Volksbanken Raiffeisenbanken
cooperative financial network

CREATING SOMETHING NEW
DEVELOPING YOUNG TALENT
ACQUIRING KNOWLEDGE
HONING OUR PROFILE
SEIZING OPPORTUNITIES
REMAINING FLEXIBLE

Together

2011 ANNUAL REPORT

DZ BANK Group

DZ BANK GROUP

PARTNER IN THE VOLKSBANKEN RAIFFEISENBANKEN COOPERATIVE FINANCIAL NETWORK

The DZ BANK Group forms part of the German cooperative financial network, which comprises more than 1,100 local cooperative banks and is one of Germany's largest private-sector financial services organizations measured in terms of total assets. Within the cooperative financial network, DZ BANK AG functions both as a central institution for over 900 cooperative banks and their 12,000 branch offices and as a corporate bank.

The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DG HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment Group, VR LEASING, and various other specialized institutions. With their strong brands, the companies of the DZ BANK Group constitute key pillars in the range of financial products and services offered by the cooperative financial network. The DZ BANK Group sets out its strategy and range of services for the cooperative banks and their customers through its four strategic business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking.

This combination of banking, insurance, home savings, and personal investment products and services has a long and successful tradition in the cooperative financial network. The specialized institutions in the DZ BANK Group provide top-class, highly competitive products at reasonable prices within their specific areas of expertise. This ensures that the cooperative banks in Germany are able to offer their clients a comprehensive range of outstanding financial services.

STRONG BRANDS – STRONG PARTNERS

COMPANY BRANDS

DZ BANK

R+V

Schwäbisch Hall
Auf diese Steine können Sie bauen

Union Investment

Team!Bank

DG HYP

DZ PRIVATBANK

VR LEASING

DZ BANK Group

DZ Equity Partner

DZ BANK Ireland

ReiseBank

DVB

PRODUCT BRANDS

AKZENT Invest

easyCredit®

KEY FIGURES

DZ BANK GROUP

€ million	2011	2010
FINANCIAL PERFORMANCE		
Operating profit[1]	719	1.876
Allowances for losses on loans and advances	-395	-258
Profit before taxes	324	1,618
Net profit	609	1,125
Cost/income ratio (percent)	79.1	58.0
	Dec. 31, 2011	**Dec. 31, 2010**
FINANCIAL POSITION		
Assets		
Loans and advances to banks	80,035	73,614
Loans and advances to customers	120,760	116,275
Financial assets held for trading	71,858	68,047
Investments	61,690	58,732
Investments held by insurance companies	59,348	57,996
Remaining assets	12,235	8,800
Equity and liabilities		
Deposits from banks	106,919	104,156
Amounts owed to other depositors	92,871	84,935
Debt certificates including bonds	55,114	55,189
Financial liabilities held for trading	67,371	57,691
Insurance liabilities	57,437	56,216
Remaining liabilities	15,439	14,550
Equity	10,775	10,727
Total assets/total equity and liabilities	**405,926**	**383,464**
Volume of business[2]	**605,255**	**588,909**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	11.5	12.7
Tier 1 capital ratio (percent)	10.1	10.6
DERIVATIVES		
Notional amount[3]	1,057,918	1,058,573
Positive fair values	34,003	24,533
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**27,825**	**26,800**
LONG-TERM RATING		
Standard & Poor's	AA-	A+
Moody's Investors Service	Aa3	Aa3
Fitch Ratings	A+	A+

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

CONTENTS

Wolfgang Kirsch, Chief Executive Officer

Dear Shareholders,

The intensity of the demands on the financial sector resulting from a combination of political, regulatory, and economic requirements reached new levels in 2011. The sovereign debt crisis, EU capital exercises, and the 'Occupy Wall Street' protest movement were just some of the headline-grabbing issues during the past year, and they all point to one thing: within just a few years, the financial sector will look fundamentally different as a result of the impact of these forces. The industry is already working flat out to satisfy a whole raft of regulatory obligations that are on a scale unprecedented in recent times and that will bring about radical change, particularly in the requirements relating to capital adequacy and liquidity. The entire business model at many banks is being put to the test. It is still too early to predict how the interaction between these requirements will impact the real economy and international financial markets.

In this environment, the DZ BANK Group proved once again in the year under review that it is a sound, reliable partner for its customers and owners, and that it possesses a coherent business model as a network-oriented financial services group. During the year, there was another marked improvement in public perception of the group, which continued to be reflected in growth in new business. Furthermore, as part of the cooperative financial network, we now have the best credit rating among all German banks with a Standard & Poor's rating that has been upgraded from A+ to AA-.

FROM LEFT: LARS HILLE, ALBRECHT MERZ, WOLFGANG KÖHLER, WOLFGANG KIRSCH (CHIEF EXECUTIVE OFFICER), HANS-THEO MACKE, THOMAS ULLRICH, FRANK WESTHOFF

These shared successes are also the fruits of the corporate strategy in which the DZ BANK Group has continued to extend the level of cooperation within the organization and stepped up its focus on the cooperative banks, which are the group's owners and most important customers. We work together – and we work on the matters that count. This is reflected in the DZ BANK Group's adjusted profit before taxes for 2011 (before recognition of the charges related to the sovereign debt crisis) of just under €1.9 billion, which exceeded the good level achieved in 2010. Even when the impairment losses on Greek government bonds and the temporary writedowns on bonds from peripheral countries in the euro zone are taken into account, profit before taxes for 2011 still reached €324 million.

We are also making great strides in our efforts to strengthen our capital base. Despite the enhanced requirements under the regulatory framework now in force (known as 'Basel 2.5'), our effective Tier 1 capital ratio reached 11.7 percent at the end of 2011 compared with 10.6 percent at the end of 2010. These results reflect the high degree of commitment shown by the workforce in the DZ BANK Group. My colleagues on the Board of Managing Directors and I would like to take this opportunity to say thank you to all employees.

The operating profit generated last year was largely the result of our broadly-based, balanced positioning, which is best demonstrated by a few examples from DZ BANK and our subsidiaries.

In 2011, we continued to sustain the positive trend in the joint credit business operated by DZ BANK and the local cooperative banks. The number of new applications in this business, which is aimed at small and medium-sized enterprises, was up by 7 percent. In Retail Banking, we maintained our position as number two in Germany with our AKZENT Invest brand, which enjoyed a market share of 16.6 percent as at December 31, 2011. DZ BANK dominates the capital preservation certificates segment with a market share of as much as 50 percent. We also achieved a significant year-on-year rise in revenue from our capital markets business with the local cooperative banks.

In 2011, Bausparkasse Schwäbisch Hall made further significant progress in consolidating its position as market leader. The year saw the volume of new home savings business grow by €3 billion or 10.5 percent to €31.7 billion, enabling Bausparkasse Schwäbisch Hall to increase its market share to just under 30 percent. R+V continued to steer a course of growth with gross premiums written amounting to €11.3 billion in 2011, representing a year-on-year increase of 2.1 percent. In tough market conditions, Union Investment, the fund provider in the cooperative financial network, achieved some of the best results in the history of the company and therefore remains the market leader by a long way in capital preservation funds and fund-based Riester solutions. In 2011, DZ BANK and WGZ BANK merged their private banking units under the umbrella of DZ PRIVATBANK, our center of competence for private banking. The two central institutions have thereby created a joint, decentralized partner for the cooperative banks in an important high-growth market.

These sales successes and forward-looking projects have enabled us to feel all the more confident, as the economic tailwind eased off, especially in the second half of 2011. Demanding and diverging economic conditions in the major economic areas of the world remained as much a part of the overall picture as the sovereign debt crisis in individual countries within the euro zone. The consolidation measures that have now been taken by these countries to deal with their significant budget deficits were an urgent necessity and are showing the first signs of progress, although they are initially bound to depress the euro zone economy in 2012. Much will depend on the extent to which the countries in question succeed in restoring confidence in the soundness of their public finances and in re-establishing competitiveness. Germany is currently benefiting from the fact that it went through this process of structural improvement in key locational factors at an early stage. We therefore believe that the opportunities for growth in Germany are better than in the rest of the euro zone and are also able to report that the DZ BANK Group has enjoyed an encouraging start to 2012.

On top of this economic uncertainty, our sector continues to be burdened by dramatic changes in the regulatory environment. The year under review again saw the advent of new standards, which the DZ BANK Group views with some skepticism. This is because the European Banking Authority (EBA) has set seemingly arbitrary additional requirements for capital adequacy in addition to the capital and liquidity requirements arising from Basel III, which are challenging enough as it is. These new EBA requirements were reflected in one regular stress test and two capital exercises during 2011. The DZ BANK Group successfully completed the stress test and first exercise, but the second exercise revealed a capital shortfall of approximately €350 million. However, we were able to eliminate almost all of this shortfall from our own resources by the end of 2011.

There are still huge imponderables regarding the regulatory framework, as highlighted by the discussions around a financial transaction tax. The challenge for the DZ BANK Group will be to compensate for any adverse impact as best it can by carefully managing risk-weighted assets, further focusing its business activities on the cooperative financial network, and by retaining profits. Our dividend proposal is also derived from this assessment. A dividend payment of 5 cents per share will be proposed to the Annual General Meeting.

Against the background of these challenges, we know that we are driven by the shared conviction in our organization that we aim to be the masters of our own destiny. We are also prepared to mobilize our own resources to achieve this aim, as we intend to continue to generate growth together. This also includes the numerous types of cooperation that we continued to develop with WGZ BANK during 2011, for example in private banking, private equity business, payments processing, and loan securitization. This cooperation remains guided by our efforts to make the local cooperative banks even more competitive and to further lower their costs. The pursuit of these objectives is also supported by close cooperation in our Financial Services Advisory Council, in the special committees of the National Association of German Cooperative Banks, BVR, and with the specialized service providers within the cooperative sector.

Regardless of the worries about external factors, we can be proud of how we have successfully developed our cooperative financial network. Many factors indicate that we are on the right path in terms of our market positioning and our joint efforts in the areas of marketing, sales channels, and cost efficiency. So if we are looking to the future with optimism, this optimism – to paraphrase Joseph Schumpeter, the economist you need in times of upheaval – is not necessarily a sign that we are neglecting our duty.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer

Together

2011 ANNUAL REPORT

The DZ BANK Group plays a critical role in the success of the cooperative financial network. To fulfill the responsibility that this entails, we rely on highly qualified employees with an active, dedicated, and creative involvement in our network.

Employees with drive and commitment deserve our support. We take this extremely seriously, offering a comprehensive range of professional development opportunities. It is only with highly skilled, satisfied employees that our business can be successful, fit for the future, and deliver the improvements in performance that will enable us to meet the growing expectations of our partners and customers.

I decided to opt for TeamUp because it will enable me to get to know the entire spectrum of activities in the cooperative financial network. The cooperative business model is particularly important to me: All business activities are focused on the customer and his or her needs. In my view, this is the future of banking.

» **JONAS GEBHART,** TEAMUP TRAINEE, VR BANK RHEIN-NECKAR EG

CREATING SOMETHING NEW TOGETHER

The objective of TeamUp, a trainee program set up by DZ BANK jointly with the local cooperative banks, is to attract young talent to the cooperative financial network. This is a challenge as businesses across all sectors of the economy compete for the next generation of highly qualified technical specialists and executive talent. Any business that wants to attract good employees nowadays must be able to offer prospects that are both attractive and long term.

We have designed TeamUp so that we can integrate university graduates into the cooperative financial network in the best possible way. At the beginning, trainees choose the overall area on which they wish to focus: retail banking, corporate banking, or banking management. All trainees are offered on-the-job activities and a broad range of tasks from the very start. The program is modular in structure. Trainees are deployed for twelve months at a cooperative bank that they select. A further six months are dedicated to individual professional development and practical assignments at DZ BANK and in the specialized companies within the DZ BANK Group.

From the first day, participants in the trainee program have the opportunity not only to gain experience and acquire knowledge, but also to develop contacts and become familiar with the particular structures and culture in the group.

TeamUp helps the local cooperative banks present themselves as attractive employers. It also supports strategic networking within the cooperative financial network, thereby strengthening cooperation.

TEAMUP FACTS & FIGURES

» TRAINEE PROGRAM
Modular structure with practical experience in participating cooperative bank, DZ BANK AG, specialized companies within the DZ BANK Group

» OPTIONS FOR FOCUS OF WORK
Retail banking, corporate banking, banking management

» START DATES
Choice of program start dates: either April 1 or October 1, 2012

» NUMBER OF APPLICANTS
Over 700 applicants since June 2011

» FURTHER INFORMATION
www.teamup-trainee.de

Union Investment is one of the largest fund management companies in Germany. During my training, I got to know many different units and their responsibilities. This helped me to decide where my strengths were and which activities I would particularly like to be involved in. Of course, it was also then clear where the company could best use my talents.

» **KATRIN ZAHRT,** INVESTMENT FUND MANAGEMENT ASSISTANT, UNION INVESTMENT

DEVELOPING YOUNG TALENT TOGETHER

Top-notch training forms the best basis for successful professional development of young people. As a financial services group, the DZ BANK Group is able to provide broadly-based opportunities for people starting out on their careers while at the same time offering a choice of managerial or specialist positions. Besides equipping trainees with specialist knowledge, the training programs focus on expanding their methodological, social, and personal skills.

One example is the training course that enables participants to qualify as investment fund management assistants at Union Investment. It is aimed at school leavers with very good results in their final examinations. The trainees combine attendance at a vocational college with practical experience in all key departments, including investment account services, fund accounting, sales, marketing, risk controlling, fund management, and reporting. The course also includes both internal seminars and external specialist training in subjects such as asset management and open-ended real-estate funds.

Trainees who successfully pass examinations set by the German Chamber of Industry and Commerce then have a choice of careers, for example, in investment fund accounting, fund controlling, customer service, or reporting. On this basis, Union Investment also offers employees the opportunity to take up an advanced career in the development and management of the company's investment funds, which are regarded throughout the industry as leading-edge products.

Employees with the requisite professional training are an investment in the future – for all companies in the DZ BANK Group. This also benefits those for whom we develop our products, namely the local cooperative banks.

DZ BANK GROUP FACTS & FIGURES

» TRAINEES
2011: 839
2010: 774

» RATIO OF TRAINEES TO TOTAL EMPLOYEES
2011: 5 percent
2010: 2.9 percent

» TARGET OCCUPATIONS (SELECTION)
Management assistants in investment funds, banking, insurance/finance, and office communications, IT specialists

» BACHELOR DEGREE PROGRAMS
Degree courses (e.g. banking, or business administration specializing in insurance), academic programs (e.g. Frankfurt School of Finance & Management)

» WORK/STUDY COMBINATIONS
e.g. banking, investment, or leasing administration (German Chamber of Industry and Commerce)

» OTHER PROGRAMS
e.g. traineeships, masters degrees, doctorate programs

R+V Versicherung's professional development opportunities allow me to tailor my development to my own needs. I can focus specifically on my own personal and professional expertise. The result is more skills, more responsibility, and more motivation.

» **TATJANA MAURER,** GROUP PURCHASING EMPLOYEE, R+V VERSICHERUNG

ACQUIRING KNOWLEDGE TOGETHER

The companies in the DZ BANK Group offer their employees comprehensive professional development programs, including training sessions focusing on both specialist business areas and methodology, as well as a broad range of professional development events. Conventional training programs involving individual and group activities are complemented by e-learning and web seminars.

An example from R+V Versicherung demonstrates how effective continuous professional development can be nowadays. R+V has developed a separate professional development concept for its group purchasing function. Based on a new purchasing strategy, the group purchasing and HR units have jointly determined, classified, and prioritized the main challenges that employees will face in the future. These challenges have then been used as the foundation for a modular professional development concept that aims not only to deliver specialist content, but also to nurture communication and methodology skills. An important factor in this process has also been to ensure that the final concept has been agreed with the employees concerned, enabling R+V Versicherung to achieve the greatest possible level of commitment and acceptance. The first activities in this professional development program started at the end of 2010, with the cycle expected to be successfully completed in the third quarter of 2012.

Against a backdrop of increasing and changing requirements, professional development helps our employees acquire the best possible preparation for the challenges that will be presented by the market. It also contributes to job satisfaction and is indispensable if we are to work successfully in collaboration with our partners and customers both inside and outside the cooperative financial network.

DZ BANK GROUP FACTS & FIGURES

» AVERAGE PROFESSIONAL DEVELOPMENT DAYS PER EMPLOYEE
2011: 3.6 days
2010: 3.2 days

» PROFESSIONAL DEVELOPMENT OPTIONS (SELECTION)
Specialist expertise, methodology, project management;
individual development;
training for both new and experienced managers

» PROFESSIONAL DEVELOPMENT PARTNERS
Schwäbisch Hall Training GmbH (SHT),
German Cooperatives Academy,
internal trainers,
external service providers

My experience of the Corporate Campus is that everyone gains substantially. The structure is new and unique: Innovative, practice-based development programs coupled with the opportunity to network and share information with colleagues from the other companies in the cooperative financial network.

» **ULRICH BIERMANN,** HEAD OF SALES DIVISION, BAUSPARKASSE SCHWÄBISCH HALL

HONING OUR PROFILE TOGETHER

The Corporate Campus for Management & Strategy is a development and information-sharing platform for senior managers in the DZ BANK Group. The objective is to facilitate the development of new perspectives and ideas at top-management level, thereby reinforcing the sustainability of the DZ BANK Group and the Volksbanken Raiffeisenbanken cooperative financial network.

The Corporate Campus for Management & Strategy is designed around two main pillars: management development and strategic initiative support. In management development, conferences are organized for senior managers, at which board members and divisional managers from the DZ BANK Group exchange information across organizational and functional boundaries on issues of strategic relevance, extend their range of skills and expertise, and develop ideas for solutions. This pillar also includes other formats, such as a multi-module general management program for divisional managers and a program known as 'Learning Journey'.

Information from the various management development formats are fed into the work of the strategic group initiatives and vice versa. The outcome of projects conducted as part of strategic group initiatives is often directly relevant to business operations: for example, the sustainability initiative helped to improve the DZ BANK Group's sustainability rating to prime status.

Everyone benefits from the Corporate Campus for Management & Strategy: the top managers, the companies, and the cooperative financial network as a whole.

CORPORATE CAMPUS FACTS & FIGURES

» HISTORY
2010 Campus established
2011 Strategy issues linked with management development
2012 Sharper focus on the cooperative financial network

» TARGET GROUP
Board members and divisional managers in the DZ BANK Group (approx. 240 in total)

» OBJECTIVES
To continue the development of specialist and managerial expertise within the senior management of the DZ BANK Group,
explore and find solutions for overarching strategic issues,
collaborate with colleagues across company and functional boundaries

» PARTICIPANTS
Total of 114 participants in 2011

Experience shows that mixed teams function better and are more successful. It is therefore also our declared objective to encourage more women to take on management responsibilities.

» **DR. CHRISTIANE DECKER,** MEMBER OF THE BOARD OF MANAGING DIRECTORS, TEAMBANK

SEIZING OPPORTUNITIES TOGETHER

Creating something new together
Developing young talent together
Acquiring knowledge together
Honing our profile together
Seizing opportunities together
Remaining flexible together

The advancement of women has now become a hot topic of public debate. For companies, it is not just a question of image and reputation. They need to cope with demographic change and increasingly fierce competition for specialists and managers. Studies have shown that there is a correlation between corporate success – from both organizational and financial perspectives – and the proportion of women in top management positions. Given this background, the promotion of women into management levels is an absolute necessity if competitiveness is to be sustained over the long term.

The companies in the DZ BANK Group have declared the advancement of women as one of their objectives. In a letter of intent, we have reaffirmed that we have an obligation to actively support the professional development of women, to ensure that women receive equal pay in positions comparable with those held by men, and to ensure that they receive equal treatment in managerial recruitment and selection processes. To this end, various action plans will be implemented within the individual companies by 2013. One of our aims within the overall objective is to ensure that each company in the group achieves berufundfamilie® work and family certification and has signed the Charta der Vielfalt diversity charter.

However, internal action plans and opportunities are critical if we are to achieve further progress. We must ensure that women and men are treated equally in the selection process for career development and promotion programs. We also aim to achieve greater equality of opportunity in our recruitment and development of management trainees. These activities are complemented by initiatives launched by female employees themselves, such as the women's network within DZ BANK, whose members aim to be career role models for women.

DZ BANK GROUP FACTS & FIGURES

» PROPORTION OF FEMALE TRAINEES
2011: 48.6 percent
2010: 49.6 percent

» PROPORTION OF FEMALE EMPLOYEES
2011: 46.2 percent
2010: 45.7 percent

» PROPORTION OF FEMALE MANAGERS
2011: 17.5 percent
2010: 18.4 percent

» ACTION FOR THE ADVANCEMENT OF WOMEN
Letter of intent includes promotion of career development for women, equal opportunities in development programs and in the selection of management trainees

» TARGETS BY 2013
Awards: 'berufundfamilie® audit' and 'Logib-D geprüft' (German scheme for equal pay in the workplace); companies to sign 'Charta der Vielfalt' e.V.

The flexible working-time and workspace models at DZ BANK allow me to satisfy the requirements of our customers and also to meet the needs of my family. In addition, training with the company sports group helps me to make new contacts and stay fit for work.

» **MICHAEL HEEB,** SENIOR LEASING ANALYST AND LEADER OF A COMPANY SPORTS GROUP, DZ BANK

REMAINING FLEXIBLE TOGETHER

The day-to-day business and future prospects of the DZ BANK Group depend on the personal commitment and professional expertise of the group's employees. This gives rise to an obligation on our part to support our employees by creating a working environment that is designed to be sustainable and based on trust, and that is also tailored to both professional and personal requirements.

Work or family? Career or self-fulfillment? Both are of equal value in life. Our human resources units have developed a large number of suitable options to help employees achieve a work-life balance as far as possible. These options include, for example, customized working-time models, special daycare arrangements, options for employees who also have duties as carers, and a range of varied activities to help prevent stress and sickness. Our family-friendly HR policy has generated extremely positive feedback, not only from the workforce, but also from the public at large.

We can foresee that over the next few years a growing number of people will be looking to achieve a work-life balance in their own individual way. They will therefore select employers who can offer them appropriate conditions of employment. Given the demographic change taking place in Germany, the competition for both young talent and experienced specialists will become markedly more intense. However, thanks to their dedicated HR policy, the companies in the DZ BANK Group are also in the best possible position to cope with these future challenges.

DZ BANK GROUP FACTS & FIGURES

» PROPORTION OF PART-TIME EMPLOYEES (AVERAGE FOR THE YEAR)
2011: 16.8 percent
(men: 11.5 percent;
women: 88.5 percent)
2010: 15.8 percent

» UTILIZATION OF PARENTAL LEAVE, 2011
775 employees on parental leave,
of which 603 women, 172 men

» OPTIONS TO SUPPORT WORK-LIFE BALANCE (SELECTION)
Flexible working-time and part-time models, daycare arrangements, options for employees acting as carers

» HEALTH PROMOTION (SELECTION)
Attractive range of company sports opportunities, free health checks, anti-stress programs

FOUR STRATEGIC BUSINESS LINES – FOCUSED ON ONE OBJECTIVE

Based on cooperation between all of the entities in the DZ BANK Group, we continued to provide the local cooperative banks with a comprehensive, high-quality range of financial products and services in 2011, thereby helping to sustain successful growth in the cooperative financial network in challenging market conditions.

