Member of the cooperative financial services network

2009

ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT OF DZ BANK AG

DZ BANK
Bank on Germany

KEY FIGURES

DZ BANK AG

€ million	2009	2008
RESULTS OF OPERATIONS		
Operating result before allowances for losses on loans and advances	1,100	-144
Allowances for losses on loans and advances	197	-594
Operating result	1,297	-738
Net income for the year	302	59
Cost/income ratio[1] (percent)	53.5	78.1
NET ASSETS		
Assets		
Loans and advances to banks	100,667	107,333
Loans and advances to customers	28,097	33,805
Securities[2]	74,681	96,310
Other assets	20,651	21,757
Equity and liabilities		
Deposits from banks	110,808	141,231
Amounts owed to other depositors	31,902	43,266
Debt certificates including bonds	56,996	51,251
Other liabilities	18,071	17,782
Equity	6,319	5,675
Total assets/total equity and liabilities	**224,096**	**259,205**
Volume of business[3]	**250,719**	**284,090**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	24.7	15.4
Tier 1 capital ratio (percent)	13.9	8.8
OFF-BALANCE-SHEET FORWARD TRANSACTIONS		
Notional amount (€ million)	1,007,916	1,257,727
Positive fair values (€ million)	23,118	28,326
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**4,089**	**4,082**

1 2009 and 2008: adjusted for one-off items
2 Bonds and other fixed-income securities plus shares and other variable-yield securities
3 Total equity and liabilities including contingent liabilities and other obligations

CONTENTS

MANAGEMENT REPORT OF DZ BANK AG

I. Business performance

1. ECONOMIC CONDITIONS

Over the year under review, average inflation-adjusted gross domestic product in Germany contracted by 5.0 percent year on year. The international financial crisis, escalated significantly by the collapse of Lehman Brothers in the last few months of 2008, had precipitated a further deepening of the recession both in Germany and in many other areas of the world.

The majority of European economies saw the first signs of an economic recovery from the second quarter of 2009, supported by the fiscal stimulus packages implemented in a number of countries. This recovery was sustained in the third and fourth quarters of the year under review as gradual renewed momentum from key economic drivers continued to take effect.

At the start of 2009, Asian economies that had experienced dynamic growth over the previous few years were also impacted by the downturn caused by the financial crisis, although the subsequent economic turnaround emerged at an early stage in these countries and was relatively strong. In the United States, there was downward pressure on consumer spending, a key driver of the US economy, caused by the tough conditions in real estate markets and significant job losses.

Given the strong dependency of its domestic economy on exports, Germany received a boost from the return to growth in export demand over the course of the year, but particularly during the last few months of 2009. However, for the time being, it is unlikely that Germany will be able to achieve the growth experienced in the years before the crisis because key export markets, such as the USA, UK and central and eastern European countries, are still expected to need some time yet before they can reestablish a pattern of steady growth.

From the third quarter of 2009 onward, Germany saw an initial increase in capital expenditure on both equipment and construction in its domestic market. A gradual improvement in sales prospects on international markets prompted companies to return to capital spending, some of which was on projects that had already been planned. Construction companies benefited from the substantial increase in public spending on construction projects included in the economic stimulus packages.

Adjusted for inflation, consumer demand rose slightly year on year. Over the whole of 2009, consumer spending suffered as a result of the significant degree of uncertainty, primarily as regards the jobs market, but consumer demand did receive a boost during the year from the German government's scrappage scheme introduced as part of the fiscal stimulus package enacted in January 2009. Under this scheme, a bonus was paid for the scrapping of old vehicles.

The German government agreed a further package of measures in November 2009 aimed at providing an economic stimulus worth around €8 billion. The measures, which were due to come into force from January 1, 2010, comprised improved employee benefits and tax breaks for businesses.

Nevertheless, western industrialized countries are still facing obvious economic risks, not only from the severity of the impact from the sharp drop in global economic output, but also primarily from the considerable government debt that many countries have incurred in connection with the packages to support their economies.

2. IMPACT ON LENDING AS THE FINANCIAL CRISIS ABATES

Against the backdrop of the ongoing financial crisis, stock markets around the globe recorded further substantial falls during the first quarter of 2009 and prices generally reached a low around the beginning of March 2009. The ensuing uninterrupted recovery in market prices was supported by the monetary policies adopted by central banks.

Back in mid-December 2008, the Federal Reserve had reduced its key interest rate to 0.25 percent. At the start of March 2009, the European Central Bank reduced its key interest rate to 1.5 percent; at the start of April and in mid-May the European Central Bank dropped its interest rates by a further 25 basis points in each case, bringing the rate down to 1.0 percent.

In addition, in mid-March 2009 the Fed and the Bank of England had undertaken quantitative easing by buying up government bonds on a large scale in order to push up the price of these bonds and maintain long-term interest rates at a low level. In November 2009, the Bank of England decided to buy up even more bonds in view of the persistent tough economic conditions in the UK. The Fed, on the other hand, could see the emergence of an economic recovery in the USA and therefore decided to scale back its purchases of bonds.

At its meeting held at the beginning of December 2009, the European Central Bank considered the continuing progress in the stabilization of the economic situation and decided to take the first steps toward withdrawing the banking liquidity measures it had introduced at the start of October 2008 with the heightening of the financial crisis. As a result, mid-December 2009 was the last opportunity for banks to obtain unlimited funding from the European Central Bank with a twelve-month tender, the last opportunity under a six-month tender being the end of March 2010. Under the arrangements for unlimited funding over a term of twelve months, the terms of the lending were for the first time no longer at the key interest rate of 1.0 percent; instead, the funding was extended at a floating interest rate based on average interest rates over the subsequent year.

In 2009, the operating income of the major German banks included a positive impact from the increasing stabilization of the economic climate as write-downs on securities recognized in prior years were reversed and/or gains were recognized on the disposal of these written-down securities. Some banks were therefore able to report both an increase in net interest income and a noticeable improvement in gains and losses on trading activities. Administrative expenses were kept under control by a largely restrictive management approach. In some cases, there was a significant year-on-year increase in allowances for losses on loans and advances reflecting the inherent time lag in this factor following the low point in the economic situation.

However, the recovery on international capital markets did not mean that there had been any fundamental global easing in international financial systems, or even that these systems were more secure in the event of a crisis.

In the first quarter of 2009, the major US Banks were already reporting profits again and this led to increases in the share prices for these banks. In the months that followed, almost all of the major US banks that had received government support in 2008 repaid the loans to the US government. The banks were able to redeem these loans in an increasingly stable environment on financial markets, which also allowed the banks to undertake rights issues. The consequence is that, according to the latest estimates from the US Treasury, only around 20 percent of the US$ 700 billion rescue package provided by the US government at the start of October 2008 in response to the financial crisis has actually been utilized.

As a result of the financial crisis, the process of concentration among the major banks in the US banking market continued with the Bank of America takeover of Merrill Lynch and Wells Fargo's absorption of Wachovia. In addition to Lehman Brothers, a large number of other banks have filed for bankruptcy since September 2008, although these banks have generally been on a smaller scale.

In the European banking market, the development of the financial crisis and its impact has varied from country to country.

In the UK, the British government provided substantial financial support and became the major shareholder in well-known British banks.

In Germany, the European Commission imposed far-reaching conditions on banks in the heavily fragmented domestic banking market in return for the capital support extended by the German government to private and public-sector banks during the financial crisis. These conditions required a significant reduction in the operating activities of those banks in receipt of this government support.

For example, individual banks had to dispose of some of their peripheral activities as well as reduce their total assets by a significant amount.

In the public sector, some of the banks that made use of this government support transferred high-risk securities and non-strategic business to internal restructuring units specifically set up for this purpose.

Whereas the consolidation process in the USA triggered by the financial crisis led to increased merger activity between major well-known banks, the process of market restructuring in Germany is still far from complete. Even though Deutsche Bank initiated a takeover of Sal. Oppenheim jr. & Cie. SCA in the year under review, further important restructuring activity is still expected in this market.

Given the implementation of the agreement reached by the 20 leading industrialized nations and emerging economies in Pittsburgh at the end of September 2009, the restructuring of the banking sector in Germany is becoming more important. Against the background of the recent financial crisis, the objectives of the various aspects of this agreement are to prevent a future destabilization of the entire financial system in the event of critical developments in key individual banks by introducing tighter regulations on capital adequacy and liquidity.

In line with these objectives, the Basel Committee on Banking Supervision presented a consultative document on December 17, 2009 proposing new capital adequacy requirements and, for the first time, a maximum leverage ratio and two new liquidity ratios relating to short-term and long-term liquidity risk exposure. The actual requirements in respect of these ratios will be specified on the basis of the results from a study commissioned on the effects and costs of the future capital and liquidity requirements for the banks concerned. The results of the study are expected to be published in mid-2010. The Basel Committee is planning to bring the final regulations into force at the end of 2010.

In this respect, the action initiated at an early stage by DZ BANK Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) to strengthen its capital base has also gained in significance. In addition, DZ BANK enjoys a not inconsiderable advantage in forming an integral part of the extensive group of local cooperative banks and specialist service providers within the cooperative sector. This structure ensures that DZ BANK has the necessary liquidity to benefit from a certain degree of flexibility in its activities and funding options.

3. DZ BANK REINFORCES ITS STRATEGY AS A CENTRAL INSTITUTION FOCUSING ON THE COOPERATIVE FINANCIAL SERVICES NETWORK

The role of DZ BANK, as a central institution for the cooperative financial services network, is to provide – in conjunction with its subsidiaries – the best possible level of support for the cooperative banks (of which there are more than 1,100) in their relationships with their 30 million customers and 16.3 million members. DZ BANK's key guiding principle in this role is the policy of 'Verbund First'.

'Verbund First' means providing the local cooperative banks with a decentralized, innovative range of financial products and services at competitive prices and commissions. The long-term objective is to ensure that the cooperative financial services network expands to become the leading financial services provider in Germany by 2015.

One of the manifestations of the 'Verbund First' principle at DZ BANK is 'Programm 2011: Network-oriented central institution', which was resolved upon in April 2009 and the enhancement of the strategy in favor of the local cooperative banks that this program engenders. In addition to the gradual withdrawal from non-network activities, such as structured finance, and in addition to the further reduction in staff expenses and operating costs, the program identifies and initiates three market initiatives for the targeted expansion of core business as the basis for further growth. These three market initiatives cover private banking, business with small and medium-sized enterprises (SMEs) and Transaction Banking.

PRIVATE BANKING MARKET INITIATIVE

The objective of the private banking market initiative is to leverage the potential business available from existing cooperative bank customers who currently have a total of approximately €200 billion invested with other providers. To date, this market has only been partially developed by the local cooperative banks and it offers attractive opportunities for growth. The private banking market is in a state of upheaval due to the financial crisis. The values at the core of the local cooperative bank philosophy – a decentralized approach, rooted in local communities in close proximity to customers, together with sustainability and trustworthiness – will therefore also help to strengthen the competitive position of the cooperative sector in private banking.

DZ BANK's role is to provide subsidiary support for the local cooperative banks in their respective private banking strategies. The Bank has limited its exposure to investment risk by implementing its plans for this role in a number of phases. The first phase saw the establishment of DZ Private Wealth Management-gesellschaft S.A. (from January 20, 2010 DZ PB S.A.), Luxembourg-Strassen. This company is the holding company responsible for managing all private banking activities in the group and, to this end, it brings together the shareholdings in DZ BANK International S.A., Luxembourg-Strassen, (DZI) and DZ PRIVATBANK (Schweiz) AG, Zurich, (DZ PRIVATBANK Schweiz). All activities forming part of the private banking market initiative are also coordinated by this company. This includes transferring the private banking activities of WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) into a jointly operated unit and presenting a uniform private banking offering from the cooperative banking group throughout Germany. In this way, the market initiative will contribute to a long-term increase in the local cooperative banks' share of the private banking market.

The range of products and services is gradually being expanded, building on the private banking expertise already available in the DZ BANK Group's existing units. The same also applies to the management of the relationships with local cooperative banks, with this function being based at six locations in Germany in future. At these sites, there will also be products and services for customers with a need for special solutions or a secondary bank relationship. These products and services will be provided as part of an exclusively decentralized enhancement of local banks' private banking offering. The local cooperative banks will therefore receive a complete service in support of structured marketing and will be provided with clearly defined contacts and comprehensive products and services in line with customer needs. International offices in Luxembourg, Singapore and Zurich complete the range of private banking services offered by the cooperative financial services network.

SME MARKET INITIATIVE

The objective of the initiative in the small and medium-sized enterprises (SME) market is to continue the expansion of the partnership with the cooperative banks, in which DZ BANK assists in winning business from corporate customers and supports back-office functions. The initiative aims to strengthen the competitiveness and market penetration of the cooperative financial services network in SME business and increase the satisfaction of the local cooperative banks with DZ BANK's services. This will be achieved through the countrywide implementation of a new support program aimed at professionalizing corporate customer business (known as ProFi DZ BANK) and through improvements in the network-oriented joint credit business. The initiative was implemented across Germany from the beginning of 2010.

Specific sales approaches from the cooperative banks' existing customers are to be identified and rigorously followed up using a systematic relationship management process. A new feature is a tool for leveraging potential among existing customers. The tool identifies potential consultancy and product support needs in companies. One of the core elements of the new support program – in addition to the extension of the systematic relationship management process and the target-oriented expansion of the range of services – is a coordinated market presence. This means that, in future, each local cooperative bank will have a dedicated relationship manager at DZ BANK who will be the central point of contact for all corporate customer business issues.

Joint credit business is extremely important as far as the back-office function is concerned. Five regional competence centers for processing lending business are being built up in order to satisfy the needs of the local cooperative banks. In future, there will therefore also be a central back-office contact for the local cooperative banks who will be able to carry out his/her duties even better than hitherto as a result of the local support and the associated proximity to the customer. In addition, process and financing standards are being modified with the aim of simplifying and accelerating lending decisions for the local cooperative banks and their customers. This is largely being achieved by capital investment in IT infrastructure and by a revision of DZ BANK's credit risk strategy.

These innovations complement the wide range of services that DZ BANK already offers the local cooperative banks to help them manage their relationships with SME customers. Together with the regional cooperative banks, DZ BANK also offers a range of services that extend beyond pure lending and investment business. For example, DZ BANK operates an 'Agriculture, nature & energy competence center' to help customers from relevant sectors structure optimum financing based on the large number of regulations and wide variety of benefits available under the European development program. DZ BANK provides an increased level of support for SME customers of local cooperative banks involved in foreign commercial business. This support primarily comprises the hedging of export and currency risk, advisory services in target markets, and the provision of support services outside Germany.

The rise in local cooperative bank lending to businesses and the self-employed clearly demonstrates that the SME-oriented activities of the cooperative financial services network are bearing fruit. Lending volume increased by 3.5 percent year on year. This also shows that the cooperative financial services network has maintained its support for its partners, even in tough economic conditions.

TRANSACTION BANKING MARKET INITIATIVE

The objective of the Transaction Banking market initiative is to consolidate DZ BANK's position as the market leader in Germany and to exploit any opportunities in Europe in order to generate further cost savings for the entire cooperative financial services network via growth and volume consolidation. Various projects reached critical milestones in 2009 as far as the Transaction Banking initiative is concerned.

In securities processing, one of the objectives of 'GenoSysWP' – a project being run by the two central institutions, DZ BANK and WGZ BANK, in conjunction with Deutsche WertpapierService Bank AG, Frankfurt am Main, (dwpbank), FIDUCIA IT AG, Karlsruhe, (FIDUCIA), and GAD eG, Münster, (GAD) – is to create a consolidated platform that will permit economies of scale and generate cost savings. The cooperative financial services network also intends to use this system to standardize processes from the bank counter through to securities processing: the same applications throughout the length and breadth of Germany, lean processes from the customer to the securities account, and no variations, regardless of the products involved. During the course of this project, the cooperative financial services network will implement a pioneering, efficient platform that will optimize the costs involved.

As far as Transaction Banking and the introduction of the Single Euro Payment Area (SEPA) is concerned, the cooperative financial services network is benefiting from DZ BANK's partnership with Equens SE, Utrecht, (Equens). Equens is one of the European market leaders in transaction banking and this partnership is helping to generate economies of scale and increase earnings. Equens is currently reviewing the option of consolidating the transaction banking platform with the French cooperative bank, Crédit Agricole S.A., Paris, (Crédit Agricole), a development aimed at delivering even greater benefits. A merger would create a new transaction banking market leader in Europe, with the possibility of further economies of scale for the cooperative financial services network.

Card processing, like Transaction Banking, is a major source of income for the local cooperative banks. The priority is on a balance between two strategic objectives: to support the local cooperative banks by providing innovative card products such as 'VR-BankCard V PAY' and to exploit opportunities for other activities in card processing and merchant acquiring in an environment that is increasingly influenced by considerations at European level.

With a new solution covering the entire cash logistics process for corporate customers and banks, DZ BANK and its partner Cash Logistik Security AG, Düsseldorf, (CLS) offer an extensive range of services for the supply and disposal of cash. This solution is a key product that is also particularly appropriate for SMEs and other corporate customers. There has been significant demand for machine-based solutions that allow retailers to deposit daily takings and these services have also been successfully used as starter solutions as part of packages to attract new customers.

OTHER INITIATIVES

In addition to these market initiatives, DZ BANK has decided on other measures aimed at refining its business model. These include the ongoing reduction in complexity and costs. By the end of 2011, the Bank plans to have generated cost savings of €110 million to €130 million, approximately half of which is to be achieved from staff expenses and operating costs. The reduction in staff expenses equates to approximately 450 job cuts. By the end of the year under review, DZ BANK had already reached agreements with employees on a voluntary reduction in capacity equivalent to just under 300 full-time jobs by the end of 2011. A comprehensive package of measures to cut IT costs within the DZ BANK Group had also been initiated. These measures include action to streamline the IT organization and achieve other IT cost savings, for example by optimizing hardware and processes as well as consolidating IT applications and projects within DZ BANK.

In addition, business activities not directly related to the cooperative network were scaled back. In this regard, the representative offices in Shanghai and Tokyo were closed at the end of 2009 and the activities of the representative office in Teheran operated jointly with Raiffeisen Zentralbank Österreich AG, Vienna, (RZB) were brought to an end. These closures were also the result of the tough business conditions in some cases as well as legal and political uncertainty. DZ BANK plans to close its Mexico City office during the course of 2010. It also decreased its volume of risk-weighted assets in the Structured Finance and Corporate Finance divisions. In particular, this affected new business from non-network activities in foreign operations, in the Acquisition & Leveraged Finance division and in project finance. The streamlining of group funding, which involved a groupwide pooling of funding activities at DZ BANK, resulted in an increase of €12 billion in the group funding carried out by the Bank.

CAPITAL BASE STRENGTHENING

The proven business model and proactive capital management ensured that DZ BANK continued to be one of the few major banks in Germany in a position to decline the offer of government support during the financial crisis. The strength and solidarity within the cooperative financial services network meant that DZ BANK was able to significantly strengthen its capital base over the year under review by implementing various courses of action within the network. The strong cohesion of the network and DZ BANK's proven business model were also appreciated over the past year by the rating agencies. All the major rating agencies confirmed their ratings for DZ BANK. The long-term rating therefore remains at A+ or Aa3, one of the best and most stable ratings among all German banks.

4. EARNINGS PERFORMANCE

DZ BANK successfully overcame the tough market conditions and the significant number of business performance challenges in 2009.

As a result of the **net income** for the year of €302 million (2008: €59 million), DZ BANK is able to distribute a **dividend** of €122 million. A dividend payment of €0.10 per share for 2009 will be proposed to the Annual General Meeting.

The **material effects** on the income statement prepared in accordance with the German Commercial Code (HGB) for the year ended December 31, 2009 compared with the income statement for the year ended December 31, 2008 are set out below.

– Against the backdrop of the ongoing recovery in financial markets seen in the year under review, one of the features of DZ BANK's income statement was the effect of reversals of write-downs on the recognized securities portfolio amounting to a total of €1,058 million. These reversals boosted the net trading result by €791 million and the gains and losses on securities in the liquidity reserve (reported under allowances for losses on loans and advances) by €267 million in 2009. The write-downs on the securities portfolio in 2008 as a result of the financial crisis were €472 million under net trading result and €456 million under gains and losses on securities in the liquidity reserve. In the year under review, the net trading result also included write-downs on asset backed securities (ABSs) amounting to €249 million.

INCOME STATEMENT

€ million	2009	2008	Change (%)
Net interest income[1]	**807**	1,306	-38.2
Net fee and commission income	**304**	228	33.3
Net trading result	**844**	-958	>100.0
Administrative expenses	**-848**	-779	8.9
Staff expenses	-491	-417	17.7
Other administrative expenses[2]	-357	-362	-1.4
Other net operating income/expenses	**-7**	59	>100.0
Operating result before allowances for losses on loans and advances	**1,100**	-144	>100.0
Allowances for losses on loans and advances	**197**	-594	>100.0
Operating result	**1,297**	-738	>100.0
Other net income/expense[3]	**-1,057**	256	>100.0
Profit/loss before taxes	240	-482	>100.0
Income taxes	**62**	541	-88.5
Net income for the year	**302**	59	>100.0

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

– In addition, revised estimates of achievable recovery rates led to a further adverse impact on profitability in 2009 related to DZ BANK's exposures in respect of Lehman Brothers and Iceland, the write-downs being €69 million (2008: €336 million) and €36 million (2008: €366 million) respectively. In the case of Lehman Brothers, the write-downs in 2009 under net trading result were €42 million (2008: €138 million) and €27 million under gains and losses on investments (2008: €195 million); in 2008, a further write-down of €3 million was recognized under allowances for losses on loans and advances. As far as the Iceland exposure is concerned, profitability was reduced by €13 million recognized under allowances for losses on loans and advances (2008: €218 million) and losses of €27 million under gains and losses on investments (2008: losses of €130 million), although there was an addition to profitability under net trading result amounting to €4 million (2008: reduction in profitability of €18 million).

– In 2008, income from long-term equity investments was affected by a dividend of €225 million paid by R+V Versicherung AG, Wiesbaden, under a dividend distribution and recapture scheme.

– The net trading result for the year under review also included a trading expense of €141 million arising from the reclassification of the value-at-risk adjustment in connection with the planned reorganization in accordance with the German Accounting Law Reform Act of May 25, 2009 (BilMoG).

– Other net operating income and expenses in 2008 included a positive profit contribution of €41 million from the reversal of provisions for pensions and other post-employment benefits attributable to the adjustment of the discount rate used for the calculation of provisions for pensions and other post-employment benefits in line with the interest rate of 6.0 percent for long-term investment-grade corporate bonds. In 2007, the rate used had been 4.5 percent.

– In the year under review, the carrying amounts of DZ BANK's direct investments in DG Funding LLC, New York, USA, and Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) were written down by €24 million and €5 million respectively. In 2008, the tough economic conditions had led to the recognition of a write-down of €269 million on DZ BANK's investment in NATIXIS S.A., Paris. These write-downs impacted income from long-term equity investments. At the same time in 2008, DZ BANK had pooled its financial holding activities as part of measures to streamline its investment portfolio and merged VR-Immobilien GmbH, Frankfurt am Main, with DZ PB-Beteiligungsgesellschaft mbH, Frankfurt am Main; this merger led to the recognition of income of €1,099 million under income from long-term equity investments.

– The expense arising from the transfer of losses in 2009 amounted to €264 million. This amount largely resulted from write-downs on the carrying amounts of DZ PB's direct investments in Österreichische Volksbanken AG, Vienna, and DG HYP, the write-downs being €170 million and €95 million respectively.

– Once again, DZ BANK's other net income and expense in 2009 also included the payment of an income subsidy of €150 million by DZ BANK to DG HYP (2008: €223 million). In addition to these extraordinary expenses, there was a further expense of €52 million in the year under review arising from restructuring in connection with 'Programm 2011: Network-oriented central institution'.

– The recognition of deferred tax assets on DZ BANK's balance sheet as at December 31, 2009 gave rise to income of €65 million (2008: €377 million). The decrease in this income compared with 2008 was a result of changes in the fair value of balance sheet items used as the basis for measurement.

Given these material effects, the year-on-year changes in the key figures that make up the net income generated by DZ BANK in 2009 were as described below.

DZ BANK generated **operating income** of 1,948 million, which equates to an increase of €1,313 million on 2008 (€635 million). Operating income in the year under review included the one-off items in net trading result discussed above amounting to a total of €363 million; in 2008, the total figure for these one-off items was minus €362 million (income from long-term equity investments, €225 million; net trading result, minus €628 million; other net operating income, €41 million). Adjusted for one-off items in 2009 and 2008, operating income rose by €588 million to €1,585 million, an increase of 59.0 percent.

Administrative expenses increased by €69 million (up 8.9 percent) to €848 million (2008: €779 million).

The **cost/income ratio** for 2009 was 43.5 percent (2008: >100.0 percent). Adjusted for the above-mentioned one-off items in operating income, this ratio becomes 53.5 percent (2008 adjusted: 78.1 percent).

The **operating result before allowances for losses on loans and advances** amounted to €1,100 million (2008: loss of €144 million), a year-on-year increase of €1,244 million. Adjusted for the above-mentioned one-off items in operating income in 2009 and 2008, there was a year-on-year increase of €519 million in this key figure to €737 million.

Allowances for losses on loans and advances amounted to net reversals of €197 million compared with total allowances of €594 million in 2008. Allowances for losses on loans and advances in 2009 included the above-mentioned one-off items amounting to total net reversals of €254 million (reversals of €267 million on securities in the liquidity reserve, write-downs of €13 in respect of the Iceland exposure); the total allowances for these one-off items in 2008 amounted to €677 million (write-downs of €456 million on securities in the liquidity reserve, write-downs of €221 million in respect of the Iceland and Lehman Brothers exposures). Adjusted for one-off items in 2009 and 2008, allowances for losses on loans and advances of €-57 million in the year under review were €140 million lower than in 2008 (€83 million).

The **operating result** amounted to €1,297 million (2008: loss of €738 million), an improvement of €2,035 million on 2008. After adjusting for the above-mentioned one-off items in operating income and allowances for losses on loans and advances, the operating result increased by €379 million to €680 million (2008 adjusted: €301 million).

The changes in individual items on the DZ BANK income statement in 2009 are described **in detail** below.

