

# **DZ BANK**

## **Capital Funding Trust I**

Consolidated Financial Report  
(Reviewed)

June 30, 2011

## Contents

---

Independent Accountant's Report	1
Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Income	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 10

---



## Independent Accountant's Report

To the Board of Directors  
DZ BANK Capital Funding Trust I  
New York, New York

We have reviewed the accompanying consolidated balance sheets of DZ BANK Capital Funding Trust I (the "Trust") as of June 30, 2011 and 2010, and the related consolidated statements of income, changes in equity and cash flows for the six-month periods then ended. This interim financial information is the responsibility of the Trust's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

New York, New York  
August 3, 2011

## DZ BANK Capital Funding Trust I

### Consolidated Balance Sheets

June 30, 2011 and 2010

(in euros and thousands, except share and per share amounts)

See Independent Accountant's Report

	2011	2010
<b>ASSETS</b>		
Subordinated Note Receivable From DZ BANK	€ 300,003	€ 300,003
Accrued Interest on Subordinated Note Receivable From DZ BANK	<u>1,667</u>	<u>1,352</u>
<b>Total assets</b>	<b><u>€ 301,670</u></b>	<b><u>€ 301,355</u></b>
<b>EQUITY</b>		
Shareholders' Equity:		
Preferred securities, liquidation preference €1,000 per security; 300,000 securities authorized, issued and outstanding at June 30, 2011 and 2010	€ 300,000	€ 300,000
Common security, €1,000 par value; one security authorized, issued and outstanding at June 30, 2011 and 2010	1	1
Retained earnings	<u>1,667</u>	<u>1,352</u>
<b>Total shareholders' equity</b>	<b>301,668</b>	301,353
Noncontrolling Interest	<u>2</u>	<u>2</u>
<b>Total equity</b>	<b><u>€ 301,670</u></b>	<b><u>€ 301,355</u></b>

See Notes to Consolidated Financial Statements.

**DZ BANK Capital Funding Trust I**

**Consolidated Statements of Income**  
**Six-Month Periods Ended June 30, 2011 and 2010**  
**(in euros and thousands)**  
**See Independent Accountant's Report**

	<b>2011</b>	2010
Interest Income on Subordinated Note Receivable From DZ BANK	<u>€ 5,541</u>	<u>€ 4,795</u>
<b>Net income</b>	<u><u>€ 5,541</u></u>	<u><u>€ 4,795</u></u>

See Notes to Consolidated Financial Statements.

## DZ BANK Capital Funding Trust I

### Consolidated Statements of Changes in Equity Six-Month Periods Ended June 30, 2011 and 2010 (in euros and thousands, except per share amounts) See Independent Accountant's Report

	<u>Preferred Securities</u>	<u>Common Security</u>	<u>Retained Earnings</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance, December 31, 2009	€ 300,000	€ 1	€ 1,366	€ 2	€ 301,369
Net Income	-	-	4,795	-	4,795
Cash Dividends Declared:					
Preferred Securities (€16.03 per share)	-	-	(4,809)	-	(4,809)
Trust Common Security (€16.03 per share)	-	-	-	-	-
<b>Balance, June 30, 2010</b>	<u>€ 300,000</u>	<u>€ 1</u>	<u>€ 1,352</u>	<u>€ 2</u>	<u>€ 301,355</u>
Balance, December 31, 2010	€ 300,000	€ 1	€ 1,508	€ 2	€ 301,511
Net Income	-	-	5,541	-	5,541
Cash Dividends Declared:					
Preferred Securities (€17.94 per share)	-	-	(5,382)	-	(5,382)
Trust Common Security (€17.94 per share)	-	-	-	-	-
<b>Balance, June 30, 2011</b>	<u>€ 300,000</u>	<u>€ 1</u>	<u>€ 1,667</u>	<u>€ 2</u>	<u>€ 301,670</u>

See Notes to Consolidated Financial Statements.

## DZ BANK Capital Funding Trust I

### Consolidated Statements of Cash Flows Six-Month Periods Ended June 30, 2011 and 2010

(in euros and thousands)

See Independent Accountant's Report

	2011	2010
Cash Flows From Operating Activities:		
Net income	€ 5,541	€ 4,795
Adjustment to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in accrued interest on subordinated note receivable from DZ BANK	<u>(159)</u>	<u>14</u>
<b>Net cash provided by operating activities</b>	<b>5,382</b>	4,809
Cash Flows Used in Financing Activity - cash dividends paid	<u>(5,382)</u>	<u>(4,809)</u>
<b>Net change in cash and cash equivalents</b>	-	-
Cash and Cash Equivalents:		
Beginning	<u>-</u>	<u>-</u>
Ending	<u>€ -</u>	<u>€ -</u>

See Notes to Consolidated Financial Statements.