The DZ BANK Group also laid the foundations for a successful future in the cooperative organization by undertaking systematic further development of the products and services in its four strategic business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking. The involvement of all of the entities in the DZ BANK Group also played a key role in this development.

One of the features of Retail Banking in 2011 was the significant customer need for security. The DZ BANK Group satisfied this need consistently and successfully.

RETAIL BANKING

OVERVIEW

In 2011, the Volksbanken Raiffeisenbanken cooperative financial network consolidated its strong position in Retail Banking, aided significantly by the products and services from DZ BANK and its group companies. Based on the concept of a broad range of financial services, these products and services were focused particularly on the need expressed by local cooperative bank customers for a significant level of security, thereby indirectly underpinning the fundamental cooperative principle of a reliable, trust-based partnership with customers. The success of this strategy was confirmed by the, in some instances, considerable gains in market share, for example in the investment certificates and building society businesses.

PRIVATE CUSTOMER SECURITIES BUSINESS

In the year under review, the European sovereign debt crisis had a significant impact on trends in international financial markets. Equity, bond, and currency markets were all subject to a high degree of volatility, even turmoil in some cases. This also substantially affected sentiment among retail investors, as demonstrated by representative surveys carried out by DZ BANK. The importance attached by these investors to safe, easily understandable investment products was even greater than in 2010.

Investment certificates

DZ BANK's AKZENT Invest quality investment certificates brand has been meeting the needs of investors very successfully for some time now. For a number of years, the brand has enabled DZ BANK to enjoy an unchallenged position as the market leader in capital preservation certificates. In 2011, the DZ BANK Group was not only able to push up its market share in this segment from 45.3 percent to 51.4 percent (as at Q4 2011), but it was also able to establish itself as one of the top three banks in the entire German investment certificates market with a market share of 16.6 percent. This was also primarily attributable to the continuity and consistent level of quality in DZ BANK's products in the area of capital preservation certificates. Overall, total sales of structured products contracted slightly to €5.2 billion. This was a satisfactory result in view of the general situation in the capital markets.

Outside its traditional capital preservation certificates business, DZ BANK also enjoyed other successes in its private customer securities business in 2011, notably in continuing to establish its 'Anlage Zukunft' range of products under the AKZENT Invest brand. These products are based on socially responsible equities in companies with a balance of economic, environmental, and social objectives.

With the expansion of its product range, DZ BANK was also able to gain market share with its flow products. These products are targeted particularly at online-focused independent private investors.

Eniteo.de

Independent private investors operating via the internet are also the principal target group of the derivatives portal Eniteo.de. In 2011, a number of new tools were added to the portal, which is now an important vehicle being used by DZ BANK to improve its position in the certificates market. Well over 1.1 million users in total visited Eniteo.de in 2011, the number of page views being approximately 11 million. The objective of DZ BANK is to make sure that Eniteo.de occupies a permanent place among the top 3 derivatives portals in Germany.

Comprehensive concept

The comprehensive concept that shapes the cooperation between DZ BANK and the local cooperative banks continued to have a positive impact. Among other developments in this regard during the year under review, DZ BANK extended the sales information made available to the cooperative banks, which were also supported by more detailed studies and analyses of markets and individual securities prepared by DZ BANK's Research division. During 2011, further action was taken to ensure that the weekly web-based 'Derivatives in focus' teleconferences aimed at investment advisors in the local cooperative banks became well established. By the end of 2011, well over 1,000 advisors had registered for these conference calls, which were originally introduced in October 2010. In order to support the high level of advice given by the local cooperative banks, DZ BANK again offered a large number of training sessions for securities advisors in the banks. Some 9,000 advisors took part.

In 2011, DZ BANK once again organized regional customer events in conjunction with the local cooperative banks in order to meet the needs of retail investors for information. It welcomed more than 15,000 participants to these events.

The high level of quality in DZ BANK's investment certificates and structured investment products business was also independently confirmed several times during 2011. The product development process underwent recertification in accordance with ISO 9001, again receiving the TÜV SÜD seal of approval. In addition, TÜV SÜD reviewed the quality management system in DZ BANK's customer services operations for the first time and issued certification for this system, also in accordance with ISO 9001:2008.

Among other awards, DZ BANK was – for the ninth year running – voted Investment Certificates House of the Year by the general public, an accolade jointly awarded by the German newspapers *Die Welt* and *Welt am Sonntag*, the investment certificates periodical *ZertifikateJournal*, and the Scoach exchange for structured products. DZ BANK was also chosen as the decade's Best Issuer of Capital Preservation Certificates.

Investment funds

In the year under review, Union Investment continued to respond to the significant investor focus on the security of investments. Its new guarantee fund tranches were well received, generating inflows of €1.6 billion. As a result, Union Investment remained the market leader in capital-protected investments. Inflows from mixed funds in 2011 amounted to €1.2 billion. At the same time, open-ended real-estate funds and money market funds generated net inflows of €537 million and €414 million respectively. Long-term investment solutions based on customer needs were also in demand: Union Investment's traditional fund-linked savings plans attracted investor confidence, resulting in over 160,000 new plans and net inflows of €560 million.

In its retail business, Union Investment focused on the issues of capital accumulation, asset management, and retirement pensions as well as investment security. Net inflows of €1 billion were generated by Riester pension business in 2011.

In 2010, Union Investment had set up a further investment solution tailored to customer needs in the form of the PrivatFonds product family. Union Investment launched three different PrivatFonds concepts within this product family, each with two risk/return profiles. These asset management concepts, which were launched in 2010, contributed a total of €982 million to Union Investment's overall inflows in 2011.

PERSONAL PENSIONS

In 2011, personal pensions were also one of the mainstays of the DZ BANK Group's Retail Banking business line. The group is very well positioned in this growth area with various product options and is among the market leaders in Germany in the provision of Riester products, funded life insurance, and building society business.

Riester products

A representative study conducted by Union Investment illustrates the extent of potential business from personal pension products. According to this study, only 51 percent of women and just 39 percent of men in Germany had taken out a Riester savings plan by the end of 2011. Union Investment also determined that more than one third of the people already investing in a Riester savings plan were not using this plan to best effect. However, new Riester savings plan business did suffer to a certain extent in 2011 from some public debate as to whether Riester-type pensions are financially efficient. Within the DZ BANK Group, customized Riester savings products are offered by three companies, namely Union Investment (with the UniProfiRente product), R+V (with the R+V Riester-Rente product), and Bausparkasse Schwäbisch Hall (with the Fuchs WohnRente product). In retail banking, Union Investment remained the market leader by some way for fund-based Riester solutions. In 2011, 95,000 new UniProfiRente contracts were taken out. As a result, the number of Union Investment Riester customers rose to 1.9 million.

In 2011, it was not only customers who found R+V's Riester offering attractive; the products also impressed experts from the Institut für Vorsorge und Finanzplanung (IVFP) [Institute for Pensions and Financial Planning]. R+V's RiesterRente came out top in a detailed review of Riester insurance products. The IVFP experts cited the low cost, high guaranteed returns, and flexibility associated with the product as the reasons for their choice.

New Riester savings products business at Bausparkasse Schwäbisch Hall remained at a high level. A total of 105,000 new Fuchs WohnRente contracts were taken out in 2011, which equates to a market share of around 30 percent. In just over three years since the launch of the product, Bausparkasse Schwäbisch Hall has therefore sold more than 300,000 Riester contracts.

Life insurance

Through R+V, the DZ BANK Group is also very effectively represented in the area of funded life insurance. R+V is number 2 in the German market for this type of insurance. Apart from the volume of business, it is also the high standard of product quality that makes R+V stand out. In 2011, R+V was one of only three life insurance companies out of a total of 71 reviewed by Morgen & Morgen analysts to be awarded the top 5-star rating. The review assessed investment performance, costs, and reserves. One of the ways in which customers directly benefit from the strength of R+V is through the excellent level of interest that they consistently receive on their life insurance contracts.

Building society operations

A consequence of the economic uncertainty and low interest rates has been a significant leap in the interest of German citizens in home ownership. They see this as a secure investment in physical assets and, at the same time, as a substantial part of their private pension provision. In the year under review, Bausparkasse Schwäbisch Hall once again generated significant growth in this environment. In close cooperation with partner cooperative banks, it was able to enter into approximately 900,000 new home savings contracts with a volume of €31.7 billion. Although the number of new contracts was therefore almost unchanged compared with the very strong performance in 2010, the home savings volume climbed year on year by 10.5 percent, enabling Bausparkasse Schwäbisch Hall to increase its market share by more than one percentage point to just under 30 percent. Bausparkasse Schwäbisch Hall thus remained the unchallenged market leader in the German building society market.

Bausparkasse Schwäbisch Hall also saw growth in the number of customers, which rose by 90,000 to approximately 6.8 million. At the end of 2011, customers held a total of 7.4 million contracts with Bausparkasse Schwäbisch Hall, representing a total home savings volume of around €237 billion.

DEVELOPMENT LENDING

Performance in the private development lending business continued to be extremely encouraging. In this business, DZ BANK provides a comprehensive range of services for the local cooperative banks. It places its expertise in development lending at the disposal of the cooperative banks and also acts as a center for collecting and processing applications on behalf of these banks. In 2011, the largest proportion of private development lending business was accounted for by housebuilding, as was also the case in 2010. A significant proportion also related to renewable energy projects (see page 29).

CONSUMER FINANCE

Despite a fiercely competitive environment, TeamBank successfully continued to pursue its growth and quality strategy in 2011 based on its easyCredit product and once again significantly outperformed the market in terms of growth. Together with the local cooperative banks, TeamBank managed to increase the cooperative financial network's share of the consumer finance market to more than 18 percent. In addition, TeamBank succeeded in generating substantially higher returns for its partners in the cooperative financial network compared with 2010 and surveys confirmed that there was a further increase in the overall level of satisfaction on the part of the easyCredit partner banks.

TeamBank's objective is to work together with the local cooperative banks to secure further growth in their share of the consumer credit market. To this end, TeamBank has launched a new market offensive centered on a new advisory and product concept known as the 'easyCredit liquidity advisor' which has been developed with the involvement of consumer protection organizations. This approach allows prospective customers to tailor the various aspects of their proposed borrowing to their individual requirements. The easyCredit liquidity advisor was introduced in the first local cooperative banks at the end of 2011 and will be rolled out to all easyCredit partner banks by the summer of 2012.

PRIVATE BANKING

DZ BANK, together with WGZ BANK, continued to press ahead with the steady implementation of the private banking market initiative during the year under review. The objective is to strengthen the position of the cooperative sector in business focusing on high-net-worth individuals and develop the cooperative financial network into one of the leading private banking providers in Germany.

This initiative includes the establishment of DZ PRIVATBANK, which progressed on schedule in 2011. The final stage in the reorganization, which had been initiated in 2010, took place in June when DZ PB S.A. was merged into DZ PRIVATBANK S.A., and DZ PRIVATBANK S.A. was at the same time merged with WGZ BANK Luxembourg S.A. In addition, WGZ BANK AG contributed its 20 percent shareholding in DZ PRIVATBANK (Schweiz) AG into DZ PRIVATBANK S.A. An advisory council ensures that the local cooperative banks are closely involved in DZ PRIVATBANK's business strategy and policy. The members of the council comprise representatives from the banks in the relevant business areas of both central institutions. At the start of 2012, DZ PRIVATBANK opened further branches in Düsseldorf, Frankfurt, Hamburg, and Nuremberg to enable it to achieve its growth targets for the group and also to provide local points of contact for both customers and banks.

A further aspect of this marketing initiative is the development of a premium cooperative brand known as VR-PrivateBanking. This brand is based on strict application of the principle of decentralization in which the local cooperative banks are themselves responsible for managing the relationships with their high-net-worth private customers. However, if necessary, the banks can call on the specialist expertise of DZ PRIVATBANK and determine the level of support they receive, depending on the extent of their own capabilities. VR-PrivateBanking was launched in the second quarter of 2011 and since then has performed in line with forecasts.

Cooperation within the DZ BANK Group

The DZ BANK Group's Retail Banking Product and Sales Committee (PVK) – made up of the board members responsible for sales at the major specialized service providers in the DZ BANK Group – organizes projects and initiatives in Retail Banking aimed at the ongoing consolidation of the Volksbanken Raiffeisenbanken cooperative financial network's position in the financial services market. In 2011, attention was focused on setting out core strategies in the areas of online activities, advisory processes, and sales management with a view to securing the future competitiveness of the cooperative financial network. The work of the committee involved, in particular, dovetailing PVK initiatives with projects of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks].

In this regard, the PVK successfully continued the development of the 'lifelines' concept targeted at over-50s. This concept incorporates the transition to needs-based advice, a process being driven from a number of sources including regulators and consumer protection organizations. In this case, the focus is on the situation and needs of the customer rather than on individual products. Many of the local cooperative banks have been impressed by this approach, to the extent that implementation of the concept has been successfully initiated in more than 40 of the banks. In addition, the concept fits very well into the holistic advisory philosophy of the cooperative financial network. In addition to availability via DZ BANK, it can also be obtained via the online kit provided for Bavarian cooperative banks by the Genossenschaftsverband Bayern e.V. (GVB) [Bavarian Cooperatives Association].

Corporate Banking in the cooperative financial network performed very well in 2011. Based on its experience to date, the DZ BANK Group is planning to leverage further growth potential in this business line.

CORPORATE BANKING

OVERVIEW

DZ BANK believes that there is considerable potential for growth in the cooperative financial network to be derived from Corporate Banking. This was confirmed by trends in 2011, in which the number of new applications rose by 10 percent in the corporate customer lending business, and by 7 percent in the joint credit business with the local cooperative banks. Based on the growth over the last few years, DZ BANK plans to further strengthen the joint credit business with the local cooperative banks and its direct business with major corporate customers. In 2011, it put itself on the right track to achieve these objectives.

SME BUSINESS

Small and medium-sized enterprises (SMEs) traditionally form one of the core target groups of the Volksbanken Raiffeisenbanken cooperative financial network. In this regard, the cooperative banks have systematically made the most of the opportunities that have presented themselves as a result of the financial and economic crisis. This is also reflected in the good performance of DZ BANK's joint credit business with the local cooperative banks in the year under review. In this business, DZ BANK has been supporting the corporate banking activities of the cooperative banks even more comprehensively and efficiently than in the past. Back in 2010, DZ BANK had launched an SME market initiative, which included the ProFi DZ BANK customer relationship concept based on customer needs and potential, and had increased its customer relationship management capacity in Corporate Banking.

In connection with this initiative, DZ BANK also reorganized its joint credit business activities. A key feature of the reorganization was that the processing of lending business was regionalized. The regional competence centers set up in 2010 at the Credit division locations in Hannover, Frankfurt, Munich, and Stuttgart act as a direct central point of contact in each region for the local cooperative banks and are responsible for credit analysis and processing in connection with jointly extended loans.

In 2011, the action taken under this initiative was reflected in specific terms in an increase in both the number and the volume of new applications in joint credit business. The DZ BANK Group also pressed ahead in the year under review with the implementation of its cross-selling strategy in SME business, which involves close cooperation between the entities in the DZ BANK Group.

Further development in Corporate Banking

DZ BANK believes that further growth potential is available, in particular from lending to medium-sized companies. Whereas the cooperative financial network is well positioned in the SME segment comprising companies with revenue of up to €50 million, and in the major corporate customer and multinationals segment, there is still plenty of potential growth available from the medium-sized companies segment, i. e. companies with revenue of more than €50 million. This applies to business with both existing and new customers.

Based on experience to date, DZ BANK therefore laid the foundations in 2011 for more expansion in Corporate Banking by instigating further comprehensive reorganization of this business line. This included

- the systematic segregation of joint credit business and direct business by means of further extensive reorganization within DZ BANK's front office,
- even more comprehensive regionalization of the joint credit business and direct business in the front office by standardization of the regional breakdown and by expansion of regional capacity in both front and back offices, and
- simplification of the liaison procedures with the cooperative banks.

Development lending and agriculture, nature, and energy initiative

In 2011, DZ BANK continued to generate very high volumes from the joint development lending business with the local cooperative banks. DZ BANK supports the cooperative banks in this area of business by providing specialist expertise and undertaking target-group-oriented sales activities. VR Kreditwerk AG, which is responsible for processing, also processes development lending business on behalf of DZ BANK. In 2011, it handled more than 77,000 new development loans representing an overall commitment of more than €6.2 billion.

Development lending by the local cooperative banks in the year under review continued to be focused on private housebuilding (see also page 26), the funding of renewable energy projects, and the funding of business start-ups and innovations. New development lending business had grown by around 47 percent in 2010, primarily as a result of decisions by borrowers to bring forward renewable energy projects. New business therefore contracted again somewhat in 2011, although DZ BANK still managed to exceed its targets in this area with a new business volume of more than €6 billion.

Some years ago, DZ BANK had already decided to focus on the renewable energies business as one of its strategically important areas of activity and believes that it has been vindicated as a result of current political developments and the decision by the German government to shift energy policy in favor of renewable energy sources. The year under review proved to be an extremely successful year, in which DZ BANK was able to significantly increase the earnings generated by this area of business. In 2012, DZ BANK will again increase the number of advisors specializing in this business in order to continue to consolidate its excellent position in this fast-growing market.

CORPORATE FINANCE

In 2011, DZ BANK also achieved further growth in its business involving complex investments and strategic finance issues. In this case, the demand came primarily from medium-sized companies and major corporate customers seeking appropriate problem-solving capabilities and the corresponding product expertise of the entire DZ BANK Group.

As in 2010, the very attractive euro interest rates for borrowers that continued to prevail in 2011 led to an increase in the revenues from interest-rate management products provided for medium-sized corporate customers. Customers increasingly made the most of the favorable interest rates to enter into long-term interest-rate hedging instruments. In addition, customers systematically hedged their currency risk arising from foreign trade and DZ BANK's expertise in the development of customized solutions for hedging commodity price risk was also in demand (see also page 35). Project finance and acquisition finance grew in importance during the year under review. Corporate promissory note issues also continued to gain in popularity. A growing number of local cooperative banks subscribed to promissory note issues.

OTHER SERVICES

The DZ BANK Group is one of the largest financial services groups in Germany and it also provides a comprehensive range of corporate banking services to support the local cooperative banks. The services include, for example, leasing, hedging, commercial real-estate finance, and private equity services. The DZ BANK Group thereby guarantees that the Volksbanken Raiffeisenbanken cooperative financial network can offer its customers expert solutions in all relevant areas of finance.

Leasing

During the year under review, VR LEASING initiated a radical transformation so that its business is consistently aligned with the needs of the local cooperative banks. The objective of this strategy is to promote business with regionally rooted SMEs and ensure that the local cooperative banks are in a position to offer these SMEs attractive, needs-based finance solutions. The local cooperative banks have also been given a specific value proposition so that they are always in a position to offer their customers the best possible leasing solutions.

This initiative to step up cooperation between VR LEASING and the local cooperative banks began to bear fruit in the second half of 2011. In this period, there was a double-digit percentage increase in the number of new leases compared with the corresponding period in 2010. Overall, the volume of lease originations generated by VR LEASING in 2011 amounted to €3.2 billion (2010: €2.9 billion).

In addition, VR LEASING extended its successful model of leasing in conjunction with development finance from Landwirtschaftliche Rentenbank (LRB). This model allows the local cooperative banks to enter into leases in the relevant area of activity with a total lease amount of as little as €75,000.

Risk minimization

R+V maintained its position as the second largest credit insurer in Germany in 2011, a position that it has held since 2007. In terms of the number of signed agreements for trade credit insurance, R+V is actually the market leader in Germany.

R+V is also the market leader for guarantee insurance in Germany. In this case, R+V provides guarantees for companies in all sectors of the economy. It registered strong growth in premiums in this business in 2011, with demand for guarantee insurance rising primarily in the main construction industry, ancillary construction industries, and in engineering.

In its non-life business for corporate customers, R+V exceeded the premiums threshold of €1 billion by the middle of the year. The main growth drivers were transport and technical insurance as well as insurance in connection with renewable energies. Other significant products contributing to this performance included target-group-specific offerings in indemnity insurance and multiline products such as the R+V ‘UnternehmensPolice’ business insurance policy.

R+V also consolidated its position in the occupational pensions market with its ‘ApothekenRente’ pension plan for pharmacy employees. The ApothekenRente product has been available since the middle of 2011 from a consortium of insurance companies led by R+V and is the sole occupational pension solution for pharmacy employees recommended by the employer representatives and trade union in this sector. The Arbeitgeberverband Deutscher Apotheken e.V. (ADA) [German Pharmacy Employers’ Association] and ADEXA, the trade union for pharmacy staff in Germany, had signed a collective agreement that for the first time provided for an occupational pension scheme with employer contributions and subsidies.

Commercial real-estate finance

Within the DZ BANK Group, commercial real-estate finance is covered by DG HYP. DG HYP celebrated its 90th anniversary in 2011, having been established in 1921 in Berlin as the first ever cooperative mortgage bank. Today, it specializes in commercial real-estate finance and functions as the competence center and first point of contact for the local cooperative banks in matters relating to this area of business. The growth in joint credit business with DG HYP over the last few years demonstrates that this product area is becoming increasingly important for the primary banks. Back in 2008 the volume of cooperative network business was approximately €380 million, but this figure has now more than quadrupled, the volume of joint credit business with DG HYP in 2011 amounting to €1.8 billion. Volume in 2011 grew by 70 percent compared with 2010.

One of the contributing factors to the good performance of the joint credit business in 2011 was the IMMO META REVERSE^{+} product, which had been launched as recently as 2010. This product allows any local cooperative bank to purchase individual tranches of a loan extended by DG HYP. In order to facilitate simple, sales-efficient processing, DG HYP provides all banks holding a master agreement with a web-based platform, which offers up-to-date information and can be used by the banks to directly enter into funding arrangements. In 2011, up to 60 local cooperative banks simultaneously purchased tranches in individual loans, such as those for the Ballin-Haus property on the Inner Alster lake in Hamburg and the A10 retail and leisure center in Wildau near Berlin. This confirms how well the IMMO META REVERSE+ product has been received. In 2011, the number of local cooperative banks entering into a master agreement with DG HYP to cover cooperation using the IMMO META REVERSE+ product rose from around 170 to approximately 270. DG HYP sees growth potential in IMMO META REVERSE+ for 2012 and is seeking to further increase the volume of loans to be placed with the local cooperative banks.

Private equity

DZ Equity Partner GmbH (DZEP) also performed well in 2011, reinforcing its position as one of the leading equity finance providers, particularly for small and medium-sized family businesses in Germany, Austria, and Switzerland. Following very positive trends in the first six months of the year, there was a deterioration in the market environment in the second half of the year. Nevertheless, DZEP still managed to successfully implement further deals in this difficult period. This was also attributable to the excellent, close collaboration within the Volksbanken Raiffeisenbanken cooperative financial network during the course of the year. DZEP focused on growth and expansion finance as well as succession planning and the provision of mezzanine finance in German-speaking countries. At the end of 2011, the portfolio comprised 68 equity investments and the invested capital amounted to €450 million.

