Member of the cooperative financial services network

2008

ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT OF DZ BANK AG

DZ BANK
Achieving more together.

KEY FIGURES

DZ BANK AG

€ million	2008	2007
FINANCIAL PERFORMANCE		
Operating result before allowances for losses on loans and advances	-144	-97
Allowances for losses on loans and advances	-594	-370
Operating result	-738	-467
Net income for the year	59	164
Cost/income ratio[1] (percent)	78.1	56.4
NET ASSETS		
Assets		
Loans and advances to banks	107,333	105,183
Loans and advances to customers	33,805	32,133
Securities[2]	96,310	110,695
Other assets	21,757	18,295
Equity and liabilities		
Deposits from banks	141,231	163,572
Amounts owed to other depositors	43,266	37,869
Debt certificates including bonds	51,251	45,522
Other liabilities	17,782	13,576
Equity	5,675	5,767
Total assets/total equity and liabilities	**259,205**	**266,306**
Volume of business[3]	**284,090**	**289,343**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	15.4	17.7
Tier 1 capital ratio (percent)	8.8	10.8
OFF-BALANCE-SHEET FORWARD TRANSACTIONS		
Nominal volume (€ million)	1,257,727	1,204,573
Positive fair values (€ million)	28,326	15,908
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**4,082**	**3,895**

1 2008 and 2007: adjusted for one-off items
2 Bonds and other fixed-income securities plus shares and other variable-yield securities
3 Total equity and liabilities including contingent liabilities and other obligations

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MANAGEMENT REPORT OF DZ BANK AG

I. Business performance

1. ECONOMIC CONDITIONS

Over the year under review, average inflation-adjusted gross domestic product in Germany still rose by 1.3 percent year on year. However, the buoyant domestic economy during the first few months of 2008 gave way in subsequent months to the trend toward recession. This trend worsened significantly over the course of the year with a further acceleration in the downturn in the final quarter.

The fallout from the international crisis in the financial markets resulted in a noticeable overall cooling-off in the global economy in 2008. A downward trend in the direction of recession took hold in most industrialized countries during the year. Even the Asian economies that have enjoyed sustained economic growth over the last few years felt the impact from the slump.

The economic downturn during the course of 2008 was particularly severe in the United States. Although the US economy had remained sound during the first half of the year, it was hit in the second half of the year by an ever sharper downward trend. The serious problems in the US banking sector that had emerged during the crisis in the financial markets were also having an increasingly adverse impact on the real economy. There was no letup in the collapse in housing prices, resulting in a continuous increase in the number of foreclosures, particularly on subprime mortgages i.e. mortgages backed by little collateral and held by individuals with a low credit rating. Consumer spending, the most important driver in US gross domestic product, was hit as a result of the capital losses caused by the tense situation in the real estate and equities markets, and also increasingly as a result of the massive upsurge in unemployment from the fall onward. The situation in the US industrial sector, in particular, deteriorated considerably toward the end of the year, primarily in the car industry where the major manufacturers found themselves in serious financial difficulty and had to turn to the government for support.

In Germany, economic growth received a boost in the first months of 2008 from gross capital investment by companies driven by significant orders on hand and earnings performance that still remained at favorable levels. However, the start of a sharp downturn was signaled from the spring onward by trends in capital expenditure on both equipment and construction. Strongly subdued sales prospects in international markets and uncertainty about further economic growth also forced companies to scale back their existing capital expenditure plans.

Given the increasing slump in international demand, German exports also ran out of steam, primarily during the second half of the year. The last few months of 2008 saw a further worsening in the downward trend in exports.

Adjusted for inflation, consumer demand in 2008 remained unchanged year on year. In the first half of the year, consumer spending suffered particularly from the effects of high energy prices. Consumer behavior also remained cautious during the second half of the year given the heightening in the financial markets crisis.

In the final months of the year, the German government attempted to counter the crisis in the financial markets and the serious economic slump by introducing various support measures for the economy. In November, the government agreed an initial economic stimulus package, promising to inject around €30 billion into the German economy. In January 2009, a second, significantly more comprehensive fiscal stimulus package was set in motion.

Given that tax receipts held up well into the fall, there was only a relatively limited funding deficit in the overall German national budget for the year. However, there is likely to be a significant deterioration in the public finances during 2009 given the expected drop in tax receipts and a massive increase in government spending to support the economy.

2. IMPACT ON LENDING FROM THE HEIGHTENING OF THE FINANCIAL MARKETS CRISIS

The crisis in the financial markets, which in 2007 had initially been restricted to the US mortgage sector, spread to global financial markets during the remainder of 2007, with the severity of the crisis reaching new heights in the last few months of 2008 and the start of 2009.

Following the nationalization of US mortgage refinancing operations Fannie Mae and Freddie Mac at the start of September, the collapse of the investment bank Lehman Brothers Holdings Inc., New York, NY, USA, (Lehman Brothers) in mid-September took the financial markets crisis to completely new levels. The confidence of banks in each other, already battered by the financial storm, took a further damaging blow. The severe liquidity crunch affecting the financial sector suffered a further squeeze and the interbank market almost came to a complete standstill.

As a consequence of these developments, the markets saw share prices tumble dramatically during October, with financial shares being the hardest hit. At the same time, there was a further widening of spreads in bond markets. The intensity of the crisis was also reflected in the emergence in October 2008 of the threat faced by Iceland. The Icelandic government was only able to head off this threat by forcing the three leading national banks into receivership and obtaining support from the International Monetary Fund (IMF).

In a concerted action at the start of October 2008, central banks in the USA, Canada and some European countries reduced their key interest rates by a half of a percentage point. The European Central Bank (ECB) announced two further interest rate cuts in 2008 with a total reduction of 125 basis points, bringing its key interest rate down to 2.5 percent; up to the start of March 2009 there were further cuts reducing the rate to 1.5 percent.

Finally, the governments of the USA and numerous European Union countries announced far-reaching initiatives to stabilize national financial institutions affected by the crisis. The objective of the support measures was to re-establish the confidence of the banks in each other. The measures also included the provision of capital and liquidity for these banks, the purchase of non-performing loans, and the pledging of government guarantees for deposits held by private investors.

The US government rescue package amounting to US$ 700 billion, which came into effect on October 3, was originally largely aimed at buying up toxic assets associated with the collapsed mortgage market.

However, the US Department of the Treasury subsequently revised this plan to encompass the acquisition of direct equity stakes in a number of banks.

In mid-October 2008, the governments of the European Union and US approved an internationally agreed bailout package to be implemented at national level aimed at ensuring the survival of important financial institutions, such as banks and insurance companies. This also included rules on financial reporting exemptions relating to the application of International Financial Reporting Standards (IFRS) for EU member states in 2008.

On October 12, 2008, the German government introduced the Financial Markets Stabilization Act (FMStG) which included a package of measures worth a total of €500 billion to be managed by the special financial markets stabilization fund (SoFFin). This package comprised an amount of €400 billion dedicated to guarantees for refinancing instruments, a further €80 billion for recapitalization and the transfer of risk via the acquisition of toxic assets, and an amount of €20 billion for possible losses on guarantees.

The decision on this range of measures had been preceded by the threat of collapse at property-lender Hypo Real Estate AG, Munich, (Hypo Real Estate), which was only averted by a bailout in October 2008 of €50 billion in the form of additional liquidity provided jointly by Deutsche Bundesbank and a number of financial institutions.

The adverse effects from the crisis in the financial markets were subsequently revealed in the figures published by lenders for the period ended September 30, 2008. The figures showed a dramatic fall in profits and a resulting requirement for a comprehensive capital support program in a number of important banks.

Among German regional development banks, consideration of the possibility of mergers between individual banks became a top priority. Private banks also focused on far-reaching discussions regarding the most appropriate way of dealing with the worsening financial markets crisis.

An important change in the domestic banking structure in Germany came about with the takeover of Dresdner Bank AG, Frankfurt am Main, by Commerzbank AG, Frankfurt am Main, which was contractually agreed on August 31, 2008. The takeover was fully completed in January 2009 ahead of the original schedule.

At the same time, it was also announced that Deutsche Bank AG, Frankfurt am Main, (Deutsche Bank), which had acquired an initial stake of around 30 percent in Deutsche Postbank AG, Bonn, on September 12, 2008, intended to take over the latter more rapidly than planned.

Viewed over the year as a whole, earnings in the domestic banking sector were particularly badly affected by the negative impact of the financial markets crisis on income from capital markets activities.

In the first few months of 2008, corporate lending by banks remained robust, resulting in growth in interest-based income in domestic banks. Although there was some delay before the negative consequences of the financial markets crisis reached the real economy, this did mean that the impact was all the more severe in the last months of the year.

The cost reduction measures introduced over the last few years and the restrictive risk management practised in the year under review ensured that administrative expenses and the level of credit risk provision remained more or less stable overall. However, the risk situation in banks, particularly in the last few months of the year, was negatively impacted by the significant deterioration in economic conditions.

In the first few weeks of 2009, the crisis on the global financial markets continued unabated.

In the course of January 2009, with disclosure of figures for the fourth quarter, prestigious major banks in both the USA and Europe announced further dramatic losses for 2008 as a whole.

January 2009 again saw US banks turning to the national bailout package for support.

On January 19, 2009, the British government announced a further comprehensive support package for the banking sector to strengthen lending in major banks, some of which had already received government support in the form of an equity stake. The primary element in this package was a guarantee facility for asset-backed securities amounting to at least £100 billion, the aim of the guarantee being to make it easier for the banks to obtain refinancing. The Bank of England also announced a scheme worth a total of up to £50 billion to buy up certain securities from the banks from the start of February onward.

On January 22, 2009, it was announced that the French government had granted additional equity totaling €10.5 billion to important major banks, and to savings banks and credit cooperatives in the country. The banks received the funding in proportion to the capital support of the same amount that they had already been granted at the end of 2008. In return, the subsidized banks undertook to increase their lending over the year by 3 to 4 percent.

In Germany, the further worsening in the financial markets crisis has also led to public discussion of possible solutions aimed at removing all toxic assets from bank balance sheets, specifically securities that the crisis has rendered unmarketable. This discussion has focused primarily on the pros and cons of setting up a “bad bank” regardless of how such a bank would be financed. This bank would take over financial assets that have become very difficult to put a value on because of the illiquidity in the markets.

To date, the German government has rejected any solution of this kind involving a comprehensive transfer of risk to the state. However, the government has been considering the further development of solutions based on existing arrangements that would involve, in particular, an extension of the guarantees granted by SoFFin from the current term of 36 months to 60 months.

3. COOPERATIVE BUSINESS MODEL REMAINS SOUND

At the core of the cooperative financial services network are the cooperative banks and their customers. There are around 1,200 German cooperative banks and between them they have approximately 30 million private and corporate customers. More than half of the customers in Germany (approximately 16.2 million) are shareholders in their cooperative bank. Among German banking groups, the entire cooperative financial services network therefore has by far and away the greatest number of shareholders and, as a result, enjoys broadly diversified backing and a sound base in the community.

In turn, the cooperative banks are the principal owners of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK). The primary responsibility of DZ BANK and its subsidiaries is to support and promote the local cooperative banks so that these local banks can provide an optimum service to their members and other customers. The cooperative banks work together with DZ BANK on the basis of trust to achieve their common objectives.

This business model and the cooperative sector are synonymous with confidence, reflected not least in the significant inflow of customer deposits into local cooperative banks in times of crisis.

However, the strength of the cooperative model is not only in evidence at national level; it can be seen at international level too. In this regard, we would cite the Unico initiative aimed at reviving the interbank market. Unico, a coalition of the eight leading European cooperative banks, including DZ BANK, agreed in October 2008 to offer each other reciprocal unsecured interbank credit lines for terms of up to three months in order also to win back the trust of other market players. The aim was to promote a recovery in the interbank market.

FOCUS ON THE NEEDS OF THE COOPERATIVE FINANCIAL SERVICES NETWORK

The fundamental importance of the cash-pooling function as the core task of a central institution was particularly evident in 2008 as money markets ceased to function and liquidity dried up following the collapse of Lehman Brothers. One of the advantages of cash-pooling within the cooperative financial services network is that the network is then less dependent on the interbank market compared with other banks. Cash inflows and outflows could be managed within the network to ensure that DZ BANK enjoyed a comfortable liquidity position at all times, even when subjected to stress scenarios.

DZ BANK can rely on a broad, well-diversified base of support in terms of regions, investors, markets, and maturities in the structure of its short-term and medium-term refinancing. Cooperative bank deposits are the most important and most stable source of refinancing. These deposits and the planned capital increase will allow DZ BANK, within the parameters of its risk-bearing capacity, to continue to hold assets affected by the crisis until maturity, i.e. beyond the current period of market disruption. DZ BANK then expects to be able to reverse some of the write-downs on these assets in future.

However, DZ BANK's strategic policy of "Verbund first", the strict gearing of its activities to the needs of the cooperative financial services network with a broadly based range of innovative products and services, was not able to fully compensate for the deterioration in market conditions. The fourth quarter, in particular, saw a significant worsening of the situation in the markets following the collapse of international commercial and investment banks. There was a considerable widening of spreads. All asset classes and associated income were affected; there was also an impact on individual segments.

DZ BANK had already instigated various action programs at an early stage to counter the impact of the crisis in the financial markets. A project group was set up to ensure intensive monitoring and management of changes in capital and risk-weighted assets. This group of experts at DZ BANK is initiating action plans to reduce risk-weighted assets and strengthen the capital base. Various measures were also introduced to manage and optimize the balance-sheet structure.

Even before the crisis, the pressure from competitors was significant and there will be no noticeable let-up once the crisis is over. The cooperative financial services network must adapt to the challenges presented by this situation. Given this background, a merger between the two central institutions WGZ BANK AG, Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) and DZ BANK to form just one central institution is a consistent, logical move.

The planned merger between DZ BANK and WGZ BANK forms part of our joint efforts to further the development of the cooperative financial services network and realize our vision of establishing the network as the leading financial services provider in Germany over the long term. A merged central institution will further improve the network's position in the market as a strong local partner for small and medium-sized enterprises (SMEs) and private clients. Other objectives of the merger include cost savings, even more intensive support for local banks, and enhanced transparency regarding contributions to profits.

RETAIL BANKING

The market positioning of retail products is a critical factor in the performance of the entire cooperative financial services network in the financial services sector. Together with the cooperative banks, DZ BANK is developing appropriate strategies in response to the aggressive competition in the marketplace and, in particular, to address the issue of a general decline in customer loyalty.

The systematic alignment of action plans with social megatrends allows DZ BANK to identify and rapidly implement important initiatives throughout the group.

To achieve further improvements in the support it provides for the local cooperative banks' presence and level of quality in the marketplace and to develop innovative products for the benefit of these banks and their customers, DZ BANK focuses on the development of strong product brands that allow the local cooperative banks to differentiate themselves significantly from their competitors. The best example is AKZENT Invest, our retail structured product (certificate) brand, on the back of which DZ BANK and the cooperative banks have for the first time managed to become the market leader in retail structured products in Germany (number one in this market with a market share of 22.7 percent, according to the German Direct Marketing Association (DDV) in March 2009). The brand is now used for almost every issue of a private-label structured product within the cooperative financial services network, at the same time enhancing awareness of "Volksbanken Raiffeisenbanken", the brand of the local cooperative banks in Germany, across broad sections of the population. The local cooperative banks are then able to build on the strength of the AKZENT Invest brand and the quality of the product range by offering the expert level of advice to which their customers have become accustomed.

CORPORATE AND INVESTMENT BANKING

In the year under review, corporate and investment banking was directly and indirectly focused on improving the benefit derived from the cooperative financial services network. Direct action included various initiatives instigated jointly with the local cooperative banks, for example, to fully leverage available potential in the corporate customers business.

Further support for the local cooperative banks included the instigation of the corporate customers support concept which will in future provide more targeted support for the SME business in these banks. DZ BANK will in future define the products and services it offers for SME clients in the form of fields of expertise that will complement the extensive range of services it offers locally. This new approach is closely linked to the philosophy of the "VR-Finanz-Plan Mittelstand" (a customer relationship concept for the provision of SME financial advice that takes into account both business and private financial planning) and supports network initiatives for the expansion of corporate customer business (ProFi). A large number of redesigned tools have been produced to support the local cooperative banks in their efforts to exploit potential in the SME market. Based on the experience gained from the pilot phase launched for selected banks, this concept is due to be rolled out across Germany in 2009.

In addition to these initiatives, at the end of 2008, DZ BANK set up a special SME credit facility in conjunction with WGZ BANK and the local cooperative banks. The total value of the facility is €1 billion, the contribution from DZ BANK being €750 million. This lending of long-term, unsecured funds underlines the fact that the cooperative financial services network remains committed to providing finance for SMEs even when market conditions are tough. A new and interesting option is therefore available to the local cooperative banks to help them develop a marketing offensive. The local cooperative banks can use this funding instrument as a key anchor product to build new business relationships and consolidate existing ones.

In the year under review, DZ BANK was able to significantly increase both volume and customer numbers in traditional syndicated lending and in its StandardMeta and Agrar-Meta risk transfer products business. The fifth VR Circle transaction was also successfully launched involving a securitization volume of €73.7 million; a further transaction is scheduled for the first half of 2009. Transparent, simple structures will also continue to be in demand in the future.

The Capital Markets divisions in DZ BANK were also able to expand their businesses. These divisions were able to develop new client relationships outside the cooperative financial services network by increasingly harnessing existing expertise, for example established, successful research, for the benefit of clients outside the network, thereby leveraging additional business potential.

In tough market conditions, the Corporate Finance and Structured Finance divisions were able to make the most of their opportunities and deliver a strong performance. In mergers & acquisitions cross-border business, important deals were secured in the healthcare and pharmaceutical sectors. Structured Finance notched up global successes, for example, with project financing deals in the energy and infrastructure sectors. The strengthening of our international business is providing a positive stimulus for the diversification and expansion of our range of products and services and is therefore serving to reinforce DZ BANK as a link between the local cooperative banks and international markets.

4. EARNINGS PERFORMANCE

The tough market conditions had a significant impact on performance in 2008.

Reported **net income** for the year amounted to €59 million (2007: €164 million). A **dividend** payment of €58 million, equivalent to €0.05 per share, for 2008 will be proposed to the Annual General Meeting.

INCOME STATEMENT

€ million	2008	2007	Change (%)
Net interest income[1]	**1,306**	983	32.9
Net fee and commission income	**228**	224	1.8
Net trading result	**-958**	-519	84.6
Administrative expenses	**-779**	-814	-4.3
Personnel expenses	-417	-450	-7.3
Other administrative expenses[2]	-362	-364	-0.5
Other net operating income/ expenses	**59**	29	>100.0
Operating result before allowances for losses on loans and advances	**-144**	-97	48.5
Allowances for losses on loans and advances	**-594**	-370	60.5
Operating result	**-738**	-467	58.0
Other net income/expense[3]	**256**	-41	>100.0
Profit/loss before taxes	-482	-508	-5.1
Taxes	**541**	672	-19.5
Net income for the year	**59**	164	-64.0

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

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

– The income statement of DZ BANK was directly affected by the crisis in the financial markets with total write-downs on the recognized securities portfolio of €928 million. This total write-down was broken down into a write-down of €472 million included in the net trading result and a write-down of €456 million included in gains and losses on securities in the liquidity reserve (reported under allowances for losses on loans and advances). It is anticipated that some of the total write-down of €928 million will be reversed at some point in the future. The corresponding write-downs on the securities portfolio in 2007 were €838 million under net trading result and €264 million under gains and losses on securities in the liquidity reserve.

