn	2.00	81.00	6	9
VR-LEASING FARINA GmbH [1]	Eschborn	100.00		38	12
VR-LEASING FARINA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	0	0
VR-LEASING FERRIT GmbH [1]	Eschborn	100.00		25	0
VR-LEASING FERRIT GmbH & Co. Erste Immobilien KG [1]	Eschborn	6.00	76.00	639	91
VR-LEASING FERRIT GmbH & Co. Fünfte Immobilien KG [1]	Eschborn	6.00	76.00	18	17
VR-LEASING FERRIT GmbH & Co. Zweite Immobilien KG [1]	Eschborn	0.00	52.00	-426	6
VR-LEASING FIXUM GmbH [1]	Eschborn	100.00		36	11
VR-LEASING FLAVUS GmbH [1]	Eschborn	100.00		38	13
VR-LEASING FLAVUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-396	-24
VR-LEASING FOLIO GmbH [1]	Eschborn	100.00		42	17
VR-LEASING FOLIO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	13	32
VR-LEASING FORTUNA GmbH [1]	Eschborn	100.00		25	-1
VR-LEASING FRONTANIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	26	98
VR-LEASING FULVIUS GmbH [1]	Eschborn	100.00		47	22
VR-LEASING IKANA GmbH [1]	Eschborn	100.00		52	27
VR-LEASING IKANA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	21	60
VR-LEASING Immobilien-Holding GmbH & Co. KG [1]	Eschborn	94.80	95.91	151	68
VR-LEASING IRIS GmbH [1]	Eschborn	100.00		38	12
VR-LEASING IRIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	16	15
VR-LEASING ISORA GmbH [1]	Eschborn	100.00		37	12
VR-LEASING ISORA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	6	103
VR-LEASING KOSMOS GmbH [1] [5]	Eschborn	100.00		89	0
VR-LEASING LEROS GmbH [1]	Eschborn	100.00		38	13
VR-LEASING LEROS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	116
VR-LEASING LIMNOS GmbH [1]	Eschborn	100.00		40	15
VR-LEASING LIMNOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	20	19
VR-LEASING LOTIS GmbH [1]	Eschborn	100.00		55	30
VR-LEASING LOTIS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	38	37
VR-LEASING LYRA GmbH [1]	Eschborn	100.00		51	26
VR-LEASING LYRA GmbH & Co. Immobilien KG [1] [6]	Eschborn	6.00	76.00	33	31
VR-LEASING MADIUM GmbH [1]	Eschborn	100.00		46	21
VR-LEASING MADIUM GmbH & Co. Immobilien KG [1]	Eschborn	100.00		19	27
VR-LEASING MADRAS GmbH [1]	Eschborn	100.00		314	20
VR-LEASING MADRAS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-160	102
VR-LEASING MADURA GmbH [1]	Eschborn	100.00		36	11
VR-LEASING MADURA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	15	13
VR-LEASING MAGADIS GmbH [1]	Eschborn	100.00		67	42
VR-LEASING MAGADIS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	28	53
VR-LEASING MAGARO GmbH [1]	Eschborn	100.00		33	8
VR-LEASING MAGARO-FONDS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	68.00	11	373