VR Unternehmerberatung

SMEs are also the focus of activities at VR Unternehmerberatung GmbH. The company was created in the autumn of 2010 as a result of a merger between the M&A department of DZ BANK and WGZ Corporate Finance Beratung GmbH. The core business of the company includes consultancy services in connection with successions, and services related to the disposal or purchase of SME business units. In its first full financial year, VR Unternehmerberatung performed well. This was attributable to a number of factors, not least the fact that customers greatly appreciated the combination of international mergers & acquisitions expertise with the close integration of the company in the Volksbanken Raiffeisenbanken cooperative financial network. Both the shareholder banks and the local cooperative banks referred clients to VR Unternehmerberatung during the course of the year. In 2011, VR Unternehmerberatung was therefore able to process a large number of business acquisitions and disposals, as well as provide consultancy services relating to further strategic development or succession planning at a number of owner-managed medium-sized companies.

Against a background of significant market volatility, performance in DZ BANK's Capital Markets business line was positive. A key objective was to safeguard liquidity for the cooperative banks.

CAPITAL MARKETS

OVERVIEW

The sovereign debt crisis in Europe, high levels of government debt in the US, and fears of a new global recession were key issues impacting trends on international capital markets in 2011. In particular, the second half of the year saw markets become very nervous, resulting in a very high level of volatility and turmoil, not only as the problems in Greece worsened considerably, but also in response to the financial situation in Italy and Spain. This was highlighted especially in the European bond market where the cost of borrowing rose substantially for the countries in the euro zone hit by the crisis, and spreads widened significantly compared with German government bonds, which were considered to be safe. The second half of the year was characterized by an increase in nervousness in the interbank market. The regulatory environment also featured radical changes, some of which could not have been foreseen.

These market conditions made it extremely difficult for DZ BANK to fulfill its cash-pooling and risk balancing functions that it carries out as part of its international money market and capital market business on behalf of the banks in the Volksbanken Raiffeisenbanken cooperative financial network. Despite the tough conditions, DZ BANK was nevertheless able to fulfill these functions successfully as normal without any restrictions, benefiting from its good reputation and credit rating. This is also reflected in DZ BANK's rating from the rating agency Standard & Poor's, which was upgraded to AA-.

As part of its Capital Markets business, DZ BANK offers a comprehensive range of investment and hedging products to take into account the wide variety of requirements from local cooperative banks, institutional customers, and corporate customers. It was also able to set standards in many of these areas in 2011.

COOPERATIVE NETWORK BUSINESS

Private customer securities business

One of the key features of the private customer securities business in 2011 continued to be investors' significant risk aversion. The comprehensive, high-quality range of products from the DZ BANK Group and the high level of advisory expertise in the local cooperative banks, supported by additional services provided by DZ BANK, enabled the cooperative financial network to reinforce its excellent position in private customer securities business (see page 24).

Own-account business

The turmoil on the capital markets had a clear impact on own-account investing activities with the local cooperative banks. From the middle of 2011, this led to a substantial shift in investment focus. From this point onward, the cooperative banks were primarily demanding bonds from the specialized service providers in the DZ BANK Group rather than bank bonds and covered bonds, for which business had still been increasing sharply in 2010. To diversify their own-account investments, the cooperative banks also invested in German securities designated as not requiring capital backing ('Solva 0' securities).

DZ BANK continued to offer the cooperative banks a wide range of services to help them in their own-account investing activities and risk management operations. This included a new online information platform known as EGon (EigenGeschäfte online). The system went live at the end of October 2011 and around 250 cooperative banks were already using it by the end of the year. EGon offers decision makers at the cooperative banks a wealth of information about their banks' own-account investing activities. Besides an up-to-date overview of all own-account investments, the local cooperative banks can access details of their trading-account securities, derivatives, funding loans, and fixed-term deposits. The platform's other benefits include links to DZ BANK research publications and the option for the cooperative banks to further process the data locally. The platform is therefore an important factor in helping the cooperative banks manage their own-account investing activities successfully.

The Capital Markets division of DZ BANK also continued to maintain close contact with the local cooperative banks. DZ BANK's capital markets experts alone held around 1,200 meetings with cooperative banks to advise on or discuss own-account investing or bank management issues in the context of the tough capital market conditions. These meetings analyzed the specific situation in the bank concerned and the options for managing the situation. DZ BANK also continued to hold own-account investing/treasury forums throughout Germany. The particular target group for these events comprised cooperative bank customers. The nine events held in 2011 were attended by a total of 1,300 guests. The increase in the number of attendees compared with 2010 is a clear indication of customer interest in current topics related to capital markets.

CASH POOLING AND RISK BALANCING

As a central institution in the cooperative financial network, DZ BANK plays a key role in managing liquidity and funding the local cooperative banks. In specific terms, DZ BANK provides a cash-pooling function for more than 900 cooperative banks. In this function, it invests cooperative banks' short-term surplus cash and obtains long-term liquidity required by the banks. It thereby ensures that the cooperative financial network has access to global money and liquidity markets as well as to liquidity provided by central banks. DZ BANK also maintains a central network-oriented portfolio of liquidity reserves to cover fluctuations in the liquidity situation. In addition to its cash-pooling function, DZ BANK operates a system of risk transfer with the cooperative banks and is able to pass on any exceptional level of market risk or credit risk to international money and liquidity markets.

In 2011, DZ BANK's Treasury division faced huge challenges in carrying out its cash-pooling function but was nevertheless able to satisfy the responsibilities of the function in full because the bank enjoyed smooth access to markets at all times. The main reason for this was DZ BANK's excellent financial standing in the money markets. DZ BANK was thereby able to make an important contribution to ensuring stability and providing liquidity for the entire Volksbanken Raiffeisenbanken cooperative financial network, as well as to the positive business performance of the local cooperative banks.

At the same time, DZ BANK's presence in primary markets, together with suitable products that it has developed itself, enabled the local cooperative banks to meet their investment objectives. Given the good credit rating of the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK also succeeded in stabilizing the long-term funding structure and ensuring further diversification among its investors.

PRIMARY MARKETS BUSINESS AND SALES

New bond issues business

In addition to DZ BANK's own issues, bonds from third-party issuers play a key role in DZ BANK's activities aimed at providing the local cooperative banks with suitable investment products. In 2011, DZ BANK continued to focus its strategy on euro-denominated bonds and was again the second most active German bank in the primary market for these bonds. Despite very tough conditions in the second half of the year and a slight fall in earnings, it was able to maintain its market share in this segment.

This was attributable to a number of factors, including

- the excellent reputation of the Volksbanken Raiffeisenbanken cooperative financial network, which has grown significantly, particularly over the last few years dominated by financial crises,
- the upgraded credit rating of DZ BANK itself, and
- the unique complementary ability of DZ BANK to place bonds with both major institutional customers around the globe and the local cooperative banks.

Given its excellent positioning in the international bond market, DZ BANK was therefore able to continue to ensure that a broad range of bonds was available to the local cooperative banks in 2011 for the purposes of their own-account investing activities. DZ BANK supported this approach with output from its Research division and a sophisticated concept for the provision of advice on balance sheet structure and own-account investing.

In 2011, the most significant benchmark issues for which DZ BANK was the lead manager included two European Union bonds in connection with the euro rescue packages. In May, DZ BANK acted as lead manager for a €4.75 billion bond issue with a maturity of 10 years. The proceeds from this deal formed part of the bailout for Portugal and Ireland agreed by the EU, the euro zone countries (in the context of the European Financial Stability Facility – EFSF), and the IMF. In this deal, the cooperative sector was able to demonstrate both its importance and its market presence throughout Europe. DZ BANK was also the lead manager in the successful placement of a further European Union bond with a total value of €4 billion.

It was primarily in the first six months of 2011 that DZ BANK was able to generate significant new issue volumes in the bond segment. In contrast, bond issues from governments, public institutions, and financial institutions largely came to a standstill in the second half of the year. With just a few exceptions, it became very difficult to place issues because of the serious systemic crisis and loss of confidence in the markets.

Nonetheless, the main feature of new issues business from the end of the third quarter was a sharp rise in the volume of promissory notes predominantly from non-rated large and medium-sized German industrial customers. This was reflected in a year-on-year increase in inflows from bonds and commercial paper issued by corporate customers. Again, DZ BANK's placing power played a key role in this business. The increase in volume was possibly attributable to decisions by businesses to bring forward issues in response to fears of a credit squeeze.

DZ BANK predicts that corporate customer issues business will remain buoyant in 2012. It also predicts that competitors will focus increasingly on the stable countries in Europe, or in a few cases elsewhere, and on asset classes such as covered bonds and agency bonds. DZ BANK expects it to be extremely difficult for other issuers to access debt capital.

Share issues and equity finance

Given the tough market conditions, performance in the share issues and equity finance business was satisfactory. DZ BANK once again successfully placed its expertise in primary markets for equities as well as its comprehensive product range at the disposal of its own corporate customers and companies advised by the cooperative banks. However, most of this primary markets business was the result of the high level of activity during the first six months of 2011. The business contracted during the second half of the year owing to the extreme volatility in the markets. Having said that, DZ BANK was still able to successfully complete a number of deals, even in this difficult period.

Medium-sized companies and major corporate customers

The performance of the primary markets business with corporate customers was strong. One of the key reasons was the very attractive euro interest rates for borrowers. This led to increased demand for interest-rate management products, particularly among medium-sized corporate customers, who made the most of the favorable interest rates to enter into long-term interest-rate hedging instruments. The vast majority of these hedges were accounted for by traditional interest-rate swaps and tailored swap-cap combinations. In addition, companies heavily involved in foreign trade took the logical step of hedging their currency risk. In this regard, long-term currency hedging products tended to be favored by corporate customers in the capital goods industry in view of the exceptionally high level of new orders received.

DZ BANK succeeded in expanding its commodity hedging activities, both in its direct business with corporate customers and in its business with corporate customers of the cooperative banks. It scored highly with customers, particularly as a result of its ability to develop customized solutions.

The volume of deposits received from corporate customers remained steady across the entire year. However, there was a significant rise in the volume of securities business with corporate customers.

Institutional customers

Despite the challenging circumstances, the performance of the capital markets business with institutional customers in Germany and Austria was also satisfactory. In this area of business, DZ BANK managed to sustain the level of earnings achieved in 2010. Again, this was a consequence of the high-quality advice offered by DZ BANK to its customers. Overall, institutional investors in Germany and Austria represented the largest customer group in DZ BANK's primary markets business. As a result of the escalation of the sovereign debt crisis and the low level of interest rates, there was a shift in the investment behavior of this customer group, resulting in particularly strong demand for corporate bonds, corporate promissory notes, new issues of covered bonds, and interest-rate derivatives.

International institutional customers

Business with international institutional customers supported by DZ BANK fell short of forecasts. These customers primarily comprise banks, central banks, and supranational institutions. The unsatisfactory performance of this business with international institutional customers was especially attributable to the sovereign debt crisis and the associated global uncertainty. As a consequence, these customers scaled back their investments significantly. When international institutional customers did decide to invest, they opted predominantly for investment-grade bonds, such as government bonds issued by the countries in core Europe and covered bonds. Some funds were also invested in higher-volume corporate bonds with a good credit rating.

Research and Economics

In 2011, the Research and Economics division of DZ BANK continued to offer a comprehensive range of services aimed at supporting the local cooperative banks in their own-account securities business and in their business with corporate and retail customers. The services offered by Research saw a further considerable expansion compared with 2010, one of the key additions being the introduction and development of a sustainability analysis. With this analysis, Research aims to address the increasing investor interest in sustainable investments and support DZ BANK customers in their decisions on investments. Another focus of activity in 2011 was the development of a research approach across asset classes. In this approach, opinions and assessments on individual asset classes are brought together to facilitate the formulation of an overarching investment strategy. In addition, DZ BANK's Research and Economics division pressed ahead with the support that it provides for the cooperative banks to help them satisfy their regulatory requirements.

The high quality of DZ BANK research was once again independently confirmed in 2011. Among a number of accolades, the London-based research firm AQ singled out DZ BANK as the best provider of recommendations for DAX equities. AQ arrived at its decision after examining the recommendations made by 30 banks.

Institutional fund management business

Union Investment continued to maintain its strong position in institutional clients business in 2011. Following record net inflows from institutional business in the previous two years, net inflows in 2011 amounted to €2.1 billion – despite tighter regulatory requirements for institutional investors and their lower risk budgets. This included a total of 23 new client portfolios derived not only from the cooperative financial network but also from external customers, both in Germany and abroad.

Sustainability is also becoming increasingly important. At the end of 2011, the portfolio of sustainable investments managed by Union Investment had a value of €4.5 billion, which means that Union Investment is one of the largest investors in Germany in this area of business. The total assets under management in institutional business amounted to €89.5 billion at the end of 2011.

In 2011, the Transaction Banking business line once again provided crucial services to the local cooperative banks. In addition to the quality of the services, the wider European dimension became increasingly important.

TRANSACTION BANKING

OVERVIEW

The DZ BANK Group's Transaction Banking business line brings together a range of services that DZ BANK provides for the Volksbanken Raiffeisenbanken cooperative financial network. These services include, in particular, domestic and international payments, international documentary business, cash, billing, and card services, the processing of securities and capital market products, and custodian bank services. In this regard, DZ BANK carries out high-volume or large-scale processes in collaboration with partners such as Equens, Deutsche WertpapierService Bank (dwpbank), VR Kreditwerk, and CardProcess using state-of-the-art 'industrial' platforms. Individual processes on the other hand are handled internally. Once again, this enabled DZ BANK to achieve a high level of efficiency and quality in its Transaction Banking activities in 2011, thereby making a significant contribution to the competitiveness and profitability of the Volksbanken Raiffeisenbanken cooperative financial network.

SEPA INCEPTION

The nature of transaction banking is being increasingly influenced by regulations at European level, a development reflected especially by the imminent inception of the Single Euro Payments Area (SEPA). This was a core issue for Transaction Banking employees at DZ BANK in 2011. There is now a binding start date for SEPA following the agreement reached by the European decision-making bodies shortly before the end of 2011 to implement this initiative by February 2014.

In 2011, DZ BANK accounted for a significant proportion of bulk payments in Germany, processing a total of more than 4 billion transactions. The introduction of SEPA will therefore have a substantial impact on DZ BANK's Transaction Banking business line. As a consequence, payments processing in this business line over the next two years will be consistently focused on migration to SEPA formats. DZ BANK was already very well positioned in this regard in 2011. This was confirmed by a comparison between the proportion accounted for by SEPA payments in total bulk payments in Germany and the proportion accounted for by SEPA payments in the payments processed by DZ BANK. In mid-2011, this proportion was just under 4 percent in both cases.

On completion of the migration to SEPA formats, DZ BANK will also be one of the largest providers of payment services within Europe. This will directly benefit the competitiveness of the Volksbanken Raiffeisenbanken cooperative financial network.

INDIVIDUAL PAYMENTS

In 2011, DZ BANK also continued to work on generally improving its Transaction Banking processes and on becoming the quality leader in the individual areas of processing. One example is the area of individual payments. At the beginning of 2005, almost 8 percent of individual payment transactions were classified as non-straight-through processing (non-STP), i.e. they were not fully automated, but the proportion had fallen to just 1.5 percent by the end of 2011. This was attributable to the joint efforts of DZ BANK and Equens. This process of continuous improvement will be rigorously sustained in 2012 with the introduction of a new platform for international payments at Equens.

CASH SERVICE PROVIDER

In the year under review, substantial changes took place in the supply of cash throughout Germany. The reasons for this were a repositioning of Deutsche Bundesbank services from January 1, 2011 and the end of the transition period under the German Payment Services Regulation Act (ZAG) on April 30, 2011. DZ BANK successfully responded to these changes and significantly expanded its cash service operated in conjunction with Cash Logistik Security AG.

As part of this service, DZ BANK opened around 40 cash offices in 2011, giving it a presence as a cash service provider throughout Germany. These cash offices supply coins to the local cooperative banks, their corporate customers, and also to other banks and companies. Around 1,000 customers are now using this service, so there has been a significant increase in the number of customers using DZ BANK's cash service. WGZ BANK also uses the service: it obtains coins via the new infrastructure before forwarding them to its customers – thereby exploiting potential synergies. Overall, DZ BANK is now processing more than 20 million coin rolls a month via its coin supply service. Roughly one third of this volume is accounted for by the local cooperative banks, although this proportion is increasing.

In addition, DZ BANK has also extended its automated cash deposit machine service for its own corporate customers and those of the local cooperative banks. More than 1,500 machines had been installed at local cooperative banks by the end of 2011. The main advantage for customers is that the notes and coins are insured from the time of the deposit. It is also possible to obtain an immediate credit on the customer account.

CUSTODIAN BANK SERVICES

For some time, DZ BANK's custodian bank services have been organized primarily on the basis of close integration with Union Investment, allowing the services to be provided cost effectively. With the objective of leveraging further potential synergies, DZ BANK implemented the 'Function-oriented organization' project in 2011. This involved additional streamlining and the reorganization of processes to eliminate overlaps. As a result, DZ BANK was able to handle the significant volume of business in the custodian bank services – a total of over €85 billion – on a competitive and sustainable basis, also in comparison with the major international service providers. The sustainable approach adopted by DZ BANK has also proven to be effective in securities processing. Despite a slight contraction in business with end customers, DZ BANK was able to exploit potential synergies by using dwpbank as the processor.

CREDIT CARDS AND MOBILE PAYMENTS

DZ BANK is one of the largest credit card issuers in Germany, having issued well over 2.5 million credit cards on behalf of the Volksbanken Raiffeisenbanken cooperative financial network. In 2011, growth in this area of business was stronger than in the market as a whole. At the same time, the advent of new state-of-the-art payment methods means that a radical change has been taking place in the way payments are made. This is highlighted by the increasing focus of major multinational non-financial companies, such as Apple, Google, and Facebook, on mobile payment services. In the year under review, DZ BANK actively took part in two mobile payment pilot projects in Germany with a view to safeguarding the competitiveness of the local cooperative banks in relation to payments by card or other cutting-edge payment systems. DZ BANK plans to step up its support for the local cooperative banks in this regard and drive forward its own technical innovations and alliances with partners.

AWARDS WON BY THE DZ BANK GROUP IN 2011

(SELECTION)

DZ BANK GROUP: AWARD FOR COMMITMENT TO SUSTAINABILITY

» The highly respected sustainability ratings agency, oekom research AG, awarded the DZ BANK Group prime status in 2011, a status given by oekom research to companies with an above-average environmental and social commitment

DZ BANK GROUP: EMPLOYER AWARDS

» CRF Institute's Top German Employer award 2011 given to Bausparkasse Schwäbisch Hall, DZ BANK, R+V Versicherung, TeamBank, Union Investment
» DZ BANK and Union Investment receive BestPers Award 2011 for sustainable HR activities (Union Investment: 3rd place in the overall classification and winner in the Human Capital Management category; DZ BANK: once again, winner in the Family Friendly Employer category)
» Other employer awards bestowed on companies in the DZ BANK Group include berufundfamilie® certification for the family-oriented HR policy at DZ BANK, TeamBank, and Union Investment; the Great Place to Work award for R+V Versicherung, a seal of approval for the best employers from an employee perspective; and, once again, the Top Job award for TeamBank

DZ BANK RESEARCH: SUCCESSFUL EQUITIES RECOMMENDATIONS*

» 1st place Recommendations for German equities – DAX and MDAX (AQ)
» Best Broker award for German equities (Starmine)
» 1st place Best Sector Analyst by Equities Recommendations for the insurance, IT equipment, and the banking/financial services sectors (Starmine)

DZ BANK: AKZENT INVEST PRODUCT BRAND RECOGNIZED BY EXPERTS AND CUSTOMERS

» WELT Group/Zertifikate Journal: DZ BANK wins Investment Certificates House of the Year award for the 9th time in a row with its AKZENT Invest product brand; for the 6th time voted Best Issuer of Capital Preservation Certificates by a jury of experts, who also crown DZ BANK the Decade's Top Issuer in this category
» Focus Money/n-tv: The organizers of the 2011 Investment Certificates Prize vote DZ BANK Investment Certificates House of the Year and Best Issuer of Capital Preservation Certificates
» Study carried out by Die Welt, Top Investment Certificates Institute 2011: DZ BANK receives the highest rating of 'very good'
» Börse am Sonntag awards DZ BANK 1st place as Best Investment Certificates Issuer

*The awards were given in 2011 for recommendations made in 2010

DZ PRIVATBANK: QUALITY AND SUSTAINABILITY RECOGNIZED

» DZ PRIVATBANK achieves top-ten position in tests carried out by publisher Fuchsbriefe-Verlag (in collaboration with Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen GmbH (IQF)), thereby demonstrating quality and sustainability in the advice and support that it provides for high-net-worth customers; at the same time, jumps to 2nd place in the All-time Best List as a result of 'continuous outstanding performance' (Fuchs Report 2012)

BAUSPARKASSE SCHWÄBISCH HALL: QUALITY OF ADVICE ACKNOWLEDGED

» DISQ German Institute for Service Quality and news broadcaster n-tv award Bausparkasse Schwäbisch Hall first place in the Quality of Local Advice throughout Germany category; this award was made for the first time in 2011

EASYCREDIT: THE CONSUMER FINANCE EXPERT IN THE COOPERATIVE FINANCIAL NETWORK ONCE AGAIN OUT IN FRONT

» easyCredit prizewinner in the Best Works 2011 competition run by the Wirtschaftswoche magazine and the WHU and INSEAD business schools; the judges praised the consistent corporate strategy, fairness policy implemented in practice, and the tightly integrated work processes
» In a nationwide test run by Focus Money, easyCredit is chosen as Best Consumer Finance Provider with Advice; its competitors included nine banks with national branch networks

R+V VERSICHERUNG: STABLE RATING AND FIRST-CLASS SERVICES

» Standard & Poor's upgrades the credit rating for R+V Versicherung AG to AA-
» R+V Lebensversicherung: Found to be 'outstanding' by map-report; Morgen & Morgen awards its top five-star rating; R+V RiesterRente also awarded top rating of 'excellent' (five stars) by Institut für Vorsorge und Finanzplanung GmbH
» R+V Krankenversicherung again receives top accolades: For example, once again top rating of 'outstanding' from map-report; best possible classification of 'excellent' from Morgen & Morgen in its new ratings of healthcare insurance providers
» R+V Betriebskrankenkasse awarded the top mark ('Grade 1') in a test of Supplementary Services conducted by the €uro magazine

UNION INVESTMENT: OUTSTANDING PERFORMANCE AT BOTH COMPANY AND PRODUCT LEVELS

» The Capital magazine awards Union Investment the top five-star rating for the tenth time in succession, confirming its position as the top fund management company; Union Investment also crowned overall winner for the decade
» Morningstar and Handelsblatt vote Union Investment Best Fund Management Company of 2011
» Union Investment also receives a special award in the Sustainability category from the Scope Group for an assessment system that reviews the sustainability of real-estate investments

HIGHLIGHTS OF 2011 FOR THE DZ BANK GROUP

(SELECTION)

DZ BANK GROUP: 10 YEARS OF THE CAREER PRIZE

On April 15, 2011, the Career Prize was for the third time awarded jointly by the companies in the DZ BANK Group, although it was the tenth time that the prize had been awarded overall. What began with a desire to initiate a greater exchange of ideas between young economics graduates and experts with practical experience, has now become well established as the highest-value prize awarded by a German company to university graduates for academic dissertations in the area of banking and finance. The 10-year history of the DZ BANK Group's Career Prize has attracted more than 1,500 academic submissions from all around the globe, involved total prize money of almost €200,000, and resulted in 60 award recipients.

