Member of the cooperative financial services network

DZ BANK Group

KEY FIGURES

DZ BANK GROUP

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
FINANCIAL PERFORMANCE		
Operating profit[1,2]	752	976
Allowances for losses on loans and advances	-136	-373
Profit before taxes[2]	616	603
Net profit[2]	486	336
Cost/income ratio (percent)[2]	62.1	55.4

€ million	Jun. 30, 2010	Dec. 31, 2009
FINANCIAL POSITON		
Assets		
Loans and advances to banks	65,662	61,100
Loans and advances to customers	118,091	112,796
Financial assets held for trading	90,505	91,190
Investments	62,918	61,429
Investments held by insurance companies	56,481	53,426
Remaining assets	10,377	8,584
Equity and liabilities		
Deposits from banks	78,092	55,556
Amounts owed to other depositors	79,727	77,146
Debt certificates including bonds	58,957	65,532
Financial liabilities held for trading	107,153	113,468
Insurance liabilities	55,348	52,351
Remaining liabilities	14,507	14,239
Equity	10,250	10,233
Total assets / Total equity and liabilities	**404,034**	**388,525**
Volume of business[3]	**600,027**	**581,292**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	12.0	12.4
Tier 1 capital ratio (percent)	10.1	9.9

	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD	**26,624**	**25,333**

1 Operating income (net interest income + net fee and commission income + gains and losses on trading activities + gains and losses on investments + other gains and losses on valuation of financial instruments + net income from insurance business + other net operating income) less administrative expenses
2 Prior-year amount restated
3 Total assets including financial guarantee contracts and loan commitments, trust activites and assets under management of the Union Investment Group

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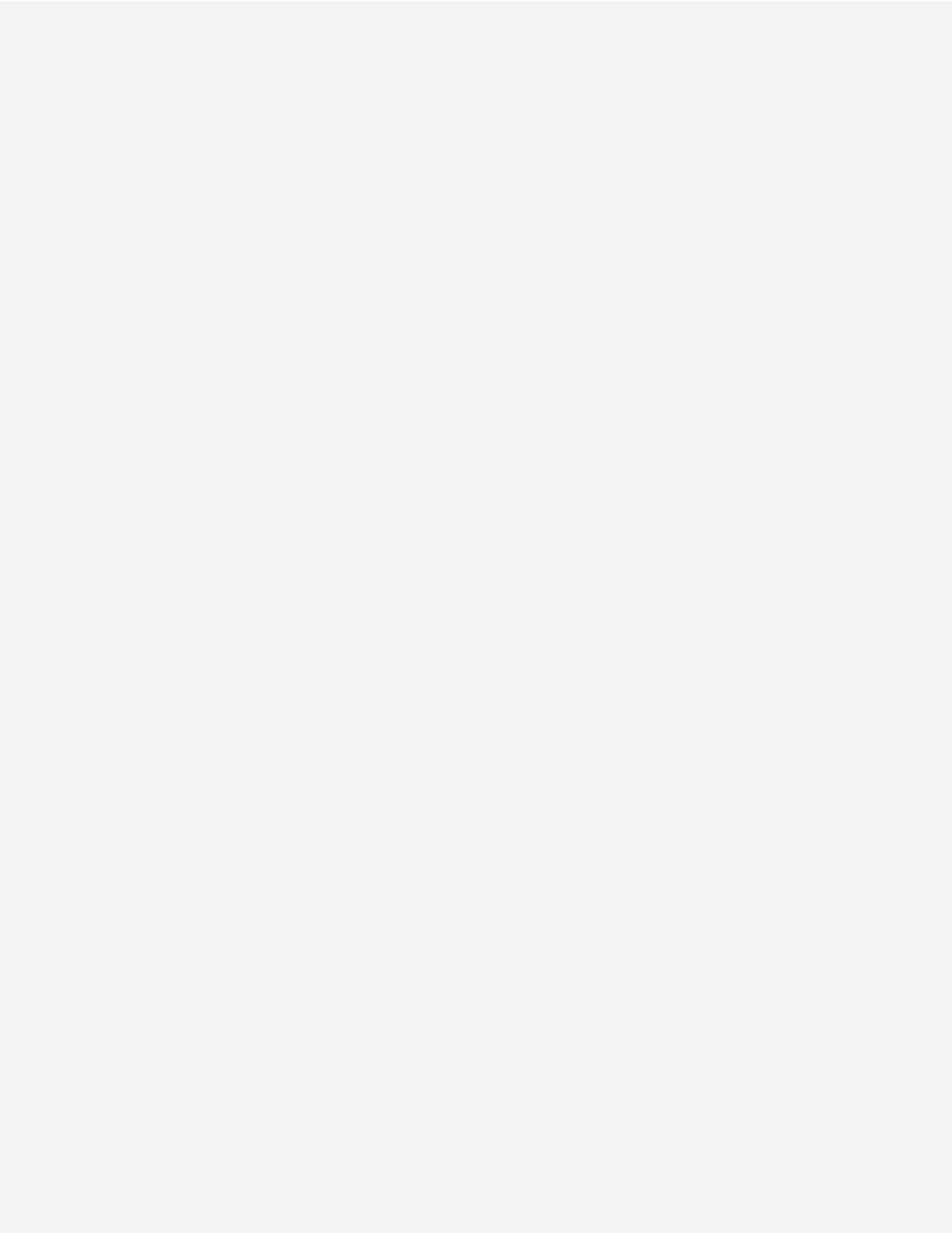


Wolfgang Kirsch, Chief Executive Officer

Dear Shareholders,

With a profit before taxes of €616 million, the DZ BANK Group can look back on an overall successful first half of 2010. The group's unwavering focus on the cooperative financial services network has again proved its worth in an economic environment that remains volatile.

2010 is the fourth year of the international financial crisis, and the second quarter in particular was dominated by speculation about whether some European countries would be able to sustain their national debt levels. In the capital markets, this speculation escalated into a crisis of confidence in the entire euro zone. As a result, the price of government bonds of countries such as Greece, Spain, and Portugal fell sharply, which is impacting on current calculations throughout the entire financial sector. However, the European Union intervened to put the speculation on hold and restabilize the markets by quickly bringing in a package of measures.

Although the effects of the financial crisis are still being felt, the global economy continued to pick up in the first half of 2010. Countries in Asia and Latin America are particularly strong drivers of growth. Having slumped in 2009, the economic climate of the euro zone is now improving again. It is especially encouraging that Germany is the main engine of growth in Europe. The traditionally export-focused small and medium-sized enterprises in Germany have emerged from recession and, according to a survey that we carried out in spring 2010, now consider their current financial situation to be above the long-term average. Nevertheless, it is still too early to talk of a self-perpetuating upturn. As the government rescue packages come to an end, there is an unusually high level of uncertainty about how the economies of the main industrialized regions will perform during the second half of the year.

These uneven economic conditions also affected the DZ BANK Group's business performance over the first half of 2010. As already mentioned, we achieved an overall satisfactory profit before taxes of €616 million (first half of 2009: €603 million). Net interest income fell by 5.7 percent to €1,249 million (first half of 2009: €1,324 million). This decline, which could be seen at Bausparkasse Schwäbisch Hall and VR-LEASING for example, contrasts with the positive trend in customer-related interest-rate products, particularly at DZ BANK AG itself. Net fee and commission income rose by a significant 21.5 percent to €543 million, which was attributable to a significant extent to Union Investment to a significant extent to Union Investment's strong business performance. Allowances for losses on loans and advances fell sharply by 63.5 percent to €136 million. The crisis of confidence in Europe resulted in turmoil in the European bond markets, which in turn depressed the net gains on trading activities during the period under review. At €528 million, they were down 23,4 percent on the corresponding figure for the first half of 2009 (€689 million). Nevertheless, DZ BANK enjoyed a successful first six months of the year in its network-oriented capital markets business. In the primary market for new bond issues we again demonstrated our significant placing power in the cooperative financial services network and with institutional customers in Germany and abroad, and we also consolidated our market position. R+V Versicherung's net income from insurance business also showed a positive trend, rising by 26.3 percent to €149 million. We continue to have our administrative expenses under control, which, at €1,234 million, were just 1.7 percent higher than in the first half of 2009.

The initiatives that we launched in our business with private and corporate customers as well as in transaction banking in recent years have started to take effect. Here are just a few examples from our private customer business, where we and the cooperative banks have together achieved a leading market position in Germany in the key product segments of consumer home finance, consumer finance, insurance, asset management, investment certificates, and 'Riester' savings products:

– DZ BANK offers high-quality structured investment products under its AKZENT Invest brand of investment certificates. During the period under review, guarantee certificates continued to be of greatest interest to investors. With a market share of 44 percent, DZ BANK remained the undisputed market leader for capital protection investment certificates as at the end of March.

– Since July 1, the private banking units of the DZ BANK Group in Switzerland, Luxembourg, and Singapore have operated under a single name and have merged visibly to form the DZ PRIVATBANK Group. From September, we will also provide the cooperative banks with decentralized support from locations in Germany – initially Hannover, Munich, and Stuttgart – for the services they offer to their high-net-worth clients. We are thereby pooling our efforts to tap into another important high-growth market.

– In the first six months of 2010, Bausparkasse Schwäbisch Hall's new business volume rose by more than 16 percent, thereby outperforming the sector as a whole. In addition, home finance business grew by over 10 percent.

– Union Investment is continuing to steer a course of systematic growth. It increased its investments under management to almost €168 million, a year-on-year increase of more than 11 percent.

The crisis of confidence in the euro zone mentioned earlier was one of the main reasons for the stress test, which was commissioned by the European Union and carried out on banks in June. DZ BANK took part along with 90 other European banks. With a Tier 1 capital ratio of 8.7 percent, DZ BANK was – even in the most rigorous stress scenario – well above the minimum ratio of 6.0 percent set by the regulator for this test. We believe that this result is positive proof of our ongoing strategy of firmly focusing on the cooperative financial services network. We also expect the capital requirements to increase, although it is still very uncertain when they will come into effect and what they will entail. However, we are confident that we can further improve our Tier 1 capital ratio, which is currently 10.1 percent, through our own earnings strength and by continuing to systematically manage our capital in the DZ BANK Group.

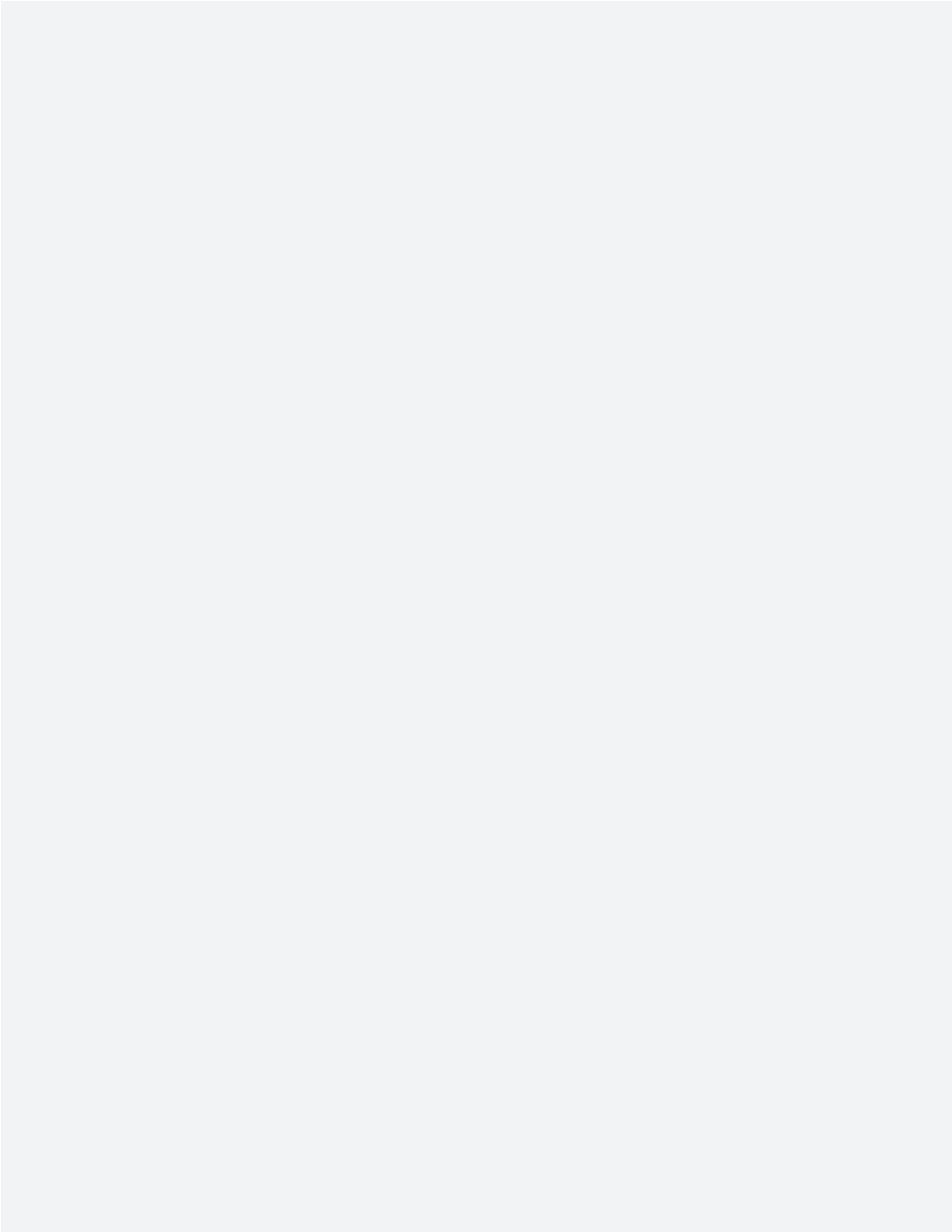
Overall, we can say that the DZ BANK Group is firmly anchored in the cooperative financial services network. Our guiding principle of 'Verbund First' is proving highly effective. Against this background, we are sure that, as the financial markets settle down more over the second half of the year, our operating performance will come more to the fore and we will be more profitable than in 2009. Major projects to step up our cooperation in the cooperative financial services network are making progress. One project that deserves particular mention is our new Financial Services Advisory Council, which has been operational since February. We are also working closely and in partnership with WGZ BANK on many tasks, for example the implementation of GenoSys WP, the VR Circle securitization platform, and our joint initiatives in private and corporate banking.

Our integral position in the cooperative financial services network is also highlighted by the chairmanship of DZ BANK's Supervisory Board. This post has been held by Helmut Gottschalk since our Annual General Meeting in May, when Rolf Hildner stepped down from the Supervisory Board as he had reached the upper age limit. Both men play a key role in the cooperative organization and have had close ties with DZ BANK for many years due to their involvement in committee work. We would like to thank Rolf Hildner for the many different ways in which he has supported and promoted our bank and we are pleased that Helmut Gottschalk's appointment as new Chairman of the Supervisory Board will ensure continuity.

In conjunction with the Federal Association of German Cooperative Banks, BVR, we want to further increase public awareness of our cooperative organization and its values. Our reputation rose in the estimation of many people, particularly during the financial crisis, providing us with further encouragement. Our task now is to translate this positive association into customer relationships. We are aiming to be number one for quality and customer satisfaction across all product segments, as reflected in the BVR's pyramid of objectives. This is an ongoing challenge for all of us on the Board of Managing Directors. We would like to offer you our sincere thanks for the valuable cooperation and strong support that you have shown us in achieving these aims.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer



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I. Business performance

1. ECONOMIC CONDITIONS

During the reporting period the **global economy** continued along the upward trend that had been in place since mid-2009 in the wake of the most severe recession the world had seen since the 1930s. However, the pace of recovery varied from one economic region to another.

The emerging economies – especially those in Asia and Latin America – were among the first to pull out of recession, with countries such as China and India already resuming strong growth.

Economic output in the **United States** also started to increase again on the back of a fiscal stimulus and expansionary monetary policy. However, the large number of job losses resulting from the recession, the persistent slump in the housing market and the massive rise in government debt continue to act as a drag on the economy.

In **Europe**, by contrast, economic recovery has been much more subdued. The competitiveness of the countries on the southern fringes of the European Union (EU) that have been hit particularly hard by the sovereign debt crisis has been seriously impaired. What's more, the high level of debt in these countries is severely curbing public-sector and consumer demand and will continue to require wide-ranging spending cuts for some time to come.

Gross domestic product (GDP) in **Germany** rose by 1.7 percent in the first half of 2010 compared with the second half of 2009. Economic output in the first quarter of the 6-month reporting period grew by 0.5 percent on the preceding quarter, while GDP in the second quarter of 2010 increased by 2.2 percent on the preceding three-month period. However, this encouraging growth in the first half of 2010 was still not enough to compensate for the significant fall in GDP resulting from the previous sharp economic downturn.

The recovery of the domestic economy in the first 6 months of 2010 was largely attributable to a marked recovery in export demand and higher government spending, part of which stemmed from the German government's fiscal and economic stimulus packages. A further reason was that the brighter sales prospects in the international markets persuaded companies to modestly increase their spending on capital equipment, albeit starting from a low level.

Consumer demand failed to recover convincingly in the first half of 2010 despite a generally fairly robust labor market. However, consumer demand in the 6-month reporting period no longer benefited from the government subsidy paid for the scrapping of old vehicles in the corresponding period of 2009.

The increase in tax revenues resulting from the marked general improvement in economic conditions and the spending cuts approved by the German parliament at the beginning of June 2010 will not be able to prevent the country's net government borrowing from hitting a new all-time high.

2. THE BANKING INDUSTRY IN THE MIDST OF THE SOVEREIGN DEBT CRISIS

Events in the financial markets during the 6-month reporting period revolved around **Greece's huge national debt**, which became increasingly evident over the first 6 months of 2010 and cast a spotlight on the levels of debt run up by other southern European EU countries in particular.

Because Greece was finding it increasingly difficult to place bonds with investors in the capital markets in the first few months of 2010 despite the fact that the credit spreads on these bonds had widened drastically, the EU member states issued an undertaking at the end of March that they would provide an emergency financial rescue package if necessary.

Less than one month later, Greece failed in its attempt to place a dollar-denominated bond with US investors after Eurostat, the EU's statistical office, had published

alarming new data on the country's budget deficit. Responding to an appeal for help from Athens, the EU member states took the decison on May 2, 2010 to launch a 3-year rescue package comprising bilateral loans worth some €80 billion provided by the euro-zone countries and similar loans totaling €30 billion from the International Monetary Fund (IMF). In return, Greece agreed to implement a comprehensive program of reforms and austerity measures. By the end of April, yields on 2-year Greek government debt had shot up to 25 percent and Standard & Poor's (S&P) had massively downgraded its credit rating of Greek bonds. Shortly after that S&P downgraded Spanish and Portuguese government debt as well. When share prices on the Dow Jones index inexplicably plunged by more than 500 points to 9,873 points on May 6, fears grew that the Greek crisis could snowball into a systemic crisis.

After trading in European government bonds – with the exception of German Bunds – almost ground to a halt on May 7 and confidence in the euro was severely shaken, the EU member states decided on the following weekend to assemble a comprehensive **rescue package of up to €750 billion for the euro zone.** Of this total, €440 billion will be provided in the form of guarantees and loans from euro-zone countries, €60 billion will be made available by the EU Commission and up to €250 billion will be contributed by the IMF. This meant that the Maastricht Treaty's ban on the assumption of any joint liability for the debts of an individual euro-zone country ('no-bailout' clause) and the prohibition for the European Central Bank (ECB) to buy up euro-zone member states' debt instruments were no longer considered binding.

As a consequence of this extensive assumption of liability by the EU member states, the EU finance ministers decided at the beginning of June 2010 that EU countries' governments must in future submit their draft budgets to the EU Commission and their other euro-zone partners in the spring of each year – before tabling them in their respective national parliaments – so that, among other things, the level of the relevant budget deficits can be scrutinized. This procedure gained special importance when the industrialized nations attending the **summit of leading developed and emerging countries (G-20) in Toronto at the end of June 2010** promised to halve their budget deficits by 2013.

The G-20 nations meeting in Toronto failed to agree on the **introduction of either a financial transactions tax or a banking levy**, which was rejected by Canada, Japan, Australia and a few key emerging countries. Germany, France and the United Kingdom, on the other hand, were among those that argued in favor of an internationally coordinated levy on banks.