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING MAGO GmbH [1]	Eschborn	100.00		26	-1
VR-LEASING MALAKON GmbH [1]	Eschborn	100.00		53	26
VR-LEASING MALAKON GmbH & Co. Immobilien KG [1]	Eschborn	15.00	75.50	2,661	211
VR-LEASING MANEGA GmbH [1]	Eschborn	100.00		38	12
VR-LEASING MANEGA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	-35	22
VR-LEASING MANIOLA GmbH [1]	Eschborn	100.00		39	13
VR-LEASING MANIOLA GmbH & Co. Immobilien KG [1]	Eschborn	11.20	51.00	2,075	145
VR-LEASING MARKASIT GmbH [1]	Eschborn	100.00		58	33
VR-LEASING MARKASIT GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-66	50
VR-LEASING MAROS GmbH [1]	Eschborn	100.00		41	16
VR-LEASING MAROS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	21	19
VR-LEASING MARTES GmbH [1]	Eschborn	100.00		39	13
VR-LEASING MARTES GmbH & Co. Immobilien KG [1]	Eschborn	14.50	51.00	1,544	111
VR-LEASING MAXIMA GmbH [1]	Eschborn	100.00		25	0
VR-LEASING MAXIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-102	8
VR-LEASING MEDIO GmbH [1]	Eschborn	100.00		24	-1
VR-LEASING MELES GmbH [1]	Eschborn	100.00		39	14
VR-LEASING MELES GmbH & Co. Immobilien KG [1]	Eschborn	22.80	51.00	930	74
VR-LEASING MENTHA GmbH [1]	Eschborn	100.00		35	9
VR-LEASING MENTHA GmbH & Co. Immobilien KG [1]	Eschborn	22.00	51.00	665	52
VR-LEASING MENTUM GmbH [1]	Eschborn	100.00		46	21
VR-LEASING MENTUM GmbH & Co. Immobilien KG [1]	Eschborn	7.80	51.00	3,361	384
VR-LEASING MERGUS GmbH [1]	Eschborn	100.00		43	18
VR-LEASING MERGUS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	21	21
VR-LEASING METIS GmbH [1]	Eschborn	100.00		41	16
VR-LEASING METIS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	24	41
VR-LEASING METRO GmbH & Co. Objekte Rhein-Neckar KG [1]	Eschborn	100.00		-1,000	98
VR-LEASING MILETOS GmbH [1]	Eschborn	100.00		44	18
VR-LEASING MILETOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	24	23
VR-LEASING MILIUM GmbH [1]	Eschborn	100.00		39	14
VR-LEASING MILIUM GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	17
VR-LEASING MILVUS GmbH [1]	Eschborn	100.00		25	-3
VR-LEASING MILVUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-8	1
VR-LEASING MORIO GmbH [1]	Eschborn	100.00		44	18
VR-LEASING MORIO GmbH & Co. Immobilien KG [1]	Eschborn	94.00	75.50	-483	38
VR-LEASING MUNDA GmbH [1]	Eschborn	100.00		69	43
VR-LEASING MUNDA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-29	109
VR-LEASING MUSCAN GmbH [1]	Eschborn	100.00		35	9
VR-LEASING MUSCAN GmbH & Co. Immobilien KG [1]	Eschborn	19.10	51.00	794	60
VR-LEASING MUSCARI GmbH [1]	Eschborn	100.00		72	47
VR-LEASING MUSCARI GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-356	98
VR-LEASING MUSTELA GmbH [1]	Eschborn	100.00		53	28
VR-LEASING NALANDA GmbH [1]	Eschborn	100.00		42	16
VR-LEASING NALANDA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	16	20
VR-LEASING NAPO GmbH [1]	Eschborn	100.00		25	-1
VR-LEASING NAPOCA GmbH [1]	Eschborn	100.00		39	13
VR-LEASING NAPOCA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	51.00	56	142
VR-LEASING NARUGO GmbH [1]	Eschborn	100.00		37	25
VR-LEASING NATANTIA GmbH [1]	Eschborn	100.00		27	2
VR-LEASING NAVARINO GmbH [1]	Eschborn	100.00		61	36
VR-LEASING NAVARINO GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-728	86
VR-LEASING NEKTON GmbH [1]	Eschborn	100.00		37	11
VR-LEASING NEKTON GmbH & Co. Immobilien KG [1]	Eschborn	6.00	60.00	15	14
VR-LEASING NEPTUN GmbH [1]	Eschborn	100.00		27	-1
VR-LEASING NESTOR GmbH [1]	Eschborn	100.00		46	21
VR-LEASING NESTOR GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	15	25
VR-LEASING NETTA GmbH [1]	Eschborn	100.00		54	22
VR-LEASING NETTA GmbH & Co. Immobilien KG [1]	Eschborn	94.00	51.00	5	29
VR-LEASING NOVA Fünfte GmbH [1]	Eschborn	100.00		53	28
VR-LEASING NOVA Vierte GmbH [1]	Eschborn	100.00		53	28
VR-LEASING OBLONGA GmbH [1]	Eschborn	100.00		325	-32