Again in 2011, more than 160 dissertations were submitted. The happy winners were announced by Thomas Ullrich, Member of the Board of Managing Directors of DZ BANK, at an enjoyable evening event with entertainment provided by comedian and satirist Michael Feindler.

EASYCREDIT: PRIZES FOR THE PROMOTION OF FINANCIAL EDUCATION

Studies have demonstrated that an improvement in general financial education is an urgent social requirement. For some years, easyCredit has therefore been promoting the acquisition of general financial knowledge in a joint initiative with the local cooperative banks and the 'Deutschland im Plus' foundation.

In 2011, the consumer finance specialist awarded prizes in financial education for the first time. Around 400 partner banks submitted applications on the basis of projects that are assessed by a panel of judges and supported by easyCredit. Information on the scheme can be accessed online at *www.finanzielle-bildung-foerdern.de*.

DZ BANK: INVESTMENT DIALOG 2011

'When the winds of change blow, some people build walls, others build windmills.' Wolfgang Kirsch chose to quote this Chinese proverb when opening the 15th Investment Dialog in 2011, an event held at the Alte Oper concert hall in Frankfurt and attended by 1,100 guests. Current economic trends were the subject of comment and discussion, all linked to the event's main theme 'What drives us forward – Germany reinvents itself'.

Innovative and value-oriented

In his contribution, the former Chinese ambassador Ma Canrong emphasized that German virtues continued to be highly valued around the globe and remained one of the country's hallmarks. DZ BANK's Chief Economist Stefan Bielmeier and his colleagues presented assessments of future economic prospects. Contributions from Eckhard Cordes (Metro AG), journalist Ulrich Wickert, and the participants in the concluding discussion rounded off the event.

DZ BANK: EXCELLENT VISITOR PROGRAM

Interest has grown from year to year, accompanied by an increase in the number of visitors: in 2011, more than 130 groups with 2,675 participants from the local cooperative banks came to visit DZ BANK in Frankfurt. Not only board members, supervisory board members, customers, and bank trainees, but also groups of schoolchildren and students made the most of the opportunity to attend a day-long event and get to know more about this central institution in the cooperative financial network. The visitor program is tailored to the individual requirements and wishes of the guests. Key features of these events include presentations on the functions and responsibilities of DZ BANK as well as lectures on current issues, such as international equities markets in 2011 or structural change in an economy with an ageing population.

Fantastic view over 'Mainhattan'

Many of the visitors eagerly look forward to one of the high points of the day, which is the view out over Frankfurt and the surrounding area from the 50th floor of the 200-meter-high DZ BANK building. The view is complemented by an array of fascinating facts about the architecture of DZ BANK's three buildings and the associated infrastructure. If required, DZ BANK can add an evening event to the program of informative activities during the day, providing visitors with an inspiring and entertaining conclusion to their day in Germany's financial capital.

80 YEARS OF SCHWÄBISCH HALL – BRICKS YOU CAN BUILD ON

In 2011, Bausparkasse Schwäbisch Hall celebrated its 80th anniversary. Schwäbisch Hall is Germany's largest home savings and loan company with 6.8 million customers and 7.4 million contracts. It was established in 1931 in Cologne and relocated to Berlin in 1934. After the company's building was destroyed in 1943, it moved to Schwäbisch Hall in the following year. In 1956, the business acquired the name that it still carries today: Bausparkasse Schwäbisch Hall – Bausparkasse der Volksbanken und Raiffeisenbanken.

Market leader with international prospects

Since the currency reform, Schwäbisch Hall has jointly funded some 8 million properties. As a partner of the cooperative banks, the business has developed into one of Germany's largest funding providers for housing construction. Schwäbisch Hall also operates outside Germany with subsidiaries in the Czech Republic, Slovakia, Hungary, Romania, and China, these subsidiaries having a total of 3.3 million customers.

UNION INVESTMENT: 6TH RISK MANAGEMENT CONFERENCE

Rising sovereign debt, environmental extremes, Fukushima – the past year has shown that global risks also have a bearing on capital markets. The turbulent market conditions are presenting institutional investors with serious challenges in terms of risk management and investment strategy.

Union Investment's sixth risk management conference held on November 10, 2011 provided a forum for discussions between professionals. Some 220 institutional investors came together with distinguished academics, who included guest speakers Otmar Issing, former Chief Economist of the European Central Bank, and Nobel Prize-winning economist, Paul Krugman.

GROUP MANAGEMENT REPORT

I. Business performance

1. ECONOMIC CONDITIONS

Over the year under review, average inflation-adjusted gross domestic product (GDP) in Germany increased by 3.0 percent year on year.

The economic recovery of 2010 continued into the first quarter of 2011 with strong economic growth, but tailed off significantly in the subsequent two quarters. Europe's sovereign debt crisis, which intensified over the course of 2011, had an increasingly negative impact on Germany's economy and caused overall economic output to decline slightly in the fourth quarter.

Economic growth varied significantly **from one European country to another.** The euro zone's overall economic output rose again over the year under review. This positive trend was largely a result of the growth generated by France and Germany. However, the economies of the euro zone were constrained by consolidation measures taken under economic and financial policies in the countries on the periphery to overcome their high budget deficits and lack of competitiveness.

The **United States** achieved only muted economic growth in 2011, despite pursuing an expansionary monetary and fiscal policy. Approval of spending cuts aimed at effectively countering spiraling government debt was, however, held back by a lack of consensus among political decision-makers. A fundamental improvement in economic conditions was prevented by the ongoing difficult situation in the job market and the persistently weak real-estate market.

The economies of the **emerging markets in Asia and Latin America** again proved to be major growth engines in 2011. India and China, in particular, notched up considerable growth rates, although the pace of growth has also dropped off there recently.

Stable demand from the emerging economies again provided strong stimulus for growth and a boost for exports in **Germany.** Against the backdrop of a robust job market, consumer demand contributed significantly to Germany's above-average economic growth compared with the other countries in the euro zone. There was also a marked increase in companies' spending on capital equipment.

Higher tax revenues accompanying the general economic uptrend led to a sharp contraction in Germany's net government borrowing. The deficit fell significantly year on year to 1.0 percent of GDP, bringing it back within the limits set by the Maastricht Treaty for the first time since 2008.

2. THE BANKING INDUSTRY AND THE ESCALATING EUROPEAN SOVEREIGN DEBT CRISIS

Events in the financial markets during 2011 centered on the continued weakness of the US economy, the **United States' vast government debt**, and political efforts to **strengthen the existing euro rescue package** in light of the **European sovereign debt crisis, which heightened over the course of the year.**

The **impending insolvency of the United States**, which began to loom at the beginning of the third quarter of 2011, was finally averted after much domestic political wrangling. However, the rating agency Standard & Poor's stripped the United States of its AAA credit rating on August 5, 2011 and downgraded the country's long-term government bonds to AA+ with a negative outlook for the first time since 1941. At the end of November 2011, Fitch Ratings lowered the outlook for the US credit rating from 'stable' to 'negative' but retained the current AAA rating.

The EU heads of state and government agreed at their EU summit on March 24/25, 2011 to convert the European Financial Stability Facility (EFSF) of a

nominal €440 billion, which the countries in the euro zone had provided in May 2010, **into an effective lending capacity of €440 billion** by increasing the overall level of guarantees provided. This means that, including the €60 billion committed by the EU Commission and the €250 billion promised by the International Monetary Fund (IMF) in May 2010, an **effective lending capacity of €750 billion** would be available **in total to euro-zone member states in financial difficulty.**

At the summit, the euro-zone countries also decided to **create a permanent European Stabilization Mechanism (ESM) with an effective lending capacity of €500 billion** (€700 billion in nominal terms) **which, including the IMF's contribution, would amount to €750 billion in total.** This bailout mechanism is set to replace the current arrangement from mid-2013. It requires the euro-zone countries to pay a total cash contribution of €80 billion and provide total guarantees worth €620 billion.

The **EU summit at the end of March 2011** took place as the **crisis engulfing Portugal – a euro-zone country in severe financial difficulty – continued to escalate.** At their **summit meeting in Brussels on May 16/17, 2011,** EU finance ministers acted to mitigate the crisis by providing a **financial support package worth €78 billion,** based on the calculated borrowing requirement.

In view of Greece's renewed problems with its public finances, **the EU heads of state and government meeting in Brussels on July 21, 2011** finally approved a **second bailout for Greece of €109 billion** to be provided over a period up to the end of 2020.

The agreements reached on July 21, 2011, will also **increase the powers of both the existing EFSF bailout fund and the subsequent ESM rescue package.** If the European Central Bank (ECB) identifies a crisis in the future, both of these rescue mechanisms will be able to provide credit lines to crisis-stricken euro-zone countries and their banks as well as buy up their bonds in the secondary market.

The aforementioned Greek rescue package also includes a **voluntary contribution by creditors.** This means in effect that banks and insurance companies need to agree to accept a **debt repayment waiver ('haircut') of 21 percent on the Greek government bonds that fall due for redemption by the end of 2020**.

Due to the further finance shortfall that had emerged, this **debt repayment waiver by private creditors was increased to 50 percent at the EU summit in Brussels on October 26/27, 2011.** In addition, the euro-zone countries used around €100 billion from the existing EFSF bailout fund of €440 billion to finance a second package for Greece that would replace the rescue package of €109 billion agreed in July 2011.

The euro-zone countries also agreed on **two options for the EFSF bailout fund.** The first version offers partial protection for at-risk countries' newly issued bonds on the primary market, while the second allows bonds of crisis-stricken euro-zone countries to be bought up by a co-investment fund that is to be set up specifically for the purpose. Both models are based on **risk protection of 20 to 30 percent backed by the EFSF**. This form of fund solution is designed, according to the **resolution adopted by the euro zone's finance ministers on November 30, 2011,** to **'leverage up'** the financial resources of the EFSF bailout fund.

The EU summit of October 26/27, 2011 also stipulated that **all systemically important banks** would have to comply with a **minimum core Tier 1 capital ratio of 9 percent from June 30, 2012.** The European Banking Authority (EBA), London, later also made this a requirement.

At the **G20 summit of leading developed and emerging countries in Cannes on November 3/4, 2011**, it was decided, in particular, to **tighten the capital requirements for the 29 banks considered to**

be systemically important. The German banks in this category are Deutsche Bank and Commerzbank. From 2016, the Financial Stability Board (FSB) will require these institutions to hold between 1 and 2.5 percent more core Tier 1 capital than other banks. Summit participants were unable to reach agreement on the introduction of a global **financial transaction tax.**

The belief at the summit meeting in Cannes was that Greece's prime minister, George Papandreou, would hold a **referendum on the international bailout that had been decided upon for Greece on October 26/27, 2011**. However, Papandreou cancelled this referendum while at the summit. This triggered a government crisis that resulted in the formation of a **new Greek government with a broad parliamentary majority** in favor of the reforms to be implemented and led by former ECB vice president **Loukas Papadimos.** This cleared the way for payment of the sixth tranche of €8 billion from the first rescue package, which had been promised to Greece on May 2, 2010 and which European finance ministers eventually agreed to, in accordance with the agreed terms, on November 29, 2011.

Following the resignation of Silvio Berlusconi, **Italy's** new **prime minister Mario Monti,** backed by his cross-party cabinet, was able to secure a sufficiently large **parliamentary majority for his reform program** in mid-November 2011. Aimed at eliminating the deficit by 2013, the austerity measures announced by Monti's government at the start of December 2011 plan for total savings of €30 billion, including €10 billion for measures to boost growth or lower taxes.

The **sovereign debt crisis** escalated further during **November 2011** and **spilled over** into the **core countries of the euro zone.** There was a marked increase in yields on not only Italian and Spanish government bonds but also those of Austria and France.

This development triggered a far-reaching discussion in political and academic circles about whether the **ECB** should intervene to a **greater extent than previously** by **buying government bonds** on the secondary market. The German government rejected this emphatically. Moreover, Germany's government is against **the issuance of eurobonds**, at least at the current stage of the crisis, and believes such an instrument should only be discussed after the introduction of EU-wide rules on controlling debt.

The three **heads of state and government of Italy, France, and Germany** agreed at a **summit meeting in Strasbourg on November 24, 2011** that the budget policies of individual EU member states should be monitored more closely in the future based on modified stability requirements. As a first step toward fiscal union, they also decided on the automatic imposition of sanctions if these requirements are not met.

Fitch Ratings lowered the credit rating of eight major international banks on December 16, 2011, including the issuer rating of Deutsche Bank. Standard & Poor's had already put the credit rating outlook for numerous large European banks on the watch list for possible downgrades on December 7, 2011. The affected German banks were again Deutsche Bank and Commerzbank. In contrast, **Standard & Poor's** had **raised** the **credit rating** of the central cooperative institution **DZ BANK AG** Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) by one level **from A+ to AA-** on December 6, 2011.

On January 13, 2012, Standard & Poor's downgraded the long-term rating of nine euro-zone countries, with **France and Austria losing their triple-A rating.** Spain (A), Italy (BBB+), and Portugal (BB) each saw their credit rating move down two levels. The **long-term rating of the EFSF bailout fund** was also **lowered** by one level **on January 16, 2012 by Standard & Poor's, from the top rating of AAA to AA+.**

At their **summit meeting in Brussels on January 30/31, 2012,** the heads of state and government of the euro-zone countries plus a number of other EU member states – with the exception of the United Kingdom and the Czech Republic – signed a treaty in which they committed to **initiate a deficit-reduction procedure** in the event of **breaches of the stability and growth pact**. They also decided to **incorporate a debt brake into national law**. This would amount to a maximum of 0.5 percent of GDP. It was further agreed that the **permanent ESM rescue package for the euro zone would come into effect as early as mid-2012,** running alongside the EFSF bailout fund which expires in June 30, 2013.

The heads of state and government of the euro-zone countries attended an **EU summit in Brussels on February 20/21, 2012** at which they promised **Greece** a **second bailout loan of €130 billion** until 2014, which had first been decided on at the EU summit in July and was in addition to the €110 billion package that had already been approved in May 2010. Under this bailout package, **private creditors will have to waive 53.5 percent of the nominal value of their debt repayment.**

Share prices on the **global equity markets** remained comparatively high over the first seven months of 2011 due to overall economic stability. Against this background, the ECB increased its key lending rate at the start of April and again at the beginning of July by 25 basis points in each case, bringing the rate up to 1.50 percent. However, growing concerns about the ominous levels of debt in the United States and an escalating sovereign debt crisis in Europe caused share prices on stock markets around the world to plunge at the beginning of August 2011. In light of the hastening economic downturn in Europe, the ECB cut its key lending rate at the start of November and again at the start of December by 25 basis points in each case, bringing the rate down to 1.00 percent. Nevertheless, the DAX finished the year around 1,100 points lower than it had been at the beginning of 2011.

In the year under review, the **major German banks** were mostly unable to generate the same high levels of operating income that they had in 2010. Their net interest income exceeded or equaled the figure achieved in 2010 on the back of continued low interest rates and, consequently, favorable funding conditions. Some banks saw a year-on-year increase in expenses for allowances for losses on loans and advances. Administrative expenses rose moderately overall.

3. GROWTH AND FOCUS: SUCCESSFUL STRATEGY AS A NETWORK-ORIENTED FINANCIAL SERVICES GROUP

The 1,121 cooperative banks with their 13,350 branches serve 30 million customers and have 17.0 million members in Germany. This structure forms the basis for the success of DZ BANK and is the foundation for one of Germany's largest financial services groups: the Volksbanken Raiffeisenbanken cooperative financial network.

DZ BANK is closely geared to the interests of the local cooperative banks, which are both its owners and its most important customers. Using a customized product portfolio and customer-focused marketing, DZ BANK aims to ensure that the local cooperative banks continually improve their competitiveness on the basis of strong brands and a leading market position. In addition, DZ BANK performs the function of a central institution for approximately 930 cooperative banks and is responsible for liquidity management within the cooperative financial network.

The DZ BANK Group again successfully enhanced its 4 strategic business lines in 2011: retail banking, corporate banking, capital markets, and transaction banking.

3.1. RETAIL BANKING

3.1.1. Bundling and expansion of private banking

As part of the expansion of cooperative private banking, DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK S.A.) was merged with WGZ BANK Luxembourg S.A., Luxembourg, (WGZ Luxembourg) in Luxembourg in June 2011, laying the foundations for a sustained increase in the cooperative banks' share of the private banking market. This step enables the bundling of expertise and further intensification of marketing activities. In addition, the merged companies and the entire cooperative financial network will benefit from more efficient organizational structures. The restructured entity has client assets of approximately €13 billion under management and serves more than 67,000 private banking clients.

The network of branches in Germany will be extended as planned. Branches are being established in Hamburg, Nuremberg, and Düsseldorf, joining the existing ones in Hannover, Munich, and Stuttgart. Other branches will follow, based on the needs of the cooperative banks. The VR-PrivateBanking brand is becoming more established, and its range of products and services is being systematically expanded.

3.1.2. Leading position for investment certificates

Drivers of further change in 2011 were the dynamic evolution of the capital markets, changing investor behavior, tighter requirements resulting from state regulation, and historically low interest rates. These factors all had a significant influence on securities business in retail banking. According to the Deutscher Derivate Verband (DDV) [German Derivatives Association], DZ BANK retained its leading position in the German investment certificates market for capital preservation certificates as at December 31, 2011. DZ BANK also remained the market leader by a long way for certificates with capital protection thanks to the rigorous quality strategy of its AKZENT Invest brand and its firm focus on the investor expectations of guaranteed and secure investments.

In 2011, DZ BANK underwent recertification in accordance with ISO 9001, again receiving the TÜV SÜD seal of approval for its quality management in the development of investment certificates and structured investment products. Combined with certification of its customer service for the first time, this is a clear sign that DZ BANK is steadfastly pursuing its quality strategy in its securities business in retail banking. Moreover, new tools and services were added to the Eniteo.de derivatives portal.

3.1.3. Strong partners for the local cooperative banks

The companies in the DZ BANK Group help the local cooperative banks to fulfill their customers' requirements. In this way, they can systematically expand their market share by offering innovative products and optimum support. An example of this is the easyCredit brand. In 2011, this brand again enabled the local cooperative banks to strengthen their position in the highly competitive consumer finance market in a variety of ways, including by launching the easyCredit card for their customers. As part of this process, the cooperative banks and TeamBank AG, Nuremberg, (TeamBank) stepped up their collaboration. TeamBank already cooperates with the vast majority of German local cooperative banks. Moreover, the market position in Austria was significantly improved.

Another example of the close ties within the cooperative financial network is the local cooperative banks' collaboration with Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH). Working together, they again increased the volume of new home savings business and further expanded their market share.

The local cooperative banks' customers are also meeting the asset management needs of their customers, for example with PrivatFonds (private-client funds) from the Union Investment Group (UIG). This innovative investment concept allows UIG to cater to the wish of the cooperative banks' customers for transparent, self-explanatory solutions. The funds in this product range combine different risk types, active management, flexible coordination, and a wide variety of asset classes. UIG also offers investment solutions for capital preservation. As the market leader for capital-protected investments, Union Investment issued three new guarantee fund tranches with a total of seven funds from the tried-and-tested UniGarant product family in the year under review.

R+V Versicherung AG, Wiesbaden, (R+V) was also able to strengthen its market position and expand its market share by enhancing its product range.

3.2. CORPORATE BANKING

3.2.1. Enhancement of corporate banking

DZ BANK has substantially expanded the volume of loans that it extends jointly with the local cooperative banks to corporate customers in Germany, especially small and medium-sized enterprises (SMEs). It has also stepped up its direct business with these customers. This trend will continue over the next few years. The core elements of this are optimization of collaboration with the cooperative banks, intensification of regional sales activities, a leaner organizational structure, and simplification of the processes for jointly extending loans. The aim is to achieve significant growth in corporate banking by 2015 by acquiring new customers and increasing customer penetration. Implementation of the ProFi DZ BANK customer relationship management concept for the local cooperative banks, which began in 2010, and the establishment in parallel of regional back-office competence centers are also supporting this aim.

Initial signs of success emerged in 2011. The encouraging trend in joint credit business with the local cooperative banks seen in 2010 continued in the year under review. Business with new corporate customers, including joint credit business with the local cooperative banks, increased by 10 percent in 2011, accompanied by a rise in the satisfaction levels of the cooperative banks.

The corporate banking activities conducted by DZ BANK in 2011 again focused on boosting sales of the DZ BANK Group's financial services products (e.g. asset management, leasing, and insurance). This enabled DZ BANK to substantially intensify its marketing operations by working closely with the entities in the cooperative financial network. The business model of adopting a customer-focused advisory approach paid dividends here.

The cooperatively organized VR-LEASING AG, Eschborn, (VR-LEASING) also continued to focus on domestic business with small and medium-sized enterprises. During the reporting period, VR-LEASING supplemented this business strategy in order to better exploit unutilized leasing potential among commercial customers of the cooperative banks as far as leasing and factoring products were concerned.

DZ BANK's corporate banking business received valuable impetus in 2011 from interest rates in the euro zone, which were highly attractive to borrowers. This led to higher revenues from interest-rate management products bought by medium-sized companies (corporate customers generating revenue of between €50 million and €500 million). Customers increasingly used the favorable interest rates for long-term interest-rate hedging instruments. Many customers with international operations, as well as those in the capital equipment industry, also took the logical step of hedging their currency risk.

Loans in the fast-growing market of renewable energies are now an important aspect of the cooperative financial network's SME financing business. To effectively support the local cooperative banks with unlocking this market potential, DZ BANK again expanded its specialist customer-support capacity in this area last year. DZ BANK will continue to seize the opportunities presented by the switch to renewable energy sources that has been initiated in Germany.

DZ BANK supported the local cooperative banks' development lending by effectively deploying experts with regional responsibility and by conducting sales activities directed at specific target groups. In the future, development lending will be boosted by a reorientation of development activities resulting from the shift in energy policy.

The cooperative financial network's specialist for transport finance, DVB Bank SE, Frankfurt am Main, (DVB) recorded a stable volume of new loans in its direct business with corporate customers in 2011.

Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) continued to sharpen its focus on commercial real-estate business. Germany's strong economic performance fueled the increase in commercial real-estate finance business in 2011, despite the sovereign debt crisis and subdued economic growth.

3.3. CAPITAL MARKETS

DZ BANK's capital markets business is geared to fulfilling the diverse needs of its customers in respect of investment and risk minimization products. That is why DZ BANK continually updates its range of products in the asset classes of interest rates, foreign exchange, equities, and commodities. It thereby supports the private customer securities business of the primary banks as well as the corporate banking business of the cooperative financial network. Institutional customers play a key role in DZ BANK's capital markets business as investors and issuers.

3.3.1. Further optimization of analytical and advisory services for cooperative banks

The new EGon online platform, which provides information about own-account investing, went live for 125 cooperative banks at the end of October 2011. EGon offers decision makers at the cooperative banks a wealth of information about their banks' own-account investing activities. Besides an up-to-date overview of all own-account investments, the local cooperative banks can access details of their trading-account securities, derivatives, funding loans, and fixed-term deposits. The platform's other benefits include links to DZ BANK Research publications and the option for the cooperative banks to further process the data locally. As a result, the platform considerably helps the cooperative banks to successfully manage their own-account investing activities and provides participating banks with an even better overview.