– The turmoil in the financial markets took a further turn for the worse in September 2008 with the collapse of Lehman Brothers, followed in October by developments jeopardizing the financial stability of Iceland. The income statement for the whole of 2008 was hit by a loss of €336 million arising from financial instruments with underlying Lehman Brothers transactions. Of this loss, €263 million was attributable to the Lehman Brothers insolvency. The loss on underlying Lehman Brothers transactions was broken down as follows: €138 million under net trading result, €3 million under allowances for losses on loans and advances, and €195 million under gains and losses on investments. The heightened risks arising from exposure in Iceland resulted in an overall negative impact of €366 million on net income (€18 million under net trading result, €218 million under allowances for losses on loans and advances, and €130 million under gains and losses on investments).

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

– The tense economic situation led to a further write-down of €269 million (2007: €53 million) on DZ BANK's investment in NATIXIS S.A., Paris, recognized under gains and losses on investments.

– In the year under review, DZ BANK pooled its financial holding activities as part of measures to streamline its investment portfolio and merged VR-Immobilien GmbH, Frankfurt am Main, (VR IMMO) with DZ PB-Beteiligungsgesellschaft mbH, Frankfurt am Main; this merger led to the recognition of a gain of €1,099 million under gains and losses on investments. The amalgamation in 2007 of the DZ BANK Group's private banking activities under the umbrella of DZ Private Wealth Managementgesellschaft S. A., Luxembourg-Strassen, had produced an increase in gains and losses on investments of €659 million and an increase in income from long-term equity investments of €112 million. In 2008, income from long-term equity investments was affected by a dividend of €225 million paid by R+V Versicherung AG, Wiesbaden, (R+V) under a dividend distribution and recapture scheme.

– As part of the reorganization of the real estate finance business in the DZ BANK Group, DZ BANK's net income had suffered a negative impact in 2007 from write-downs on the investment in Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP), which was held indirectly via VR IMMO, a wholly-owned subsidiary of DZ BANK. This write-down had reduced other net income and expense in 2007 by €277 million. As in 2007, DZ BANK's other net income and expense in 2008 also included the payment of an income subsidy of €223 million by DZ BANK to DG HYP.

– The recognition of deferred tax assets on DZ BANK's balance sheet as at December 31, 2008 increased net income by €377 million (2007: €527 million).

Given these material effects, the year-on-year changes in the key figures that make up the net income generated by DZ BANK in 2008 were as described below:

DZ BANK achieved **operating income** of €635 million, which equates to a decrease of €82 million or 11.4 percent on 2007 (€717 million). Adjusted for the above-mentioned one-off items under income from long-term equity investments (plus €225 million), net trading result (minus €625 million), and other operating income (minus €41 million), operating income in the year under review amounted to €997 million, a decrease of 30.9 percent on the corresponding 2007 figure of €1,443 million adjusted for one-off items under income from long-term equity investments (plus €112 million) and net trading result (minus €838 million).

Administrative expenses fell by €35 million to €779 million (2007: €814 million), a year-on-year decrease of 4.3 percent.

In the year under review, the **cost/income ratio**, adjusted for the above-mentioned one-off items in operating income, was 78.1 percent (2007 (adjusted): 56.4 percent).

The **operating result before allowances for losses on loans and advances** was down by €47 million (48.5 percent) to minus €144 million (2007: minus €97 million). Adjusted for the above-mentioned one-off items in operating income in 2008 and 2007, there was a year-on-year reduction of €411 million in this key figure to €218 million.

Allowances for losses on loans and advances amounted to €594 million compared with €370 million in 2007. Excluding the write-downs resulting from the crisis in the financial markets of €221 million under net additions to specific valuation allowances and €456 million under gains and losses on securities in the liquidity reserve (2007: €264 million), the adjusted allowances for losses on loans and advances for 2008 were €83 million (2007 (adjusted): minus €106 million).

The **operating result** for 2008 amounted to minus €738 million, down €271 million (58.0 percent) on 2007 (minus €467 million). After adjusting for the above-mentioned one-off items in operating income and allowances for losses on loans and advances, the operating result was €301 million (2007 (adjusted): €523 million).

The changes in individual items on the DZ BANK income statement in 2008 are described **in detail** below.

Net interest income rose by 32.9 percent.

Net interest income from operating activities (excluding income from long-term equity investments) increased by 57.3 percent to €634 million based on an encouraging increase in lending if the year is viewed as a whole. However, this lending was adversely affected in the last few months of 2008 by the gathering gloom over the economy. The resulting weakening in volume growth was offset by the positive impact on margins of the heightened financial markets crisis and the widening of spreads. The net operating interest income for the year also included a contribution to profit of €41 million attributable to the reclassification of trading securities as long-term securities.

Reported income from long-term equity investments amounted to €672 million, an increase of 15.9 percent on the comparable figure in 2007. The increase in income from long-term equity investments in 2008 was mainly attributable to the dividend distributed by R+V which was €233 million higher than in 2007, itself primarily the result of the aforementioned amount of €225 million in connection with a distribution and recapture scheme.

A significant contribution to DZ BANK's net interest income from operating activities came from interest income on lending and money market activities. The turmoil in the financial markets and the tough market conditions have cast a spotlight on the importance of the range of lending options made available to the local cooperative banks via DZ BANK on a subsidiary and complementary basis.

Despite the difficult economic conditions, unit sales and volume slightly exceeded 2007 levels in both traditional syndicated loan business and in the Standard-Meta and Agrar-Meta standardized risk transfer products business. Net operating interest income rose again year on year. This provides evidence of the successful support provided by DZ BANK as a partner of the local cooperative banks. The additional integration of business development programs into lending options individually tailored to customer requirements is an important element in the expertise offered and a significant feature that distinguishes the cooperative banks from their competitors. In 2008, cooperative banks applying for a development loan from Germany's KfW development bank in Frankfurt am Main via DZ BANK maintained a share of approximately

14 percent of total KfW development loan business. DZ BANK's clear commitment to SME financing was also underlined by the provision at the end of 2008 of a special SME credit facility amounting to €1 billion (DZ BANK share: €750 million).

In the second half of 2008, DZ BANK launched a pilot phase with selected primary banks for its newly developed banking support concept based on the "VR FinanzPlan Mittelstand" and other initiatives in the cooperative financial services network. The objective of this concept is to support the local cooperative banks more effectively and more in line with their individual requirements than hitherto and to ensure that they improve the exploitation of existing potential in their corporate customer business. Based on experience gained in the pilot phase, it is planned to roll out the concept to all cooperative banks in Germany in 2009. Together with its network partners, DZ BANK is also planning to increase the market share of the cooperative banks in traditional agricultural business by driving expansion in the highly promising agriculture, nature, and energy sector.

Despite persistently stiff competition and the extremely tough conditions prevailing in the financial markets, DZ BANK was able to consolidate its successful market positioning in its corporate finance business in 2008. Net operating interest income was significantly increased in this important business during the year under review. DZ BANK managed to exploit the available business potential more fully by dividing up its German market into five sales regions for coverage of large and medium-sized companies and by initiating an increase in headcount in the year under review. The number of customer relationships grew by a further 11.3 percent.

In the turbulent market environment during the year under review, DZ BANK again proved itself to be a reliable and sound partner in its support for corporate customers in the management of their short-term liquidity. Ample evidence of this is provided by the hefty increase in short-term deposits compared with 2007.

The structured finance product range is marketed from Germany as well as via the business units in foreign branches in London, New York, Hong Kong, and Singapore, and via nine foreign representative offices to all major financial centers and important growth markets. Even in 2008, DZ BANK managed to generate an improvement in performance. Despite the effects of the meltdown in the financial markets, the Company was able to deliver a significant year-on-year increase in net operating interest income in the year under review.

In terms of acquisition financing in 2008, DZ BANK was involved in more than 50 deals and, in particular from a risk-conscious perspective, was able to expand its role as a mandated lead arranger or underwriter with a further increase in net operating interest income.

As far as structured trade and export finance products were concerned, DZ BANK benefited from the increased demand for credit among commodities dealers and producers that in 2008 accompanied the continued success of German exports, the rise in international trade and the sustained high level of commodities prices. DZ BANK also profited from the increase in margins in the last quarter of 2008, all of which resulted in a net operating interest income for the year as a whole that was significantly in excess of the figure achieved in 2007.

With a growing volume of new business worldwide, DZ BANK was able to achieve a substantial year-on-year increase in net operating interest income from project finance in 2008. The relevant business units operate successfully at a global level and focus on the energy supply and infrastructure sectors; in Germany, the emphasis is primarily on the public-private partnership (PPP) finance segment, in which DZ BANK has been able to improve its market position significantly.

DZ BANK's **net fee and commission income** increased to €228 million, up 1.8 percent on 2007.

The profit contribution from both the lending and payments processing businesses improved compared with 2007, whereas profits from international business declined over the same period. In securities business, DZ BANK's most important area of business, profits generated from fees and commissions remained below the level of 2007.

In the second half of 2008, the further massive drop in stock market indices brought about by the heightening of the crisis in the financial markets ensured that the marked weakness in demand for equities continued. Bond markets were similarly affected by the negative consequences of the crisis.

One of the effects of the financial markets crisis was that DZ BANK, in collaboration with the local cooperative banks, was able to use its quality AKZENT Invest brand to build on its market position in the retail structured products (certificates) market, improving its market share in 2008 to 22.7 percent. As a result, the cooperative financial services network became the market leader in the German retail structured products market for the first time. As far back as 2005, DZ BANK had been the first financial institution in Germany to receive certification from TÜV SÜD for its product development process for retail structured products. DZ BANK structured products purchased by private investors are also covered against issuer risk via the protection facility offered by the Federal Association of German Cooperative Banks, Berlin, (BVR).

The successful marketing of DZ BANK retail structured products during the year under review was focused on products strictly aligned with customer requirements. Products were also structured in accordance with the latest results of research carried out by DZ BANK. Given the further step-up in demand for products with capital guarantees – another result of the crisis in the financial markets – additions were made to the successful range of products on a continuous basis, for example with the newly developed “BestInvest Portfolio Garant” which was added to the existing well-known “BestInvest” product family. As a result of this balanced, high-end range of structured products with a heavy emphasis on quality and minimum risk, private investors voted DZ BANK – with its quality AKZENT Invest brand and representing the cooperative financial services network – as Certificates House of the Year for the sixth year running. This accolade is awarded by the German publications ZertifikateJournal, WELT and WELT am Sonntag as well as Scoach Europa.

In 2008, DZ BANK was also able to achieve a significant year-on-year increase in net fee and commission income from acquisition and project finance and from customer-oriented asset securitizations.

In the year under review and despite tough market conditions, the Asset Securitization Group based in New York and covering NAFTA countries was able to build on its position as a specialist in low-risk securitization structures and substantially increase its net fee and commission income.

Furthermore, through its activities as a mandated lead arranger, DZ BANK confirmed its structuring and placement expertise in structured finance at all locations. This expertise in the area of project finance was recognized by various awards (for example, for the 2008 European PPP road project). At the same time, it was also able to increase net fee and commission income disproportionately compared with the risk.

Up to the fourth quarter of 2008, the total profit contribution from the division was attributable equally to net operating interest income and net fee and commission income; however, the downturn in the fourth quarter as a result of the heightening of the financial markets crisis resulted in less new business and therefore lower net fee and commission income than in previous quarters. The division nevertheless achieved an excellent level of operating profit overall.

With its Corporate Finance Partner support concept, DZ BANK impressively demonstrated the strength of its successful business model in tough market conditions. In the year under review, there was particularly brisk demand for promissory notes in support of issuer corporate financing. It is likely that one of the main reasons for this is the pricing advantages, from the issuer perspective, compared with other capital market products, such as corporate bonds.

In the SME market for M&A consultancy relevant to DZ BANK, the turbulent economic conditions resulting from the heightening of the financial markets crisis had an increasingly adverse effect on business activities during the last quarter of the year. Nevertheless, the excellent performance delivered in 2007 in key industries such as healthcare and pharmaceuticals continued in 2008 with further successful deals. In addition to the sale of the owner-managed Hormosan Pharma GmbH, Frankfurt am Main, to the Indian-owned Lupin (Europe) Ltd., Knutsford, Cheshire, United Kingdom, the support provided for Andreae-Noris Zahn Aktiengesellschaft, Frankfurt am Main, in its acquisition of Armila UAB, Vilnius, Lithuania, is particularly worthy of note. DERTOUR GmbH & Co. KG, Frankfurt am Main, was also able to successfully acquire a 75.1 percent majority stake in Dr. Holiday AG, Regensburg, thanks to DZ BANK's M&A expertise in a deal brokered by Raiffeisenbank Regensburg.

The impact of the crisis in the financial markets was particularly noticeable in the **net trading result**. At minus €958 million, the net trading result was a further €439 million below the 2007 figure (minus €519 million).

The total write-downs in DZ BANK's securities portfolio recognized under net trading result and caused by the crisis in the financial markets amounted to €472 million in 2008 (2007: €838 million).

The net trading result for the year under review also included write-downs related to DZ BANK's exposure in connection with Iceland and Lehman Brothers amounting to a total of €156 million.

DZ BANK again demonstrated its capabilities in the private client business, even in these extremely tough market conditions, and managed to offer its customers competitive prices. It succeeded in reinforcing its private client business with customized strategic transactions. Regardless of the financial crisis, the Bank systematically refined its entire product range and improved its processes, thereby positioning itself to take on its competitors.

Administrative expenses at DZ BANK amounted to €779 million, a decrease of 4.3 percent on the comparable figure in 2007 (€814 million).

Other administrative expenses in the year under review were €362 million, almost unchanged on 2007 (€364 million), although strategic growth initiatives continued. Personnel expenses saw a decrease of 7.3 percent, primarily owing to a reduced amount in the additions to provisions for pensions and other post-employment benefits. Some decreases were offset by salary increases that were set under collective bargaining agreements in 2007.

Other net operating income and expenses at DZ BANK increased by €30 million in 2008 to €59 million. The profit for the period includes additional income of €41 million resulting from the adjustment of the discount rate used for the calculation of provisions for pensions and other post-employment benefits in line with the market interest rate of 6.0 percent (2007: 4.5 percent).

Allowances for losses on loans and advances amounted to €594 million in 2008 compared with €370 million in 2007.

A net addition to specific valuation allowances and a net addition to country allowances were partially offset by net reversals in general valuation allowances; the net addition to specific valuation allowances included, in particular, an allowance for DZ BANK's lending exposure to Icelandic banks amounting to €218 million. Gains and losses on securities in the liquidity reserve amounted to a loss of €381 million in 2008 (2007: loss of €274 million); these gains and losses included an amount of €456 million (2007: €264 million) written off in connection with the crisis in the financial markets and mentioned at the start of this text.

Further detailed disclosures regarding the risk situation at DZ BANK can be found in the risk report on page 20 et seqq. of the management report.

In the year under review, DZ BANK's **other net income and expense** amounted to income of €256 million (2007: expense of €41 million). Within this figure, gains and losses on investments of €518 million (2007: €514 million) takes into account both income from long-term equity investments of €865 million (2007: €589 million) and write-downs of €347 million (2007: €75 million) on long-term securities. The expense in respect of the transfer of losses in the year under review amounted to €6 million (2007: €332 million); the 2007 figure for this item included an expense of €233 million in relation to VR IMMO and an expense of €81 million in relation to VR-LEASING AG, Eschborn. The net extraordinary income/expense for 2008 shows an income subsidy of €223 million (2007: €223 million) paid to DG HYP. Other net income and expense also includes an addition of €33 million (2007: €0 million) to the reserve required by section 340 g HGB.

After tax income of €541 million, **net income for the year** was €59 million (2007: €164 million). The overall tax position resulting in a tax income for the year under review is primarily attributable to income of €92 million (2007: €129 million) arising under group tax levies and to the recognition of deferred taxes amounting to €377 million (2007: €527 million).

5. REGULATORY CAPITAL

The changes in DZ BANK's regulatory capital between December 31, 2007 and December 31, 2008 are described in detail below.

As at December 31, 2008, the **Tier 1 capital** in DZ BANK was €6,757 million (December 31, 2007: €7,122 million). The reduction was largely the result of the sharp increase in capital deductions required in accordance with the deduction methodology specified by the German Banking Act (KWG). This increase in deductions was caused specifically by the deterioration in securitization ratings which meant that the positions concerned had to be recognized either with a risk weighting of 1,250 percent or alternatively as a capital deduction.

DZ BANK's **Tier 2 capital** as at December 31, 2008 was €5,039 million (December 31, 2007: €4,534 million). The increase is mainly attributable to an increase in profit-sharing rights and long-term subordinated funding amounting to €1,418 million in total. Increases were partially offset by reductions arising in connection with the sharp increase in capital deductions for the reasons as described under Tier 1 capital.

The Bank had no **Tier 3 capital** as at December 31, 2008 or December 31, 2007.

As at December 31, 2008, **own funds** as defined for the purposes of the Solvency Regulation (SolvV) amounted to €11,796 million (December 31, 2007: €11,656 million). This produced a total capital ratio for DZ BANK in accordance with SolvV of 15.4 percent (December 31, 2007: 17.7 percent), and a Tier 1 capital ratio in accordance with SolvV of 8.8 percent (December 31, 2007: 10.8 percent). These key ratios therefore continued to significantly exceed the regulatory minimum of 8.0 percent for the total capital ratio and 4.0 percent for the Tier 1 capital ratio.

Risk capital management and **liquidity risk management** at DZ BANK are described in detail in this management report on page 22 et seqq. and page 35 et seqq. respectively.

6. NUMBER OF BRANCHES

As at December 31, 2008, DZ BANK had four German branches in Berlin, Hanover, Stuttgart and Munich, and five foreign branches situated in London, Milan, New York, Hong Kong and Singapore.

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

7. VOLUME GROWTH

As at December 31, 2008, DZ BANK's **total assets** had decreased by €7.1 billion to €259.2 billion, a reduction of 2.7 percent.

TOTAL ASSETS

€ billion

DZ BANK's international branches account for €28.7 billion, which equates to approximately 11.1 percent of total assets. London (€10.5 billion) and New York (€8.0 billion) together account for around 64.5 percent of the €28.7 billion, with Singapore (€5.5 billion) and Hong Kong (€4.7 billion) accounting for the remaining €10.2 billion.

As at December 31, 2008, **total volume** amounted to €284.1 billion (December 31, 2007: €289.3 billion); this figure comprises total equity and liabilities, contingent liabilities, and other DZ BANK obligations.

At the end of the year under review, the **nominal volume of off-balance-sheet forward transactions** had grown by €53.1 billion to €1,257.7 billion. Positive fair values had increased by €12.4 billion to €28.3 billion.

Loans and advances to banks had increased to €107.3 billion as at December 31, 2008, a rise of €2.1 billion. Within this figure, loans and advances to affiliated banks had climbed by €4.1 billion to €45.0 billion, an increase of 10.0 percent, whereas loans and advances to other banks had fallen by €2.0 billion to €62.3 billion, a drop of 3.1 percent.

Loans and advances to customers were €1.7 billion higher at €33.8 billion. The reason for this increase was an encouraging growth in lending viewed over the year as a whole, although the Bank still applied strict risk limits and profitability criteria in the management of its new business.

The carrying amount of the **securities portfolio** at €96.3 billion was €14.4 billion below the figure as at December 31, 2007. The carrying amount attributable to the portfolio of bonds and other fixed-income securities had fallen to €95.0 billion, a decrease of €13.9 billion. Equities and other variable-yield securities had fallen by 0.5 billion to €1.3 billion.

Deposits from banks were €22.4 billion lower at €141.2 billion. An increase in deposits from affiliated banks of €13.0 billion to €61.9 billion (up 26.6 percent) was more than offset by a reduction of €35.4 billion in deposits from other banks to €79.3 billion (down 30.9 percent).