Net interest income fell by 38.2 percent. Net interest income from operating business (excluding income from long-term equity investments) declined by 27.0 percent to €463 million. In addition to the rise in equity costs and the issuance of longer term liabilities, the primary reason for this change was the trend in interest rates on money and capital markets, although the planned reduction in interest-bearing portfolios was also a significant factor. A significant component of net interest income from operating business was the interest income from lending and money market deposits. In the year under review, the lending business felt the impact of the economic recession and the tough market conditions. Nevertheless, it was encouraging to note that lending extended jointly with the local cooperative banks, which has a strong SME focus, performed well.

Despite the difficult economic conditions, unit sales and volume were once again up on the previous year in both traditional syndicated loan business and in the Standard-Meta and Agrar-Meta standardized risk transfer products business. The substantial rise in approval rates for new business in this regard reflects DZ BANK's emphasis on network business. Net operating interest income from lending in VR-Mittelstand increased by approximately 11 percent year on year.

The customized integration of business development programs into finance arranged for corporate customers of the cooperative banks constitutes a key competitive advantage in terms of both expertise and market visibility. In the year under review, DZ BANK continued to support development lending by the local cooperative banks with the effective deployment of experts with regional responsibility and with sales activities directed at specific target groups. Both the volume of new business – which for the first time exceeded €5 billion in 2009 and therefore reached record levels – and the substantial market share enjoyed by the cooperative financial services network, primarily in development programs requiring intensive advisory work, underline the extent of DZ BANK's expertise and advisory capabilities in this area. In the sector of the market covering environmental financing from Germany's KfW development bank based in Frankfurt am Main, the cooperative financial services network has achieved a market share of 19.2 percent.

The expansion of the promising agriculture, nature and energy business in a joint market initiative with network partners resulted in a large number of funding inquiries and commitments far in excess of our forecasts at the launch of the initiative. DZ BANK is planning to increase its support personnel capacity and continue to step up networking activities at cooperative association and trade association levels with the aim of further consolidating the market position of the cooperative banks both in traditional agriculture business and, in particular, in the new renewable energies business line.

Despite persistently stiff competition and the tough conditions that continued to prevail in the financial markets, DZ BANK consolidated its successful market positioning in corporate finance in 2009. DZ BANK successfully supported its customers in finding solutions to strategic financial issues by offering a comprehensive range of products including traditional lending, sophisticated structured finance solutions, and financial services and products from the specialized service providers in the DZ BANK Group.

DZ BANK generated significant income growth both from its direct lending business and from the funding concepts it offered in the capital markets. There was a marked year-on-year increase in net operating interest income as a result of the widening of spreads and the early renewal of loans.

The structured finance product range is marketed from Germany as well as via the local business units in the major financial centers of London, New York, Hong Kong, and Singapore, and in selected growth markets in which DZ BANK has a representative office. With its diversified portfolio, DZ BANK has managed to maintain net operating interest income in this division of the business at a significant level in view of the adverse effects of the financial and economic crisis.

Acquisition finance activities in the year under review were focused on German SMEs and the arrangement of finance deals for company successions and expansion. Outside Germany, the international acquisition finance portfolio continued to help diversify and broaden the sources of income. Despite a fall in the volume of new deals closed in 2009, net operating interest income was close to the level achieved in 2008.

After suffering the effects of a sharp fall in the price of commodities and a noticeable contraction in foreign trade during the first months of 2009, the volume of structured trade and export finance deals saw a moderate increase again in the second half of the year. Features of the last few months of 2009 included the first signs of an easing in commodities markets and a resurgence in export demand.

In view of the challenging economic environment, there was a particular focus on government export credit insurance in DZ BANK's export finance business in the year under review. The bank financed a large number of customer export transactions under master insurance agreements with the German government and also minimized the risk in these transactions primarily by executing countertrade transactions.

Demand in short-term international trade finance, including documentary business, remained well down on 2008; as a result, there was a year-on-year contraction in net operating interest income in each of these areas of business.

DZ BANK specifically expanded its activities in the public-private partnership segment in Germany. However, the economic situation meant it was not possible for net operating interest income to reach the high levels set in 2008.

DZ BANK's reported income from long-term equity investments amounted to €344 million, a decrease of 48.8 percent on the comparable figure in 2008 (€672 million). It should be noted that the 2008 figure included an amount of €225 million in connection with a distribution and recapture scheme.

DZ BANK's **net fee and commission income** increased to €304 million, up 33.3 percent on 2008.

The net fee and commission income achieved from transaction banking (including card processing) fell just short of the figure achieved in 2008. In lending and trust activities, and in international business, the profit contribution in each case declined compared with 2008.

In securities business, DZ BANK's most important area of business, net fee and commission income climbed significantly compared with the level of 2008.

Securities business from retail customers also suffered a considerable impact during the year under review from the financial and economic crisis. High-quality product suppliers with a well-developed understanding of the need to protect their investors were able to strengthen their position in the market and DZ BANK also benefited in this regard.

As interest rates worldwide fell to low levels, demand for high-interest products was particularly brisk, with private customer attention concentrated on straightforward structured interest-bearing products, such as simple callable bonds or multi-callable bonds, or on risk-mitigation products such as COBOLD bonds as well as on traditional bonds and, in particular, corporate bonds. However, private investors remained cautious in their approach to investments with higher risk.

With its top-quality AKZENT Invest brand, DZ BANK focused on the market for guaranteed and secure investments, the predominant market segment. According to market share statistics from the Deutscher Derivative Verband (DDV) as at December 31, 2009, DZ BANK continued to be one of the top providers in the capital protection investment certificates segment (67.6 percent), the strongest segment in the overall market. The cooperative financial services network (with a market share of 17.6 percent) also occupied second place in the overall market statistics for all structured products.

The excellent position in the market was reflected in the unit sales and the net fee and commission income generated from guarantee products under the quality AKZENT Invest brand. In response to the sustained high level of demand from customers, regular additions were made to the successful AKZENT Invest range, for example the newly developed VarioZins Garant E.SU product, which offers investors the opportunity of annual increases in the coupon.

Against the background of the persistent and significant fallout from the financial crisis, there was a marked decline in M&A activity compared with 2008. This was primarily evident in the SME market segment, a segment of particular relevance for DZ BANK. It was only from the third quarter of 2009 that DZ BANK registered any upturn in M&A business, although market conditions could not yet be said to have stabilized on a long-term basis.

In the year under review, DZ BANK was also able to deliver further expansion in one of its key customer sectors: healthcare. It managed to sell a further care home portfolio and successfully support the shareholders of the Medivision Group, Hamburg, in the disposal of AescuLabor-Karlsruhe GmbH, Karlsruhe, to Labco Group, Paris, France. In addition, DZ BANK provided consultancy services to BayWa AG, Munich, in the disposal of its automotive trade activities and in its acquisition of MHH Solartechnik GmbH, Tübingen, from Sunways AG, Constance. The latter deal gave DZ BANK the opportunity to successfully demonstrate its expertise in renewable energies.

Given the prolonged period of low interest rates, demand from the local cooperative banks for DZ BANK's interest-rate hedging instruments for their corporate customers within the VR Cross Selling structure almost doubled. The consolidation and development of VR Cross Selling continued during the course of 2009. The number of corporate customers included in the structure grew by around 40 percent; the number of local cooperative banks included in the structure with DZ BANK increased by just under 10 per cent compared with 2008. Most of the deals were for simple interest-rate hedging products, which accounted for around 85 percent of all transactions. The resulting commissions paid to the local cooperative banks rose significantly by around 55 percent to €6.2 million.

In the Structured Finance division, the tough global economic conditions led to a year-on-year contraction in new business volume and an associated drop in fees and commissions.

Despite tough market conditions, the Asset Securitization Group – a specialist in innovative securitization structures based in New York and covering NAFTA countries – was able to maintain its net fee and commission income at a high level.

Within Germany, DZ BANK managed to achieve a significant increase in net fee and commission income from renewable energies, infrastructure, and PPP finance business thanks to its expertise in structured finance.

As mandated lead arranger in partnership with Berliner Volksbank eG, Berlin, DZ BANK was a significant contributor in setting up the infrastructure finance for Berlin-Brandenburg International Airport, Berlin. DZ BANK's expertise combined with the financial strength of the cooperative financial services network and Berliner Volksbank's own excellent network formed the basis of the parties' involvement in the financing of this prestigious project.

The **net trading result** for 2009 amounted to €844 million compared with a figure of minus €958 million in 2008.

Against the backdrop of the increasing stabilization in financial markets seen in the year under review, the narrowing of spreads on bonds in the securities portfolio led overall to significant reversals of write-downs amounting to €791 million. In contrast, write-downs amounting to €472 million had been recognized in 2008 as a consequence of the financial crisis. In the year under review, DZ BANK had to recognize write-downs amounting to €249 million on its asset-backed securities, specifically owing to the extension of weighted average lifetimes and changes in ratings.

The net trading result for the year under review also included an expense of €141 million arising from the reclassification of the value-at-risk adjustment in connection with the planned reorganization in accordance with the BilMoG. In addition, DZ BANK in 2009 recognized an allowance for losses amounting to €42 million in respect of its exposure related to Lehman Brothers and a reversal of allowances amounting to €4 million in respect of its Iceland exposure.

A significant contributing factor in the excellent net trading result was DZ BANK's brisk customer business in capital market products, particularly interest-bearing products and investment certificates without capital protection. DZ BANK considerably improved its position in the market for interest-bearing products.

In the year under review, the bank continued to consolidate its relationships with issuers of bonds on primary markets and again demonstrated its significant placing power in the cooperative financial services network and with institutional customers. The volume and income generated from new bond issuance business increased many times over compared with 2008, delivering record earnings. The key factors in the success were DZ BANK's unique access to the cooperative financial services network and the bank's long-established business relationships with corporate customers and institutional customers, both in Germany and abroad. Further factors contributing to this leap in earnings were prestigious benchmark mandates, an early exposure in the newly created segment of government-guaranteed bank bonds, and the resurgence in the covered bond market.

In its secondary market bond and interest-rate derivatives business, DZ BANK achieved a marked expansion in its activities with all customer groups. In particular, there was a significant rise in demand from banks for interest-rate derivatives for the purposes of balance sheet management. DZ BANK also achieved further expansion in its interest-rate derivative positions in its business with major corporate customers. Despite a fall in margins on plain vanilla securities business, there was a substantial rise in income as a result of an increase in the trading volume and the sale of structured products. A further contribution came from traditional interest-rate hedging instruments in SME business. These instruments dominated short-term money markets as interest rates remained at a historic low.

Administrative expenses at DZ BANK amounted to €848 million, an increase of 8.9 percent on the comparable figure in 2008 (€779 million).

Other administrative expenses were almost at the same level as in 2008 at €357 million (2008: €362 million). The increased contribution to the guarantee fund managed by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin, (BVR) [Federal Association of German Cooperative Banks] as a result of the rise in the contribution threshold in the year under review and the costs incurred in the run-up to the merger with WGZ BANK which was halted on April 1, 2009 were offset by stringent management of other cost items.

Of the increase of €74 million in staff expenses to €491 million, €45 million was attributable to an addition to provisions for pensions and other post-employment benefits in the year under review that had not been made in 2008 as part of the increase in the discount rate for the calculation of the provisions for pensions and other post-employment benefits from 4.5 percent to 6.0 percent. In addition, €15 million of the above-mentioned increase in staff expenses was accounted for by a year-on-year increase in additions to the provisions for variable remuneration; a further €7 million was attributable to an increased obligation to the Pension Security Association (PSV). This increased PSV obligation arose because of an adjustment to contribution rates following an increase in company insolvencies.

Other net operating income and expenses at DZ BANK amounted to minus €7 million in 2009 (2008: plus €59 million). Earnings for 2008 included an additional profit contribution of €41 million resulting from the adjustment of the discount rate used for the calculation of provisions for pensions and other post-employment benefits to 6.0 percent in line with the interest rate for long-term investment-grade corporate bonds (2007: 4.5 percent).

Allowances for losses on loans and advances amounted to net reversals of €197 million in 2009, whereas the equivalent figure in 2008 had amounted to total allowances of €594 million.

A net addition to specific loan loss allowances and a net addition to country allowances were contrasted by net reversals in portfolio loan loss allowances; the net addition to specific loan loss allowances included a further allowance in the year under review for DZ BANK's lending exposure to Icelandic banks amounting to €13 million (2008: €218 million). Excluding allowances for the Iceland exposure, there was a year-on-year increase in specific loan loss allowances owing to the effects of the financial and economic crisis. Specific loan loss allowances nevertheless remain within the bank's forecasts because DZ BANK implements a rigorous risk policy.

Gains and losses on securities in the liquidity reserve came to a gain of €370 million in the year under review (2008: loss of €381 million), of which €267 million resulted from reversals of write-downs as volatility in financial markets abated, as discussed in the introduction; in 2008, write-downs of €456 million had been recognized as a consequence of the financial crisis.

Further detailed disclosures regarding the risk situation at DZ BANK can be found in the risk report on page 22 et seqq. of the management report.

In the year under review, DZ BANK's **other net income and expense** amounted to an expense of €1,057 million (2008: income of €256 million). Within this figure, losses on investments of €251 million (2008: gains of €518 million) takes into account both income from long-term equity investments of minus €20 million (2008: plus €865 million) and total write-downs of €231 million on long-term securities (2008: €347 million). In the year under review, it was necessary to recognize ABS-related write-downs of €218 million on long-term securities; these write-downs were partially offset by reversals of write-downs under long-term securities amounting to €31 million. The expense in respect of the transfer of losses in 2009 amounted to €264 million (2008: €6 million). In 2009, net extraordinary income/expense for the year were an expense of €202 million (2008: expense of €223 million).

Other net income and expense for the year also included an addition of €340 million (2008: €33 million) to the reserve required by section 340 g HGB.

With tax income of €62 million, **net income for the year** was €302 million (2008: €59 million). The positive tax figure for the year under review arose from the aggregation of income from group tax levies of €125 million (2008: €92 million), income from deferred tax assets of €65 million (2008: €377 million) and a tax expense of €128 million (2008: tax income of €72 million).

5. NUMBER OF BRANCHES

As at December 31, 2009, DZ BANK had four German branches in Berlin, Hannover, Stuttgart and Munich, and four foreign branches situated in London, New York, Hong Kong and Singapore.

The four German branches oversee two sub-offices in Hamburg and Nuremberg.

6. VOLUME GROWTH

As at December 31, 2009, DZ BANK's **total assets** had decreased by €35.1 billion to €224.1 billion, a reduction of 13.5 percent. The main reasons for this decrease were the targeted reduction of risk-weighted assets and the focus on network-oriented business activities as part of 'Programm 2011'.

TOTAL ASSETS

DZ BANK's international branches account for €24.0 billion, which equates to approximately 10.7 percent of total assets. London (€8.4 billion) and New York (€7.7 billion) together account for around 67.1 percent of the €24.0 billion, with Singapore (€5.2 billion) and Hong Kong (€2.7 billion) accounting for the remaining €7.9 billion.

As at December 31, 2009, **total volume** amounted to €250.7 billion (December 31, 2008: €284.1 billion); this figure comprises total equity and liabilities, contingent liabilities, and other DZ BANK obligations.

The **notional amount of off-balance-sheet forward transactions** had decreased as at the end of the year under review by €249.8 billion to €1,007.9 billion. Positive fair values had declined by €5.2 billion to €23.1 billion.

Loans and advances to banks had decreased by €6.7 billion to €100.6 billion, in particular as a result of the reduction in risk-weighted assets. Within this figure, loans and advances to affiliated banks had decreased by €0.9 billion to €44.1 billion, a fall of 2.0 percent, whereas loans and advances to other banks had fallen by €5.8 billion to €56.5 billion, a drop of 9.3 percent.

Given the reduction in risk-weighted assets and the focus on network-oriented business activities as part of 'Programm 2011', **loans and advances to customers** contracted by €5.7 billion to €28.1 billion.

The carrying amount of the **securities portfolio** at €74.7 billion was €21.6 billion below the figure as at December 31, 2008, primarily as a result of the reduction in risk-weighted assets. The carrying amount attributable to the portfolio of bonds and other fixed-income securities had fallen to €73.0 billion, a decrease of €22.0 billion. Equities and other variable-yield securities had increased by 0.4 billion to €1.7 billion.

Deposits from banks were down €30.4 billion and amounted to €110.8 billion as at December 31, 2009. Deposits from affiliated banks had fallen by €12.7 billion to €49.2 billion (down 20.5 percent), and deposits from other banks had decreased by €17.7 billion to €61.6 billion (down 22.3 percent).

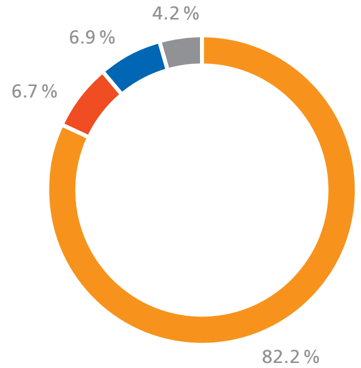
Amounts owed to other depositors were €31.9 billion as at December 31, 2009, a decrease of €11.4 billion on December 31, 2008, primarily as a result of lower overnight money, time deposits, and current account credit balances.

At the end of the year under review, the carrying amount of **debt certificates including bonds** had reached €57.0 billion (December 31, 2008: €51.3 billion). Bonds issued by the bank during 2009 increased by €2.5 billion to €52.5 billion, and other debt certificates increased by €3.2 billion to €4.5 billion.

The **total equity** in accordance with HGB of €6.3 billion reported on the balance sheet as at December 31, 2009 was €0.6 billion up on the equivalent figure as at December 31, 2008; distributable profit rose by €62 million to €123 million.

The **regulatory capital ratios** for DZ BANK are discussed on page 28 et seq. of this management report. **Risk capital management** and **liquidity risk management** at DZ BANK are discussed in detail on page 26 et seqq. and page 41 et seqq. of this management report.

SHAREHOLDERS



Total subscribed capital: €3,160 million

- Local cooperative banks*: €2,597 million
- WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank*: €211 million
- Other cooperatives: €220 million
- Other: €132 million

* Directly and indirectly

II. Human resources report and sustainability

1. HUMAN RESOURCES REPORT

The main feature of the year under review in human resources was DZ BANK's strategic realignment and the associated reduction in the number of employees. The priority was to communicate with employees, particularly given the difficult economic circumstances. It is precisely for this reason that an employee survey was conducted during the second half of the year to seek their opinions.

'PROGRAMM 2011': STRATEGIC REALIGNMENT OF DZ BANK AG

The start of 'Programm 2011: Network-oriented central institution' during the spring of 2009 involved the implementation of a number of action plans at DZ BANK AG centered on two main objectives: first, a strategic realignment of the Bank including certain cost savings, and secondly, a downsizing of the workforce by the approximate equivalent of 450 full-time jobs. Senior management came to an amicable agreement with employee representatives on how to achieve the layoff targets in 'Programm 2011' with minimum social impact on employees. The Bank intends to achieve the workforce reduction with the help of various schemes and HR options, such as pre-retirement part-time employment, part-time working models linked to operational requirements, sabbaticals, and extended parental leave. For the time being, DZ BANK is not considering any compulsory termination of employment contracts. By the end of the year under review, DZ BANK had already reached agreements with employees on a voluntary reduction in capacity of just under 300 full-time equivalents in total. The downsizing is therefore ahead of schedule. In 2009, an average of approximately 4,089 people (2008: 4,082) were employed by DZ BANK AG both in Germany and abroad (including temporary personnel). In Germany, employee turnover was 5.1 percent (2008: 3.7 percent) and the average period of service 11.7 years (2008: 11.2 years). The rise in employee turnover was the consequence of the action taken under 'Programm 2011' to downsize the workforce. This is highlighted by the headcount of 4,024 as at December 31, 2009 compared with 4,142 as at December 31, 2008.

DZ OPINION SURVEY: FOCUS ON EMPLOYEES

During the second half of the year under review, DZ BANK conducted an employee survey led by the Human Resources division. Using structured questions, the survey asked employees about their overall level of satisfaction and specific aspects, such as satisfaction with the work itself, working conditions, relationships with other employees, and culture. Employees were asked about the changes as part of 'Programm 2011' at both a rational and an emotional level. Positive employee evaluation of the individual dimensions led to a good overall OCI (organizational commitment index) score of 74. The OCI is made up of five different individual indicators relating to commitment and loyalty: overall satisfaction, redecision to work for DZ BANK again, willingness to recommend the employer to others, own commitment, and employer competitiveness. Given the performance of the business in the middle of 2009, the commitment and loyalty of the employees is considered to be good and the employees themselves expressed a high degree of own commitment overall. When the evaluation of the first DZ employee opinion survey had been completed, the various departments began work on the findings in the third quarter; the Human Resources division initiated and supported this work at an overarching level. One of the responses was to establish the Sounding Board working group. All departments have an employee representative on the Sounding Board working group, the objective of which is to ensure that the exchange of ideas, action planning based on the survey findings, and networking extend beyond divisional boundaries. In addition, the Board of Managing Directors held a special closed session to discuss the suggestions made to them by employees. Proposals worked out in detail will be implemented during the course of 2010 and subsequent years.

PROFESSIONAL DEVELOPMENT: TARGETED TRAINING

It is important that employees and young talent receive targeted professional development, especially in difficult times. Comprehensive employee expertise and a high level of skills and qualifications in the workforce are the prerequisites for DZ BANK AG's commercial success and therefore also a key area of investment for the future. During the year under review, the oekom research rating agency reviewed the sustainability rating for the DZ BANK Group. This agency highlighted a number of positive factors including the professional development policy and the comprehensive professional development program at DZ BANK. In 2009, the total number of days spent by employees in professional development activities was 12,375 (2008: 16,215). The average number of professional development days per employee in the year under review was 3.3 days (2008: 4.2). The difference between the figures for 2008 and 2009 is attributable to special bank-wide projects completed in 2008, which accounted for 3,116 professional development days in that year.

In 2009, DZ BANK's professional development program comprised approximately 130 different topics, of which just under 30 training topics were new to the program. This represented a total of 244 training events held during the year. The new topics focused on methods, communication and personality, both for employees and managers. The professional development department also designs customized professional development activities for both individual and division-specific skills development requirements. A particular highlight of 2009 was the closing event in the middle of the year for the first 40 executives to complete the 24-month managerial program. In 2007, DZ BANK had implemented a systematic program of executive management development with professional external support. By the end of 2009, over 60 percent of all department and group managers had received training on DZ BANK's common management philosophy. Employees and executives switching to new management positions face particular challenges, particularly at the start of their new job. A range of support services is therefore critical in ensuring they are successful in their new roles. The high participation rate of 90 percent and the positive feedback demonstrate the strength of acceptance by executives at all levels in the hierarchy. Participants tell us that they particularly value the opportunity to make a contribution to change in the Bank in addition to benefiting from other aspects such as 'developing your own leadership and management' and 'networking'. Another milestone was the start of the 'Navigator Program'. This professional development program is targeted at divisional managers and – in addition to training and coaching sessions – features the selection of management programs matched precisely to the requirements of the managers concerned. In this way, the professional development department fulfils its role as a strategy support function within DZ BANK.

TRAINING AND MANAGEMENT OF YOUNG TALENT: TRANSFER TO PERMANENT EMPLOYMENT DESPITE CRISIS

DZ BANK is aware of its corporate social responsibility as far as professional and vocational training is concerned. Despite the crisis, the Bank managed to place or employ all its graduating trainees in the year under review. An acceptable solution was found for all 84 graduates: 59 graduates were taken on within DZ BANK, 4 were placed with companies in the cooperative financial services network, and a further 21 accepted a new challenge outside the Bank. The management of young talent will continue to play an important role in the future and DZ BANK intends to ensure that it has enough well-trained young talent for the period after the crisis. In August and October 2009, there was a new intake of trainees and bachelor-degree students who will complete their training programs in 2011 and 2012. The excellent contribu-

EMPLOYEE DATA

Employees	2009	2008
Total	**4,089**	**4,082**
Germany	3,763	3,738
Rest of world	326	344
Full-time/part-time		
Germany full-time	3,205	3,188
Germany part-time	559	550
ROW full-time	311	327
ROW part-time	14	17
Gender		
Germany, male	2,200	2,176
Germany, female	1,564	1,562
ROW, male	193	131
ROW, female	132	213

tion made by young talent supervisors in each department guarantees that the training is thorough. A conference for young talent supervisors was also held at the end of 2009. This provided a platform for information sharing and networking between HR managers and departmental representatives.

TALENT POOLS: HIGH-POTENTIAL EMPLOYEES

In addition, a key requirement in DZ BANK's capacity to make appointments to key positions or recruit young talents is the use of various talent pools. For example, there is a specially tailored 18-month professional development program which ensures that high-potential employees and executives are prepared to take on demanding roles leading to further responsibilities. A further objective is to secure appointments to vacant positions as part of strategic succession planning. This means that all participants remain in the 'high-potential pool', even when they have completed the development program. At the end of 2009, DZ BANK held a high-potential networking meeting for the first time involving all current and former participants in the program. The event was very popular as it offered the opportunity for information-sharing and interdepartmental networking in addition to addressing the topic of 'Developing creative potential'. The students' promotion program development group at DZ BANK is a talent pool aimed at recruiting university graduates for trainee programs or direct employment. This group provides very good, highly motivated, high-potential interns at DZ BANK with an opportunity actively to demonstrate their capabilities beyond their initial internship and to apply the results of their studies and key interests in a purposeful way. Since the introduction of bachelor and master degree courses in Germany, this opportunity has also been available to students who have successfully completed bachelor degree studies in partnership with DZ BANK and who have now moved on to study for a masters degree. Regular students' promotion program meetings and the distribution of job advertisements and current information on the Bank help to sustain the loyalty of the students toward DZ BANK. In 2009, DZ BANK employed 109 trainees (2008: 162), of which 62 were in traditional recognized vocational programs (2008: 90) and 47 were management trainees around the globe (2008: 54). Interns, university students approaching graduation, postgraduate students and participants in various work and study programs also form an integral part of our development of young talent.

CAREER PRIZE

In the year under review, the Career Prize was, for the first time, jointly awarded by the DZ BANK Group. Bausparkasse Schwäbisch Hall, Union Investment, R+V Versicherung, DG HYP, TeamBank, and VR LEASING were now also involved in addition to DZ BANK AG. The DZ BANK Group Career Prize is awarded for an outstanding dissertation in the area of banking and finance and this was the eighth time the prize had been awarded. The year under review saw a record number of submissions: a total of 168 entries were received from Germany, Austria, Switzerland, and the United Kingdom as well as from China and South Korea, compared with 145 in 2008.