The German government published the key points of its plans for regulation of the financial markets at the beginning of April 2010, providing further details at the end of June. These include a banking levy and a two-stage process for winding up ailing banks. Under these plans, all German banks will pay this levy into a stability fund, which will be classified as one of the German government's special assets, although the amount of the levy will be determined in each case by the systemic risk posed by the bank concerned. The purpose of this fund is to ensure that the banks pay an appropriate contribution to cover the risks that they pose to the financial system and wider economy.

In the case of the cooperative banks, this objective is already met by the protection facility that the Bundesverband der deutschen Volksbanken und Raiffeisenbanken (BVR) [Federal Association of German Cooperative Banks] has made available for the past 75 years. What's more, the cooperative system of mutual protection – which is founded on the principles of solidarity and joint liability – once again proved its worth in the recent financial crisis and highlights the drawbacks of a one-size-fits-all approach that imposes a levy on all banks. Another factor to consider is that only a limited number of major German private and public-sector banks managed to survive the financial crisis without government support.

Just as with a financial transactions tax, the fundamental question to ask in the case of a banking levy is therefore what form of regulation is the most appropriate for preventing financial crises.

The model to build on is the **draft submitted by the Basel Committee on Banking Supervision on December 17, 2009 (Basel III draft)**, which was based on the agreements reached by the G-20 nations in Pittsburgh at the end of September last year. At the end of 2009, the Basel Committee decided to commission

a study to find out in advance what the effects and costs of the future capital and liquidity requirements would be for the institutions concerned. Once the findings of this impact study are available in mid-July 2010, the final policy paper detailing the key capital and liquidity requirements will be presented as a core component of the financial reform agenda for the next G-20 meeting in South Korea on November 11 and 12 this year.

The financial market reforms that were passed by the US Congress shortly before the G-20 meeting in Toronto and became law in July 2010 place restrictions on banks' proprietary trading activities and mean that banks are now allowed to invest no more than 3 percent of their capital in hedge funds and private equity firms. One of the main planks of this wide-ranging financial market regulation is the creation of a 10-man Financial Stability Council that pools the combined expertise of the various regulatory authorities and is chaired by the Treasury Secretary. The regulation also sets up a new Consumer Financial Protection Agency within the Federal Reserve in order to prevent the misselling of financial products, as recently occurred in the mortgage market. Furthermore, financial regulators now have the powers to institute orderly insolvency proceedings to wind up ailing major banks that could pose a threat to the financial system.

Global **equities**' fairly consistent performance over the 6-month reporting period was supported by central banks' decision to maintain the low interest rates and ample money supply already in place at the end of 2009. The share price losses suffered at the beginning of 2010 were offset by a subsequent rally in the first few months of the year. Although shares' performance over the further course of the first half of 2010 was volatile owing to the uncertainty triggered by the sovereign debt crisis, prices ended the reporting period slightly higher than they had been at the beginning of the year.

Although the operating income generated by **Germany's major banks in the first half of 2010** revealed that net interest income had fallen year on year in some cases, most managed to increase their income from capital markets operations. Administrative expenses rose moderately in relation to the growth in operating income. The cost of allowances for losses on loans and advances fell during the reporting period compared with the first half of 2009.

3. ONGOING DEVELOPMENT OF THE DZ BANK GROUP

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) operates as a central institution, corporate bank, and holding company, offering a wide range of attractive products and services to the local cooperative banks, which are both its shareholders and its most important customers. The DZ BANK Group's success is founded on the more than 1,100 cooperative banks, which have 30 million customers and 16.4 million members.

DZ BANK's consistent focus on the cooperative financial services network is reflected in its guiding principle of 'Verbund First'. In the first half of 2010 it continued to concentrate on activities relating to the cooperative network. In future it aims to exploit the market potential of the cooperative financial services network even more effectively and to develop this potential further. To this end it implemented promising approaches to its business for private clients, corporate customers, transaction banking, and capital markets operations focusing on the cooperative network.

BUSINESS WITH PRIVATE CUSTOMERS

The DZ BANK Group made good headway in growing its private banking business. DZ PB S.A., Luxembourg-Strassen, (DZ PB S.A.) was set up as a management holding company to coordinate the group's private banking activities. Operating as the DZ PRIVATBANK Group, it combines the longstanding expertise of the subsidiaries based in Switzerland, Luxembourg and Singapore. Starting on September 1 this year, offices will be opened in Hannover, Stuttgart and Munich, from which the DZ PRIVATBANK Group will help the cooperative banks to implement their private banking strategies by providing them with central points of contact and, where necessary, will offer them decentralized support in the form of multi-site teams who will deliver bespoke services for their high-net-worth clients. This range of services will be marketed as 'VR Private Banking'.

In addition, the DZ BANK Group worked closely with the local cooperative banks to grow its market share in other product areas.

DZ BANK is Germany's third-largest issuer of investment certificates and continued to boost sales of its products under its AKZENT Invest brand. Demand for DZ BANK's guarantee certificates remained strong, and the group extended its lead to a market share of well over one-third.

Demand for home savings contracts offered by the market leader Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH) grew in the first half of 2010. 450 thousand contracts worth a total of €14 billion were sold in the first 6 months of 2010.

The Union Investment Group, (UIG), the DZ BANK Group's asset manager, also managed to continue its successful growth strategy by working closely with the local cooperative banks. The UIG increased its assets under management by 11.3 percent to €167.6 billion in the first half of 2010.

The strong performance by R+V Versicherung AG, Wiesbaden, (R+V), the cooperative sector's insurance provider, was largely attributable to the company's close collaboration with the local cooperative banks. The fact that R+V is firmly anchored in the cooperative financial services network is becoming increasingly important given the persistently stiff competition in the insurance industry and has enabled the company to generate growth that is above average for its sector.

TeamBank used its easyCredit product to attract 32 thousand new customers, thereby expanding its consumer finance portfolio by approximately 7 percent. It worked with R+V to make this product even fairer by offering a protection guarantee for customers who become unemployed or insolvent.

BUSINESS WITH CORPORATE CUSTOMERS

In its business with corporate customers and its specialized financial services, the DZ BANK Group provides clients in the cooperative network with financial solutions for all their major needs.

In order to boost its business with small and medium-sized enterprises (SMEs) as a core competence, DZ BANK launched a market initiative aimed at expanding the range of products and services it provides to strengthen the local cooperative banks' corporate customer business and also at ensuring that it is more firmly established in the regions.

On January 1, 2010 the DZ BANK Group therefore started to implement its new customer relationship management concept in corporate business (known as 'ProFi DZ BANK'). The process of expanding DZ BANK's customer relationship management capacities will be completed by the end of 2010.

As the same time as it was introducing 'ProFi DZ BANK', DZ BANK continued to develop the processing of joint credit business with a focus on the cooperative financial services network. A key feature of network-oriented joint credit business is that the processing of lending business is regionalized. This means that, since the regional competence centers were set up at the beginning of the year, the local cooperative banks have had a central and regional point of contact for their Credit back-office as well.

The volume of loans extended jointly with the local cooperative banks grew by 4.3 percent during the first half of 2010.

CAPITAL MARKETS BUSINESS

The capital markets business continued to provide a comprehensive range of products, services and platforms, tailoring its offering to meet the individual needs of the cooperative banks, the cooperative sector's specialized service providers and their customers. This was reflected in the large number of support services available.

Despite persistently tough capital market conditions, DZ BANK once again managed to win attractive domestic and international mandates and to consolidate its competitive position in the primary market for new bond issues. This enabled it to satisfy the diverse interests of investors, especially within the cooperative financial services network.

DZ BANK met the changing needs of the local cooperative banks in its own-account investing activities by, for example, broadening the range of its research on bank bonds and equity products in response to the greater desire for diversification. It also refined its 'ADREI' (*ADRessrisiken im Eigengeschäft*) tool to ensure that it continued to meet the increasingly stringent requirements placed on the measurement of counterparty risk in own-account investing.

DZ BANK continued to be considered a reliable partner in the business of diversifying risk. The VR Circle platform created in May in collaboration with WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) provided a standard network-wide basis on which to transfer credit risk regularly between primary banks and enables these institutions to make significant and lasting improvements to their risk management tools.

The risk management expertise that DZ BANK has acquired from its own-account investing activities also benefits the local cooperative banks' corporate clients. Its competence center for interest-rate derivatives and forex products helps strengthen the cooperative sector's long-term competitiveness in the corporate banking market.

TRANSACTION BANKING

One of the main events in the first half of 2010 was the final roll-out of the GenoSys WP project, which was performed by DZ BANK and WGZ BANK – the institutions that had commissioned the project – in partnership with FIDUCIA IT AG, Karlsruhe, (FIDUCIA); GAD eG, Münster, (GAD); and Deutsche WertpapierService Bank AG, Frankfurt, (dwpbank AG).

Whereas the Single Euro Payments Area (SEPA) had been the issue dominating payments processing in 2009, the focus in 2010 was on utilizing the SEPA infrastructure and additional payment services. This included VR-RechnungsService, an innovative computerized invoicing system that provides corporate customers with a fully electronic processing chain from the billing and payment stages to the final account statement. DZ BANK's payments processing offering also comprises all cash-related services for cooperative banks and corporate clients.

DZ BANK continued to refine its debit card strategy for the cooperative banks in 2010, and the various available options were utilized. While roughly 77 percent of the VR-BankCards issued to customers were still girocard/Maestro cards and around 9 percent were girocard/Cirrus cards, some cooperative banks opted for the new 'VR-BankCard V PAY' debit card product, which was issued to approximately 14 percent of customers. DZ BANK was one of the first banks in Germany to offer 'V PAY' – Visa Europe's new, highly innovative debit card product that provides a safe method of payment within Europe – to the cooperative banks. One of the main benefits available when VR-BankCard V PAY was launched was the support offered by DZ BANK's V PAY starter package.

A further challenge in this business line is the increasing bundling of back-office functions at the local cooperative banks. The current market trend toward the use of service companies is a development that DZ BANK, as a central institution, welcomes and actively supports.

CORPORATE GOVERNANCE

The recently established Financial Services Advisory Council ensures that the cooperative banks are closely involved in the development and implementation of product-related and sales strategies. The DZ BANK Group's Financial Services Advisory Council held its inaugural meeting on February 24, 2010 and has 23 members (representatives of cooperative banks and the BVR, the Board of Managing Directors of DZ BANK and the chief executive officers of the major group companies). These members attended joint workshops at which they formulated proposals as to how the Council could help ensure that the cooperative financial services network becomes Germany's leading provider of financial services. They also selected and prioritized issues to be discussed at the Council's forthcoming meetings.

4. EARNINGS PERFORMANCE

The DZ BANK Group successfully overcame the tough market conditions and the significant number of challenges facing its business in the first half of 2010.

The year-on-year changes in the key figures that make up the net profit/loss generated by the DZ BANK Group in the first half of 2010 were as described below. They include the restatement of figures for the first 6 months of 2009 in accordance with IAS 8 (for details, please refer to section 2 of the notes to the interim consolidated financial statements).

Operating income includes net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income. Operating income in the group amounted to €1,986 million (first half of 2009: €2,189 million).

It should be noted here that further charges for specific loan loss allowances of €182 million were recognized in the group's securities portfolios in respect of asset backed securities (ABSs) during the first 6 months of 2010. By contrast, operating income for the first half of 2009 included gains of €365 million on these securities (DZ BANK: €313 million) after financial markets had stabilized and credit spreads on bonds had narrowed. These gains on the group's securities portfolios were offset by charges for specific allowances of €422 million (DZ BANK: €241 million), €313 million of which related to asset backed securities.

Allowances for losses on loans and advances in the first half of 2010 amounted to €136 million (first half of 2009: €373 million).

The DZ BANK Group's **administrative expenses** rose by €21 million, or 1.7 percent, to €1,234 million (first half of 2009: €1,213 million).

Profit before taxes for the reporting period amounted to €616 million compared with €603 million in the first 6 months of 2009.

The details of the DZ BANK Group's earnings performance in the first half of 2010 are as follows:

Net interest income in the DZ BANK Group fell by 5.7 percent year on year to €1,249 million. Net interest income excluding income from long-term equity investments declined by 3.7 percent to €1,228 million.

FIG. 1 – INCOME STATEMENT

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009	Change (%)
Net interest income	**1,249**	1,324	-5.7
Allowances for losses on loans and advances	**-136**	-373	-63.5
Net fee and commission income	**543**	447	21.5
Gains and losses on trading activities	**528**	689	-23.4
Gains and losses on investments	**-306**	-318	-3.8
Other gains and losses on valuation of financial instruments[1]	**-162**	-118	37.3
Net income from insurance business	**149**	118	26.3
Administrative expenses	**-1,234**	-1,213	1.7
Staff expenses	-683	-648	5.4
Other administrative expenses[2]	-551	-565	-2.5
Other net operating income	**-15**	47	>100.0
Profit before taxes[1]	616	603	2.2
Income taxes[1]	**-130**	-267	-51.3
Net profit[1]	**486**	336	44.6

1 Prior-year amount restated
2 General and administrative expenses plus depreciation/amortization expense on property, plant and equipment, investment property and on other assets

Income from long-term equity investments fell by 57.1 percent to €21 million in the reporting period, which was largely attributable to the Österreichische Volksbanken-AG Group, Vienna.

Net interest income decreased at BSH, DG HYP Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) and in the VR LEASING Group (VR LEASING); by contrast, it increased at TeamBank AG Nürnberg, Nuremberg, (TeamBank), DZ BANK (excluding income from long-term equity investments), in the DVB subgroup and in the DZ PRIVATBANK Group.

The net interest income generated by BSH in the first half of 2010 amounted to €444 million, which was 4.3 percent lower than in the corresponding period of 2009.

A further fall in interest rates compared with the first half of 2009 meant that interest income during the reporting period decreased year on year. These results

reflect the kind of business model used by building societies and the fact that they are required to maintain adequate levels of liquidity; BSH continued to meet this requirement in the first 6 months of 2010 by pursuing a conservative investment strategy.

The decline in net interest income was partly offset by other factors. Income was boosted by the large volumes of new business transacted in previous years coupled with the growth in home loan finance business and by BSH's 'Schwäbisch Hall Tarif Fuchs' scale of rates and charges, which has become successfully established in the marketplace and which BSH was quick to exploit to achieve a competitive interest margin in its collective business, thereby comfortably sustaining its leading position in the building society market.

The new 'FuchsWohnRente' home savings contracts continued to perform well in the first 6 months of 2010. BSH sold a total of 53 thousand of these Riester home savings products – which had been introduced at the end of 2008 and which instantly enabled BSH to become market leader in this product segment in 2009 – in the first half of 2010 (first half of 2009: 35 thousand).

The net interest income earned by DG HYP fell by 5.6 percent year on year to €118 million in the first half of 2010. The continual replacement of the portfolio of consumer home finance contracts by higher-margin commercial real-estate loans led to an increase in net operating interest income, which was more than offset by declining redemptions in the first half of 2010.

Commercial real-estate finance – DG HYP's core business – continued to perform well during the reporting period. The company – a provider of specialized commercial finance – focuses on high-quality business that is consistent with its strategy and offers a balanced risk/return profile. Its business was also boosted by an appreciable recovery in the commercial real-estate markets, which led to larger volumes of transactions. In times of crisis DG HYP has proved to its customers that it is a reliable funding partner; in the process it has bolstered its contacts and continuously grown its market share by drawing on the robust funding resources available in the DZ BANK Group.

DG HYP is a key partner to the cooperative financial services network in the commercial real-estate finance market. The development of new products provides the basis on which the cooperative network can grow its business. By offering its comprehensive range of products and services and devising a joint marketing strategy that enables it to unlock business potential, DG HYP supports the local cooperative banks in their regional commercial real-estate finance markets.

The new commercial real-estate finance business generated by DG HYP in the first half of 2010 amounted to €2,335 million, which represented a year-on-year increase of 18.0 percent (first half of 2009: €1,978 million). Direct and cooperative network business in Germany – DG HYP's core market – totaled €1,554 million in the first 6 months of 2010 (first half of 2009: €1,534 million). Given that DG HYP has intensified its collaboration with the local cooperative banks, cooperative network business has the highest growth rates in Germany. In the international and secondary markets, DG HYP generated new business worth €781 million in the first half of 2010 after having generated new business of €444 million in the first 6 months of 2009. The key drivers behind this performance were the strong growth in syndicated lending in Germany and the successful support given to German customers venturing into international markets.

By lending to public bodies, DG HYP assists its cooperative partner banks in their primary local authority lending business. In the reporting period it generated new business worth €410 million (first half of 2009: €189 million) on the back of widening margins.

The net interest income earned by the subgroup VR-LEASING AG, Eschborn, (VR-LEASING) in the first 6 months of 2010 fell slightly by 1.9 percent year on year to €106 million.

Because it is heavily exposed to small and medium-sized enterprises, VR LEASING felt the full impact of the financial and economic crisis at an early stage.

The company responded to the persistently challenging market conditions in the leasing sector by focusing on a profitability-driven corporate strategy, which included more stringent requirements in terms of the asset and credit quality of its new business. Consequently, the total volume of new leases in the equipment and vendor finance sector originated by VR LEASING both in Germany and abroad fell by 15.4 percent compared with the first half of 2009 to €1.5 billion.

The total value of new leases originated by VR LEASING in Germany in the first 6 months of 2010 amounted to €0.9 billion compared with €1.1 billion in the first half of 2009. The figure reported for the first half of 2010 was affected by VR LEASING's aforementioned strategic realignment and by subdued investment activity on the part of SMEs owing to the persistently inadequate utilization of their production capacities.

Its close integration in the cooperative financial services network proved to be extremely beneficial for VR LEASING, espcially from a competitive perspective. This ensures that the company has sufficient flexibility at all times in its activities and funding options to exploit existing market potential – especially in small-ticket business with corporate and private customers – by working closely with the primary banks.

The aim is to continue to expand the network of local cooperative banks that are connected online by building on VR LEASING's extensive presence, which was strengthened in 2009. VR-Leasy-Online – a proven and rapidly growing standard application whose volume of lease originations grew by 12.8 percent compared with the first half of 2009 – and 'vr-gebrauchtwagen.de', a newly established online marketing platform, are making a particularly valuable contribution in the drive to cut costs and mitigate risks because they focus on small-ticket business and are widely diversified across a number of equipment categories.

VR LEASING provided small and medium-sized enterprises with leasing products and services related to renewable energies in the first 6 months of 2010. Funding was largely provided for photovoltaic installations and mobile components of biogas plants. The total value of leases signed in the first half of 2010 came to €68 million.

Outside Germany, VR LEASING responded to the financial and economic crisis and its severe consequences by adopting a defensive strategy toward the new business it transacted in central and eastern Europe, where the company already had an established presence. The volume of new leases originated outside Germany during the first half of 2010 fell by 11.7 percent year on year to €550 million.

TeamBank increased its net interest income in the first 6 months of 2010 by a further 19.9 percent to €181 million.

The company, which is the consumer finance specialist for the cooperative financial services network, expanded its easyCredit lending portfolio by 6.0 percent to a nominal €4.9 billion in the first half of 2010. The number of its customers as at June 30, 2010 had risen to 510 thousand (December 31, 2009: 496 thousand).

The increase in business volumes achieved has become increasingly important since the government-subsidized scrappage scheme for old cars expired at the end of 2009 after this scheme had made a significant contribution to the growth of the consumer finance market in the first half of 2009. The removal of this demand stimulus immediately prior to the reporting period caused the lending portfolio for the market as a whole to contract by 0.1 percent in the first quarter of 2010, while easyCredit lending grew by 3.0 percent.

TeamBank continued to attach high priority to customer satisfaction during the reporting period. This approach was firmly rooted in the values espoused by the cooperative financial service network, which enabled the cooperative institutions to win the confidence of clients and markets alike during the ongoing crises of 2009.

In previous years the company had already successfully enhanced the product features of easyCredit and com-

bined them into a 'fairness package'. In view of the tough prevailing economic and labor market conditions, TeamBank started in the first few months of 2010 to offer customers the option of a contractual protection guarantee for those who become unemployed or insolvent. It also waived repayment of the outstanding loan amount for easyCredit customers who had taken out a protection guarantee and a credit insurance policy against unemployment. In addition, TeamBank stopped charging arrangement fees at the beginning of the year.

Back at the beginning of 2009, TeamBank further expanded its market position as the fairest consumer finance specialist by launching its innovative easyCredit card as a cutting-edge cash management product. This new product is unique in the marketplace and plugs a gap in the product portfolio between consumer finance and credit cards. Having successfully completed the initial trial phase in the easyCredit shops, the easyCredit card has been piloted at selected partner banks with the support of the cooperative central institutions since the end of 2009.