Amounts owed to other depositors had risen by €5.4 billion to €43.3 billion. Overnight money, time deposits, and current account credit balances had increased by €3.5 billion to €24.2 billion, and liabilities under repurchase agreements had also increased by €2.4 billion to €3.5 billion.

At the end of the year under review, the carrying amount of **debt certificates including bonds** had reached €51.3 billion (December 31, 2007: €45.5 billion). Bonds issued by the Bank during 2008 increased by €9.7 billion to €50.0 billion, whereas other debt certificates decreased by €3.9 billion to €1.3 billion.

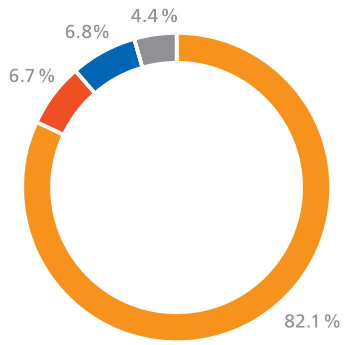
The **total equity** of €5.7 billion reported on DZ BANK's balance sheet as at December 31, 2008 was €92 million lower than the figure reported as at December 31, 2007. In the year under review, €3 million was added to revenue reserves. Distributable profit fell by €95 million to €61 million.

8. EVENTS AFTER THE BALANCE SHEET DATE

At the meeting of the Supervisory Board held on February 18, 2009, the Board of Managing Directors of DZ BANK presented a proposal to strengthen the capital base of the Bank. A request is to be issued to investors in DZ BANK for Tier 1 capital amounting to €500 million. DZ BANK plans to implement the placement during the first six months of 2009.

In addition, following preliminary discussions, BVR has proposed that instruments be made available to reduce the regulatory capital requirement in DZ BANK, for example by providing cover for securities portfolios at arm's-length market rates.

SHAREHOLDERS



Total subscribed capital: €3,028 million

- Local cooperative banks*: €2,485 million
- WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank*: €202 million
- Other cooperatives: €208 million
- Other: €133 million

* Directly and indirectly

II. Human resources report and sustainability

1. HUMAN RESOURCES REPORT

In 2008, an average of approximately 4,082 persons were employed by DZ BANK both in Germany and abroad (including temporary personnel). Employee turnover was 3.7 percent and the average period of service 11.2 years.

PERSONNEL DEVELOPMENT

The development of employees and young managerial talent continued to be an important aspect of human resources activities in 2008. Comprehensive employee expertise and a high level of skills and qualifications in the workforce are the prerequisites for DZ BANK's commercial success and therefore also a key area of investment for the future. The Human Resources division provided optimum support for the specialist divisions in the pursuit of their objectives by continuously adapting its professional development services to the needs of these divisions. Together with the high quality guaranteed by the Human Resources division, this led to a high level of acceptance for professional development programs, which was ultimately reflected in the number of participants: in 2008, there were a total of 16,215 participant days in a wide variety of professional development programs. The average number of professional development days per employee in the year under review was 4.2 days.

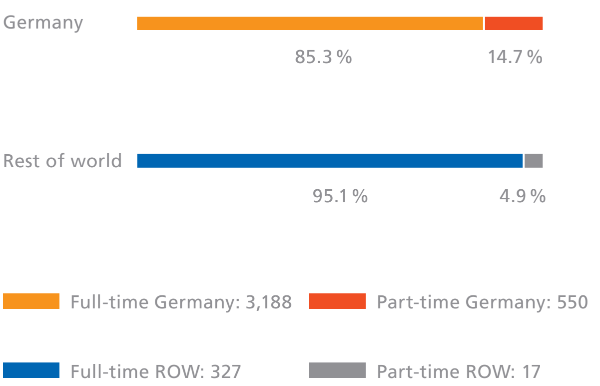
OUR VALUES

To strengthen the sense of togetherness within the company, DZ BANK developed Our Values and presented them on the occasion of the Bank's 125th anniversary in 2008. Our Values are as follows: drive, integrity and trust. They were developed together with employees in several stages and do not therefore represent some rigid manifesto imposed by top management. Together with our employees, we are enshrining and continuously developing Our Values in the company by means of various activities.

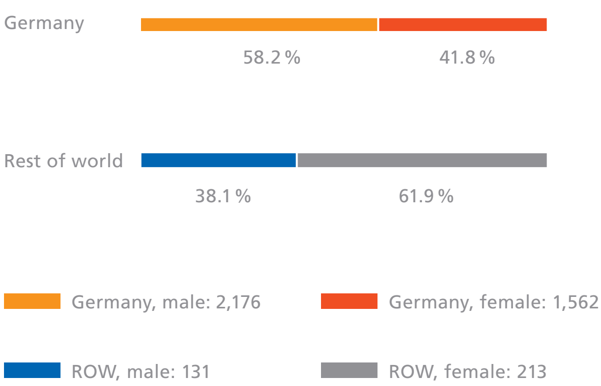
AWARD

DZ BANK is one of the 88 companies that in 2008 received a seal of approval from the Corporate Research Foundation (CRF) as a top employer. The Bank was deemed to have performed particularly well in the areas of development opportunities and market

AVERAGE NUMBER OF EMPLOYEES IN 2008 BY FULL-TIME/PART-TIME (GERMANY: 3,738; ROW: 344)



AVERAGE NUMBER OF EMPLOYEES IN 2008 BY GENDER (GERMANY: 3.738; ROW: 344)



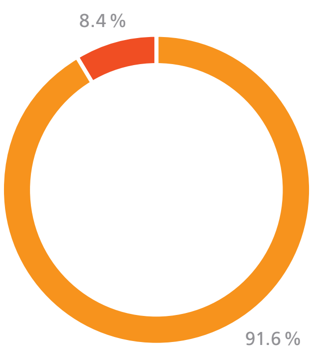
leadership. Job security, remuneration and work-life balance were also assessed very positively.

TRAINING AND DEVELOPMENT OF YOUNG TALENT

DZ BANK also attaches a great deal of importance to the development of young talent. At the end of 2008, 162 trainees were employed in Germany and abroad, of which 90 were in traditional recognized occupations and 54 were management trainees around the globe. Interns, university students approaching graduation, postgraduate students and participants in various work and study programs also form an integral part of our development of young talent.

In 2008, in collaboration with Handelsblatt, Handelsblatt Junge Karriere, and WiWiOnline.net, DZ BANK awarded the DZ BANK Career Prize for the seventh time. The prize is broken down into the two categories of "master's degree dissertations" and "bachelor's degree dissertations". A total of 145 dissertations on the subject of "Banking and Finance" were submitted. Submissions came from students at 103 universities and university of cooperative education.

EMPLOYEES BY GEOGRAPHICAL DISTRIBUTION (GERMANY/ROW) IN 2008



Average total number of employees: 4,082
Germany: 3,738 Rest of world: 344

RESPONSIBILITY FOR EMPLOYEES

An appropriate work-life balance forms the basis for an individual's personal performance and therefore contributes directly to the performance of the business as a whole. In 2008, DZ BANK therefore continued to provide a number of services aimed at promoting the health of employees, such as attractive sporting opportunities within the company, free health checks, and anti-stress programs. Options for more flexible working hours, part-time working models and other services aimed at promoting a work-life balance all help an individual to achieve the requisite balance and therefore form a permanent integral part of HR policy at DZ BANK.

2. SUSTAINABILITY

DZ BANK feels bound by a long tradition that combines banking activities with social responsibility. This means that the Bank uses its financial products and services to generate added social value and to achieve commercial success on a sustainable basis. This approach includes the provision of comprehensive support for employees and the best possible level of protection for the environment. As part of society, DZ BANK is also committed to assisting educational, cultural and social causes.

DZ BANK's Sustainability Report and more detailed information can be accessed on the internet at www.sustainability.dzbank.com.

III. Risk report

The DZ BANK risk report has been prepared in accordance with section 289 German Commercial Code. The relevant German accounting standards applicable to the risk report in the group management report have also been applied in this single-entity report.

1. RISK MANAGEMENT SYSTEM

OBJECTIVE

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

RISK TYPES

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

SEPARATION OF FUNCTIONS

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

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

Risk control is responsible for the identification, measurement and assessment of risks, as well as for the monitoring of limits. This is accompanied with the planning of upper loss limits. Risk control also reports risks to the Board of Managing Directors, the risk management units and the Supervisory Board. This function is responsible for the transparency of all risks assumed by DZ BANK across all risk types and for ensuring that risk measurement methodology is up-to-date.

A further component in the risk management system is the **internal audit** function, which encompasses monitoring and control responsibilities independently of the Bank's other processes. Internal audit carries out systematic, regular risk-based audits focusing on compliance with statutory and regulatory requirements. This function also monitors the risk management system to ensure that it is fully operational capability and follows up audit findings to ensure that identified problems have been rectified. Internal audit reports directly to the Chief Executive Officer. DZ BANK also satisfies the special requirements for the structure of the internal audit function specified by the German minimum requirements for risk management (MaRisk).

COMMITTEES

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

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

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

RISK REPORTING AND RISK MANUAL

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

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

ACTION IN RESPONSE TO THE FINANCIAL MARKETS CRISIS

DZ BANK has a range of efficient risk management tools at its disposal that allowed it to respond appropriately to the continuing crisis in the financial markets in 2008. 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 price risks. Conservative worst-case scenarios for short-term liquidity ensure that liquidity risk management also takes adequate account of current market disruption.

A risk limit system based on risk-bearing capacity, stress testing encompassing all risk types, and a flexible, timely internal reporting system ensure that the management of DZ BANK is in a position to initiate targeted corrective action if required. In the year under review, further detailed analyses of the securitization portfolio were integrated into the existing reporting system and reporting cycles for relevant portfolios shortened in order to respond to the specific demands posed by the current crisis in the financial markets.

The consequences of the financial markets crisis for DZ BANK's risk position are mirrored in the figures disclosed in this risk report in accordance with statutory requirements. The disclosures reflect the information made available to the management of DZ BANK in its internal reporting system. With the comprehensive disclosures in accordance with the disclosures on securitizations and leveraged finance recommended in the "Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience" dated April 7, 2008, which are also based on internal risk reporting and published on a voluntary basis in the DZ BANK banking group's regulatory risk report, DZ BANK meets the requirements of the capital markets for additional transparency regarding the DZ BANK Group's exposure in securitization and leveraged finance business.

2. RISK CAPITAL MANAGEMENT

STRATEGY, ORGANIZATION, AND RESPONSIBILITY

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

The **Board of Managing Directors** of DZ BANK defines the corporate objectives and the capital requirement in the DZ BANK Group in terms of both risks and returns. The Board ensures the risk profile is appropriate relative to aggregate risk cover.

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

In 2008, DZ BANK set up a **capital management task force** to enable it to counter the impact of the crisis in the financial markets on a systematic basis. The task force closely monitors any changes in capital and risk positions and proposes targeted management action to the relevant committees. As a result of these activities, DZ BANK was able to strengthen its capital base in 2008 by the issue of Tier 1 capital amounting to €250 million and subordinated capital of approximately €1 billion. The Annual General Meeting also approved a facility for the issue of profit-sharing rights amounting to €1 billion. Of this amount, profit-sharing rights in excess of €400 million were placed in December 2008. In addition, the task force initiated action in the year under review to reduce risk positions. Among other things, compared with 2007, the Bank was able to achieve a significant reduction of 22 percent in securities portfolios based on market values. Improvements to methods and processes were also implemented, resulting in a further streamlining of procedures used in determining risk positions.

RISK-ADJUSTED PROFITABILITY MANAGEMENT

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

MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

Economic capital management is based on internal risk measurement methods, which take into account all key risk types. Credit risks, market price risks, and equity risks are measured using internal models based on a value-at-risk approach, or to a lesser extent an approach using a comparable potential loss. Potential loss from operational risks is estimated using the standardized approach specified by the German Solvency Ordinance. Quantification of strategic risks is based on an empirical benchmark analysis. The risk capital requirement in the DZ BANK Group is determined by aggregating the various risk types. This then incorporates the effects of diversification between the different risk types.

In a **risk-bearing-capacity analysis**, the risk capital requirement of the DZ BANK Group is compared against the aggregate risk cover and the economic capital adequacy determined. Aggregate risk cover comprises the DZ BANK Group's equity reported on the balance sheet and hidden reserves; as at the decision date for the fiscal year, it amounted to €12,186 million (decision date 2007: €11,564 million). Based on this figure, the Board of Managing Directors determined the upper loss limits for 2008. A further upward adjustment had to be made to the upper loss limit for market price risk as a result of the turmoil in the financial markets. This was achieved by redistributing the limits within the Bank and within the DZ BANK Group. The increased capital requirement for credit risks and market price risks is explained both by the effects of the market disruption in 2008 and by the higher confidence level compared with 2007.

The table below shows the **upper loss limits** and the **capital requirement** by types of risk.

As things stand at the moment, the planned increases in the capital base mean that the DZ BANK Group will have at its disposal sufficient aggregate risk cover for 2009.

DZ BANK is integrated into the standard risk capital requirement **stress tests** conducted at group level. Separate stress tests are carried out for each risk type included in risk capital management – credit risk, equity risk, market price risk, operational risk, and strategic risk. The risk type stress tests are supplemented by a stress scenario that models the correlations between different risk types. Internal risk measurement methods are used in the implementation of the stress tests. The initial parameters for measuring risk are scaled in such a way as to reflect extremely negative economic situations.

The stress tests for market price risk focus on the risk factors. The internal risk measurement methods are supplemented by a calculation of actual losses from the hypothetical crisis scenarios. In addition to the standard stress test procedures at group level, DZ BANK creates crisis scenarios based on the internal market price risk model and adjusts the scenarios on an ongoing basis to take into account current market data. This is particularly important when critical situations prevail. The weekly cycle of updating the stress test scenarios proved itself to be particularly valuable in the course of the financial markets crisis. In this way, up-to-date estimates of the potential loss can be integrated promptly into risk management and into the measurement of market price risk in terms of both value-at-risk and risk capital requirement. These scenarios relating to coverage of market price risks arising on credit rating and spread products were subjected to detailed analyses and partially revised. The scenarios involved in this case were, in particular, scenarios for bond spreads, CDS spreads, ABS spreads, basis spreads, weighted-average lifetime (WAL) and correlations. In addition, an enhanced review of the appropriateness of DZ BANK's entire internal market price risk model was carried out during the year in 2008.

UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT

	Upper loss limit		Risk capital requirement	
€ million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Credit risk	1,495	1,760	1,465	1,137
Equity risk	854	860	828	855
Market price risk	1,822	900	1,543	724
Operational risk	131	230	131	186
Strategic risk	172	147	157	102
Total after diversification	4,095	3,454	3,762	2,659

MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

DZ BANK's regulatory capital management is integrated into the regulatory capital management of the DZ BANK banking group as a whole. In addition to economic capital management – which provides the main targets for the management of operating activities – regulatory solvency requirements for the DZ BANK banking group are also observed.

To calculate the regulatory capital requirement, the DZ BANK banking group has since 2007 used the internal ratings-based approach (predominantly the foundation IRB approach and the IRB approach for retail exposure) for credit risk and the standardized approach for operational risk in accordance with the German Banking Act (KWG) and the German Solvency Ordinance. In 2008, DZ BANK was also involved in shaping the national implementation of BASEL II through its work on the relevant banking regulatory committees in Germany and contributed to the discussions on the current financial markets crisis held at European regulatory level.

DZ BANK's **regulatory capital ratios** are included in the report on business performance on page 15.

3. CREDIT RISK

CREDIT RISK STRATEGY

Lending by DZ BANK is based on the VR-rating system, a credit rating procedure developed by DZ BANK in collaboration with the Federal Association of German Cooperative Banks (BVR) and WGZ BANK. DZ BANK seeks to maintain a good rating structure in its lending portfolio at all times. In future, the portfolio will continue to be characterized by a high degree of diversification. In the case of an individual lending transaction, risk-adjusted pricing of the financing taking into account adequate standard risk costs and risk-adjusted economic capital costs is of critical importance.

Where required, the Board of Managing Directors of DZ BANK takes decisions during the course of the year to ensure that the rules for the medium-term and long-term credit risk strategy are adjusted in line with changing circumstances and current developments. Against the backdrop of the crisis in the financial markets, adjustments were made, in particular, to the direction of the “Structured Finance division”.

ORGANIZATION AND RESPONSIBILITY

As required by MaRisk, responsibilities in the lending process have been defined and are documented in organization manuals. These responsibilities cover loan applications, approvals, and processing, including periodic credit control with regular analysis of credit ratings. Decision-making authority levels are specified in **authority rules** based on the risk content of credit transactions. The authority of committees to approve lending to financial institutions was adjusted in line with the risk as a response to the turmoil in the markets in the year under review.

CREDIT RISK REPORTING

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

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

RATING SYSTEMS

The **VR-rating system** is used as standard throughout the cooperative financial services network. This ensures that all the entities in the network apply a sophisticated uniform methodology producing ratings that are comparable. The VR-rating system is differentiated by customer segment and is gradually being extended to cover all relevant customer groups. DZ BANK primarily uses VR-rating systems as part of its credit risk management system to assess larger SMEs, major customers, banks, countries, and project and acquisition financing. The internal assessment approach is also used to assess credit lines and credit enhancements in connection with DZ BANK’s asset-backed commercial paper (ABCP) transactions. The rating systems have been approved by BaFin, the German financial services regulator, for the purposes of calculating regulatory capital using the foundation IRB approach. Approval has not yet been received for the acquisition finance rating system.

For internal management purposes, further rating systems are used to assess SMEs at the lower end of the scale and public-sector entities. Although these systems satisfy the requirements for the foundation IRB approach, they are deemed to be of less significance and have not yet been reviewed by the regulator. All rating systems are validated in detail on an annual basis and are revised if opportunities for further optimization are identified.

PRICING IN THE LENDING BUSINESS

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

In addition to standard risk costs, **an imputed cost of capital** based on the economic capital requirement is integrated into the contribution margin costing. In this way, DZ BANK calculates a rate of interest for the tied-up capital that is in line with the risk involved and is intended to cover any unexpected losses arising from lending business.

ECONOMIC CREDIT-PORTFOLIO MANAGEMENT

Portfolio models

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

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

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

Asset securitization

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

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

LENDING EXPOSURE RISK MANAGEMENT

Management of credit risk in traditional lending business

VOLUME-ORIENTED CREDIT-PORTFOLIO MANAGEMENT

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

MANAGEMENT OF EXPOSURES AND LIMITS

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

Against the backdrop of the crisis in the financial markets, DZ BANK had already stepped up the monitoring of the portfolio in 2007. In 2008, the Bank also carried out an ongoing review of the general and specific limits granted to financial institutions in terms of selected exposures, countries and risk factors. This resulted in a substantial reduction in the general and specific limits for the 300 largest exposures with financial institutions. In addition, the total internal single borrower limit for financial institutions was set at €500 million. Overall, lending exposure was significantly decreased.

Management of trading business credit risk

MEASUREMENT OF CREDIT RISK FROM TRADING BUSINESS

Replacement risk, settlement risk, and issuer risk arise largely in connection with DZ BANK's trading activities. **Replacement risk** is calculated mainly on the basis of fair value and the add-on for an individual transaction. The add-on takes into account specific risk factors and residual maturities. Where legally enforceable, netting agreements and collateral agreements are used at counterparty level to minimize risk. As regards **settlement risk**, the amount of the counterparty risk is deemed to be the amount of the debt, i.e. the amount actually due to be paid by the counterparty to DZ BANK. Settlement risk is recognized for a period over which the risk is assumed to apply. **Issuer risk** is calculated on the basis of the fair value of a security. All securities in the banking book and trading book are included in the calculation of this risk.