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING ONDATRA GmbH [1]	Eschborn	100.00		52	26
VR-LEASING ONDATRA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	33	32
VR-LEASING ONYX GmbH [1]	Eschborn	100.00		38	13
VR-LEASING ONYX GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-1,882	153
VR-LEASING OPAL GmbH [1]	Eschborn	100.00		26	0
VR-LEASING OPAVA GmbH [1]	Eschborn	100.00		29	1
VR-LEASING OPAVA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-3,016	19
VR-LEASING OPHIR GmbH [1]	Eschborn	100.00		39	13
VR-LEASING OPHIR GmbH & Co. Immobilien KG [1]	Eschborn	100.00	75.50	-9,191	547
VR-LEASING OPTIMA GmbH [1]	Eschborn	100.00		71	46
VR-LEASING OPTIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-165	80
VR-LEASING ORDO GmbH [1]	Eschborn	100.00		41	15
VR-LEASING ORION GmbH [1]	Eschborn	100.00		370	344
VR-LEASING ORION GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	411	410
VR-LEASING OSMERUS GmbH [1]	Eschborn	100.00		40	15
VR-LEASING OSMERUS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	5	49
VR-LEASING PAROS GmbH [1]	Eschborn	100.00		34	9
VR-LEASING PAROS GmbH & Co. Immobilien KG [1] [6]	Eschborn	6.00	76.00	-141	17
VR-LEASING POCO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	0	33
VR-LEASING REGELSCHULE GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	19	18
VR-LEASING RUSSLAND Holding GmbH [1]	Eschborn	100.00		537	98
VR-LEASING SALA GmbH [1]	Eschborn	100.00		11	0
VR-LEASING SALIX GmbH [1]	Eschborn	100.00		72	46
VR-LEASING SALIX GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	57	56
VR-LEASING SALMO GmbH [1]	Eschborn	100.00		47	22
VR-LEASING SALMO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	28	26
VR-LEASING SALONA GmbH [1]	Eschborn	100.00		34	9
VR-LEASING SALONA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	-123	61
VR-LEASING SALTA GmbH [1]	Eschborn	100.00		46	21
VR-LEASING SALTA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	18	26
VR-LEASING SALVIA GmbH [1]	Eschborn	100.00		45	19
VR-LEASING SALVIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	25	23
VR-LEASING SALVIS GmbH [1]	Eschborn	100.00		23	0
VR-LEASING SAMARA GmbH [1]	Eschborn	100.00		131	105
VR-LEASING SAMARA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	125	130
VR-LEASING SANAGA GmbH [1]	Eschborn	100.00		42	17
VR-LEASING SANAGA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		22	21
VR-LEASING SANIDOS GmbH [1]	Eschborn	100.00		36	11
VR-LEASING SANIDOS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	16	27
VR-LEASING SARITA GmbH [1]	Eschborn	100.00		41	16
VR-LEASING SARITA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	21	19
VR-LEASING SASKIA GmbH [1]	Eschborn	100.00		41	16
VR-LEASING SASKIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	20	19
VR-LEASING SEGUSIO GmbH [1]	Eschborn	100.00		25	2
VR-LEASING SEPIA GmbH [1]	Eschborn	100.00		31	6
VR-LEASING SEPIA GmbH & Co. Immobilien KG [1] [6]	Eschborn	4.00	52.00	9	8
VR-LEASING SIGUNE GmbH [1]	Eschborn	100.00		41	15
VR-LEASING SIGUNE GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	20	19
VR-LEASING SIMA GmbH [1]	Eschborn	100.00		52	26
VR-LEASING SIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	28	27
VR-LEASING SINABIS GmbH [1]	Eschborn	100.00		34	8
VR-LEASING SINABIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	14	10
VR-LEASING SIRIUS GmbH [1]	Eschborn	100.00		48	23
VR-LEASING SIRIUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		29	28
VR-LEASING SOLIDUS Achtzehnte GmbH [1]	Eschborn	100.00		68	43
VR-LEASING SOLIDUS Achtzehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	52	51
VR-LEASING SOLIDUS Dreizehnte GmbH [1]	Eschborn	100.00		44	19
VR-LEASING SOLIDUS Dreizehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	24	23
VR-LEASING SOLIDUS Dritte GmbH [1]	Eschborn	100.00		33	8
VR-LEASING SOLIDUS Dritte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	58.00	11	10
VR-LEASING SOLIDUS Elfte GmbH [1]	Eschborn	100.00		44	19