VERBUND FIRST: PRACTICAL HR RELATIONSHIP MANAGEMENT

As an important part of our activities in the context of our relationship with the cooperative banks – our shareholders and most important customers – we endeavor to share information and exchange opinions with the employees of these banks on a face-to-face basis. By holding regular information events at DZ BANK offices, our objective is to improve the level of collaboration with employees and executives of the cooperative banks, to promote business relationships with the cooperative banks, and to provide a practical insight into the structure, business and products of

DZ BANK. The fourth quarter of 2009 saw another very successful information event for employees of the cooperative banks, the fourth occasion on which such events have been held. The first-ever information event had been held in 2008. The two events in April and October of 2008 were attended by a total of 28 cooperative bank employees who were at that time on skills development courses or who formed part of the young executive talent in the banks concerned. The information events in the spring and autumn of 2009 had a total of 27 participants. The volume and steadily rising number of registrations for the information event is a pleasing confirmation of their value and also underlines the interest of the cooperative banks in maintaining close contact with DZ BANK.

HEALTH MANAGEMENT: RESPONSIBILITY FOR EMPLOYEES

An appropriate work-life balance forms the basis for an individual's personal performance and therefore contributes directly to the performance of the business as a whole. In 2009, DZ BANK therefore continued to provide a number of services aimed at promoting the health of employees, such as attractive sporting opportunities within the company, free health checks, and anti-stress programs. Options for more flexible working hours, part-time working models and other services aimed at promoting a work-life balance all help an individual to achieve the requisite balance and therefore form a permanent, integral part of HR policy at DZ BANK. DZ BANK's range of activities promoting a work-life balance was also included in the items highlighted in the 2009 sustainability rating carried out by oekom research.

AWARDS: EMPLOYER OF CHOICE

Over the past years, DZ BANK has enjoyed success in the following awards: PerstPersAward (first place, family friendly business, 2009), BestPersZertifikat (2009), Top German Employer (crf) (2008 and 2009, third place, remuneration, 2009), 100 Top Employers (trendence, since 2008) and 'Work and Family' certificate (2007 audit; re-auditing in 2010).

2. SUSTAINABILITY

DZ BANK AG feels bound by a long tradition that combines banking activities with social responsibility. This means that the Bank uses its financial products and services to generate added social value and to achieve commercial success on a sustainable basis. This approach includes the provision of comprehensive support for employees and the best possible level of protection for the environment. As part of society, DZ BANK AG is also committed to assisting educational, cultural and social causes. DZ BANK AG's Sustainability Report and more detailed information can be accessed on the internet at www.sustainability.dzbank.com.

III. Risk report

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

1. RISK MANAGEMENT SYSTEM

OBJECTIVE AND LIMITATIONS

The systematic, controlled assumption of risk in relation to target returns is an integral part of corporate control at DZ BANK. The operating activities resulting from the Bank's business model require the ability to identify, measure, assess, manage, monitor, and communicate risks. The backing of risks with adequate capital is also recognized as an essential prerequisite for the operation of the business and is of fundamental importance. In all its activities, DZ BANK abides by the principle of only taking on risk to the extent necessary to achieve business objectives.

Against this background, the Board of Managing Directors of DZ BANK has established an appropriate and fully functioning risk management system that meets both the Bank's own business management requirements and statutory requirements. DZ BANK AG's risk management system is an integral part of the risk management system in the DZ BANK Group as a whole. Given the methods that it has implemented and the organizational arrangements and IT systems that it has put in place, DZ BANK is in a position to identify material risks at an early stage and initiate appropriate control measures. The risk management system is subject to regular review by risk control, internal audit, and by independent auditors. In addition, the Supervisory Board of DZ BANK needs to satisfy itself at regular intervals that the risk management system is appropriate and functioning properly.

Regardless of the fundamental suitability of the risk management system, 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. The methods used for the measurement of risk are integrated into the risk management system. The results produced from risk models are suitable for the Bank's management and control purposes. 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.

MINIMUM REQUIREMENTS FOR RISK MANAGEMENT

In mid-August 2009, the Federal Financial Supervisory Authority (BaFin) announced an amendment to the German Minimum Requirements for Risk Management (MaRisk) for the banking sector. There are new requirements for risk management extending, in particular, to greater involvement of the supervisory body, consideration of risk and income concentrations, stress test methods, the evaluation of illiquid products, the expansion of liquidity risk management, and risk management at group level. In addition, in a separate circular, BaFin brought into force rules on risk-based structuring of remuneration systems. DZ BANK set up a working group to analyze the new requirements and has initiated the implementation of individual outstanding items.

SEPARATION OF FUNCTIONS

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

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

Central **risk control**, which forms part of the Group Controlling division of DZ BANK, is responsible for identifying, measuring and assessing risk and for monitoring limits. This is accompanied by the planning of upper loss limits. Risk control also reports risks to the Supervisory Board, the Board of Managing Directors and the risk management units. This function is responsible for the transparency of all risks assumed by DZ BANK across all risk types and for ensuring that risk measurement methodology is up-to-date.

In the **internal control system**, organizational structure precautions and controls in work processes ensure that monitoring is built into processes. In addition, IT systems are systematically protected by authority-dependent management of authorizations and by technical precautions against unauthorized access both within and outside group companies.

In addition, **internal audit** is responsible for monitoring and control tasks that are independent of processes. Internal audit carries out systematic, regular risk-based audits focusing on compliance with statutory and regulatory requirements. This function also monitors the risk management system to ensure that it has a fully operational capability and follows up audit findings to ensure that identified problems have been rectified. Internal audit reports directly to the Chief Executive Officer. DZ BANK also satisfies the special requirements for the structure of the internal audit function specified by MaRisk.

COMMITTEES

The management of DZ BANK is an integral part of the DZ BANK Group's committee structure. The **Group Coordination Committee** ensures coordination between the key companies in the DZ BANK Group to achieve consistent business and risk management, allocate capital, deal with strategic issues, and leverage synergies. The **Group Risk Committee** is the central committee in the DZ BANK Group responsible for business management and risk management. Among other things, it manages risk capital throughout the group and assists the Group Coordination Committee in matters of principle. The Group Risk Committee has set up working groups covering group risk management, group credit management, and liquidity management to prepare proposals for decision and to implement management action plans. There are also groupwide working groups focusing on accounting, information technology and internal audit.

The committees described below have risk management responsibilities within DZ BANK.

– The **Major Risk Committee** provides support in the monitoring and control of overall banking risks.
– The Board of Managing Directors has formed a **Credit Committee** from among its own members. This committee is tasked with the monitoring and control of the Bank's entire credit portfolio. This committee takes decisions on material lending exposures in 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 procedures and country risk throughout the DZ BANK Group.
– The **Treasury Committee** is responsible for market risk and liquidity risk issues. This committee meets on a weekly basis to discuss basic principles and action plans related to the management and limiting of risk and submits appropriate proposals to the entire Board of Managing Directors. The Treasury Committee is also responsible for implementing any action regarding non-voting equity capital.

RISK REPORTING AND RISK MANUAL

DZ BANK's risk reporting forms an integral part of the risk reporting system throughout the group. The **quarterly group risk report** is the main channel by which risks at group and company levels 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 on DZ BANK in the quarterly **DZ BANK Group credit risk report**. DZ BANK also has further reporting systems for all relevant types of risk. Depending on the degree of materiality in the risk positions concerned, these systems ensure that decision-makers and supervisory bodies receive transparent information on DZ BANK's risk profile at all times.

The DZ BANK Group's **risk manual** is available to all employees and includes the general parameters for risk capital management and the management of risk types as well as a comprehensive description of methods, processes and responsibilities. The details in the group's risk manual also apply to DZ BANK.

FINANCIAL REPORTING

Objective and responsibilities

The primary objective of external financial reporting at DZ BANK 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.

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

Responsibility for external financial reporting lies in the first instance with Group Finance (annual financial statements and business performance report), Human Resources (human resources report and sustainability) and Group Controlling (risk report and outlook). Internal audit provides active support for the work processes as part of its auditing function.

Instructions and rules

The methods to be applied in the preparation of single-entity 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 risk disclosure, for the integration of risk disclosure into general financial disclosure, and for the interconnection between risk disclosure and internal risk reporting at DZ BANK. By adopting this disclosure policy, the Board of Managing Directors has put in place the necessary risk-related disclosure procedures and has communicated them throughout the Bank. The instructions and rules are audited annually to assess whether they remain appropriate and are amended in line with internal and external requirements.

Resources and methods

Taking into account the rules in the organization manuals, risk manual, and disclosure policy on risk disclosure, DZ BANK has installed processes that – using suitable IT systems – permit efficient risk management in respect of financial reporting.

Financial reporting at DZ BANK is subject to binding workflow plans for collating, generating and controlling quantitative and qualitative information required for the preparation of statutory reports and necessary as the basis 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. In addition, posting transactions are properly documented and checked. Suitable contingency plans have also been put in place to ensure the availability of HR and technical resources needed for accounting and financial reporting processes. These plans are regularly checked using appropriate tests and are refined as required.

Refining and ensuring effectiveness

The processes used are reviewed on a continuous basis 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 training in the legal requirements and the IT systems used in accordance with needs. When statutory changes are implemented, external advisers and auditors are brought in at an early stage to provide quality assurance for financial reporting.

The accuracy of financial reporting content and the standardized application of the instructions and rules by the units of the Bank involved in accounting and financial reporting processes are audited by independent auditors as part of statutory audits or, additionally, voluntarily contracted audits, and by the Bank's internal audit department.

RISK TYPES

Overview

Credit risk, market risk, and liquidity risk are the most important types of risk at DZ BANK. Credit risk is a particular feature of corporate banking and investment banking activities. Market risk arises primarily from trading business. Equity risk results from DZ BANK's equity stakes in companies held in pursuit of the Bank's business strategy. Liquidity risk, operational risk, and business and strategic risk arise in connection with any kind of business activity and are therefore also important at DZ BANK.

Reputational risk

Reputational risk is becoming increasingly important in the banking industry as a result of both the financial crisis and compliance-related incidents. Reputational risk means the risk of events that damage the confidence of customers, investors, the labor market, or the general public in DZ BANK or in the products and services it offers. Reputational risk may arise following the crystallization of other risks, but also as a result of other, publicly available negative information about DZ BANK. Reputational risk is covered by the risk strategy, which specifies a requirement for fair behavior with all partners and precludes transactions with doubtful counterparties. This therefore takes into account the sustainability concept embraced by DZ BANK. 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.

Financial instrument risks

Credit risk, equity risk, market risk, and liquidity risk are specifically directly associated with financial instruments, whereas operational risk, reputational risk, and business and strategic risk may arise from other DZ BANK activities and not just from financial instruments. DZ BANK takes a holistic, integrated view of all these risks when using risk management tools and when assessing the risk position. This approach is reflected in this risk report.

2. ACTION TAKEN IN RESPONSE TO THE FINANCIAL CRISIS

APPROPRIATE RISK MANAGEMENT SYSTEM

DZ BANK continues to have a range of efficient risk management tools at its disposal that have also allowed it to respond appropriately to the market turmoil. Changes in risk factors, such as a deterioration in the rating of counterparties or the widening of spreads on securities, are reflected in adjusted risk parameters in the mark-to-model measurement of credit risk and market risk. Conservative crisis scenarios for short-term liquidity ensure that liquidity risk management also takes adequate account of current market disruption. A risk limit system based on risk-bearing capacity, stress testing encompassing all risk types, and a flexible, timely internal reporting system ensure that the management of DZ BANK is in a position to initiate targeted corrective action if required.

The methods used to determine risk-bearing capacity are regularly reviewed to ensure they remain appropriate. One outcome has been the refinement of the economic stress test. In order to help the Bank overcome the particular challenges presented by the financial crisis, the market liquidity risk in the year under review was specifically included in the quarterly economic stress test. The weekly cycle of updating the observed stress test scenarios has also proven itself to be valuable. In this way, up-to-date estimates of the potential loss can be integrated promptly into risk management and into the measurement of market risk in terms of both value-at-risk and risk capital requirement.

The scenarios used to cover market risk arising on rating and spread products were subjected to detailed analyses and partially revised in the year under review. The scenarios involved in this case were, in particular, scenarios for bond spreads, CDS spreads, ABS spreads, basis spreads, weighted-average lifetime and correlations. In addition, an enhanced review of the appropriateness of DZ BANK's entire internal market risk model was carried out during the course of the year.

CAPITAL BASE STRENGTHENING

The capital management task force set up in 2008 by DZ BANK to enable it to counter the impact of the financial crisis on a systematic basis continued its activities throughout the year under review. The task force closely monitors any changes in capital and risk positions and proposes targeted management action to the relevant committees.

In the first half of 2009, DZ BANK launched a Tier 1 bond with a volume of €500 million in order to strengthen its capital base. This bond was placed in full within the cooperative financial services network. In addition, DZ BANK established that it had generated an interim profit based on the interim HGB financial statements prepared for the period ended June 30, 2009. A total of €456 million from this interim profit was allocated to Tier 1 capital. Corporate action was concluded in November 2009 with an increase in equity of €400 million. The total as at the end of 2009 was €1,356 million.

As at December 31, 2009, DZ BANK had freed up more of its regulatory capital by using the BVR protection facility to cover securities portfolios with a principal amount of €911 million.

TARGETED MANAGEMENT ACTION

Since the start of the financial crisis in 2007, DZ BANK has continuously stepped up the monitoring of its credit portfolio, with attention focused on exposures in the financial sector and in selected regions of the world. Intensive support is provided for individual exposures using standard processes within the workout management system. The risks in subportfolios are monitored and analyzed with regular reports. In 2009, DZ BANK also continued its ongoing review of the limits granted to financial institutions in terms of selected exposures, countries and risk factors. This led to a further reduction of limits. In order to reduce lending exposure, the volume of securities in trading portfolios and in the liquidity reserve as well as credit substitution business was scaled back. New non-network business was also restricted in the year under review.

DZ BANK was able to further enhance cost efficiency in the year under review by increasing the pooling of Treasury activities and cash management as well as by continuing to reduce administrative expenses.

COMPREHENSIVE TRANSPARENCY

The consequences of the financial crisis for DZ BANK's risk position are mirrored in the figures disclosed in this risk report in accordance with statutory requirements. With the detailed disclosures on securitizations and leveraged finance in accordance with the standards in the 'Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience' dated April 7, 2008, which are published on a voluntary basis in the DZ BANK banking group's regulatory risk report (which can be found on the website of DZ BANK), DZ BANK meets the requirements of the capital markets for additional transparency regarding DZ BANK's exposure to business particularly affected by the financial crisis.

3. RISK CAPITAL MANAGEMENT

STRATEGY, ORGANIZATION, AND RESPONSIBILITY

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

The **Board of Managing Directors** of DZ BANK defines the corporate objectives and the capital requirement in terms of both risks and returns. The Board ensures the risk profile is appropriate relative 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 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 needed by DZ BANK. DZ BANK Treasury coordinates the action needed to cover this requirement and the implementation of any corresponding measures to raise capital.

RISK-ADJUSTED PROFITABILITY MANAGEMENT

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

MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

Measurement methods

Economic capital management is based on internal risk measurement methods, which take into account all key types of risk. Credit risk, market risk, and equity risk are measured using internal models based on a value-at-risk approach, stress scenarios, or to a lesser extent other approaches that express a comparable potential loss. Potential loss from operational risk is estimated using the Standardized Approach specified by the German Solvency Ordinance. Quantification of business and strategic risk is based on an empirical benchmark analysis. The risk capital requirement is determined by aggregating the various risk types. This then incorporates the effects of diversification between the different risk types. A confidence level of 99.95 percent – which is appropriate to the rating of DZ BANK – is assumed for the most part in the internal models; this is the same as the confidence level used in 2008.

UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT

	Upper loss limit		Risk capital requirement	
€ million	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Credit risk	1,800	1,495	1,686	1,465
Equity risk	890	854	701	828
Market risk	1,950	1,822	1,797	1,543
Operational risk	65	131	65	131
Business and strategic risk	191	172	177	157
Total after diversification	**4,546**	**4,095**	**4,100**	**3,762**

Risk-bearing capacity

In a risk-bearing-capacity analysis, the risk capital requirement is compared against the aggregate risk cover and the economic capital adequacy determined. The aggregate risk cover for the DZ BANK Group comprises the equity reported on the balance sheet and hidden reserves in accordance with IFRS and is reviewed monthly. As at December 31, 2008, aggregate risk cover was €11,303 million (December 31, 2007: €12,186 million). Based on this figure, the Board of Managing Directors determined the upper loss limits for the year under review in March 2009.

The table on the left shows the breakdown of the **upper loss limit** by type of risk and the **capital requirement** for each type of risk compared with 2008. As at December 31, 2009, the total upper loss limit for DZ BANK amounted to €4,546 million (December 31, 2008: €4,095 million). The total risk capital requirement was determined at €4,100 million (€3,762 million). DZ BANK was able to counter the shortage of available risk capital that arose during the course of the financial crisis by raising the upper loss limit. This was made possible firstly by the action taken during the year under review to strengthen the capital base. Secondly, DZ BANK was able to ensure the efficient use of capital by close management and monitoring of subportfolios. This action was accompanied by a calmer environment in financial markets, although this has been partially offset again by the deterioration in ratings.

As things stand at the moment, DZ BANK will have at its disposal sufficient aggregate risk cover for 2010.

Risk capital requirement stress tests

DZ BANK is integrated into the standard risk capital requirement stress tests conducted at group level. Separate stress tests are carried out for each risk type included in risk capital management – credit risk, equity risk, market risk, operational risk, as well as business and strategic risk. The 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 implementation of the stress tests. The initial parameters for measuring risk are scaled in such a way as to reflect extremely negative economic situations.

The stress tests for market risk focus on the risk factors. The internal risk measurement methods are supplemented by a calculation of actual losses from the hypothetical crisis scenarios. 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. This is particularly important when critical situations prevail.

MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

Regulatory framework

DZ BANK's regulatory capital management is integrated into the regulatory capital management of the DZ BANK banking group as a whole. In addition to economic capital management – which provides the main targets for the management of operating activities – regulatory solvency requirements for the DZ BANK banking group are also observed. Since 2007, DZ BANK has mainly been using the internal ratings-based (IRB) approach to calculate the regulatory capital adequacy requirements for credit risk and the Standardized Approach to calculate these requirements for operational risk in accordance with the German Banking Act (KWG) and the German Solvency Regulation (SolvV).

In 2009, DZ BANK continued to be involved in both shaping the national implementation of Basel II through its work on the relevant banking regulatory committees in Germany and contributing to the discussions held by the German regulator on overcoming the financial crisis.

Capital

DZ BANK's regulatory capital as at December 31, 2009 amounted to a total of €13,353 million (December 31, 2008: €11,796 million). The detailed changes compared with the figures as at December 31, 2008 are described below.

Tier 1 capital was adversely affected by the consequences of the financial crisis, but was strengthened over the long term as a result of the corporate action implemented in 2009. As at December 31, 2009, it amounted to €7,538 million (December 31, 2008: €6,757 million).

DZ BANK's **Tier 2 capital** as at December 31, 2009 was €5,436 million (December 31, 2008: €5,039 million). The increase was mainly attributable to an increase in longer-term subordinated funding amounting to €1,046 million in total. This was partially offset by matured profit participation and longer term subordinated capital as well as capital deductions.

As at December 31, 2009, the carrying amount of **Tier 3 capital**, which resulted from the restriction of longer term subordinated capital to 50 percent of Tier 1 capital, amounted to €379 million. There had been no Tier 3 capital as at December 31, 2008.

Capital requirements

As at December 31, 2009, the regulatory capital requirement in respect of credit risk, market risk, and operational risk was calculated at €4,326 million (December 31, 2008: €6,136 million). The significant year-on-year decrease was attributable to the action taken to contain the negative effects of the financial crisis.

Capital ratios

The total capital ratio for **DZ BANK** as at December 31, 2009 was 24.7 percent (December 31, 2008: 15.4 percent), and the Tier 1 capital ratio was 13.9 percent (December 31, 2008: 8.8 percent). The following ratios were determined for the **DZ BANK banking group** as at December 31, 2009: a total capital ratio of 12.4 percent (December 31, 2008: 9.7 percent) and a Tier 1 capital ratio of 9.9 percent (December 31, 2008: 7.4 percent). There was therefore a significant year-on-year improvement in these key ratios and they considerably exceeded the regulatory minimum of 8.0 percent for the total capital ratio and 4.0 percent for the Tier 1 capital ratio.

4. CREDIT RISK

CREDIT 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 'Verbund First'. Lending by DZ BANK 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 future, the portfolio will continue to be characterized by a high degree of diversification. In the case of an individual lending transactions, risk-adjusted pricing of the financing taking into account adequate standard risk costs and risk-adjusted economic capital costs is of critical importance.

Where required, the Board of Managing Directors takes 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. Credit risk strategy was adjusted in the year under review in line with current market requirements, risk-bearing capacity and the even greater focus on the cooperative financial services network. Following the realignment of the structured finance product area back in 2008, DZ BANK tightened up its rating requirements for major corporate clients and institutional customers as well as for project and acquisition finance in 2009. There will be no new investments in securitization tranches for the time being, although this does not include small-scale buying of ABS tranches in trading for customer account. In 2009, DZ BANK managed to scale back its securities portfolio further while at the same time expanding its business with German SMEs in partnership with the cooperative financial services network.

ORGANIZATION AND RESPONSIBILITY

As required by MaRisk, 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. The authority of committees to approve lending to financial institutions was adjusted in line with the risk as a response to the turmoil in the markets in the year under review.

CREDIT RISK REPORTING

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

As part of the reporting system, the Group Risk Committee is kept informed of the **economic capital requirement** to cover credit risks in DZ BANK. Internal reporting also includes **volume-oriented analysis** of the portfolio structure based on key risk characteristics such as country, industry and rating. In addition, the report includes details on specific exposures and specific loan loss allowances. Any resulting indicators of a requirement for action are reported to DZ BANK's senior management.

RATING SYSTEMS

The **VR-rating system** is used as standard throughout the cooperative financial services network. This ensures that all the entities in the network apply a sophisticated uniform methodology producing ratings that are comparable. The VR-rating system is differentiated by customer segment and is gradually being extended to cover all relevant customer groups.
DZ BANK primarily uses VR-rating systems as part of its credit risk management system to assess larger SMEs, major customers, banks, countries, as well as project finance and acquisition financing. In addition, the internal assessment approach is used to assess credit lines and credit enhancements made available by DZ BANK to asset-backed money market certificate schemes for the purposes of issuing asset-backed commercial paper (ABCP). The 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 at the lower end of the scale, agricultural businesses and public-sector entities. 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. Since May 2009, DZ BANK has been using the VR-Rating Agrar system as part of its internal management system to assess credit risk in agriculture entities. The new rating system has become particularly important in view of the 'drive for growth in the agriculture, nature and energy sectors' in which DZ BANK is seeking to step up both direct business with agricultural customers and its Agrar-Meta business — a decentralized service for the cooperative financial services network.

In the year under review, the existing internal rating systems were reviewed and refined taking into account prevailing market conditions. This included a further revision of the rating systems used for the rating segments covering larger SMEs, project finance, and acquisition finance.

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 calculates a rate of interest for the economic capital that is in line with the risk involved and is intended to cover any unexpected losses arising from lending business. At the same time, pricing also includes an appropriate amount to cover the costs of risk concentration.

ECONOMIC CREDIT-PORTFOLIO MANAGEMENT

Portfolio models

In economic credit-portfolio management, a distinction is made between expected losses on individual transactions and unexpected losses on the credit portfolio as a whole. The calculation of an expected loss for each individual transaction prevents a creeping erosion of equity. To this end, DZ BANK determines standard risk costs that vary according to rating.

Portfolio models are also used together with a value-at-risk approach to quantify unexpected losses that may arise from the credit portfolio. Credit value-at-risk describes the risk of unexpected losses arising from the failure of counterparties to meet their contractually agreed payment obligations. Credit value-at-risk is measured using credit portfolio models that take into account industry and counterparty concentrations and also reflect the rating structure of the credit portfolio. This includes credit and liquidation risk from both lending and trading business.

In terms of issuer risk, the amount to be recognized in the risk model for trading business credit risk is based on a fair value calculation in the context of economic capital management. Replacement risk is measured in a similar way to risk limits based on the fair value of the derivative plus a benchmark add-on derived from a simulation. In contrast to the measurement of risk limits, the expected value is used and a uniform one-year time horizon is assumed across all transactions.

Asset securitization

DZ BANK uses asset securitization as a further tool for managing its credit portfolio and to optimize the risk/return ratio. The overarching objective of securitization activities is to relieve the pressure on economic and regulatory capital.

DZ BANK's aim in its role as an originator of long-term refinanced securitizations is to transfer risk, thereby relieving the burden on economic and regulatory capital. As an originator and sponsor, the Bank also uses special-purpose entities (known as conduits) which are funded by the issue of money market-linked ABCP. Conduits are predominantly made available for DZ BANK customers who then securitize their own assets via these companies. Further disclosures regarding the use of securitization instruments are included in the DZ BANK banking group's regulatory risk report (Section 4.5 'Management of asset securitization').

LENDING EXPOSURE RISK MANAGEMENT

Management of credit risk in traditional lending business

VOLUME-ORIENTED CREDIT-PORTFOLIO MANAGEMENT

In the year under review, volume-oriented credit-portfolio management included the continued development of procedures and processes for the uniform assessment and management of the credit portfolio. The management and control system that has been implemented ensures that the requirements of MaRisk are satisfied. Country risk is managed by the setting of limits for individual countries at the DZ BANK Group level.

MANAGEMENT OF EXPOSURES AND LIMITS

General limits are set for individual counterparties and for single borrowers. Suitable **early warning processes** have been established to ensure that limits are monitored on a timely basis. In addition, DZ BANK has set up processes to handle instances in which customers are **overdrawn**. The credit risk report highlights the ten largest exposures by various risk criteria.

Against the backdrop of the financial crisis, DZ BANK had already stepped up the **monitoring of the banking portfolio** in 2007. In the year under review, the Bank also carried out an ongoing review of the general and specific limits granted to financial institutions in terms of selected exposures, countries and risk factors. This resulted in a substantial reduction in the general and specific limits for the largest exposures with financial institutions. In addition, the total internal single borrower limit for non-covered business with financial institutions is set at €500 million.