After it started to sell its 'fair' credit products in Austria in 2008, TeamBank is now represented in all of Austria's federal states. The number of Austrian cooperative banks partnering with TeamBank had risen to 42 by June 30, 2010 (June 30, 2009: 28).

DZ BANK's net interest income from operating activities (excluding income from long-term equity investments) jumped by 19.1 percent to €162 million on the back of higher net interest income from credit and securities portfolios. The marked improvement in economic conditions in Germany during the first 6 months of 2010 boosted demand for credit products.

Unit sales and volumes again rose year on year in both traditional syndicated loan business and in the Standard-Meta and Agrar-Meta standardized risk transfer products business transacted with the local cooperative banks in the first half of 2010; net operating interest income from lending in VR-Mittelstand rose by 12.1 percent compared with the first half of 2009. This underlines the successful way in which DZ BANK supports and partners with the local cooperative banks, especially in respect of the pertinent SME market initiative launched on January 1, 2010.

The development lending business conducted by the local cooperative banks, which DZ BANK supports by effectively deploying regionally responsible experts and initiating target-group-specific sales activities, also delivered a highly impressive performance in the first 6 months of 2010. Both the volume of new business generated and the market share achieved by the cooperative financial services network in relation to the development programs run by Germany's KfW development bank, Frankfurt am Main, (KfW) underline the extent of DZ BANK's expertise and advisory capabilities in this business segment.

The expansion of the highly promising Agriculture, Nature & Energy business jointly initiated in 2009 with the cooperative network partners R+V and VR-LEASING continued to make excellent progress in the first half of 2010. One of the main reasons for this trend was the recent increase in advisory capacities, which made it possible to process the large number of funding enquiries.

DZ BANK further consolidated its successful market positioning in its corporate finance business in the first 6 months of 2010 against a backdrop of stiffer competition and tough economic conditions. It significantly increased its net operating interest income compared with the first half of 2009.

One of the highlights of the operating activities conducted in the first 6 months of 2010 was the increase in sales of the DZ BANK Group's financial services and products and the intensified marketing in collaboration with the entities in the cooperative financial services network. The business model of adopting a customer-focused advisory approach paid dividends here. This model effectively combines sectoral and productrelated expertise with a capital markets capability in a single package.

The structured finance product range is marketed from Germany and by staff in the foreign branches in London, New York, Hong Kong, and Singapore to all major financial centers and important growth markets.

Against a backdrop of widening margins, this division managed – despite the planned reduction in business volumes – to maintain its net operating interest income at an impressive level compared with the first half of 2009.

The number of new acquisition finance deals closed in the first half of 2010 rose year on year. Because the total business portfolio contracted, however, net operating interest income failed – despite the compensatory effect of higher margins – to match the level it had achieved in the first half of 2009.

Net operating interest income from structured trade and export finance rose significantly year on year and was boosted by stronger demand for Hermes-guaranteed finance, which more than compensated for the decline in new business in other forms of financing.

The high level of net operating interest income from project finance again rose year on year. This was largely attributable to network-related domestic transactions in the field of renewable energies and as part of public-private partnership (PPP) projects, which continued to attract considerable interest from customers.

Net interest income in the DVB subgroup grew by 25.3 percent to €109 million.

The action taken by DVB Bank SE, Frankfurt am Main, (DVB) with the support of its customers enabled the company to significantly reduce the interest costs incurred by the turmoil in the international money markets.

The interest income generated by the company's new business benefited from the fact that only a small number of banks continued to operate in the transport finance market. The interest margin on new business remained at an attractive level, although the volume of new business contracted owing to the fallout from the severe economic crisis. This crisis created excess capacity in shipping and aviation. The volume of new business in land transport by road and rail also continued to decrease as business activity in rail transport remained subdued.

The net interest income earned by the DZ PRIVATBANK Group in the first 6 months of 2010 advanced by 3.3 percent year on year to €93 million. The group continued to benefit from the excellent liquidity provided by customer deposits and from trends on the money markets and capital markets.

The DZ PRIVATBANK Group makes the most of the advantages offered by the financial centers of Luxembourg, Singapore and Switzerland for the benefit of the cooperative financial services network and for its private and institutional clients. It offers its target customers an attractive one-stop selection of products and services from its four business lines (private banking, credit, investment funds, and treasury).

It acts as the competence center for foreign-currency lending and borrowing in the interest-earning business. The LuxCredit foreign-currency lending business recorded a sharp increase in the volume of guaranteed loans for customers of the local cooperative banks and had risen by €1.4 billion to €6.1 billion by June 30, 2010, while the number of loans increased by 5 thousand to 33 thousand.

Allowances for losses on loans and advances in the DZ BANK Group during the first 6 months of 2010 were reported at €136 million (first half of 2009: €373 million).

DZ BANK's allowances for losses on loans and advances in the first half of 2010 amounted to a net reversal of €17 million compared with a net addition of €204 million in the first 6 months of 2009.

Further detailed disclosures regarding the risk situation in the DZ BANK Group can be found in the risk report starting on page 25 of this interim group management report.

Net fee and commission income in the DZ BANK Group increased by 21.5 percent to €543 million.

The contribution to the DZ BANK Group's earnings generated by securities business including asset management in the first half of 2010 again rose year on year.

The earnings contributed by payments processing including card processing, by the lending business and trust activities including financial guarantee contracts and loan commitments and by building society operations in the first 6 months of 2010 fell year on year in each case. The contribution to profits from international business in the first half of 2010 increased year on year.

Net fee and commission income grew in the Union Investment Group, the DZ PRIVATBANK Group, at DG HYP, and at VR LEASING. This overall increase more than compensated for the lower net fee and commission income earned by BSH, the DVB subgroup, DZ BANK, and TeamBank.

The net fee and commission income generated by the Union Investment Group in the first half of 2010 rose by 42.3 percent year on year to €454 million.

The volume of assets under management in the Union Investment Group, which is the key factor determining the level of net fee and commission income, grew significantly in the first half of 2010 compared with the corresponding period of 2009 owing to the year-on-year surge in share prices and the continued inflow of funds.

As the issue of government debt levels in the industrialized nations became increasingly critical over the course of the first half of 2010, private investors' preference for security and their consequent reluctance to invest directly in equities and other risky asset classes increased. This trend also impacted on bond funds, which suffered from the renewed widening of credit spreads on bonds that were hit by the sovereign debt crisis, especially during the last few months of the reporting period.

Union Investment used its tried-and-tested partnership with the cooperative banks to respond to its clients' changing preferences by launching innovative products whose investment focus was on capital preservation. These products include investment funds that were launched in the first quarter of 2010 such as 'UniGarant: Dividendenstars (2016)' and 'UniGarant: Commodities (2017)', and these were joined in the second quarter of the year by the funds 'UniGarant: Deutschland (2010) II' and 'UniGarant: Commodities (2017) II'.

Union Investment's strong competitiveness in this segment is proven by the statistics published by the federal association of German fund management companies (BVI), Frankfurt am Main, which once again showed Union Investment to be the market leader in terms of the net sales and portfolio value of its capital preservation funds in the first half of 2010.

Union Investment remains the best large fund management company in Germany according to the ranking conducted on a quarterly basis by Feri EuroRatings Services AG (as at June 30, 2010). It has therefore come top in this ranking of the 33 largest German fund management companies since September 2009. In addition, 'Capital' magazine awarded Union Investment its top five-star rating for the eighth year running and voted it Germany's best fund management company out of the 99 investment firms tested for the second year in succession.

The new business acquired by Union Investment from its open-ended real-estate funds grew, generating inflows of €1.3 billion and ensuring that the company retained its leading market position in the first half of 2010. The firm's open-ended real-estate funds, which offer clients a high degree of stability, remained liquid and open to clients at all times despite legislative initiatives aimed at extending the regulatory requirements applicable to this fund category.

Supported by the extensive sales network of the cooperative partner banks, Union Investment impressively reaffirmed its market leadership in the UniProfiRente fund-linked 'Riester' product, thereby taking the total number of contracts in its portfolio to 1.8 million in the highly promising segment of private pensions.

Net outflows of funds arose almost exclusively from the particular situation facing the UniOpti4 fund. Triggered by amendments to tax legislation at the end of 2008 and exacerbated by the sharp fall in investment returns caused by the financial crisis, the fund suffered net outflows of €3.2 billion in the first half

of 2010. Excluding this one-off situation, net sales to private clients would amount to €2.5 billion for the first 6 months of 2010.

Union Investment received a significant boost during the reporting period from its institutional business, which benefited disproportionately from market trends, generating net sales of €3.9 billion. This performance was due to a considerable extent to the IMMUNO capital preservation concept, which proved its unique ability to withstand crises: none of the IMMUNO investment mandates fell below their minimum benchmark value even during the financial crisis. A further component was added to this concept in the first 6 months of 2010: SYNKRONO is an investment strategy that is geared to an investor's liability profile and supplements the range of products and services available for ensuring that the pension reserves held by companies, insurers and pension funds have sufficient liquidity.

In the same way, the quantitative expertise provided by Quoniam Asset Management GmbH, Frankfurt am Main, one of the companies in the group, helps to strengthen Union Investment's market position. By significantly growing its business and winning further mandates from European investors, the firm attained key milestones in its evolution into a globally active quant manager.

The net fee and commission income earned by the DZ PRIVATBANK Group increased by 19.4 percent to €37 million in the first 6 months of 2010.

The group's new private banking strategy is intended to increase the German cooperative banks' share of the private banking market over the long term. In its business with high-net-worth individuals, the group provides its own clients and those of the cooperative banks with its expertise in the form of complex advisory solutions for issues such as financial and wealth succession planning as a complementary service in addition to fund-linked and traditional asset management.

The group's intensified collaboration with the cooperative banks coupled with its even greater efforts to market products and services to affluent clients were successful. Its funds under management grew by €1.0 billion to €10.0 billion in the first half of 2010.

The DZ PRIVATBANK Group continued to expand its business in services for investment funds in the first 6 months of 2010. It won a total of 25 new fund-related mandates during the reporting period compared with the first half of 2009. The value of funds under management grew by roughly €7.8 billion to €38.9 billion in the first 6 months of 2010 (June 30, 2009: €31.1 billion).

DG HYP increased its net fee and commission income for the first 6 months of 2010 by €5 million to €9 million (first half of 2009: €4 million).

This increase was largely attributable to higher fee and commission income for services in commercial real-estate finance. In addition, net fee and commission income improved year on year in the first 6 months of 2010 as a result of a decline in fee and commission expenses for securitizations.

The net fee and commission income generated by VR LEASING rose by 14.3 percent to €16 million in the first half of 2010. The main reason for this increase was a jump in the net fee and commission income earned by VR FACTOREM GmbH, Eschborn, which operates in the factoring market.

BSH pays fees and commissions to the cooperative banks and to the integrated, bank-supported field sales force on the basis of BSH contracts signed with customers. The associated fee and commission expenses gave rise to a net fee and commission expense, which amounted to €91 million in the first 6 months of 2010 compared with an expense of €76 million in the corresponding period of 2009. This change largely reflects the growth in the volume of new business.

In its home savings business, BSH signed 450 thousand new home savings contracts in the first half of 2010, thereby increasing its volume of new business by 16.1 percent to €14.0 billion.

Given the recent developments in the financial crisis, private investors attach importance to the fact that the

system of home savings operates largely independently of the capital markets due to its closed circuit of savings contributed by investors and the loans extended by the bank. In addition, Germany's strict legislation on building societies does not permit any risks to be taken in respect of currencies, equities or derivatives. Furthermore, consumers are now becoming more generally aware of the interest-rate security offered by home savings contracts: the low interest rates on the loan element are fixed over the entire term of the contract as soon as it is signed.

In addition, mentioning BSH's innovative home savings products to customers can also act as successful entrees for other government subsidies for home ownership; the improved tax-deduction allowances available under Germany's Citizens Relief Act, which came into force on January 1, 2010, has increased the number of those entitled to claim employee savings allowances and government subsidies to homebuyers.

The performance of the home finance business during the reporting period was highly encouraging. Customers took advantage of the low interest rates and turned to home loans. Consequently, the total volume of instant financing, home savings loans, bridging loans, and building loans of the cooperative partner banks brokered by the Schwäbisch Hall field sales force grew by 10.1 percent to €7.3 billion. BSH significantly increased sales of its 'SofortBauGeld' instantly available home finance loans by 20.3 percent year on year in the first half of 2010.

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

The net fee and commission income earned by the DVB subgroup in the first half of 2010 fell by 19.6 percent year on year to €41 million. This income included both commission on new lending commitments in transport finance and also consultancy fees.

The decrease in net fee and commission income reflects the fall in new transport finance business in the first half of 2010. The shipping and aviation asset management teams established in 2009 continued to make a significant contribution to profits in the first 6 months of 2010 and provided customers, investors and other banks with solutions for debt restructuring and for the assumption and sale of aircraft, ships and other assets.

DZ BANK's net fee and commission income fell slightly by 3.6 percent to €132 million. The profits contributed by securities business fell year on year in the first half of 2010; the first half of 2009 had benefited from extraordinarily high fee and commission income from bond issues. The profits contributed by lending business and trust activities and by international business almost matched the levels achieved in the first half of 2009 in both cases. The profits contributed by payments processing including card processing in the first 6 months of 2010 fell year on year.

The net fee and commission income from corporate finance, which during the reporting period largely stemmed from lending fees, almost matched the highly impressive figure achieved in the first half of 2009.

DZ BANK successfully completed international M&A transactions in its relevant market segment of large and medium-sized companies. However, the number of deals closed during the reporting period remained low owing to the effects of the financial crisis and the unsettling impact this had on market participants.

The net fee and commission income earned from acquisition finance in the first half of 2010 rose sharply year on year owing to the acquisition of mandates in the cooperative network-related segment of German SMEs.

The net fee and commission income earned from structured trade and export finance in the first 6 months of 2010 once again increased significantly year on year.

The net fee and commission income earned from project finance in the first half of 2010 remained impressively high. The successful acquisition of lead-arranger mandates in the target sectors of energy, infrastructure and public-private partnerships supported this encouraging trend, as did the assistance provided to German sponsors on selected international project finance deals.

As market conditions improved, the net fee and commission income earned from loan syndication in the first half of 2010 again increased year on year. The acquisition of 6 structuring mandates – primarily in our business with large German corporates / German SMEs – bore impressive testimony to the way we focus on our core German clients.

The primary equity market staged an impressive recovery during the reporting period. Issuers returned to the market to successfully complete initial public offerings (IPOs) after a lengthy absence. In this environment, DZ BANK benefited from its broad range of customized equity products, solutions and share-based services and was able to provide its clients with effective support for a wide range of corporate actions.

The net fee and commission income earned by TeamBank in the first half of 2010 fell by 15.4 percent to a net expense of €30 million (first half of 2009: net expense of €26 million).

Increased trailer fees and sales commissions paid by TeamBank to the primary banks in connection with the expansion of its easyCredit business led to higher fee and commission expenses, which were partly offset by higher fee and commission income from the sale of credit insurance policies as part of TeamBank's B2C activities (easyCredit shops, letters, telephone and internet).

The DZ BANK Group's **gains and losses on trading activities** in the first half of 2010 came to a net gain of €528 million compared with a figure of €689 million for the corresponding period of 2009. This result was largely attributable to the trading profit of €593 million earned by DZ BANK from capital markets business (first half of 2009: €680 million). As in previous years, this result stemmed mainly from DZ BANK's customer-related business in investment and risk management products involving the asset classes of equities, interest rates and foreign exchange. DZ BANK continued to perform well in structured products for business with private clients and for the risk management activities of banks, corporates and institutional clients.

DZ BANK primarily holds bond portfolios as a liquidity reserve and as a rapid-turnover inventory for its business with clients. The narrowing of credit spreads on bonds held in the DZ BANK Group's portfolios – mainly in April and May of 2009 – meant that these products posted significant overall price gains of €365 million in the first half of 2009 (DZ BANK: €313 million). In the first half of 2009, by contrast, impairment losses on ABSs – in particular arising from weighted averaged lifetime extensions and amended rating classifications – reduced the gains and losses on trading activities in the DZ BANK Group by €110 million (DZ BANK: by €110 million). In the first half of 2010 these ABSs yielded net gains of €14 million in the DZ BANK Group (DZ BANK: €14 million) owing to improved market conditions.

The sovereign debt crisis in Greece intensified during the first half of 2010, triggering a loss of confidence in the euro. Private investors therefore started looking for safe investments that still yielded attractive returns. Consequently, business in investment certificates performed well in the first half of 2010. DZ BANK worked closely with the local cooperative banks to provide its investors with promising and high-quality structured investment products under its sophisticated 'AKZENT Invest' brand name.

Guarantee certificates continued to be highly popular with investors owing to the uncertain market environment. Commanding a market share of 44 percent, DZ BANK remained the undisputed market leader in capital protection investment certificates according to the market share statistics published by the Deutscher Derivate Verband (DDV) [German Derivatives Association] as at March 31, 2010. In 2010, moreover, it has already been voted 'Investment Certificates House of the Year 2010' and 'Best Capital Protection Issuer' by Focus Money and n-tv. In addition, a survey conducted by the German business magazine 'Capital' (in its January 2010 issue) awarded its top five-star

rating to the still relatively new derivatives portal 'Eniteo.de'.

The continued market turmoil boosted customers' demand for investment-grade covered bonds and first-class government bonds in the first half of 2010. Institutional investors also demonstrated a growing preference for structured equity, commodity and hybrid investment products. Corporate customers used derivatives to lock in the historically low interest rates. The recent growth in new orders received by major corporate customers led to greater use of currency hedges.

In the primary market for new bond issues, DZ BANK again demonstrated its significant placing power in the cooperative financial services network and with institutional customers around the world, consolidating its competitive position in the process. In doing so, DZ BANK benefited from the revival of simple products and the fact that most market participants preferred to place their securities issues in their own currency area.

Gains and losses on investments in the DZ BANK Group amounted to a loss of €306 million (first half of 2009: loss of €318 million).

This change in the group's gains and losses on investments includes the ABS impairment losses of €179 million recognized in the first half of 2010. Portfolio loan loss allowances of €116 million were also recognized.

Other gains and losses on valuation of financial instruments for the DZ BANK Group amounting to a loss of €162 million (first half of 2009: loss of €118 million) primarily comprised the gains and losses on financial instruments designated as at fair value through profit or loss amounting to a loss of €145 million. This item also includes gains and losses on derivatives not held for trading amounting to a loss of €20 million as well as gains and losses arising on hedging transactions amounting to a gain of €3 million.

The impairment losses in connection with the sovereign debt crisis that are included in the group's other gains and losses on valuation of financial instruments largely relate to DG HYP's securities portfolios.

The **net income from insurance business** generated by the DZ BANK Group in the first half of 2010 amounted to €149 million compared with €118 million in the first half of 2009.

The DZ BANK Group's net income from insurance business comprises premiums earned, gains and losses on investments held by insurance companies and other insurance company gains and losses, insurance benefit payments, and insurance business operating expenses.

The strong performance delivered by R+V in the reporting period was largely due to its close collaboration with the local cooperative banks. The fact that R+V is firmly anchored in the cooperative financial services network is becoming increasingly important given the persistently stiff competition in the insurance industry and has enabled the company to generate growth that is above average for its sector.

Premiums earned rose by 7.1 percent to €5,470 million (first half of 2009: €5,105 million). R+V therefore again managed to slightly increase the already very high level of premiums earned in the corresponding period of 2009, which was boosted by significant growth stimulus.

Gains and losses on investments held by insurance companies and other insurance company gains and losses amounted to a net gain of €1,474 million (first half of 2009: net gain of €1,058 million); the sovereign debt crisis (especially in respect of the southern EU countries) did not have any effect here.

Insurance benefit payments increased from €5,203 million in the first half of 2009 to €5,860 million in the first 6 months of 2010. In line with the gains and losses on investments held by insurance companies, there were additions to insurance liabilities in companies offering personal insurance. Losses in property and casualty insurance and inward reinsurance in the first half of 2010 were significantly higher than in the corresponding period of 2009. This rise was attributable to increases in the frequency and level of losses and to the fact that the Italian subsidiary Assimoco S.p.A., Segrate (Mi) transferred further amounts to its insurance liabilities. Insurance claims in respect of the Xynthia storm caused additional losses.

Insurance business operating expenses rose from €842 million in the first half of 2009 to €935 million in the first half of 2010, largely owing to the growth achieved in insurance business.

Growth in R+V's new life insurance business was stimulated particularly by new insurance policies with guaranteed benefits and by occupational pension products.

In the property and casualty insurance business, forecasts that R+V would outperform the general industry trend in terms of new business volume were confirmed.