MANAGEMENT OF LIMITS ON CREDIT RISK FROM TRADING BUSINESS

DZ BANK has established a volume-oriented **limit system** to limit the credit risk arising from trading business. The replacement risk is managed via a structure of limits broken down into maturity bands.
A daily limit is set in order to manage the settlement risk. A general or specific limit related to credit rating is determined for each issuer as the basis for managing issuer risk. Separate limits are specified for pfandbriefs (covered bonds) and asset-backed securities (ABSs). Credit risks in connection with trading business are measured and monitored using a standard method and a central, IT-supported limit management system to which all relevant trading systems are connected.

As in the traditional lending business, appropriate **early warning and overdrawn account processes** have also been established for the trading business. The member of the Board of Managing Directors responsible for risk monitoring is sent a daily list of exceeded trading limits as part of the reporting system in accordance with MaRisk requirements. A monthly report is prepared for the total credit risk from trading business on the basis of exposures.

CREDIT RISK MITIGATION

COLLATERAL STRATEGY AND HEDGED ITEMS

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

Secured transactions in traditional lending business encompass commercial lending including guarantees, indemnity agreements and external open loan commitments. Decisions to protect transactions against credit risk are taken on a case-by-case basis, the protection taking the form of traditional collateral. Derivatives are used to hedge interest-rate risks in individual cases.
In relation to replacement risk, secured transactions are transactions that are eligible for hedging under a master agreement (ISDA or German master agreement). Transactions that cannot be included under a master agreement are not hedged. DZ BANK only accepts cash and government bonds as collateral. The is-

suer risk in respect of bonds and subordinated securities from the same debtor is hedged using credit derivatives. The collateral from the credit derivative is offset against the reference entity or the guarantor entity.

TYPES OF COLLATERAL

DZ BANK uses all forms of **traditional loan collateral**. Specifically, these include mortgages on residential and commercial properties, guarantees (primarily in the form of guarantees, indemnity agreements, and letters of comfort), financial security (cash deposits at other banks, certain fixed-income securities, shares, and investment fund units), assigned receivables (blanket and individual assignment of trade receivables), and physical collateral. Privileged mortgages, guarantees, and financial collateral are used as collateral that needs to be recognized for regulatory purposes under the German Solvency Ordinance. Currently, receivables are generally not recognized for regulatory purposes, and physical collateral only to a limited extent.

Collateral for trading business – known as collaterals – is exchanged in a margining process on the basis of master agreements. The margining process is a daily monitoring process supported by IT to ensure that the trading portfolio is sufficiently collateralized. Collaterals are recorded in a separate IT system. In the case of credit derivatives, the guarantors or counterparties are mainly financial institutions.

The exchange of collateral is contractually agreed with counterparties. The signing and execution of contracts is governed by DZ BANK's collateral policy. This policy specifies contract parameters, such as the quality of collateral, frequency of exchange, minimum exchange amounts, and exempt amounts. Under the collateral policy, DZ BANK pursues a strategy of avoiding the accumulation of new concentration risks from trading collateral. DZ BANK regularly uses bilateral netting and collateral agreements. An exception applies to cover assets, as the special legal status of the counterparties means that only unilateral collateral agreements can be usefully enforced. Netting and collateral result in a significant reduction in the exposure from trading business.

Management of collateral

MANAGEMENT OF TRADITIONAL LOAN COLLATERAL

Collateral management is the responsibility of **specialist units** outside the market divisions. The core tasks of these units include the provision, review measurement, recording, and management of collateral, and the provision of advice to all divisions in matters concerning collateral.

To a large extent, standardized contracts are used for the provision of collateral and the associated declarations. Specialist departments are consulted in cases where customized collateral agreements are required. Collateral is managed in a separate IT system. The measurement of collateral is the responsibility of back office units. As a minimum, carrying amounts are reviewed on the monitoring dates specified by the back office units – normally annually – or on the agreed submission date for documents relevant to measurement of the collateral. Shorter monitoring intervals may be specified for critical lending exposures. Regardless of the specified intervals, collateral is tested for impairment without delay if any indications of impairment become evident.

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

COLLATERAL MANAGEMENT

Both netting agreements and collateral agreements are used as instruments to reduce credit risk. In accordance with the collateral policy, cash or investment-grade securities are accepted as collateral for trading transactions. Exposure and collateral are measured at regular intervals agreed with the counterparty. Margin calls issued by the parties in this process lead to a regular exchange of collateral.

The unsecured part of an exposure (threshold amount) is reduced in the event of a deterioration in credit quality or increased if the credit quality improves. This procedure is contractually agreed with the counterparty. In contracts with a threshold of zero, a deterioration in credit quality is of no relevance because the exposure is always fully secured.

Management of non-performing exposures

MANAGEMENT AND MONITORING OF NON-PERFORMING EXPOSURES

Identified non-performing loans are transferred to the **workout units** at an early stage. By providing intensive support for critical exposures and applying customized solutions, these special units lay the basis for securing and optimizing problem risk positions.

In the traditional lending business, DZ BANK has a comprehensive range of tools at its disposal for the early identification, close support and high-quality monitoring of non-performing exposures. The subportfolio of non-performing loans is reviewed, updated and reported on a quarterly basis. The process is also carried out at shorter intervals if required. This process is comprehensively supported by IT systems. A key element is the internal reporting system which is informative, target-group-oriented, and timely.

To limit losses resulting from the crisis in the financial markets, DZ BANK's banking portfolio was subject to intensive monitoring during the year under review. This applied in particular to exposures with heightened risk relating to one borrower rather than a portfolio and for which there was no possibility of obtaining government guarantees or a bailout. DZ BANK is planning to carry out a further review in the first half of 2009 of the structure of early-warning processes relating to exposures to financial institutions and to make any adjustments where necessary. Individual borrowers are closely supported by task forces specially set up for this purpose. The risks in subportfolios are monitored and analyzed with regular reports.

PROCEDURES FOR RECOGNIZING ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

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

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

PRICING IN LENDING BUSINESS

Analysis of the economic capital requirement for credit risk

As at December 31, 2008, the economic capital requirement for credit risk amounted to €1,465 million (December 31, 2007: €1,137 million). DZ BANK also set an upper loss limit of €1,495 million (2007: €1,760 million). The upper loss limit was not exceeded at any time during 2008. The increase in the risk capital requirement is largely attributable to the enhanced confidence level of 99.95 percent and to the deterioration in the ratings of banks and ABS investments that occurred particularly in the third and fourth quarters of 2008.

Volume-oriented lending-portfolio analysis

BASIC PRINCIPLES OF VOLUME-ORIENTED LENDING-PORTFOLIO ANALYSIS

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

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

STRUCTURE AND CHANGES IN THE TOTAL LENDING PORTFOLIOS

DZ BANK responded to the crisis in the financial markets with a reduction in its lending volume. Compared with 2007, lending volume was decreased by approximately 5 percent and as at December 31, 2008 amounted to €189.5 billion (December 31, 2007: €200.2 billion). This change was attributable particularly to a reduction in lines of credit for banks and major customers as well as a decrease in country limits. DZ BANK was also able to lower concentration risks by reducing the risk in exposures of €100 million or more. The action taken was reflected in a reduction in the lending volume for the largest 20 borrowers and a decrease in the average lending volume per individual borrower. There was also a significant reduction in securities portfolios, which were 13 percent lower than at December 31, 2007. In contrast, there was an increase in loans extended to corporates – one of DZ BANK's core activities.

The **industry structure** of the lending portfolio shown in the upper table on page 30 maintains the same broad diversification from the previous year. For the most part, DZ BANK invests its free cash flow in investment-grade securities. This accounts for the high proportion of loans and advances to banks. In addition to the local cooperative banks, the borrowers in the financial sector comprise banks and other financial institutions. Lending volume in the financial sector ell to €118.0 billion, 5 percent down on 2007.

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

The lower table on page 30 shows the geographical distribution of the lending portfolio by **country risk groups.** As at December 31, 2008, 94 percent of total lending volume (December 31, 2007: 95 percent) was concentrated in Germany and in other western industrialized countries.

The chart at the top of page 31 shows DZ BANK's lending volume by **GRC rating categories**. On this scale, rating category I is the best and rating category VII the worst credit rating. "Other" comprises counterparties for whom a rating classification is not required. Despite the drop in customer credit quality during the course of 2008, 91 percent of total lending as at December 31, 2008 (December 31, 2007: over 93 percent) was to counterparties in rating categories I to III (investment grade) and this category therefore continued to account for by far the greatest proportion of lending. However, some rating migration to lower ratings within investment grade was also noticeable. Investment-grade lending volume to the entire financial sector fell by 6 percent compared with 2007. Financial sector lending in rating category I saw a year-on-year decrease of approximately 3 percent. The proportion of financial sector lending volume in rating category I accounted for by the local cooperative banks rose from 65 percent as at December 31, 2007 to just under 74 percent as at December 31, 2008.

CREDIT RISK CONCENTRATION BY INDUSTRY

	Lending volume					
	Traditional lending business		Securities business		Derivatives and money market business	
€ billion	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Financial sector	66.7	62.0	42.1	52.3	9.2	10.6
Public sector	0.5	0.7	5.6	6.9	0.3	0.1
Corporates	38.7	34.0	8.1	9.8	1.2	0.8
Retail	0.3	0.4	7.8	12.6	0.0	0.0
Industry conglomerates	3.9	3.0	3.9	4.7	1.3	2.3
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	**110.1**	**100.1**	**67.5**	**86.3**	**12.0**	**13.8**

CREDIT RISK CONCENTRATION BY COUNTRY GROUP

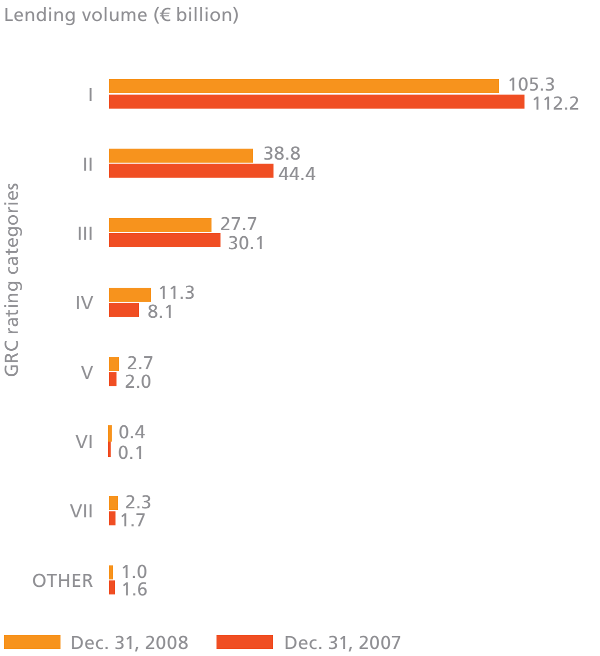
	Lending volume					
	Traditional lending business		Securities business		Derivatives and money market business	
€ billion	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Germany	79.7	74.8	20.8	28.2	5.3	4.5
EMU countries (excl. Germany)	7.4	5.8	23.9	31.3	4.0	4.9
Other EU countries	4.7	3.0	7.6	8.4	0.9	1.5
Other industrialized nations	10.1	8.3	13.9	16.6	1.5	2.3
Non-industrialized nations	8.1	8.2	1.4	1.8	0.3	0.6
Total	**110.1**	**100.0**	**67.5**	**86.3**	**12.0**	**13.8**

The proportion DZ BANK's total lending volume accounted for by counterparties in rating categories IV to VII (non-investment grade including defaults) continued to be relatively low at 9 percent (December 31, 2007: 6 percent). In the course of the financial markets crisis, defaults in rating category VII as a proportion of total lending increased to just over 1 percent (December 31, 2007: under 1 percent), but overall remained at a low level.

SECURITIZATION PORTFOLIO STRUCTURE

During 2008, DZ BANK was able to achieve a significant reduction of approximately 23 percent in its securitization exposure. As at December 31, 2008, the fair value of the entire securitization exposure amounted to €18.0 billion, compared with a fair value of €23.4 billion as at December 31, 2007. Within the total exposure at the end of the fiscal year, €4.3 billion (December 31, 2007: €6.0 billion) related to exposures via conduits. Of this amount, 75 percent was accounted for by undrawn conduit lines of credit. Conduits are predominantly made available for DZ BANK customers who then securitize their own assets via these companies. As at December 31, 2008, 82 percent (December 31, 2007: 93 percent) of securitization on the balance sheet was rated at AAA by external rating agencies. A further 7 percent (December 31, 2007: 6 percent) was rated at AA. The underlying assets are geographically diversified and are mainly accounted for by European countries, the USA and Australia. The main feature of the portfolio is a product-related focus on residential and commercial real estate finance. As at December 31, 2008, 12 percent (December 31, 2007: 14 percent) of the securitization items on the balance sheet were accounted for by residential mortgage-backed securities classified as subprime. On the balance sheet date, the portfolio also included collateralized debt obligations of €1.4 billion (December 31,

CREDIT RATING STRUCTURE OF THE LENDING PORTFOLIO



2007: €0.8 billion). In 2008, the value of DZ BANK's securitization portfolio fell by €715 million.

Analysis of allowances for losses on loans and advances

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

The increase in specific loan loss allowances for losses on loans and advances during the course of 2008 arises from two opposite effects: on the one hand, the uninterrupted downward trend to date in specific loan loss allowances recognized for corporate customer business, and on the other hand, the increase in allowances resulting from the collapse of Icelandic banks.

Summary and outlook

In the year under review, an additional special rating system was introduced for acquisition financing. The revised VR-rating system for major customers and the rating system for project finance underwent a regulatory review. As a result, approval of the IRB approach for major customer ratings was confirmed and the project finance rating system was approved for the first time as an IRBA system. In the management of traditional loan collateral, the focus in 2008 was on the enhancement and streamlining of processes and rules for the purposes of implementing further Solvency Regulation requirements in the use of methods to minimize credit risk. A further key area of activity was the increase in data quality. To this end, further system-inherent validation processes were integrated into the collateral management system and action plans were implemented to enhance efficiency and transparency. DZ BANK also continued to translate requirements for the refinement of the collateral management system into functional specifications.

In 2009, DZ BANK plans to introduce further internal rating systems for special segments – for example, transactions with investment funds subject to credit risk – to complete DZ BANK's range of internal rating system tools. The Bank also intends to revise the rating segments for larger SMEs, banks and countries. In this regard, knowledge gained from the current financial markets crisis will be taken into account. DZ BANK will also continue to develop its collateral management system during 2009. In addition, it intends to carry out a further optimization of reporting structures in its internal credit risk reporting system.

ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	Specific loan loss allowances	Country risk loan loss allowances	Portfolio loan loss allowances	**Total allowances for losses on loans and advances**
Balance as at Jan. 1, 2008	915	60	344	**1,319**
Changes in 2008	165	37	-72	**130**
Balance as at Dec. 31, 2008	1,080	97	272	**1,449**

4. EQUITY RISK

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

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

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

Equity risk is measured as **value-at-risk** on the basis of a variance-covariance approach with market price fluctuations derived from reference prices listed on a stock exchange. As at December 31, 2008, **the economic capital requirement** for DZ BANK's equity risk was measured at €828 million, a decrease on the corresponding figure of €855 million as at December 31, 2007. The upper loss limit allocated to DZ BANK for the financial year was €854 million (2007: €860 million). The slight drop in the limit is attributable to countervailing effects. On the one hand, there was a dramatic increase in the stock-market-listed reference prices, but on the other hand, two investments were switched to direct risk management. In addition, the risk measurement was reduced by adjustments to the investment exposure in NATIXIS S.A., Paris, these adjustments also being relevant to profit or loss. As at December 31, 2008, **the volume of long-term equity investments** in companies outside the DZ BANK Group was €1,913 million (December 31, 2007: €2,445 million).

5. MARKET PRICE RISK

MARKET PRICE RISK STRATEGY

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

Within its trading divisions, DZ BANK takes on market price risk in order to support its customer business and to generate additional income outside its customer business. DZ BANK's core competencies in **trading for customer account** are in its ability to take on and manage risks so that it can offer a range of products oriented around customer demand. DZ BANK's trading strategy is therefore aimed at generating profits primarily from customer and structuring margins. Open market-risk positions arise mainly in respect of spread risk from holding securities portfolios in trading for customer account.

DZ BANK is also exposed to credit-quality-related market price risks on securities held in the **collateral portfolios**. In this regard, DZ BANK's objective is to generate additional margin income outside customer business. In addition, DZ BANK holds bank bonds in **liquidity portfolios** to support its liquidity management function as a central and corporate bank and on behalf of the DZ BANK Group. The portfolios also help to generate additional margin income.

DZ BANK manages market price risk in its lending business and own issues as part of its **non-trading port-**

folios and also incurs market price risks from holding issues from the primary banks and subsidiaries. The market price risk on these items is largely determined by the spread risk. DZ BANK also holds **strategic market price risk positions**, which are managed via the Bank's Treasury Committee.

ORGANIZATION, RESPONSIBILITY, AND REPORTING

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

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

MANAGEMENT OF MARKET PRICE RISK

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

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

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

MARKET PRICE RISK MINIMIZATION

The **hedging of market price risks** is the responsibility of the relevant portfolio manager as part of the decentralized management of portfolios. Risk management is primarily dynamic based on sensitivities. Risks are hedged either through internal transactions with the trading division responsible for the product marketing or through external stock market and OTC transactions.

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

BACKTESTING AND STRESS TESTS

The purpose of **backtesting** is to check the predictive quality of value-at-risk approaches. Daily gains and losses are compared against the value-at-risk figures calculated using risk modeling. As part of an annual appropriateness review, comprehensive statistical tests are also carried out on the predictive quality of risk modeling.

In addition, DZ BANK carries out **stress tests,** which take into account extreme market movements. The underlying crisis scenarios include the simulation of significant fluctuations in risk factors and serve to highlight potential losses not recognized in the value-at-risk approach. Stress tests use as their basis extreme market fluctuations that have actually occurred in the past together with crisis scenarios that – regardless of market data history – are considered to be economically relevant.

The backtesting and stress test procedures described above are applied not only to the approved internal risk model for the calculation of capital adequacy requirements in accordance with the Solvency Regulation but also to the non-trading portfolios for the purposes of internal market price risk management.

Any backtesting results showing that the value-at-risk has been exceeded and any potential losses identified by stress test simulations are reported to senior management in the monthly trading business report. The results are also reported in the quarterly group risk report.

ANALYSIS OF MARKET PRICE RISK

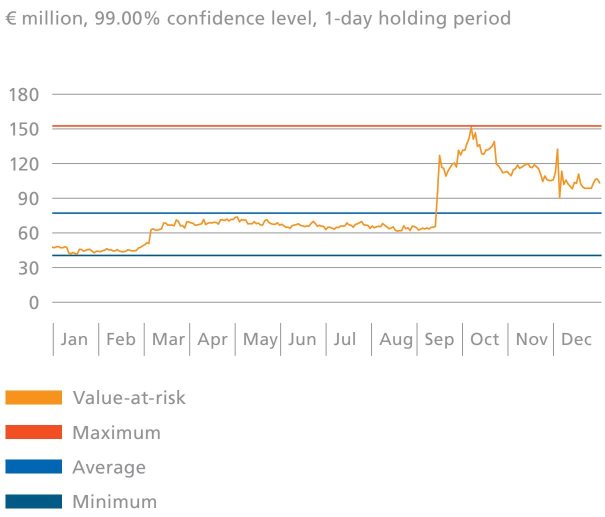
As at December 31, 2008, DZ BANK's **capital requirement for market price risk** amounted to €1,543 million (December 31, 2007: €724 million) with an upper loss limit of €1,822 million (December 31, 2007: €900 million). The **total value-at-risk** as at December 31, 2008 for trading divisions and non-trading portfolios was €123 million (December 31, 2007: €56 million). The above chart shows the change in **value-at-risk for the trading divisions**.