Management of trading business credit risk

MEASUREMENT OF CREDIT RISK FROM TRADING BUSINESS

Replacement risk, settlement risk, and issuer risk arise largely in connection with DZ BANK's trading activities. **Replacement risk** 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 minimize risk. As regards **settlement risk**, the amount of the counterparty risk is deemed to be the amount of the debt, i.e. the amount actually due to be paid by the counterparty to DZ BANK. Settlement risk is recognized for a period over which the risk is assumed to apply. **Issuer risk** is calculated on the basis of the fair value of a security. All securities in the banking book and trading book are included in the calculation of this risk.

MANAGEMENT OF LIMITS ON CREDIT RISK FROM TRADING BUSINESS

DZ BANK has established a volume-oriented **limit system** to limit the credit risk arising from trading business. The replacement risk is managed via a structure of limits broken down into maturity bands. A daily limit is set in order to manage the settlement risk. A general or specific limit related to rating is determined for each issuer as the basis for managing issuer risk. Separate limits are specified for Pfandbriefe (covered bonds) and asset-backed securities (ABSs). Credit risks in connection with trading business are 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 **early warning and overdrawn account processes** have also been established for the trading business. The member of the Board of Managing Directors responsible for risk monitoring is sent a daily list of exceeded trading limits as part of the reporting system in accordance with MaRisk requirements. A monthly report is prepared for the total credit risk from trading business on the basis of exposures.

Credit risk mitigation

COLLATERAL STRATEGY AND SECURED TRANSACTIONS

In accordance with DZ BANK's credit risk strategy, **customer credit quality** forms the basis for any lending decision; collateral has no bearing on the borrower's rating. However, depending on the structure of the transaction, collateral may be of material significance in the assessment of risk in a transaction. In the case of medium-term or long-term capital investment loans, it is generally expected that the investment asset will serve as collateral for the loan. As far as export finance or structured trade financing is concerned, DZ BANK requires minimum security in the form of government or private (export) credit insurance, the assignment of claims under export contracts or the transfer of title in the goods.

Secured transactions in traditional lending business encompass commercial lending including guarantees, indemnity agreements and external open loan commitments. Decisions to protect transactions against credit risk are taken on a case-by-case basis, the protection taking the form of traditional collateral. Credit derivatives are used in selected cases to hedge issuer risk on securities, whereas collateral and/or netting agreements are used to mitigate exposure to risk arising from OTC derivatives.

TYPES OF COLLATERAL

DZ BANK uses all forms of **traditional loan collateral**. Specifically, these include mortgages on residential and commercial properties, guarantees (primarily in the form of guarantees, indemnity agreements, credit insurance, and letters of comfort), financial security (certain fixed-income securities, shares, and investment fund units), assigned receivables (blanket and individual assignment of trade receivables), and physical collateral. Privileged mortgages, guarantees, and financial collateral are used as collateral that needs to be recognized for regulatory purposes under the German Solvency Regulation (SolvV). 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 normally accepted as **trading business collateral**. DZ BANK also regularly uses netting agreements to reduce its exposure in connection with derivatives business. For this purpose, the bank has master agreements with each counterparty based on standard market agreements such as the ISDA Master Agreement or the German Master Agreement for Financial Futures. Under these netting agreements, positive and negative fair values for the contracts subject to the master agreements are aggregated into a single receivable due from the counterparty (close-out netting).

The issuer risk in connection with bonds and, in particular, subordinated securities from the same debtor is hedged using credit derivatives in selected instances. The effect of the credit derivative in terms of security is offset against the reference entity, thereby mitigating the risk. In the case of credit derivatives, the guarantors or counterparties are mainly financial institutions, who are almost without exception banks in GRC rating categories I and II.

Management of collateral

MANAGEMENT OF TRADITIONAL LOAN COLLATERAL

Collateral management is the responsibility of **specialist units** outside the market divisions. The core tasks of these units include the provision, review, recording, and management of collateral, and the provision of 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 a separate IT system. The measurement of collateral 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 realization of collateral. In the case of these exposures, the collateral is measured on the basis of its likely recoverable amount and time of recovery, rather than on the basis of the general measurement guidelines. In another departure from the general management guidelines, collateral involved in **restructuring exposures** can be measured using fair value 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 mitigate credit risk on OTC transactions.

The signing and execution of contracts is governed by DZ BANK's collateral policy. This policy specifies contract parameters, such as the quality of collateral, frequency of exchange, minimum exchange amounts, and exempt amounts. DZ BANK regularly uses bilateral collateral agreements. Exceptions apply to cover assets, 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 support the measurement of exposures and collateral. Margining is carried out on a daily basis for the vast majority of collateral agreements in accordance with the collateral policy.

As specified by the collateral policy, DZ BANK always enters into collateral agreements that include thresholds independent of ratings and minimum transfer amounts that are also independent of ratings. However, there are also some agreements with rating-based trigger agreements. In these agreements, the unsecured part of an exposure is reduced in the event of a deterioration in credit quality. In agreements with a threshold of zero, a deterioration in credit quality is of no relevance because the exposure is always fully secured. Liquidity risk stress tests take into account the liquidity effects for agreements with rating-based trigger agreements. However, the risk related to liquidity in this case is not material owing to the low volume involved.

Management of non-performing exposures

MANAGEMENT AND MONITORING OF NON-PERFORMING EXPOSURES

Identified non-performing loans are transferred to the **workout units** at an early stage. By providing intensive support for critical exposures and applying customized solutions, these special units lay the basis for securing and optimizing problem 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. During the year under review, the Bank adjusted its early warning processes as regards its exposures involving financial institutions. If necessary, the close support 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.

PROCEDURES FOR RECOGNIZING ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

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 and 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 German Commercial Code (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.

DZ BANK recognizes **country risk loan loss allowances** based on internal ratings from the VR-Rating system for countries and ratings from at least one external rating agency. Rates for loan loss allowances are determined in accordance with the annual letter circulated by the German Federal Ministry of Finance, the data in which is based on the published country ratings from three rating agencies as at September 30 each year. Allowances rates are classified according to internal country risk groupings. Allowances are calculated on the basis of the gross loan net of recoverable collateral and after certain other deductions.

Latent credit risk is accounted for by **portfolio loan loss allowances** based on average actual defaults in the five preceding financial years. The basic principles specified by the German tax authorities for the recognition of portfolio loan loss allowances by banks for tax purposes are applied in the calculation of these allowances.

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

CREDIT PORTFOLIO ANALYSIS

Analysis of the economic capital requirement for credit risk

As at December 31, 2009, the economic capital requirement for credit risk amounted to €1,686 million (December 31, 2008: €1,465 million). DZ BANK also set an upper loss limit of €1,800 million (2008: €1,495 million). The increase in the risk capital requirement was largely attributable to the deterioration in ratings that affected both banks and corporates as well as the ABS portfolio. The upper loss limit was raised in order to cover the increased risk with capital.

The amount of the risk capital requirement is determined from a number of factors, including lending volume, ratings, and the industry sector of each exposure. The following section describes these factors in detail and explains the changes in the factors during the course of 2009.

Volume-oriented credit-portfolio analysis

BASIC PRINCIPLES OF VOLUME-ORIENTED CREDIT-PORTFOLIO ANALYSIS

Lending volume is determined in accordance with the internal management procedure for **credit-risk-bearing instruments** – traditional lending, securities business, and derivatives and money market business.

The following quantitative disclosures for the entire credit portfolio show the **maximum credit risk** to which DZ BANK is exposed. The maximum credit risk is a gross value because the risk-bearing financial instruments are measured before the application of any credit risk reduction methods and before the recognition of any write-downs. In the case of loans and open loan commitments, the gross lending volume is based on carrying amounts. The gross volume for securities in the banking and trading book is predominantly measured using fair values and the volume for derivatives is determined using loan equivalents. The maximum credit risk amount comprises the total lines of credit committed to third parties.

STRUCTURE AND CHANGES IN THE TOTAL CREDIT PORTFOLIO

In the year under review, DZ BANK once again pushed ahead with a significant reduction in its lending volume on top of the reductions initiated in 2008 in response to the financial crisis. Compared with 2008, lending volume was decreased by approximately 15 percent and as at December 31, 2009 amounted to €161.6 billion (December 31, 2008: €189.5 billion). As in 2008, this change was attributable particularly to a reduction in lines of credit for banks and major customers as well as a decrease in country limits. DZ BANK was also able to lower concentration risks by continuously reducing the risk in exposures of €100 million or more. The action taken was reflected in a reduction in the lending volume for the largest 20 borrowers and a decrease in the average lending volume per individual borrower. As at December 31, 2009, there had also been further substantial reduction

LENDING VOLUME BY INDUSTRY

	Traditional lending business		Securities business		Derivatives and money market		Total	
€ billion	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Financial sector	60.1	66.7	31.5	42.1	10.0	9.2	101.7	118.0
Public sector	0.6	0.5	6.2	5.6	0.3	0.3	7.0	6.4
Corporates	33.8	38.7	4.7	8.1	1.0	1.2	39.5	48.0
Retail	0.2	0.3	6.5	7.8	–	–	6.7	8.1
Industry conglomerates	3.8	3.9	2.6	3.9	0.3	1.3	6.7	9.1
Other	–	–	–	–	–	–	–	–
Total	**98.5**	**110.1**	**51.5**	**67.5**	**11.6**	**12.0**	**161.6**	**189.6**

LENDING VOLUME BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market		Total	
€ billion	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Germany	75.4	79.7	17.5	20.8	7.7	5.3	100.7	105.8
EMU countries (excl. Germany)	5.4	7.4	19.1	23.9	1.9	4.0	26.3	35.3
Other EU countries	4.0	4.7	4.5	7.6	0.9	0.9	9.4	13.2
Other industrialized nations	7.7	10.1	9.4	13.9	1.0	1.5	18.1	25.4
Non-industrialized nations	6.0	8.1	1.1	1.4	0.1	0.3	7.2	9.9
Total	**98.5**	**110.1**	**51.5**	**67.5**	**11.6**	**12.0**	**161.6**	**189.6**

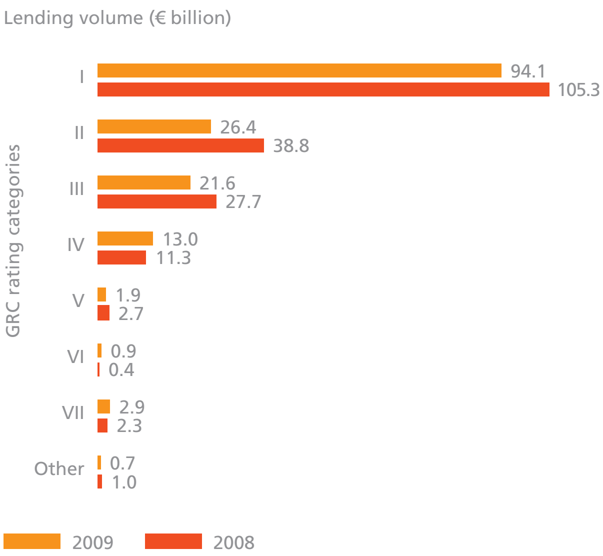
in securities portfolios, which were 24 percent lower year on year in terms of fair value (December 31, 2008: 22 percent).

The **industry structure** of the credit portfolio shown in the above table maintains the same broad diversification from the previous year. For the most part, DZ BANK invests its free cash flow in investment-grade securities. This accounts for the high proportion of loans and advances to banks. In addition to the local cooperative banks, the borrowers in the financial sector comprised banks and other financial institutions. Lending volume in the financial sector fell to €101.7 billion, 14 percent down on 2008. Lending volume to corporates fell significantly to €39.5 billion, 18 percent down on 2008.

In its role as the central institution for the cooperative financial services network, DZ BANK provides funding for the companies in the DZ BANK Group and for the local cooperative banks. For this reason, the local cooperative banks account for the second largest loans and advances item in DZ BANK's credit portfolio. DZ BANK also supports the local cooperative banks in the provision of larger-scale funding to corporate customers. The resulting syndicated business and DZ BANK's direct business with corporate customers in Germany and abroad determines the industry breakdown for the remainder of the portfolio.

The lower table on page 35 shows the geographical distribution of the credit portfolio by **country risk groups**. As at December 31, 2009, 96 percent of total

RATING STRUCTURE OF THE CREDIT PORTFOLIO



lending volume was concentrated in Germany and in other western industrialized countries, the figure therefore remaining roughly constant compared with the end of the previous year (December 31, 2008: 94 percent).

In the year under review, a substantial budget deficit was a feature of the economies of Portugal, Ireland, Italy, Greece, and Spain, a group of EMU countries sometimes referred to as **PIIGS**. This deficit was accompanied by further increases in the respective government debt, which was at a high level in relation to gross domestic product. Greece, in particular, is currently faced with challenging budgetary problems owing to its high proportion of debt. For this reason, DZ BANK's loans and advances to customers in these countries have been subject to closer monitoring for some considerable time.

As at December 31, 2009, loans and advances to customers in this group of countries accounted for 54 percent of the lending volume to EMU countries (excluding Germany) and 9 percent of the total lending by the Bank. Of the total lending volume to the above group of countries, 98 percent was of investment grade according to internal ratings. As at the reporting date, loans and advances to the governments concerned themselves accounted for well under 1 percent of total lending volume.

The adjacent chart shows DZ BANK's lending volume by **GRC rating categories**. On this scale, rating category I is the best and rating category VII the worst rating. 'Other' comprises counterparties for whom a rating classification is not required.

Despite the downgrading in customer ratings that became necessary during the course of 2009, 88 percent of total lending as at December 31, 2009 (December 31, 2008: 91 percent) was to counterparties in rating categories I to III (investment grade) and this category therefore continued to account for by far the greatest proportion of lending. However, some rating migration to lower ratings within investment grade was also noticeable. Investment-grade lending volume to the entire financial sector fell by 13 percent compared with 2008. Financial sector lending in rating category I saw a year-on-year decrease of approximately 8 percent. The proportion of financial sector lending volume in rating category I accounted for by the local cooperative banks rose from 74 percent as at December 31, 2008 to just under 79 percent as at December 31, 2009. Whereas the proportion of corporates with an investment grade rating was still just under 68 percent as at December 31, 2008, this figure was just a little over 60 percent as at December 31, 2009. Accordingly, the proportion of corporates with a non-investment-grade rating rose from 28 percent as at December 31, 2008 to 33 percent at the end of 2009.

The proportion of DZ BANKs total lending volume accounted for by counterparties in rating categories IV to VII (non-investment grade including defaults) continued to be relatively low at 12 percent (December 31, 2008: 9 percent). Despite the financial crisis, defaults in rating category VII remained at the low level of 2008, accounting for under 2 percent of DZ BANK's total lending volume.

SECURITIZATION PORTFOLIO STRUCTURE

The volume of securitizations as at December 31, 2008 differs from the volume disclosed in the risk report of the 2008 management report because derivative exposures have been added, resulting in an increase in the volume as at December 31, 2008 from €18.0 billion to €18.3 billion. This has resulted in some changes to the figures for 2008 in the following disclosures.

The significant reduction in securitization exposure initiated in 2008 was continued in the year under review with a reduction of 18 percent (2008: 20 percent). As at December 31, 2009, the fair value of the entire securitization exposure of DZ BANK amounted to €14.5 billion, compared with a fair value of €18.3 billion as at December 31, 2008.

Within the total exposure at the end of the financial year, €4.1 billion (December 31, 2008: €4.7 billion) related to exposures via conduits. Of this amount, 65 percent (December 31, 2008: 69 percent) related to undrawn lines of credit in conduits. Conduits are predominantly made available for DZ BANK customers who then securitize their own assets via these companies.

As at December 31, 2009, 69 percent (December 31, 2008: 82 percent) of securitization on the balance sheet was rated at AAA by external rating agencies. A further 18 percent (December 31, 2008: 7 percent) was rated at AA+ to AA-. The underlying assets were geographically diversified and were mainly accounted for by European countries, the USA and Australia. The main feature of the portfolio was a product-related focus on residential and commercial real estate finance. As at December 31, 2009, 15 percent (December 31, 2008: 12 percent) of the securitization exposures on the balance sheet were accounted for by US residential mortgage-backed securities classified as subprime. On the balance sheet date, the portfolio also included collateralized debt obligations of €1.1 billion (December 31, 2008: €1.4 billion).

In the year under review, DZ BANK's securitization portfolio was subject to negative changes in fair value of €748 million (2008: €715 million).

Analysis of provisions and allowances for losses on loans and advances

The changes in allowances for losses on loans and advances reported in the financial statements are presented in the table below.

As at December 31, 2009, there had been a net addition to **specific loan loss allowances** compared with the figure as at December 31, 2008. Given the observable spread of the financial crisis to the real economy during the year under review, the recognition of new specific loan loss allowances and provisions for losses on loans and advances was no longer restricted to the need to cover defaults in the financial sector, as had been the case in 2008, but was now also increasingly extended to cover other sectors of the economy. Despite the considerable market disruption in 2009, DZ BANK was able to limit the increase in specific loan loss allowances by sustained application of its risk policy. The figure thus remained within the Bank's forecasts.

The increase in **country risk loan loss allowances** in 2009 related first and foremost to countries in eastern Europe and south Asia. One of the reasons for this change was that long-term transactions entered into in 2008 were included in the measurement basis for the first time in the year under review. In addition, the downgrading of some ratings made it necessary to increase country risk loan loss allowances.

Portfolio loan loss allowances were decreased largely as a result of a lower number of relevant defaults in the

ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	Specific loan loss allowances	Country risk loan loss allowances	Portfolio loan loss allowances	**Total allowances for losses on loans and advances**
Balance as at Jan. 1, 2009	1,080	97	272	**1,449**
Changes in 2009	135	44	-105	**74**
Balance as at Dec. 31, 2009	1,215	141	167	**1,523**

five-year reference period and a year-on-year contraction in high-risk lending volume as at December 31, 2009.

Summary and outlook

In 2009, DZ BANK reviewed its existing internal rating systems in detail from both quantitative and qualitative perspectives. This included a further revision of the rating systems used for the rating segments covering larger SMEs, project finance, and acquisition finance.

In the management of traditional loan collateral, the focus in 2009 was on the enhancement and streamlining of processes and rules for the purposes of implementing further Solvency Regulation requirements in the use of methods to minimize credit risk. A further key area of activity was the increase in data quality. To this end, further action plans were implemented in the collateral management system to enhance efficiency and transparency. DZ BANK also continued to translate requirements for the refinement of the collateral management system into functional specifications. In addition, additional types of trading activities were connected to the system for the purposes of collateralization, thereby creating the possibility of using trading activities to provide collateral for lending business.

In 2010, DZ BANK is planning to develop a rating system for asset finance and international SME customers to complete its range of internal rating system tools. In addition, a rating system for investment funds developed by its DZI subsidiary is to be introduced in DZ BANK. Finally, the rating systems for the banking and country segments are to be fundamentally revised. DZ BANK will also continue to develop its collateral management system during 2010. In addition, it intends to carry out a further optimization of reporting structures in its internal credit risk reporting system and in 2010 will continue to implement the lending-business risk strategy already initiated. DZ BANK plans to continue to scale back non-network activities.

This will be accompanied by organizational streamlining, particularly in the Bank's structured business. In view of the tough economic conditions that have arisen as a consequence of the financial crisis, DZ BANK is currently of the opinion that there will be an increased requirement for allowances for losses on loans and advances in the coming year. Nevertheless, taking into account the objectives of its risk policy, DZ BANK will continue to ensure – in conjunction with the local cooperative banks – that lending is made available to German SMEs.

5. EQUITY RISK

Equity risk is calculated for long-term equity investments that are not directly included in the board committee management system. In principle, equity risk arises from equity investments in companies in which DZ BANK does not have any specific rights to information or control because DZ BANK's share of the total equity in the investee is too small.

The equity investments listed in the banking book are largely held for strategic reasons. Companies in which DZ BANK holds strategic investments 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 local cooperative banks or help to reduce costs by bundling functions. The investment strategy is continuously aligned with the needs of cooperative financial services network policy.

Decisions on whether to acquire or dispose of equity investments are taken by the Board of Managing Directors in consultation with the relevant committees. The Central Services division is responsible for supporting these investments. The measurement and monitoring of equity risk is the responsibility of Group Controlling. This unit prepares quarterly reports for the Supervisory Board, the Board of Managing Directors, and Central Services on results from the measurement and monitoring of equity risk.

Equity risk is determined as value-at-risk on the basis of a variance-covariance approach with market price fluctuations derived from reference prices listed on a stock exchange. As at December 31, 2009, the economic capital requirement for DZ BANK's equity risk was measured at €701 million, a significant decrease on the corresponding figure of €828 million as at December 31, 2008. The fall in the risk capital requirement was largely attributable to write-downs on carrying amounts and an easing in market volatility. As at December 31, 2009, the upper loss limit for the year allocated to DZ BANK was €890 million (December 31, 2008: €854 million). The volume of long-term equity investments in entities outside the DZ BANK Group amounted to €1,757 million as at December 31, 2009 (December 31, 2008: €1,913 million).

6. MARKET RISK

MARKET RISK STRATEGY

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

DZ BANK carries out trading business to fulfill its function as a central institution in the cooperative financial services network, to cover asset and risk management product requirements for customers, to generate contributions to profit from customer business, and to generate additional income outside customer business. DZ BANK's trading strategy is therefore aimed at generating profits primarily from customer and structuring margins. To this end, the Bank mainly undertakes dynamic hedging of interest-rate risk and spread risk taking into account the relevant limits.

Open market risk positions arise primarily in connection with customer business or securities portfolios and the risk is predominantly a spread risk. 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. The portfolios also help to generate additional margin income. DZ BANK manages market risk in its lending business and own issues as part of its non-trading portfolios and also incurs market risk from holding issues from the primary banks and subsidiaries. The market risk on these items is largely determined by the spread risk.

ORGANIZATION, RESPONSIBILITY, AND REPORTING

Market risk at DZ BANK arises from both trading and non-trading portfolios. The management of the risk is decentralized on a portfolio-by-portfolio basis with portfolio managers assuming responsibility for risk and performance.

The key figures for market risk are submitted weekly to the Treasury Committee. In addition, as part of the management reporting system, risk control provides daily, weekly, and monthly market risk updates to senior managers responsible for risk management and risk control and to the portfolio managers. Reports on market risk are also included in the quarterly group risk report to the Group Risk Committee.

MANAGEMENT OF MARKET RISK

Market risk measurement

DZ BANK determines market risk using the value-at-risk method on the basis of an **internal risk model** approved by BaFin for the **calculation of capital requirements** for general and specific market risk in accordance with the Solvency Regulation. Based on this model, value-at-risk is calculated daily using a historical simulation with a unilateral confidence level of 99.00 percent over a one-year observation period and a holding period of ten trading days.

In contrast to the calculation of capital adequacy specified by the Solvency Regulation, value-at-risk is calculated for the purposes of **market risk management** at all levels of the portfolio hierarchy with a holding period of one trading day. Banking book items are also included in this calculation of value-at-risk, again in contrast to the regulatory requirement.

Management of market risk limits

Market risk is managed with the support of a **limit system** corresponding to the portfolio structure. This restricts the risks assumed by DZ BANK. Within the trading portfolios, the management of risks based on value-at-risk is supported by a limit system structured around various sensitivities and scenarios. Value-at-risk limits are derived from the upper loss limit for market risk and set at a level that, if adhered to, will in all probability ensure that the upper loss limit is not exceeded either.

Market Risk Minimization

The **hedging of market risk** is the responsibility of the relevant portfolio manager as part of the decen-

VALUE-AT-RISK IN TRADING PORTFOLIOS

€ million, 99.00% confidence level, 1-day holding period

tralized management of portfolios. Risk management is primarily dynamic based on sensitivities. Risks are hedged either through internal transactions with the trading portfolio responsible for the product marketing or through external stock market and OTC transactions.

The measurement of market risk includes the individual items subject to market risk. The **effectiveness of hedges** only needs to be monitored if the individual items are not included. The transactions in this case are back-to-back and repackaging transactions, although DZ BANK only uses a small number of these transactions. Monitoring is carried out by the risk control unit responsible for the portfolio concerned.

Backtesting and stress tests

The purpose of **backtesting** as prescribed by regulatory requirements 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 figures calculated using risk modeling.

In the year under review, DZ BANK identified no instances in which actual losses from changes in fair value exceeded the measured value-at-risk whereas there were 11 such instances in total in 2008 as a result of extreme market volatility. Risks from extreme market situations are primarily recorded using comprehensive stress tests. In addition to backtesting and as part of an annual appropriateness review, a large number of statistical tests are also carried out on the predictive quality of risk modeling. DZ BANK internal model based on historical simulations has a high degree of responsiveness to changes in input parameters and – when used together with the stress tests – is therefore in a position to provide management with suitable information on which action can then be based.

The underlying crisis scenarios in the **stress tests** include the simulation of significant fluctuations in risk factors and serve to highlight potential losses not 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 backtesting and stress test procedures described above are applied not only to the approved internal risk model for the calculation of capital requirements in accordance with the Solvency Regulation but also to the non-trading portfolios for the purposes of internal market risk management.

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 in the monthly trading business report. The results are also reported in the quarterly group risk report.

ANALYSIS OF MARKET RISK

As at December 31, 2009, DZ BANK's **capital requirement for market risk** amounted to €1,797 million (December 31, 2008: €1,543 million) with an upper loss limit of €1,950 million (December 31, 2008: €1,822 million). The **total value-at-risk** as at December 31, 2009 for trading portfolios and non-trading portfolios was €105 million (December 31, 2008: €123 million). The chart above shows the change in **value-at-risk for the trading** portfolios.

The measured value-at-risk stabilized during the year under review overall. The increase at the end of July

2009 resulted from the transfer of a position from the non-trading portfolio to the trading portfolio. The evident fall in risk from September 2009 was attributable to the end of the use of scenarios dating from September 2008 which still reflected the collapse of Lehman Brothers.

MARKET LIQUIDITY RISK
Market liquidity risk falls within the remit of the portfolio managers responsible for managing market risk. Market liquidity risk arises primarily in respect of securities with enhanced spread risk. In the year under review, ABS products in particular continued to be affected by very limited market liquidity.

SUMMARY AND OUTLOOK
Despite generally calmer markets and lower risk premiums, conditions remain tough as a consequence of the financial crisis. The recent decrease in volatility has not yet been reflected to any material extent in the measured value-at-risk. The experience of the financial crisis has been fed on a permanent basis into the methods and systems used for market risk management.

As in previous years, the focus of trading business in 2010 will be on customer business. In addition, securities in collateral and liquidity portfolios will be managed as liquidity reserves. Given the reduced level already achieved in 2009, there will only be a negligible further reduction in non-network capital market business and associated risks. The setting of limits will be based on risk-bearing capacity.