DZ BANK continued to maintain close contact with the local cooperative banks in 2011. The nine own-account investing/treasury forums held across Germany were attended by 1,300 guests from cooperative banks and associations. This was an increase on the number of attendees compared with 2010 and is a sure sign of the interest in current topics related to the capital markets. Other topics discussed besides the new regulatory and accounting requirements were the key trends and new challenges faced by the local cooperative banks in their own-account investing activities.

3.3.2. Well positioned in primary markets business

Despite the tough conditions, DZ BANK was able to strengthen its competitive position in new bond issues business, particularly in the second half of 2011. Institutional issuers regard DZ BANK as one of the leading issue-management banks for euro-denominated bonds in Germany.

Large and medium-sized industrial customers in Germany, most of which were unrated, responded to a possible shortage of liquidity by the banks by issuing a high volume of promissory notes from the third quarter of 2011 onward. DZ BANK expects new bond issues business with corporate customers to remain brisk in 2012 and has prepared accordingly. It also anticipates that this business will continue to center around comparatively stable country and asset classes.

DZ BANK's own corporate customers and companies advised by the cooperative banks were once again able to access DZ BANK's expertise in primary markets for equities as well as its related product range. The high level of activity in primary markets business during the first six months of 2011 particularly benefited DZ BANK. It also successfully completed various transactions in the volatile market environment of the second half of the year when business in the primary markets for equities was far bleaker.

3.4. TRANSACTION BANKING

3.4.1. Sustainable business model, successful long-term equity investments, and value added for the cooperative financial network

Decentralized bundling, sustained growth, and a low level of risk are the hallmarks of the transaction banking business line. DZ BANK can continually achieve economies of scale and create added value by bundling the volume of transactions in payments processing, in cash, invoicing, and card services, in international documentary business, in securities transaction processing, and in custodian bank services for the Volksbanken Raiffeisenbanken cooperative financial network.

The stable growth in payments processing in preceding years was followed by a 3 percent rise in 2011. Against the backdrop of the decision at the end of 2011 on a termination date for country-specific payment formats, there was an encouraging higher increase in the number of SEPA transactions, above all because pension payments could now take the form of SEPA transactions. The number of securities transactions processed fluctuated significantly over the course of the year.

Nevertheless, long-term equity investments of DZ BANK such as Equens SE, Utrecht, (Equens), Deutsche WertpapierService Bank AG, Frankfurt am Main, (dwpbank), and ReiseBank AG, Frankfurt am Main, (ReiseBank) achieved a successful level of business in transaction banking in 2011. By bundling transactions, these companies helped to optimize costs and further improved their position among their European competitors.

DZ BANK maintained a balanced mix of traditional services, cutting-edge products, and innovative projects in its transaction banking activities in 2011. For example, it acquired almost 1,000 new customers – mainly SMEs – for its cash supply and disposal services, achieved an above-average rise in the number of credit cards to well above 2.5 million, and played an active role in pilot projects for 'mobile payments' in order to secure the local cooperative banks' future competitiveness.

Customers' behavior as far as payment transactions are concerned is predicted to change, making further 'industrial' bundling on scalable platforms essential. It will also be necessary to prepare for the future and proactively use opportunities for other activities. DZ BANK will step up its support for the local cooperative banks here and continue to drive its own technical innovations and alliances with partners.

3.5. RATING PERFORMANCE

Last year, DZ BANK initiated and implemented projects in pursuit of its strategy as a network-oriented central institution and financial services group. This was reflected not only in the successes in the DZ BANK Group's individual strategic business lines but also in the fact that rating agency Standard & Poor's raised the long-term ratings of the cooperative financial network and DZ BANK. The upgrade of DZ BANK from A+ to AA- and the retention of its stable outlook make it one of the best rated banks in Germany.

3.6. CAPITAL MANAGEMENT

The regulatory environment is currently very volatile, especially as far as capital requirements and stress tests are concerned. In line with its corporate strategy, the DZ BANK Group has continuously optimized its capital situation in recent years, with its Tier 1 capital ratio rising by almost 4 percentage points since 2008.

Throughout this period, the capital base has been strengthened by scaling back non-network related business and reducing activities outside Germany while expanding cooperative network business and retaining profits to a substantial extent.

Nonetheless, the stress test carried out by the European Banking Authority (EBA) in the second half of 2011 found that the DZ BANK banking group had a capital shortfall of around €350 million. This was overcome primarily by retaining profits, taking steps in relation to long-term equity investments, and reducing the capital tied up in connection with portfolios that are being phased out. According to internal calculations, the minimum ratio for core Tier 1 capital was – to all intents and purposes – already at 8.9 percent at the end of 2011. Management of equity, a resource in short supply, is a major challenge and will remain a top priority in 2012.

4. FINANCIAL POSITION AND FINANCIAL PERFORMANCE

4.1. FINANCIAL PERFORMANCE

4.1.1. Financial performance at a glance

The DZ BANK Group successfully overcame the tough market conditions and the significant number of challenges facing its business in the course of 2011.

The year-on-year changes in the key figures that make up the net profit or loss generated by the DZ BANK Group in the year under review were as described below.

Operating income in the DZ BANK Group amounted to €3,441 million (2010: €4,464 million). This figure includes net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

Allowances for losses on loans and advances amounted to €395 million in 2011 (2010: €258 million).

The DZ BANK Group's **administrative expenses** rose by €134 million, or 5.2 percent, to €2,722 million (2010: €2,588 million).

Profit before taxes for the reporting year amounted to €324 million compared with €1,618 million in 2010.

4.1.2. Financial performance in detail

The changes in individual items on the DZ BANK Group income statement in 2011 are described in detail below.

Net interest income (including income from long-term equity investments) in the DZ BANK Group increased by 14.8 percent year on year to €3,137 million.

Net interest income rose by €63 million at TeamBank, by €62 million in the BSH subgroup, and by €60 million at DZ BANK (excluding income from long-term equity investments). It advanced by €59 million in the DVB subgroup and by €29 million at DZ PRIVATBANK. Furthermore, net interest income increased by €27 million in the VR LEASING subgroup (VR LEASING) and by €13 million at DG HYP.

Net interest income at TeamBank went up by a significant 16.5 percent in 2011 to €444 million.

TeamBank, the cooperative financial network's consumer finance specialists, successfully continued its quality and growth strategy with easyCredit in 2011 against the backdrop of a highly competitive consumer finance market. It increased the nominal volume of its easyCredit portfolio by 14.7 percent in the reporting year, whereas the overall market reported adjusted growth of 1.7 percent (statistically adjusted market data of September 30, 2011). At the same time, the number of TeamBank customers as at December 31, 2011 had risen to 562 thousand (December 31, 2010: 521 thousand).

Collaboration with three quarters of all local cooperative banks in Germany is proof positive of the extensive market penetration of TeamBank, which has also established a significant market position in the Austrian market. TeamBank and its 'fair credit' products now have a presence in all of Austria's federal states, where it currently works with 51 banks in the cooperative sector. This development shows the high level of market acceptance enjoyed by the cooperative partner banking model across all markets.

Two targeted campaigns in spring and autumn of last year enabled TeamBank to bring about a long-lasting improvement in its position in the market as a fair consumer finance expert. The focus was on the flexibility of the easyCredit products as well as on marketing the product range with the easyCredit card function, which had been successfully piloted in 2010. By the end of 2011, around 33 thousand customers were using the easyCredit card, which is the only credit card with a consumer finance function available in the market so far. It combines the typical features of easyCredit with the benefits of a flexible financial reserve.

Net interest income in the BSH subgroup grew by 7.0 percent to €953 million.

Additional interest income from the greater volume of building loan business and the investment of available funds from the high level of new home savings business in recent years more than compensated for the growth in interest expense accompanying the increase in home savings deposits. Another factor in the rise in net interest income was the approximately €40 million contributed by the Hungarian building society Fundamenta, which was included in the scope of consolidation for the first time in 2011.

The sharp rise in new business reaffirmed Schwäbisch Hall's leading market position in 2011. It is also a reflection of the special advantages offered by home savings contracts, which are a stable form of investment and, above all, a crisis-resistant way of building up capital – something that is particularly important in view of the current economic environment.

A key factor in the success of the 'Schwäbisch Hall Tarif Fuchs' scale of rates and charges is that it offers a number of attractive product variants, enabling building society customers to also make use of government subsidies for owner-occupied housing.

At DZ BANK, net interest income from operating business (excluding income from long-term equity investments) climbed by 14.5 percent to €475 million. This growth largely resulted from a decrease in trading securities in favor of an increase in long-term securities.

The encouraging trend in joint credit business with the local cooperative banks seen in 2010 continued in the year under review. Both the volume of new business and the number of applications once again increased. Consequently, net operating interest income from lending in VR-Mittelstand again rose substantially year on year. This sustained growth underlines the successful support provided by DZ BANK as a partner to the cooperative banks.

Loans in the fast-growing market of renewable energies are an important aspect of the cooperative financial network's SME financing business. Last year, DZ BANK expanded its customer-support capacity with specialists in this highly promising market segment in order to more effectively support the local cooperative banks in unlocking their market potential.

FIG. 1 – INCOME STATEMENT

€ million	2011	2010	Change (%)
Net interest income	**3,137**	2,732	14.8
Allowances for losses on loans and advances	**-395**	-258	53.1
Net fee and commission income	**963**	1,113	-13.5
Gains and losses on trading activities	**398**	1,015	-60.8
Gains and losses on investments	**-333**	-708	-53.0
Other gains and losses on valuation of financial instruments	**-999**	-88	>100.0
Net income from insurance business	**348**	406	-14.3
Administrative expenses	**-2,722**	-2,588	5.2
Staff expenses	-1,414	-1,378	2.6
Other administrative expenses[1]	-1,308	-1,210	8.1
Other net operating income	**-73**	-6	>100.0
Profit before taxes	324	1,618	-80.0
Income taxes	**285**	-493	>100.0
Net profit	**609**	1,125	-45.9

1 General and administrative expenses plus depreciation/amortization expense on property, plant and equipment, and investment property, and on other assets

DZ BANK supported the local cooperative banks' development lending by effectively deploying experts with regional responsibility and by conducting sales activities directed at specific target groups. As expected, it was unable to replicate the record growth in new business during the reporting year that it had achieved in 2010. The main reasons for this were cuts to subsidies for solar energy and the expiry of financial support programs for SMEs. In the future, stimulus may be provided by a reorientation of development activities resulting from the shift in energy policy.

DZ BANK was a financially stable and competent financing partner to its corporate finance customers, finding solutions to strategic financial issues. To this end it offered a comprehensive range of products including traditional lending, structured finance solutions, and financial services products from the Volksbanken Raiffeisenbanken cooperative financial network.

In 2011, the corporate customer business generated a good level of net operating interest income, although it was unable to repeat the extraordinarily high level achieved in 2010. That exceptional figure had been achieved in a comparatively benign competitive situation, owing to many banks scaling back their market activities in 2010 in light of the financial crisis. Another sign that 2011 was successful is the fact that operating profit was 10.4 percent above the average operating profit for the past five years.

Although slightly below the high level achieved in 2010, earnings from the direct lending business in 2011 were encouraging. Earnings brought in by structured funding and bond products rose sharply. Corporate promissory note issues continued to gain in popularity in the period under review. A growing number of local cooperative banks subscribed to promissory note issues.

The broad, competitive product range in the structured finance business is primarily aimed at offering financing solutions in favor of and in the interests of German corporate customers. Most of the operations in this business are based in Frankfurt, but a network is also maintained in the key financial centers of London, New York, Hong Kong, and Singapore. By acquiring international clients who have significant links to Germany, this business is also broadening its client base in Germany.

Net operating interest income from the structured finance business in 2011 declined year on year owing to the planned reduction of portfolios that were not consistent with the agreed strategy as well as the expiry of transactions from previous years.

As in previous years, activities in new acquisition finance business focused on gaining new brokering mandates from German SMEs. Net operating interest income in 2011 was, as planned, below the level achieved in 2010 due to a deliberate reduction in volume.

Business in structured trade and export finance in 2011 was largely characterized by a continued focus on German and international core customers. The main strategy in Germany was to expand business with SMEs. German companies' strong exports enabled net operating interest income in the predominantly short-term trade finance business and in long-term export finance to stabilize at an impressive level.

Net interest income in the DVB subgroup increased by 29.6 percent to €258 million in 2011.

Brisk global trade, especially in the first half of 2011, led to a significant rise in worldwide goods and passenger traffic in all segments of the transport industry.

The transport markets are dominated by strong competition and considerable overcapacity. Within them, the leading transport finance specialist DVB focused on selected stable new business, concluding a total of 166 transactions with a volume of €5.6 billion in 2011. The like-for-like volume in 2010 was €4.5 billion with a total of 140 transactions.

The net interest income earned by DZ PRIVATBANK in the reporting period rose by 15.8 percent to €213 million.

The figure reported for 2011 was influenced by the merger with WGZ Luxembourg completed at the start of June 2011 and the associated additional contribution to net interest income. DZ PRIVATBANK benefited from the favorable funding situation created by the still low level of interest rates and from the expansion in the LuxCredit foreign-currency lending business.

The merged DZ PRIVATBANK, boosted by a stronger presence in the German market, is continuing with its core activities in the private banking, credit, fund services, and treasury/execution services business lines.

DZ PRIVATBANK acts as the competence center for foreign-currency lending and borrowing in the interest-earning business. In LuxCredit foreign-currency lending, the volume of loans guaranteed for the local cooperative banks' clients had increased by €0.6 billion to €7.1 billion as at December 31, 2011.

Net interest income in the VR LEASING subgroup went up by 12.7 percent to €239 million in 2011.

The business situation for small and medium-sized enterprises was extremely stable over the year as a whole, which impacted positively on the volume of lease originations. Moreover, companies expressed growing interest in leasing as a form of finance. Consequently, the total volume of leases in the equipment and vendor finance sector originated by VR LEASING both in Germany and abroad grew by 8.5 percent year on year to €3,199 million (2010: €2,949 million).

The high level of production capacity utilization in SMEs coupled with a sharp rise in spending on capital equipment and in expansion investment enabled VR LEASING to expand the volume of leases that it originated in Germany in 2011 by 10.8 percent to €2,005 million (2010: €1,810 million). The number of new leases advanced by 9.4 percent in total to 60,473.

The VR-LeasyOnline tool used by the partner banks significantly helped to reduce risk and cut costs owing to its diversification across a wide range of asset types and high level of standardization. The volume of leases originated with the online tool in 2011 amounted to €180 million. VR LEASING provided SMEs with leases in the future-oriented product area of renewable energies with a volume of €82 million in 2011.

VR FACTOREM GmbH, Eschborn, generated revenue of €2,848 million from factoring and discounting operations – an impressive 26.2 percent increase – while revenue from centralized settlement advanced to €8,481 million (2010: €7,395 million).

During the reporting year, VR LEASING supplemented its business strategy in Germany with an additional target aimed at better exploiting the unutilized leasing potential that exists among the small and medium-sized enterprises that make up the commercial customer base of the cooperative banks – by focusing on offering them leases, factoring, centralized settlement, and innovative products. Leasing via the automotive trade, car fleet business, and real-estate leasing will no longer be part of VR LEASING's core business in the future.

The volume of leases originated by VR LEASING outside Germany in the reporting period came to €1,194 million (2010: €1,139 million). In the future, VR LEASING will only originate leases outside Germany if this business brings tangible benefits for the Volksbanken Raiffeisenbanken cooperative financial network.

Net interest income at DG HYP amounted to €272 million, a year-on-year rise of 5.0 percent.

As planned, the lending volume declined in 2011 in line with the strategy to reduce risk-weighted assets. The further scaling back of the portfolio of consumer home finance contracts, which are no longer part of core business, contrasted with the deliberate stepping up of higher-margin commercial real-estate loans.

Against the background of Germany's strong economic output compared with the rest of Europe, there was an uptrend in commercial real-estate finance business in 2011 despite the sovereign debt crisis. The volume of transactions in the year under review amounted to €23.5 billion, equating to a year-on-year rise of some 22 percent (December 31, 2010: €19.3 billion).

Since deciding to concentrate on being a commercial real-estate bank, DG HYP has further consolidated its position in the German market and established itself as one of the leading providers of commercial real-estate finance. In 2011, DG HYP generated new commercial real-estate finance business worth €4,014 million. Of this total, €3,808 million (2010: €3,125 million) was accounted for by its core German market, which constituted a year-on-year increase of 21.9 percent. New business outside Germany contracted, as planned, to €206 million in 2011 (2010: €1,488 million).

Cooperation within the cooperative financial network brought in above-average earnings. The volume of joint credit business with the local cooperative banks amounted to €1,847 million as at December 31, 2011, an increase of 70.2 percent (December 31, 2010: €1,085 million). This positive trend highlights the importance of commercial real-estate finance for the cooperative banks. Investors' interest in real estate as an asset class is high because it caters to basic needs in the real economy. As a result, the cooperative financial network can create highly promising opportunities for itself by continuing to systematically expand this line of business.

In the interests of the cooperative financial network, DG HYP assists the local cooperative banks with public-sector funding inquiries. Taking account of borrowers' credit ratings, DG HYP prepares funding offers that the cooperative banks then present to local authorities. DG HYP extended local authority loans with a total volume of €354 million in 2011 (2010: €634 million).

Income from long-term equity investments in the DZ BANK Group improved by €22 million in the year under review to €117 million (2010: €95 million). This growth resulted predominantly from an increase in the pro rata recognition in DZ BANK's consolidated financial statements of the income generated by the Österreichische Volksbanken-AG Group, which amounted to €42 million. By contrast, income from long-term equity investments at DZ Equity Partner GmbH, Frankfurt am Main, (DZ Equity Partner) declined by €33 million.

Allowances for losses on loans and advances in the DZ BANK Group amounted to €395 million in 2011 (2010: €258 million).

The addition to DZ BANK's allowances for losses on loans and advances came to €26 million in 2011 (2010: reversal of €36 million).

Further detailed disclosures regarding the risk situation in the DZ BANK Group can be found in this management report in IV. Opportunities and risks associated with forecast development.

Net fee and commission income in the DZ BANK Group fell by 13.5 percent to €963 million.

At DZ PRIVATBANK and DZ BANK, net fee and commission income went up by €12 million and €3 million respectively. By contrast, this line item declined by €74 million in the Union Investment Group, by €44 million in the BSH subgroup, by €12 million at TeamBank, and by €8 million in the DVB subgroup.

The net fee and commission income earned by DZ PRIVATBANK rose by 17.1 percent in 2011 to €82 million.

The figure reported for the year under review was influenced by the merger with WGZ Luxembourg completed at the start of June 2011 and the associated additional contribution to net fee and commission income. Acquisition of the private banking portfolio of UniCredit Luxembourg S.A., Luxembourg, (UniCredit Luxembourg) at the beginning of 2011 also had a positive effect on net fee and commission income during the reporting period.

The funds of high-net-worth individuals managed by the merged DZ PRIVATBANK had grown to €12.7 billion by the end of the year under review.

Furthermore, DZ PRIVATBANK continued to expand its business in services for investment funds in 2011. It won a net total of 79 new fund-related mandates (50 of which were as a result of the merger) during the reporting year compared with 2010.

The growth in the LuxCredit foreign-currency lending business, together with intensified marketing of private banking, resulted in a €16 million increase in commission payments to cooperative banks acting as intermediaries, taking the total to €104 million.

DZ BANK's net fee and commission income rose slightly, by 1.2 percent, to €262 million (2010: €259 million).

Earnings from payments processing including card processing and from international business increased

FIG. 2 – OPERATING INCOME

year on year. In contrast, there was a small decline in the contribution to profits both from securities business and from lending business and trust activities.

Despite a market environment dominated by strong competition, net fee and commission income from corporate customer business was again significant in 2011, albeit not as high as the impressive figure achieved in 2010, which had largely stemmed from lending fees and commissions.

Net fee and commission income from the structured finance business declined year on year owing to the planned reduction in business volumes. By contrast, the acquisition finance department and documentary business improved their net fee and commission income. Loan syndication business saw a year-on-year rise in net fee and commission income. A joint brokering mandate for a syndicated loan was arranged under the 'cooperative financial network' brand for the first time with WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, and Volksbank Paderborn-Höxter-Detmold eG.

DZ BANK's own corporate customers and companies advised by the cooperative banks were once again able to access DZ BANK's expertise in primary markets for equities as well as its related product range. The high level of earnings from primary markets business during the first six months of 2011 particularly benefited DZ BANK.

Net fee and commission income in the Union Investment Group fell by 8.2 percent to €824 million. The average volume of assets under management in 2011 went up by €4.5 billion year on year to €174.5 billion. While the income generated by this business increased during the reporting period, performance fees were lower.

The far-reaching events that occurred in 2011 – from the earthquakes in Japan and New Zealand and the nuclear disaster in Asia to the spiraling sovereign debt crisis, especially in the second half of 2011 – made retail investors very wary about putting their money into investment funds.

Sharp price reductions, above all in the second half of the year, also increased risk aversion among customers in the traditional equity fund business. As far as fixed-income funds were concerned, customers were primarily interested in secure investments such as German government bonds, although these only offered a comparatively low level of return. Excluding the outflows of €2.2 billion from UniOpti4, which is no longer a tax-privileged fund, the value of the fixed-income funds held by retail investors declined slightly year on year.

Against this background, the innovative PrivatFonds (private-client funds) launched by Union Investment in 2010 gained in significance. These innovative investment concepts allow the company to cater to customers' wish for transparent, self-explanatory solutions. The funds in the PrivatFonds product range, which are available in different risk types, combine active management with flexible coordination of a large number of asset classes. They had generated a total investment volume of €1.3 billion as at December 31, 2011.

The Union Investment Group also offers customers investment solutions for capital preservation. As the market leader for capital-protected investments, Union Investment issued four new guarantee fund tranches with a total of nine funds from the tried-and-tested UniGarant product family, bringing in funds of €1.6 billion.

The company also occupies a leading position in the personal pension products market. With 95,000 new UniProfiRente contracts sold, Union Investment had increased its 'Riester' business portfolio to 1.9 million contracts by December 31, 2011.

Open-ended real-estate funds proved to be a source of stability as part of a diversified investment strategy in view of the decline in vacancies and the higher rate of rentals in commercial real estate. Union Investment reaffirmed its strong market position in this asset class, with assets under management totaling €18.3 billion at the end of the reporting year.

In institutional business, Union Investment generated net inflows of €2.1 billion, bringing total institutional client assets to €89.5 billion as at December 31, 2011. There were 23 new clients, who accounted for €1.1 billion of net inflows. Investments in corporate bonds, traditional Pfandbriefs and, above all, emerging markets bonds were particularly popular. The proven IMMUNO capital preservation concept was supplemented by the more flexible KONVEXO concept in order to make better use of opportunities with only a comparatively low rise in risk tolerance.

In the same way, the quantitative expertise provided by Quoniam Asset Management GmbH, Frankfurt am Main, one of the companies in the group, helped strengthen Union Investment's market position with net sales of €0.3 billion.

BSH pays fees and commissions to the cooperative banks and to the integrated bank-supported field sales force on the basis of BSH contracts signed with customers. Given a significant increase in new business volume in 2011, the associated fee and commission expense led to correspondingly lower net fee and commission income in the BSH subgroup amounting to a net expense of €238 million (2010: net expense of €194 million).