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING SOLIDUS Elfte GmbH & Co. Immobilien KG [1]	Eschborn	94.00	76.00	25	23
VR-LEASING SOLIDUS Erste GmbH [1]	Eschborn	100.00		41	16
VR-LEASING SOLIDUS Erste GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	20	19
VR-LEASING SOLIDUS Fünfte GmbH [1]	Eschborn	100.00		29	4
VR-LEASING SOLIDUS Neunte GmbH [1]	Eschborn	100.00		35	10
VR-LEASING SOLIDUS Neunte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	2,614	322
VR-LEASING SOLIDUS Neunzehnte GmbH [1]	Eschborn	100.00		43	18
VR-LEASING SOLIDUS Neunzehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	22	21
VR-LEASING SOLIDUS Objekt Karben GmbH [1]	Eschborn	94.00		-1,806	43
VR-LEASING SOLIDUS Sechzehnte GmbH [1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Sechzehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
VR-LEASING SOLIDUS Siebte GmbH [1]	Eschborn	100.00		56	31
VR-LEASING SOLIDUS Siebte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	66.67	39	500
VR-LEASING SOLIDUS Vierzehnte GmbH [1]	Eschborn	100.00		40	14
VR-LEASING SOLIDUS Zehnte GmbH [1]	Eschborn	100.00		25	0
VR-LEASING SOLIDUS Zweite GmbH [1]	Eschborn	100.00		49	24
VR-LEASING SOLIDUS Zweite GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	30	27
VR-LEASING SOLIDUS Zwölfte GmbH [1]	Eschborn	100.00		45	20
VR-LEASING SOREX GmbH [1]	Eschborn	100.00		20	0
VR-LEASING TELLUR GmbH [1]	Eschborn	100.00		47	22
VR-LEASING TELLUR GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	0	0
VR-LEASING ZAWISLA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	15	14
Wadi Funding LLC [1]	Majuro, Marshall Islands	0.00		0	0
Wadi Woraya I LLC [1]	Majuro, Marshall Islands	0.00		0	0
Wadi Woraya III LLC [1]	Majuro, Marshall Islands	0.00		0	0
Waldhof Verwaltungsgesellschaft mbH [1]	Hamburg	100.00		30	0
Wasps Aircraft Leasing (Ireland) Limited [1]	Dublin, Ireland	0.00		0	0
Waverley Shipping Opco LLC [1]	George Town, Cayman Islands	0.00		0	0
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH [1]	Stuttgart	94.90		13,379	1,521
Weinmann GmbH & Co. Objekt Eichwald KG [1]	Eschborn	100.00		-124	-125
Yellow Moon Shipping Limited [1]	St. John's, Antigua and Barbuda	0.00		0	0
ZBA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		31	4
ZBA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Eintausend KG [1]	Eschborn	94.00	75.50	10	80
ZPF Asia Pacific Pte. Ltd. [1]	Singapore, Singapore	100.00		0	0
ZPF Foundry4 GmbH [1]	Hochheim am Main	74.87		552	13
ZPF Holding GmtbH i.L. [1]	Siegelsbach	95.58		21	-680
ZPF Industrial Furnaces (Taicang) Co. Ltd. [1]	Taicang, China	100.00		0	0
ZPF Services GmbH [1]	Heilbronn	100.00		61	36
ZPF Therm Maschinenbau GmbH i.L. [1]	Siegelsbach	100.00		5,371	-338

JOINT VENTURES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
AerCap Partners I Ltd.[1]	Shannon, Ireland	50.00	0.00	0	0
AerCap Partners II Ltd.[1]	Shannon, Ireland	0.00		0	0
BAU + HAUS Management GmbH[1]	Wiesbaden	50.00		12,324	814
BEA Union Investment Management Limited[1]	Hong Kong, Hong Kong	49.00		44,693	5,252
Capital Equipment Management Holding GmbH[1]	Hamburg	50.00		18	-3
Ceskomoravska stavebni sporitelna a.s.[1]	Prague, Czech Republic	45.00		381,200	66,949
Cinclus Aviation Investment Ltd.[1]	Floriana, Malta	0.00		0	0
D8 Product Tankers Ltd.[1]	Singapore, Singapore	0.00		0	0
Deucalion MC Engine Leasing (Ireland) Ltd.[1]	Dublin, Ireland	0.00		0	0
Deutsche WertpapierService Bank AG	Frankfurt am Main	50.00		210,971	411
DGVR Alpha Mobilien-Verwaltungsgesellschaft mbH[1]	Eschborn	50.00		26	1
DZ BANK Galerie im Städel Kunstverwaltungsgesellschaft mbH	Frankfurt am Main	50.00		20	-1
First BD Feederships Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
Herakleitos 3050 LLC[1]	Majuro, Marshall Islands	50.00		0	0
Intermodal Investment Fund II LLC[1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund IV LLC[1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund VII LLC[1]	Majuro, Marshall Islands	50.00		0	0
IZD-Holding S.à.r.l.[1]	Luxembourg, Luxembourg	50.30	50.00	39,312	-71
MD Aviation Capital Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
Modex Energy Rental LLC[1]	Majuro, Marshall Islands	50.00		0	0
Prvá stavebná sporitel'na, a.s.[1]	Bratislava, Slovakia	32.50		252,942	29,054
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig[1]	Wiesbaden	50.00		8,860	554
Raiffeisen Banca Pentru Locuinte S.A.[1]	Bucharest, Romania	33.32		44,626	393
TAG ASSET Management LLC[1]	Majuro, Marshall Islands	0.00		0	0
VB-Leasing International Holding GmbH[1]	Vienna, Austria	50.00		75,325	-693
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH[1]	Dresden	50.00		144	21
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V. (VVB)[1]	Neubrandenburg	50.00		134	8
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Brandenburg (VVB)[1]	Teltow	50.00		33	3
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V. (VVB)[1]	Magdeburg	50.00		47	14
VR Consultingpartner GmbH[2]	Frankfurt am Main	90.00		26	2
VR Unternehmerberatung GmbH (from Jan. 2014: VR Corporate Finance GmbH)	Düsseldorf	50.00		1,461	154
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd.[1]	Tianjin, China	24.90		258,243	12,229