In the coming year, DZ BANK will continue to expand its management system for market risk. It is planned to integrate into DZ BANK's internal management the methods already implemented in 2009 for measuring **incremental risk** and value-at-risk resulting from **stress scenarios**. After implementation of this upgrade, sudden changes in market prices arising, for example, from rating migration or the collapse of an issuer will be specifically included in risk calculations and used for the purposes of risk management. This represents an important step toward an integrated view of market risk and credit risk and an improvement in the predictive quality of the internal market risk model.

7. LIQUIDITY RISK

LIQUIDITY RISK STRATEGY
DZ BANK's operations are governed by the principle that any liquidity risks assumed must be in compliance 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.

Having said that, further extreme and possibly implausible 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, 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 collateralizable securities are held by DZ BANK so that it can remain solvent, even in the event of a crisis. In addition, the Bank diversifies its liability profile and carries out active marketing and intensive maintenance of customer relationships with corporate customers, institutional customers, bank customers and on the interbank market to ensure the availability of funding potential on money markets.

ORGANIZATION, RESPONSIBILITY, AND REPORTING
Liquidity risk is managed on a decentralized basis by head office Treasury in Frankfurt and by Treasury departments in foreign branches, although Frankfurt has primary responsibility. Liquidity risk control is carried out centrally by head office risk control and independently of liquidity risk management.

DZ BANK's liquidity up to one year and structural liquidity are reported on a daily basis to the member of the Board of Managing Directors of DZ BANK responsible for the Group Treasury and Group Controlling divisions. The entire Board of Managing Directors receives a weekly report on the current situation and the changes over the previous week. The Treasury units responsible for the management of liquidity risk also receive detailed daily information showing the contribution from each individual position to the aggregate exposure. The Group Risk Committee receives a quarterly report on liquidity up to one year and structural liquidity. Given DZ BANK's role as the parent company in the group and its responsibilities as far as group funding and group clearing are concerned, the risk figures determined for the group as a whole also apply to DZ BANK as a separate entity.

In the year under review, liquidity risk control took over responsibility in DZ BANK for reporting on the largest sources of liquidity on unsecured money markets. Reports are supplied daily to Group Treasury and the weekly to the Board of Managing Directors. Reports make a distinction between customers and banks and are related to DZ BANK in Frankfurt and to each international branch. These reports ensure that any possible concentration risk as regards sources of liquidity can be clearly identified at an early stage.

MANAGEMENT OF LIQUIDITY RISK

Liquidity up to one year

To determine liquidity risk, 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 (formerly Liquidity Principle II). This method is designated as the internal liquidity risk model and it is used to simulate four stress scenarios in addition to one risk scenario on a daily basis. A 'minimum excess liquidity' 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 twelve 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 that can be refinanced, and unsecured funding capacity with customers and banks.

The risk scenario reflects the current situation in the markets and in the company. **Stress tests** are conducted for forward cash exposure and for counterbalancing capacity using the following four scenarios: 'downgrading', 'corporate crisis', 'market crisis', and 'crisis combination'. The simulated event in each stress scenario represents a serious deterioration in conditions. The stress scenarios look at serious sources of crises in both the market and the Bank itself. In crisis scenarios with bank-specific causes, such as a deterioration in the Bank's reputation, it is assumed for example that it will be very difficult to obtain unsecured funding from customers and banks. Since 2009, DZ BANK has also been using the fourth scenario that takes into account a combination of both market and bank-specific causes of a crisis.

Liquidity risk **limits** are based on the minimum liquidity surplus determined for the stress scenarios. The Board of Managing Directors has set a positive limit and an observation threshold in excess of the positive limit. The limit system ensures compliance with the risk tolerance. DZ BANK has emergency liquidity plans in place so that it is able to respond rapidly and in a coordinated manner to serious events. The **emergency plans** are revised annually.

Ongoing management of accounts with central and correspondent banks in Germany and abroad ensures **intraday liquidity**. In the year under review, DZ BANK initiated a process to establish groupwide guidelines on intraday risk. Since 2009, reports have been generated on intraday cash flows for DZ BANK in Frankfurt. The reports are produced for each working day and are subdivided into daytime intervals. They allow the Bank to identify any payment concentrations during the course of a day as quickly as possible.

Structural liquidity

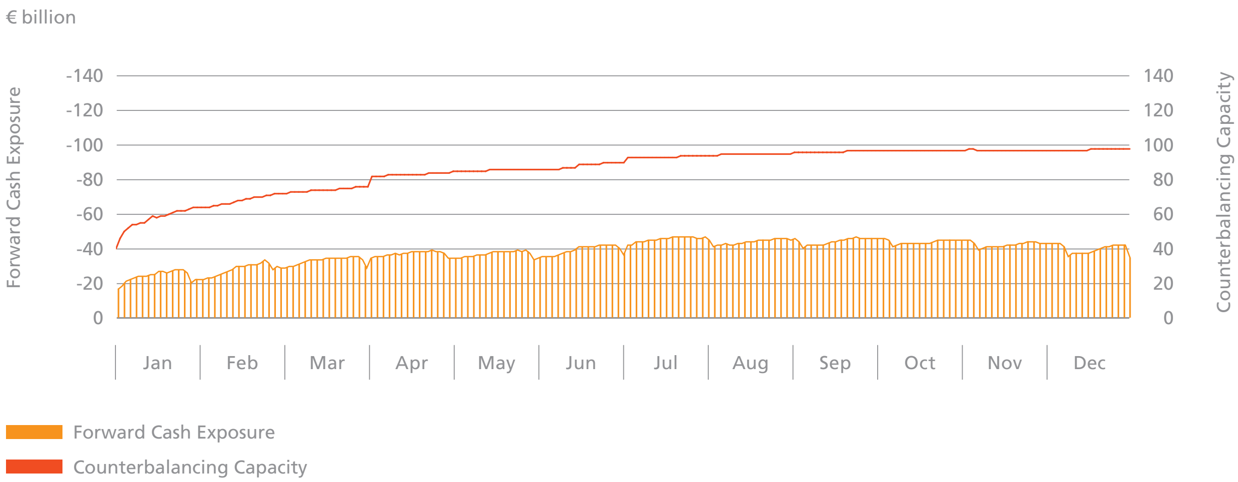
Structural liquidity is used as an indicator for the advance management of liquidity risk expected in the future and is one of the factors used in the assessment of the long-term funding structure. Structural liquidity is measured on the basis of total liquidity flows, the measurement being carried out daily using the internal liquidity risk model in the same way as the measurement of liquidity up to one year. The long-term ratio is 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 in terms of cash flows with a residual maturity of more than one year.

ANALYSIS OF LIQUIDITY RISK

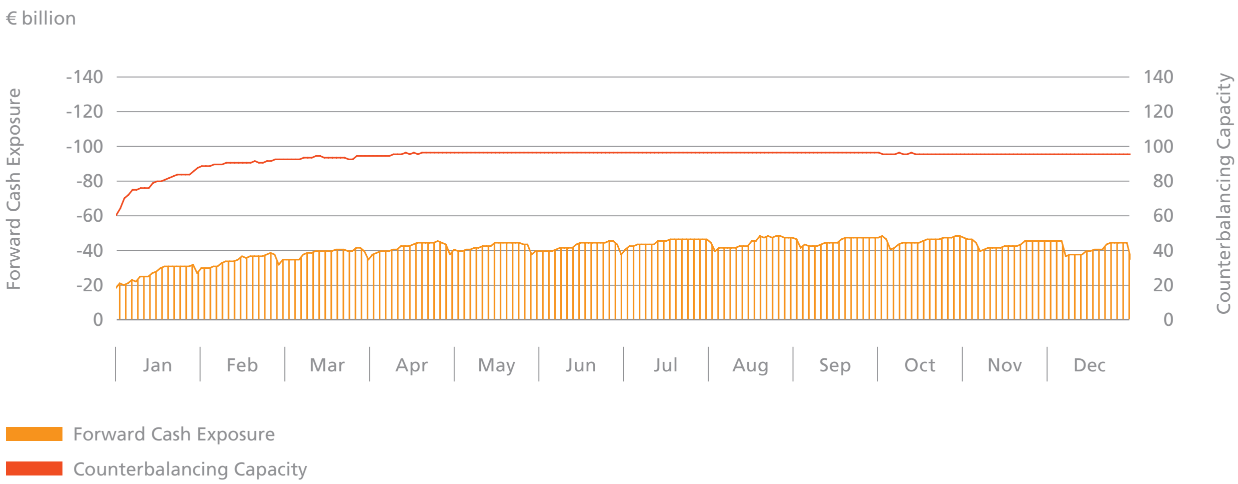
Liquidity up to one year and structural liquidity

On December 31, 2009, under the risk scenario, the minimum liquidity surplus for the DZ BANK Group measured for 2010 was €22.7 billion (December 31, 2008 for 2009: €40.6 billion). The charts below

LIQUIDITY RISK IN THE DZ BANK GROUP AS AT DECEMBER 31, 2009
LIQUIDITY FORECAST FOR 2010 IN RISK SCENARIO



LIQUIDITY RISK IN THE DZ BANK GROUP AS AT DECEMBER 31, 2008
LIQUIDITY FORECAST FOR 2009 IN RISK SCENARIO



UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

(%)	Dec. 31, 2009	Dec. 31, 2008
Local cooperative banks	56	54
Other banks	19	22
Corporate customers	18	22
Commercial paper/Certificates of deposit	7	2

show the comparison between the forward cash exposure and counterbalancing capacity in the risk scenario for 2009 and 2010. The stress scenarios showed that there were four days on which liquidity fell below the minimum liquidity surplus during the reporting period. As at December 31, 2009, liquidity did not fall below the limit and observation threshold in any of the stress scenarios. DZ BANK was able to overcome on a long-term basis the occasional shortfalls on the minimum limit in the course of 2009 by generating longer-term liquidity.

DZ BANK's long-term ratio as at December 31, 2009 was 117 percent (December 31, 2008: 89 percent). This means that the items tying up liquidity with a residual maturity of over one year were fully refinanced with funds that also have a residual maturity of more than one year.

Funding

The structure of **short-term and medium-term funding** is based on an appropriately broad, well-diversified range of geographical regions, investors, markets, products, and maturities. Deposits from the local cooperative banks are the most important source of funding. As at December 31, 2009, they covered 56 percent of the unsecured funding (December 31, 2008: 54 percent). This amply demonstrates that the business model of the cooperative financial services network is also viable in terms of the provi-sion of liquidity in times of crisis, ensuring that DZ BANK can operate without restriction in carrying out its decentralized responsibilities to the local cooperative banks. The table above shows the percentage breakdown of the main sources of unsecured short-term and medium-term funding compared with 2008.

To secure liquidity on an ongoing basis, DZ BANK has at its disposal portfolios of securities eligible for central bank borrowing. These securities can be sold at short notice or used as collateral in monetary policy funding transactions with central banks, in bilateral repos or in the tri-party repo market (secured funding). In the event of a short-term liquidity requirement, trading portfolio securities that are not refinanced through repo activities can be used for intraday liquidity management.

DZ BANK ensures its **long-term funding** by the use of structured and non-structured capital market products which are mainly marketed through the local cooperative banks' own account and customer account securities business and through institutional customers in Germany and abroad. DZ BANK also has the option of obtaining liquidity through covered issues known as DZ BANK BRIEFE. In this case, the funding is primarily through institutional investors.

SUMMARY AND OUTLOOK

By approving DZ BANK's own liquidity risk measurement and management method in accordance with section 10 LiqV, BaFin confirmed the suitability of the methods and systems used by DZ BANK for ensuring that liquidity risk management is carried out appropriately.

In 2009, liquidity risk management in DZ BANK continued to follow standard daily processes. Despite the disruption in the markets, the solvency of the Bank was never in jeopardy at any point. Some of the effects of the financial crisis were persistent and the Bank was able to cope adequately with these effects within its existing organizational framework.

Stress tests are carried out on a daily basis, independently of the trading function, to measure and monitor liquidity. The results of the stress tests suggest that, even if a serious crisis should arise, there will be no liquidity crunch in the coming year.

8. OPERATIONAL RISK

STRATEGY FOR OPERATIONAL RISK

The core objective is the efficient management of operational risk. The following sub-strategies represent areas in which DZ BANK has taken action, or is planning to take action, to ensure this core objective is achieved:

– Further enhancement of **risk awareness** to be 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.
– Preference for a balanced relationship between **opportunities and risks** rather than a general strategy of risk avoidance. Risk reduction, risk transfer and risk acceptance are core management strategies in addition to risk avoidance.
– **Risk appetite** defined in the form of upper loss limits 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.
– On a mandatory basis, all **decisions** to take into account the impact on operational risk; this applies in particular to the new product process.
– Subject to cost effectiveness, appropriate **resources** to be ensured for the management of operational risk.
– **Incentive systems** compatible with risk to ensure a sustained contribution based on performance from the perspective of the entire business.
– **Management** of operational risk on a decentralized basis.
– Compliance with relevant **regulatory requirements** guaranteed at all times.

ORGANIZATION, RESPONSIBILITY, AND 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. Basic responsibility for managing operational risks is assigned decentrally to each division, although divisions must take a responsible approach to the impact of risk management on other units. Overarching functions, such as legal services, human resources and IT management, are handled by special central services divisions and departments as part of central risk management.

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

MANAGEMENT OF OPERATIONAL RISK

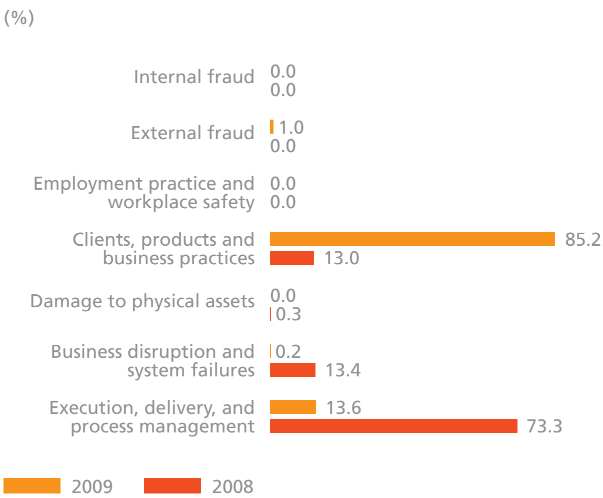
As part of risk management and to determine regulatory capital requirements, the potential loss from operational risk is calculated using the **Standardized Approach** specified by the Solvency Regulation.

The collection of **loss data** allows DZ BANK to identify, analyze and evaluate loss events, highlighting trends and concentrations of operational risk. This data is also used to build up a data history, which then permits a more risk-sensitive consideration of operational risk following implementation of appropriate methodology. Losses are recorded if they are above a threshold value of €1,000. Public external data (AlgorithmicsFIRST) and anonymous data shared between the members of the data consortium of the Bundesverband Öffentlicher Banken Deutschlands, VÖB, e.V. (DakOR) [Association of German Public Sector Banks] is used to build up the data history. The collected data is also used for benchmarking purposes and as a basis for scenario analysis.

To identify and evaluate all material operational risks and ensure maximum possible transparency regarding the risk position, experts from all divisions assess operational risk as part of self-assessment processes. The **self-assessment** process is broken down into an assessment of potential risks to identify significant risks, risk management process issues, and issues relating to specific individual risks.

Loss data collection and the self-assessment process are complemented by **risk indicators** that allow DZ BANK to identify risk trends at an early stage. 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.

NET LOSSES BY EVENT CATEGORY



Operational risk is minimized first and foremost by a continuous improvement in business processes. The transfer of risk by means of insurance or outsourcing as permitted by liability regulations provides further protection. Operational risk is avoided, for example, by rejecting products identified during the new product process as entailing too much risk. Comprehensive emergency plans covering business-critical processes have been established to ensure the continuation of business in the event of process disruption or system breakdown. The emergency plans are regularly reviewed to ensure they are fully functional.

ANALYSIS OF OPERATIONAL RISK

As at December 31, 2009, DZ BANK's **economic capital requirement** for operational risk was calculated at €65 million (December 31, 2008: €131 million) and therefore equated to the upper loss limit, as was the case at December 31, 2008. The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2009. The year-on-year reduction in the risk capital requirement and upper loss limit by half was attributable to the decrease in DZ BANK's gross margin.

The overview above shows the losses incurred in 2009 by loss event category. There were no losses in 2009 or in 2008 under the 'Internal fraud' or 'Employment practice and health & safety at work' categories. Over the course of time, there are regularly significant fluctuations in the pattern of losses as the probability of major losses occurring in each individual case is very low. Losses did not reach a critical level at any point during 2009.

SUMMARY AND OUTLOOK

In the year under review, DZ BANK initiated the development of economic capital allocation for operational risk. The objective was to allocate risk capital, according to the risk involved, to the DZ BANK divisions bearing or causing risk. DZ BANK intends to continue with the implementation of this plan during 2010.

9. BUSINESS AND STRATEGIC RISK

ORGANIZATION AND RESPONSIBILITY

The management of business and strategic risk is a primary responsibility of the **Board of Managing Directors** of DZ BANK and is carried out in consultation with senior management in group companies. Group management is integrated into a committee structure, headed by the **Group Coordination Committee**. This committee is supported by function-related working groups, whose members comprise representatives from all divisions and Group functions. The working groups are responsible for the following cross-departmental functions: product and sales/marketing coordination for private customers; international coordination; finance and liquidity management; capital management; IT, operations and resources together with human resources management.

The work of the **Local Bank Advisory Councils** was discontinued at the end of 2009. Ideas generated for the business will in future be taken up by the **Financial Services Advisory Council** of the DZ BANK Group and will form the basis for future, innovative products. This committee was newly established at the start of 2010. It will continue to increase the involvement of the cooperative banks in the joint development and marketing of DZ BANK products and services; it will also work closely with the BVR and its special committees. The Financial Services Advisory Council is therefore an advisory committee intended to make recommendations on product and sales issues in the partnership between the cooperative banks and

DZ BANK. 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 local cooperative banks.

MANAGEMENT OF BUSINESS AND STRATEGIC RISK

The management of business and strategic risk is based on the forward-looking assessment of success factors and the setting of associated targets for the divisions of DZ BANK. Strategic planning covering a number of years is carried out as part of the annual **strategic planning process**. In this process, each DZ BANK division produces 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 is then assessed and the plans are also discussed and examined in strategy meetings. When the individual divisional planning has been completed, the process then moves on to consolidated planning, allowing active management of economic and regulatory capital adequacy. A **management information system** is used to monitor the achievement of targets.

GROUP STRATEGIC POSITION AND PERFORMANCE

Strategic potential

The strategic potential of DZ BANK is closely linked to that of the group as a whole. As the central service provider for the cooperative financial services network, the DZ BANK Group – on the basis of the high level of cohesion within the network – has the best possible foundation for long-term consolidation of its position as one of the leading financial service providers in the German market. The long-term objective is to ensure that the cooperative financial services network expands to become the leading financial services provider in Germany by 2015. Specifically, this means that DZ BANK, as the central product supplier for banking services, must ensure that its products are systematically geared to the requirements of the cooperative banks from the very start of the product development process onward.

DZ BANK's approach to achieving these objectives is encapsulated in the concept of '**Verbund First**'. Priority in the allocation of resources is given to those activities that produce a direct benefit for the cooperative financial services network as well as significant value added. As a result of this clear focus, network business remains the most important source of income. 'Verbund First' therefore also means support for the cooperative banks in the further enhancement of customer satisfaction. DZ BANK aims to respond jointly with the cooperative banks to intense competition and significant changes in customer behavior, for example by identifying new customer segments and customized products and services. The objective is to further strengthen cooperation and step up the exploitation of market potential. As an example, the customized integration of business development programs into finance arranged for corporate customers will in future constitute a key competitive advantage in terms of both expertise and market visibility.

Initiatives

DZ BANK has translated the 'Verbund First' strategy into three **market initiatives** at operational level covering private banking, SME business, and transaction banking. The objective of these market initiatives is to ensure that the DZ BANK's core activities are systematically reinforced.

Initiatives known as **focus initiatives** have been instigated by DZ BANK in order to release the potential available within groupwide marketing. In these focus initiatives, new, innovative products are developed for the key customer groups – private customers, corporate customers, and institutional customers. These products are then used to further enhance the range of products and services offered by the local cooperative banks and by group companies in direct business. Regular reports on each focus initiative are submitted to each relevant product and sales committee. If appropriate, certain aspects of the initiatives may be handled by the Group Coordination Committee.

Market and business environment trends

The 'Outlook' section from page 49 of the management report onward describes expected developments in the market and business environment together with DZ BANK's business strategy and the implications for earnings performance in 2010. These are crucial factors in DZ BANK's strategic positioning over the coming year.

Measurement and analysis of business and strategic risk

Business and strategic risk are approximated using an **aggregate approach** in which the total undiversified risk capital requirement from market risk, credit risk, and operational risk is multiplied by a factor based on an empirical benchmark analysis.

As at December 31, 2009, the **economic capital requirement** for business and strategic risk at DZ BANK amounted to €177 million (December 31, 2008: €157 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2009. As at December 31, 2009, the upper loss limit for strategic risk was €191 million (December 31, 2008: €172 million).

10. SUMMARY

Efficient management and control tools are used in all areas of risk at DZ BANK. These tools are subject to gradual further development and refinement. The development of these tools is based on the regulatory solvency requirements for risk management.

The risk capital management system ensures that the risks arising in DZ BANK's business are consistently and comprehensively determined. The economic capital adequacy analysis is based both on the determination of risk-bearing capacity and on the calculation of risk capital requirement using a value-at-risk approach, itself based on the rating of DZ BANK. This analysis is then used to calculate risk-adjusted profitability. Economic value added (EVA) and return on risk-adjusted capital (RORAC) used in the analysis complement the figures from the HGB financial statements used in the management of risk and form an integral part of the strategic planning process.

Overall, this approach guarantees the necessary transparency regarding risk structure and profitability and thereby creates the foundation for management that balances opportunity and risk.

The efficiency of its risk management system means that DZ BANK is able to meet the challenges posed by the financial crisis. Despite the persistent disruption in the markets, the solvency of the Bank was never in jeopardy at any point in the year under review. The Bank was able to cope adequately with the effects of the financial crisis on its liquidity position by using the existing organizational arrangements available in its liquidity risk management.

It is not possible to rule out increased market volatility in the coming year. However, DZ BANK expects to see a fall in the measured value-at-risk unless new crises arise. The extensive deposits from the local cooperative banks mean that DZ BANK has an ample supply of liquidity. In addition, over time, there has been a high degree of stability in deposits from corporate customers and institutional investors. DZ BANK has an adequate pool of securities eligible to support borrowing from the central bank and these securities could be used for this purpose at any time. Stress tests are carried out on a daily basis, independently of the trading function, to measure and monitor liquidity. The results of the stress tests suggest that, even if a serious crisis should arise, there will be no liquidity crunch in 2010.

From the current perspective, it is anticipated that the economic and regulatory requirements for capital adequacy will continue to be satisfied in 2010. There are no indications that DZ BANK's continued existence as a going concern might be at risk.

IV. Outlook

The global economy is on the road to recovery after the severest economic downturn since the 1930s. However, the concerted efforts of governments and central banks were able to restrict the impact to a certain extent in a world of interdependent economies and a global division of labor.

Although the USA is emerging from recession in 2010 – not least as a result of an expansionary fiscal and monetary policy – further significant job losses are likely to hold back future growth in consumer spending. The country has not yet seen the end of the crisis in the construction industry either. Nevertheless, there are prospects for growth as a result of further fiscal stimulus, but only combined with a gradual increase in economic momentum.

A sluggish economic recovery in 2010 will allow Europe to overcome the economic crisis, although recovery rates will vary from country to country. Muted growth is being supported by economic stimulus measures, and it is only in 2011 that the upturn will gather its own momentum.

Growth in capital spending in Europe will still be adversely affected far into 2010 by weak financial performance and low capacity utilization. Limited flexibility as far as funding is concerned and negative labor market trends will depress consumer spending. It will be 2011 before consumer demand begins to have more influence on economic growth.

Starting from a low level in 2010, exports will increase again but during the year are unlikely to reach the levels prevailing prior to the collapse in 2009. In 2010, no long-term growth stimulus is expected yet from the trade balance in Europe.

Monetary policy is continuing to hold global interest rates at a low level. However, despite this incentive, no appreciable economic stimulus is anticipated from investment in plant and equipment or from the construction industry.

The countries of the European Monetary Union are still facing a large number of negative factors and risks that will impact on economic growth in 2010, and also in 2011. These include a rise in unemployment, significant government debt, and movements in the exchange rate between the euro and US dollar.

From the end of 2010, central banks are expected to take the first steps towards changing key interest rates with the aim of normalizing monetary policy. The first change to interest rates is anticipated from the Federal Reserve at the end of 2010, with the ECB then following at the start of 2011. An increase in the euro zone inflation rate toward the 2 percent mark at the end of 2011 could then trigger further rises in key interest rates.

In Germany, the recovery that began in 2009 is continuing in the current year.

The outlook for the German economy in 2010 remains positive, even if the economic recovery has run out of steam a little. Further stimulus to support the economy will be provided by German financial policy.

At the same time, Germany will see its current deficit increase to 5 to 6 percent and its total debt rise to almost 80 percent of gross domestic product. The country is also again expected to exceed the Maastricht limits in both 2010 and 2011.

This level of debt could lead to a rise in market interest rates overall, and have an adverse impact in particular on the willingness of businesses to increase capital expenditure again. In these circumstances, the government's fiscal consolidation efforts become particularly important for further economic growth in Germany.

The end of the government scrappage scheme supporting sales of new cars and the start of an increase in unemployment will act as a brake on consumer spending, to date the anchor of stability during the crisis in Germany. The current uncertainty will also cause a further slight rise in the ratio of savings by consumers in 2010, thereby restricting spending.

To date, the impact of the economic downturn on the labor market has been limited. Businesses have made use of a number of options to bring working hours into line with the drop in demand and therefore avoid layoffs as far as possible. These options have now been largely exhausted, with the result that unemployment is expected to rise in 2010 and 2011.

German exports are picking up again in 2010 and – also as a result of the economic recovery in neighboring countries – will in 2011 provide an important basis for a broader recovery of the domestic economy. Initially, the rise in export orders and the associated increase in production capacity utilization will lead to expansion investment.

The situation on financial markets eased over the course of 2009 as the economic situation stabilized. This trend should be seen against the background of massive liquidity support from central banks and government bailouts, in particular in the form of guarantees, recapitalization options, and the creation of 'bad banks'.