Administrative expenses in the DZ BANK Group rose by 1.7 percent compared with the first half of 2009 to €1,234 million (first half of 2009: €1,213 million), including a 2.5 percent decrease in other administrative expenses to €551 million (first half of 2009: €565 million) and a 5.4 percent increase in staff expenses to €683 million (first half of 2009: €648 million).

The group's other administrative expenses in the subgroup Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding) rose by 14.5 percent to €134 million, which was largely attributable to the larger marketing budget. By contrast, DZ BANK's other administrative expenses fell by 6.6 percent to €170 million owing to lower consultancy costs.

The rise in staff expenses was largely attributable to similar trends in the Union Asset Management Holding subgroup and at DZ BANK. The growth of 15.3 percent in staff expenses in the Union Asset Management Holding subgroup to €128 million primarily resulted from the increased headcount and from the adjustment of salaries. The growth of 3.6 percent in staff expenses at DZ BANK to €231 million mainly reflect the year-on-year growth in accruals for short-term employee benefits in connection with variable remuneration.

The **other net operating income** generated by the DZ BANK Group amounted to a net expense of €15 million in the first half of 2010 (first half of 2009: income of €47 million). This decrease in income was largely attributable to the transfer of a larger amount to provisions at DZ BANK.

The **cost/income ratio** for the DZ BANK Group in the first half of 2010 was 62.1 percent (first half of 2009: 55.4 percent).

The group's **income taxes** for the first 6 months of 2010 amounted to €130 million compared with a figure of €267 million for the first half of 2009. The year-on-year fall in tax expense was mainly attributable to taxes from other accounting periods and to the effect of tax-exempt income and non-deductible expenses.

The DZ BANK Group generated a **net profit** of €486 million in the first 6 months of 2010 compared with €336 million in the first half of 2009.

5. SEGMENT PERFORMANCE

The **segment breakdown** of the DZ BANK Group's **profit before taxes** of €616 million for the first half of 2010 was as follows:

FIG. 2 – SEGMENT PERFORMANCE

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Bank	476	321
Retail	312	158
Real Estate Finance	-83	148
Insurance	122	143
Consolidation/reconciliation	-211	-167

Profit before taxes increased by €155 million in the Bank operating segment and by €154 million in the Retail operating segment compared to the first six months of 2009. In the Real Estate Finance and Insurance operating segments, profit before taxes reduced by €231 million and €21 million respectively. The negative effect from consolidation/reconciliation increased by minus €44 million.

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

6. VOLUME GROWTH

As at June 30, 2010, the DZ BANK Group's **total assets** had increased by €15.5 billion to €404.0 billion, a rise of 4.0 percent (December 31, 2009: €388.5 billion).

The increase in volume was dominated by similar growth at DZ BANK of €15.8 billion to €242.9 billion. This rise was attributable to a moderate increase in the volume of securities held as investments and, above all, to the growth in derivatives (positive fair values) from interest-linked contracts and to the expansion of cooperative network business, which was funded primarily by extending money market deposits.

The DZ BANK Group's **loans and advances to banks** increased by €4.6 billion to €65.7 billion, a rise of 7.5 percent. Loans and advances to domestic banks grew by €3.6 billion, or 6.5 percent, to €59.1 billion; loans and advances to foreign banks were up by €1.0 billion, or 17.9 percent, to €6.6 billion.

The DZ BANK Group's **loans and advances to customers** increased by €5.3 billion, or 4.7 percent to €118.1 billion; with particularly strong gains at the DVB subgroup (€2.4 billion), BSH (€1.5 billion), and the DZ PRIVATBANK Group (€1.0 billion).

As at June 30, 2010, **financial assets held for trading** amounted to €90.5 billion, a decrease of €0.7 billion (0.8 percent) on the figure as at December 31, 2009. The decrease was primarily attributable to a drop in money market placements (down €4.6 billion) and in bonds and other fixed-income securities (down €4.5 billion), although these reductions were partially offset by an increase of €8.3 billion in derivatives (positive fair values).

Investments rose by €1.5 billion, or 2.4 percent, to €62.9 billion. This was primarily attributable to an increase of €1.9 billion in the volume of bonds and other fixed-income securities.

The DZ BANK Group's **deposits from banks** as at June 30, 2010 amounted to €78.1 billion, which was €22.5 billion (40.5 percent) above the figure reported as at December 31, 2009; with deposits from domestic banks rising by €19.1 billion and deposits from foreign banks rising by €3.4 billion.

Amounts owed to other depositors grew by €2.6 billion (3.4 percent) to €79.7 billion. Amounts owed to other depositors at DZ BANK and BSH rose by €3.1 billion and €1.5 billion respectively, while the DZ PRIVATBANK Group and DG HYP saw declines of €1.5 billion and €0.4 billion respectively.

At the end of the period under review, the carrying amount of **debt certificates including bonds** in the DZ BANK Group had reached €59.0 billion (December 31, 2009: €65.5 billion). DG HYP and DZ BANK recorded decreases in their debt certificates including bonds of €6.7 billion and €2.1 billion respectively, whereas the DVB subgroup and the DZ PRIVATBANK Group reported increases of €1.3 billion and €0.9 billion respectively.

Financial liabilities held for trading declined by €6.3 billion, or 5.6 percent, to €107.2 billion. This reduction mainly includes a decline in money market deposits of €17.6 billion and an increase in derivatives (negative fair values) of €9.6 billion and in commercial paper and certificates of deposit of €1.4 billion.

As at June 30, 2010, the **equity** reported by the DZ BANK Group was €10,250 million (December 31, 2009: €10,233 million), with the revaluation reserve falling from minus €241 million as at December 31, 2009 to minus €416 million.

II. Risk report

The risk reporting within the DZ BANK Group's interim management report is supplemented by the half-year regulatory risk report for the DZ BANK banking group ('pillar 3 risk report'), which is prepared on a voluntary basis taking into account section 26a of the German Banking Act (KWG) in conjunction with sections 319 to 337 of the Solvency Regulation (SolvV) and is published as a separate document that is available on DZ BANK's website.

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

The objectives and strategies of the DZ BANK Group's risk management system and the types of risk relevant to the group are set out in the disclosures starting on page 75 of the risk report in the group management report for 2009. All group companies are integrated into the risk management system subject to the principle of materiality. These companies are listed on page 75 of the risk report in the 2009 group management report.

There have been no material changes in the risk management system since December 31, 2009, nor have there been any such changes in the composition or the terms of reference of the DZ BANK Group committees responsible for risk management. The details in this regard set out in the risk report within the 2009 group management report therefore continue to apply.

2. ACTION TAKEN TO MITIGATE MARKET CRISES

FROM FINANCIAL CRISIS TO SOVEREIGN DEBT CRISIS

The financial crisis triggered by the subprime mortgage crisis continued to abate in the first half of 2010, with unrealized impairment losses being partly offset by the reversal of such losses. For some time now, substantial budget deficits have been a feature of the eurozone economies of Portugal, Ireland, Italy, Greece, and Spain, and these deficits are accompanied by government debt levels that are high in relation to gross domestic product. The debt crisis in these European countries intensified during the first half of 2010. Greece, in particular, is currently faced with severe budgetary problems owing to its high levels of debt. Consequently, the DZ BANK Group's loans and advances to customers in these countries are being especially closely monitored.

SOPHISTICATED RISK MANAGEMENT SYSTEM

The DZ BANK Group continues to have a range of efficient risk management tools at its disposal that have also allowed it to respond appropriately to market turmoil. Changes in risk factors, such as a deterioration in the credit rating of counterparties or the widening of spreads on securities, are reflected in adjusted risk parameters in the mark-to-model measurement of credit risks and market risks. Conservative crisis scenarios for short-term liquidity ensure that liquidity risk management also takes adequate account of market crises. A risk limit system based on risk-bearing capacity, stress testing encompassing all risk types, and a flexible, timely internal reporting system ensure that the management of DZ BANK is in a position at all times to initiate targeted corrective action if required. In the first 6 months of 2010, further detailed analyses of the portfolio affected by the ongoing crises in the financial markets were integrated into the existing reporting system and the reporting cycles shortened in order to respond to the specific demands posed by these crises.

TARGETED MANAGEMENT ACTION

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

The limits set for financial institutions and countries are kept under constant review with regard to selected facilities, geographical areas, and risk factors. This led to a further reduction of limits in the first half of 2010. Credit substitution business and the volume of securities in the trading book determined in accordance with

internal management procedures were scaled back during the reporting period. New non-network business was also restricted. By contrast, lending within the cooperative financial services network increased significantly as economic conditions improved noticeably during the reporting period. Aggregate lending in the first half of 2010 grew by a moderate 3 percent compared with the end of 2009.

CAPITAL BASE STRENGTHENED

In 2009, the DZ BANK Group strengthened its capital base by a further €1,356 million from its retained profits and with the support of the cooperative financial services network. The group was also able to free up more of its regulatory capital as at December 31, 2009 by using the protection facility offered by the Bundesverband der deutschen Volksbanken und Raiffeisenbanken (BVR) [Federal Association of German Cooperative Banks], Berlin, to cover securities portfolios with a principal amount of €911 million. Because the DZ BANK Group had strengthened its capital base and had reduced its risk-weighted assets since the beginning of the financial year, it returned the BVR's guarantee ahead of schedule in April 2010.

3. RISK CAPITAL MANAGEMENT

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

MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

The aggregate risk cover available for the financial year was calculated to be €11,758 million as at December 31, 2009 (December 31, 2008: €11,303 million). Aggregate risk cover is updated on a monthly basis and is subject to fluctuations during the course of the year as a result of the measurements carried out in accordance with the German Commercial Code (HGB). The Board of Managing Directors uses the aggregate risk cover figure to specify upper loss limits.

FIG.3 – UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT

	Upper loss limit		Risk capital requirement	
€ million	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Credit risk	4,416	4,367	3,686	3,768
Equity risk	1,041	1,047	702	806
Market risk	3,687	3,851	3,237	3,133
Actuarial risk	1,625	1,550	1,617	1,450
Operational risk	584	559	530	510
Business and strategic risk	1,028	986	969	931
Total after diversification	**10,563**	**10,486**	**9,116**	**8,986**

Figure 3 shows that the total **upper loss limit** for the group had been raised only slightly from €10,468 million as at December 31, 2009 to €10,563 million as at June 30, 2010. This was accompanied by another moderate increase in the risk capital requirement (from €8,986 million as at December 31, 2009 to €9,116 million at the balance sheet date), which was largely attributable to the greater actuarial risk resulting from the growth in R+V's business volumes. By taking targeted corrective action, the DZ BANK Group ensured that the market crises prevailing in the first half of 2010 did not impact noticeably on its risk capital requirements.

Each type of risk included in risk capital management – credit risk, equity risk, market risk, actuarial risk, operational risk, business risk, and strategic risk – is subjected to standardized group-wide **stress tests** at company level.

MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

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

The **DZ BANK financial conglomerate** comprises the DZ BANK banking group and the R+V insurance

group. The calculations of financial conglomerate solvency as at June 30, 2010 carried out as part of capital management demonstrate that the DZ BANK financial conglomerate comfortably exceeds the minimum regulatory requirements.

The **DZ BANK banking group's** total regulatory capital as at June 30, 2010 was calculated to be €10,790 million (December 31, 2009: €11,771 million). Total capital decreased slightly owing to the expiry of Tier 2 capital and the return of the BVR's guarantee. The capital requirements determined in accordance with the SolvV amounted to €7,207 million as at June 30, 2010 (December 31, 2009: €7,610 million). At DZ BANK banking group level, the total capital ratio as at June 30, 2010 came to 12.0 percent (December 31, 2009: 12.4 percent), while the Tier 1 capital ratio was 10.1 percent (December 31, 2009: 9.9 percent). The Tier 1 capital ratio rose slightly compared with the end of 2009 owing to the reduction in risk-weighted assets and the strengthening of the capital base from retained profits. The marginal decline in the total capital ratio was attributable to the decrease in capital.

DZ BANK and its material group companies took part in the EU-wide stress test conducted by the Committee of European Banking Supervisors (CEBS). The stress test used the scenarios, methods, and key assumptions specified by the CEBS and focused on the Tier 1 capital ratio, which in the case of the DZ BANK banking group amounted to 8.7 percent, which was well above the benchmark of 6 percent set by the regulator for this test. This result is proof positive of the DZ BANK Group's robust capital resources and underscores the success of the measures taken by the cooperative financial services network to strengthen the group's capital base in 2009.

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

4. CREDIT RISK

MANAGEMENT OF CREDIT RISK

In the first 6 months of 2010, the DZ BANK Group revised and enhanced the range of tools used by its internal rating systems. DZ BANK is developing new systems for rating asset finance transactions and non-domestic mid-cap corporates. In addition, DZ BANK and DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK S.A.) are currently designing a rating system for investment funds that they will both use. The rating systems for the banking and country segments are also being fundamentally revised. In June 2010, DZ BANK began using the revised VR-Rating Domestic Mid-Cap Corporates, which had been further developed within the cooperative financial services network in conjunction with WGZ BANK and the BVR and has already received approval from the banking regulators.

The rating categories approved by the Group Risk Committee, which were previously used for risk management in the DZ BANK Group, have been replaced by the VR master scale. The VR master scale serves as a group-wide rating benchmark with which to standardize the different rating systems used by the companies in the DZ BANK Group as a result of differences in their business priorities. It thereby provides all group companies with a consistent view of counterparties' credit ratings. The VR master scale is shown in the 'DZ BANK' column on page 88 of the risk report in the 2009 group management report. Due to restatements during the first half of 2010, the average default probability for rating class 4E on the VR master scale is now 30 percent, not 20 percent.

CREDIT PORTFOLIO ANALYSIS

Change in total lending volume

The basic principles for the following credit portfolio analysis are explained on page 94 of the risk report in the 2009 group management report.

The review of the credit portfolio conducted in the wake of the financial crisis resulted in a reduction in the lending volume up to the end of 2009. However, at the start of 2010, the DZ BANK Group gradually began to increase traditional lending once more in selected customer segments. Compared with the position as at December 31, 2009, total lending volume had increased by approximately 3 percent and amounted to €320.0 billion as at June 30, 2010 (December 31, 2009: €311.7 billion). In contrast, the contraction in the volume lent in the investment banking area, which had begun in 2008, continued in the first half of 2010. This led to a further reduction in securities portfolios, which were 3 percent lower than as at December 31, 2009 in terms of market value.

The loans and advances reported as at June 30, 2010 in the categories of traditional lending, securities business, derivatives, and money-market business differed only slightly from their respective average values for the first half of 2010.

OVERALL CREDIT PORTFOLIO STRUCTURE

The **industry structure** of the credit portfolio in the DZ BANK Group shown in figure 4 maintains the same broad diversification in existence at the end of 2009. For the most part, the main group companies invest their free cash flow in securities that are, as far as possible, investment grade. This accounts for the high proportion of loans and advances to the financial sector. In addition to the local cooperative banks, the borrowers in this customer segment comprised other banks and other financial institutions.

The biggest rises in lending volume between December 31, 2009 and June 30, 2010 were seen in the SME/large and medium-sized corporate customer segment (rise of €3.7 billion), the public sector (rise of €2.4 billion), and the financial sector (rise of €1.7 billion).

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 one of the largest loans and advances items in the DZ BANK Group's credit portfolio. DZ BANK also supports the local cooperative banks in the provision of larger-scale funding to corporate customers. The resulting syndicated business, DZ BANK and DVB's direct business with corporate customers in Germany and abroad, the

FIG. 4 – LENDING VOLUME BY INDUSTRY

	Traditional lending business		Securities business		Derivates and money market		Total	
€ billion	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Financial sector	70.8	65.2	53.1	57.6	12.4	11.8	136.2	134.5
Public sector (public authorities/government)	9.6	9.8	30.3	27.6	0.4	0.4	40.3	37.9
Corporates	76.2	72.2	6.8	7.6	1.7	1.2	84.7	81.0
Retail	38.8	38.3	9.4	9.8	–	–	48.2	48.2
Industry conglomerates	4.1	3.9	4.8	4.8	0.5	0.5	9.4	9.2
Other	1.1	1.1	–	–	–	–	1.1	1.1
Total	**200.6**	**190.6**	**104.4**	**107.3**	**15.0**	**13.9**	**320.0**	**311.7**

FIG. 5 – LENDING VOLUME BY COUNTRY GROUP

€ billion	Traditional lending business		Securities business		Derivates and money market		Total	
	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Germany	153.1	145.3	46.0	45.8	9.0	8.6	208.1	199.7
EMU countries (excl. Germany)	11.7	11.4	36.2	39.7	2.7	2.6	50.7	53.7
Other EU countries	7.0	7.6	7.2	7.4	1.9	1.4	16.0	16.5
Other industrialized nations	16.6	14.8	13.4	13.0	1.3	1.1	31.3	28.9
Non-industrialized nations	12.1	11.4	1.6	1.5	0.2	0.1	13.9	13.0
Total	200.6	190.6	104.4	107.3	15.0	13.9	320.0	311.7

FIG. 6 – LENDING VOLUME BY RESIDUAL MATURITY

€ billion	Traditional lending business		Securities business		Derivates and money market		Total	
	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
≤ 1 year	65.4	60.5	34.4	39.1	8.9	8.5	108.7	108.2
> 1 year to ≤ 5 years	50.7	49.4	31.4	31.9	2.6	2.4	84.8	83.8
> 5 years	84.5	80.6	38.5	36.2	3.5	2.9	126.5	119.8
Total	200.6	190.6	104.4	107.3	15.0	13.9	320.0	311.7

retail customer real-estate business under the umbrella of BSH, and TeamBank's consumer finance business determine the industry breakdown of the remainder of the portfolio.

Figure 5 shows the geographical distribution of the credit portfolio by **country group**. As at June 30, 2010, 96 percent of total lending volume was concentrated in Germany and other industrialized countries. This figure was unchanged from December 31, 2009.

Loans and advances to countries that have been hit particularly hard by the current sovereign debt crisis – Portugal, Ireland, Italy, Greece, and Spain – amounted to €11.3 billion as at March 31, 2010. These loans and advances represented the exposure to central and regional governments and public-sector entities that was disclosed on July 26, 2010 as a result of the EU-wide stress tests.

Figure 6, which illustrates the credit portfolio by **residual maturity** as at June 30, 2010, shows a slight increase since December 31, 2009 in the volume of lending with a residual maturity of more than 5 years. This increase was registered on a continuous basis over the first 6 months of 2010. The volume of lending with a residual maturity of up to 5 years was slightly higher as at June 30, 2010 than it had been as at December 31, 2009.

FIG. 7 – CREDIT RATING STRUCTURE OF THE CREDIT PORTFOLIO

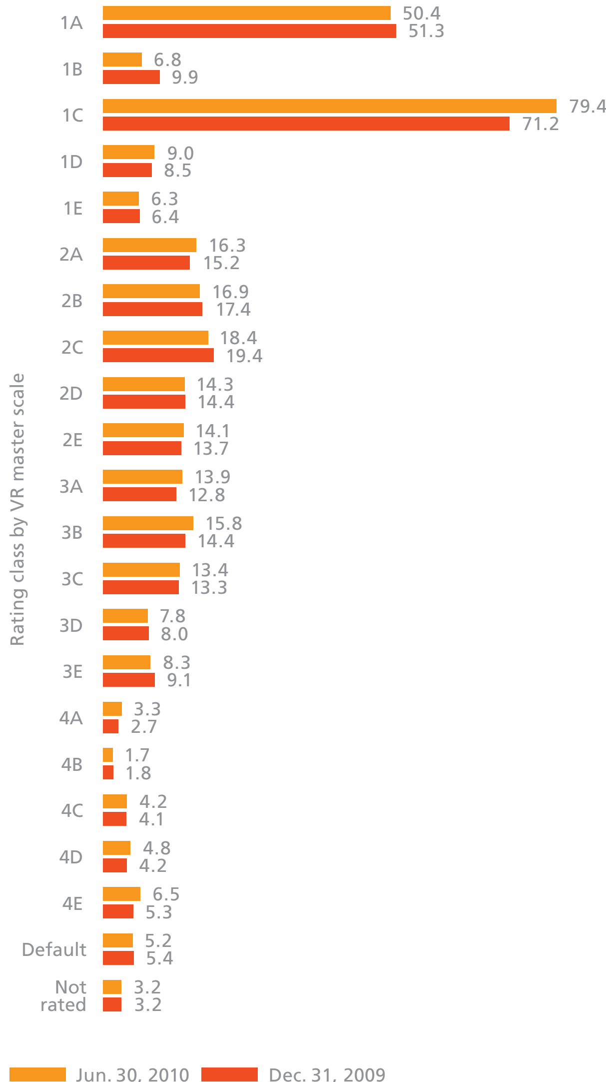


Figure 7 sets out the DZ BANK Group's lending volume according to the **VR master scale**. 'Not rated' comprises counterparties for which a rating classification is not required.