## DZ BANK Capital Funding Trust I

### Notes to Consolidated Financial Statements See Independent Accountant's Report

---

#### Note 1. Organization and Basis of Presentation

DZ BANK Capital Funding Trust I (the "Trust") is a statutory trust under Chapter 38 of Title 12 of the Delaware Code formed on August 28, 2003 for the purpose of entering into various agreements, to issue and sell common and preferred securities, and to use the proceeds from the issuance of common and preferred securities to acquire, hold and distribute preferred securities issued by DZ BANK Capital Funding LLC I as defined in the "Amended and Restated Trust Agreement of DZ BANK Capital Funding Trust I" dated November 7, 2003 (the "Trust Agreement"). The Trust's common security is owned by DZ BANK AG ("DZ BANK" or the "Parent"), a German banking corporation rated A+ by Standard & Poor's at June 30, 2011 and 2010.

The Trust was initially capitalized on November 7, 2003 with the issuance to DZ BANK of one share of the Trust's common security, €1,000 par value (the "Trust Common Security"), raising capital of €1,000. On November 7, 2003, the Trust commenced operations concurrent with the offering and issuance of 300,000 noncumulative Trust Preferred Securities, liquidation preference €1,000 per security (the "Trust Preferred Securities"), to various institutional buyers. The entire capital was used to acquire Class B Preferred Securities issued by DZ BANK Capital Funding LLC I (the "LLC Class B Preferred Securities"). DZ BANK Capital Funding LLC I in turn used the proceeds to acquire subordinated notes issued by DZ BANK. There have not been any changes in the holder of the common security for the six-month periods ended June 30, 2011 and 2010.

The LLC Class B Preferred Securities were redeemable at the option of DZ BANK Capital Funding LLC I, in whole but not in part, on the Initial Redemption Date on November 11, 2008. DZ BANK Capital Funding LLC I did not make use of this option, but still has the option to redeem the Class B Preferred Securities, in whole but not in part, on any payment date thereafter, at the Redemption Amount in accordance with the Amended and Restated Limited Liability Company Agreement of DZ BANK Capital Funding LLC I dated November 7, 2003 (the "LLC Agreement"). Subject to the provisions contained in the Trust Agreement, upon redemption of the LLC Class B Preferred Securities, the Trust shall apply the Redemption Amount received in connection therewith to redeem pro rata the Trust Common Security and the Trust Preferred Securities.

The consolidated financial statements are presented in euros, which is the functional currency of the Trust, DZ BANK Capital Funding LLC I and the Trust's Parent, since its operations are a direct and integral component or extension of the Parent's operations.

#### Note 2. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Trust and DZ BANK Capital Funding LLC I, collectively referred to as the "Company." The Trust consolidates entities in which it has both the power to direct investments that significantly impact the economic performance of the entities and the obligation to absorb losses or receive benefits that could potentially be significant to the entities. All material intercompany transactions and accounts have been eliminated.

Subordinated Note Receivable From DZ BANK: This represents €300,003,000 subordinated notes issued by DZ BANK, a related party, and are due November 11, 2033. Interest accrues on a quarterly basis for each distribution period based on the applicable three-month EURIBOR plus 2.5%. The Subordinated Note Receivable from DZ BANK is carried at amortized cost.

Dividend Distributions: The holders of the Trust Common Security and the Trust Preferred Securities (together, the "Trust Securities"), are entitled to receive cash distributions when the Trust receives distributions on the Subordinated Note Receivable from DZ BANK. These cash distributions are payable on a noncumulative basis quarterly in arrears.



## DZ BANK Capital Funding Trust I

### Notes to Consolidated Financial Statements See Independent Accountant's Report

---

#### Note 2. Summary of Significant Accounting Policies (Continued)

Distributions on the Trust Securities will be calculated by the calculation agent on the liquidation preference of the Trust Securities on a quarterly basis for each distribution period on the applicable three-month EURIBOR plus 2.5% and any additional adjustments, as defined in the Trust Agreement. The right of the holders of the Trust Securities to receive distributions is noncumulative.