In its home savings business, Schwäbisch Hall signed around 900,000 new home savings contracts in 2011 with a total home savings value of €31.7 billion, which equates to year-on-year growth of 10.5 percent. Total home savings deposits rose by 7.3 percent to €38.3 billion.

In the home finance business, the volume of lending to clients jointly brokered with the cooperative banks grew to a record €11.2 billion, representing an increase of 3.9 percent. A further €6.9 billion (increase of 45.5 percent) was accounted for by home finance brokered by the cooperative banks and supported by a home savings contract from Schwäbisch Hall.

As many customers wish to improve the energy efficiency of their residential real estate in light of rising energy costs, home finance from Schwäbisch Hall continues to focus on enabling refurbishments. This type of finance is also becoming more important because the German government approved a building renovation program in 2011 as part of the shift in German energy policy. Buildings account for almost a third of Germany's total energy consumption. The year-on-year increase in new builds also pushed up demand for home finance in 2011.

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

The net fee and commission income earned by TeamBank in 2011 fell by 19.0 percent to a net expense of €75 million in line with the business model (2010: net expense of €63 million).

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

Net fee and commission income in the DVB subgroup declined by 6.5 percent to €116 million in 2011.

This income largely comprised commission earned from structured finance in the transport finance business and, increasingly, from asset management as well as consultancy fees.

The net fee and commission income for 2010 represented a challenging starting point with regard to the realization of distinctly adequate commission income from individual transactions.

The DZ BANK Group's **gains and losses on trading activities** in 2011 came to a net gain of €398 million compared with a figure of €1,015 million for 2010.

This result was largely attributable to the trading profit of €373 million earned by DZ BANK from capital markets business (2010: €990 million). Against the backdrop of a difficult market environment, this decline resulted from the significantly lower valuation of the securities held for dealing purposes.

The group's gains and losses on trading activities in 2011 were also affected by a net loss of €58 million (2010: net loss of €19 million) on asset-backed securities (ABS). This was offset by a gain of €93 million (2010: loss of €5 million) due to the reduction in the fair values of liabilities of DZ BANK resulting from wider credit spreads.

As in previous years, gains and losses on trading activities in the DZ BANK Group in 2011 stemmed mainly from DZ BANK's customer-related business in investment and risk management products involving the asset classes of equities, interest rates, foreign exchange, and commodities. DZ BANK continued to perform well in meeting client needs in terms of structured products for business with private clients and for the risk management activities of banks, corporates, and institutional clients.

In view of the sovereign debt crisis in the euro zone, which escalated over the course of the year, and the uncertainty about its impact, retail investors focused on the safety and reliability of investments and on issuers' credit standing in 2011. Consequently, business in investment certificates performed well in the year under review. DZ BANK also remained the market leader by a long way for certificates with capital protection – the strongest segment in the overall market – thanks to its rigorous quality strategy for AKZENT Invest and its firm focus on the overriding investor expectations of guaranteed and secure investments.

As a consequence of the extremely low interest rates and the considerable uncertainty felt by private customers, investors were particularly keen on interest-rate products with simple structures, such as floating-rate notes with a minimum coupon, callable bonds, and step-up and step-down bonds.

Corporate customers used the favorable interest rates for long-term interest-rate hedging instruments, with traditional interest-rate swaps and tailored swap-cap combinations accounting for most of this hedging.

Institutional investors appreciated DZ BANK's expertise in trading in corporate bonds and interest-rate derivatives as well as the bank's range of covered bond issues and corporate promissory notes.

In the primary market for new bond issues, DZ BANK was again able to demonstrate its significant placing power in the Volksbanken Raiffeisenbanken cooperative financial network and with institutional customers around the world. It also expanded its market share again compared with 2010. The contribution to profits in the year under review was primarily due to the high volume of business in the first six months.

Gains and losses on investments in the DZ BANK Group improved, amounting to a loss of €333 million (2010: loss of €708 million).

In 2011, impairment losses were recognized on Greek government bonds, marking them down to market price. This led to a write-down totaling €386 million, of which €286 million was attributable to DZ PRIVATBANK and €100 million to DZ BANK. A significant reversal of portfolio loan loss allowances in 2011 resulted in a net ABS-related gain for the group of €75 million. The gains and losses on investments in 2010 had been impacted by impairment losses on asset-backed securities amounting to €679 million.

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a loss of €999 million in 2011 (2010: loss of €88 million), of which a loss of €1,042 million was attributable to DG HYP. This includes losses on securities portfolios caused by write-downs of bonds in connection with the sovereign debt crisis in peripheral European countries.

The DZ BANK Group's **net income from insurance business** in 2011 amounted to €348 million compared with €406 million in 2010.

This decrease in income resulted specifically from a significant decline in gains and losses on investments held by insurance companies and from a large loss in inward reinsurance. Net income from insurance business in 2011 was also negatively affected by a loss of €65 million from the recognition of impairment losses as a result of the marking of Greek government bonds to market price.

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

Close collaboration with the local cooperative banks maintained the insurance premiums earned by R+V at a high level. The fact that R+V is firmly anchored in the cooperative financial network is becoming increasingly important given the persistently stiff competition in the insurance industry.

Premiums earned rose by 2.5 percent to €11,193 million (2010: €10,921 million). R+V therefore managed to build on the already very high level of premiums earned in 2010, which had been boosted by significant growth stimulus. Gross premiums received increased to €11,332 million in 2011, up 2.1 percent on the impressive level of premiums generated in 2010.

Forecasts that R+V would outperform the general sectoral trend in terms of premium growth in its non-life insurance were confirmed.

R+V generated slightly lower premium income in its life insurance business than it had in 2010 owing to the strategic realignment of an Italian subsidiary. However, premiums in Germany rose slightly.

Despite the adverse impact of the ongoing debate about the future structure of the healthcare system in Germany, R+V Krankenversicherung was able to increase its premium income.

R+V continued its growth strategy in inward reinsurance.

Gains and losses on investments held by insurance companies and other insurance company gains and losses amounted to a net gain of €2,088 million (2010: gain of €2,959 million). The lower level of gains on investments held by insurance companies compared with 2010 reflected the relevant developments in the financial, capital, and currency markets and included the impairment losses on Greek government bonds. Owing to the recognition of reserves for deferred policyholder participation in life insurance in the 'insurance benefit payments' line item presented below, however, the associated change in the level of gains on investments held by insurance companies only partially affects the level of net income from insurance business.

Insurance benefit payments in the reporting year amounted to €10,968 million, which represented a decrease of 5.8 percent on the 2010 figure of €11,645 million.

There was a year-on-year fall in the number of high-volume minor claims in the non-life insurance business despite the large number of claims during the winter period in early 2011.

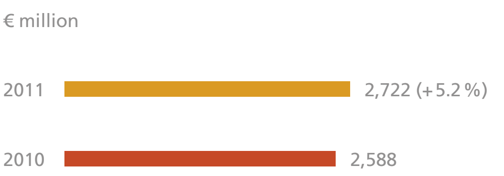
In line with the gains and losses on investments held by insurance companies, lower additions were made to insurance liabilities at companies offering personal insurance.

By contrast, losses in inward reinsurance in 2011 were markedly higher than in 2010. Additional losses resulted, in particular, from the earthquake disasters in Japan and New Zealand as well as from the floods in Australia and Thailand.

Insurance business operating expenses increased from €1,829 million in 2010 to €1,965 million in 2011, largely as a result of the growth achieved in insurance business.

Administrative expenses in the DZ BANK Group rose by 5.2 percent year on year to €2,722 million (2010: €2,588 million), including an increase in staff expenses of €36 million (2.6 percent) to €1,414 million (2010: €1,378 million) and an increase in other administrative expenses of €98 million (8.1 percent) to €1,308 million (2010: €1,210 million).

FIG. 3 – ADMINISTRATIVE EXPENSES



The DZ BANK Group's other administrative expenses at DZ BANK went up by €40 million to €389 million, above all as a result of higher consultancy costs and the first-time recognition of the bank levy. In the subgroup Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding), these expenses rose by €10 million to €313 million, primarily because of increased capital expenditure on business lines with institutional clients, on real estate, and on the IT infrastructure. Other administrative expenses at DZ PRIVATBANK grew by €12 million to €71 million, above all due to the costs incurred in connection with acquiring the private banking portfolio of UniCredit Luxembourg, the merger with WGZ Luxembourg, and the opening of new branches in Germany.

These initiatives, as a result of which DZ PRIVATBANK's staff expenses advanced by €20 million to €100 million, also played a significant part in the aforementioned €36 million increase in the DZ BANK Group's staff expenses to €1,414 million.

The DZ BANK Group's **other net operating income** amounted to a net expense of €73 million in 2011 (2010: net expense of €6 million).

The €73 million net expense of DZ BANK Group in 2011 is largely attributable to an expense resulting from the transfer of the loss of €116 million relating to DZ BeteiligungsgesellschaftmbH Nr. 11, Frankfurt am Main to DZ BANK. This expense was due to the write-downs on long-term equity investments held by DZ BeteiligungsgesellschaftmbH Nr. 11, which were required in view of the sale of Volksbank International AG, Vienna, to Sberbank in February 2012 and the spin-off of Volksbank Romania S.A., Bucharest, in connection with this sale. At the same time, the BSH subgroup and the Union Asset Management Holding subgroup both reported positive figures for other net operating income of €36 million and €28 million respectively.

The **cost/income ratio** for the DZ BANK Group in 2011 was 79.1 percent (2010: 58.0 percent).

The DZ BANK Group's **income taxes** in 2011 amounted to €285 million compared with a figure of €493 million for 2010. Taking account of DZ BANK's expanded income tax group compared with 2010, the tax figure for the year included income from deferred taxes of €551 million (2010: expense of €204 million) and a current tax expense of €266 million (2010: expense of €289 million).

Net profit for 2011 amounted to €609 million compared with €1,125 million in 2010.

4.1.3. Segment performance

The **segment** breakdown of the DZ BANK Group's **profit before taxes** of €324 million for 2011 was as follows:

FIG. 4 – SEGMENT PERFORMANCE

€ million	Jan. 1 – Dec. 31, 2011	Jan. 1 – Dec. 31, 2010
Bank	765	1,033
Retail	274	585
Real Estate Finance	-631	60
Insurance	286	376
Consolidation/reconciliation	-370	-436

Profit before taxes decreased year on year by €268 million in the Bank business segment, by €311 million in the Retail business segment, by €691 million in the Real Estate Finance business segment, and by €90 million in the Insurance business segment. The figure for consolidation/reconciliation effects increased by €66 million to minus €370 million.

The income statements for the individual business segments are shown in detail in note 28 of the notes to the consolidated financial statements.

4.2. NET ASSETS

As at December 31, 2011, the DZ BANK Group's **total assets** had increased by €22.4 billion to €405.9 billion (December 31, 2010: €383.5 billion), a rise of 5.9 percent. Within this figure, total assets rose by €19.1 billion at DZ BANK, by €3.3 billion at DZ PRIVATBANK, and by €3.0 billion in the BSH subgroup, whereas total assets at DG HYP reduced by €4.0 billion.

As at December 31, 2011, the **notional amount of derivatives** in the DZ BANK Group had declined by €0.7 billion to €1,057.9 billion. Positive fair values in the group had risen by €5.5 billion to €34.0 billion.

The DZ BANK Group's **loans and advances to banks** had increased by €6.4 billion to €80.0 billion, a rise of 8.7 percent. Loans and advances to domestic banks grew by €4.5 billion, or 7.2 percent, to €68.2 billion; loans and advances to foreign banks were up by €1.9 billion, or 18.4 percent, to €11.8 billion.

Loans and advances to customers in the DZ BANK Group had grown by €4.5 billion, or 3.9 percent, to €120.8 billion as at December 31, 2011. The increase in loans and advances to customers in the DVB subgroup (up €2.3 billion), in the BSH subgroup (up €1.9 billion), at TeamBank (up €0.8 billion), at VR LEASING (up €0.6 billion), and at DZ PRIVATBANK (up €0.6 billion) more than compensated for the fall in loans and advances to customers at DG HYP (down €1.9 billion).

As at December 31, 2011, **financial assets held for trading** amounted to €71.9 billion, an increase of €3.9 billion (5.6 percent) on the figure as at December 31, 2010. Whereas the amount of derivatives (positive fair values) went up by €9.3 billion to €32.9 billion, holdings of bonds and other fixed-income securities fell by €9.0 billion to €17.4 billion. Money market placements rose by €3.5 billion.

Investments grew by €3.0 billion, or 5.0 percent, to €61.7 billion. This was primarily attributable to an increase of €2.6 billion in the volume of bonds and other fixed-income securities.

The DZ BANK Group's **deposits from banks** as at December 31, 2011 amounted to €106.9 billion, which was €2.7 billion (2.7 percent) above the figure reported as at December 31, 2010. Deposits from domestic banks rose by €11.0 billion to €92.7 billion and deposits from foreign banks declined by €8.3 billion to €14.2 billion.

Amounts owed to other depositors grew by €8.0 billion, or 9.3 percent, to €92.9 billion. Amounts owed to other depositors rose by €4.9 billion at DZ BANK, by €2.6 billion in the BSH subgroup, and by €1.7 billion at DZ PRIVATBANK, while amounts owed to other depositors declined by €0.9 billion at DG HYP.

At the end of the period under review, the carrying amount of **debt certificates including bonds** in the DZ BANK Group was €55.1 billion, a year-on-year drop of €0.1 percent (December 31, 2010: €55.2 bil-

FIG. 5 – TOTAL ASSETS

lion). The DVB subgroup recorded an increase in its debt certificates including bonds of €4.5 billion, whereas DG HYP reported a decrease of €4.4 billion.

Financial liabilities held for trading advanced by €9.7 billion, or 16.8 percent, to €67.4 billion. This increase was primarily attributable to an €8.4 billion rise in the amount of derivatives (negative fair values) and a €1.5 billion rise in holdings of issued bonds and other debt certificates.

As at December 31, 2011, the **equity** reported by the DZ BANK Group was €10,775 million (December 31, 2010: €10,727 million). The growth in equity was due to the merger of DZ PRIVATBANK S.A. with WGZ Luxembourg and to the accompanying injection of capital into DZ PRIVATBANK S.A. in the form of the shareholdings in DZ PRIVATBANK (Schweiz) AG transferred from the previous shareholders in WGZ Luxembourg. Another reason for the equity increase was the positive earnings performance in 2011. By contrast, the revaluation reserve increased from €680 million as at December 31, 2010 to €1,101 million as at December 31, 2011.

The DZ BANK Group's **equity and solvency situation** is described in this management report in IV. Opportunities and risks associated with forecast development, section 3 Risk capital management.

4.3. FINANCIAL POSITION

In the context of **funding,** the DZ BANK Group distinguishes between operational liquidity (liquidity in the maturity band of up to one year) and structural liquidity (liquidity in the maturity band of more than one year). Dedicated steering committees have been established for both types of liquidity.

The DZ BANK Group has a highly diversified funding base for **operational liquidity.** A considerable portion is accounted for by money market activities resulting from the cash-pooling function with the local cooperative banks. This enables local cooperative banks with available liquidity to invest it with DZ BANK, while primary banks requiring liquidity can obtain it from DZ BANK. Traditionally, this results in a liquidity surplus, which provides the main basis for short-term funding in the unsecured money markets. Corporate customers and institutional clients (including central banks) are another important source of funding for operational liquidity requirements. The DZ BANK Group therefore has a comfortable level of liquidity at its disposal. Funding on the interbank market is not strategically important to the DZ BANK Group.

The DZ BANK Group issues securitized money market products through its main branches in Frankfurt, New York, Hong Kong, London, Luxembourg, Singapore, and Dublin. DZ BANK has initiated a standardized groupwide multi-issuer euro commercial paper program, which DZ BANK and the subsidiaries DZ PRIVATBANK S.A., Luxembourg-Strassen, and DZ BANK Ireland plc, Dublin, (DZ BANK Ireland) can draw on.

The DZ BANK Group's main **sources of funding** on the unsecured money markets as at December 31, 2011 were as follows:

FIG. 6 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

%	Dec. 31, 2011	Dec. 31, 2010
Local cooperative banks	51	50
Other banks, central banks	15	16
Corporate customers, institutional customers	21	15
Commercial papers (institutional investors)	13	19

Money market funding also includes collateralized money market activities, which DZ BANK has centralized in Group Treasury and which form the basis for risk-mitigating cash pooling. To this end, Group Treasury has a portfolio of securities eligible for central bank borrowing (collateral pool). These securities can be used as collateral in monetary policy funding transactions with central banks, in bilateral repos, or in the tri-party repo market.

Structural liquidity is one of the factors used in the assessment of the long-term funding structure. Both for the DZ BANK Group and each individual group company, structural liquidity is measured daily on the basis of total liquidity flows. In addition, the long-term ratio is used at DZ BANK to support the management of structural liquidity. This key figure is also determined on a daily basis. It quantifies the ratio of sources of funds to application of funds with a residual maturity of more than one year on a cash flow basis.

DZ BANK secures its long-term funding for structural liquidity by using structured and non-structured capital market products that are mainly marketed through the local cooperative banks' own-account and customer-account securities business and through institutional clients. Unsecured long-term funding is secured through systematic integration between the companies in the DZ BANK Group. Options for obtaining covered liquidity through Pfandbriefs or DZ BANK BRIEFE are used on a decentralized basis, in other words based on the different cover assets at DZ BANK, DG HYP, and DVB.

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

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

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

DZ BANK's **long-term ratio** as at December 31, 2011 was 79 percent (December 31, 2010: 96 percent). This meant that the items tying up liquidity with residual maturities of over one year were largely funded by liabilities that also had residual maturities of more than one year. The year-on-year decline in the long-term ratio was mainly a result of the termination and maturity of own issues and was in line with the new strategic approach to managing structural liquidity.

Further information on the **DZ BANK Group's liquidity risk** is provided in this management report in IV. Opportunities and risks associated with forecast development, section 7 Liquidity risk. The year-on-year changes in cash flows from operating activities, investing activities, and financing activities are shown in the **statement of cash flows** in the consolidated financial statements. Contractual cash inflows and cash outflows are set out in the **maturity analysis** in note 79 of the notes to the consolidated financial statements.

II. Human resources report and sustainability

1. HUMAN RESOURCES REPORT

The DZ BANK Group increasingly focused on the impact of demographic change in 2011.

1.1. HR ACTIVITIES ACROSS THE GROUP

The following objectives of groupwide HR work were met:

– Broadening of career opportunities: career scouts appointed in all group companies, TeamUp trainee program launched
– Expansion of HR controlling: development of a system of key performance indicators (KPIs) and a groupwide organizational commitment index (OCI) based on standardized questions on job satisfaction in employee surveys conducted in the same period

1.1.1. Broadening of career opportunities

CAREER SCOUTS

As a financial services group, the companies of the DZ BANK Group offer a very wide range of roles that open up numerous career development opportunities for employees. So that these opportunities are taken up to as great an extent as possible, the DZ BANK Group wants to encourage employees to transfer internally. This also forges closer ties between the group companies and enables them to stand out from the competition.

The companies appointed HR experts as career scouts at the end of 2011. When a company in the DZ BANK Group cannot find an internal candidate to fill a key role, these HR experts in the individual companies advise and support employees from other DZ BANK Group companies who are interested in applying for the vacancy. The companies involved have agreed on a standard procedure for the successful appointment of existing high-potential employees to key positions throughout the group. All employees in the individual companies can access the necessary information on the intranet, which is supplemented by a personal statement from their HR director.

START OF NEW TEAMUP TRAINEE PROGRAM

As the battle to attract talented staff heats up, it is a major challenge for all the cooperative banks to find well-trained employees in their local area. Against this backdrop, a joint trainee program for the cooperative banks was launched in 2011. The program, entitled TeamUp, is being led by DZ BANK. As part of this program, DZ BANK is offering a total of 25 cooperative banks up to 50 trainee places until the end of 2012 and thereby helping cement its business relations with these banks. TeamUp has a modular structure and enables qualified university graduates, through a variety of practical placements, to get to know the business operations of the local cooperative banks and the full range of products and services provided across the cooperative financial network. Trainees spend twelve of the 18 months of the program in a cooperative bank of their choice. The remaining six months will consist of placements at DZ BANK and in companies in the DZ BANK Group as well as individual professional development activities. TeamUp trainees will focus on acquiring specialist knowledge, developing their careers, and establishing personal networks. One of the program's overarching objectives is to increase the appeal of the local cooperative banks as employers. It also aims to enhance the position and profile of these banks through a Germany-wide marketing campaign, which has been promoting the initiative since mid-2011 with the slogan 'Groß ist, wer große Verantwortung trägt' ('being great means bearing great responsibility'). The trainee program is also designed to strengthen the strategic ties within the cooperative financial network and step up collaboration at a functional and personal level.

1.1.2. Expansion of HR controlling

SYSTEM OF KEY PERFORMANCE INDICATORS (KPIs)

At the end of 2011, the Group HR Committee agreed to develop a standardized system for classifying and measuring key performance indicators (KPIs) for the DZ BANK Group's HR work.

A standardized KPI system offers clear advantages not only as far as value added and attractiveness are concerned, but also for (groupwide) HR work, such as optimization of staff expenses and improvement of (internal and external) customer satisfaction.

FIG. 7 – RELEVANT SUCCESS FACTORS

Dimension: value added/attractiveness	**VALUE ADDED/ FINANCE** » Optimization of staff expenses » Addition of value » Remuneration management	**EMPLOYER ATTRACTIVENESS** » Satisfaction of external and internal customers » Attractiveness of the company » Corporate culture
Dimension: HR work	**ORGANIZATION/ EFFICIENCY** » Operational excellence » Management of resources » Effective employee structure » Demographics	**INNOVATION/ LEARNING** » High-quality training and development » Professional development measures » Change Management » Innovativeness

GROUPWIDE ORGANIZATIONAL COMMITMENT INDEX (OCI)

Employee surveys were conducted in all group companies in 2011, with data for a groupwide organizational commitment index (OCI) being collected for the first time. This index is based on standardized questions on job satisfaction and employees' commitment to their employer. It is therefore possible to compare individual companies' results in this area.

1.2. CORPORATE CAMPUS

The DZ BANK Group's Corporate Campus for Management & Strategy was launched at the start of 2010. Its objective is to open up new perspectives and develop ideas, forge closer ties between the companies in the DZ BANK Group, and encourage their collaboration on strategic topics that are critical to success. This will enhance the future viability of the DZ BANK Group and the Volksbanken Raiffeisenbanken cooperative financial network.

The Corporate Campus for Management & Strategy has two pillars: 'managerial development' and 'support for the group's strategic initiatives'. The results of managerial development activities are incorporated into the initiatives – and vice versa. Expansion of the managerial development pillar was the focus in 2011, following a successful start in 2010 with the first three senior management conferences. The aim was to discuss topics relevant to the future and develop both personal and system-related skills. High up on the agenda were promoting team spirit as well as collecting and sharing knowledge, thereby creating a tighter network within the DZ BANK Group. The results of the 'sustainability' initiative, which helped raise the DZ BANK Group's sustainability rating to prime status in 2011, are proof positive of the valuable contribution made by the strategic initiatives to strategy work in the DZ BANK Group.