The increase in the calculated value-at-risk was largely a consequence of the crisis in the financial markets and the significant associated widening of spreads. The main reason behind the substantial upward movement in value-at-risk in September was the collapse of Lehman Brothers.

MARKET LIQUIDITY RISK

Market liquidity risk falls within the remit of the portfolio managers responsible for managing market price risk. Market liquidity risk arises primarily in respect of securities with ratings. The securities that are most susceptible to market liquidity risk are asset-backed securities. In the course of the financial markets crisis, specifically in the third and fourth quarters of 2008, there was also a shortage of market liquidity for securities that had previously been regarded as highly liquid. The main securities affected by this development were unsecured bonds from financial institutions and jumbo

VALUE-AT-RISK FOR TRADING DIVISIONS IN 2008



pfandbriefs from issuers in Spain, the USA, and the UK. DZ BANK holds these securities to service customer demand as part of its trading for customer account; it also holds them in its liquidity and collateral portfolios.

SUMMARY AND OUTLOOK

In the course of the sustained crisis in financial markets there was a general increase in volatility on capital markets which resulted in enhanced market price risk in DZ BANK's trading and non-trading portfolios. A key factor in the increase in risk was, in particular, the increased volatility in spreads on bank bonds and asset-backed securities. This phase of heightened market pricerisk is expected to continue in 2009.

As in previous years, the focus of trading business in 2009 will be on **customer business**. DZ BANK will continue to pursue a strategy of holding rated securities in collateral and liquidity portfolios and as a means of generating additional margin. Given the situation in the financial markets, there will be a reduction in capital markets business not related to the cooperative financial services network and, as a result, a decrease in the associated risks. The issue of limits will be based on the risk-bearing capacity of the group.

In 2009, DZ BANK will continue to expand its management system for market price risks. It is planned to integrate **incremental risk** into the Bank's internal management system. After implementation of this upgrade, sudden changes in market prices arising, for example, from rating migration or the collapse of an issuer will be specifically included in risk calculations and used for the purposes of risk management.

6. LIQUIDITY RISK

LIQUIDITY RISK STRATEGY

DZ BANK's operations are governed by the principle that any liquidity risks assumed must be in compliance with the **risk tolerance** specified by the Board of Managing Directors. Solvency must be ensured, even in times of serious crisis. Risk tolerance is expressed in the form of crisis scenarios, and stress tests must demonstrate that there is adequate cover for these scenarios. Liquidity reserves in the form of collateralizable securities are held by DZ BANK so that it can remain solvent, even in the event of a crisis. In addition, the Bank diversifies its liability profile and carries out active marketing and intensive maintenance of customer relationships with corporate customers, institutional customers, bank customers and on the interbank market to ensure the availability of refinancing potential on money markets.

ORGANIZATION AND RESPONSIBILITY

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

MANAGEMENT OF LIQUIDITY RISK

Liquidity up to one year

Liquidity risk is determined at the DZ BANK Group level using a **risk model** developed by DZ BANK. Given DZ BANK's role as a holding company and the integrated management of liquidity risk throughout the group, the liquidity risk for the group also serves as the risk figure for DZ BANK as an individual entity. Using this model, three stress scenarios are simulated on a daily basis in addition to a normal scenario. A "minimum excess liquidity" figure is calculated for each scenario. This figure quantifies the minimum surplus cash that would be available if the scenario were to materialize within the next twelve months. To carry out this calculation, cumulative cash flow (forward cash exposure) is compared against available liquidity reserves (counterbalancing capacity) on a day-by-day basis. Forward cash exposure includes both expected and unexpected payments. The counter-balancing capacity includes balances on nostro accounts, securities that can be refinanced, and estimated capacity for unsecured refinancing with customers and banks.

The normal scenario reflects the current situation in the markets and in the company. **Stress tests** are conducted for forward cash exposure and for counterbalancing capacity using the following three scenarios: "downgrading", "corporate crisis", and "market crisis". DZ BANK has emergency liquidity plans in place so that it is able to respond rapidly and in a coordinated manner to serious events. The emergency plans are revised annually.

Liquidity risk **limits** are based on the minimum liquidity surplus determined for the stress scenarios. The Board of Managing Directors has set a positive limit and an observation threshold in excess of the positive limit.

Ongoing management of accounts with central and correspondent banks in Germany and abroad ensures **intraday liquidity.**

Structural liquidity

Structural liquidity is used as an indicator for the advance management of liquidity risks expected in the future and is one of the factors used in the assessment of the long-term refinancing structure. Structural liquidity is measured on the basis of total liquidity flows, the measurement being carried out daily using the internal liquidity risk model in the same way as the measurement of liquidity up to one year. The "long-term ratio" figure is used to support the management of structural liquidity. This key figure is also determined on a daily basis. It quantifies the ratio of sources of funds to application of funds in terms of cash flows with a residual maturity of more than one year.

Reporting

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

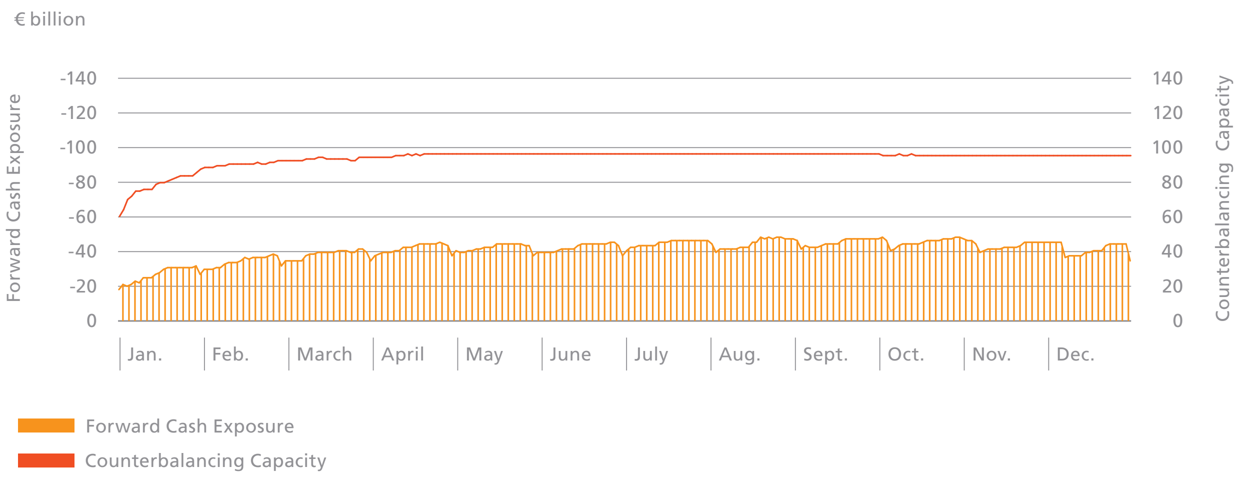
ANALYSIS OF LIQUIDITY RISKS

Liquidity up to one year and structural liquidity

As at December 31, 2008, the minimum liquidity surplus for the DZ BANK Group in the normal scenario measured for 2009 was €40.6 billion. The chart below shows the comparison between the forward cash exposure and counterbalancing capacity as at December 31, 2008. In the year under review, and after the introduction of group-related liquidity risk measurement in March 2008, the stress scenarios showed that, for the DZ BANK Group, there were two days on which liquidity fell below the minimum liquidity surplus. There were also seven days on which liquidity was below the higher observation threshold. As at December 31, 2008, liquidity did not fall below the limit and observation threshold in all stress scenarios.

As at December 31, 2008, DZ BANK's long-term ratio was 89 percent (December 31, 2007: 90 percent). This means that by far the greatest proportion of items tying up liquidity with a residual maturity of over one year are refinanced with funds that also have a residual maturity of more than one year.

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



Refinancing

The structure of **short-term and medium-term refinancing** is based on an appropriately broad, well-diversified range of geographical regions, investors, markets, products, and maturities. Deposits from the local cooperative banks are the most important source of refinancing. As at December 31, 2008, they covered 54 percent of the unsecured refinancing (December 31, 2007: 39 percent). This amply demonstrates that the business model of 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 carrying out its subsidiary responsibilities for the local cooperative banks. The table below shows the percentage breakdown of the main sources of unsecured short-term and medium-term refinancing compared with 2007.

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

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

UNSECURED SHORT-TERM AND MEDIUM-TERM REFINANCING

(%)	Dec. 31, 2008	Dec. 31, 2007
Local cooperative banks	54	39
Other banks	22	35
Corporate customers	22	19
Commercial Paper/certificates of deposit	2	7

SUMMARY

In 2008, liquidity risk management in DZ BANK continued to follow standard daily processes. Despite the disruption in the markets, the solvency of the Bank was never in jeopardy at any point. The Bank was able to cope adequately with the effects of the crisis in the financial markets within its existing organizational framework. The measurement of liquidity risk was adjusted in line with the reduced availability of liquidity outside the cooperative financial services network. DZ BANK is able to ensure a sufficient supply of liquidity on the basis of the high level of deposits in local cooperative banks. There was a further significant increase in these deposits in the course of the financial markets crisis. In addition, over time, there has been a high degree of stability in deposits from corporate customers and institutional investors. DZ BANK has an adequate pool of securities eligible to support borrowing from the central bank and these securities could be used for this purpose at any time. Liquidity is measured and monitored on a daily basis independently of the trading function using stress tests. The results of the stress tests do not reveal any liquidity squeeze over the coming year, even in the event of a further deterioration in the financial markets situation.

7. OPERATIONAL RISK

STRATEGY FOR OPERATIONAL RISK

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

– Further enhancement of **risk awareness** to be reflected in an appropriate risk culture focusing not only on individual areas of responsibility but also on the overarching interests of the Bank. Establishment of comprehensive, open communication systems to support these aims.
– An open and largely penalty-free **approach to operational risk** promoting a problem-solving culture.
– Preference for a balanced relationship between

opportunities and risks rather than a general strategy of risk avoidance. Risk reduction, risk transfer and risk acceptance are core management strategies in addition to risk avoidance.
- **Risk appetite** defined in the form of upper loss limits for operational risk and continuously adjusted in line with prevailing circumstances.
- Individual **methods** for managing operational risk coordinated with each other to provide an accurate, comprehensive picture of the risk situation coherently integrated into the overall management of all risk types.
- **Management** of operational risk on a decentralized basis.
- Compliance with relevant **regulatory requirements** guaranteed at all times.

ORGANIZATION AND RESPONSIBILITY

The starting point for all other tools is the functional organization model which describes in detail the tasks and responsibilities of all persons involved in the process. Basic responsibility for managing operational risks is assigned decentrally to each division, although divisions must take a responsible approach to the impact of risk management on other units. Overarching functions, such as legal services, human resources and IT management, are handled by special central services divisions and departments as part of central risk management.

MANAGEMENT OF OPERATIONAL RISK

As part of risk management and to determine regulatory capital requirements, the potential loss from operational risk is calculated using the **standardized approach** specified by the German Solvency Ordinance.

The collection of **loss data** allows DZ BANK to identify, analyze and evaluate loss events, highlighting trends and concentrations of operational risk. This data is also used to build up a data history, which then permits a more risk-sensitive consideration of operational risk following implementation of appropriate methodology. Public external data (AlgorithmicsFIRST) and anonymous data shared between the members of the data consortium of the Association of German Public Sector Banks (VÖB) is used for this purpose. The collected data is also used for benchmarking purposes and as a basis for scenario analysis.

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

Loss data collection and the self-assessment process are complemented by **risk indicators** which allow DZ BANK to identify risk trends at an early stage. A system of warning lights is used to indicate risk situations based on specified threshold values. Risk indicators are collected systematically and regularly on a wide scale.

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

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

ANALYSIS OF OPERATIONAL RISK

As at December 31, 2008, DZ BANK's **economic capital requirement** for operational risk was calculated at €131 million (December 31, 2007: €186 million). The figure did not exceed the applicable upper loss limit at any point during the course of 2008. As at December 31, 2008, the upper loss limit for operational risk was €131 million (December 31, 2007: €230 million).

SUMMARY AND OUTLOOK

During 2008, DZ BANK continued to push forward with the design and implementation of sophisticated tools for the management and control of operational risk. At the same time, work continued on the expansion of economic capital accounting in order to establish over the long term incentive systems, such as capital management for operational risks, that are even more risk-sensitive.

8. STRATEGIC RISK

ORGANIZATION AND RESPONSIBILITY

The management of strategic risk is a primary responsibility of the **Board of Managing Directors** of DZ BANK and is carried out in consultation with senior management in group companies. Group management is integrated into a committee structure, headed by the **Group Coordination Committee**. This committee is supported by six function-related working groups, whose members comprise representatives from all divisions. The working groups are responsible for the following cross-departmental functions: product and sales/marketing coordination; foreign coordination, IT, operations and resources; group and company management; risk management and human resources management. Segment management is the responsibility of the **Local Bank Advisory Councils**, whose members are representatives of the cooperative banks. The chairmen (coordinators) of the seven Local Bank Advisory Councils are taken from the members of the boards of managing directors of banks in the DZ BANK Group that are represented on the Group Coordination Committee. This structure allows the highest possible level of coordination for strategic decisions while at the same time fully maintaining the decentralized structure to the benefit of the local cooperative banks.

MANAGEMENT OF STRATEGIC RISK

The management of strategic risk is based on the forward-looking assessment of success factors and the setting of associated targets for the divisions of DZ BANK. The basis for the process is the **strategic planning consultation program** which comprises a number of modules, as follows: financial planning, regulatory and economic capital planning, target planning for fee and commission income and for bonuses to the cooperative banks, and strategic initiatives. A **management information system** is used to monitor the achievement of targets.

GROUP STRATEGIC POSITION AND PERFORMANCE

Strategic potential

The strategic potential of DZ BANK is closely linked to that of the group as a whole. As the central service provider for the cooperative financial services network, the DZ BANK Group – on the basis of the high level of cohesion within the network - has the best possible foundation for long-term consolidation of its position as one of the leading financial service providers in the German market. DZ BANK's long-term objectives are to achieve permanent market-leading positions in German retail banking and in the high-end retail customers segment, to ensure that the Bank is focused as a leading, financially strong, target-customer-oriented corporate and investment bank for German SMEs, and to consolidate its market-leading position in Germany in transaction banking while generating Europe-wide growth in this business. Specifically, this means that DZ BANK, as the central product supplier for banking services, must ensure that its products are systematically geared to the requirements of the cooperative banks from the very start of the product development process onward.

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

Focus initiatives

Under the 'Verbund First' approach, a number of strategic initiatives have been instigated in retail banking, corporate and investment banking, and in transaction banking. The objective of these focus initiatives is to systematically develop market potential for the entire cooperative financial services network, for example in the pensions business and private and corporate customer businesses. To this end, DZ BANK and the cooperative banks have jointly developed new, innovative products that will further optimize the range of products offered by the cooperative banks. Cooperation between the individual group companies has also been stepped up. For example, R+V and Union Investment are collaborating on jointly developed pension products and services using "VR Vorsorgestatus", the standard basic advisory tool used throughout the network. This results in more efficient cooperation within the network and the provision of optimum support for customers. Regular reports are made to the Group Coordination Committee on the current status of segment strategies and individual focus initiatives.

Market and business environment trends

The "Outlook" section from page 41 of the management report describes expected developments in the market and business environment together with DZ BANK's business strategy and the implications for earnings performance in 2009. These are crucial factors in DZ BANK's strategic positioning over the coming year.

Measurement and analysis of strategic risks

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

As at December 31, 2008, the **economic capital requirement** for strategic risk at DZ BANK amounted to €157 million (December 31, 2007: €102 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2008. As at December 31, 2008, the upper loss limit for strategic risk was €172 million (December 31, 2007: €147 million).

9. SUMMARY

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

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

The efficiency of its risk management system means that DZ BANK is in a position to meet the challenges presented by the crisis in the financial markets. DZ BANK satisfied regulatory solvency requirements at all times during 2008. In addition, given that there was sufficient aggregate risk cover in the DZ BANK Group, the Bank was able to demonstrate economic capital adequacy at all times. No risks to the Bank's continued existence as a going concern have been identified.

IV. Outlook

The downward economic trend in Germany will gather momentum at the start of 2009. The slump is not forecast to bottom out until the end of the second quarter of 2009 at the earliest and a stabilization cannot therefore be expected until the end of the year. Overall, a significant contraction in gross domestic product (GDP) is anticipated for 2009. It is only in 2010 that GDP will register a slight increase starting from a lower level. In the medium term, this upward trend will stabilize with an economic recovery in the euro zone and in the US.

Consumer spending in Germany will be held in check by further rises in unemployment. At the same time, uncertainty will continue to influence consumer behavior. Consumers will remain sceptical regarding economic growth and this will continue to drive the rate of savings to a high level in both 2009 and 2010. Economic growth will also be affected by the gloomy prospects for exports. Weaker demand in the main export markets has forced companies to scale back their capital expenditure plans. This means there is low growth in capital expenditure overall.

All these factors are acting as a brake on domestic demand and the situation is compounded by a drop in exports. Fiscal stimulus packages will not be able to fully compensate for these developments. Tax breaks and government investment programs will only be able to trigger an initial positive response in consumer demand from the middle of the year. However, whether this can be sustained into 2010 will depend on further developments in national and international financial markets.

Domestic demand is expected to be boosted by falling consumer prices, specifically the drop in energy prices. The tough conditions will also be eased by the expansionary approach taken by central banks to monetary policy and any further reductions in key interest rates. As far as German exporters are concerned, hope rests on the stabilization of international economic conditions in the course of 2009, combined with calmer waters in international financial markets and the gradual positive impact in 2010 from the numerous national economic stimulus packages that are currently being initiated by governments around the world.

DZ BANK is assuming that stabilization of financial markets will not materialize until the end of 2009. Subsequent consolidation on financial and capital markets will lead to a change in the market and competitive situation in 2010, which may well be characterized by more government intervention and stiffer regulatory requirements. This will therefore result in a significant change to the general parameters for lending, leading to a modification of corporate strategy in the sector as a whole and a reallocation of functions and resources.

To cushion the continued high degree of uncertainty regarding trends in the financial and non-financial sectors, DZ BANK is forecasting an additional capital requirement for 2009 of around €1 billion. The key reason for this is the further increase in capital requirements in persistently tough financial market conditions. In an initial stage, DZ BANK will issue Tier 1 capital of €500 million. In addition, following preliminary discussions, BVR has proposed that instruments be made available to reduce the regulatory capital requirement in DZ BANK, for example by providing cover for securities portfolios at arm's-length market rates. The results of liquidity risk stress tests show that, in the event of a further deterioration in the financial markets situation, this will not lead to a liquidity squeeze in DZ BANK over the coming year.

DZ BANK expects to see a year-on-year increase in operating income in 2009 together with further growth in 2010. The objective of the key strategy is to position DZ BANK, on behalf of and together with the primary banks, for a strategic offensive in important growth areas.

Corporate banking planning has a significant impact on the net interest income forecast for 2009 and 2010. In this area of the business, DZ BANK is seeking to establish a market-leading position with German SMEs in the medium term through its structured finance products and solutions marketed indirectly via the cooperative banks. DZ BANK is also intending to strengthen its direct marketing activities by a clearer market positioning of sales units from 2009. Overall, the Bank is expecting a sideways movement in net interest income in 2009 and 2010 with the focus on stabilization and consolidation.