Despite the continued drop in customer credit quality during the first half of 2010, 77 percent of total lending as at June 30, 2010 (unchanged from December 31, 2009) was to counterparties in rating categories 1A to 3A (investment grade) and this category therefore accounted for the greatest proportion of lending. However, some migration to lower ratings within investment grade was also still noticeable.

The lending volume to investment-grade borrowers in the financial sector as a whole increased slightly by 2 percent compared with the position at December 31, 2009. In rating categories 1A to 1E, lending to the financial sector was up by 5 percent. The proportion of lending to financial-sector borrowers in rating categories 1A to 1E accounted for by the local cooperative banks rose slightly from 66 percent as at December 31, 2009 to 67 percent as at June 30, 2010.

The proportion of DZ BANK Group's total lending to counterparties in rating categories 3B to 5E (non-investment grade including default) as at June 30, 2010 remained relatively small at 22 percent (unchanged from December 31, 2009). Defaults in rating categories 5A to 5E as at June 30, 2010 were also unchanged from December 31, 2009, accounting for 2 percent of the DZ BANK Group's total credit portfolio. This position has remained at a low level for many years.

BREAKDOWN OF CREDIT PORTFOLIO THAT IS PAST DUE BUT NOT IMPAIRED

Figures 8 and 9 show the portion of the lending volume that is past due but not impaired. The disclosures relate for the most part to traditional lending business. The guidelines on the recognition of provisions, impairment losses, and allowances for losses on loans and advances, which apply to the companies of the DZ BANK Group, ensure that this sector of the portfolio only accounts for a relatively small proportion of total lending volume. Loans past due by more than 3 months increased from €518 million as at December 31, 2009 to €781 million as at June 30, 2010 because loans have switched from shorter to longer past-due categories.

FIG. 8 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY INDUSTRY

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days up to 1 month		Past due > 1 month up to 2 months		Past due > 2 months up to 3 months		Past due > 3 months		Total	
€ million	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Financial sector	1	38	2	2	2	2	1	1	13	39	18	82
Public sector (public authorities/ government)	131	98	1	–	–	1	–	–	1	1	133	99
Corporates	227	519	149	364	183	87	214	94	674	376	1,446	1,440
Retail	535	492	83	93	44	63	18	16	90	101	771	764
Industry conglomerates	–	–	–	–	–	–	–	–	–	–	–	–
Other	1	1	4	5	2	2	1	1	2	1	9	10
Total	**894**	**1,147**	**238**	**464**	**231**	**155**	**234**	**111**	**781**	**518**	**2,378**	**2,395**

FIG. 9 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY COUNTRY GROUP

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days up to 1 month		Past due > 1 month up to 2 months		Past due > 2 months up to 3 months		Past due > 3 months		Total	
€ million	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Germany	839	966	82	84	127	111	59	49	425	347	1,532	1,557
EMU countries (excl. Germany)	17	6	7	75	24	–	–	–	55	2	103	84
Other EU countries	28	36	124	158	70	44	21	17	44	38	287	293
Other industrialized nations	1	1	12	81	–	–	123	–	224	111	360	193
Non-industrialized nations	8	138	14	66	9	–	31	45	33	19	96	269
Total	**894**	**1,147**	**238**	**464**	**231**	**155**	**234**	**111**	**781**	**518**	**2,378**	**2,395**

FIG. 10 – IMPAIRED LENDING VOLUME, BY INDUSTRY

	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Financial sector	641	525	319	309	322	217
Public sector (public authorities/government)	93	–	–	–	94	–
Corporates	2,933	2,586	1,145	1,149	1,788	1,438
Retail	1,155	1,175	549	569	606	606
Industry conglomerates	1	1	–	–	1	1
Other	8	45	8	34	–	11
Total	**4,831**	**4,333**	**2,021**	**2,060**	**2,810**	**2,273**

FIG. 11 – IMPAIRED LENDING VOLUME, BY COUNTRY GROUP

	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Germany	2,390	2,607	1,282	1,359	1,108	1,249
EMU countries (excl. Germany)	272	281	42	55	230	226
Other EU countries	1,050	419	140	121	910	298
Other industrialized nations	775	778	413	436	361	342
Non-industrialized nations	344	248	142	90	201	158
Total	**4,831**	**4,333**	**2,021**	**2,060**	**2,810**	**2,273**

Breakdown of the impaired credit portfolio

Figures 10 and 11 show the impaired loans in this part of the portfolio. The disclosures relate for the most part to traditional lending business. As at June 30, 2010, the lending volume after allowances and impairment losses was €2,810 million (December 31, 2009: €2,273 million).

Breakdown of the securitization portfolio

In the first half of 2010, the DZ BANK Group was again able to continue the significant reduction in securitization exposure that it had already begun to achieve in 2008 and 2009. As at June 30, 2010, the fair value of the entire securitization exposure amounted to €19.0 billion, compared with a fair value of €20.2 billion as at December 31, 2009. This equates to a reduction of 6 percent As a result, the DZ BANK Group has reduced its securitization exposure by 39 percent since the start of the subprime mortgage crisis.

Within the DZ BANK Group's total securitization exposure at the end of the first half of 2010, €4.1 billion related to exposure to conduits. This was unchanged from the value determined as at December 31, 2009. Of this amount, 72 percent (December 31, 2009: 66 percent) related to undrawn lines of credit to conduits. Since 2007, conduits have only been made available for customer transactions. Customers of DZ BANK Group companies can securitize their own assets for funding purposes by using these conduits. The conduits are provided primarily for customers who use these companies to securitize their own assets.

As at June 30, 2010, 56 percent (December 31, 2009: 63 percent) of the securitization exposure on the balance sheet consisted of AAA tranches rated by external credit agencies. A further 17 percent (December 31, 2009: 16 percent) was rated AA. The underlying assets were geographically diversified and were mainly allocated to European countries, the US, and Australia.

The main feature of the portfolio was a product-related focus on residential and commercial real-estate finance. As at June 30, 2010, 9 percent (December 31, 2009: 8 percent) of the securitization exposure on the balance sheet was accounted for by US residential mortgage-backed securities classified as subprime. On the balance sheet date, the portfolio also included collateralized debt obligations of €1.7 billion, which was unchanged from December 31, 2009.

As at June 30, 2010, 75 percent (December 31, 2009: 85 percent) of securitization exposure to conduits was in external rating class A or higher. Securitization exposure classified as AAA accounted for 11 percent of the total exposure to conduits as at June 30, 2010 (December 31, 2009: 12 percent). A further 22 percent (December 31, 2009: 20 percent) was rated AA. The underlying securitized transactions were almost exclusively small-ticket loans to customers, largely in Germany or the US.

In the first 6 months of 2010, the securitization portfolios of the banks in the DZ BANK Group were subject to adverse changes in fair value amounting to €428 million (first half of 2009: €507 million).

ANALYSIS OF ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Figures 12 to 19 show the change in allowances (specific loan loss allowances including the specific loan loss allowances evaluated on a group basis), in the portfolio loan loss allowances, in the provisions for loan commitments, and in liabilities arising on financial guarantee contracts and on loan commitments in the first half of 2010 and in the corresponding period in 2009. Except for the portfolio loan loss allowances, these figures are disclosed in separate breakdowns by industry and by country group.

The components of the allowances shown in the tables are also disclosed in the notes to the interim consolidated financial statements. Discrepancies between the amounts shown in the risk report and those reported in the notes are primarily attributable to differences in the scope of consolidation.

In the first 6 months of 2010, the DZ BANK Group was able to decrease its specific loan loss allowance balance by €39 million, whereas there had been a net addition of €109 million in the first half of 2009. The specific loan loss allowances recognized for DZ BANK's portfolios are in line with expectations and will increase over the course of the year. Net additions particularly affect the financial sector and corporates. At the level of the subsidiaries, the requirement for increased allowances primarily affected VR LEASING.

Given the continued tough economic conditions, the DZ BANK Group recognized net portfolio loan loss allowances of €6 million for future latent risks (first half of 2009: net new provisions of €87 million), accounted for primarily by DVB.

The general economic uptrend that can now be seen has resulted in DZ BANK releasing provisions amounting to €19 million in the first half of 2010.

Provisions for loan commitments are a component of the 'Provisions' balance sheet item. Liabilities arising from financial guarantee contracts are reported under 'Other liabilities' on the balance sheet. The provisions shown in the risk report are attributable almost entirely to DZ BANK.

FIG. 12 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY INDUSTRY – JANUARY 1 TO JUNE 30, 2010

€ million	**Balance as at Jan. 1, 2010**	Additions	Utilizations	Reversals	Interest income	Other changes	**Balance as at Jun. 30, 2010**	Directly recognized impairment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	309	45	-1	-40	-3	10	319	–	–
Public sector (public authorities/government)	–	–	–	–	–	–	–	–	–
Corporates	1,149	173	-119	-124	-17	79	1,142	14	-1
Retail	569	144	-68	-83	–	-13	549	24	-9
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	34	19	–	-7	–	-37	8	5	-5
Total specific loan loss allowances[1]	2,060	381	-188	-254	-21	38	2,017	43	-14
Portfolio loan loss allowances	420	37	–	-31	–	–	426	–	–
Total loan loss allowances	**2,479**	418	-188	-284	-21	38	**2,443**	43	-14

1 Including specific loan loss allowances evaluated on a group basis

FIG. 13 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY INDUSTRY – JANUARY 1 TO JUNE 30, 2009

€ million	**Balance as at Jan. 1, 2009**	Additions	Utilizations	Reversals	Interest income	Other changes	**Balance as at Jun. 30, 2009**	Directly recognized impairment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	242	85	–	-74	-4	13	262	–	–
Public sector (public authorities/government)	–	–	–	–	–	–	–	–	–
Corporates	938	205	-25	-55	-16	2	1,048	16	–
Retail	566	146	-57	-96	–	4	563	30	-8
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	23	3	–	-1	–	-20	5	6	-2
Total specific loan loss allowances[1]	1,769	439	-82	-227	-19	-2	1,878	52	-10
Portfolio loan loss allowances	386	137	–	-47	–	-3	473	–	–
Total loan loss allowances	**2,155**	576	-82	-274	-19	-5	**2,351**	52	-10

1 Including specific loan loss allowances evaluated on a group basis

FIG. 14 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES FROM FINANCIAL GUARANTEE CONTRACTS, BY INDUSTRY – JANUARY 1 TO JUNE 30, 2010

€ million	Balance as at Jan. 1, 2010	Additions	Utilizations	Reversals	Other changes	Balance as at Jun. 30, 2010
Financial sector	12	2	–	–	2	15
Public sector (public authorities/government)	–	–	–	–	–	–
Corporates	105	23	–	-20	3	111
Retail	3	–	–	-1	–	1
Industry conglomerates	–	–	–	–	–	–
Other	73	1	–	-27	–	47
Total	**193**	**25**	**–**	**-48**	**5**	**174**

FIG. 15 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES FROM FINANCIAL GUARANTEE CONTRACTS, BY INDUSTRY – JANUARY 1 TO JUNE 30, 2009

€ million	Balance as at Jan. 1, 2009	Additions	Utilizations	Reversals	Other changes	Balance as at Jun. 30, 2009
Financial sector	12	–	–	–	–	12
Public sector (public authorities/government)	–	–	–	–	–	–
Corporates	72	14	–	-2	–	84
Retail	1	–	-1	-1	–	-1
Industry conglomerates	–	–	–	–	–	–
Other	56	21	–	-5	–	72
Total	**141**	**35**	**-1**	**-8**	**–**	**167**

FIG. 16 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – JANUARY 1 TO JUNE 30, 2010

€ million	Balance as at Jan. 1, 2010	Additions	Utilizations	Reversals	Interest income	Other changes	Balance as at Jun. 30, 2010	Directly recognized impairment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,359	194	-97	-119	-14	-40	1,282	29	-10
EMU countries (excl. Germany)	55	3	-12	-4	-1	1	42	–	–
Other EU countries	121	36	-2	-21	-2	4	137	13	–
Other industrialized nations	436	97	-69	-71	-3	24	413	–	–
Non-industrialized nations	90	50	-9	-38	-1	50	142	–	-5
Total specific loan loss allowances[1]	**2,060**	**381**	**-188**	**-254**	**-21**	**38**	**2,017**	**43**	**-14**
Portfolio loan loss allowances	420	37	–	-31	–	–	426	–	–
Total loan loss allowances	**2,479**	**418**	**-188**	**-284**	**-21**	**38**	**2,443**	**43**	**-14**

1 Including specific loan loss allowances evaluated on a group basis

FIG. 17 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – JANUARY 1 TO JUNE 30, 2009

€ million	Balance as at Jan. 1, 2009	Additions	Utilizations	Reversals	Interest income	Other changes	Balance as at Jun. 30, 2009	Directly recognized impairment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,330	265	-70	-116	-16	-23	1,370	35	-10
EMU countries (excl. Germany)	65	19	-7	-18	–	-1	58	–	–
Other EU countries	74	39	-3	-27	-1	16	98	13	–
Other industrialized nations	261	98	-2	-58	-2	3	300	–	–
Non-industrialized nations	39	18	–	-8	–	3	52	4	–
Total specific loan loss allowances[1]	1,769	439	-82	-227	-19	-2	1,878	52	-10
Portfolio loan loss allowances	386	137	–	-47	–	-3	473	–	–
Total loan loss allowances	**2,155**	576	-82	-274	-19	-5	**2,351**	52	-10

1 Including specific loan loss allowances evaluated on a group basis

FIG. 18 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES FROM FINANCIAL GUARANTEE CONTRACTS, BY COUNTRY GROUP – JANUARY 1 TO JUNE 30, 2010

€ million	Balance as at Jan. 1, 2010	Additions	Utilizations	Reversals	Other changes	Balance as at Jun. 30, 2010
Germany	104	23	–	-19	2	110
EMU countries (excl. Germany)	–	–	–	–	–	–
Other EU countries	–	–	–	–	–	–
Other industrialized nations	17	2	–	-2	2	19
Non-industrialized nations	72	1	–	-27	–	46
Total	**193**	25	–	-48	5	**174**

FIG. 19 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES FROM FINANCIAL GUARANTEE CONTRACTS, BY COUNTRY GROUP – JANUARY 1 TO JUNE 30, 2009

€ million	Balance as at Jan. 1, 2009	Additions	Utilizations	Reversals	Other changes	Balance as at Jun. 30, 2009
Germany	78	14	-1	-3	–	88
EMU countries (excl. Germany)	–	–	–	–	–	–
Other EU countries	–	–	–	–	–	–
Other industrialized nations	7	–	–	–	–	7
Non-industrialized nations	56	21	–	-5	–	72
Total	**141**	35	-1	-8	–	**167**

5. MARKET RISK

MANAGEMENT OF MARKET RISK

Market risk is determined using the value-at-risk method in which the value at risk is measured for the group as a whole as well as for each individual consolidated company.

To determine the value-at-risk, DZ BANK uses an **internal risk model** approved by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin) [Federal Financial Supervisory Authority] for the **calculation of capital requirements** for general and specific market risk in accordance with the SolvV. 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 1-year observation period and a holding period of 10 trading days.

In contrast to the calculation of capital adequacy specified by the SolvV, value-at-risk at DZ BANK is calculated for the purposes of **market risk management** at all levels of the portfolio hierarchy with a holding period of 1 trading day. Banking book items are also included in this calculation of value-at-risk, again in contrast to the regulatory requirement.

In order to obtain estimates of the potential loss in extreme market conditions, the DZ BANK Group carries out **stress tests** on the basis of selected risk factors. Stress tests use as their basis extreme market fluctuations that have actually occurred in the past together with crisis scenarios that – regardless of market data history – are considered to be economically relevant. The crisis scenarios used are constantly reviewed to ensure they are appropriate.

ANALYSIS OF MARKET RISK

Figure 20 shows the changes in value-at-risk for the different types of market risk in respect of the trading and non-trading portfolios in the banking business in the first half of 2010.

FIG. 20 – VALUE-AT-RISK[1] IN BANKING BUSINESS

€ million	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity price risk	Diversification effect[2]	Total
Trading portfolios							
Jun. 30, 2010	17	91	3	16	1	-17	**111**
Average	14	71	3	13	1	-20	83
Maximum	23	110	4	17	1	-33	129
Minimum	8	38	3	10	–	-13	44
Dec. 31, 2009	**9**	**92**	**2**	**14**	**1**	**-15**	103
Non-trading portfolios							
Jun. 30, 2010	3	30	3	2	–	-5	**33**
Average	4	40	4	2	–	-5	44
Maximum	7	56	7	3	–	-8	63
Minimum	2	30	3	1	–	-4	33
Dec. 31, 2009	**6**	**56**	**5**	**3**	–	**-10**	60

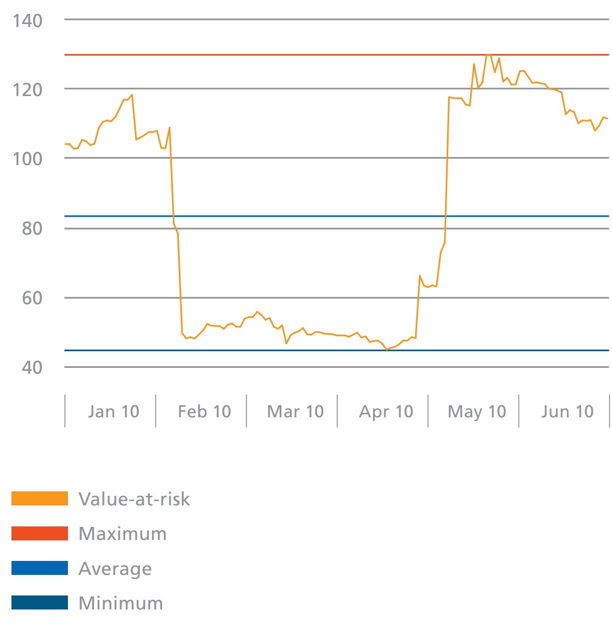
1 Value-at-risk with 99 percent confidence level, one-day holding period, one-year observation period, based on company-specific modeling. Banking business is an aggregation of the following companies: DZ BANK, DG HYP, DVB, DZ BANK Ireland, DZ BANK Polska, DZPRIVATBANK S.A., DZ PRIVATBANK Schweiz, TeamBank, and Union Asset Management Holding.
2 Total effects of diversification between the types of market risk for all consolidated group companies

Figure 21 shows the change in the total value-at-risk for the DZ BANK Group's trading portfolios. The calculated value-at-risk was largely determined by DZ BANK's portfolios and remained high owing to the effects of the financial crisis.

The decline between January and mid-March 2010 was primarily due to the fact that the extreme market scenarios between autumn 2008 and the start of 2009 were no longer included in the 1-year observation period for the historical simulation. However, the crisis scenarios were still included in the other risk monitoring processes, such as the stress tests and calculation of the economic risk capital requirement. The rise in the value-at-risk in May 2010 was mainly a result of the sovereign debt crisis in a number of European countries.

Market liquidity risk in the DZ BANK Group arises primarily in respect of credit-linked securities held by DZ BANK and DG HYP. The securities that are most susceptible to market liquidity risk are asset-backed securities. During the course of the financial crisis, specifically in the second half of 2008, there was a shortage of market liquidity, including for securities that had previously been regarded as highly liquid. On the balance sheet date, market liquidity remained below the level seen before the financial crisis.

FIG. 21 – VALUE-AT-RISK IN TRADING PORTFOLIOS



6. LIQUIDITY RISK

LIQUIDITY UP TO 1 YEAR AND STRUCTURAL LIQUIDITY

On June 30, 2010, under the risk scenario, the **minimum liquidity surplus for the DZ BANK Group** measured for the period from July 1, 2010 to June 30, 2011 was €25.4 billion (December 31, 2009: €22.7 billion). Figure 22 shows a comparison between the forward cash exposure and counterbalancing capacity for the coming 12 months calculated under the risk scenario as at June 30, 2010. The diagram illustrates the effect on liquidity of the measures that can be implemented to generate liquidity. The measures include funding collateralized by securities that can be obtained from central banks or in the repo market. The DZ BANK Group's liquidity did not fall below the minimum liquidity surplus during the reporting period.