1.3. TRAINING AND DEVELOPMENT OF YOUNG TALENT

In 2011, the DZ BANK Group employed an average of around 839 (2010: 774) trainees in Germany and abroad, and the ratio of trainees to other employees was 5.0 percent (2010: 2.9 percent).

In 2011, the Career Prize was jointly awarded by all the DZ BANK Group companies for the third time. Overall, it was the tenth time that the prize had been awarded for an outstanding dissertation in the area of banking and finance. Dissertations were submitted by 170 candidates. Half of the six winning dissertations analyzed the specific challenges faced by cooperative banks and suggested innovative solutions. A total of 1,500 dissertations have been submitted since 2001. Prizes were awarded for the best three projects in the two categories of 'master's degree dissertations' and 'bachelor's degree dissertations'. The total prize money of € 24,000 makes the Career Prize endowed by the DZ BANK Group the highest prize awarded by a German company to university graduates for academic dissertations in the area of banking and finance. To mark the ten-year anniversary, three previous winners joined the panel discussion with the HR managers of the DZ BANK Group companies. The consensus in the discussion on the ideal candidate was that, besides being better than the others, he or she also needs to demonstrate emotional intelligence, be a team player, and integrate quickly into the corporate culture.

The DZ BANK Group has had a joint stand at the Absolventenkongress in Cologne, Germany's biggest graduate job fair, for a number of years. It showcases the group's wide-ranging opportunities for those just starting their careers and for selected specialist and management positions. The group exhibited alongside the Bundesverband der Deutschen Volksbanken Raiffeisenbanken e.V. (BVR) [National Association of German Cooperative Banks] and WGZ BANK for the first time in 2011.

1.4. TAKING RESPONSIBILITY FOR EMPLOYEES

The individual DZ BANK Group companies continued to provide 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 opportunities aimed at promoting a work-life balance all help employees achieve the requisite balance and they therefore form a permanent, integral part of the HR policy in each individual group company.

1.5. AWARDS: EMPLOYER OF CHOICE

In recent years the companies in the DZ BANK Group have competed successfully for a range of awards, the most important being Top German Employer (CRF Institute), BestPersAward (Institut für Managementkompetenz der Universität Saarland, imk), Germany's 100 Top Employers (trendence), and the berufundfamilie® work and family certificate.

FIG. 8 – EMPLOYEE DATA
(AVERAGE NUMBER OF EMPLOYEES IN THE YEAR)

Employees (excluding trainees)	2011	2010
Total	**27,825**	**26,800**
Germany	24,528	23,861
ROW	3,297	2,939
Staff turnover (%)	5.3	4.4
Resignations (%)	2.6	1.9
Years of service (as at Dec. 31)	12.8	12.7
Professional development days per employee*	3.6	3.2

(* excluding trainees and ROW)

Full-time/part-time	2011	2010
Full-time	**23,157**	**22,569**
Part-time	**4,668**	**4,231**
Proportion of full-time (%)	83.2	84.2
Proportion of part-time (%)	16.8	15.8

Gender	2011	2010
Total male	**14,964**	**14,552**
Total female	**12,861**	**12,248**
Proportion of women (%, Germany & ROW)	46.2	45.7
Total number of managers*	2,631	2,115
Proportion of female managers (%)*	17.5	18.4

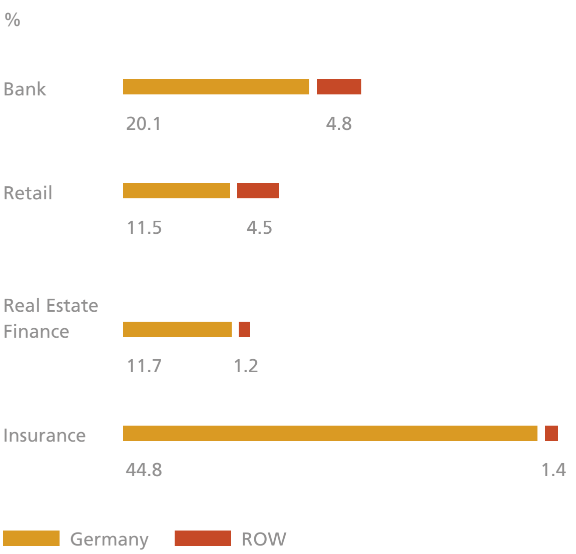
(* as at Dec. 31)

Trainees	2011	2010
Total	**839**	**774**
Male	431	390
Female	408	384
Proportion of women (%)	48.6	49.6
Proportion of trainees (%)	5.0	2.9

DZ BANK Group companies were in the top places in individual categories as well as in the overall rankings. Above all, these awards are proof of our practical, professional HR work that offers employees attractive benefits and actively supports them in every stage of their life.

The declared aim is for each company in the DZ BANK Group to gain the berufundfamilie® and Logib-D certificates by 2013. Logib-D is awarded for wage equality in Germany and was developed in 2010 by the Bundesministerium für Familie, Senioren, Frauen und Jugend (BMFSFJ) [Federal Ministry for Family Affairs, Senior Citizens, Women and Youth] in partnership with the Deutsches Institut für Wirtschaft (DIW) [German Institute for Economic Research].

FIG. 9 – AVERAGE NUMBER OF EMPLOYEES BY BUSINESS SEGMENT IN 2011



Bank	5,601 (2010: 5,605)
Retail	3,189 (2010: 3,120)
Real Estate Finance	3,249 (2010: 3,289)
Insurance	12,488 (2010: 11,847)
Bank	1,344 (2010: 1,391)
Retail	1,249 (2010: 1,094)
Real Estate Finance	325 (2010: 93)
Insurance	380 (2010: 361)

2. SUSTAINABILITY

2.1. RESPONSIBILITY AS A CORPORATE OBJECTIVE

The philosophy of meeting commercial and social challenges together is the foundation on which the cooperatives are based and is a fundamental principle of sustainability. The cooperative tradition is not just about the mission to contribute to the good of society, the strong regional ties of the companies and their business are also hallmarks of our shared guiding principle and one of our strengths that puts us ahead of the rest. To this end, we want to focus our joint activities more strongly on the significant corporate citizenship role we play as a cooperative financial network.

We are already seeing results: oekom research AG, a renowned sustainability rating agency, awarded the DZ BANK Group prime status in 2011. This achievement is impressive affirmation of the DZ BANK Group's sustainability-oriented activities and an indication of its above-average commitment to the environment and society. The DZ BANK Group was awarded a C in the latest rating, a significant improvement on its 2009 rating that puts it among the top companies.

2.2. LAUNCH OF SUSTAINABILITY MARKET INITIATIVE

The basis for a joint initiative was drawn up in 2010 by senior managers as part of the Corporate Campus for Management & Strategy run by the DZ BANK Group's corporate university. The resulting market initiative is intended to bundle the group's activities more tightly together than ever and to focus on the shared goal of exploiting market opportunities and avoiding risk while enhancing our contribution to society. Following the decision to put this into practice, a project structure was established across the whole group that incorporated all companies.

Dr. Matthias Metz, Chief Executive Officer of Bausparkasse Schwäbisch Hall, is its sponsor.

The first stage in the project, the strategic review, has been completed – as can be seen by the rating improvement – and so have some of the measures that individual companies in the DZ BANK Group have identified and implemented.

2.3. SUSTAINABLE PRODUCTS

The strategic review showed that all companies in the DZ BANK Group offer a broad spectrum of sustainable products, ranging from special investment certificates and funds to insurance policies. Finance products and insurance solutions with a focus on renewable energies have proved particularly successful. The DZ BANK Group's product range extends from finance for energy-saving solutions in construction and renovation projects to support for small and medium-sized enterprises using wind power, biomass, or solar energy and finance for large-scale projects such as solar farms, as well as suitable insurance solutions. DZ BANK, for example, offers the 'Anlage Zukunft' product line and conducts sustainability research. In August 2010, Union Investment signed up to the UN Principles for Responsible Investment and has undertaken to consider social and ecological criteria in all its investment analyses. Numerous mutual funds and special funds are already managed on the basis of these criteria. Protection against climate change is also a major topic for BSH, which helps its customers in many ways, including providing them with support for renovating buildings and installing photovoltaic equipment.

2.4. CONTINUATION OF THE INITIATIVE

The companies of the DZ BANK Group intend to continue with the market initiative in the future. The initiative's objective is to clearly enshrine sustainability in business processes and promote the expansion of groupwide topics.

III. Outlook

The global sovereign debt crisis intensified the financial markets' loss of confidence. Estimates of the prospects for the **global economy** are subdued by the ongoing uncertainty surrounding the European sovereign debt crisis. The crisis in the euro zone may have a negative impact on trading partners in other economic areas. However, there are other risk factors beyond Europe's borders that might cause the global economy to slip into a worldwide recession.

The United States cannot currently reach a consensus on a strategy to bring about a lasting reduction of its vast government debt, especially as the election campaign is now getting under way. There is no sign yet of a consolidation strategy in Japan, which, despite a record level of sovereign debt, is benefiting from low interest rates because its domestic capital markets have so far been able to absorb the government debt. In China, the overheating of the real-estate market and growing problems in the banking system may unleash a crisis. There is also the risk of a crisis caused by overinvestment in industry.

In contrast, declining inflationary pressure, highly expansionary monetary policy in industrialized countries, and the continued robust growth in demand in emerging markets are all generating powerful upward momentum worldwide. As a result, although the pace of global growth will tail off over the next few years, a worldwide recession is not anticipated.

Stabilization of the financial markets requires a firm commitment from politicians to bring down debt as well as a credible concept for achieving this. Assuming that Europe's sovereign debt crisis does not take a drastic turn for the worse, there is justifiable hope that the forces driving the global economy will retain some momentum in 2012.

The economic growth seen in the **United States** at the end of 2011 is expected to largely continue into the first quarter of 2012. Further improvements in consumer confidence indicate that there will be no sudden slowdown in personal consumption. Many companies currently have a good level of orders on hand, which is underpinning private investment activity. Consumer confidence and spending have certainly been boosted lately by the accelerating upturn in employment.

Consumers are evidently convinced that the improved situation in the labor market will be sustained in the near future, with the expectations component of the consumer climate index again showing a rise. However, the brightening mood among consumers is accompanied by a decline in the savings ratio. Growth in real disposable income is not keeping pace with the increase in consumer spending. This means that, if the upturn in employment falters again, it may quickly impact on disposable income and consumer behavior. The US government would be able to do little to counteract this under the strict fiscal constraints that apply in this election year.

Exports are also likely to pose a challenge to the US economy in the near future as demand from Europe and Asia will decline. The rate of inflation is currently low and there are practically no wage-induced cost pressures. It is more likely that oil prices will trigger new inflation risks. These will increasingly take effect if the Iran crisis intensifies and there are heightened geopolitical risks. The rate of growth is therefore likely to remain moderate in 2012 and 2013.

Consumers and businesses in the **euro zone** are expected to regain their confidence over the course of 2012. The Italian and Spanish governments have approved extensive austerity measures, thereby demonstrating the credibility of their consolidation policies. It is anticipated that Spain will achieve savings equivalent to approximately 5 percent of gross domestic product (GDP). In relative terms, this is likely to be the largest savings package in the euro zone this year. The savings made by Italy, Belgium, Greece, and Portugal will each amount to around 3 percent of GDP, while France's savings will be far lower at just 0.8 percent.

Industrial output (excluding construction) is predicted to grow at a lower rate in 2012 than the 4 percent growth seen last year, which was higher than the 2010 level. One of the indicators pointing to this trend is the decline in the volume of new orders. Capital expenditure on construction is not expected to provide any additional growth stimulus, despite very low interest rates, because construction activity is expected to stagnate in 2012. Spending on capital equipment is forecast to rise by 2 to 3 percent, however.

The rate of inflation in the euro zone declined in December 2011, having been at 3 percent for the previous three months. Over the course of 2012, the rate of inflation is likely to be 2 percent before rising moderately to above 2 percent in 2013.

The euro zone's medium-term growth prospects are expected to be very subdued in view of the pressure to consolidate in many European countries. Despite being the euro zone's engine of growth until now, Germany will not maintain the same pace over the next few years.

Recent surveys in **Germany** show that German companies are again more confident about how the economy will perform in 2012. The change in mood is especially evident in industry, where confidence levels are rising, including in respect of export opportunities this year. This confirms the picture of economic improvement over the course of the year. Whereas economic output fell slightly in the fourth quarter of 2011, it is expected to pick up again at the start of 2012. From the current perspective, a recession in Germany in 2012 and 2013 is considered unlikely.

At 2.5 percent, the rate of inflation in Germany for 2011 as a whole was significantly higher than the target set by the European Central Bank (ECB) of just under 2 percent. Energy prices were once again a key factor, rising by 10 percent last year. The inflation rate is predicted to fall this year but will climb again in 2013.

Already experiencing tough conditions, the **financial sector** faces tighter regulatory requirements beyond those imposed by Basel III. What we would like to see is a stable and sustained basis for the planning of capital ratios and capital definitions. DZ BANK is endeavoring to meet the steady stream of new requirements through rigorous capital management. However, regulatory requirements have a far-reaching impact on the banks' equity situation and financial performance. Macroeconomic effects from the new regulations are also likely.

Thanks to its strategic focus and close ties to the local cooperative banks, the DZ BANK Group has the chance to grow further and exploit business potential. The starting point for the DZ BANK Group's corporate strategy and its network-oriented business activities is therefore the systematic identification of opportunities for the cooperative financial network. The DZ BANK Group uses a strategic planning process to regularly identify growth potential, taking account of risk trends and capital changes.

Capital planning contributes to systematic capital management, the aim of which is to deal with the tectonic changes in the regulatory framework. Tighter regulatory requirements and their consequences have featured very heavily in the DZ BANK Group's strategic and operational planning processes. Measures to implement these requirements in the group's operations have already been initiated and will continue in 2012 and 2013 along with additional measures. In all of these activities, the DZ BANK Group focuses above all on closely monitoring the main capital drivers across the group and continuing to implement the defined measures to reduce and/or reallocate capital in order to further improve capital productivity.

DZ BANK anticipates that the local cooperative banks will continue to hold high levels of deposits in 2012, which will help with its management of operational liquidity. Corporate customers, institutional investors, and foreign central banks will again make a sustained contribution to the diversification of funding this year. The structural funding of the DZ BANK Group will continue to be underpinned by stable sales of secured and unsecured funding products as a result of the broad customer base.

Net interest income will continue to benefit from improving economic conditions in Germany in 2012 and 2013. A strategic focus on corporate banking with the aim of increasing the cooperative financial network's market penetration in this segment and the further targeted expansion in private banking will give an additional boost to net interest income.

Higher interest expense and a possible further adjustment of the business model made necessary by any additional capital management activities that might be required may have a detrimental effect.

Allowances for losses on loans and advances in the DZ BANK Group will remain at a normal level as a result of the general improvement in economic conditions. According to current estimates, this level will be sustained in 2013. Risks would arise if an escalation in the sovereign debt crisis were to trigger a severe economic downturn.

The effects of the sovereign debt crisis are predicted to hold back fee and commission income. Reticence on the part of private and institutional investors is likely to limit the growth of **net fee and commission income** in 2012, particularly in asset management. Net fee and commission income will rise again in 2013, but only once private and institutional investors have regained their confidence and the markets have settled down.

Net gains on trading activities will be higher in 2012 than they were last year if private and institutional investors' cautious behavior resulting from the sovereign debt crisis and turbulence in the capital markets returns to normal. This uptrend also requires a lasting solution to the sovereign debt crisis, which will ease the tension in the capital markets.

Following the negative impact of impairment losses on the back of decisions reached at a special summit on the sovereign debt crisis in 2011, **net gains and losses on investments** will improve because impairment losses on securitization exposures are expected to decline in 2012 and 2013.

There will be a positive trend in **net income from insurance** due to a continued rise in premiums in 2012 and 2013. This rise is fueled by the uptrend in non-life insurance and in health & life insurance. Gains and losses on investments will normalize in 2012 and 2013, having been subject to one-off items in 2011.

Insurance business operating expenses in the next few years will keep step with premiums due to increases under collective pay agreements, the planned expansion of headcount, regulatory and IT projects, and rising fee and commission expenses.

Unusual events on the capital markets, for example resulting from the euro crisis or in underwriting, can affect earnings targets.

Administrative expenses will go up in 2012 and 2013, reflecting the higher expenses caused by the tighter regulatory and statutory requirements for finance companies. They will also be pushed up by increases under collective pay agreements and inflationary rises in general and administrative expenses.

The aim is to improve the cost/income ratio, despite regulatory pressures, by rigorous management of costs and, above all, by expanding operating business.

As the situation on the capital markets is expected to ease, the DZ BANK Group anticipates that its earnings will rise in 2012 and 2013. Strategic development in the business lines will encourage growth and boost earnings.

Earnings performance may be adversely affected by the turmoil in the financial markets that could be generated by the sovereign debt crisis in the euro zone and additional regulatory requirements placed on finance companies.

Uncertainty resulting from the sovereign debt crisis and the volatile situation in the capital markets may again negatively impact on the earnings of the **Bank business segment** in 2012. A continued robust performance by Germany's economy is likely to stabilize earnings this year and create a strong foundation for an upward trend in earnings in 2013.

The funding of investment activity by German industry, which remains buoyant, will impact positively on net operating interest income. DZ BANK's planned expansion of market share in corporate banking and the stepping up of SME financing in line with the strategic initiatives that have been introduced will lead to growth in the volume of new business. At the same time, margins are expected to improve. Increased cross-selling activities in corporate banking will also stimulate net fee and commission income as well as net gains on trading activities.

The expected small rise in allowances for losses on loans and advances by 2013 also reflects the planned expansion of the corporate banking initiative and SME financing. However, an economic slowdown might adversely affect allowances for losses on loans and advances even further.

Net gains on trading activities will be higher in 2012 than they were last year if private and institutional investors' cautious behavior resulting from the sovereign debt crisis and turbulence in the capital markets returns to normal. The decline in returns will hold back growth of net gains on trading activities. The DZ BANK Group's strategic aim is to remain one of Germany's leading and most innovative providers of capital market products and structured capital market products. It is also focused on generating earnings and creating added value for the cooperative banks, the companies in the cooperative financial network, and their customers.

The predicted rise in administrative expenses in 2012 and 2013 results from increases under collective pay agreements and inflationary increases in staff, general, and administrative expenses. Implementation of strategic initiatives and changes to corporate strategy may lead to additional staff, general, and administrative expenses. Tighter regulatory requirements for banks will also push up administrative expenses. Overall, however, the cost/income ratio may continue to reduce up to 2013.

It is possible that the financial sector will see further changes to the regulatory framework over the next few years. The lack of predictability as far as these requirements are concerned may have a negative impact on the group's strategic direction and therefore on earnings, predominantly in the Bank business segment.

The **Retail business segment** will benefit from the success of the private banking strategy in 2012 and, in particular, 2013. This in turn will boost earnings performance.

Over the next two years, the strategic activities begun in private banking are expected to lead to expansion of the cooperative banks' market share in this market segment. DZ PRIVATBANK's decentralized products and services allow it to maintain a uniform market presence throughout Germany. The aim here is to unlock the potential available in the core German market, above all the opportunities presented by existing customer relationships. In line with the planned significant increase in market share by 2014, the objective for 2012 and 2013 is to produce stable growth in net interest income and net fee and commission income. The merger with the Luxembourg-based private banking entities of WGZ Luxembourg will make it possible to leverage potential synergies by 2013, which will limit the rise in administrative expenses.

As far as asset management is concerned, the main driver of further success in retail banking will be the return of investor confidence.

The Union Investment Group aims to strengthen customers' confidence and loyalty by setting the highest standards of quality in marketing for retail clients and continually launching innovative and easy-to-understand products. In turn this should bring about a lasting increase in volume. At the same time, the uptrend will improve earnings performance, especially in 2013. Additional growth stimulus may be generated by the continued amelioration in the capital markets.

With its ambition to be the top provider for consumer-friendly finance solutions, TeamBank will consolidate its position with the aim of increasing its competitiveness and becoming the market leader. This firm focus on the customer will lead to a further rise in new business and pave the way for higher net interest income in 2012 and 2013. Growth will be underpinned by consumers' confidence in a further improving situation in the job market. Allowances for losses on loans and advances will grow in line with expansion of the portfolio. Further productivity improvements and better capacity utilization of the current infrastructure, which is geared to future needs, will ensure the cost/income ratio remains at a low level.

The risks faced by the Retail business segment result from the increasingly intense competition that has been created by the global and national consolidation of competitors, which may put margins under pressure and have a negative impact on earnings. In asset management, a possible reduction in the value of the assets under management as a result of lower prices on the capital markets presents a further risk.

A positive segment performance is expected for the **Real Estate Finance business segment** in 2012 and 2013. As DG HYP has retrained its strategic focus on commercial real-estate business in Germany and intensified its new business activities on the basis of closer collaboration with the local cooperative banks, a rise in new business volumes in the commercial customer segment is anticipated.

In consumer home finance, BSH will continue to benefit from people's high regard for home ownership as a form of personal pension provision and as a secure long-term investment. Moreover, market conditions will be benign in the next few years due to sustained low interest rates and a strong preference for safe investments in view of the sovereign debt crisis and the uncertainties and volatility plaguing the capital markets.

The main earnings drivers for net interest income at BSH are the growth in home savings deposits, home savings loans, and the portfolio of non-collective loans. This positive trend is expected to continue in 2012 and 2013 because of the increase in new business in recent years.

Administrative expenses will rise in 2012 and 2013. This expected increase, which affects both staff expenses and other administrative expenses, will largely be a result of the higher expenses that BSH will also face due to the implementation of statutory requirements in regulatory projects. Additional expenses will be incurred by taking steps to ensure that strategic projects already under way are geared to future needs.

A deterioration in the economic environment might cause uncertainty and thereby reluctance among private and commercial investors to make long-term investments and investment decisions. This in turn would negatively impact on investment in commercial and private real estate. Implementation of the revised EU directive on deposit guarantees for building societies may have further adverse effects on BSH's earnings.

In the **Insurance business segment,** R+V, Germany's leading general insurance company, is endeavoring to gain market share by means of organic growth. R+V's overarching objective in doing so is to create added value for the cooperative organization from profitable growth. It is planned to boost net income from insurance business in 2013 and beyond and thereby enhance enterprise value.

There will be a further rise in premiums earned in 2012 and 2013, fueled primarily by the planned growth in premiums in the non-life market segment. Personal insurance is expected to generate moderate growth in premiums owing to life insurance business, for which lower rates of increase are forecast in the coming years following the exceptional economic conditions of 2011. Sharp growth is predicted for health insurance in 2012 and 2013. In Italy, the restructuring of Assimoco S.p.A., Segrate (Mi), Italy, will continue in 2012 as planned. Commission and bonus payments to the local cooperative banks will increase again in 2012 and 2013 in line with the positive trend in premiums and products.

Insurance business operating expenses will rise in 2012 and 2013 on the back of increases under collective pay agreements, the planned expansion of headcount, capital expenditure on various IT infrastructure projects, and higher fee and commission expenses.

Following turbulence in the financial markets caused by the sovereign debt crisis, a rise in net gains on investments is expected in 2012 and 2013.