Given weaker economic growth, DZ BANK is predicting an increase in allowances for losses on loans and advances. It is expecting a moderate increase in budgeted allowances for losses on loans and advances along an increased expected loss curve and possible write-downs resulting from the poor economic conditions, particularly in 2009 but also in 2010.

Given the current position, DZ BANK's net fee and commission income will turn out to be lower in 2009. The Bank is predicting lower brokerage fees and commissions because of the uncertainty in capital markets, and the planned growth in transaction banking and corporate banking will not be able to offset the difference. It is only in 2010 that the net fee and commission income is expected to be boosted by an increase in demand in customer business.

After the financial markets have slowly returned to normal, gains and losses on trading activities will benefit over the next few years from a positive impact on performance, for example as a result of no further widening of spreads. Business volume is being expanded by systematic implementation of growth initiatives at DZ BANK. Corrective action has also been implemented to ensure these initiatives are aligned with market requirements. The initiatives are targeted at the entire range of customer groups and cover the whole spectrum of investment banking products and services at DZ BANK. In 2009 and 2010, gains and losses on trading activities will also be boosted by reversals of write-downs.

As a consequence of strict management of costs, DZ BANK's administrative expenses will generally only rise at the forecast rate of inflation. Given the stimulus from increased income, the cost/income ratio will therefore see an improvement in 2009 and 2010.

In addition, investment banking activities over the next few years will be subject to increased government intervention and regulation, which could also result in some distortion of competition. Existing uncertainty in financial markets may also continue to have an adverse impact on investment banking earnings.

Despite generally tough economic conditions, the Board of Managing Directors predicts that DZ BANK will benefit from its strategic positioning and from the changes in market and competitive conditions such that the opportunities presented to DZ BANK will outweigh the risks described in the risk report. In 2009, this will produce a mid-range three-digit million euro net income. This figure is expected to stabilize with slight growth in 2010.

The year under review was characterized by unprecedented systemic turmoil. DZ BANK's business model proved itself to be robust, particularly in these turbulent times. Nevertheless, it will be geared even more closely to the needs of the cooperative financial services network in the future. Against the background of persistently challenging market conditions, this business model will be reinforced by the planned merger with WGZ BANK.

In the merger discussions, DZ BANK and WGZ BANK have agreed a tight schedule with the signing of the merger agreement planned for April 2009. Preparations in both banks are running to plan with broad support in all areas of business. Joint activities are to be undertaken to highlight growth areas and identify cost savings that can be exploited in the new structure in the second half of 2009 and particularly in 2010. Following the merger of activities into one unified central institution, the growth synergies in markets and quantified potential cost savings will be realized. The cornerstones of the range of products and services and the key areas of focus in the unified central institution will be the local cooperative banks as customers and owners, SME customer relationships, transaction banking, and network-related capital markets business. DZ BANK forecasts that the realization of growth and cost synergies will be reflected in a positive impact on net income from 2010 onward.

ANNUAL FINANCIAL STATEMENTS OF DZ BANK AG

Balance sheet as at December 31, 2008

ASSETS

€ million	Note	Dec. 31, 2008	Dec. 31, 2007
1. Cash and cash equivalents		**1,296**	**721**
a) Cash on hand		1	0
b) Balances with central banks		1,295	721
of which: with Deutsche Bundesbank		(1,287)	(712)
2. Debt instruments from public-sector entities and bills of exchange eligible for refinancing by central banks		**109**	**36**
Treasury bills, non-interest-bearing treasury notes and similar debt instruments from public-sector entities		109	36
of which: eligible for refinancing at Deutsche Bundesbank		(88)	(–)
3. Loans and advances to banks	(04, 06)	**107,333**	**105,183**
a) Repayable on demand		7,621	7,404
b) Other loans and advances		99,712	97,779
4. Loans and advances to customers	(04)	**33,805**	**32,133**
of which: secured by mortgages		(285)	(141)
local authority loans		(1,516)	(1,641)
5. Bonds and other fixed-income securities	(04, 12, 13, 14)	**95,050**	**108,871**
a) Money market instruments from		3,363	1,920
aa) public sector issuers		–	–
of which: eligible as collateral at Deutsche Bundesbank		(–)	(–)
ab) other issuers		3,363	1,920
of which: eligible as collateral at Deutsche Bundesbank		(–)	(–)
b) Bonds from		86,546	102,548
ba) public sector issuers		5,944	6,413
of which: eligible as collateral at Deutsche Bundesbank		(5,214)	(5,569)
bb) other issuers		80,602	96,135
of which: eligible as collateral at Deutsche Bundesbank		(48,381)	(56,988)
c) Own bonds		5,141	4,403
Nominal amount		(5,301)	(4,403)
6. Shares and other variable-yield securities	(12, 13, 14)	**1,260**	**1,824**
7. Long-term equity investments	(13, 14)	**473**	**680**
of which: in banks		(309)	(530)
8. Shares in affiliated companies	(13, 14)	**11,539**	**10,133**
of which: in banks		(1,285)	(1,026)
in financial services institutions		(8)	(8)
9. Assets held in trust	(08)	**1,457**	**1,545**
of which: trust loans		(323)	(379)
10. Intangible assets	(14)	**54**	**47**
11. Property and equipment	(14)	**47**	**54**
12. Other assets	(17)	**4,431**	**3,344**
13. Deferred taxes	(18)	**904**	**527**
14. Prepaid expenses and accrued income	(19)	**1,447**	**1,208**
a) In connection with issuing and lending business		417	461
b) Other		1,030	747
Total assets		**259,205**	**266,306**

EQUITY AND LIABILITIES

€ million	Note	Dec. 31, 2008	Dec. 31, 2007
1. Deposits from banks	(04, 06)	**141,231**	**163,572**
a) Repayable on demand		23,480	25,704
b) With agreed maturity or notice period		117,751	137,868
2. Amounts owed to other depositors	(04)	**43,266**	**37,869**
Other liabilities		43,266	37,869
a) Repayable on demand		8,386	5,129
b) With agreed maturity or notice period		34,880	32,740
3. Debt certificates including bonds	(04)	**51,251**	**45,522**
a) Bonds issued		50,014	40,346
b) Other debt certificates		1,237	5,176
of which: money market instruments		(1,237)	(5,176)
4. Liabilities held in trust	(08)	**1,457**	**1,545**
of which: trust loans		(323)	(379)
5. Other liabilities	(20)	**7,174**	**4,241**
6. Deferred income and accrued expenses	(19)	**572**	**472**
a) In connection with issuing and lending business		117	120
b) Other		455	352
7. Provisions	(02, 04)	**1,592**	**1,441**
a) Provisions for pensions and other post-employment benefits		490	575
b) Provisions for taxes		88	95
c) Other provisions		1,014	771
8. Subordinated liabilities	(04, 21)	**3,875**	**2,941**
9. Profit-sharing rights	(04, 22)	**1,452**	**1,309**
of which: maturing within two years		(516)	(333)
10. Fund for general banking risks		**1,660**	**1,627**
11. Equity	(15)	**5,675**	**5,767**
a) Subscribed capital		3,028	3,028
b) Capital reserves		1,109	1,109
c) Revenue reserves		1,477	1,474
ca) Statutory reserve		64	61
cb) Other revenue reserves		1,413	1,413
d) Distributable profit		61	156
Total equity and liabilities		**259,205**	**266,306**
1. Contingent liabilities		**6,044**	**5,256**
Liabilities under guarantees and indemnity agreements*		6,044	5,256
2. Other obligations		**18,841**	**17,781**
Irrevocable loan commitments		18,841	17,781

* See also details under "Other disclosures" in notes 32, 33.

Income statement for the period January 1 to December 31, 2008

€ million	Note	2008	2007
1. Interest income from		**7,823**	6,678
a) Lending and money market business		5,342	4,684
b) Fixed-income securities and book-entry securities		2,481	1,994
2. Interest expenses		**7,223**	6,300
3. Current income from		**475**	345
a) Shares and other variable-yield securities		34	25
b) Long-term equity investments		36	27
c) Shares in affiliated companies		405	293
4. Income from profit-pooling, profit-transfer or partial profit-transfer agreements		**231**	260
5. Fee and commission income	(26)	**602**	615
6. Fee and commission expenses	(26)	**374**	391
7. Net trading expense		**958**	519
8. Other operating income	(28)	**107**	80
9. General and administrative expenses		**742**	771
a) Personnel expenses		417	450
aa) Wages and salaries		366	372
ab) Social security, post-employment and other employee benefit expenses		51	78
of which: post-employment benefit expenses		(8)	(34)
b) Other administrative expenses		325	321
10. Amortization and write-downs on intangible assets, and depreciation and write-downs on property and equipment		**37**	43
11. Other operating expenses	(28)	**48**	51
12. Write-downs on loans and advances and certain securities, and additions to provisions for losses on loans and advances		**594**	370
13. Income from the reversal of write-downs on long-term equity investments, shares in affiliated companies, and securities treated as fixed assets		**518**	514
14. Addition to fund for general banking risks		**33**	–
15. Expenses from the transfer of losses		**6**	332
16. Result from ordinary activities		-259	-285
17. Extraordinary income		**–**	204
18. Extraordinary expenses	(29)	**223**	427
19. Extraordinary result		-223	-223
20. Income taxes	(30)	**-541**	-673
21. Other taxes not included under Other operating expenses		**0**	1
22. Net income for the year	(31)	**59**	164
23. Profit brought forward from 2007		**5**	0
24. Additions to revenue reserves		**3**	8
To statutory reserve		3	8
25. Distributable profit		**61**	156

NOTES

A. General disclosures

» 01
BASIS OF PREPARATION

The annual financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) for the year ended December 31, 2008 have been prepared in accordance with the requirements of the German Commercial Code (HGB) and the Statutory Order on Banks' Accounts (RechKredV). At the same time, the annual financial statements comply with the provisions of the German Stock Corporation Act (AktG), the DG BANK Transformation Act and the Articles of Association of DZ BANK.

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

» 02
ACCOUNTING POLICIES

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

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

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

Provisions for lending risks comprise valuation allowances and provisions for credit risks, country risks, and latent credit risks, and the provision for general banking risks (section 340f (1) HGB). Provisions are recognized for all identifiable credit risks and country risks in the amount of the expected loss as dictated by prudent business practice. Latent credit risk is taken into account in the form of general valuation allowances. The calculation of this allowance is based on average actual losses over the five fiscal years preceding the balance sheet date. In the year under review, all calculation parameters were adjusted for the first time in line with the principles specified by the German finance ministry (BMF) for the recognition of general valuation allowances by banks for tax purposes in the BMF letter dated January 10, 1994. This remeasurement resulted in a positive difference of € 110 million.

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

Long-term securities and securities classified as current assets are specially identified as such and managed separately. Securities classified as current assets are measured strictly in accordance with the principle of lower of cost and market. Likewise, long-term securities that are permanently impaired are written down to the lower of cost and market. In 2008, temporarily impaired long-term securities were optionally measured at lower of cost and market or the carrying amount was retained in accordance with section 340e (1) HGB. In 2007, long-term securities had been measured strictly at lower of cost and market. Under the item “Bonds and other fixed-income securities”, the carrying amount of marketable securities not measured at the lower of cost and market is € 18,243 million. For further information on the impact on net assets, financial position and results of operations, please refer to note 14, “Changes in intangible assets, property and equipment, and investments”.

Securities are measured at current market prices. If no current market prices are available, measurement models are used to determine a market price. Specific market parameters, such as yield curves, credit spreads, liquidity spreads, volatility, and exchange rates are fed into these measurement models. If these market parameters cannot be reliably determined, internally estimated parameters (for example correlations) are used. All asset-backed securities were measured using the modified discounted cash flow method. An explanation of the selected fair value measurement method can be found in the note on trading business.

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

In view of the beneficial ownership retained by the Bank in securities lending transactions, the accounting treatment of securities lending transactions was revised in the year under review so that the securities in such transactions remained on the balance sheet as in the accounting treatment of genuine sale and repurchase agreements (i.e. agreements in which the buyer is under an obligation to sell back the securities) in accordance with section 340b HGB and were not reported separately from other securities. Borrowed securities are no longer recognized on the balance sheet.

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

LONG-TERM EQUITY INVESTMENTS AND SHARES IN AFFILIATED COMPANIES

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

PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

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

Low-value assets with an individual net value of up to € 150 are written off in full in the year of acquisition and expensed. In the case of assets with an individual net value between € 150 and € 1,000 purchased after December 31, 2007, the summary item that needs to be recognized on an annual basis for tax purposes has been included in the HGB financial statements to simplify matters. In accordance with tax rules, annual summary items with overall carrying amounts that are not material are depreciated at a flat rate of 20 percent in the year of recognition and then in each of the four subsequent years.

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

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

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

LIABILITIES

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

PROVISIONS

Provisions for pensions and other post-employment benefits are calculated in accordance with actuarial principles. Current pension obligations to retired beneficiaries are measured using the entry-age normal method. In order to take into account the increased market interest rate, provisions for pensions and other post-employment benefits were discounted in 2008 using a discount rate of 6.0 percent (2007: 4.5 percent). DZ BANK uses, among others, DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH, Frankfurt am Main, to provide independent cover for pension obligations. Cover has also been provided by DZ BANK with the transfer of assets to DZ BANK Pension Trust e.V., Frankfurt am Main, which acts as a trustee on behalf of the pension beneficiaries.

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

TRADING BUSINESS

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

Trading securities that are demonstrably hedged against market risk over the long term within the system of limits are measured using a modified fair value method. This involves aggregating these trading securities into portfolios and measuring them at fair value. To ensure that the income statement only includes unrealized gains from positions that are substantially closed, a risk adjustment is applied to the net gains and losses. This adjustment comprises both model-based adjustments and a value-at-risk adjustment, a mathematical calculation that describes the maximum potential loss that is considered to be highly probable. The value-at-risk adjustment is calculated using mathematical techniques that form part of the Bank's overall management of risk. Fair values for the derivative and non-derivative financial instruments included in the trading portfolios are determined on the basis of market values where such values can be reliably obtained. Otherwise, recognized measurement models and methods are used.

Because of the persistent illiquidity in the market and a lack of transparency regarding pricing indicators for asset-backed securities, a modified discounted cash flow method is used to arrive at an appropriate fair value for these securities. The total spread, a major measurement parameter in this method, consists of credit risk and liquidity risk components (residual amount). The measurement of the spread appropriate to the current circumstances is initially based on the last spread obtained from an active market. The spread curve used in an appropriate calculation of the fair value of an asset-backed security is the curve relevant to the rating category of the security concerned. If there are no observable changes in the probability of default in the market, then the spread curve is retained. Any changes in the probability of default – provided that these changes are observable from upgrading or downgrading carried out by external rating agencies – are taken into account in the input parameters. If a rating migration has taken place, the credit risk and liquidity risk components used in the measurement are those applicable to the new rating class.

In the process to establish whether there is a lack of market liquidity for asset-backed securities, the securities are grouped into three regions: Americas, Europe and Asia-Pacific. Within the three groups, securities are further broken down by asset class and rating. The market situation is observed and documented separately for each of the three regional groups. If there is a change to the market situation that would appear to create the necessity for a different procedure in terms of geographical grouping or other criteria for establishing the state of the market, the process and documentation are adjusted in line with this new market situation.

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

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

OTHER

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

As at December 31, 2008, the fund for general banking risks in accordance with section 340g HGB amounted to € 1,660 million (December 31, 2007: € 1,627 million). DZ BANK also holds further contingency reserves in accordance with section 340f HGB.

» 03 CURRENCY TRANSLATION

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

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

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

If DZ BANK has entered into currency forwards in connection with the hedging of interest-bearing balance sheet items, the swap income and expenses are treated as interest income and expense reflecting the nature of the income and expense involved.

B. Balance sheet disclosures

ASSET ITEMS

» 04
MATURITY STRUCTURE

€ million	Dec. 31, 2008	Dec. 31, 2007
Other loans and advances to banks	**99,712**	**97,779**
– up to 3 months	39,316	43,537
– between 3 months and 1 year	10,986	12,116
– between 1 year and 5 years	24,279	19,342
– more than 5 years	25,131	22,784
Loans and advances to customers	**33,805**	**32,133**
– up to 3 months	13,348	13,659
– between 3 months and 1 year	2,888	2,671
– between 1 year and 5 years	10,515	9,067
– more than 5 years	5,055	4,655
– no fixed maturity	1,999	2,081
Bonds and other fixed-income securities	**95,050**	**108,871**
– up to 3 months (maturing in subsequent year)	6,962	5,855
– between 3 months and 1 year (maturing in subsequent year)	15,196	14,603
– between 1 year and 5 years	44,042	54,931
– more than 5 years	28,270	33,069
– no fixed maturity	580	413

LIABILITY ITEMS

€ million	Dec. 31, 2008	Dec. 31, 2007
Deposits from banks with agreed maturity or notice period	**117,751**	**137,868**
– up to 3 months	56,989	84,110
– between 3 months and 1 year	17,926	12,706
– between 1 year and 5 years	16,445	16,528
– more than 5 years	26,391	24,524
Amounts owed to other depositors		
Other liabilities with agreed maturity or notice period	**34,880**	**32,740**
– up to 3 months	19,214	16,822
– between 3 months and 1 year	3,048	1,975
– between 1 year and 5 years	3,036	4,521
– more than 5 years	9,582	9,422
Debt certificates including bonds		
Bonds issued	**50,014**	**40,346**
– of which: maturing in subsequent year	16,868	10,227
Other debt certificates	**1,237**	**5,176**
– up to 3 months	1,236	4,440
– between 3 months and 1 year	1	732
– between 1 year and 5 years	–	4
Provisions	**1,592**	**1,441**
– up to 3 months	662	401
– between 3 months and 1 year	128	164
– between 1 year and 5 years	235	273
– more than 5 years	567	603
Subordinated liabilities	**3,875**	**2,941**
– up to 3 months	79	47
– between 3 months and 1 year	169	258
– between 1 year and 5 years	784	609
– more than 5 years	2,843	2,027
Profit-sharing rights	**1,452**	**1,309**
– up to 3 months	68	81
– between 3 months and 1 year	448	252
– between 1 year and 5 years	646	810
– more than 5 years	290	166

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

Loans and advances to and deposits from affiliated companies:

€ million	Dec. 31, 2008	Dec. 31, 2007
Loans and advances to banks	17,359	15,065
Loans and advances to customers	5,115	2,642
Bonds and other fixed-income securities	14,640	12,132
Deposits from banks	3,708	8,358
Amounts owed to other depositors	2,454	1,478
Debt certificates including bonds	1,185	5
Subordinated liabilities	1,721	1,521

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

€ million	Dec. 31, 2008	Dec. 31, 2007
Loans and advances to banks	34,472	25,757
Loans and advances to customers	3,062	1,735
Bonds and other fixed-income securities	5,994	5,919
Deposits from banks	45,529	29,180
Amounts owed to other depositors	3,086	772
Debt certificates including bonds	17,898	6,532
Subordinated liabilities	97	31

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

» 06
LOANS AND ADVANCES TO AND DEPOSITS FROM AFFILIATED BANKS

Loans and advances to and deposits from affiliated banks include the following:

€ million	Dec. 31, 2008	Dec. 31, 2007
Loans and advances to affiliated banks	**45,008**	**40,882**
of which: to cooperative central banks	17	11
Deposits from affiliated banks	**61,885**	**48,871**
of which: from cooperative central banks	1,187	390

» 07 SUBORDINATED ASSETS

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

€ million	Dec. 31, 2008	Dec. 31, 2007
Loans and advances to banks	**1,855**	**1,585**
of which: to affiliated companies	1,577	1,461
to investees	188	27
Loans and advances to customers	**8**	**8**
of which: to investees	0	0
Bonds and other fixed-income securities	**2,339**	**2,539**
of which: to affiliated companies	117	14
to investees	116	15
Shares and other variable-yield securities	**97**	**290**
of which: to affiliated companies	2	72
to investees	1	0
Total	**4,299**	**4,422**

» 08 TRUST ACTIVITIES

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

€ million	Dec. 31, 2008	Dec. 31, 2007
Assets held in trust		
– Loans and advances to banks	279	308
– Loans and advances to customers	44	71
– Long-term equity investments	1,134	1,166
Total	**1,457**	**1,545**

€ million	Dec. 31, 2008	Dec. 31, 2007
Liabilities held in trust		
– Deposits from banks	281	309
– Amounts owed to other depositors	1,176	1,236
Total	**1,457**	**1,545**

» 09 FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are as follows:

€ million	Dec. 31, 2008	Dec. 31, 2007
Assets	41,928	48,080
Liabilities	23,777	38,716

» 10 SALE AND REPURCHASE AGREEMENTS

As at December 31, 2008, the carrying amount of assets subject to sale and repurchase agreements was € 12,663 million (December 31, 2007: € 30,465 million). The carrying amount of securities lent to banks and customers in securities lending transactions amounted to € 32 million (December 31, 2007: € 226 million). The carrying amount of borrowed securities was € 1,097 million (December 31, 2007: € 1,205 million).