DZ **BANK's long-term ratio** as at June 30, 2010 was 93 percent (December 31, 2009: 117 percent). The ratio was lower than at the 2009 year end because funding fell more sharply than transactions with a residual maturity of more than one year that tie up liquidity.

FUNDING

The structure of **short-term and medium-term funding** in the DZ BANK Group is based on an appropriately broad, well-diversified range of geographical regions, investors, markets, products, and maturities. The deposits held by the local cooperative banks provide the main source of funding. As at June 30, 2010, they provided 47 percent of unsecured funding (December 31, 2009: 46 percent).

These ratios demonstrate that the business model used by the cooperative financial services network is also viable in terms of the provision of liquidity in times of crisis, ensuring that DZ BANK can operate without restriction in performing its decentralized tasks for the local cooperative banks. Figure 23 shows the percentage breakdown of the main sources of unsecured short-

term and medium-term funding on June 30, 2010 compared with December 31, 2009.

Since there are only limited opportunities to obtain unsecured funding on the money markets, **structural analyses** of the various resources available on the liabilities side of the balance sheet are conducted once a month. The purpose of these analyses is to provide senior management with information that can then be used as the basis for the active management of the liability profile.

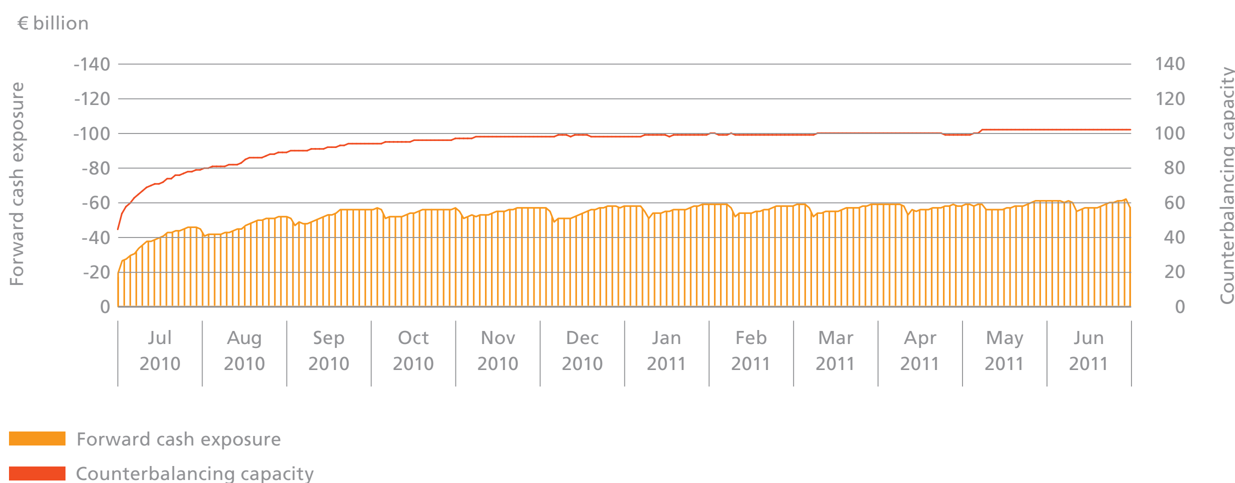
To secure liquidity on an ongoing basis, DZ BANK has at its disposal portfolios of securities eligible for central bank borrowing. These securities can be sold at short notice or used as collateral in monetary policy funding transactions with central banks, in bilateral repos, or in the tri-party repo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

FIG. 23 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

(%)	Jun. 30, 2010	Dec. 31, 2009
Local cooperative banks	47	46
Other banks	22	19
Corporate customers	20	26
Commercial papers certificates of deposit	11	9

DZ BANK secures its **long-term funding** by using structured and non-structured capital market products that are mainly marketed through the local cooperative banks' own account and customer account securities business and through institutional clients in Germany and abroad. Both DZ BANK and DG HYP also have the option of obtaining liquidity through covered issues in the form of DZ BANK BRIEFE and DG HYP Pfandbriefe. In this case, the funding is primarily obtained from institutional investors.

FIG. 22 – LIQUIDITY RISK IN THE DZ BANK GROUP AS AT JUNE 30, 2010 – LIQUIDITY FORECAST FOR 1 YEAR IN THE RISK SCENARIO



7. ACTUARIAL RISK

ANALYSIS OF CREDIT RISK IN CREDIT INSURANCE

The value insured in R+V's credit insurance business amounted to €22.6 billion as at June 30, 2010; the value insured had totaled €20.6 billion on December 31, 2009. This trend partly reflects the fact that R+V has managed to tap into new groups of customers by broadening its product portfolio and is also the result of the relatively stable level of business activity within the relevant customer segment of the construction industry in the first half of 2010.

The business lines in R+V's Banking & Credit division have not been affected by the crises in the financial markets. R+V has no business lines in which it has covered guarantees for interest payments or repayment of principal on bonds, credit risks on debt instruments, or credit risks on commercial or mortgage banks.

8. SUMMARY AND OUTLOOK

SUMMARY

The efficiency of its risk management system means that the DZ BANK Group is able to meet the challenges posed by the financial crisis.

Both the DZ BANK Group as a whole and its individual group companies operated within the limits of their economic risk-bearing capacity during the first half of 2010. Furthermore, they complied with the regulatory requirements at all times. Despite the ongoing market turmoil, neither the DZ BANK Group nor of any of its group companies was at risk of insolvency at any time during the reporting period. The group was able to cope adequately with the effects of the crises in the financial markets on its liquidity position by using the existing organizational arrangements available in its liquidity risk management.

OUTLOOK

In view of the tough economic conditions that have arisen as a consequence of the financial crisis and sovereign debt crisis, the DZ BANK Group currently believes that increases in allowances for losses on loans and advances for the current year will need to be at the same level as in 2009. Although allowances for losses on loans and advances were comparatively low during the first half of 2010, they are likely to be increased in the remaining 6 months.

Due to the current environment, the markets are expected to remain highly volatile. DZ BANK's trading business will continue to focus 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 the associated market risks. Limits for market risk will continue to be set in line with the group's risk-bearing capacity.

The deposits held by 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 liquidity investments from corporate customers and institutional investors. The DZ BANK Group has an adequate pool of securities eligible as collateral for loans from the central bank, and these securities can be used for this purpose at any time. Stress tests to measure and monitor liquidity are carried out on a daily basis, independently of the trading function. The results of the stress tests suggest that, even if a serious crisis should arise, the group will not experience liquidity shortages in the second half of 2010.

From a current perspective, the DZ BANK Group's economic capital adequacy will not be at risk in the second half of 2010. Assuming that the prevailing situation in the capital markets continues throughout the second half of the year, the regulatory solvency requirements for the DZ BANK financial conglomerate, the DZ BANK banking group, and the R+V insurance group will also be met. There are no indications that the DZ BANK Group's continued existence as a going concern might be at risk.

The prospects for the remaining six months of 2010 are discussed in the outlook as part of the interim group management report.

III. Outlook

The economy has recovered faster than expected in all of the major **regions of the world**. However, the pace of this global recovery will vary from region to region during 2010 and 2011.

The main growth engine will continue to be Asia, above all the emerging markets of China and India. Latin American countries will also be strong drivers of growth.

There is a different picture in the industrialized countries where, despite numerous economic stimulus packages, recovery remains rather weak with significant regional variations in growth levels.

Global trade will expand in 2010 but will lose some of its momentum over the course of 2011.

In the **US**, economic recovery will continue in the second half of 2010, boosted among other things by rising consumer spending. This will be funded by a further reduction in savings rates as unemployment will remain high in 2010.

Due to the aftershocks of the financial crisis, US monetary policy remains expansionary for now and will continue to support the upturn and provide stability in 2010 and next year.

Following the ups and downs of the first 6 months, **Europe** can expect very subdued growth during the rest of 2010. The sovereign debt crisis in Greece and in other highly indebted euro-zone countries is having a lasting impact on economic growth throughout the euro zone.

The planned spending cuts and tax rises will depress domestic demand in almost all member states over the coming years. At the same time, unemployment will not fall significantly in 2011. As a result, there is no sign yet of a self-perpetuating, sustained upturn.

With growth remaining poor and production capacities not being fully utilized, the European Central Bank will maintain interest rates at their current level in 2010. Interest rate adjustments, combined with more restrictive monetary policy, are not expected to take place until 2011.

Germany will gain a stronger basis for growth during 2010. Growth in the global economy will provide a boost, particularly for exports in the industrial sector.

A rise in exports to Asia, fueled in part by the fall in the value of the euro, will provide additional impetus. In 2011, export growth is likely to falter as a result of key trading partners' moderate economic growth and the economic risks resulting from the sovereign debt crises of countries in southern Europe.

Despite the economic upturn, which can also be seen in the labor market, consumer spending will not make a protracted contribution to overall economic demand. Consumers will continue to limit their spending in 2011 due to further pressure caused by price rises for crude oil and petroleum products and by government spending cuts.

In the banking sector, the fallout from the worldwide economic crisis will be reflected in above-average allowances for losses on loans and advances, in both private and corporate customer business.

Additional capital requirements based on tighter regulatory requirements, plus new taxes and new fiscal rules, will put banks under greater pressure and may distort competition within the banking system.

In light of these economic conditions, DZ BANK expects that the prospects for the financial markets will also improve in 2010 and 2011. However, fiscal problems in a number of countries may lead to renewed uncertainty in the financial markets.

Based on its strategic orientation in favor of the local cooperative banks, DZ BANK is pursuing the objective of boosting the competitiveness of the group as a whole and its individual companies over the long term. It aims to provide the primary banks with a decentralized, innovative range of financial products and services at competitive prices and commissions.

The starting point for all of the DZ BANK Group's business activities is still therefore the systematic identification of opportunities for the cooperative financial services network. The DZ BANK Group has implemented a standardized strategic planning process for the identification and quantitative assessment of opportunities and risks. This outlook includes a forecast of expected business performance based on this strategic planning process.

DZ BANK's strategic **capital management** will face considerable regulatory challenges over the next few years. As a result, capital will be strictly allocated according to the criteria of capital tie-up, orientation to the cooperative financial services network, and profitability. The bank will focus above all on closely monitoring the main capital drivers and continuing to implement measures to improve capital allocation.

In 2010, **net interest income** excluding income from long-term equity investments is expected to be higher than in 2009, primarily due to growth in the portfolio and improvements in margins. This upward trend will gather pace in 2011, stimulated by a larger volume of new lending business and an improved margin situation. However, increased interest expenses and possible adjustments to the business model may have a negative impact.

The aftershocks of the economic downturn can be felt in the **allowances for losses on loans and advances**. The situation is likely to remain difficult throughout 2010 and next year and will not normalize until after 2011.

In 2010, **net fee and commission income** will have a positive effect on net profit, with price rises in the capital markets as one of the main value drivers here. The expansion of private banking will boost net fee and commission income in 2011.

Net gains on trading activities will be lower in 2010 than they were in 2009 because gains from the narrowing of credit spreads will slacken. In 2011, net gains on trading activities are expected to return to the level they were at before the financial crisis.

Net gains on investments will improve year on year, as impairment losses on securitization exposures will decrease in 2010 and 2011.

There will be a positive trend in **net income from insurance** due to a rise in premiums in 2010 and additional stimulus from growth in net gains on investments. It is anticipated that premiums earned will grow at a rate above the average for the sector in 2011.

The expected rise in **administrative expenses** during 2010 and 2011 reflects wage and salary increases in line with collective pay agreements and inflationary increases in general and administrative expenses. Additional spending related to the ongoing strategic development of the DZ BANK Group will also drive up administrative expenses. Overall, the growth in operational business, plus rigorous cost management throughout the DZ BANK Group, will enhance the cost/income ratio in 2010 and 2011.

The DZ BANK Group expects to achieve a better net profit in 2010 than it did last year. Continued economic recovery and the DZ BANK Group's systematic implementation of its strategy will enable this positive trend to be maintained in 2011.

The DZ BANK Group believes that, by focusing on the cooperative financial services network, it has the right strategy in place for the coming years and is well equipped to tackle future challenges.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Income statement
for the period January 1 to June 30, 2010

€ million	(Note)	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Net interest income	(5)	1,249	1,324
Allowances for losses on loans and advances	(6)	-136	-373
Net fee and commission income	(7)	543	447
Gains and losses on trading activities	(8)	528	689
Gains and losses on investments	(9)	-306	-318
Other gains and losses on valuation of financial instruments	(10)	-162	-118[1]
Premiums earned	(11)	5,470	5,105
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(12)	1,474	1,058
Insurance benefit payments	(13)	-5,860	-5,203
Insurance business operating expenses	(14)	-935	-842
Administrative expenses	(15)	-1,234	-1,213
Other net operating income	(16)	-15	47
Profit before taxes		616	603
Income taxes	(17)	-130	-267[1]
Net profit		**486**	**336**
Attributable to:			
Shareholders of DZ BANK		418	227[1]
Non-controlling interests		68	109

1 Amount restated

Statement of comprehensive income for the period January 1 to June 30, 2010

€ million	(Note)	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Net profit		486	336[1]
Gains and losses on available-for-sale financial assets	(18)	-280	144
Gains and losses on cash flow hedges	(18)	-31	–
Exchange differences on currency translation of foreign operations		10	-6
Actuarial gains and losses on defined benefit plans		-192	-2
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method		4	-17
Other comprehensive income/loss before taxes		-489	119
Income taxes relating to components of other comprehensive income	(19)	140	-32
Other comprehensive income/loss		-349	87
Total comprehensive income/loss		**137**	**423**
Attributable to:			
Shareholders of DZ BANK		105	288[1]
Non-controlling interests		32	135

1 Amount restated

Balance sheet as at June 30, 2010

ASSETS

€ million	(Note)	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Cash and cash equivalents	(20)	1,911	487	2,187
Loans and advances to banks	(21)	65,662	61,100	70,036
Loans and advances to customers	(22)	118,091	112,796	117,021
Allowances for losses on loans and advances	(23)	-2,424	-2,462	-2,130
Derivatives used for hedging (positive fair values)	(24)	1,378	1,096	694
Financial assets held for trading	(25)	90,505	91,190	114,443
Investments	(26)	62,918	61,429	66,322
Investments held by insurance companies	(27)	56,481	53,426	49,040
Property, plant and equipment, and investment property	(28)	1,974	1,797	1,974
Income tax assets		2,709	2,491	2,959[1]
Other assets	(29)	4,487	4,921	4,350
Non-current assets and disposal groups classified as held for sale		64	68	70
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		278	186	161
Total assets		**404,034**	**388,525**	**427,127**

1 Amount restated

EQUITY AND LIABILITIES

€ million	(Note)	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Deposits from banks	(30)	78,092	55,556	59,643[1]
Amounts owed to other depositors	(31)	79,727	77,146	77,807[1]
Debt certificates including bonds	(32)	58,957	65,532	65,525
Derivatives used for hedging (negative fair values)	(33)	1,617	808	992
Financial liabilities held for trading	(34)	107,153	113,468	152,729
Provisions	(35)	1,694	1,583	1,474
Insurance liabilities	(36)	55,348	52,351	48,205
Income tax liabilities		1,336	1,250	1,195
Other liabilities	(37)	5,136	6,156	5,963
Subordinated capital	(38)	4,544	4,514	5,308
Liabilities included in disposal groups classified as held for sale		13	13	13
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		167	-85	-145
Equity		10,250	10,233	8,418
Subscribed capital		3,160	3,160	3,028
Capital reserves		1,111	1,111	843
Retained earnings		1,903	1,950	1,957[1]
Revaluation reserve		-416	-241	-926
Cash flow hedge reserve		-44	-22	-32
Currency translation reserve		-10	-22	-3
Non-controlling interests		4,128	4,175	3,493
Unappropriated earnings		418	122	58
Total equity and liabilities		**404,034**	**388,525**	**427,127**

1 Amount restated

Statement of changes in equity

€ million	Sub-scribed capital	Capital reserves	Equity earned by the group	Revalu-ation reserve	Cash flow hedge reserve	Currency translation reserve	**Equity before non-con-trolling interests**	Non-con-trolling interests	**Total equity**
Equity as at Jan. 1, 2009	3,028	843	2,280	-926	-32	-3	5,190	3,493	8,683
Restatements according to IAS 8	–	–	-265	–	–	–	-265	–	-265
Equity restated as at Jan. 1, 2009	3,028	843	2,015	-926	-32	-3	4,925	3,493	8,418
Net profit	–	–	227[1]	–	–	–	227	109	336
Other comprehensive income/loss	–	–	-2	68	2	-7	61	26	87
Total comprehensive income/loss	**–**	**–**	**225**	**68**	**2**	**-7**	**288**	**135**	**423**
Capital increase	–	–	–	–	–	–	–	577	577
Changes in the scope of consolidation	–	–	–	–	–	–	–	-19	-19
Dividends paid	–	–	-58	–	–	–	-58	-179	-237
Equity restated as at Jun. 30, 2009	**3,028**	**843**	**2,182**	**-858**	**-30**	**-10**	**5,155**	**4,007**	**9,162**
Equity as at Jan. 1, 2010	3,160	1,111	2,072	-241	-22	-22	6,058	4,175	10,233
Net profit	–	–	418	–	–	–	418	68	486
Other comprehensive income/loss	–	–	-127	-176	-22	12	-313	-36	-349
Total comprehensive income/loss	**–**	**–**	**291**	**-176**	**-22**	**12**	**105**	**32**	**137**
Capital repaid	–	–	–	–	–	–	–	-2	-2
Changes in the scope of consolidation	–	–	74	–	–	–	74	4	78
Acquisition/disposal of non-controlling interests	–	–	6	1	–	–	7	-2	5
Dividends paid	–	–	-122	–	–	–	-122	-79	-201
Equity as at Jun. 30, 2010	**3,160**	**1,111**	**2,321**	**-416**	**-44**	**-10**	**6,122**	**4,128**	**10,250**

1 Amount restated

In the first half of 2010 a dividend of €0.10 per share was paid for the 2009 financial year (first half of 2009: €0.05).

Under IAS 27 (amend. 2008), disposals of shares without loss of control and acquisitions of non-controlling interests in consolidated subsidiaries must be recognized directly in equity as a transaction between equity owners. Since the beginning of 2010 the resultant changes in equity have been reported separately in the statement of changes in equity. Changes in equity arising from purchases and disposals of shares in consolidated subsidiaries that were accounted for under the previous version of IAS 27 are included in the changes in the scope of consolidation for previous financial years.

Statement of cash flows

€ million	**2010**	2009
Cash and cash equivalents as at January 1	487	2,187
Cash flows from operating activities	6,017	-1,058
Cash flows from investing activities	-4,188	32
Cash flows from financing activities	-405	-14
Cash and cash equivalents as at June 30	**1,911**	**1,147**

The statement of cash flows shows the changes in cash and cash equivalents during the reporting period. Cash and cash equivalents consist of cash on hand and balances with central banks and other government institutions. The cash and cash equivalents do not include any financial investments with maturities of more than 3 months at the date of acquisition. Changes in cash and cash equivalents are broken down into operating, investing and financing activities.

NOTES

A General disclosures

» 01
BASIS OF PREPARATION

Pursuant to section 37w of the German Securities Trading Act (WpHG) in conjunction with section 37y no. 2 WpHG, the interim consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK), Frankfurt am Main, for the first half of the 2010 financial year have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). In particular, the requirements of IAS 34 *Interim Financial Reporting* have been taken into account.

» 02
CHANGES IN ACCOUNTING POLICIES, RESTATEMENTS AND ESTIMATES

CHANGES IN ACCOUNTING POLICIES

The financial statements of the companies consolidated in the DZ BANK Group have been prepared using uniform accounting policies. The accounting policies used to prepare these financial statements were the same as those applied in the consolidated financial statements for the 2009 financial year, unless these policies are subject to the IFRS amendments described below.

The following amendments to and revised versions of financial reporting standards, the new interpretation below, and the specified improvements to IFRSs are applied for the first time in DZ BANK's interim consolidated financial statements for the first half of the 2010 financial year:
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1 (2008)),
- IFRS 3 *Business Combinations* (IFRS 3 (rev. 2008)),
- IAS 27 *Consolidated and Separate Financial Statements* (IAS 27 (amend. 2008)),
- Amendments to IFRS 1 – *Additional Exemptions for First-time Adopters,*
- Amendment to IFRS 2 – *Group Cash-settled Share-based Payment Transactions,*
- Amendment to IAS 39 – *Eligible Hedged Items,*
- IFRIC 17 *Distributions of Non-cash Assets to Owners,*
- Improvements to IFRSs (2008): addition of paragraphs 8A and 36A to IFRS 5, and
- Improvements to IFRSs (2009).