For the six-month period ended June 30, 2011, the Trust has made dividend distributions on Trust Preferred Securities and Trust Common Security of €5,382,000 and €18, respectively. For the six-month period ended June 30, 2010, the Trust has made dividend distributions on Trust Preferred Securities and Trust Common Security of €4,809,000 and €16, respectively.

Allocation of Net Income: Net income is allocated to the Trust Common Security and Trust Preferred Securities as defined in the Trust Agreement. The undistributed retained earnings of €1,667,292 and €1,352,364 as of June 30, 2011 and 2010, respectively, will be allocated on a pro rata basis to the Trust Common Security, the Trust Preferred Securities and the noncontrolling interest.

Noncontrolling Interest: Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "Codification" or "ASC") 810 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Dividend distributions have been made on noncontrolling interest of €36 and €32 for the periods ended June 30, 2011 and 2010, respectively.

Income Taxes: The Trust expects to be treated as a grantor trust for U.S. federal income tax purposes, and not as a business entity subject to tax as a corporation. For United States federal income tax purposes, holders of the Trust Preferred Securities are considered the owners of the LLC Class B Preferred Securities held by the Trust. Each United States holder of Trust Preferred Securities is required to include in its gross income its distributive share of the gross income attributable to the LLC Class B Preferred Securities.

DZ BANK Capital Funding LLC I expects to be treated as a partnership for U.S. federal income tax purposes. As a partnership is not a taxable entity, DZ BANK Capital Funding LLC I is not subject to U.S. federal, state and local income tax on its income. Instead, each holder of a security is required to take into account its allocable share of income, gain, loss and deduction of the partnership in computing its U.S. federal tax liability.

Accordingly, the Company has made no provision for income taxes in the accompanying consolidated statements of income.

FASB ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Company's tax positions that require adjustment to the financial statements in order to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2007.

## DZ BANK Capital Funding Trust I

### Notes to Consolidated Financial Statements See Independent Accountant's Report

---

#### Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements: The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions, including those regarding financial instrument valuations, that affect the related amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from these estimates.

Consolidated Statements of Cash Flows: For purposes of reporting cash flows, cash and cash equivalents include cash due from banks and short-term investments with original maturities of three months or less. At June 30, 2011 and 2010, the Company did not have any cash and cash equivalents.

Recent Accounting Pronouncements: In July 2010, the FASB issued ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which amends various sections of ASC 310-10 and outlines specific disclosures that will be required for the allowance for credit losses and all finance receivables. Finance receivables include loans, lease receivables and other arrangements with a contractual right to receive money on demand or on fixed or determinable dates that is recognized as an asset on an entity's statement of financial position. The amendment requires companies to provide disaggregated levels of disclosure by portfolio segment and class to enable users of the financial statement to understand the nature of credit risk, how the risk is analyzed in determining the related allowance for credit losses and changes to the allowance during the reporting period. The required disclosures under this amendment as of the end of a reporting period was effective for the Company's December 31, 2010 reporting period and disclosures regarding activities during a reporting period are effective for the Company's June 30, 2011 interim reporting period. The Company's adoption of this ASU on January 1, 2010 did not have a material impact on the Company's consolidated financial position or results of operations.

New authoritative accounting guidance (ASU No. 2011-01) under ASC Topic 310, *Receivables*, temporarily delayed the effective date of the disclosures about troubled debt restructurings in ASU 2010-20. The delay was intended to allow the board time to complete its deliberations on what constituted a troubled debt restructuring. In April 2011, new authoritative guidance (ASU 2011-02) under ASC Topic 310 was released to assist creditors in determining whether a restructuring is a troubled debt restructuring. This update clarifies the guidance on a whether a creditor has made a concession and whether a debtor is experiencing financial difficulties. In addition, the disclosures that were deferred under ASU 2011-01 will now be required. ASU 2011-02 was effective for the first interim or annual period beginning after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The Company's adoption of this ASU on June 15, 2011 did not have a material impact on the Company's consolidated financial position or results of operations.

In May 2011, the FASB issued new accounting guidance ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which amends various sections of ASC 820 and changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements in order to improve consistency in the application and description of fair value between U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 clarifies how the concepts of highest and best use and valuation premise in a fair value measurement are relevant only when measuring the fair value of nonfinancial assets and are not relevant when measuring the fair value of financial assets or of liabilities. In addition, the guidance expanded the disclosures for the unobservable inputs for Level 3 fair value measurements, requiring quantitative information to be disclosed related to (1) the valuation processes used, (2) the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs, and (3) use of a nonfinancial asset in a way that differs from the asset's highest and best use. The revised guidance is effective for interim and annual periods beginning after December 15, 2011 and early application by public entities is prohibited. ASU 2011-04 is to be applied prospectively. The

## DZ BANK Capital Funding Trust I

### Notes to Consolidated Financial Statements See Independent Accountant's Review Report

---

#### Note 2. Summary of Significant Accounting Policies (Continued)

Trust is currently evaluating the potential impact of adopting this guidance on the Trust's consolidated financial statements.