» 11 ASSETS ASSIGNED AS COLLATERAL

The following table lists liabilities and contingent liabilities for which assets in the amount shown have been lodged as collateral:

€ million	Dec. 31, 2008	Dec. 31, 2007
Deposits from banks	35,510	53,178
Amounts owed to other depositors	4,026	1,273
Debt certificates including bonds	548	709
Other obligations	9,520	3,961
Total	**49,604**	**59,121**

» 12 STRUCTURE OF SECURITIES PORTFOLIO BY PURPOSE

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

€ million	Dec. 31, 2008	Dec. 31, 2007
Bonds and other fixed-income securities		
– Long-term securities	31,181	22,827
– Trading securities	42,367	63,232
– Liquidity reserve	21,502	22,812
Total	**95,050**	**108,871**

€ million	Dec. 31, 2008	Dec. 31, 2007
Shares and other variable-yield securities		
– Long-term securities	718	768
– Trading securities	532	958
– Liquidity reserve	10	98
Total	**1,260**	**1,824**

» 13 MARKETABLE SECURITIES

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

€ million	Dec. 31, 2008	Dec. 31, 2007
Bonds and other fixed-income securities	**95,050**	108,871
of which: listed on a stock exchange	75,814	89,068
Shares and other variable-yield securities	**513**	934
of which: listed on a stock exchange	439	627
Long-term equity investments	**29**	300
of which: listed on a stock exchange	29	300
Shares in affiliated companies	**2,220**	2,015
of which: listed on a stock exchange	625	422

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

INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

	Cost				Reversals of write-downs	Depreciation/ amortization and write-downs		Net carrying amount	
€ million	Jan. 1, 2008	Additions	Disposals	Reclassifi-cations		Current year	Cumu-lative	Dec. 31, 2008	Dec. 31, 2007
Intangible assets	198	26	1	–	–	19	169	**54**	47
Land and buildings	13	0	–	–	–	0	8	**5**	5
of which: used for own operations	(6)	(0)	(–)	(–)	(–)	(0)	(3)	(3)	(3)
Office furniture and equipment	240	12	33	0	–	18	178	**41**	49
Advance payments	0	1	–	0	–	–	–	**1**	0
Total	451	39	34	–	–	37	355	**101**	101

INVESTMENTS

€ million	Change	Carrying amount Dec. 31, 2008	Carrying amount Dec. 31, 2007
Bonds and other fixed-income securities	8,354	31,181	22,827
Shares and other variable-yield securities	-50	718	768
Long-term equity investments	-207	473	680
Shares in affiliated companies	1,406	11,539	10,133
Total	9,503	**43,911**	34,408

Apart from bringing about the collapse of Lehman Brothers and Icelandic banks, the crisis in the financial markets also rendered many financial instruments illiquid. The market for asset-backed securities has practically been at a standstill since 2007 with the result that these financial instruments cannot be sold at reasonable prices at the moment. As a consequence, DZ BANK has decided to reclassify these securities to fixed assets and to hold them to maturity.

Fair values for financial instruments reported under investments and reported at a carrying amount exceeding their fair value because write-downs have not been applied pursuant to section 253 (2) sentence 3 HGB were as follows: bonds and other fixed-income securities, € 17,031 million (carrying amount: € 18,243 million); shares and other variable-yield securities, € 523 million (carrying amount: € 556 million). Based on internal analyses of long-term securities, it was established that the impairment of securities measured at fair value was not attributable to a material deterioration in issuer credit quality. Since the impairment of these securities was only expected to be temporary, the securities were not written down to fair value.

» 15 CHANGES IN EQUITY

The subscribed capital comprises DZ BANK 's share capital of € 3,028,427,238.20. The subscribed capital is divided into 1,164,779,707 registered no-par-value shares each with an imputed share capital of € 2.60.

The changes in equity were as follows:

€ million	Jan. 1, 2008	Additions/ (–) Withdrawals	Dec. 31, 2008
Subscribed capital	3,028	–	**3,028**
Capital reserves	1,109	–	**1,109**
Revenue reserves	1,474	3	**1,477**
– Statutory reserve	61	3	64
– Other revenue reserves	1,413	–	1,413
Distributable profit	156	-95	**61**
– 2007 appropriation of profits/dividend	156	-151	–
Profit carried forward		-5	
– 2008 distributable profit	–	61	61
Total equity	5,767	-92	**5,675**

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by August 31, 2011 on one or more occasions by up to a total of € 50 million by way of issuing new registered non-par value shares in return for cash or non-cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of shareholders both in the case of capital increases in return for non-cash contributions and in the case of capital increases in return for cash contributions if the capital is increased for the purpose of

a) issuing new shares to employees of the company (employee shares),
b) issuing new shares to one or more cooperative banks which, measured in terms of their total assets, directly and indirectly have a below-average stake in the corporation's share capital, i.e. less than 0.5 percent of their total assets (using the nominal value of € 2.60 per DZ BANK share),
c) acquiring companies, equity investments in companies or for granting equity investments in the corporation in order to back strategic partnerships.

The Board of Managing Directors is also authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ("Authorized capital I").

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by August 31, 2011 on one or more occasions by up to a total of € 200 million by issuing new registered non-par value shares in return for cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ("Authorized capital II").

The Board of Managing Directors did not make use of any of this authorized action in the year under review.

» 16 SHAREHOLDER DISCLOSURES

At the end of the year under review, approximately 95.6 percent of shares were held by cooperative enterprises. These cooperative enterprises include the cooperative banks, the cooperative central institutions and other legal entities and trading companies economically associated with the cooperative movement or cooperative housing sector.

» 17 OTHER ASSETS

Other assets primarily comprise premiums for acquired options amounting to € 3,632 million (December 31, 2007: € 2,080 million) as well as tax credits and receivables in connection with intragroup tax allocations amounting to € 699 million (December 31, 2007: € 690 million).

» 18 DEFERRED TAXES

In 2008, DZ BANK recognized deferred tax assets in accordance with section 274 (2) HGB amounting to € 904 million (December 31, 2007: € 527 million). Deferred tax assets were recognized primarily in respect of contingency reserves recognized in the HGB financial statements of the tax group in accordance with section 340f HGB and in respect of the fund for home savings risk recognized by Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall.

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

€ million	Dec. 31, 2008	Dec. 31, 2007
Prepaid expenses/accrued income		
– Discount on deposits	417	461
– Other prepaid expenses/accrued income	1,030	747
Total	**1,447**	**1,208**

€ million	Dec. 31, 2008	Dec. 31, 2007
Deferred income/accrued expenses		
– Discount on loans and advances	43	52
– Premium on bonds issued	74	68
– Other deferred income/accrued expenses	455	352
Total	**572**	**472**

» 20 OTHER LIABILITIES

Other liabilities include, in particular, deferred option premiums of € 6,303 million (December 31, 2007: € 3,977 million), profit participation certificates maturing in the subsequent year (including dividend distribution) of € 266 million (December 31, 2007: € 129 million), and variation margin received on exchange-traded futures and options amounting to € 223 million (December 31, 2007: € 21 million).

» 21 SUBORDINATED LIABILITIES

As at December 31, 2008, of the total volume of subordinated liabilities, € 3,498 million was identified as liable capital as defined by section 10 (5a) German Banking Act (KWG). DZ BANK did not have any Tier 3 capital as defined by section 10 (7) KWG.

There are no early redemption obligations in respect of the subordinated capital. In the event of insolvency or liquidation, all rights in connection with these liabilities including rights to interest are subordinated to the claims of all non-subordinated creditors.

The conversion of these funds into capital or another form of debt has not been agreed, nor are there any plans for any such conversion.

The subordinated liabilities have an average interest rate of 5.00 percent (2007: 5.51 percent) and initial maturities of 5 to 30 years.

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

The total amount includes one item that accounts for more than 10 percent of the subordinated liabilities. This registered bond for € 500 million has a coupon based on the three-month Euribor plus a margin of 1.6 percent and matures in 2034, although the issuer has a cancellation right which is exercisable for the first time in 2009.

The interest expense for the liabilities reported under this item amounted to € 201 million (2007: € 172 million).

Accrued interest not yet due for payment amounting to € 74 million (2007: € 47 million) is also included within the subordinated liabilities balance sheet item.

» 22 PROFIT-SHARING RIGHTS

As at December 31, 2008, the total volume of profit-sharing rights – which are identified as liable capital under section 10 (5) KWG – amounted to € 929 million.

Profit-sharing rights also incur a share of losses of up to their full amount. Interest payments are subject to the availability of distributable profit. Claims by holders of profit-sharing rights to the repayment of the capital are subordinated to the claims of other creditors. DZ BANK has issued the following bearer profit-sharing rights:

Year of issue	Nominal amount	Coupon	Maturity
	€ million	(%)	
1984	133	8.50	2011
1989	42	7.50	2009
1998	22	6.50	2010
1999	160	6.58[1]	2009
1999	1	7.00	2010
2000	60	6.25	2009
2002	28	6.50	2011
2008	157	6.92	2013
2008	138	7.40	2018
2008	48	6.69[2]	2013
2008	64	6.69[2]	2018

1 Dependent on market interest rate: First half of the year, 6.22 %; second half of the year, 6.58 %
2 Dependent on market interest rate

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

DZ BANK has issued registered profit-sharing rights with a volume of € 531 million. Total registered profit-sharing rights comprise 168 separate issues with original maturities of 10 to 16 years and coupons between 5.64 percent and 7.63 percent.

The total interest expense in respect of profit-sharing rights was € 87 million (2007: € 106 million).

Accrued interest not yet due for payment amounting to € 68 million (2007: € 81 million) is also included within the profit-sharing rights balance sheet item.

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

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

	Nominal amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
€ million	≤ 1 year	> 1–5 years	> 5 years	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
INTEREST-RATE CONTRACTS	**253,027**	**369,952**	**315,324**	**938,303**	**1,021,009**	**20,163**	**12,592**	**20,852**	**13,257**
OTC products									
– FRAs	17,679	–	–	17,679	18,711	19	2	26	4
– Interest-rate swaps (same currency)	183,680	321,142	279,875	784,697	842,153	18,578	11,760	17,419	11,205
– Interest-rate options – call	8,317	19,986	13,692	41,995	52,671	1,344	789	–	–
– Interest-rate options – put	13,052	26,174	21,757	60,983	83,325	–	–	3,384	2,024
Exchange-traded products									
– Interest-rate futures	30,299	2,650	–	32,949	23,421	222	40	23	23
– Interest-rate options	–	–	–	–	728	–	1	–	1
CURRENCY CONTRACTS	**57,698**	**5,301**	**21**	**63,020**	**58,411**	**1,419**	**628**	**1,202**	**658**
OTC products									
– Currency forwards	47,456	3,608	8	51,072	42,734	1,116	458	917	448
– Currency options – call	5,071	932	13	6,016	8,114	300	170	–	–
– Currency options – put	5,126	761	–	5,887	7,544	–	–	283	210
Exchange-traded products									
– Currency futures	28	–	–	28	18	–	0	0	0
– Currency options	17	0	–	17	1	3	0	2	0
SHARE/INDEX OPTIONS	**100,393**	**14,367**	**592**	**115,352**	**31,130**	**1,009**	**1,020**	**4,571**	**1,816**
OTC products									
– Share/index options – call	652	923	–	1,575	5,058	179	239	0	–
– Share/index options – put	1,138	771	120	2,029	4,470	–	–	832	296
– Other share/ index contracts	2,861	6,940	393	10,194	12,843	208	636	944	879
Exchange-traded products									
– Share/index futures	904	1	–	905	445	4	1	3	6
– Share/index options *	94,838	5,732	79	100,649	8,314	618	144	2,792	635

* Calculation procedure for nominal amounts was converted in 2008

	Nominal amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
€ million	≤ 1 year	> 1–5 years	> 5 years	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
OTHER CONTRACTS	6,367	18,417	4,711	**29,495**	19,524	**1,551**	410	**1,225**	462
OTC products									
– Cross-currency swaps	5,138	17,731	4,711	27,580	18,894	1,506	347	1,178	426
– Precious metal contracts	0	0	–	0	20	0	4	1	0
– Commodities contracts	113	579	–	692	434	38	48	36	16
Exchange-traded products									
– Futures	42	1	–	43	52	4	2	2	1
– Options	1,074	106	–	1,180	124	3	9	8	19
CREDIT DERIVATIVES	19,535	73,733	18,289	**111,557**	74,499	**4,184**	1,258	**3,567**	361
Protection buyer									
– Credit default swaps	6,066	34,073	8,400	48,539	33,927	3,176	297	88	61
– Total return swaps	32	2,406	1,279	3,717	5,440	980	904	90	0
Protection seller									
– Credit default swaps	13,437	37,254	8,610	59,301	35,132	28	57	3,389	300
Total	437,020	481,770	338,937	**1,257,727**	1,204,573	**28,326**	15,908	**31,417**	16,554

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

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

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

	Fair value			
	Positive		Negative	
€ million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
OECD central governments	55	12	16	26
OECD banks	25,803	15,301	29,528	15,726
OECD financial services institutions	8	12	8	14
Other companies, private individuals	2,394	563	1,663	776
Non-OECD banks	66	20	202	12
Total	**28,326**	15,908	**31,417**	16,554

C. Income statement disclosures

» 25 BREAKDOWN OF INCOME BY GEOGRAPHICAL MARKETS

The following table shows the geographical breakdown of total interest income, current income from shares and other variable-yield securities, long-term equity investments and shares in affiliated companies, fee and commission income and other operating income:

(%)	2008	2007
Germany	92.98	97.89
International	7.02	2.11

» 26 FEE AND COMMISSION INCOME AND EXPENSES

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

€ million	2008	2007
Securities business	72	97
Payments processing/international business	46	35
Lending and financial guarantee business	64	57
Other	46	35
Total	**228**	**224**

» 27 ADMINISTRATION AND AGENCY SERVICES PROVIDED FOR THIRD PARTIES

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

» 28 OTHER OPERATING INCOME AND EXPENSES

Other operating income of € 107 million includes income from the reversal of provisions amounting to € 62 million, tax refund interest income of € 13 million, and rental income of € 11 million.

The main components of other operating expenses of € 48 million are interest expenses of € 14 million on revised tax liabilities, operating costs of € 13 million in connection with buildings not used for banking activities, and other social expenses of € 5 million.

» 29 EXTRAORDINARY EXPENSES

Extraordinary expenses arose in connection with an income subsidy of € 223 million paid by DZ BANK to Deutsche Genossenschafts-Hypothekenbank AG, Hamburg.

» 30 INCOME TAXES

The income amount reported under income taxes arises from corporation tax and trade tax contributions in the tax groups amounting to € 92 million, a tax expense for the current year of € 4 million, tax income of € 66 million relating to prior years mainly resulting from the completion of an external tax audit, and € 10 million from the unwinding of the discount on the corporation tax credit claim. In 2008, DZ BANK also recognized deferred tax assets of € 377 million pursuant to section 274 (2) HGB.

» 31 PROPOSED APPROPRIATION OF PROFITS

In 2008, DZ BANK generated a net income for the year of € 59 million. After the addition of € 3 million to the statutory reserve and after taking into account the profit of € 5 million brought forward from 2007, the distributable profit amounts to € 61 million. We propose to the Annual General Meeting that, from the distributable profit of € 61,358,772.67, a sum of € 58,238,985.35 be appropriated for the payment of a dividend of € 0.05 per no-par-value share, and that the balance of € 3,119,787.32 be carried forward to the next accounting period.

D. Other disclosures

» 32
OTHER FINANCIAL OBLIGATIONS

The total amount of other financial obligations as at December 31, 2008 was € 334 million (December 31, 2007: € 268 million). Most of these obligations related to rental income, capital expenditure projects and pending transactions. This amount includes obligations to affiliated companies of € 32 million (December 31, 2007: € 33 million).

For years from 2010 onward, other financial obligations will amount to € 210 million. This amount includes obligations to affiliated companies of € 75 million.

DZ BANK also has liability amounts of € 1 million (December 31, 2007: € 1 million) in connection with business credit balances at local cooperative banks.

DZ BANK has given transfer guarantee declarations to domestic companies and public institutions in respect of certain deposits at its branches in the United Kingdom and the USA covering eventualities in which the branches may be prevented from meeting their repayment obligations by the decision of governments.

DZ BANK is a participant in the protection facility operated by the Federal Association of German Cooperative Banks (BVR). This facility comprises a guarantee fund and a guarantee network. As a member of the guarantee network, DZ BANK has guarantee obligations of € 73 million. These obligations are not recognized or noted on the balance sheet.

» 33
LETTERS OF COMFORT

In the case of two banks included in the consolidated financial statements – DZ BANK Ireland plc, Dublin, and DZ BANK International S.A., Luxembourg-Strassen – as well as one non-consolidated bank – DZ BANK International Singapore Ltd., Singapore – DZ BANK has undertaken to ensure, in proportion to its shareholding in the companies, that these banks have the ability to fulfill their contractual obligations, although political risk is excluded from the arrangements. Obligations arising from letters of comfort are only valid as long as DZ BANK continues to hold a direct or indirect equity investment in the companies covered by the letter of comfort concerned. DZ BANK has also issued subordinated support undertakings in respect of DZ BANK Capital Funding LLC I, DZ BANK Capital Funding LLC II and DZ BANK Capital Funding LLC III, all based in Wilmington, Delaware, USA. In addition, DZ BANK has issued six subordinated support undertakings in respect of DZ BANK Perpetual Funding (Jersey) Limited, St. Helier, Jersey, Channel Islands, each relating to different classes of preferred shares.