ASSOCIATES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Aer Lucht Limited [1]	Dublin, Ireland	0.00		0	0
Aviateur Capital Limited [1]	Dublin, Ireland	20.00		1,410	312
bbv-service Versicherungsmakler GmbH [1]	Munich	25.20		1,361	195
Cassa Centrale Banca – Credito Cooperativo del Nord Est Società per Azioni	Trento, Italy	25.00	26.47	214,598	14,316
Clean Car AG [1]	Meerbusch	29.33		64,149	5,828
DEGECIVIS Grundstücksverwaltungsgesellschaft mbH i.L. [1]	Eschborn	49.00		151	-4
Equens SE	Utrecht, Netherlands	31.05		341,362	22,551
European Property Beteiligungs-GmbH [1]	Frankfurt am Main	38.90	33.20	1,103	4,502
GHM Holding GmbH [1]	Regenstauf	40.00		14,289	-64
GHM MPP Reserve GmbH [1]	Regenstauf	50.00		372	-3
GHM MPP Verwaltungs GmbH [1]	Regenstauf	50.00		24	-1
Global Asic GmbH [1]	Dresden	30.80		20,835	421
Goldeck Zetti Beteiligungsgesellschaft mbH [1]	Leipzig	39.23		33,603	5,029
Haneda Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0
HEIMAG München GmbH [1]	Munich	30.00		247,278	-3,664
Intermodal Investment Fund V LLC [1]	Majuro, Marshall Islands	50.00		0	0
ismet Holding GmbH [1]	Villingen-Schwenningen	57.50	49.00	7,427	2,255
Janz IT AG [1]	Paderborn	40.12		3,236	-358
KMT MedTec Holding GmbH [1]	Düsseldorf	44.10		4,681	-99
KTP Holding GmbH [1]	Bous	49.82		18,225	5,259
MK Metallfolien GmbH [1]	Hagen	37.23		-13,386	1,134
MON A300 Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0
MON Engine Parts Inc. [1]	City of Newark, County of New Castle, UK	20.00		0	0
MSN 223 Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0
Neida Holding AG [1]	Appenzell, Switzerland	35.00		3,141	381
NFC AHTS Limited [1]	Limassol, Cyprus	0.00		0	0
SCL GmbH [1]	Butzbach	49.00		5,696	2,783
Tertianum Besitzgesellschaft Berlin Passauer Straße 5–7 mbH [1]	Munich	25.00		24,103	-129
Tertianum Besitzgesellschaft Konstanz Markstätte 2–6 Sigismundstraße 5–9 mbH [1]	Munich	25.00		31,022	834
Tertianum Seniorenresidenzen Betriebsgesellschaft mbH [1]	Constance	25.00		262	4
TES Holding Ltd. [1]	Bridgend, UK	40.00		25,409	1,493
TREVA Entertainment GmbH [1]	Hamburg	32.70		2,805	2
UTT Beteiligungsgesellschaft mbH [1]	Krumbach	26.00	49.00	14,296	1,891
VR Netze GmbH	Münster	25.15		8,023	740
Wessel-Werk Beteiligungsverwaltung GmbH i.L. [1]	Karlsruhe	45.00		-2,088	-1,527
West Supply III A/S [1]	Haugesund, Norway	22.22		558	137
West Supply III KS [1]	Haugesund, Norway	20.00		5,555	1,457
WÜRTT. GENO-HAUS GmbH & Co. KG [2]	Stuttgart	37.16		40,890	1,518