Unlike the previous version of IFRS 3, IFRS 3 (rev. 2008) offers an accounting choice in respect of the measurement of non-controlling interests in business combinations. In each business combination the acquirer can recognize non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This option is exercised separately for each business combination. The fair value measurement of non-controlling interests may require goodwill to be recognized in respect of these interests. Changes in the accounting treatment of acquisition-related costs and contingent considerations also impact on goodwill. IFRS 3 (rev. 2008) requires acquisition-related costs to be accounted for as expenses in the reporting period in which the relevant services are received. Under IFRS 3 (rev. 2008), contingent consider-

ations are recognized at their fair value, while changes in contingent considerations arising on subsequent measurement are recognized either in profit or loss, in other comprehensive income or directly in equity, depending on their classification. Under IAS 27 (amend. 2008), disposals of shares without loss of control and acquisitions of non-controlling interests in consolidated subsidiaries must be recognized directly in equity as a transaction between equity owners. The application of IAS 27 (amend. 2008) no longer permits the income statement recognition of gains or losses on disposals without loss of control or the recognition of goodwill on the purchase of additional shares in consolidated subsidiaries. The DZ BANK Group applies IFRS 3 (rev. 2008) and IAS 27 (amend. 2008) prospectively for annual periods beginning on January 1, 2010. The application of these standards had no material impact during the reporting period.

The Improvements to IFRSs (2009) have modified the disclosure requirements specified by IFRS 8 *Operating Segments* in respect of the segment assets attributable to reportable segments. The Improvements to IFRSs (2009) only permit segment assets to be disclosed if such information is regularly made available to an entity's chief operating decision makers. The same applies to the disclosure of segment liabilities. The DZ BANK Group no longer discloses segment assets or segment liabilities as part of the information it provides on operating segments for annual periods beginning on January 1, 2010. The amendments to IFRS 8 have been applied retrospectively.

The other changes in IFRSs have had no material impact on DZ BANK's interim consolidated financial statements.

RESTATEMENTS

The valuation of a limited group of issued registered bonds and promissory notes has been restated in accordance with IAS 8.41 et seq. The financial instruments concerned generate cash flows with the profile of zero bonds and are designated as at fair value through profit or loss. The restatement arises from the correction of the fair value of financial liabilities reported either as deposits from banks or as amounts owed to other depositors. This restatement gives rise to changes in deferred tax assets.

The restatement was recognized in the second half of 2009. The comparative information provided on the first half of 2009 has therefore been restated in the interim consolidated financial statements for the first half of 2010.

The tables below show the impact that this restatement has had on the following line items of the income statement and of the statement of comprehensive income for the period January 1 to June 30, 2009:

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO JUNE 30, 2009

€ million	Jan. 1 – Jun. 30, 2009 before restatement	Amount of restatement	**Jan. 1 – Jun. 30, 2009 after restatement**
Other gains and losses on valuation of financial instruments	-78	-40	-118
(…)			
Profit before taxes	643	-40	603
Income taxes	-278	11	-267
Net profit	**365**	**-29**	**336**
Attributable to:			
Shareholders of DZ BANK	256	-29	227
Non-controlling interests	109	–	109

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30, 2009

€ million	Jan. 1 – Jun. 30, 2009 before restatement	Amount of restatement	**Jan. 1 – Jun. 30, 2009 after restatement**
Net profit	365	-29	336
(…)			
Total comprehensive income / loss	**452**	**-29**	**423**
Attributable to:			
Shareholders of DZ BANK	317	-29	288
Non-controlling interests	135	–	135

The tables below show the restatement of the following line items on the face of the balance sheet as at January 1, 2009:

ASSETS

€ million	Jan. 1, 2009 before restatement	Amount of restatement	Jan. 1, 2009 after restatement
Income tax assets	2,922	37	2,959
(…)			
Total assets	**427,090**	**37**	**427,127**

EQUITY AND LIABILITIES

€ million	Jan. 1, 2009 before restatement	Amount of restatement	Jan. 1, 2009 after restatement
Deposits from banks	59,632	11	59,643
Amounts owed to other depositors	77,516	291	77,807
Equity	8,683	-265	8,418
Retained earnings	2,222	-265	1,957
(…)			
Total equity and liabilities	**427,090**	**37**	**427,127**

The changes in the notes resulting from the restatement are indicated accordingly.

ESTIMATES

It is necessary to make assumptions and estimates in accordance with the relevant financial reporting standards in order to determine the assets, liabilities, income and expenses recognized in these interim consolidated financial statements. These assumptions and estimates are based on historical experience, planning, and expectations or forecasts regarding future events.

Assumptions and estimates are used primarily in determining the fair value of financial assets and financial liabilities as well as the impairment of financial assets. In addition, estimates have a significant impact on the identification of goodwill impairment, the measurement of insurance liabilities, provisions for employee benefits, and other provisions as well as the recognition and measurement of income tax assets and income tax liabilities.

» 03 SCOPE OF CONSOLIDATION

In the first half of 2010 there were no material changes with respect to either fully consolidated subsidiaries or to associates accounted for using the equity method. Prvá stavebná sporiteľna, a.s., Bratislava, and IZD-Holding S.à.r.l., Luxembourg, joined the group of joint ventures accounted for using the equity method.

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

» 04 SEGMENT INFORMATION

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2010

€ million	Bank	Retail	Real Estate Finance	Insurance	Consoli-dation/ recon-ciliation	**Total**
Net interest income	624	271	557	–	-203	1,249
Allowances for losses on loans and advances	-30	-46	-60	–	–	-136
Net fee and commission income	219	461	-83	–	-54	543
Gains and losses on trading activities	572	1	-44	–	-1	528
Gains and losses on investments	-257	2	-54	–	3	-306
Other gains and losses on valuation of financial instruments	-4	6	-180	–	16	-162
Premiums earned	–	–	–	5,470	–	5,470
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	1,504	-30	1,474
Insurance benefit payments	–	–	–	-5,860	–	-5,860
Insurance business operating expenses	–	–	–	-990	55	-935
Administrative expenses	-687	-398	-234	–	85	-1,234
Other net operating income	39	15	15	-2	-82	-15
Profit/loss before taxes	**476**	**312**	**-83**	**122**	**-211**	**616**
Cost/income ratio (%)	57.6	52.6	> 100.0	–	–	62.1

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2009

€ million	Bank	Retail	Real Estate Finance	Insurance	Consoli-dation/ recon-ciliation	**Total**
Net interest income	572	238	589	–	-75	1,324
Allowances for losses on loans and advances	-272	-33	-68	–	–	-373
Net fee and commission income	231	325	-72	–	-37	447
Gains and losses on trading activities	689	12	-2	–	-10	689
Gains and losses on investments	-257	-14	-44	–	-3	-318
Other gains and losses on valuation of financial instruments	-48[1]	-14	-37	–	-19	-118
Premiums earned	–	–	–	5,105	–	5,105
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	1,125	-67	1,058
Insurance benefit payments	–	–	–	-5,203	–	-5,203
Insurance business operating expenses	–	–	–	-883	41	-842
Administrative expenses	-684	-362	-233	–	66	-1,213
Other net operating income	90	6	15	-1	-63	47
Profit/loss before taxes	**321**	**158**	**148**	**143**	**-167**	**603**
Cost/income ratio (%)	53.6	65.5	51.9	–	–	55.4

1 Amount restated

» 05 NET INTEREST INCOME

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**4,446**	**4,977**
Interest income from	**4,360**	**4,878**
Lending and money market operations	3,915	4,025
Fixed-income securities	560	913
Portfolio hedges of interest-rate risk	-115	-60
Current income from	**76**	**69**
Shares and other variable-yield securities	26	8
Investments in subsidiaries	5	6
Interests in joint ventures	–	10
Operating leases	45	45
Income/loss from using the equity method for	**-6**	**6**
Interests in joint ventures	34	17
Investments in associates	-40	-11
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**16**	**24**
INTEREST EXPENSE ON	**-3,197**	**-3,653**
Deposits from banks and amounts owed to other depositors	-2,182	-2,254
Debt certificates including bonds	-934	-1,257
Subordinated capital	-119	-150
Portfolio hedges of interest-rate risk	44	12
Provisions and other liabilities	-6	-4
Total	**1,249**	**1,324**

The income/loss from using the equity method for investments in associates includes income of €15 million generated by an associate's discontinued operations (first half of 2009: losses of €52 million).

» 06 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Allowances for losses on loans and advances to banks	**-3**	**10**
Additions	-44	-84
Reversals	41	94
Allowances for losses on loans and advances to customers	**-159**	**-358**
Additions	-373	-489
Reversals	243	173
Directly recognized impairment losses	-43	-52
Receipts from loans and advances previously impaired	14	10
Changes in provisions for loan commitments, in other provisions for loans and advances, and in liabilities from financial guarantee contracts	**26**	**-25**
Total	**-136**	**-373**

» 07 NET FEE AND COMMISSION INCOME

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Fee and commission income	**1,271**	**1,087**
Securities business	829	661
Asset management	15	12
Payments processing including card processing	68	70
Lending business and trust activities	111	109
Financial guarantee contracts and loan commitments	17	16
International business	8	6
Building society operations	139	125
Other	84	88
Fee and commission expenses	**-728**	**-640**
Securities business	-273	-242
Asset management	-12	-6
Payments processing including card processing	-35	-33
Lending business	-98	-83
Financial guarantee contracts and loan commitments	-3	-1
Building society operations	-245	-215
Other	-62	-60
Total	**543**	**447**

» 08 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Gains and losses on non-derivative financial instruments and embedded derivatives	1,154	732
Gains and losses on derivatives	-591	-130
Gains and losses on exchange differences	-35	87
Total	**528**	**689**

» 09 GAINS AND LOSSES ON INVESTMENTS

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Gains and losses on bonds and other fixed-income securities	**-305**	**-316**
Disposals	-16	-56
Impairment losses	-296	-260
Reversals of impairment losses	7	–
Gains and losses on shares and other variable-yield securities	**-1**	**-4**
Disposals	-1	–
Impairment losses	–	-4
Gains and losses on investments in subsidiaries	**–**	**2**
Disposals	–	2
Total	**-306**	**-318**

» 10 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
GAINS AND LOSSES ARISING ON HEDGING TRANSACTIONS	**3**	**-5**
Fair value hedges	**4**	**-2**
Gains and losses on hedging instruments	-81	228
Gains and losses on hedged items	85	-230
Portfolio fair value hedges	**-1**	**-1**
Gains and losses on hedging instruments	-210	-12
Gains and losses on hedged items	209	11
Gains and losses on cash flow hedges	**–**	**-2**
GAINS AND LOSSES ON DERIVATIVES USED FOR PURPOSES OTHER THAN TRADING	**-20**	**–**
GAINS AND LOSSES ON FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-145**	**-113**
Gains and losses on non-derivative financial instruments and embedded derivatives	-588	-510[1]
Gains and losses on derivatives	443	397
Total	**-162**	**-118**

1 Amount restated

» 11 PREMIUMS EARNED

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Net premiums written	**5,964**	**5,468**
Gross premiums written	6,055	5,579
Reinsurance premiums ceded	-91	-111
Change in provision for unearned premiums	**-494**	**-363**
Gross premiums	-518	-398
Reinsurers' share	24	35
Total	**5,470**	**5,105**

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

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Income from investments held by insurance companies	**1,985**	**2,142**
Interest income and current income	1,216	1,140
Income from reversal of impairment losses and unrealized gains	317	203
Gains on valuation through profit or loss of investments held by insurance companies	193	150
Gains from disposals	259	649
Expenses in connection with investments held by insurance companies	**-512**	**-1,148**
Administrative expenses	-43	-40
Depreciation/amortization expense, impairment losses and unrealized losses	-69	-460
Losses on valuation through profit or loss of investments held by insurance companies	-161	-112
Losses from disposals	-239	-536
Other gains and losses of insurance companies	**1**	**64**
Other insurance gains and losses	96	106
Other non-insurance gains and losses	-95	-42
Total	**1,474**	**1,058**

» 13 INSURANCE BENEFIT PAYMENTS

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Claims expenses from insurance business	**-3,516**	**-3,112**
Gross claims expenses	-3,584	-3,167
Reinsurers' share	68	55
Changes in insurance liabilities	**-2,344**	**-2,091**
Changes in gross liabilities	-2,327	-2,090
Reinsurers' share	-17	-1
Total	**-5,860**	**-5,203**

» 14 INSURANCE BUSINESS OPERATING EXPENSES

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Gross expenses	-952	-861
Reinsurers' share	17	19
Total	**-935**	**-842**

» 15 ADMINISTRATIVE EXPENSES

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Staff expenses	-683	-648
General and administrative expenses	-499	-513
Depreciation and amortization	-52	-52
Total	**-1,234**	**-1,213**

» 16 OTHER NET OPERATING INCOME

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Other income from leasing business	-1	12
Residual net operating income	-14	35
Total	**-15**	**47**

» 17 INCOME TAXES

IAS 34 states that the methods used to calculate income taxes in interim financial statements should be the same as those applied in the annual financial statements. Income taxes are therefore computed based on the best estimate of the annual income tax rate expected for the year as a whole. This tax rate is based on the legislation that is in force or has been adopted at the relevant balance sheet date.

» 18 AMOUNTS RECLASSIFIED TO THE INCOME STATEMENT

The table below shows the gains and losses on available-for-sale financial assets and on cash flow hedges:

€ million	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Gains and losses on available-for-sale financial assets	**-280**	144
Gains (+) / losses (-) arising during the reporting period	-276	2
Gains (-) / losses (+) reclassified to the income statement	-4	142
Gains and losses on cash flow hedges	**-31**	–
Gains (+) / losses (-) arising during the reporting period	-44	-3
Gains (-) / losses (+) reclassified to the income statement	13	3

» 19 INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

	Jan. 1 – Jun. 30, 2010			Jan. 1 – Jun. 30, 2009		
€ million	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Gains and losses on available-for-sale financial assets	-280	80	-200	144	-32	112
Gains and losses on cash flow hedges	-31	11	-20	–	–	–
Exchange differences on currency translation of foreign operations	10	-1	9	-6	–	-6
Actuarial gains and losses on defined benefit plans	-192	50	-142	-2	–	-2
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	4	–	4	-17	–	-17
Other comprehensive income / loss	**-489**	**140**	**-349**	**119**	**-32**	**87**

C Balance sheet disclosures

» 20 CASH AND CASH EQUIVALENTS

€ million	Jun. 30, 2010	Dec. 31, 2009
Cash on hand	57	54
Balances with central banks and other government institutions	1,854	433
Total	**1,911**	**487**

» 21 LOANS AND ADVANCES TO BANKS

	Payable on demand		Other loans and advances		Total	
€ million	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Domestic banks	**3,095**	858	**55,991**	54,661	**59,086**	55,519
Affiliated banks	590	190	44,529	42,278	45,119	42,468
Other banks	2,505	668	11,462	12,383	13,967	13,051
Foreign banks	**1,084**	938	**5,492**	4,643	**6,576**	5,581
Total	**4,179**	**1,796**	**61,483**	**59,304**	**65,662**	**61,100**

» 22 LOANS AND ADVANCES TO CUSTOMERS

€ million	Jun. 30, 2010	Dec. 31, 2009
Loans and advances to domestic customers	84,141	82,040
Loans and advances to foreign customers	33,950	30,756
Total	**118,091**	**112,796**

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

€ million	Jun. 30, 2010	Dec. 31, 2009
Local authority loans	16,147	16,004
Mortgage loans	21,646	21,350
Other loans secured by mortgages on real estate	212	197
Building loans advanced by building society	21,335	20,663
Finance leases	5,300	5,295
Money market placements	353	317
Other loans and advances	53,098	48,970
Total	**118,091**	**112,796**

» 23 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

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

	Allowances for losses on loans and advances to banks		Allowances for losses on loans and advances to customers		Total
€ million	Specific loan loss allowances	Portfolio loan loss allowances	Specific loan loss allowances	Portfolio loan loss allowances	
Balance as at Jan. 1, 2009	223	52	1,522	333	2,130
Additions	83	1	353	136	573
Utilizations	–	–	-82	–	-82
Reversals	-69	-25	-151	-22	-267
Interest income	-3	–	-16	–	-19
Other changes	–	–	2	-3	-1
Balance as at Jun. 30, 2009	**234**	**28**	**1,628**	**444**	**2,334**
Balance as at Jan. 1, 2010	240	29	1,803	390	2,462
Additions	44	–	336	37	417
Utilizations	–	–	-189	–	-189
Reversals	-40	-1	-213	-30	-284
Interest income	-3	–	-18	–	-21
Other changes	3	–	36	–	39
Balance as at Jun. 30, 2010	**244**	**28**	**1,755**	**397**	**2,424**

Interest income was accrued on impaired financial assets in accordance with IAS 39.AG93 (unwinding).

In addition to the allowances for losses on loans and advances recognized under assets, the following items are also recognized to cover credit risks: provisions for loan commitments, other provisions for loans and advances, and liabilities from financial guarantee contracts.

» 24 DERIVATIVES USED FOR HEDGING (POSITIVE FAIR VALUES)

€ million	Jun. 30, 2010	Dec. 31, 2009
Derivatives used as fair value hedges	1,378	1,086
Derivatives used as cash flow hedges	–	10
Total	**1,378**	**1,096**

» 25 FINANCIAL ASSETS HELD FOR TRADING

€ million	Jun. 30, 2010	Dec. 31, 2009
BONDS AND OTHER FIXED-INCOME SECURITIES	**31,994**	**36,477**
Commercial paper	**695**	**868**
from public-sector issuers	5	3
from other issuers	690	865
Bonds	**31,299**	**35,609**
from public-sector issuers	3,187	2,574
from other issuers	28,112	33,035
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**643**	**510**
Shares	482	391
Investment fund units	40	21
Other variable-yield securities	121	98
DERIVATIVES (POSITIVE FAIR VALUES)	**31,754**	**23,453**
Interest-linked contracts	26,766	19,914
Currency-linked contracts	1,251	509
Share-/index-linked contracts	1,187	824
Other contracts	978	1,067
Credit derivatives	1,572	1,139
PROMISSORY NOTES, REGISTERED BONDS, AND RECEIVABLES	**2,551**	**2,570**
from banks	1,151	1,124
from customers	1,400	1,446
MONEY MARKET PLACEMENTS	**23,563**	**28,180**
with banks	20,209	21,615
of which: with affiliated banks	2,569	2,201
with other banks	17,640	19,414
with customers	3,354	6,565
Total	**90,505**	**91,190**

» 26 INVESTMENTS

€ million	Jun. 30, 2010	Dec. 31, 2009
BONDS AND OTHER FIXED-INCOME SECURITIES	**59,972**	**58,061**
Commercial paper	**62**	**35**
from public-sector issuers	16	–
from other issuers	46	35
Bonds	**59,910**	**58,026**
from public-sector issuers	17,857	17,426
from other issuers	42,053	40,600
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**875**	**1,375**
Shares and other shareholdings	305	562
Investment fund units	288	810
Other variable-yield securities	282	3
INVESTMENTS IN SUBSIDIARIES	**1,265**	**1,236**
INTERESTS IN JOINT VENTURES	**504**	**421**
INVESTMENTS IN ASSOCIATES	**302**	**336**
Total	**62,918**	**61,429**

The carrying amount of joint ventures accounted for using the equity method totaled €479 million (December 31, 2009: €393 million). €298 million of the investments in associates has been accounted for using the equity method (December 31, 2009: €333 million).