#### Note 3. Shareholders' Equity

The Company's noncumulative preferred securities consist of 300,000 shares authorized, issued and outstanding at June 30, 2011 and 2010, each having a liquidation preference, as defined in the Trust Agreement, of €1,000.

The Company's common security consists of one share par value €1,000, authorized, issued and outstanding at June 30, 2011 and 2010.

#### Note 4. Related Party Transactions

The Trust's regular trustees, Dr. Florian Straßberger, Carl Amendola, Norah McCann and Tobias Sagan, are employees of DZ BANK New York and act as managers, as defined in the Trust Agreement. DZ BANK New York provides administrative services to the Company. Currently, the Company does not reimburse DZ BANK New York for these services.

The activities are substantially governed by DZ BANK New York which provides ongoing administrative support. Therefore, the Company's financial condition and results of operations may not necessarily be indicative of those that would have resulted if the Company had operated as an unaffiliated company.

The Company has accrued interest receivable from its Subordinated Note Receivable from DZ BANK in the amount of €1,667,292 and €1,352,364 as of June 30, 2011 and 2010, respectively, and recognized interest income in the amount of €5,541,005 and €4,795,023 for the periods ended June 30, 2011 and 2010, respectively.

#### Note 5. Variable Interest Entities

In accordance with FASB ASC 810-10, *Consolidation*, a variable interest entity ("VIE") is defined as an entity with one or more of the following characteristics:

- The equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties;
- Equity holders either (a) lack direct or indirect ability to make decisions about the entity, (b) are not obligated to absorb expected losses of the entity or (c) do not have the rights to receive expected residual returns of the entity if they occur; or
- Equity holders have voting rights that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

If an entity is deemed to be a VIE, the reporting entity that both has the power to direct activities that significantly impact the economic performance of the VIE and has the obligation to absorb losses or receive benefits that could potentially be significant to the VIE is considered the primary beneficiary and must consolidate the VIE.

## DZ BANK Capital Funding Trust I

### Notes to Consolidated Financial Statements See Independent Accountant's Review Report

---

#### Note 5. Variable Interest Entities (Continued)

The Trust purchased LLC Class B Preferred Securities issued by DZ BANK Capital Funding LLC I whose purpose was to acquire subordinated notes issued by DZ BANK. For further details on the transactions, see Note 1. As of June 30, 2011 and 2010, the Trust has determined that its investee is a VIE under FASB ASC 810-10. Furthermore, the Trust has concluded that it is the primary beneficiary of the VIE and, therefore, the Trust has consolidated the VIE under ASC 810-10.

#### Note 6. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures* (formerly known as SFAS No. 107), requires the disclosure of fair value information about financial instruments for which it is practicable to estimate that value, whether or not the instrument is recognized in the consolidated balance sheet. FASB ASC 825-10 excludes certain financial instruments from its disclosure requirements. The aggregate fair value amounts presented do not represent the underlying value of the Company.

A description of the valuation methodologies used for assets and liabilities recorded at fair value, and for estimating fair value for financial instruments not recorded at fair value in accordance with ASC 820, is set forth below.

Accrued Interest Receivable: The carrying amount is a reasonable estimate of fair value.

Subordinated Note Receivable From DZ BANK: The fair value is based on the quoted market price of the Trust Preferred Securities, which are financial instruments that react to changes in market conditions in a similar way as the Subordinated Note Receivable from DZ BANK.

The estimated fair values of the Company's financial instruments as of June 30, 2011 and 2010 are as follows:

	<u>June 30, 2011</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Subordinated note receivable from DZ BANK	<u>€ 300,003,000</u>	<u>€ 217,532,175</u>
	<u>June 30, 2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Subordinated note receivable from DZ BANK	<u>€ 300,003,000</u>	<u>€ 194,101,941</u>

The estimated fair value amounts at June 30, 2011 and 2010 have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at June 30, 2011 and 2010.

#### Note 7. Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition and/or disclosure through August 3, 2011, the date the consolidated financial statements were available to be issued.