SHAREHOLDINGS OF 20% OR MORE

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
1-2-3. TV GmbH [1]	Unterföhring	20.93		4,527	701
Assical S.r.l. [1]	Rende (CS), Italy	30.00		160	-6
Assiconf S.r.l. [1]	Turin, Italy	20.00		53	1
ASSICRA Servizi Assisurativi Banche di Credito Cooperativo Abruzzo e Molise S.r.l. [1]	Pescara, Italy	25.00		309	26
ATRION Immobilien GmbH & Co. KG [1]	Grünwald	31.63		33,128	7,070
AUREO GESTIONI S.G.R.p.A. [1]	Milan, Italy	25.00		26,094	1,498
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH [1]	Munich	20.00		520	-173
BRASIL FLOWERS S.A. [1]	Barbacena, Brazil	45.00		0	0
Burghofspiele GmbH [1]	Eltville	20.00		61	-14
Bürgschaftsbank Brandenburg GmbH	Potsdam	25.31		18,955	1,995
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	30.38		15,488	192
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	29.73		12,625	760
Bürgschaftsbank Thüringen GmbH	Erfurt	22.13		21,239	1,762
CardProcess GmbH	Karlsruhe	29.70		28,171	1,981
Credit Suisse Global Infrastructure SCA SICAR [1]	Luxembourg, Luxembourg	30.09		326,967	24,677
Dacos Software GmbH [1]	Saarbrücken	29.96		0	0
DZ BANK Mikrofinanzfonds eG	Frankfurt	88.78	0.02	6	0
Elbank S.A. [1]	Warsaw, Poland	30.36	24.49	-19	-11
Finatem II GmbH & Co. KG [1]	Frankfurt am Main	20.20		45,051	-2,625
FREUNDE DER EINTRACHT FRANKFURT Aktiengesellschaft [1]	Frankfurt am Main	32.05		2,890	35
GbR Ottmann GmbH & Co. Südhausbau KG, München VR Hausbau AG, Stuttgart (GbR 'Ackermannbogen.de-Wohnen am Olympiapark') [1]	Munich	50.00		62	-4
GENO-Haus Stuttgart Beteiligungs GmbH	Stuttgart	33.33		25	2
German Equity Partners III GmbH & Co. KG [1]	Frankfurt am Main	24.19		25,567	788
Gesellschaft für ernährungswirtschaftliche Beteiligungen mbH	Ochsenfurt	49.90		231	745
Golding Mezzanine SICAV IV [1]	Munsbach, Luxembourg	49.98		97,386	4,542
HGI Immobilien GmbH [1]	Frankfurt am Main	50.00		54	12
Hör Technologie GmbH [1]	Weiden i.d.Opf.	61.54	49.99	1,137	-171
Kredit-Garantiegemeinschaft des bayerischen Handwerks Gesellschaft mit beschränkter Haftung	Munich	20.00		4,806	0
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH	Stuttgart	20.00		1,023	0
Laetitia Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG	Pullach	39.00		0	-58
Locanis AG [1]	Unterföhring	41.28		-4,863	-4,863
MB Asia Real Estate Feeder (Scot.) L.P. [1]	Edinburgh, UK	39.20	0.00	47,028	-5,307
Mercateo Beteiligungsholding AG [1]	Taufkirchen	32.83		4,535	32
P 21 GmbH - Power of the 21st Century i.L. [1]	Brunnthal	27.00	22.23	0	0
PWR Holding GmbH [1]	Munich	33.33		1,872	1,842
Schroder Italien Fonds GmbH & Co. KG [1]	Frankfurt am Main	23.08	19.74	12,254	-10,197
Schroder Property Services B.V. [1]	Amsterdam, Netherlands	30.00		951	834
Seguros Generales Rural S.A. de Seguros y Reaseguros [1]	Madrid, Spain	30.00		160,255	15,423
TFH Technologie-Finanzierungsfonds Hessen GmbH	Frankfurt am Main	33.33		2,353	566
TXS GmbH [1]	Ellerau	24.50		206	477
VAUTID Arabia Coating and Treatment of Metals L.L.C. [1]	Ras Al Khaimah, United Arab Emirates	24.50	0.00	198	-38
VAUTID HUIFENG (WUHU) Wear Resistant Material Co. Ltd. [1]	Wuhu, China	50.00		1,512	496
VAUTID-SHAH HARDFACE Pvt. Ltd. [1]	Navi Mumbai, India	37.49		0	135
vohtec Rissprüfung GmbH [1]	Aalen	49.15		0	0
VR FinanzDienstLeistung GmbH	Berlin	24.50		1,658	200
VR-NetWorld GmbH [2]	Bonn	39.05		3,575	408
VV Immobilien GmbH & Co. United States KG [1]	Munich	25.00		21,683	4,625
Zarges Tubesca Finance GmbH [1]	Weilheim	26.67		0	0

MORE THAN 5% OF VOTING RIGHTS (LARGE CORPORATIONS)