» 27 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Jun. 30, 2010	Dec. 31, 2009
Investment property	1,171	1,003
Investments in subsidiaries	311	328
Interests in joint ventures	19	–
Investments in associates	51	59
Mortgage loans	4,661	4,351
Promissory notes and loans	11,548	11,532
Registered bonds	10,125	10,046
Other loans	1,613	1,600
Variable-yield securities	3,804	3,848
Fixed-income securities	18,221	15,761
Derivatives (positive fair values)	118	111
Deposits with ceding insurers	181	182
Investments related to unit-linked contracts	4,658	4,605
Total	**56,481**	**53,426**

» 28 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Jun. 30, 2010	Dec. 31, 2009
Land and buildings	321	327
Office furniture and equipment	107	113
Assets subject to operating leases	1,436	1,181
Investment property	108	109
Payments in advance	2	67
Total	**1,974**	**1,797**

» 29 OTHER ASSETS

€ million	Jun. 30, 2010	Dec. 31, 2009
Other assets held by insurance companies	3,310	3,673
Goodwill	152	149
Software and other intangible assets	180	187
Other receivables	228	248
Residual other assets	617	664
Total	**4,487**	**4,921**

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

€ million	Jun. 30, 2010	Dec. 31, 2009
Intangible assets	164	167
Reinsurance assets	451	425
Insurance company receivables	838	845
Credit balances with banks, checks and cash on hand	291	776
Residual other assets held by insurance companies	1,566	1,460
Total	**3,310**	**3,673**

» 30 DEPOSITS FROM BANKS

	Payable on demand			With agreed maturity or notice period			Total		
€ million	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Domestic banks	**18,302**	**4,236**	**1,786**	**51,702**	**46,671**	**51,895**	**70,004**	**50,907**	**53,681**
Affiliated banks	14,968	380	247	15,000	13,232	14,255[1]	29,968	13,612	14,502
Other banks	3,334	3,856	1,539	36,702	33,439	37,640	40,036	37,295	39,179
Foreign banks	**1,712**	**909**	**552**	**6,376**	**3,740**	**5,410**	**8,088**	**4,649**	**5,962**
Total	**20,014**	**5,145**	**2,338**	**58,078**	**50,411**	**57,305**	**78,092**	**55,556**	**59,643**

1 Amount restated

» 31 AMOUNTS OWED TO OTHER DEPOSITORS

€ million	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
AMOUNTS OWED TO OTHER DOMESTIC DEPOSITORS	**72,992**	**70,196**	**71,577**
Home savings deposits	**33,145**	**31,734**	**30,241**
Other amounts owed to other depositors	**39,847**	**38,462**	**41,336**
Payable on demand	5,992	4,012	5,179
With agreed maturity or notice period	33,855	34,450	36,157[1]
AMOUNTS OWED TO OTHER FOREIGN DEPOSITORS	**6,735**	**6,950**	**6,230**
Home savings deposits	**326**	**225**	**277**
Other amounts owed to other depositors	**6,409**	**6,725**	**5,953**
Payable on demand	3,103	2,522	2,935
With agreed maturity or notice period	3,306	4,203	3,018
Total	**79,727**	**77,146**	**77,807**

1 Amount restated

» 32 DEBT CERTIFICATES INCLUDING BONDS

€ million	Jun. 30, 2010	Dec. 31, 2009
Bonds issued	**54,761**	**61,756**
Mortgage Pfandbriefe	6,444	7,997
Public-sector Pfandbriefe	13,772	16,444
Other bonds	34,545	37,315
Other debt certificates	**4,196**	**3,776**
Total	**58,957**	**65,532**

All other debt certificates are commercial paper.

» 33 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Jun. 30, 2010	Dec. 31, 2009
Derivatives used as fair value hedges	1,561	787
Derivatives used as cash flow hedges	56	21
Total	**1,617**	**808**

» 34 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Jun. 30, 2010	Dec. 31, 2009
Share- and index-linked certificates	**11,997**	**12,095**
Commercial paper and certificates of deposit	**6,234**	**4,750**
Derivatives (negative fair values)	**36,314**	**26,679**
Interest-linked contracts	28,663	22,192
Currency-linked contracts	1,833	674
Share-/index-linked contracts	2,484	1,947
Other contracts	1,758	724
Credit derivatives	1,576	1,142
Delivery commitments arising from short sales of securities	**3,209**	**2,915**
Money market deposits	**49,399**	**67,029**
from banks	35,695	53,781
of which: from affiliated banks	18,280	37,558
from other banks	17,415	16,223
from customers	13,704	13,248
Total	**107,153**	**113,468**

» 35 PROVISIONS

€ million	Jun. 30, 2010	Dec. 31, 2009
Provisions for employee benefits	**1,009**	**921**
Provisions for defined benefit obligations	846	742
Provisions for other long-term employee benefits	51	47
Provisions for termination benefits	93	92
of which: for early retirement schemes	21	22
for preretirement part-time employment schemes	31	32
for restructuring	40	37
Provisions for short-term employee benefits	19	40
Other provisions	**685**	**662**
Provisions for onerous contracts	13	14
Provisions for restructuring	28	30
Provisions for loan commitments	71	90
Other provisions for loans and advances	33	34
Provisions relating to building society operations	365	345
Residual provisions	175	149
Total	**1,694**	**1,583**

The discount rate applied to defined benefit obligations had been reduced to 4.75 percent at the balance sheet date (December 31, 2009: 5.50 percent).

» 36 INSURANCE LIABILITIES

€ million	Jun. 30, 2010	Dec. 31, 2009
Provision for unearned premiums	1,510	984
Benefit reserve	38,126	36,605
Provision for claims outstanding	5,950	5,465
Reserve for deferred policyholder participation	5,407	5,080
Other insurance liabilities	46	59
Reserve for unit-linked insurance contracts	4,309	4,158
Total	**55,348**	**52,351**

» 37 OTHER LIABILITIES

€ million	Jun. 30, 2010	Dec. 31, 2009
Other liabilities of insurance companies	3,959	4,250
Liabilities from financial guarantee contracts	104	103
Accruals	504	692
Other payables	255	742
Residual other liabilities	314	369
Total	**5,136**	**6,156**

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

€ million	Jun. 30, 2010	Dec. 31, 2009
Other provisions of insurance companies	252	221
Other liabilities of insurance companies	3,707	4,029
Total	**3,959**	**4,250**

» 38 SUBORDINATED CAPITAL

€ million	Jun. 30, 2010	Dec. 31, 2009
Subordinated liabilities	2,892	3,009
Liabilities to dormant partners	175	199
Profit-sharing rights	1,006	896
Other hybrid capital	407	347
Share capital repayable on demand	64	63
Total	**4,544**	**4,514**

D Financial instruments disclosures

» 39
CATEGORIES
OF FINANCIAL
INSTRUMENTS

FINANCIAL ASSETS AS AT JUNE 30, 2010

	Measured at fair value			Measured at (amortized) cost		Other financial instruments[2]
€ million	Held for trading	Fair value option	Available for sale	Loans and receivables	Available for sale	
Cash and cash equivalents	–	–	–	1,854	–	–
Loans and advances to banks[1]	–	817	–	64,573	–	–
Loans and advances to customers[1]	–	7,049	–	103,622	–	5,268
Derivatives used for hedging (positive fair values)	–	–	–	–	–	1,378
Financial assets held for trading	90,505	–	–	–	–	–
Investments	–	16,328	32,780	12,321	712	–
Investments held by insurance companies	118	1,004	22,088	27,242	–	–
Other assets	–	–	–	740	–	–
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	–	–	–	278	–	–
Total	**90,623**	**25,198**	**54,868**	**210,630**	**712**	**6,646**

1 Carrying amounts less allowances for losses on loans and advances
2 Only financial instruments within the scope of IFRS 7

FINANCIAL LIABILITIES AS AT JUNE 30, 2010

	Measured at fair value		Measured at amortized cost	Other financial instruments[1]
€ million	Held for trading	Fair value option		
Deposits from banks	–	7,332	70,760	–
Amounts owed to other depositors	–	12,190	67,509	28
Debt certificates including bonds	–	15,932	42,909	116
Derivatives used for hedging (negative fair values)	–	–	–	1,617
Financial liabilities held for trading	107,153	–	–	–
Other liabilities	37	–	1,328	193
Subordinated capital	–	1,395	3,149	–
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	–	–	167	–
Total	**107,190**	**36,849**	**185,822**	**1,954**

1 Only financial instruments within the scope of IFRS 7

FINANCIAL ASSETS AS AT DECEMBER 31, 2009

	Measured at fair value			Measured at (amortized) cost		Other financial instruments[2]
€ million	Held for trading	Fair value option	Available for sale	Loans and receivables	Available for sale	
Cash and cash equivalents	–	–	–	433	–	–
Loans and advances to banks[1]	–	1,133	–	59,698	–	–
Loans and advances to customers[1]	–	6,862	–	98,478	–	5,263
Derivatives used for hedging (positive fair values)	–	–	–	–	–	1,096
Financial assets held for trading	91,190	–	–	–	–	–
Investments	–	17,883	29,625	12,493	702	–
Investments held by insurance companies	111	828	19,848	26,849	–	–
Other assets	–	–	–	1,283	–	–
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	–	–	–	186	–	–
Total	**91,301**	**26,706**	**49,473**	**199,420**	**702**	**6,359**

1 Carrying amounts less allowances for losses on loans and advances
2 Only financial instruments within the scope of IFRS 7

FINANCIAL LIABILITIES AS AT DECEMBER 31, 2009

	Measured at fair value		Measured at amortized cost	Other financial instruments[1]
€ million	Held for trading	Fair value option		
Deposits from banks	–	8,097[2]	47,459	–
Amounts owed to other depositors	–	14,273[3]	62,860	13
Debt certificates including bonds	–	16,335	49,006	191
Derivatives used for hedging (negative fair values)	–	–	–	808
Financial liabilities held for trading	113,468	–	–	–
Other liabilities	38	–	1,814	196
Subordinated capital	–	1,348	3,166	–
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	–	–	-85	–
Total	**113,506**	**40,053**	**164,220**	**1,208**

1 Only financial instruments within the scope of IFRS 7
2 Amount restated as at January 1, 2009: €10,246 million
3 Amount restated as at January 1, 2009: €13,035 million

» 40 FAIR VALUES

If there is an active market in financial assets and financial liabilities, the fair value is based on the relevant market price as at the balance sheet date. This applies, for example, to exchange-traded futures and options as well as the vast majority of quoted shares, government bonds, bank bonds, corporate bonds, and Pfandbriefe held.

If no active market is available at the balance sheet date, generally accepted valuation models are used to determine fair value. Discounted cash flow methods are generally used for non-derivative financial instruments and non-option derivatives. Option derivatives are measured using generally accepted option pricing models such as the Black-Scholes model and the Garman-Kohlhagen model. The valuation models rely on valuation parameters that are primarily based on observable market data such as credit risk and liquidity risk premiums, and interest rates for matching maturities. In the case of unreliable market prices in illiquid markets, non-observable parameters or substitute values are estimated for use in valuation models. For the purposes of valuation, structured products are broken down into their constituent components.

Market participants verify the existence of an inactive market by analyzing the transaction volumes supplied by market data providers. Since the subprime mortgage crisis broke in mid-2007, the market for asset-backed securities has been considered to be illiquid because primary and secondary market activity has almost totally ground to a halt. Since the financial crisis began, a modified discounted cash flow method has therefore been used to determine the fair value of asset-backed securities. The discount rate used under this method comprises a risk-free interest rate – which is calculated based on the latest swap curves – as well as credit risk and liquidity risk premiums. These premiums are derived for each rating class from the most recent prices observable in an active market. If the external rating classes are amended, the risk premiums are adjusted accordingly. Each asset-backed security is assigned to a rating class based on the worst of the latest external ratings supplied by Fitch, Moody's, and Standard & Poor's. The valuation method also contains a level-based model that factors in the gradual normalization of liquidity levels in cases where the market remains fundamentally inactive. As liquidity conditions gradually return to normal – the extent of which is determined by analyzing the indicative bid-ask spreads calculated by market data providers for each market segment – price indicators supplied by consensus market data providers are factored into calculations of fair value.

The fair value of investments classified as equity instruments that are not quoted in an active market is determined using discounted cash flow methods based on unobservable parameters such as beta factors or discount rates that reflect the risk involved. If fair value cannot be reliably determined largely owing to the unavailability of profit planning data, equity instruments that are not quoted in an active market are measured at cost.

The fair values of investment fund units are the redemption prices published by the relevant asset management companies.

The fair value of financial instruments repayable on demand is equivalent to their carrying amount. This applies specifically to current account balances and demand deposits.

The valuation methods described above are used to determine the fair values of all classes of financial instruments.

The following table shows fair values determined as at the balance sheet date:

	Fair value			Carrying amount		
€ million	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009	Jun. 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Assets						
Cash and cash equivalents	1,854	433	2,139	1,854	433	2,139
Loans and advances to banks[1]	66,743	62,890	71,127	65,390	60,831	69,761
Loans and advances to customers[1]	119,120	113,860	117,818	115,939	110,603	115,166
Derivatives used for hedging (positive fair values)	1,378	1,096	694	1,378	1,096	694
Financial assets held for trading	90,505	91,190	114,443	90,505	91,190	114,443
Investments[2]	61,094	59,685	64,807	62,141	60,703	65,354
Investments held by insurance companies[2]	51,052	47,931	43,983	50,452	47,636	43,875
Other assets[2]	740	1,283	1,157	740	1,283	1,157
Fair value changes of the hedged items in portfolio hedges of interest-rate risk				278	186	161
Liabilities						
Deposits from banks	78,574	56,941	59,906[3]	78,092	55,556	59,643[3]
Amounts owed to other depositors	81,041	78,042	78,183[3]	79,727	77,146	77,807[3]
Debt certificates including bonds	59,916	66,363	65,966	58,957	65,532	65,525
Derivatives used for hedging (negative fair values)	1,617	808	992	1,617	808	992
Financial liabilities held for trading	107,153	113,468	152,729	107,153	113,468	152,729
Other liabilities[2]	1,566	2,058	1,804	1,558	2,048	1,804
Subordinated capital	4,509	4,471	5,521	4,544	4,514	5,308
Fair value changes of the hedged items in portfolio hedges of interest-rate risk				167	-85	-145

1 Carrying amounts less allowances for losses on loans and advances
2 Fair value and carrying amount only include financial instruments within the scope of IFRS 7
3 Amount restated

The fair values of financial assets and financial liabilities resulting from building society operations are shown at their carrying amounts. Given the complex structure of home savings contracts, these fair values cannot be reliably determined using either comparable market prices or suitable option pricing models. The purpose of the building society management models developed in practice is solely to support the overall management of the bank; these models do not provide an adequate basis for the determination of fair values as required by IFRS. On the basis of the management models used for the building society, the overall performance of building society operations during the reporting period was positive.

The fair value reported under investments held by insurance companies relates to fixed-income securities matched as cover for long-term insurance-related obligations as part of insurance operations. Because these instruments are normally held to their maturity, interest-rate-related changes in fair value have no impact on net profit/loss. The reported fair values take into account potential tax effects and the recognition of a reserve for deferred policyholder participation.

» 41 FAIR VALUE HIERARCHY

Fair values within hierarchy level 1 are determined using prices available in active markets for the identical financial instrument (quoted market prices). The fair values within hierarchy level 2 are either calculated using prices available in active markets for similar, but not identical, financial instruments or are determined using valuation techniques largely based on observable market data. If valuation techniques are used that include a significant valuation parameter that is not observable in the market, the relevant fair values are classified within hierarchy level 3.

The fair values determined for the purposes of balance sheet measurement are broken down into the following hierarchy levels:

	Level 1		Level 2		Level 3	
€ million	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009	Jun. 30, 2010	Dec. 31, 2009
Financial assets measured at fair value	**69,078**	**59,847**	**95,201**	**99,830**	**7,788**	**8,899**
Loans and advances to banks	–	–	817	1,133	–	–
Loans and advances to customers	–	–	7,049	6,862	–	–
Derivatives used for hedging (positive fair values)	–	–	1,378	1,096	–	–
Financial assets held for trading	20,436	18,056	66,556	68,770	3,513	4,364
Investments	28,590	23,914	16,442	19,249	4,076	4,345
Investments held by insurance companies	20,052	17,877	2,959	2,720	199	190
Financial liabilities measured at fair value	**7,726**	**9,421**	**136,546**	**143,083**	**1,384**	**1,863**
Deposits from banks	–	–	7,332	8,097	–	–
Amounts owed to other depositors	–	–	12,190	14,273	–	–
Debt certificates including bonds	–	–	14,563	14,501	1,369	1,834
Derivatives used for hedging (negative fair values)	–	–	1,617	808	–	–
Financial liabilities held for trading	7,720	9,420	99,418	104,019	15	29
Other liabilities	6	1	31	37	–	–
Subordinated capital	–	–	1,395	1,348	–	–

E Other disclosures

» 42 CONTINGENT LIABILITIES

The DZ BANK Group's contingent liabilities whose potential financial impact can be reliably determined amounted to €13 million at the balance sheet date (December 31, 2009: €15 million).

In addition, 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.

» 43 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Jun. 30, 2010	Dec. 31, 2009
Financial guarantee contracts	**5,534**	**5,558**
Loan guarantees	2,479	2,528
Letters of credit	853	316
Other guarantees and warranties	2,202	2,714
Loan commitments	**20,501**	**19,142**
Credit facilities to banks	3,184	2,340
Credit facilities to customers	7,012	6,699
Guarantee credits	39	38
Letters of credit	72	76
Global limits	10,194	9,989
Total	**26,035**	**24,700**

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

» 44 TRUST ACTIVITIES

Trust assets and trust liabilities each amounted to €2,382 million at the balance sheet date (December 31, 2009: €2,402 million).

» 45 ASSET MANAGEMENT BY THE UNION INVESTMENT GROUP

The Union Investment Group had total assets under management of €167,576 million at the balance sheet date (December 31, 2009: €165,665 million).

» 46 EMPLOYEES

Average number of employees by employee group:

	Jan. 1 – Jun. 30, 2010	Jan. 1 – Jun. 30, 2009
Female employees	**12,156**	**11,603**
Full-time employees	8,477	8,227
Part-time employees	3,679	3,376
Male employees	**14,468**	**13,730**
Full-time employees	14,031	13,364
Part-time employees	437	366
Total employees	**26,624**	**25,333**

» 47 BOARD OF MANAGING DIRECTORS

WOLFGANG KIRSCH
(Chief Executive Officer)

LARS HILLE

WOLFGANG KÖHLER

HANS-THEO MACKE

ALBRECHT MERZ

THOMAS ULLRICH

FRANK WESTHOFF

» 48 SUPERVISORY BOARD

HELMUT GOTTSCHALK
(Chairman of the Supervisory Board since May 27, 2010)
(Deputy Chairman of the Supervisory Board until May 27, 2010)
Spokesman of the Board of Managing Directors
Volksbank Herrenberg-Rottenburg eG

ROLF HILDNER
(Member and Chairman of the Supervisory Board until May 27, 2010)
Chief Executive Officer
Wiesbadener Volksbank eG

WOLFGANG APITZSCH
(Deputy Chairman of the Supervisory Board)
Attorney

HENNING DENEKE-JÖHRENS
(Deputy Chairman of the Supervisory Board since May 27, 2010)
Spokesman of the Board of Managing Directors
Volksbank eG Lehrte-Springe-Pattensen-Ronnenberg

RÜDIGER BEINS
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

ULRICH BIRKENSTOCK
Employee
R+V Allgemeine Versicherung AG

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

HERMANN BUERSTEDDE
(Member of the Supervisory Board since May 27, 2010)
Employee
Union Asset Management Holding AG

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

BERND HÜHN
(Member of the Supervisory Board since May 27, 2010)
Spokesman of the Board of Managing Directors
Volksbank Worms-Wonnegau 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
(Member of the Supervisory Board until May 27, 2010)
Employee
Deutsche Genossenschafts-Hypothekenbank AG

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
(Member of the Supervisory Board until May 27, 2010)
Secretary
ver.di Bundesverwaltung

GUDRUN SCHMIDT
Regional Group Director
ver.di Landesbezirk Hessen

UWE SPITZBARTH
(Member of the Supervisory Board since May 27, 2010)
Head of the National Working Party on Banks
ver.di Bundesverwaltung

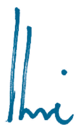
RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Frankfurt am Main, August 17, 2010

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors



Kirsch

Hille

Köhler

Macke

Merz

Ullrich

Westhoff

REVIEW REPORT (TRANSLATION)

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

We have reviewed the interim condensed consolidated financial statements, comprising the condensed income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the condensed statement of cash flows, and selected explanatory notes, and the interim group management report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, for the period from January 1 to June 30, 2010, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

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

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

Eschborn/Frankfurt am Main, August 20, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

EDITORIAL INFORMATION

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main
Platz der Republik
60265 Frankfurt am Main
Germany
www.dzbank.com

Telephone: +49 (0)69 7447 01
Fax: +49 (0)69 7447 1685
Email: mail@dzbank.de

Board of Managing Directors:
Wolfgang Kirsch (Chief Executive Officer)
Lars Hille
Wolfgang Köhler
Hans-Theo Macke
Albrecht Merz
Thomas Ullrich
Frank Westhoff

This half-year financial report is available in electronic form
on our website at www.halfyearreport.dzbank.com/2010.