Ominous trends in national budgets and current accounts in some EMU member countries have created a crisis in the euro zone, with attention focused particularly on Greece. It will be several years before the crisis-hit member countries have returned to anything like a normal situation in terms of their economies and budget deficits. The consequences of this crisis will probably remain in evidence a good deal longer on financial markets in the form of higher risk premiums on bonds from highly indebted member countries.

Over the next few years, the challenges for the financial sector will increasingly shift to the lending portfolio and credit risk provision. The financial sector will therefore be hit by a delayed fallout from the sharp economic downturn.

DZ BANK is assuming that the stabilization on financial markets will continue in 2010, although the challenges faced by the financial sector continue to be significant and expectations remain high. There are risks from further developments in the euro zone and reform of the financial regulations for the zone is inevitable.

Based on its strategic orientation in favor of the local cooperative banks, DZ BANK is pursuing the objective of securing and further reinforcing the profitability of the Bank over the long term.

The starting point for all business activities at DZ BANK is therefore a systematic identification and assessment of opportunities within the cooperative financial services network. To this end, the Bank has created an integrated set of planning tools at strategic level that, with the support of strategy meetings, facilitates this systematic identification and quantitative assessment of opportunities available to the Bank.

The outlook includes a forecast of expected business performance over the next two years taking into account the opportunities identified in the strategic planning process.

This forecast assumes that business opportunities will improve in 2010 as a result of the easing on financial markets and more positive economic conditions. This trend is expected to continue in 2011, supported in particular by positive global economic growth, especially in the euro zone.

As part of a three-stage plan that involved, first, the Tier I issue and then the BVR guarantee to free up equity, DZ BANK's capital increase was successfully completed from within the cooperative financial services network. In 2009, DZ BANK also carried out further systematic measures to free up capital, in particular by reducing total assets. The Bank's positive earnings performance also generated further flexibility for 2010 and 2011.

Nevertheless, DZ BANK's capital management will still have to meet considerable challenges over the next few years. In addition to enhanced regulatory requirements from 2011 relating to adequate capital backing for market risk, there will be increased requirements for regulatory capital from 2012 in terms of both quality and quantity.

DZ BANK has set up a task force for strategic capital management in order to ensure that these more complex capital situations are at all times managed transparently and on an integrated basis. The objective is to produce an integrated strategic view of the possible effects in terms of the use of capital and profitability so that any necessary action can be prioritized and implemented at an early stage.

DZ BANK is forecasting positive earnings for 2010 as well as growth in profit before taxes for 2011. Earnings in 2010 are expected to rise year on year, although it is unlikely there will be the significant effect on earnings seen in 2009 from the reversal of write-downs owing to the return of more normal conditions on financial markets. The planned increase in earnings in 2011 is largely the result of growth in operating income.

Net interest income will be down year on year in 2010 as a result of the realignment of the business model and increased interest expenses on primary market issues. In subsequent years, DZ BANK will be endeavoring to achieve a stabilization and consolidation of net interest income, which will increasingly include the benefits from the enhancement of competitiveness and the increased SME market penetration via the cooperative banks. Income from long-term equity investments is also expected to increase in 2010 and 2011.

As a result of the effects of the recession, there will be a further year-on-year increase in specific loan loss allowances in 2010 as part of the allowances for losses on loans and advances. It is possible that this increase may be partly offset by the planned reversals in portfolio loan loss allowances in 2010. There will be a significant fall in both 2010 and 2011 in the negative effects from long-term securities under gains and losses on investments.

Given the current position, DZ BANK's net fee and commission income in 2010 will again be close to the level achieved in 2009. An increase is forecast for 2011 based on planned growth, specifically in transaction banking and corporate banking. Following the easing of the situation on capital markets, investment banking is also accounting for a greater proportion of net fee and commission income as a result of growth in brokerage fees and commissions.

The net trading result in 2010 will be lower than in 2009 and is expected to reach a normal, but slightly lower, level from 2011. The reasons for this change are the reversals of write-downs in 2009 resulting from the narrowing of spreads. These reversals had a substantial positive impact on the net trading result in 2009 but the effects will be much less significant in subsequent years. From the current perspective, investment banking in 2010 is expected to continue the positive operating performance of 2009. Increased market share in the investment certificates and interest-bearing products markets will create a stimulus for growth. This will provide opportunities for DZ BANK to benefit from the calmer conditions on capital markets, opportunities that the Bank intends to exploit through systematic marketing.

Administrative expenses for 2010 and 2011 include both the expected increases under collective pay agreements and inflationary increases in costs. The planned contraction in administrative expenses in 2011 reflects the rigorous implementation of action plans under 'Programm 2011', which will lead to a noticeable reduction in staff expenses and operating costs.

The financial sector will have to face a further challenge in the next few years in the form of additional regulation. Intervention in the financial sector by governments has already led to a shift in markets and distortion of competition. These factors may have a negative impact on performance.

Despite the challenges faced by the entire financial sector, particularly in 2010, the Board of Managing Directors predicts that DZ BANK will benefit from its strategic positioning such that the opportunities that arise will outweigh the risks described in the risk report. In 2011, growth in earnings will accelerate, stimulated by the rise in income.

With its clear strategic orientation toward the cooperative financial services network, DZ BANK has demonstrated that its business model is robust, even in times of crisis. DZ BANK considers itself to be well equipped to deal with the forthcoming challenges.

ANNUAL FINANCIAL STATEMENTS OF DZ BANK AG

Balance sheet as at December 31, 2009

ASSETS

€ million	Note	Dec. 31, 2009	Dec. 31, 2008
1. Cash and cash equivalents		**94**	**1,296**
a) Cash on hand		3	1
b) Balances with central banks		91	1,295
of which: with Deutsche Bundesbank		(84)	(1,287)
2. Debt instruments from public-sector entities and bills of exchange eligible for refinancing by central banks		**134**	**109**
Treasury bills, non-interest-bearing treasury notes and similar debt instruments from public-sector entities		134	109
of which: eligible for refinancing at Deutsche Bundesbank		(112)	(88)
3. Loans and advances to banks	(04, 06)	**100,667**	**107,333**
a) Repayable on demand		7,950	7,621
b) Other loans and advances		92,717	99,712
4. Loans and advances to customers	(04)	**28,097**	**33,805**
of which: secured by mortgages		(197)	(285)
local authority loans		(1,187)	(1,516)
5. Bonds and other fixed-income securities	(04, 12, 13, 14)	**73,016**	**95,050**
a) Money market instruments from		1,190	3,363
aa) public sector issuers		3	–
of which: eligible as collateral at Deutsche Bundesbank		(–)	(–)
ab) other issuers		1,187	3,363
of which: eligible as collateral at Deutsche Bundesbank		(–)	(–)
b) Bonds from		67,585	86,546
ba) public sector issuers		5,914	5,944
of which: eligible as collateral at Deutsche Bundesbank		(5,410)	(5,214)
bb) other issuers		61,671	80,602
of which: eligible as collateral at Deutsche Bundesbank		(39,514)	(48,381)
c) Own bonds		4,241	5,141
Nominal amount		(4,336)	(5,301)
6. Shares and other variable-yield securities	(12, 13, 14)	**1,665**	**1,260**
7. Long-term equity investments	(13, 14)	**478**	**473**
of which: in banks		(309)	(309)
8. Shares in affiliated companies	(13, 14)	**11,161**	**11,539**
of which: in banks		(1,280)	(1,285)
in financial services institutions		(258)	(8)
9. Trust assets	(08)	**1,409**	**1,457**
of which: trust loans		(276)	(323)
10. Intangible assets	(14)	**60**	**54**
11. Property, plant and equipment	(14)	**46**	**47**
12. Other assets	(17)	**4,772**	**4,431**
13. Deferred taxes	(18)	**969**	**904**
14. Prepaid expenses and accrued income	(19)	**1,528**	**1,447**
a) In connection with issuing and lending business		456	417
b) Other		1,072	1,030
Total assets		**224,096**	**259,205**

EQUITY AND LIABILITIES

€ million	Note	Dec. 31, 2009	Dec. 31, 2008
1. Deposits from banks	(04, 06)	**110,808**	**141,231**
a) Repayable on demand		25,122	23,480
b) With agreed maturity or notice period		85,686	117,751
2. Amounts owed to other depositors	(04)	**31,902**	**43,266**
Other liabilities		31,902	43,266
a) Repayable on demand		6,010	8,386
b) With agreed maturity or notice period		25,892	34,880
3. Debt certificates including bonds	(04)	**56,996**	**51,251**
a) Bonds issued		52,524	50,014
b) Other debt certificates		4,472	1,237
of which: money market instruments		(4,472)	(1,237)
4. Trust liabilities	(08)	**1,409**	**1,457**
of which: trust loans		(276)	(323)
5. Other liabilities	(20)	**6,852**	**7,174**
6. Deferred income and accrued expenses	(19)	**633**	**572**
a) In connection with issuing and lending business		121	117
b) Other		512	455
7. Provisions	(02, 04)	**1,393**	**1,592**
a) Provisions for pensions and other post-employment benefits		571	490
b) Provisions for taxes		104	88
c) Other provisions		718	1,014
8. Subordinated liabilities	(04, 21)	**4,771**	**3,875**
9. Profit-sharing rights	(04, 22)	**1,013**	**1,452**
of which: maturing within two years		(218)	(516)
10. Fund for general banking risks		**2,000**	**1,660**
11. Equity	(15)	**6,319**	**5,675**
a) Subscribed capital		3,160	3,028
b) Capital reserves		1,377	1,109
c) Revenue reserves		1,659	1,477
ca) Statutory reserve		79	64
cb) Other revenue reserves		1,580	1,413
d) Distributable profit		123	61
Total equity and liabilities		**224,096**	**259,205**
1. Contingent liabilities		**5,422**	**6,044**
Liabilities under guarantees and indemnity agreements*		5,422	6,044
2. Other obligations		**21,201**	**18,841**
Irrevocable loan commitments		21,201	18,841

* See also details under 'Other disclosures' in Notes 33 and 34.

Income statement
for the period January 1 to December 31, 2009

€ million	Note	2009	2008
1. Interest income from		**5,506**	7,823
a) Lending and money market business		4,366	5,342
b) Fixed-income securities and book-entry securities		1,140	2,481
2. Interest expenses		**5,074**	7,223
3. Current income from		**255**	475
a) Shares and other variable-yield securities		31	34
b) Long-term equity investments		15	36
c) Shares in affiliated companies		209	405
4. Income from profit-pooling, profit-transfer and partial profit-transfer agreements		**120**	231
5. Fee and commission income	(26)	**646**	602
6. Fee and commission expenses	(26)	**342**	374
7. Net trading income/expense		**844**	-958
8. Other operating income	(28)	**155**	107
9. General and administrative expenses		**817**	742
a) Staff expenses		491	417
aa) Wages and salaries		388	366
ab) Social security, post-employment and other employee benefit expenses		103	51
of which: post-employment benefit expenses		(60)	(8)
b) Other administrative expenses		326	325
10. Amortization and write-downs on intangible assets, and depreciation and write-downs on property, plant and equipment		**31**	37
11. Other operating expenses	(28)	**162**	48
12. Write-downs on loans and advances and certain securities, and additions to provisions for losses on loans and advances		**–**	594
13. Income from the reversal of write-downs on loans and advances and certain securities, and from the reversal of provisions for losses on loans and advances		**197**	–
14. Write-downs on long-term equity investments, shares in affiliated companies, and securities treated as fixed assets		**251**	–
15. Income from the reversal of write-downs on long-term equity investments, shares in affiliated companies, and securities treated as fixed assets		**–**	518
16. Addition to fund for general banking risks		**340**	33
17. Expenses from the transfer of losses		**264**	6
18. Result from ordinary activities		442	-259
19. Extraordinary expenses	(29)	**202**	223
20. Extraordinary result		-202	-223
21. Income taxes	(30)	**-62**	-541
22. Other taxes not included under 'Other operating expenses'		**0**	0
23. Net income for the year	(31)	**302**	59
24. Profit brought forward from 2008		**3**	5
25. Additions to revenue reserves		**182**	3
a) To statutory reserve		15	3
b) To other revenue reserves		167	–
26. Distributable profit		**123**	61

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, 2009 have been prepared in accordance with the requirements of the German Commercial Code (HGB) and the Statutory Order on Banks' Accounts (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 face of the balance sheet and income statement.

» 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 lower of cost and market, or in the case of promissory notes and registered bonds assigned to trading portfolios, in accordance with the principles described in the 'Trading business' section. 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. Together these items are subject to hedge accounting.

Provisions for lending risks comprise valuation allowances and provisions for credit risk, country risk, and latent credit risk, and the provision for general banking risk (section 340f (1) HGB). Provisions are recognized for all identifiable credit risks and country risks in the amount of the expected loss as dictated by prudent business practice. Latent credit risk is taken into account in the form of portfolio loan loss allowances. The calculation of these allowances is based on average actual losses over the five fiscal years preceding the balance sheet date and the principles specified by the German finance ministry (BMF) for the recognition of portfolio loan loss allowances by banks for tax purposes in the BMF letter dated January 10, 1994 are applied.

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

Long-term securities and securities classified as current assets (trading portfolios and liquidity reserve) are specially identified as such and managed separately. Securities in trading portfolios are measured in accordance with the principles described in the 'Trading business' section. Securities in the liquidity reserve are measured strictly in accordance with the principle of lower of cost and market. Likewise, long-term securities that are permanently impaired are written down to the lower of cost and market. In 2009, as in 2008, temporarily impaired long-term securities were optionally measured at lower of cost and market or the 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 is €10,510 million. For further information on the impact on net assets, financial position and results of operations, please refer to note 14, 'Changes in intangible assets, 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). As in 2008, appropriate fair values for all DZ BANK's asset-backed securities (ABS) were determined in 2009 on a mark-to-model basis using a discounted cash flow method because the market for these products remains inactive. In the process to establish whether there is inactivity in markets, the securities are initially grouped geographically into three regions: Americas, Europe and Asia-Pacific. They are then also broken down by sub-asset class, rating and currency. If available, indicative bid-ask spreads derived from indicative spread quotes supplied by consensus data providers were used as evidence and a measure of inactivity for the individually analyzed groups. In the discounted cash flow method, the discount rate is a significant measurement parameter. This comprises a risk-free interest rate based on current swap curves and a spread. In turn, this spread comprises a credit risk component and liquidity risk component (residual amount). The measurement of the spread appropriate to the current circumstances is initially based on the last spread curves for each rating category obtained from an active market. If a rating migration has taken place, the spread curves (credit risk and liquidity risk components) used in the measurement are those applicable to the new rating class. The ratings used are current external ratings from Fitch, Moody's and Standard & Poor's; the worst rating is used in the event of any differences between the agencies. In the next stage of the measurement process, the Bank reconciles the values determined using the above method with price indicators obtained from consensus data providers. If the ABSs to be measured come from a subsegment for which analysis of indicative bid-ask spreads has revealed that market liquidity would gradually normalize given no change in the fundamental lack of activity, the price indicators from consensus market data providers are used to calculate the fair value of the respective ABSs using a graduated process.

In the case of certain securities that are structured and managed as fixed asset portfolios or liquidity reserve portfolios, DZ BANK applies the principles of hedge accounting. Hedged items recognized on the balance sheet are matched with the associated hedging instruments of the same risk type. Within the individual matched items, gains and losses on the valuation of the financial instruments are offset against each other. If this produces an overall gain from the valuation, this gain is not recognized in the income statement. If the valuation results in an overall loss, a provision for anticipated losses is recognized.

For securities involved in securities lending 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.

Dividend income from shares and other variable-yield securities in fixed assets and the liquidity reserve is reported under ‘Current income from shares and other variable-yield securities’.

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 four 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 three to ten 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

Provisions for pensions and other post-employment benefits are calculated in accordance with actuarial principles. Current pension obligations to retired beneficiaries are measured using the entry-age normal method. As in 2008, provisions for pensions and other post-employment benefits were measured in 2009 using a discount rate of 6.0 percent. DZ BANK used, among others, DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH, Frankfurt am Main, to provide independent cover for pension obligations. Cover has also been provided by DZ BANK with the transfer of assets to DZ BANK Pension Trust e.V., Frankfurt am Main, which acts as a trustee on behalf of the pension beneficiaries. In the year under review, DZ BANK additionally took over the total indirect pension obligations in Germany as direct pension obligations. In the course of this switch, the pension assets of DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH were transferred to DZ BANK Pension Trust e.V.

DZ BANK recognizes provisions for current taxes in accordance with German tax law, and other provisions for contingent liabilities or anticipated losses as dictated by prudent business practice.

TRADING BUSINESS

Trading portfolios comprise bonds and other fixed-income securities, shares and other variable-yield securities, promissory notes, registered bonds, and derivative financial instruments (interest-rate, currency, credit and equity derivatives).

Trading securities that are demonstrably hedged against market risk over the long term within the system of limits are measured using a modified fair value method. This involves aggregating these trading securities into portfolios and measuring them at fair value. 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 both model-based adjustments and a value-at-risk adjustment, a mathematical calculation that describes the maximum potential loss that is considered to be highly probable. The value-at-risk adjustment is calculated using mathematical techniques that form part of the Bank’s overall management of risk. Fair values for the derivative and non-derivative financial instruments included in the trading portfolios are determined on the basis of market values where such values can be reliably obtained. Otherwise, recognized measurement models and methods are used. In view of the regulations in the German Accounting

Law Modernization Act (BilMoG) to be observed in future, DZ BANK in the year under review applied the higher ten-day value-at-risk adjustment required by the regulator instead of the one-day value-at-risk adjustment previously applied. This resulted in a negative difference of €141 million, which is recognized under the item 'net trading income'.

Other trading securities not included in portfolio-based measurement using a modified fair value method are measured using the strict lower-of-cost-and-market principle.

In addition to the gains and losses from these measurements, current interest payments and dividend income on trading securities, current payments in connection with derivative financial instruments, current payments in connection with sale and repurchase agreements and securities lending for trading purposes, and funding costs in connection with trading securities (including corresponding prepaid expenses/accrued income and deferred income/accrued expenses) are recognized under net trading result.

OTHER

Expenses in connection with investments are offset against investment income. Gains and losses on the measurement of loans and advances and the securities in the liquidity reserve are reported as a net figure.

As at December 31, 2009, the fund for general banking risks in accordance with section 340g HGB amounted to €2,000 million (December 31, 2008: €1,660 million). DZ BANK also holds further contingency reserves in accordance with section 340f HGB.

» 03 CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies, together with claims and obligations under currency transactions, are translated in compliance with section 340h HGB and statement 3/1995 issued by the banking committee of the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany].

Foreign-currency-denominated assets treated as fixed assets and not specifically covered in the same currency are recognized at historical cost. Assets are deemed to be specifically covered in the same currency if they are matched by liability items, forward transactions or options.

Other foreign-currency-denominated assets and liabilities as well as unprocessed spot transactions are translated at the middle spot rate on the balance sheet date; currency forwards are translated at the forward rate on the balance sheet date.

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, 2009	Dec. 31, 2008
Other loans and advances to banks	**92,717**	**99,712**
– up to 3 months	31,749	39,316
– between 3 months and 1 year	10,426	10,986
– between 1 year and 5 years	24,768	24,279
– more than 5 years	25,774	25,131
Loans and advances to customers	**28,097**	**33,805**
– up to 3 months	9,790	13,348
– between 3 months and 1 year	2,845	2,888
– between 1 year and 5 years	10,155	10,515
– more than 5 years	3,890	5,055
– no fixed maturity	1,417	1,999
Bonds and other fixed-income securities	**73,016**	**95,050**
– up to 3 months (maturing in subsequent year)	4,317	6,962
– between 3 months and 1 year (maturing in subsequent year)	12,250	15,196
– between 1 year and 5 years	29,785	44,042
– more than 5 years	26,122	28,270
– no fixed maturity	542	580

LIABILITY ITEMS

€ million	Dec. 31, 2009	Dec. 31, 2008
Deposits from banks with agreed maturity or notice period	**85,686**	**117,751**
– up to 3 months	27,893	56,989
– between 3 months and 1 year	12,390	17,926
– between 1 year and 5 years	20,509	16,445
– more than 5 years	24,894	26,391
Amounts owed to other depositors		
Other liabilities with agreed maturity or notice period	**25,892**	**34,880**
– up to 3 months	12,175	19,214
– between 3 months and 1 year	1,410	3,048
– between 1 year and 5 years	1,751	3,036
– more than 5 years	10,556	9,582
Debt certificates including bonds		
Bonds issued	**52,524**	**50,014**
– of which: maturing in subsequent year	10,866	16,868
Other debt certificates	**4,472**	**1,237**
– up to 3 months	4,145	1,236
– between 3 months and 1 year	327	1
Provisions	**1,393**	**1,592**
– up to 3 months	301	662
– between 3 months and 1 year	116	128
– between 1 year and 5 years	361	235
– more than 5 years	615	567
Subordinated liabilities	**4,771**	**3,875**
– up to 3 months	142	79
– between 3 months and 1 year	211	169
– between 1 year and 5 years	702	784
– more than 5 years	3,716	2,843
Profit-sharing rights	**1,013**	**1,452**
– up to 3 months	68	68
– between 3 months and 1 year	150	448
– between 1 year and 5 years	521	646
– more than 5 years	274	290

» 05
AFFILIATED COMPANIES AND OTHER LONG-TERM INVESTEES AND INVESTORS

Loans and advances to and deposits from affiliated companies:

€ million	Dec. 31, 2009	Dec. 31, 2008
Loans and advances to banks	22,208	17,359
Loans and advances to customers	5,425	5,115
Bonds and other fixed-income securities	12,850	14,640
Deposits from banks	4,664	3,708
Amounts owed to other depositors	2,413	2,454
Debt certificates including bonds	538	1,185
Subordinated liabilities	2,251	1,721

Loans and advances to and deposits from other long-term investees and investors:

€ million	Dec. 31, 2009	Dec. 31, 2008
Loans and advances to banks	34,993	34,472
Loans and advances to customers	2,540	3,062
Bonds and other fixed-income securities	4,086	5,994
Deposits from banks	37,523	45,529
Amounts owed to other depositors	1,104	3,086
Debt certificates including bonds	15,680	17,898
Subordinated liabilities	109	97

The list of shareholdings pursuant to section 285 sentence 1 no. 11 HGB is reported separately pursuant to section 287 sentence 1 HGB and is published together with the annual financial statements in the electronic German Federal Gazette. It can also be accessed on the DZ BANK website at www.reports.dzbank.com.

» 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, 2009	Dec. 31, 2008
Loans and advances to affiliated banks	**44,144**	**45,008**
of which: to cooperative central institutions	174	17
Deposits from affiliated banks	**49,170**	**61,885**
of which: from cooperative central institutions	55	1,187

» 07 SUBORDINATED ASSETS

The following balance sheet items include subordinated assets in the amounts stated:

€ million	Dec. 31, 2009	Dec. 31, 2008
Loans and advances to banks	**1,981**	**1,855**
of which: to affiliated companies	1,529	1,577
to investees	27	188
Loans and advances to customers	**266**	**8**
of which: to affiliated companies	252	–
to investees	0	0
Bonds and other fixed-income securities	**1,561**	**2,339**
of which: to affiliated companies	120	117
to investees	101	116
Shares and other variable-yield securities	**93**	**97**
of which: to affiliated companies	7	2
to investees	2	1
Total	**3,901**	**4,299**

» 08 TRUST ACTIVITIES

The breakdown of the total trust assets and trust liabilities is as follows:

€ million	Dec. 31, 2009	Dec. 31, 2008
Trust assets		
– Loans and advances to banks	250	279
– Loans and advances to customers	26	44
– Long-term equity investments	1,133	1,134
Total	**1,409**	**1,457**

€ million	Dec. 31, 2009	Dec. 31, 2008
Trust liabilities		
– Deposits from banks	252	281
– Amounts owed to other depositors	1,157	1,176
Total	**1,409**	**1,457**

» 09
FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are as follows:

€ million	Dec. 31, 2009	Dec. 31, 2008
Assets	33,713	41,928
Liabilities	17,866	23,777

» 10
SALE AND REPURCHASE AGREEMENTS

As at December 31, 2009, the carrying amount of assets subject to sale and repurchase agreements was €4,014 million (December 31, 2008: €12,663 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, 2009	Dec. 31, 2008
Deposits from banks	29,473	35,510
Amounts owed to other depositors	1,164	4,026
Debt certificates including bonds	292	548
Total	**30,929**	**40,084**

An amount of €7,187 million (December 31, 2008: €9,520 million) has been pledged as collateral for exchange-traded forward transactions and in connection with collateral agreements as part of OTC trading business.

» 12
STRUCTURE OF SECURITIES PORTFOLIO BY PURPOSE

The table below shows the breakdown of the securities portfolio by purpose:

€ million	Dec. 31, 2009	Dec. 31, 2008
Bonds and other fixed-income securities		
– Fixed assets	27,869	31,181
– Trading securities	31,255	42,367
– Liquidity reserve	13,892	21,502
Total	**73,016**	**95,050**

€ million	Dec. 31, 2009	Dec. 31, 2008
Shares and other variable-yield securities		
– Fixed assets	1,100	718
– Trading securities	554	532
– Liquidity reserve	11	10
Total	**1,665**	**1,260**

» 13 MARKETABLE SECURITIES

The following asset items include marketable securities in the amounts shown:

€ million	Dec. 31, 2009	Dec. 31, 2008
Bonds and other fixed-income securities	**73,016**	95,050
of which: listed on a stock exchange	60,079	75,814
Shares and other variable-yield securities	**572**	513
of which: listed on a stock exchange	487	439
Long-term equity investments	**29**	29
of which: listed on a stock exchange	29	29
Shares in affiliated companies	**2,402**	2,220
of which: listed on a stock exchange	626	625

» 14 CHANGES IN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENTS

The changes in fixed assets were as follows:

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

	Cost				Reversals of write-downs	Depreciation/ amortization and write-downs		Net carrying amount	
€ million	Jan. 01, 2009	Additions	Disposals	Reclassi-fications		Current year	Cumu-lative	Dec. 31, 2009	Dec. 31, 2008
Intangible assets	223	27	10	0	–	20	180	**60**	54
Land and buildings	13	–	–	–	–	0	8	**5**	5
of which: used for own operations	(6)	(–)	(–)	(–)	(–)	(0)	(3)	(3)	(3)
Office furniture and equipment	219	10	52	1	–	11	137	**41**	41
Payments in advance	1	0	–	-1	–	–	–	**0**	1
Total	456	37	62	0	–	31	325	**106**	101

INVESTMENTS

	Change	Carrying amount	
€ million		Dec. 31, 2009	Dec. 31, 2008
Bonds and other fixed-income securities	-3,312	27,869	31,181
Shares and other variable-yield securities	382	1,100	718
Long-term equity investments	5	478	473
Shares in affiliated companies	-378	11,161	11,539
Total	**-3,303**	**40,608**	**43,911**

Fair values for financial instruments reported under investments and reported at a carrying amount exceeding their fair value because write-downs have not been applied pursuant to section 253 (2) sentence 3 HGB were as follows: bonds and other fixed-income securities, €9,579 million (carrying amount: €10,510 million); shares and other variable-yield securities, €574 million (carrying amount: €576 million). Based on internal analyses of long-term securities, it was established that the impairment of securities measured at fair value was not attributable to a material deterioration in issuer credit quality. Since the impairment of these securities was only expected to be temporary, the securities were not written down to fair value. In the case of 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.