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
ARS Altmann AG [1]	Wolnzach	10.00		31,311	2,614
Banco Cooperativo Español S.A.	Madrid, Spain	12.02		282,504	20,544
ConCardis Gesellschaft mit beschränkter Haftung	Eschborn	19.60		42,397	10,958
DEPFA BeteiligungsHolding II Gesellschaft mit beschränkter Haftung [1]	Düsseldorf	10.00		242,315	136,877
EDEKABANK Aktiengesellschaft	Hamburg	8.35		85,475	3,686
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt am Main	19.60		10,397	-434
Karlsruher Lebensversicherung AG	Karlsruhe	10.00		7,439	1,750
PANELLINIA BANK SOCIETE ANONYME	Athens, Greece	8.42	5.28	65,800	-20,000
Protektor Lebensversicherungs-AG [1]	Berlin	5.27		85,572	3,456
Raiffeisendruckerei GmbH [1]	Neuwied	7.88		32,984	1,304
SCHUFA Holding AG [1]	Wiesbaden	17.94		25,892	11,969

1 Held indirectly
2 Including shares held indirectly
3 A letter of comfort exists
4 A subordinated letter of comfort exists
5 Profit-and-loss transfer agreement
6 The company makes use of the exemptions provided for under section 264b HGB.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements of DZ BANK give a true and fair view of the assets, liabilities, financial position and profit or loss of DZ BANK, and the management report of DZ BANK includes a fair review of the development and performance of the business and the position of DZ BANK, together with a description of the principal opportunities and risks associated with the expected development of DZ BANK.

Frankfurt am Main, March 4, 2014

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch	Hille	Köhler	Merz
Dr. Riese	Ullrich	Westhoff	Zeidler

AUDIT OPINION (TRANSLATION)

We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the bookkeeping system and the management report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, for the fiscal year from January 1, 2013 to December 31, 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 10, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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Chief Executive Officer
VR Bank
Main-Kinzig-Büdingen eG
Büdingen

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Chief Executive Officer
Volksbank Tübingen eG
Tübingen

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Chief Executive Officer
VR meine Raiffeisenbank eG
Altötting

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Volksbank Lingen eG
Lingen (Ems)
(until August 2013)

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VR-Bank Erlangen-Höchstadt-Herzogenaurach eG
Erlangen

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Chief Executive Officer
VR-Bank Vilsbiburg eG
Vilsbiburg

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Chief Executive Officer
Volks- und Raiffeisenbank eG
Wismar

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Volksbank Kinzigtal eG
Wolfach

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Volksbank Franken eG
Buchen

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Volksbank Braunlage eG
Braunlage

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Chief Executive Officer
Volksbank Trossingen eG
Trossingen
(since March 2014)

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Emsländische Volksbank eG
Meppen
(since September 2013)

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Volksbank Kur- und Rheinpfalz eG
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Chief Executive Officer
Volksbank Mittleres Erzgebirge eG
Olbernhau
(until December 2013)

(HON.) SENATOR DR. H.C. THOMAS RENNER
Chief Executive Officer
Sparda-Bank Baden-Württemberg
Stuttgart
(until December 2013)

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Chief Executive Officer
VR Bank Weimar eG
Weimar
(since January 2014)

REINHARD SCHLOTTBOM
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Chief Executive Officer
PSD Bank Westfalen-Lippe eG
Münster

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Chief Executive Officer
Kasseler Bank eG
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Kassel

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Raiffeisenbank Holzheim eG
Holzheim

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Sparda-Bank Hessen eG
Frankfurt am Main
(since January 2014)

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Hameln

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Borken

JÜRGEN BRINKMANN
Chief Executive Officer
Volksbank eG
Braunschweig Wolfsburg
Wolfsburg

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President of Federal Association of German Cooperative Banks (BVR)
Berlin

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VR Bank
Starnberg-Herrsching-Landsberg eG
Starnberg

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Volksbank Trier eG
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Raiffeisen- und Volksbank – eG
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(until September 2013)

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Constance

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Riedlingen eG
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Dachau

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Raiffeisenbank Neumarkt i.d.OPf. eG
Neumarkt i.d.OPf.

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Dillingen

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Heßdorf

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Rottenburg

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Raiffeisen-Volksbank Donauwörth eG
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Rosenheim-Chiemsee eG
Rosenheim

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Vilshofener Land eG
Vilshofen

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Bad Windsheim

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Chief Executive Officer
Volksbank Forchheim eG
Forchheim

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Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Bayern Mitte eG
Ingolstadt
(until June 2013)

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Ebern

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Member of the Board of
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VR Bank Kitzingen eG
Kitzingen

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VR Bank Kaufbeuren-Ostallgäu eG
Marktoberdorf

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Straubing

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Raiffeisenbank im Naabtal eG
Nabburg

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Chief Executive Officer
Raiffeisenbank Weißenburg-
Gunzenhausen eG
Weißenburg

BERNHARD WOLF
Member of the Board of
Managing Directors
Raiffeisenbank Weiden eG
Weiden i.d.OPf.