» 34 EMPLOYEES

Average number of employees by employee group:

	2008	2007
Female employees	**1,775**	**1,636**
of which: full-time employees	1,280	1,171
part-time employees	495	465
Male employees	**2,307**	**2,259**
of which: full-time employees	2,235	2,190
part-time employees	72	69
Total employees	**4,082**	**3,895**

» 35 AUDITOR FEES

The fee for the auditors of the annual financial statements, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, broken down by type of service is as follows:

€ thousand	2008	2007
Audit of financial statements	4,080	4,309
Other audit and assessment services	1,923	932
Tax consultancy services	186	58
Other services	103	150
Total	**6,292**	**5,449**

Auditor fees comprise expenses relating to the audit of the consolidated financial statements and group management report of DZ BANK as well as the statutory audits of the annual financial statements and management report of DZ BANK. In the year under review, the fees for other audit and assessment services largely comprised the fees in connection with due diligence auditing, the audit in accordance with section 36 German Securities Trading Act (WpHG), and the review by the auditor of the condensed interim consolidated financial statements and interim group management report. Tax consultancy fees relate to fees for services in accordance with section 1 German Tax Consultancy Act (StBerG). The fees for other services mainly resulted from the provision of consulting services.

» 36 COVER STATEMENT

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

€ million	Dec. 31, 2008	Dec. 31, 2007
Total cover assets	**28,138**	31,346
Ordinary cover	**28,136**	31,344
Loans and advances		
– to banks	16,295	13,410
– to customers	391	348
Bonds and other fixed-income securities	11,450	17,586
Derivatives held as cover	**2**	2
Cover requirement	**24,533**	26,764
Outstanding, covered		
– bearer bonds	7,254	7,449
– registered bonds	17,278	19,313
Derivatives	1	2
Excess cover	3,605	4,582

» 37 TRUSTEES OF COVER ASSETS

The trustees are appointed by the German financial services regulator (BaFin) and have a duty under law to ensure that the issuance, administration, and collateralization of DZ BANK 's covered bonds comply with statutory requirements, the provisions of the Articles of Association, and the terms and conditions of the bonds.

TRUSTEE

DR. DIETER ESCHKE
Presiding Judge at the
Frankfurt am Main regional
appeal court (retired)
(up to January 31, 2008)

KLAUS SCHLITZ
Vice President of the
Frankfurt am Main regional
court (retired)
(from February 1, 2008)

DEPUTY TRUSTEE

KLAUS SCHLITZ
Vice President of the
Frankfurt am Main regional court (retired)
(up to January 31, 2008)

KLAUS SCHMITZ
Presiding Judge at the
Frankfurt am Main regional court
(from February 1, 2008)

In 2008, the total compensation paid to the members of the Board of Managing Directors of DZ BANK was € 5,620 thousand (2007: € 6,752 thousand). The total compensation paid to the Supervisory Board was € 564 thousand (2007: € 568 thousand).

» 38
DECISION-MAKING BODIES

A total amount of € 8,179 thousand (2007: € 10,811 thousand) was paid to former members of the Board of Managing Directors or their surviving dependants, for whom provisions of € 82,537 thousand (2007: € 93,793 thousand) were also recognized to cover pension and similar obligations.

BOARD OF MANAGING DIRECTORS OF DZ BANK

WOLFGANG KIRSCH
(Chief Executive Officer)

DR. THOMAS DUHNKRACK

LARS HILLE

WOLFGANG KÖHLER

ALBRECHT MERZ

DIETRICH VOIGTLÄNDER
(up to June 30, 2008)

FRANK WESTHOFF

SUPERVISORY BOARD OF DZ BANK

ROLF HILDNER
(Chairman from July 23, 2008)
(Deputy Chairman up to July 23, 2008)
Chief Executive Officer
Wiesbadener Volksbank eG

DR. CHRISTOPHER PLEISTER
(Chairman up to July 15, 2008)
President
Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V.
(up to July 15, 2008)

WOLFGANG APITZSCH
(Deputy Chairman)
Attorney

HELMUT GOTTSCHALK
(Deputy Chairman from July 23, 2008)
Spokesman of the Board of Managing Directors
Volksbank Herrenberg-Rottenburg eG

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

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

CARL-CHRISTIAN EHLERS
Chief Executive Officer
Kieler Volksbank eG

KARL EICHELE
Employee
VR Kreditwerk Hamburg – Schwäbisch
Hall AG

UWE FRÖHLICH
President
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V.
(from November 2, 2008)

DR. ROMAN GLASER
Chief Executive Officer
Volksbank Baden-Baden · Rastatt eG
(from May 28, 2008)

HANS-JOSEF HOFFMANN
Chief Executive Officer
Bank 1 Saar eG
(up to May 28, 2008)

GERHARD HOFMANN
Member of the Board of Managing Directors
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V.
(from July 16, 2008 up to November 1, 2008)

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

WALTER MÜLLER
Chief Executive Officer
Volksbank Raiffeisenbank
Fürstenfeldbruck eG

DIETER REMBDE
Member of the Board of Managing Directors
VR-Bank Schwalm-Eder eG
(from May 28, 2008)

MARK ROACH
Secretary
Vereinte Dienstleistungsgewerkschaft
ver.di Bundesverwaltung

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

WINFRIED WILLER
Employee
VR Kreditwerk Hamburg – Schwäbisch
Hall AG

DR. H. C. UWE ZIMPELMANN
Former Spokesman of the Board
of Managing Directors
Landwirtschaftliche Rentenbank
(up to May 28, 2008)

» 39
OTHER POSITIONS ON DECISION-MAKING BODIES HELD BY MEMBERS OF THE BOARD OF MANAGING DIRECTORS AND EMPLOYEES

As at December 31, 2008, members of the Board of Managing Directors and employees also held mandates on the statutory supervisory bodies of major companies. These and other notable mandates are listed below. Companies included in the consolidation are indicated with an asterisk (*).

MEMBERS OF THE BOARD OF MANAGING DIRECTORS

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

DR. THOMAS DUHNKRACK	Cassa Centrale Banca - Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Chairman of the Supervisory Board (*)
	DVB Bank SE, Frankfurt am Main, Chairman of the Supervisory Board (*)
	DZ BANK Polska S.A., Warsaw, Chairman of the Supervisory Board
	EDEKABANK AG, Hamburg, Member of the Supervisory Board
	Österreichische Volksbanken-AG, Vienna, Member of the Supervisory Board
	VR-LEASING AG, Eschborn, Chairman of the Supervisory Board (*)
LARS HILLE	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DZ BANK International S.A., Luxembourg-Strassen, Member of the Board of Directors (*)
	DZ PRIVATBANK (Schweiz) AG, Zurich, Chairman of the Board of Directors (*)
	DZ Private Wealth Managementgesellschaft S.A., Luxembourg-Strassen, Deputy Chairman of the Board of Directors (*)
	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	Union Asset Management Holding AG, Frankfurt am Main, Member of the Supervisory Board (*)

WOLFGANG KÖHLER	DZ BANK International S.A., Luxembourg-Strassen, Chairman of the Board of Directors (*)
	DZ PRIVATBANK (Schweiz) AG, Zurich, Member of the Board of Directors (*)
	DZ Private Wealth Managementgesellschaft S.A., Luxembourg-Strassen, Member of the Board of Directors (*)
ALBRECHT MERZ	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*)
	BayWa AG, Munich, Member of the Supervisory Board
	R+V Allgemeine Versicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	TeamBank AG Nürnberg, Nuremberg, Chairman of the Supervisory Board (*)
	VR Kreditwerk Hamburg - Schwäbisch Hall AG, Hamburg and Schwäbisch Hall, Second Deputy Chairman of the Supervisory Board (*)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*)

FRANK WESTHOFF	BAG Bankaktiengesellschaft, Hamm, Member of the Supervisory Board
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DVB Bank SE, Frankfurt am Main, Member of the Supervisory Board (*)
	DZ BANK Ireland plc, Dublin, Chairman of the Board of Directors (*)
	TeamBank AG Nürnberg, Nuremberg, Member of the Supervisory Board (*)
	Volksbank International AG, Vienna, Second Deputy Chairman of the Supervisory Board

EMPLOYEES

DR. LUIS-ESTEBAN CHALMOVSKY	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors
THOMAS KALTWASSER	DZ BANK Ireland plc, Dublin, Member of the Board of Directors (*)
ANDREAS KUTSCH	ReiseBank AG, Frankfurt am Main, Member of the Supervisory Board (*)
DR. ALTFRIED LÜTKENHAUS	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board
KARL-HEINZ VON OPPENKOWSKI	DZ BANK Polska S.A., Warsaw, Vice Chairman of the Supervisory Board
NICCOLO RAVANO	Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
GREGOR ROTH	CardProcess GmbH, Karlsruhe, Member of the Supervisory Board
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	Equens SE, Utrecht, Deputy Chairman of the Supervisory Board
	ReiseBank AG, Frankfurt am Main, Chairman of the Supervisory Board (*)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements of DZ BANK give a true and fair view of the assets, liabilities, financial position and profit or loss of DZ BANK, and the management report of DZ BANK includes a fair review of the development and performance of the business and the position of DZ BANK, together with a description of the principal opportunities and risks associated with the expected development of DZ BANK.

Frankfurt am Main, March 11, 2009

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch	Dr. Duhnkrack	Hille
Köhler	Merz	Westhoff

AUDIT OPINION (TRANSLATION)

We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the bookkeeping system and the management report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, for the financial year from January 1, 2008 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Art. 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 12, 2009

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Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Müller-Tronnier	Binder
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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Deputy Spokesman of the Board
of Managing Directors
Hannoversche Volksbank eG
Hanover

GERD POTT
Member of the Board
of Managing Directors
Spar- und Kreditbank eG Hammah
Hammah

ECKHARD RAVE
Member of the Board
of Managing Directors
Volksbank-Raiffeisenbank eG
Husum

GÜNTHER SCHEFFCZYK
Member of the Board
of Managing Directors
Hümmlinger Volksbank eG
Werlte

CHRISTIAN SCHEINERT
Member of the Board
of Managing Directors
Volksbank eG
Elmshorn

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

MICHAEL SIEGERS
Chief Executive Officer
Volksbank Hildesheim eG
Hildesheim

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

ROLF WAGNER
Member of the Board
of Managing Directors
Volksbank Raiffeisenbank eG,
Neumünster
Neumünster

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

HOLGER WILLUHN
Spokesman of the Board
of Managing Directors
Volksbank Eichsfeld-Northeim eG
Duderstadt

ADVISORY COUNCIL OF DZ BANK AG

CHAIRMAN:
DR. DR. H. C. ULRICH BRIXNER †
Former Chairman
of the Board of Directors
DZ BANK Stiftung
Karlsruhe
(up to February 2009)

DEPUTY CHAIRMAN:
DR. WILHELM BENDER
Chief Executive Officer
Fraport AG
Frankfurt am Main

DEPUTY CHAIRMAN:
PROF. DR. WOLFGANG KÖNIG
Johann Wolfgang Goethe
University Frankfurt
Institute of Business Informatics
Chief Executive Officer
E-Finance Lab
Frankfurt am Main

CARL FRITZ BARDUSCH
Managing Director
Bardusch GmbH & Co.
Ettlingen

DR. WOLFGANG BAUR
Member of the Board
of Managing Directors
Schuler AG
Göppingen

DR. WERNER BRANDT
Member of the Board
of Managing Directors
SAP AG
Walldorf

GERHARD ERWIN BRUCKERMANN
Former Chairman and
Chief Executive Officer
DEPFA BANK plc
Dublin
(up to August 2008)

HANS-JÜRGEN BURKERT
Former Member of the Board
of Managing Directors
Management Board
Hymer AG
Bad Waldsee
(up to August 2008)

DR. MARCUS DAHMEN
Spokesman of the Board
of Managing Directors
Landwirtschaftliche Rentenbank
Frankfurt
(from May 2008)

WOLFGANG DEML
Former Chief Executive Officer
BayWa AG
Munich
(up to June 2008)

STEFAN DURACH
Managing Director
Develey Senf + Feinkost GmbH
Unterhaching

KONSUL ANTON-WOLFGANG GRAF VON FABER-CASTELL
Chief Executive Officer
Faber-Castell AG
Stein

MANFRED FINGER
Member of the Board
of Managing Directors
Villeroy & Boch AG
Mettlach

UWE E. FLACH
Former Member of the Board
of Managing Directors
DZ BANK AG
Deutsche Zentral-
Genossenschaftsbank
Frankfurt am Main

ALFONS FRENK
Former Chief Executive Officer
EDEKA AG & Co. KG
Hamburg
(up to December 2008)
DR. HANS-JÖRG GEBHARD
Chairman of the Supervisory Board
Südzucker AG
Mannheim/Ochsenfurt

DR. H. C. STEPHAN GÖTZL
Association President
Chief Executive Officer
Genossenschaftsverband
Bayern e.V.
Munich

DR. JOCHEN GUTBROD
Deputy Chairman of the Board
of Managing Directors
Verlagsgruppe Georg von
Holtzbrinck GmbH
Stuttgart

DR. REINER HAGEMANN
Former Chief Executive Officer
Allianz-Versicherungs AG
Munich

DR. JÜRGEN HERAEUS
Chairman of the Supervisory Board
Heraeus Holding GmbH
Hanau

WILFRIED HOLLMANN
President
Zentralverband Gewerblicher
Verbundgruppen e.V.
Berlin

WOLFGANG JEBLONSKI
Member of the Board
of Managing Directors
STADA ARZNEIMITTEL AG
Bad Vilbel

FRED KOGEL
Managing Director
Fred Kogel GmbH
Grünwald

PPROFESSOR DR.
JAN PIETER KRAHNEN
Johann Wolfgang Goethe
University Frankfurt
Chair of Corporate Finance
Frankfurt am Main

ANDREAS LAPP
Chief Executive Officer
LAPP HOLDING AG
Stuttgart

JOHANN C. LINDENBERG
Former Chief Executive Officer
and National Chairman
Unilever Deutschland GmbH
Hamburg

KLAUS JOSEF LUTZ
Chief Executive Officer
BayWa Aktiengesellschaft
Munich
(from September 2008)

ROLAND MACK
Managing Partner
EUROPA-PARK Freizeit- und
Familienpark Mack KG
Rust

WLADIMIR P. MATWEJEW
Envoy of the Embassy
of the Russian Federation
Berlin

LUDWIG MERCKLE
Former Chief Executive Officer
Merckle/Ratiopharm
Arzneimittel GmbH
Ulm

MARKUS MOSA
Spokesman of the Board
of Managing Directors
EDEKA
AKTIENGESELLSCHAFT
Hamburg
(from December 2008)

STEFAN MÜLLER
Member of the German Parliament
Berlin

MANFRED NÜSSEL
President
Deutscher Raiffeisenverband e.V.
Berlin

PROFESSOR DR.
ROLF PEFFEKOVEN
Director
Institut für Finanzwissenschaft
Johannes Gutenberg-Universität
University Mainz
Mainz

FRANZ PINKL
Chief Executive Officer
Volksbank AG
Vienna

GÜNTER PREUSS
Spokesman of the Board
of Managing Directors
Deutsche Apotheker- und
Ärztebank eG
Düsseldorf

MANFRED RENNER
Chief Executive Officer
Sanacorp Pharmahandel AG
Planegg

JÜRGEN RUDOLPH
Managing Partner
Rudolph Logistik Gruppe/Rudolph
Holding GmbH
Baunatal

DR. WOLF SCHUMACHER
Chief Executive Officer
Aareal Bank AG
Wiesbaden

DR. ERIC SCHWEITZER
Member of the Board
of Managing Directors
ALBA AG
Velten / Berlin

GERD SONNLEITNER
President
Deutscher Bauernverband e.V.
Berlin

DR. THEO SPETTMANN
Spokesman of the Board
of Managing Directors
Südzucker AG
Mannheim/Ochsenfurt

STEPHAN STURM
Member of the Board
of Managing Directors
Fresenius AG
Bad Homburg

HANS WALL
Chairman of the Supervisory Board
Wall AG
Berlin

PAUL-HEINZ WESJOHANN
Chief Executive Officer
PHW Group
Visbek

PRINCIPAL SHAREHOLDINGS OF DZ BANK

BANKS

Name/Registered office	Consolidated[1]	Shareholding (%)
Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (indirectly)	•	81.8
Ceskomoravská stavebni sporitelna a.s., Prague		45.0
Fundamenta-Lakáskassza Zrt., Budapest		51.2
Prvá stavebná sporitel'na, a.s., Bratislava		32.5
Raiffeisen Banca Pentru Locuinte S. A., Bucharest		33.3
Sino-German-Bausparkasse Ltd., Tianjin		24.9
VR Kreditwerk Hamburg – Schwäbisch Hall AG, Hamburg and Schwäbisch Hall[2]	•	100.0
Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento		25.0
DZ PRIVATBANK (Schweiz) AG, Zurich (indirectly)	•	80.0
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg	•	100.0
Deutsche WertpapierService Bank AG, Frankfurt am Main		50.0
DVB Bank SE, Frankfurt am Main	•	95.4
DZ BANK Polska S.A., Warsaw		99.9
DZ BANK International S.A., Luxembourg-Strassen (indirectly)[3]	•	89.7
DZ BANK Ireland plc, Dublin[3]	•	100.0
Magyar Takarékszövetkezeti Bank Zártkörüen Müködö Részvénytársaság, Budapest		37.0
TeamBank AG Nürnberg, Nuremberg	•	91.1
Österreichische Volksbanken-AG, Vienna (indirectly)		25.001[4]
Volksbank International AG, Vienna (indirectly)		16.4[4]

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

OTHER SPECIALIZED SERVICE PROVIDERS

Name/Registered office	Consolidated[1]	Shareholding (%)
DZ Equity Partner GmbH, Frankfurt am Main		100.0
EURO Kartensysteme GmbH, Frankfurt am Main		19.6
Equens SE, Utrecht		33.5
VR-LEASING AG, Eschborn	•	83.5
BFL Leasing GmbH, Eschborn	•	72.8
VR-BAUREGIE GmbH, Eschborn	•	100.0
VR DISKONTBANK GmbH, Eschborn	•	100.0
VR-FACTOREM GmbH, Eschborn	•	74.9
VR-IMMOBILIEN-LEASING GmbH, Eschborn	•	100.0
VR·medico LEASING GmbH, Eschborn	•	100.0

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

FUND MANAGEMENT COMPANIES

Name/Registered office	Consolidated[1]	Shareholding (%)
Union Asset Management Holding AG, Frankfurt am Main	•	73.4
DEFO Deutsche Fonds für Immobilienvermögen GmbH, Frankfurt am Main	•	90.0
GVA GENO-Vermögens-Anlage-Gesellschaft mbH, Frankfurt am Main	•	100.0
Union Investment Real Estate Aktiengesellschaft, Hamburg	•	94.5
Union Investment Institutional GmbH, Frankfurt am Main	•	100.0
Union Investment Luxembourg S.A., Luxembourg	•	100.0
Union Investment Privatfonds GmbH, Frankfurt am Main	•	100.0

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

INSURANCE COMPANIES

Name/Registered office	Consolidated[1]	Shareholding (%)
R+V Versicherung AG, Wiesbaden	•	74.0
Condor Allgemeine Versicherungs-AG, Hamburg	•	100.0
Condor Lebensversicherungs-AG, Hamburg	•	95.0
KRAVAG-Allgemeine Versicherungs-AG, Hamburg	•	76.0
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	•	51.0
R+V Allgemeine Versicherung AG, Wiesbaden	•	95.0
R+V Krankenversicherung AG, Wiesbaden	•	100.0
R+V Lebensversicherung AG, Wiesbaden	•	100.0
R+V Pensionsfonds AG, Wiesbaden (together with Union Asset Management Holding)	•	51.0
R+V Rechtsschutzversicherung AG, Wiesbaden	•	100.0

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

IMPRINT

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Board of Managing Directors:
Wolfgang Kirsch (Chief Executive Officer)
Dr. Thomas Duhnkrack
Lars Hille
Wolfgang Köhler
Albrecht Merz
Frank Westhoff

This Annual Report is also available in German.
The German version of this Annual Report is the
original and authoritative version.

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