» 15 CHANGES IN EQUITY

The subscribed capital comprises DZ BANK‘s share capital of €3,160,097,987.80. The subscribed capital 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, 2009	Additions/ (-) Withdrawals	Dec. 31, 2009
Subscribed capital	3,028	132	**3,160**
Capital reserves	1,109	268	**1,377**
Revenue reserves	1,477	182	**1,659**
– Statutory reserve	64	15	79
– Other revenue reserves	1,413	167	1,580
Distributable profit	61	62	**123**
– 2008 appropriation of profits / dividend Profit carried forward	61	-58 -3	–
– 2009 distributable profit	–	123	123
Total equity	5,675	644	**6,319**

On the basis of existing authorizations and with the consent of the Supervisory Board, the Board of Managing Directors in 2009 decided to increase subscribed capital by €131,670,749.60 from €3,028,427,238.20 to €3,160,097,987.80. The implementation of the capital increase by way of an issue of 50,642,596 registered no-par-value shares each at an issue price of €7.90 for cash was entered in the commercial register on November 23, 2009. Dividends are payable on the new shares from January 1, 2009.

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by August 31, 2011 on one or more occasions by up to a total of € 50 million by way of issuing new registered non-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 August 31, 2011 on one or more occasions by up to a total of € 68,329,250.40 million by issuing new registered non-par value shares in return for cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ('Authorized capital II').

» 16 DISCLOSURES ON SHAREHOLDERS

At the end of the year under review, approximately 95.8 percent of shares were 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.

» 17 OTHER ASSETS

Other assets primarily comprise premiums for acquired options amounting to €3,997 million (December 31, 2008: €3,632 million) as well as tax credits and receivables in connection with intragroup tax allocations amounting to €584 million (December 31, 2008: €699 million).

» 18 DEFERRED TAXES

As at December 31, 2009, DZ BANK had recognized deferred tax assets in accordance with section 274 (2) HGB amounting to €969 million (December 31, 2008: €904 million). Deferred tax assets were recognized primarily in respect of contingency reserves recognized in the HGB financial statements of the tax group in accordance with section 340f HGB and in respect of the fund for home savings risk recognized by Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall.

» 19 PREPAID EXPENSES/ACCRUED INCOME AND DEFERRED INCOME/ACCRUED EXPENSES

€ million	Dec. 31, 2009	Dec. 31, 2008
Prepaid expenses/accrued income		
– Discount on deposits	456	417
– Other prepaid expenses/accrued income	1,072	1,030
Total	**1,528**	**1,447**

€ million	Dec. 31, 2009	Dec. 31, 2008
Deferred income/accrued expenses		
– Discount on loans and advances	30	43
– Premium on bonds issued	91	74
– Other deferred income/accrued expenses	512	455
Total	**633**	**572**

» 20 OTHER LIABILITIES

Other liabilities primarily comprise deferred option premiums of €6,217 million (December 31, 2008: €6,303 million) and profit participation certificates maturing in the subsequent year (including dividend distribution) of €473 million (December 31, 2008: €266 million).

» 21 SUBORDINATED LIABILITIES

As at December 31, 2009, €4,406 million of the total volume of subordinated liabilities was identified as liable capital as defined by section 10 (5a) German Banking Act (KWG). DZ BANK also had Tier 3 capital in accordance with section 10 (2c) sentence 1 no. 3 KWG of €379 million.

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 have an average interest rate of 4.72 percent (2008: 5.00 percent) and initial maturities of 5 to 30 years.

Subordinated liabilities are issued in the form of fixed-income and variable-yield securities, promissory notes, and registered bonds.

The total amount includes one item that accounts for more than 10 percent of the subordinated liabilities. This registered bond for €500 million has a coupon based on the three-month Euribor plus a margin of 1.6 percent and matures in 2034.

In 2009, the interest expense for the liabilities reported under this item amounted to €227 million (2008: €201 million).

Accrued interest not yet due for payment amounting to €98 million (2008: €74 million) is also included within the subordinated liabilities balance sheet item.

» 22 PROFIT-SHARING RIGHTS

As at December 31, 2009, the total volume of profit-sharing rights – which are identified as liable capital under section 10 (5) KWG – amounted to €790 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	(%)	
1984	133	8.50	2011
1998	22	6.50	2010
1999	1	7.00	2010
2002	28	6.50	2011
2008	157	6.92	2013
2008	139	7.40	2018
2008	48	6.59[1]	2013
2008	72	6.59[1]	2018

1 Dependent on market interest rate

According to the terms and conditions of issue, the distribution on the profit-sharing rights in the tranche from 1984 depends on the amount of the dividend. The terms and conditions also provide for a minimum coupon. The minimum coupon applies unless the dividend payment is higher.

DZ BANK has issued registered profit-sharing rights with a volume of €345 million. Total registered profit-sharing rights comprise 55 separate issues with original maturities of 10 to 16 years and coupons between 5.64 percent and 7.63 percent.

The total interest expense in respect of profit-sharing rights in 2009 was €100 million (2008: €87 million).

Accrued interest not yet due for payment amounting to €68 million (2008: €68 million) is also included within the profit-sharing rights balance sheet item.

» 23
STATEMENT OF OFF-BALANCE-SHEET FORWARD TRANSACTIONS BY PRODUCT AREA

The following table shows off-balance-sheet forward transactions by product area:

	Notional amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
€ million	≤ 1 year	> 1-5 years	> 5 years	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
INTEREST-LINKED CONTRACTS	**217,416**	**326,583**	**255,165**	**799,164**	**938,303**	**19,445**	**20,163**	**19,928**	**20,852**
OTC products									
FRAs	22,761	–	–	22,761	17,679	3	19	19	26
Interest-rate swaps (same currency)	156,557	265,252	218,901	640,710	784,697	17,969	18,578	16,680	17,419
Interest-rate options – call	8,298	24,771	14,758	47,827	41,995	1,456	1,344	–	–
Interest-rate options – put	11,758	34,486	21,506	67,750	60,983	–	–	3,226	3,384
Exchange-traded products									
Interest-rate futures	18,042	2,074	–	20,116	32,949	17	222	3	23
CURRENCY-LINKED CONTRACTS	**34,115**	**4,275**	**151**	**38,541**	**63,020**	**439**	**1,419**	**540**	**1,202**
OTC products									
Forward forex transactions	26,144	2,285	141	28,570	51,072	331	1,116	424	917
Forex options – call	3,489	1,090	10	4,589	6,016	108	300	–	–
Forex options – put	3,763	877	–	4,640	5,887	–	–	109	283
Exchange-traded products									
Forex futures	508	–	–	508	28	–	–	0	0
Forex options	211	23	0	234	17	0	3	7	2
SHARE / INDEX-LINKED CONTRACTS	**17,524**	**14,541**	**1,187**	**33,252**	**115,352**	**824**	**1,009**	**2,138**	**4,571**
OTC products									
Share/index options – call	764	396	–	1,160	1,575	111	179	–	0
Share/index options – put	575	319	149	1,043	2,029	–	–	403	832
Other share/index contracts	2,376	6,482	536	9,394	10,194	215	208	557	944
Exchange-traded products									
Share / index futures	332	9	–	341	905	4	4	4	3
Share / index options	13,477	7,335	502	21,314	100,649	494	618	1,174	2,792

€ million	Notional amount – Time to maturity ≤ 1 year	> 1-5 years	> 5 years	Total amount Dec. 31, 2009	Dec. 31, 2008	Fair value – Positive Dec. 31, 2009	Dec. 31, 2008	Negative Dec. 31, 2009	Dec. 31, 2008
OTHER CONTRACTS	**11,723**	**21,905**	**5,449**	**39,077**	**29,495**	**906**	**1,551**	**952**	**1,225**
OTC products									
Cross-currency swaps	9,571	21,352	5,440	36,363	27,580	853	1,506	905	1,178
Precious metal contracts	1	–	–	1	0	1	0	0	1
Commodities contracts	347	465	9	821	692	51	38	16	36
Exchange-traded products									
Futures	20	1	–	21	43	0	4	1	2
Options	1,784	87	0	1,871	1,180	1	3	30	8
CREDIT DERIVATIVES	**9,139**	**73,393**	**15,350**	**97,882**	**111,557**	**1,504**	**4,184**	**1,336**	**3,567**
Protection buyer									
Credit default swaps	3,287	34,782	7,184	45,253	48,539	444	3,176	692	88
Total return swaps	44	2,351	436	2,831	3,717	401	980	194	90
Protection seller									
Credit default swaps	5,808	36,260	7,730	49,798	59,301	659	28	450	3,389
Total	**289,917**	**440,697**	**277,302**	**1,007,916**	**1,257,727**	**23,118**	**28,326**	**24,894**	**31,417**

A substantial proportion of the transactions listed were entered into for the purposes of hedging interest-rate, exchange-rate or market price fluctuations. The bulk of these transactions related to trading business.

The following table shows off-balance-sheet forward transactions by counterparty structure:

» 24
STATEMENT OF OFF-BALANCE-SHEET FORWARD TRANSACTIONS BY COUNTERPARTY STRUCTURE

€ million	Fair value – Positive Dec. 31, 2009	Dec. 31, 2008	Negative Dec. 31, 2009	Dec. 31, 2008
OECD central governments	81	55	39	16
OECD banks	21,577	25,803	23,583	29,528
OECD financial services institutions	10	8	0	8
Other companies, private individuals	1,395	2,394	1,182	1,663
Non-OECD banks	55	66	90	202
Total	**23,118**	**28,326**	**24,894**	**31,417**

C. Income statement disclosures

» 25 BREAKDOWN OF INCOME BY GEOGRAPHICAL MARKETS

The following table 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:

(%)	2009	2008
Germany	97.63	92.98
International	2.37	7.02

» 26 FEE AND COMMISSION INCOME AND EXPENSES

The surplus of fee and commission income over fee and commission expenses resulted from the following services:

€ million	2009	2008
Securities business	164	72
Transaction banking/international business	44	46
Lending and financial guarantee business	49	64
Other	47	46
Total	**304**	**228**

» 27 ADMINISTRATION AND AGENCY SERVICES PROVIDED FOR THIRD PARTIES

Services provided for third parties relate primarily to custody services and the management of trust assets.

» 28 OTHER OPERATING INCOME AND EXPENSES

The other operating income of €155 million and other operating expenses of €162 million resulted primarily from the conversion of indirect pension obligations into direct pension obligations. The additions to provisions for direct pension obligations of €94 million were partially offset by income from the reversal of provisions for indirect pension obligations (€6 million) and the return of pension assets in DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH (€88 million) funded in prior years by DZ BANK to DZ BANK Pension Trust e.V. (managed in trust on behalf of DZ BANK).

» 29 EXTRAORDINARY EXPENSES

The extraordinary expenses of €202 million arose in connection with an income subsidy amounting to €150 million paid by DZ BANK to Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) and restructuring expenses of €52 million for 'Programm 2011: Network-oriented central institution'.

» 30 INCOME TAXES

The income amount reported under income taxes arose from corporation tax and trade tax contributions in the tax groups amounting to €125 million, a tax expense for the current year of €162 million, tax income of €13 million relating to prior years, and €21 million from the unwinding of the discount on, and increase in, the corporation tax credit claim. In 2009, DZ BANK also recognized deferred tax assets of €65 million pursuant to section 274 (2) HGB.

» 31 PROPOSED APPROPRIATION OF PROFITS

In 2009, DZ BANK generated a net income for the year of €302 million. After the addition of €15 million to the statutory reserve and €167 million to other revenue reserves, and after taking into account the profit of €3 million brought forward from 2008, the distributable profit amounts to €123 million. We propose to the Annual General Meeting that, from the distributable profit of €123,139,562.63, a sum of €121,542,230.30 be appropriated for the payment of a dividend of €0.10 per no-par-value share, and that the balance of €1,597,332.33 be carried forward to the next accounting period.

D. Other disclosures

» 32 TYPE, PURPOSE, RISKS, AND BENEFITS OF OFF-BALANCE-SHEET TRANSACTIONS

The following unused lines of credit were available as at December 31, 2009 in connection with asset-backed commercial paper (ABCP) transactions:

Transaction	Type of transaction	Purpose of transaction	Unutilized line of credit (€ million)	Risks
CORAL	ABCP-Conduit	Generation of commission income	163	Utilization of available lines of credit
AUTOBAHN	ABCP-Conduit	Generation of commission income	2,447	Utilization of available lines of credit
Non-DZ-BANK-Group conduits	ABCP-Conduit	Generation of commission income	71	Utilization of available lines of credit
Total			**2,681**	

These unused lines of credit are the undrawn portions of lines of credit granted externally to ABCP conduits. The purpose of the lines of credit 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, DG HYP has been granted standby commitments amounting to a total of €5,000 million. These funds can be used for funding purposes at short notice, if required.

» 33 OTHER FINANCIAL OBLIGATIONS

The total amount of other financial obligations as at December 31, 2009 was €283 million (December 31, 2008: €334 million). Most of these obligations related to follow-up obligations under indemnity agreements, rental income, capital expenditure projects, and pending transactions. This amount includes obligations to affiliated companies of €29 million (December 31, 2008: €32 million).

For years from 2011 onward, other financial obligations will amount to €166 million. This amount includes obligations to affiliated companies of €46 million.

DZ BANK also has liability amounts of €1 million (December 31, 2008: €1 million) in connection with business credit balances at local cooperative banks.

DZ BANK has given transfer guarantee declarations to domestic companies and public institutions in respect of certain deposits at its branches in the United Kingdom and the USA 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 facility operated by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin, (BVR) [Federal Association of German Cooperative Banks]. This facility comprises a guarantee fund and a guarantee network. As a member of the guarantee network, DZ BANK is under an obligation, if required, to lodge a guarantee bond of up to €103 million with the BVR.

» 34 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 BANK International S.A., Luxembourg-Strassen, and in total for the consolidated entity DZ BANK Ireland plc, Dublin, and for the non-consolidated entity DZ BANK International Singapore Ltd., Singapore, that these companies are able to meet their contractual obligations. DZ BANK has also issued subordinated support undertakings in respect of DZ BANK Capital Funding LLC I, DZ BANK Capital Funding LLC II and DZ BANK Capital Funding LLC III, all based in Wilmington, State of Delaware, USA. In addition, DZ BANK has issued eight subordinated support undertakings in respect of DZ BANK Perpetual Funding (Jersey) Limited, St. Helier, Jersey, Channel Islands, each relating to different classes of preferred shares.

» 35 LITIGATION

There are legal actions for compensation pending in connection with various real estate investment trusts offered by DG ANLAGE Gesellschaft mbH, Frankfurt am Main; some of these actions have essentially been upheld by the competent court. DZ BANK could face further claims for compensation whose potential financial impact cannot be reliably determined at present.

» 36 EMPLOYEES

Average number of employees by employee group:

	2009	2008
Female employees	**1,696**	**1,775**
of which: full-time employees	1,193	1,280
part-time employees	503	495
Male employees	**2,393**	**2,307**
of which: full-time employees	2,323	2,235
part-time employees	70	72
Total employees	**4,089**	**4,082**

» 37 AUDITOR FEES

For information on the total fees billed for 2009 by the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, please refer to Note 88 'Auditor fees' in the 2009 DZ BANK consolidated financial statements.

» 38 COVER STATEMENT

The following cover is in place for outstanding covered bonds and derivatives:

€ million	Dec. 31, 2009	Dec. 31, 2008
Total cover assets	**29,222**	**28,138**
Ordinary cover	**29,220**	**28,136**
Loans and advances		
– to banks	14,775	16,295
– to customers	473	391
Bonds and other fixed-income securities	13,972	11,450
Derivatives held as cover	**2**	**2**
Cover requirement	**22,520**	**24,533**
Outstanding, covered		
– bearer bonds	6,813	7,254
– registered bonds	15,707	17,278
Derivatives	0	1
Excess cover	**6,702**	**3,605**

» 39 TRUSTEES OF COVER ASSETS

The trustees are appointed by 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)

DEPUTY TRUSTEE

KLAUS SCHMITZ
Presiding Judge at the
Frankfurt am Main regional court (retired)

» 40 RELATED-PARTY DISCLOSURES

The exercise of DZ BANK's normal business activities involves parties related to DZ BANK. Transactions with related parties as defined by section 285 sentence 1 no. 21 HGB are conducted on an arm's length basis.

In 2009, the total compensation paid to the members of the Board of Managing Directors of DZ BANK (including the decision not to draw bonuses of €1,900 thousand) was €3,942 thousand (2008: €5,620 thousand). The total compensation paid to the Supervisory Board was €577 thousand (2008: €564 thousand).

A total amount of €10,868 thousand (2008: €8,179 thousand) was paid to former members of the Board of Managing Directors or their surviving dependants, for whom provisions of €80,638 thousand (2008: €82,537 thousand) were also recognized to cover pension and similar obligations.

BOARD OF MANAGING DIRECTORS OF DZ BANK

WOLFGANG KIRSCH
(Chief Executive Officer)

DR. THOMAS DUHNKRACK
(until June 20, 2009)

LARS HILLE

WOLFGANG KÖHLER

HANS-THEO MACKE
(since July 1, 2009)

ALBRECHT MERZ

THOMAS ULLRICH
(since October 1, 2009)

FRANK WESTHOFF

SUPERVISORY BOARD OF DZ BANK

ROLF HILDNER
(Chairman)
Chief Executive Officer
Wiesbadener Volksbank eG

WOLFGANG APITZSCH
(Deputy Chairman)
Attorney

HELMUT GOTTSCHALK
(Deputy Chairman)
Spokesman of the Board of
Managing Directors
Volksbank Herrenberg-Rottenburg eG

RUDIGER BEINS
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

ULRICH BIRKENSTOCK
Employee
R+V Allgemeine Versicherung AG

WERNER BOHNKE
Chief Executive Officer
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

HENNING DENEKE-JÖHRENS
Spokesman of the Board of
Managing Directors
Volksbank eG Lehrte-Springe-Pattensen-
Ronnenberg

CARL-CHRISTIAN EHLERS
Chief Executive Officer
Kieler Volksbank eG

KARL EICHELE
Employee
VR Kreditwerk AG

UWE FRÖHLICH
President
Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V.

DR. ROMAN GLASER
Chief Executive Officer
Volksbank Baden-Baden · Rastatt eG

RITA JAKLI
Senior manager
R+V Versicherung AG

SIGMAR KLEINERT
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

WILLY KÖHLER
Chief Executive Officer
VR Bank Rhein-Neckar eG

RAINER MANGELS
Employee
R+V Rechtsschutzversicherung AG

DAGMAR MINES
Employee
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg
(since January 1, 2010)

WALTER MÜLLER
Chief Executive Officer
Volksbank Raiffeisenbank Fürstenfeldbruck eG

DIETER REMBDE
Member of the Board of Managing Directors
VR-Bank Schwalm-Eder eG

MARK ROACH
Secretary
Vereinte Dienstleistungsgewerkschaft
ver.di Bundesverwaltung

GUDRUN SCHMIDT
Regional Group Director
Vereinte Dienstleistungsgewerkschaft
ver.di Landesbezirk Hessen

WINFRIED WILLER
Employee
VR Kreditwerk AG
(until December 31, 2009)

As at December 31, 2009, 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 (*).

» 42
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)	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors
	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Chairman of the Supervisory Board (*)
	Landwirtschaftliche Rentenbank, Frankfurt am Main, Member of the Board of Directors
	Österreichische Volksbanken-AG, Vienna, Member of the Supervisory Board
	R+V Versicherung AG, Wiesbaden, Chairman of the Supervisory Board (*)
	Südzucker AG, Mannheim, Member of the Supervisory Board
	Union Asset Management Holding AG, Frankfurt am Main, Chairman of the Supervisory Board (*)

LARS HILLE	Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DZ BANK International S.A., Luxembourg-Strassen, Chairman of the Board of Directors (*)
	DZ PRIVATBANK (Schweiz) AG, Zurich, Chairman of the Board of Directors (*)
	DZ Private Wealth Managementgesellschaft S.A. (DZ PB S.A. since January 20, 2010), Luxembourg-Strassen, Chairman of the Board of Directors (*)
	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 BANK International S.A., Luxembourg-Strassen, Deputy Chairman of the Board of Directors (*)
	DZ BANK Polska S.A., Warsaw, Chairman of the Supervisory Board
	DZ PRIVATBANK (Schweiz) AG, Zurich, Member of the Board of Directors (*)
	DZ Private Wealth Managementgesellschaft S.A. (DZ PB S.A. since January 20, 2010), Luxembourg-Strassen, Deputy Chairman of the Board of Directors (*)
	Österreichische Volksbanken-AG, Vienna, 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 (*)
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Chairman of the Supervisory Board (*)
	EDEKABANK AG, Hamburg, Member of the Supervisory Board
	VR-LEASING AG, Eschborn, Chairman of the Supervisory Board (*)
ALBRECHT MERZ	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*)
	BayWa AG, Munich, Member of the Supervisory Board
	R+V Allgemeine Versicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	TeamBank AG Nürnberg, Nuremberg, Chairman of the Supervisory Board (*)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*)

THOMAS ULLRICH	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	FIDUCIA IT AG, Karlsruhe, Member of the Supervisory Board
	VR Kreditwerk AG, Schwäbisch Hall, Deputy Chairman of the Supervisory Board (*)
	WL BANK AG Westfälische Landschaft Bodenkreditbank, Münster, Member of the Supervisory Board
FRANK WESTHOFF	BAG Bankaktiengesellschaft, Hamm, Member of the Supervisory Board
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member 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 (*)
	Volksbank International AG, Vienna, Second Deputy Chairman of the Supervisory Board

EMPLOYEES

DR. LUIS-ESTEBAN CHALMOVSKY	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors
THOMAS KALTWASSER	DZ BANK Ireland plc, Dublin, Member of the Board of Directors (*)
ANDREAS KUTSCH	ReiseBank AG, Frankfurt am Main, Member of the Supervisory Board (*)
WINFRIED MÜNCH	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main, Member of the Supervisory Board
KARL-HEINZ VON OPPENKOWSKI	DZ BANK Polska S.A., Warsaw, Vice Chairman of the Supervisory Board
NICCOLO RAVANO	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	CardProcess GmbH, Karlsruhe, Member of the Supervisory Board
	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 (*)
ANDREAS ZEISELMAIER	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board

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 9, 2010

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch

Hille	Köhler	Macke
Merz	Ullrich	Westhoff

AUDIT OPINION (TRANSLATION)

We have audited the 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 financial year from January 1, 2009 to December 31, 2009. 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 Art. 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 11, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Binder	Kruskop
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

DZ BANK ADVISORY COUNCILS

Changes were implemented at the end of 2009 in the structure of DZ BANK's Advisory Councils. Up to that point, segment management was supported by the Local Bank Advisory Councils, whose members were representatives of the cooperative banks. At the end of 2009 the work of the Local Bank Advisory Councils ceased. The large number of valuable ideas and suggestions generated for the business by the Local Bank Advisory Councils will in future be taken up from 2010 by the Financial Services Advisory Council of the DZ BANK Group and will form the basis for future, innovative products. This new committee will continue to increase the involvement of the cooperative banks in the joint development and marketing of the DZ BANK Group's products and services; it will also work closely with the BVR and its special committees. The Financial Services Advisory Council is therefore an advisory committee intended to make recommendations on product and sales issues in the partnership between the cooperative banks and the DZ BANK Group. This approach will endeavor to engender a high degree of mutual commitment while at the same time fully maintaining the decentralized structure to the benefit of the local cooperative banks.

DZ BANK's regional Banking Advisory Councils will continue in their well-established role as a forum for sharing information with the cooperative banks. They hold an advisory and multiplier function in respect of strategic issues at DZ BANK AG.

A further advisory council with representatives from companies, trade associations, academia as well as from the political arena offers the Board of Managing Directors of DZ BANK an opportunity for direct exchange of information at a confidential level.