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Chief Executive Officer
VR Bank Südpfalz eG
Landau in der Pfalz

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Spokesman of the Board of
Managing Directors
Leipziger Volksbank eG
Leipzig

MATHIAS BEERS
Chief Executive Officer
Vereinigte Volksbank eG
Dillingen · Dudweiler ·
Sulzbach/Saar
Sulzbach

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Gladenbach eG
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Oberursel (Taunus)

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PAUL-HEINZ WESJOHANN
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Member of the Board of
Managing Directors
Fraport AG
Frankfurt am Main

PRINCIPAL SHAREHOLDINGS OF DZ BANK

BANKS

Name & registered office	Group company[1]	Shareholding (%)
Bausparkasse Schwäbisch Hall Aktiengesellschaft – Bausparkasse der Volksbanken und Raiffeisenbanken -, Schwäbisch Hall	•	81.8
Ceskomoravska stavebni sporitelna a.s., Prague		45.0
Fundamenta-Lakáskassza Zrt., Budapest	•	51.2
Prvá stavebná sporitel'na a.s., Bratislava		32.5
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd., Tianjin		24.9
Schwäbisch Hall Kreditservice AG, Schwäbisch Hall	•	100.0
Banco Cooperativo Español S.A., Madrid		12.0
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg[2]	•	100.0
Deutsche WertpapierService Bank AG, Frankfurt am Main		50.0
DVB Bank SE, Frankfurt am Main	•	95.4
DZ BANK Ireland public limited company, Dublin[2]	•	100.0
DZ PRIVATBANK S.A., Luxembourg-Strassen[2]	•	70.0
DZ PRIVATBANK (Schweiz) AG, Zürich	•	100.0
ReiseBank AG, Frankfurt am Main (indirect)	•	100.0
TeamBank AG Nürnberg, Nuremberg	•	92.1

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent
2 Letter of comfort from DZ BANK

Percentages from the perspective of the relevant subgroup parent company
Percentages in accordance with IFRS

OTHER SPECIALIZED SERVICE PROVIDERS

Name & registered office	Group company[1]	Shareholding (%)
VR Equitypartner GmbH, Frankfurt am Main[2]	•	78.0
Equens SE, Utrecht		31.1
VR-LEASING Aktiengesellschaft, Eschborn	•	83.5
BFL LEASING GmbH, Eschborn	•	73.6
VR DISKONTBANK GmbH, Eschborn	•	100.0
VR-FACTOREM GmbH, Eschborn	•	100.0
VR-IMMOBILIEN-LEASING GmbH, Eschborn	•	100.0
VR.medico LEASING GmbH, Eschborn	•	100.0

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent
2 Letter of comfort from DZ BANK

ASSET MANAGEMENT COMPANIES

Name & registered office	Group company[1]	Shareholding (%)
Union Asset Management Holding AG, Frankfurt am Main	•	73.5
Quoniam Asset Management GmbH, Frankfurt am Main	•	100.0[2]
R+V Pensionsfonds AG, Wiesbaden (together with R+V Versicherung AG)	•	49.0
Union Investment Institutional GmbH, Frankfurt am Main	•	100.0
Union Investment Institutional Property GmbH, Hamburg	•	90.0
Union Investment Luxembourg S.A., Luxembourg	•	100.0
Union Investment Privatfonds GmbH, Frankfurt am Main	•	100.0
Union Investment Real Estate GmbH, Hamburg	•	94.0

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent
2 Share of voting power

INSURANCE COMPANIES

Name & registered office	Group company[1]	Shareholding (%)
R+V Versicherung AG, Wiesbaden	•	74.9
Condor Allgemeine Versicherungs-Aktiengesellschaft, Hamburg	•	100.0
Condor Lebensversicherungs-Aktiengesellschaft, Hamburg	•	95.0
KRAVAG-Allgemeine Versicherungs-Aktiengesellschaft, Hamburg	•	76.0
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft, Hamburg	•	51.0
R+V Allgemeine Versicherung Aktiengesellschaft, Wiesbaden	•	95.0
R+V Krankenversicherung AG, Wiesbaden	•	100.0
R+V Lebensversicherung AG, Wiesbaden	•	100.0
R+V Pensionsfonds AG, Wiesbaden, (together with Union Asset Management Holding AG)	•	51.0

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent

Percentages from the perspective of the relevant subgroup parent company
Percentages in accordance with IFRS

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DZ BANK
Zusammen geht mehr.