MEMBERS OF THE FINANCIAL SERVICES ADVISORY COUNCIL FOR THE DZ BANK GROUP (FROM FEBRUARY 2010)

REPRESENTATIVES OF THE COOPERATIVE BANKS

WOLFGANG ALTMÜLLER
Chief Executive Officer
VR meine Raiffeisenbank eG
Altötting

HERMANN ARENS
Member of the Board of
Managing Directors
Volksbank Lingen eG
Lingen (Ems)

PETER BADE
Member of the Board of
Managing Directors
Volksbank Lüneburger Heide eG
Lüneburg

DR. KONRAD BAUMÜLLER
Spokesman of the Board of
Managing Directors
VR-Bank Erlangen-Höchstadt-
Herzogenaurach eG
Erlangen

DR. KLAUS EBERHARDT
Chief Executive Officer
Sparda-Bank Berlin eG
Berlin

RICHARD ERHARDSBERGER
Chief Executive Officer
VR-Bank Vilsbiburg eG
Vilsbiburg

UWE GUTZMANN
Chief Executive Officer
Volks- und Raiffeisenbank eG
Wismar

EBERHARD HEIM
Chief Executive Officer
Volksbank Tübingen eG
Tübingen

ANDREAS HOF
Chief Executive Officer
VR Bank
Main-Kinzig-Büdingen eG
Büdingen

RUDOLF MÜLLER
Spokesman of the Board of
Managing Directors
Volksbank Kur- und Rheinpfalz eG
Speyer

WOLFGANG MÜLLER
Chief Executive Officer
Volksbank Mittleres Erzgebirge eG
Olbernhau

GERHARD J. RASTETTER
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe

REINHARD SCHLOTTBOM
(Personal deputy for Dr. Eberhardt)
Chief Executive Officer
PSD Bank Westfalen-Lippe eG
Münster

MARTIN SCHMITT
Chief Executive Officer
Kasseler Bank eG
Volksbank Raiffeisenbank
Kassel

ROLAND STRIEBEL
Member of the Board of
Managing Directors
Volksbank Hegau eG
Singen

RUDOLF VEITZ
Member of the Board of
Managing Directors
Raiffeisenbank Holzheim eG
Holzheim

HEINZ-WALTER WIEDBRAUCK
Chief Executive Officer
Volksbank Hameln-Stadthagen eG
Hameln

MANFRED WÜNSCHE
Member of the Board of
Managing Directors
Volksbank Rems eG
Waiblingen

REPRESENTATIVES OF THE BVR AND ITS SPECIAL COMMITTEES

UWE FRÖHLICH
President of Bundesverband
der Deutschen Volksbanken
und Raiffeisenbanken (BVR)
Berlin

PETER GEUSS
Chief Executive Officer
VR Bank Starnberg-
Herrsching-Landsberg eG
Starnberg

DIETMAR PETERMANN
Chief Executive Officer
Vereinigte Volksbank
Griesheim-Weiterstadt eG
Griesheim

HORST SCHREIBER
Member of the Board of
Managing Directors
Volksbank Trier eG
Trier

MICHAEL SIEGERS
Chief Executive Officer
Volksbank Hildesheim eG
Hildesheim

ANTON SPROLL
Member of the Board of
Managing Directors
Bad Waldseer Bank eG
Bad Waldsee

CARSTEN GRAAF
(coopted member
without voting rights as
Chairman of the
BVR Association Council)
Chief Executive Officer
Volksbank Meerbusch eG
Meerbusch

MEMBERS OF THE LOCAL BANK ADVISORY COUNCILS OF THE DZ BANK GROUP (UP TO THE END OF 2009)

CORPORATE BANKING

DR. THOMAS DUHNKRACK
(Coordinator)
Member of the Board of
Managing Directors
DZ BANK AG
Frankfurt am Main
(until June 2009)

REINHARD GÖDEL
(Deputy Coordinator until
June 2009, Coordinator since
June 2009)
Chief Executive Officer
VR-LEASING AG
Eschborn

DR. GEORG REUTTER
(Deputy Coordinator)
Spokesman of the Board of
Managing Directors
Deutsche Genossenschafts-
Hypothekenbank AG
Hamburg
(since June 2009)

DR. KONRAD BAUMÜLLER
Spokesman of the Board of
Managing Directors
Raiffeisen-Volksbank Erlangen-
Höchstadt eG
Erlangen

HOLGER FRANZ
Member of the Board of
Managing Directors
Ostfriesische Volksbank eG
Leer

WOLFGANG MÜLLER
Chief Executive Officer
Volksbank Chemnitz eG
Chemnitz

FRITZ SCHÄFER
Member of the Board of
Managing Directors
Volksbank Pforzheim eG
Pforzheim

REINHOLD SCHRECK
Chief Executive Officer
VR Bank Südpfalz eG
Landau
(until October 2009)

JÜRGEN TIMMERMANN
Member of the Board of
Managing Directors
Grafschafter Volksbank eG
Nordhorn

INVESTMENT BANKING

WOLFGANG KÖHLER
(Coordinator)
Member of the Board of
Managing Directors
DZ BANK AG
Frankfurt am Main

WALTER ALT
Chief Executive Officer
LIGA Bank eG
Regensburg

ULF BROTHUHN
Member of the Board of
Managing Directors
Bremische Volksbank eG
Bremen

JÖRG LINDEMANN
Member of the Board of
Managing Directors
Gross-Gerauer Volksbank eG
Gross-Gerau

BERNHARD LINK
Deputy Chairman of the Board
of Managing Directors
Münchner Bank eG
Munich

REINHARD SCHLOTTBOM
Chief Executive Officer
PSD Bank Westfalen-Lippe eG
Münster

RALF SCHMITT
Member of the Board of
Managing Directors
Volksbank eG Villingen
Villingen-Schwenningen

PROCESS MANAGEMENT

FRANK WESTHOFF
(Coordinator)
Member of the Board of
Managing Directors
DZ BANK AG
Frankfurt am Main

ERWIN DEUSER
Member of the Board of
Managing Directors
Wiesbadener Volksbank eG
Wiesbaden

ERHARDT FELLMIN
Chief Executive Officer
PSD Bank Rhein-Ruhr eG
Düsseldorf

WILFRIED GERLING
Chief Executive Officer
Hallertauer Volksbank eG
Pfaffenhofen

GERHARD J. RASTETTER
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe

JÜRGEN RIECKE
Member of the Board of
Managing Directors
Hannoversche Volksbank eG
Hannover

RALPH ZOLLENKOPF
Chief Executive Officer
Raiffeisen-Volksbank
Varel-Nordenham eG
Varel

ASSET MANAGEMENT

DR. RÜDIGER GINSBERG
(Coordinator)
Chief Executive Officer
Union Asset Management
Holding AG
Frankfurt am Main

WERNER ALBERS
Chief Executive Officer
Volksbank Nordheide eG
Buchholz

CLAUS JÄGER
Member of the Board of
Managing Directors
Raiffeisenbank Aschaffenburg eG
Aschaffenburg

KARLHEINZ LÖBL
Member of the Board of
Managing Directors
VR-Bank Bayreuth eG
Bayreuth

ALFRED MESSMER
Chief Executive Officer
Fellbacher Bank eG
Fellbach

STEFAN SCHINDLER
Member of the Board of
Managing Directors
Sparda-Bank Nürnberg eG
Nuremberg

JÜRGEN WACHE
Spokesman of the Board of
Managing Directors
Hannoversche Volksbank eG
Hannover

RETAIL & PRIVATE BANKING

LARS HILLE
(Coordinator)
Member of the Board of
Managing Directors
DZ BANK AG
Frankfurt am Main

THEOPHIL GRABAND
(Deputy Coordinator)
Chief Executive Officer
TeamBank AG Nürnberg
Nuremberg

DR. KLAUS EBERHARDT
Member of the Board of
Managing Directors
Sparda-Bank Berlin eG
Berlin

ANDREAS HAAG
Member of the Board of
Managing Directors
BBBank eG
Karlsruhe

JÜRGEN KIKKER
Member of the Board of
Managing Directors
Volksbank Ganderkesee-Hude eG
Hude

MANFRED ROCKENFELLER
Chief Executive Officer
Genossenschaftsbank
Unterallgäu eG
Bad Wörishofen

KARLHEINZ SANWALD
Deputy Chairman of the Board
of Managing Directors
Vereinigte Volksbank AG
Sindelfingen

DR. WOLFGANG
THOMASBERGER
Deputy Chairman of the Board
of Managing Directors
VR Bank Rhein-Neckar eG
Mannheim

REAL ESTATE FINANCE

DR. MATTHIAS METZ
(Coordinator)
Chief Executive Officer
Bausparkasse Schwäbisch Hall AG
Schwäbisch Hall

HANS-THEO MACKE
(Deputy Coordinator)
Chief Executive Officer
Deutsche Genossenschafts-
Hypothekenbank AG
Hamburg
(until June 2009)

EBERHARD HEIM
Chief Executive Officer
Volksbank Tübingen eG
Tübingen

PETER HERBST
Member of the Board of
Managing Directors
Nordthüringer Volksbank eG
Nordhausen

PETER KNUST
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Eichstätt eG
Eichstätt
(until March 2009)

WALTER KONRAD
Spokesman of the Board of
Managing Directors
Volksbank Kreis Bergstrasse eG
Lampertheim

HANS-WERNER REUTER
Chief Executive Officer
Dithmarscher Volks- und
Raiffeisenbank eG
Heide

MANFRED STEVERMANN
Member of the Board of
Managing Directors
Sparda-Bank West eG
Düsseldorf

INSURANCE

DR. FRIEDRICH CASPERS
(Coordinator)
Chief Executive Officer
R+V Versicherung AG
Wiesbaden

DR. ROLF FLECHSIG
Member of the Board of
Managing Directors
Berliner Volksbank eG
Berlin
(until June 2009)

UWE GUTZMANN
Chief Executive Officer
Volks- und Raiffeisenbank eG,
Wismar
Wismar

ANDREAS HOF
Chief Executive Officer
VR Bank
Main-Kinzig-Büdingen eG
Büdingen

JOACHIM SCHLUCHTER
Member of the Board of
Managing Directors
Augusta-Bank eG
Raiffeisen-Volksbank
Augsburg
(until October 2009)

JÜRGEN ZACHMANN
Member of the Board of
Managing Directors
Volksbank Pforzheim eG
Pforzheim

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR BADEN-WÜRTTEMBERG

CHAIRMAN
(UNTIL DECEMBER 2009):
RICHARD BRUDER
Chief Executive Officer
Volksbank Offenburg eG
Offenburg

CHAIRMAN
(SINCE MARCH 2010):
BERND-DIETER REUSCH
Chief Executive Officer
Volksbank Metzingen - Bad Urach eG
Metzingen

DEPUTY CHAIRMAN
(UNTIL DECEMBER 2009):
CLAUS HEPP
Member of the Board of Managing Directors
Volksbank Allgäu-West eG
Isny im Allgäu

DEPUTY CHAIRMAN
(SINCE MARCH 2010):
REINHARD KRUMM
Chief Executive Officer
Volksbank Lahr eG
Lahr
(since February 2009)

DR. PETER AUBIN
Spokesman of the Board of Managing Directors
Volksbank Göppingen eG
Göppingen

RALPH BLANKENBERG
Member of the Board of Managing Directors
Volksbank Heilbronn eG
Heilbronn

KLEMENS BOGENRIEDER
Chief Executive Officer
Federseebank eG
Bad Buchau

ELMAR BRAUNSTEIN
Chief Executive Officer
Volksbank Strohgäu eG
Korntal-Münchingen

WOLFGANG BURGER
Chief Executive Officer
Volksbank Bruhrain-Kraich-Hardt eG
Oberhausen

ANDREAS ECKL
Member of the Board of Managing Directors
Volksbank Heuberg eG
Messstetten

ANDREAS FEINAUER
Spokesman of the Board of Managing Directors
VR-Bank Weinstadt eG
Weinstadt-Endersbach

HEINZ FRANKENHAUSER
Spokesman of the Board of Managing Directors
Volksbank Nagoldtal eG
Nagold
(until September 2009)

CLEMENS FRITZ
Member of the Board of Managing Directors
Volksbank Achern eG
Achern
(since January 2010)

HORST GAUGGEL
Spokesman of the Board of Managing Directors
Raiffeisenbank Donau-Iller eG
Erbach
(until December 2009)

DR. ROMAN GLASER
Chief Executive Officer
Volksbank Baden-Baden·Rastatt eG
Baden-Baden
(until December 2009)

MICHAEL HÄCKER
Member of the Board of Managing Directors
Heidenheimer Volksbank eG
Heidenheim

EBERHARD HEIM
Chief Executive Officer
Volksbank Tübingen eG
Tübingen

MARTIN HEINZMANN
Member of the Board of Managing Directors
Volksbank Kinzigtal eG
Wolfach

HORST HELLER
Chief Executive Officer
Volksbank Hochrhein eG
Waldshut-Tiengen

MATTHIAS HILLENBRAND
Member of the Board of Managing Directors
Raiffeisenbank Rosenstein eG
Heubach

KLAUS HOLDERBACH
Chief Executive Officer
Volksbank Franken eG
Buchen

EBERHARD KEYSERS
Member of the Board of Managing Directors
Raiffeisenbank Aidlingen eG
Aidlingen
(since January 2010)

HANS KIRCHER
Chief Executive Officer
Raiffeisenbank Bretzfeld-Neuenstein eG
Bretzfeld

HARALD KUHN
Member of the Board of Managing Directors
Volksbank Kirchheim-Nürtingen eG
Nürtingen

DR. RAINER KUNADT
Chief Executive Officer
Volksbank Pforzheim eG
Pforzheim
(until June 2009)

MANFRED KUNER
Chief Executive Officer
Volksbank Triberg eG
Triberg

FRITZ LEHMANN
Chief Executive Officer
Raiffeisenbank Ehingen-Hochsträss eG
Ehingen

GUNTRAM LEIBINGER
Member of the Board of Managing Directors
Volksbank Donau-Neckar eG
Tuttlingen

WERNER LUZ
Chief Executive Officer
Volksbank Region Leonberg eG
Leonberg

WALTER MAUCH
Chief Executive Officer
Volksbank eG
Überlingen
(until December 2009)

DR. WOLFGANG MÜLLER
Chief Executive Officer
BBBank eG
Karlsruhe

JÜRGEN NEIDINGER
Member of the Board of Managing Directors
Heidelberger Volksbank eG
Heidelberg

GERHARD J. RASTETTER
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe

MARTIN REICHENBACH
Member of the Board of Managing Directors
Volksbank Breisgau Nord eG
Emmendingen

WOLFGANG RIEDLINGER
Member of the Board of Managing Directors
Volksbank Baiersbronn eG
Baiersbronn

PAUL ERICH SCHAAF
Chief Executive Officer
Untertürkheimer Volksbank eG
Stuttgart

VOLKER SCHMELZLE
Member of the Board of Managing Directors
Volksbank Plochingen eG
Plochingen
(since January 2010)

WERNER SCHMIDGALL
Chief Executive Officer
Volksbank Backnang eG
Backnang

DR. STEFAN SCHWAB
Chief Executive Officer
Volksbank Wiesloch eG
Wiesloch

EBERHARD SPIES
Chief Executive Officer
VR Bank Schwäbisch Hall-Crailsheim eG
Schwäbisch Hall
(since January 2010)

JÖRG STAHL
Member of the Board of Managing Directors
Volksbank Nagoldtal eG
Nagold
(since January 2010)

JOACHIM STRAUB
Chief Executive Officer
Volksbank eG
VS-Villingen
(since January 2010)

KARLHEINZ UNGER
Chief Executive Officer
Volksbank Ludwigsburg eG
Ludwigsburg

PETER VETTER
Chief Executive Officer
Volksbank Wilferdingen-Keltern eG
Remchingen
(since July 2009)

EDMUND WAHL
Chief Executive Officer
Volksbank Hohenlohe eG
Öhringen
(until December 2009)

HELMUT WIDMANN
Spokesman of the Board of Managing Directors
Raiffeisenbank Ravensburg eG
Horgenzell

ULRIKE WINTERBAUER
Member of the Board of Managing Directors
Volksbank Neckartal eG
Waibstadt

ALFRED WORMSER
Spokesman of the Board of Managing Directors
Volksbank-Raiffeisenbank Riedlingen eG
Riedlingen

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR BAVARIA

CHAIRMAN:
DIETMAR KÜSTERS
Chief Executive Officer
Volksbank Straubing eG
Straubing

DEPUTY CHAIRMAN (UNTIL JULY 2009):
KONRAD IRTEL
Spokesman of the Board of Managing Directors
VR Bank Rosenheim-Chiemsee eG
Rosenheim
(until July 2009)

DEPUTY CHAIRMAN (SINCE MARCH 2010):
JOSEF FRAUENLOB
Spokesman of the Board of Managing Directors
Volksbank Raiffeisenbank Oberbayern Südost eG
Bad Reichenhall

WOLFGANG ALTMÜLLER
Chief Executive Officer
VR | meine Raiffeisenbank eG
Altötting
(from August 2009 to December 2009)

ALOIS ATZINGER
Chief Executive Officer
Raiffeisenbank Am Goldenen Steig eG
Waldkirchen

BERND BINDRUM
Member of the Board of Managing Directors
Raiffeisenbank Hammelburg eG
Hammelburg

HANS BRUNNER
Chief Executive Officer
GenoBank DonauWald eG
Viechtach
(since January 2010)

GÜNTER DREHER
Member of the Board of Managing Directors
Augusta-Bank eG Raiffeisen-Volksbank
Augsburg
(since January 2010)

HERBERT EDER
Spokesman of the Board of Managing Directors
Raiffeisenbank Cham-Roding-Furth im Wald eG
Cham

ALFRED FOISTNER
Chief Executive Officer
Raiffeisenbank Oberschleissheim eG
Oberschleissheim

WILFRIED GERLING
Chief Executive Officer
Hallertauer Volksbank eG
Pfaffenhofen/Ilm

MANFRED GEYER
Chief Executive Officer
Raiffeisen Volksbank eG Gewerbebank
Ansbach
(since March 2010)

MANFRED GÖHRING
Chief Executive Officer
Raiffeisenbank Altdorf-Feucht eG
Feucht

ULRICH GUIARD
Member of the Board of Managing Directors
VR-Bank Memmingen eG
Memmingen
(since January 2010)

MICHAEL HAAS
Chief Executive Officer
Volksbank Raiffeisenbank Dachau eG
Dachau

JÜRGEN HANDKE
Chief Executive Officer
VR Bank Hof eG
Hof

DIRK HELMBRECHT
Chief Executive Officer
Volksbank Raiffeisenbank Nürnberg eG
Nuremberg

FRIEDRICH HERTLE
Member of the Board of Managing Directors
Raiffeisen-Volksbank Donauwörth eG
Donauwörth

HUBERT KAMML
Chief Executive Officer
Volksbank Raiffeisenbank Mangfalltal-Rosenheim eG
Rosenheim

KARLHEINZ KIPKE
Chief Executive Officer
VR-Bank Coburg eG
Coburg

MANFRED KLAAR
Deputy Chairman of the Board of Managing Directors
Raiffeisenbank im Oberland eG
Miesbach

PETER LANG
Member of the Board of Managing Directors
Raiffeisenbank Hollfeld-Waischenfeld-Aufsess eG
Hollfeld
(since January 2010)

JOSEF MURR
Chief Executive Officer
Raiffeisenbank Parkstetten eG
Parkstetten

REINHOLD NASTVOGEL
Member of the Board of
Managing Directors
Raiffeisen-Volksbank Hassberge eG
Hassfurt

HERMANN OTT
Deputy Spokesman of
the Board of Managing Directors
Raiffeisenbank Weiden eG
Weiden i. d. Opf.

JOHANN PERNPAINTNER
Chief Executive Officer
Raiffeisenbank Oberpfalz Süd eG
Donaustauf
(since January 2010)

PETER POLLICH
Member of the Board of
Managing Directors
Raiffeisenbank Gaimersheim-
Buxheim eG
Gaimersheim

KLAUS PRÄHOFER
Member of the Board of
Managing Directors
Raiffeisenbank Vilshofener Land eG
Vilshofen
(since January 2010)

ERICH PRÖPSTER
Chief Executive Officer
Raiffeisenbank Neumarkt
i. d. OPf. eG
Neumarkt

FRIEDRICH REISER
Chief Executive Officer
Raiffeisen-Volksbank
Isen-Sempt eG
Isen

JOSEF RIEDLBERGER
Chief Executive Officer
Raiffeisenbank Rehling eG
Rehling
(until December 2009)

RAINER SCHAIDNAGEL
Member of the Board of
Managing Directors
Raiffeisenbank Kempten eG
Kempten
(until December 2009)

ROLAND SCHEER
Chief Executive Officer
Raiffeisenbank Bad Windsheim eG
Bad Windsheim

GREGOR SCHELLER
Chief Executive Officer
Volksbank Forchheim eG
Forchheim

WOLFGANG SCHREIER
Member of the Board of
Managing Directors
VR-Bank Lech-Zusam eG
Gersthofen

CLAUDIUS SEIDL
Chief Executive Officer
VR-Bank Rottal-Inn eG
Pfarrkirchen

ELMAR STAAB
Deputy Chairman of
the Board of Managing Directors
Raiffeisenbank Aschaffenburg eG
Aschaffenburg

DR. HERMANN STARNECKER
Member of the Board of
Managing Directors
VR Bank Kaufbeuren-Ostallgäu eG
Marktoberdorf
(since January 2010)

RUDOLF VEITZ
Member of the Board of
Managing Directors
Raiffeisenbank Holzheim eG
Holzheim

JOHANN WEIGELE
Chief Executive Officer
Raiffeisenbank Pfaffenhausen eG
Pfaffenhausen
(until December 2009)

RAINER WIEDERER
Spokesman of the Board of
Managing Directors
Volksbank Raiffeisenbank
Würzburg eG
Würzburg

ANTON ZWECK
Member of the Board of
Managing Directors
Raiffeisenbank im Naabtal eG
Nabburg
(since January 2010)

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR CENTRAL GERMANY

CHAIRMAN
(UNTIL SEPTEMBER 2009):
PAUL-HEINZ SCHMIDT
Chief Executive Officer
VR Bank HessenLand eG
Alsfeld
(until September 2009)

CHAIRMAN (SINCE MARCH
2010, DEPUTY CHAIRMAN UNTIL
DECEMBER 2009):
PETER HERBST
Member of the Board of
Managing Directors
Nordthüringer Volksbank eG
Nordhausen

DEPUTY CHAIRMAN
(SINCE MARCH 2010):
CHRISTOPH OCHS
Member of the Board of
Managing Directors
VR Bank Südpfalz eG
Landau
(since January 2010)

UWE ABEL
Chief Executive Officer
Mainzer Volksbank eG
Mainz

GÜNTHER ARNDT
Member of the Board of
Managing Directors
Volksbank Daaden eG
Daaden
(until December 2009)

NORBERT ATZLER
Chief Executive Officer
PSD Bank Berlin-Brandenburg eG
Berlin
(since January 2010)

DR. DR. CLAUS BECKER
Chief Executive Officer
Volksbank eG Darmstadt
Kreis Bergstrasse
Darmstadt
(until December 2009)

WOLFGANG BEHR
Member of the Board of
Managing Directors
Volksbank Schupbach eG
Beselich

MATTHIAS BERKESSEL
Member of the Board of
Managing Directors
Volksbank Rhein-Lahn eG
Diez

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Höhr-Grenzhausen eG
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Gross-Gerau

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Volksbank Kur- und Rheinpfalz eG
Speyer
(until June 2009)

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Managing Directors
VR Bank Biedenkopf-
Gladenbach eG
Biedenkopf
(since January 2010)

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Managing Directors
Sparda-Bank Hannover eG
Hannover

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Chief Executive Officer
Volksbank Heuchelheim eG
Heuchelheim

THOMAS FLUCK
Chief Executive Officer
Raiffeisenbank Friedelsheim-
Rödersheim eG
Friedelsheim
(since July 2009)

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Managing Directors
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Fulda

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Managing Directors
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Raiffeisenbank eG
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Vereinigte Volksbank
Griesheim-Weiterstadt eG
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(until December 2009)

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levoBank eG
Lebach

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Pirna
(since March 2009)

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Managing Directors
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Wetzlar
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Trendelburg

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Managing Directors
Volksbank eG
Grebenhain

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Managing Directors
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Kreis Bergstrasse
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Volksbank Erzgebirge eG
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Volksbank Saarlouis eG
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Volksbank Glan-Münchweiler eG
Glan-Münchweiler

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Managing Directors
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Spelle

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Managing Directors
Volksbank Osnabrück eG
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(until December 2009)

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Managing Directors
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Berlin
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Hannover

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Managing Directors
Spar- und Kreditbank eG Hammah
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Johannes Gutenberg University
of Mainz
Mainz

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(from December 2009)

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Vienna
(until April 2009)

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Ärztebank eG
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(until November 2009)

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Rudolph Holding GmbH
Baunatal

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Wiesbaden

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Managing Directors
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Deutscher Bauernverband e.V.
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Mannheim/Ochsenfurt
(until July 2009)

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Managing Directors
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Supervisory Board
Wall AG
Berlin

PAUL-HEINZ WESJOHANN
Chief Executive Officer
PHW Group
Visbek

PRINCIPAL SHAREHOLDINGS OF DZ BANK

BANKS

Name & registered office	Consolidated[1]	Shareholding (%)
Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (indirectly)	•	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
Raiffeisen Banca Pentru Locuinte S.A., Bucharest		33.3
Sino-German-Bausparkasse Ltd., Tianjin		24.9
VR Kreditwerk AG, Schwäbisch Hall[2]	•	100.0
Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento		25.0
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg	•	100.0
Deutsche WertpapierService Bank AG, Frankfurt am Main		50.0
DVB Bank SE, Frankfurt am Main	•	95.4
DZ BANK Polska S.A., Warsaw		99.9
DZ BANK International S.A., Luxembourg-Strassen[3] (indirectly)	•	89.7
DZ BANK Ireland plc, Dublin[3]	•	100.0
DZ PRIVATBANK (Schweiz) AG, Zurich (indirectly)	•	80.0
Magyar Takarékszövetkezeti Bank Zártkörüen Müködö Részvénytársaság, Budapest		37.0
Österreichische Volksbanken-Aktiengesellschaft, Vienna (indirectly)		25.001[4]
TeamBank AG Nürnberg, Nuremberg	•	91.1
Volksbank International AG, Vienna (indirectly)		16.4[4]

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK AG or relevant parent
2 Of which 40% held directly by DZ BANK AG
3 Letter of comfort from DZ BANK AG
4 Share of voting power

OTHER SPECIALIZED SERVICE PROVIDERS

Name & registered office	Consolidated[1]	Shareholding (%)
DZ Equity Partner GmbH, Frankfurt am Main		100.0
EURO Kartensysteme GmbH, Frankfurt am Main		19.6
Equens SE, Utrecht		34.9
VR-LEASING Aktiengesellschaft, Eschborn	•	83.5
BFL Leasing GmbH, Eschborn	•	72.4
VR-BAUREGIE GmbH, Eschborn	•	100.0
VR DISKONTBANK GmbH, Eschborn	•	100.0
VR-FACTOREM GmbH, Eschborn	•	74.9
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 AG or relevant parent

FUND MANAGEMENT COMPANIES

Name & registered office	Consolidated[1]	Shareholding (%)
Union Asset Management Holding AG, Frankfurt am Main	•	73.4
GVA GENO-Vermögens-Anlage-Gesellschaft mbH, Frankfurt am Main	•	100.0
Quoniam Asset Management GmbH, Frankfurt am Main	•	100.0[2]
Union Investment Institutional GmbH, Frankfurt am Main	•	100.0
Union Investment Institutional Property GmbH, Frankfurt am Main	•	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	•	94.5

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK AG or relevant parent
2 Share of voting power

INSURANCE COMPANIES

Name & registered office	Consolidated[1]	Shareholding (%)
R+V Versicherung AG, Wiesbaden	•	74.1
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)	•	51.0
R+V Rechtsschutzversicherung AG, Wiesbaden	•	100.0

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK AG or relevant parent

EDITORIAL INFORMATION

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