R+V's ongoing objective in terms of its use of resources is to keep the rise in administrative expenses (excluding new business costs) lower than growth in premiums. As a result, its administration expenses ratio should be at least held constant, if not improved, despite ongoing price competition and its funding of growth initiatives.

Overall, the DZ BANK Group expects to make a net profit in 2012 and 2013, with an increase in 2013 in particular. Its firm focus as a network-oriented central institution, combined with the expansion of business, and accompanied by further strategic measures, will help boost net profit in 2012 and 2013.

Nevertheless, net profit will continue to be heavily influenced by developments in the euro crisis and sovereign debt crisis as well as by their impact on the capital markets.

IV. Opportunities and risks associated with forecast development

1. FUNDAMENTAL PRINCIPLES OF MANAGING OPPORTUNITIES AND RISKS

1.1. OBJECTIVE AND LIMITATIONS

The exploitation of business opportunities and the systematic controlled assumption of risk in relation to target returns form an integral part of corporate control in the DZ BANK Group. The operating activities resulting from the DZ BANK Group's business model require the ability to identify, measure, assess, manage, monitor, and communicate opportunities and risks. The need to cover risks with adequate capital and hold appropriate reserves of cash is also recognized as an essential prerequisite for the operation of the business and is of fundamental importance. In all its activities, the DZ BANK Group therefore abides by the principle of only taking on risk to the extent absolutely necessary to achieve business objectives and to the extent that the risk appears manageable.

Against this background, the Board of Managing Directors of DZ BANK has established an appropriate and fully functioning opportunity and risk management system that meets both the group's own business management needs and statutory requirements. The management of opportunities and risks forms an integral part of the strategic planning process in the DZ BANK Group.

Given the methods, organizational arrangements, and IT systems that have been implemented, DZ BANK and the DZ BANK Group companies are in a position to identify material opportunities and risks at an early stage and to initiate appropriate control measures, both at the group level and at the level of the individual group companies.

The risk management system is more extensively developed than the system for the management of opportunities because risk management is subject to comprehensive statutory requirements and is also of critical importance to the continued existence of the DZ BANK Group as a going concern. The groupwide risk management system is subject to continuous review by risk control and internal audit. In addition, the Supervisory Board of DZ BANK satisfies itself at regular intervals that the risk management system is appropriate and functioning properly.

The methods used for the measurement of risk are integrated into the groupwide risk management system. Risk model calculations are used for the management of the DZ BANK Group and the companies concerned. Regardless of the fundamental suitability of the risk management system, it is conceivable that there may be circumstances in which risks cannot be identified in good time or in which a comprehensive, appropriate response to risks is not possible. Despite careful development of models and regular reviews, situations may arise in which actual losses or liquidity requirements are higher than those forecast in the risk models and stress scenarios.

1.2. SCOPE OF APPLICATION

1.2.1. Management units

All DZ BANK Group companies are integrated into the risk management system. The following companies (also referred to as management units in this opportunity and risk report) represent the core of the financial services group. They are considered to be material due to their contribution to the overall risk of the DZ BANK Group and are therefore directly incorporated into the group's risk management system: DZ BANK, BSH, DG HYP, DVB, DZ BANK Ireland, DZ BANK Polska S.A., Warsaw, (DZ BANK Polska), DZ PRIVATBANK S.A. and DZ PRIVATBANK (Schweiz) (both in their entirety hereinafter also referred to as DZ PRIVATBANK), R+V, TeamBank, Union Asset Management Holding, and VR-LEASING. The other companies are included in the system as part of equity risk.

The management units ensure that their respective subsidiaries and investees are also included in the DZ BANK Group's risk management system – indirectly via the majority-owned companies – and also meet the minimum standards applicable throughout the group. DZ BANK Ireland is the only management unit that does not possess subsidiaries or investees.

1.2.2. Opportunities and risks

The DZ BANK Group defines opportunities as unexpected positive variances from the forecast financial performance for the coming year. Risks are unexpected adverse developments affecting financial position or financial performance, and essentially comprise the risk of losses or insolvency. How the DZ BANK Group is expected to develop over the forecast period is described in the Outlook section of the group management report.

Credit risk is a particular feature of the groupwide corporate banking and investment banking activities and the retail-oriented lending business. Equity risk results from DZ BANK's equity stakes in companies held in pursuit of the bank's business strategy. Market risk arises principally in the companies that hold significant capital market investments or undertake trading activities.

The activities of BSH and R+V also give rise to risks in connection with building society operations and insurance business respectively. Building society risk, which had previously been included as part of business risk, has been managed as a separate type of risk since the first quarter of the year under review.

Liquidity risk, operational risk, business risk, and reputational risk arise in connection with any kind of business activity and are therefore also important for all the companies included in the DZ BANK Group's risk management system.

1.2.3. Disclosure principles

Credit risk, equity risk, market risk, and liquidity risk in particular are directly associated with **financial instruments**. The DZ BANK Group takes a holistic, integrated view of all these risks when using risk management tools and when assessing the risk position. This includes considering all other relevant types of risk in addition to risks directly associated with financial instruments. This integrated approach is reflected in this opportunity and risk report.

The opportunity and risk report within the group management report fulfills parts of the qualitative regulatory disclosure requirements. However, regulatory quantitative risk reporting and the remaining regulatory disclosure requirements that relate to qualitative reporting are fulfilled by the DZ BANK banking group's regulatory risk report, which is prepared in accordance with section 26a of the German Banking Act (KWG) in conjunction with sections 319 to 337 of the Solvency Regulation (SolvV) and published on DZ BANK's website.

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

1.3. SEPARATION OF FUNCTIONS

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

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

Central **risk control,** which forms part of the Group Controlling division of DZ BANK, is responsible for identifying, measuring, and assessing risk in the DZ BANK Group. This is accompanied by the planning of upper loss limits. Risk control also reports risks to the Supervisory Board, the Board of Managing Directors, and the management units. Risk control at DZ BANK coordinates the risk measurement methods to be used throughout the group with risk control in the subsidiaries and ensures the implementation of risk capital management in the group. In cooperation with the subsidiaries, risk control at

DZ BANK establishes a groupwide risk reporting system covering all material types of risk based on minimum standards using methods agreed between the entities.

Both at DZ BANK and in the subsidiaries, risk control is responsible for the transparency of risks assumed and ensures that all risk measurement methods used are up to date. The risk control units in the individual companies also monitor compliance with the company-related limits that the subsidiaries have set themselves based on the risk capital allocated by DZ BANK. In addition, risk control at DZ BANK and in the subsidiaries is responsible for the risk reporting system in the company concerned.

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

DZ BANK's **internal audit** division is also responsible for control and monitoring tasks that are not specific to individual processes across all material group companies. It carries out systematic, regular risk-based audits focusing on compliance with statutory and regulatory requirements. Internal audit also reviews and assesses the risk management system to ensure that it has a fully operational capability, and monitors the action taken in response to audit findings to ensure that identified problems have been rectified. Internal audit at DZ BANK and the other group companies reports to the chief executive officer or other senior managers of the entity concerned. DZ BANK and all subsidiaries involved satisfy the special requirements for the structure of internal audit departments specified in the Minimum Requirements for Risk Management (MaRisk).

DZ BANK's internal audit division is responsible for internal audit tasks at group level. These tasks include, in particular, the coordination of intercompany audits, the implementation of which lies within the remit of the individual internal audit departments in the group companies concerned, and the evaluation of individual group company audit reports of relevance to the entire group. Cooperation between internal audit divisions in the DZ BANK Group is governed by a separate set of rules and arrangements.

1.4. COMMITTEES

The **Group Coordination Committee** ensures coordination between the key companies in the DZ BANK Group to achieve consistent management of opportunities and risks, allocate capital, deal with strategic issues, and leverage synergies. In addition to the entire Board of Managing Directors of DZ BANK, the members of this committee comprise the chief executive officers of BSH, DZ PRIVATBANK S.A., R+V, TeamBank, Union Asset Management Holding, and VR-LEASING and the Spokesman of the Board of Managing Directors of DG HYP.

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

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

The **Group Risk Committee** is the central committee in the DZ BANK Group responsible for business management and risk management in accordance with section 25a (1a) KWG. Among other things, it is responsible for financial, liquidity, and risk capital management throughout the group and assists the Group Coordination Committee in matters of principle. The members of this committee, which meets quarterly, include the members of the Board of Managing Directors of DZ BANK with responsibility for corporate management, risk management, and treasury. The committee members also include representatives of the boards of managing directors of those group companies with a material impact on the risk profile of the group. The Group Risk Committee has set up working groups to prepare proposals for decision-making and to implement management action plans.

The **Group Risk Management Working Group** supports the Group Risk Committee in all matters concerning risk and the management of risk capital in the DZ BANK Group. This working group is also the central platform for groupwide strategic and operational planning, and for external risk reporting. At DZ BANK level, the monitoring and control of the aggregate risks to the bank is coordinated by the Risk Committee.

Credit risk management activities throughout the group are brought together under the **Group Credit Management Working Group.** This committee is responsible for overarching, fully functioning credit risk management in the DZ BANK Group. The measurement and management of credit risk is based on a shared understanding of risk that recognizes the specific business needs of the individual group companies. The monitoring and control of DZ BANK's credit portfolio is coordinated by the Credit Committee.

The **Market Working Group** is responsible for liquidity management throughout the group. In addition to the planning and coordination of liquidity investments and the group's own issues, this remit also includes optimization of intragroup funding.

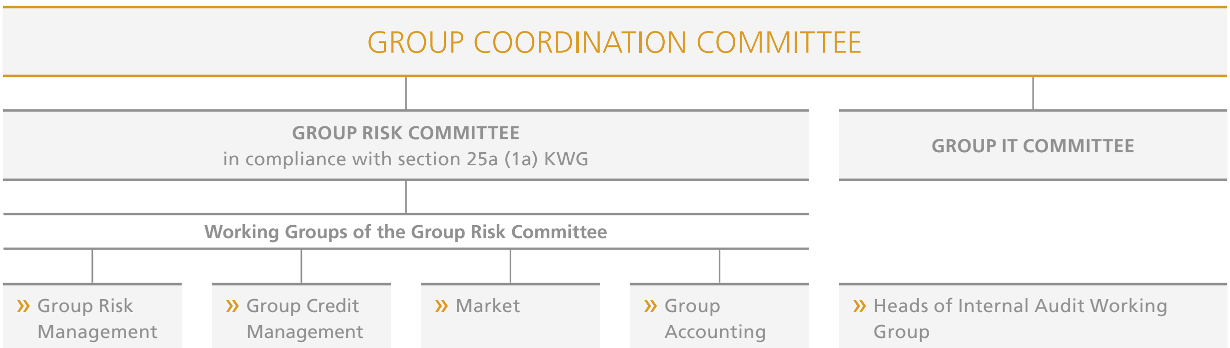
The **Group Accounting Working Group** advises the Group Risk Committee on matters concerning accounting, financial regulation, and groupwide tax management. In addition, the Group Accounting Working Group also sets guidelines for risk management in connection with the consolidated financial reporting process in consultation with the Group Risk Management Working Group.

The **Group IT Committee,** comprising the members of the boards of managing directors of the main group companies with responsibility for IT, supports the Group Coordination Committee in matters relating to IT strategy. This committee manages all overarching IT activities in the DZ BANK Group. In particular, the Group IT Committee takes decisions on collaboration issues, identifies and realizes synergies, and initiates joint projects.

The **Heads of Internal Audit Working Group** is coordinated by DZ BANK and meets at least once a year. The focus of the meetings is determined on the basis of the terms of reference jointly drawn up and approved by the relevant boards of managing directors and includes coordination of group-relevant audit issues, planning of cross-company audits and activities, sharing of information (especially regarding current trends in internal audit), and the development of best practice for internal audit activities. The Heads of Internal Audit Working Group reports to the Group Coordination Committee when required.

Figure 10 provides an overview of committees of particular importance in the DZ BANK Group's risk management system.

FIG. 10 – DZ BANK GROUP COMMITTEES WITH RISK MANAGEMENT FUNCTIONS



1.5. RISK REPORTING, RISK MANUAL, AND RISK INVENTORY

The **quarterly group risk report** is the main channel by which risks at group and company levels are communicated to the Supervisory Board, Board of Managing Directors, and the Group Risk Committee. In addition, the Board of Managing Directors and Supervisory Board receive portfolio and exposure-related management information in the DZ BANK Group **credit risk report**, which is also produced on a quarterly basis.

DZ BANK and the main subsidiaries have further reporting systems for all relevant types of risk. Depending on the degree of materiality in the risk positions concerned, these systems ensure that decision-makers and supervisory bodies at all times receive transparent information on the risk profile of the risk units for which they are responsible.

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 at group level. The main subsidiaries also have their own risk manuals covering special aspects of risk related specifically to the companies concerned.

At the end of every financial year, DZ BANK draws up a **risk inventory**, the objective of which is to identify the types of risk relevant to the DZ BANK Group and assess the materiality of these risk types. According to need, a risk inventory check may also be carried out at other times in order to identify any material changes in the risk profile during the course of the year.

A risk inventory check includes a quantitative materiality analysis for those types of risk that could arise in connection with the operating activities of the companies in the DZ BANK Group. The next stage involves assessing the extent of risk concentration in types of risk classified as material. This is used as the basis for checking that the risk management tools used by the group are adequate. Action is taken to modify the risk management tools, where required. All management units in the DZ BANK Group are included in this process.

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

1.6. FUNDAMENTAL PRINCIPLES OF RISK MEASUREMENT, LIMITATION, AND HEDGING

1.6.1. Measurement of risk and risk concentrations

Economic capital (known as the '**risk capital requirement**') is calculated for credit risk, equity risk, market risk, building society risk, actuarial risk, operational risk, and business risk. This risk capital requirement is generally calculated as value-at-risk with a holding period of one year. In most cases, this calculation assumes a confidence level of 99.95 percent, which is appropriate to DZ BANK's long-term rating.

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

As part of credit-portfolio accounting, the **expected and unexpected losses** are calculated for lending and money market business, and for securities and derivatives positions. This calculation is based on one-year default probabilities derived from historical loss data, taking into account additional business-specific features and reflecting the current rating of the borrower. Other factors taken into account in the calculation of exposures subject to credit risk include measurable collateral, netting agreements, and expected recovery rates based on past experience.

The reason for managing **risk concentrations** by analyzing portfolios is to identify potential downside risks that may arise from the accumulation of individual risks and, if necessary, to take corrective action.

The capital requirement for **credit risk** is determined as the unexpected loss equivalent to the difference between the value-at-risk and the expected loss. In order to highlight concentrations of credit risk, the exposure at portfolio level is categorized by industry sector, geographical region, term to maturity, size category, and rating. In addition, risks resulting from large exposures to individual counterparties are closely monitored and managed. Concentrations of risk in the lending business arise particularly from the potential simultaneous default of several borrowers with shared characteristics. This is why determining the correlated exposure to loss as a part of the calculation of the risk capital required for credit risk is essential for managing risk concentrations.

Equity risk is measured as value-at-risk on the basis of a variance-covariance approach with market price fluctuations mainly derived from reference prices listed on an exchange. Concentrations of equity risk are identified by allocating investments to different categories according to the purpose of the investee company; the risk model used assumes a high level of correlation within each category.

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

Liquidity risk is measured by determining the minimum surplus cash that would be available if various scenarios were to materialize within the next few years. Concentrations of liquidity risk occur primarily due to the accumulation of outgoing payments at particular times of the day or on particular days (concentrations of maturities), the distribution of funding across particular currencies, markets, and liquidity providers (concentrations of funding sources), and the distribution of liquidity reserves across particular currencies, ratings, and issuers (concentrations of reserves).

As part of a reorganization of risk measurement, the technical risk of a home savings and loan company at BSH was separated out from business risk. Since the first quarter of the year under review, **technical risk of a home savings and loan company** has been managed as a separate type of risk. A special collective simulation, which includes the effects of a (negative) change in customer behavior and a drop in new business, is used to measure the risk. Concentrations in technical risk of a home savings and loan company may arise from the collective and new business risks.

For the most part, value-at-risk approaches are used to quantify **actuarial risk** (biometric risk, premium and reserve risk, and natural disaster risk). These approaches establish the risk capital requirement as the difference between the value-at-risk and expected value. Possible risk concentrations are analyzed, monitored, and managed as part of the risk management system.

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

As part of the refinement of risk measurement procedures, business risk and strategic risk were separated from the first quarter of the year under review onward, these risks having been previously grouped together and treated as one type of risk. The existing all-inclusive approach for jointly determining business risk and strategic risk was replaced by an earnings-at-risk approach in a risk model for **business risk** alone. Strategic risk is no longer quantified. Risk concentrations may arise if business activities are focused on a small number of areas. Concentrations of business risk are limited by using qualitative criteria as part of strategic management.

Reputational risk means the risk of losses from events that damage the confidence of customers, investors, the labor market, or the general public in DZ BANK Group companies or in the products and services they offer. Reputational risk may arise following the crystallization of other risks, but also as a result of other, publicly available negative information about DZ BANK Group companies.

Reputational risk is covered by the risk strategy, which specifies a requirement for fair behavior with all business partners, for example, and precludes transactions with doubtful counterparties. In response to potential critical events, crisis communications aimed at mitigating reputational risk will be undertaken to prevent greater damage to the DZ BANK Group. This therefore supports the sustainability concept embraced by the DZ BANK Group. The risk that obtaining funding may become more difficult as a consequence of damage to the group's reputation is specifically taken into account in liquidity risk management.

1.6.2. Stress tests

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

1.6.3. Limitation principles

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

The companies in the DZ BANK Group ensure that the measured exposures do not exceed the specified volume and risk limits. This is achieved by specifically amending risk positions based on an adjustment of the volume and risk structure in the underlying transactions.

1.6.4. Hedging objectives and hedging transactions

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

If the hedging of risk in connection with financial instruments gives rise to accounting mismatches between the hedged item and the derivative used for the hedge, the DZ BANK Group designates the hedging transaction as a hedge in accordance with the hedging accounting requirements of IAS 39 and exercises the fair value option in order to eliminate or reduce such mismatches. Hedge accounting in the DZ BANK Group includes hedging interest-rate risk and currency risk and therefore affects market risk. Hedging information is disclosed in note 6 of the notes to the consolidated financial statements.

1.7. INTERNAL CONTROL SYSTEM FOR THE CONSOLIDATED FINANCIAL REPORTING PROCESS

1.7.1. Objectives and responsibility

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

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

The DZ BANK Group's consolidated group companies and subgroups are fully integrated into the group's financial reporting. Responsibility for external financial reporting lies in the first instance with Group Finance and Group Controlling at DZ BANK.

1.7.2. Instructions and rules

The methods to be applied within the DZ BANK Group in the preparation of the consolidated financial statements are set out in writing in the group manual, which is constantly updated. The basis for external risk reporting is the disclosure policy approved by the Board of Managing Directors. This policy sets out the principles and fundamental decisions for the methods, organizational structure, and IT systems to be used in risk disclosure, for the integration of risk disclosure into general financial disclosure, and for the interconnection between risk disclosure and internal risk reporting in the DZ BANK Group. By adopting this disclosure policy, the Board of Managing Directors has put in place the necessary risk-related disclosure procedures and has communicated them throughout the DZ BANK Group. The instructions and rules are audited regularly to assess whether they remain appropriate and are amended in line with internal and external requirements.

1.7.3. Resources and methods

The processes set up in the DZ BANK Group companies permit – with the use of suitable IT systems – efficient risk management in respect of financial reporting, based on the guidelines set by the Group Accounting Working Group and taking into account the rules in the risk manual, the group manual, and the risk disclosure policy.

The group's financial reporting process is decentralized, with the individual organizational units of the DZ BANK Group responsible for preparing and monitoring the quantitative and qualitative information required for the consolidated financial statements. The group accounting department at DZ BANK implements the relevant controls and checks in respect of data quality and compliance with the DZ BANK Group rules.

The individual organizational units post the accounting entries for individual transactions. The consolidation processes are carried out by DZ BANK's group accounting department and by the accounting departments of each subgroup in the DZ BANK Group. All accounting entries and consolidation processes are properly documented and checked.

Consolidated financial reporting is chiefly the responsibility of employees of the DZ BANK Group. If required, external experts are brought in for certain cost calculations as part of the financial reporting process, such as for determining the defined benefit obligation and valuing collateral.

Consolidated financial reporting is subject to mandatory workflow plans agreed between DZ BANK's group accounting department and the individual accounting departments of the organizational units within the DZ BANK Group. These govern the collation and generation of quantitative and qualitative information required for the preparation of statutory company reports and necessary for the internal management of the operational units within the DZ BANK Group.

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

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

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

1.7.4. Information technology

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

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

The information technology used for accounting purposes is equipped with the necessary functionality to enable it to handle the posting transactions in individual organizational units as well as the consolidation transactions carried out by DZ BANK's group accounting department and by the accounting departments in the subgroups.

IT-supported accounting processes are audited as an integral part of the internal audit work carried out in the DZ BANK Group.

1.7.5. Ensuring and improving effectiveness

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

2. MANAGEMENT OF OPPORTUNITIES

2.1. ORGANIZATION, RESPONSIBILITY, AND REPORTING

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

At DZ BANK level, the main divisions involved in the strategic planning process are Central Services, Group Controlling, Group Finance, and Research and Economics. The planning coordinators in the subsidiaries are also incorporated into the process.

DZ BANK's Central Services division is responsible for overall coordination, although Group Controlling coordinates strategic financial planning as part of the strategic planning process.

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

2.2. MANAGEMENT TOOLS

Within the **strategic planning** framework, companies in the DZ BANK Group produce a business strategy (objectives, strategic direction, and initiatives), a finance and capital requirements plan, and a risk strategy derived from the business strategy. The feasibility of the planning by the management units is then assessed and the plans are also discussed and examined in strategy meetings. When the individual company planning has been completed, the process then moves on to consolidated group planning, allowing active management of the DZ BANK Group's economic and regulatory capital adequacy. A **management information system** is used to monitor the achievement of targets. Groupwide **initiatives** are being implemented to unlock identified marketing potential, including developing new, innovative products and sales methods for the strategic business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking – in order to further optimize distribution by the local cooperative banks. Regular reports on each initiative are submitted to the relevant product and sales committee. If appropriate, certain aspects of the initiatives may be handled by the Group Coordination Committee. This results in more efficient cooperation in the cooperative financial network.

2.3. POTENTIAL OPPORTUNITIES

2.3.1. Corporate strategy

DZ BANK's core functions as a central institution, corporate bank, and holding company mean that it focuses closely on the local cooperative banks, which are its customers and owners. All of its activities are divided into four strategic business lines: Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking.

DZ BANK's **focus on the cooperative banks** is vital in view of the management of scarce resources and the need to meet new regulatory requirements. By focusing more closely on the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK's aim is to exploit the potential of its core activities more fully, particularly with regard to private customers and SME business.

Furthermore, **corporate governance** in the DZ BANK Group is being enhanced with the aim of integrating the local cooperative banks even more closely.

DZ BANK is also stepping up its collaboration with WGZ BANK in order to leverage synergies for the entire cooperative financial network, besides improving the range of products and services offered.

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

The activities of the DZ BANK Group are a significant contributing factor in helping **the cooperative banks strengthen their market position.** The backing provided by the DZ BANK Group for the local cooperative banks includes substantial financial support in the form of fees, commissions, bonuses, profit distributions, and the transfer of cost benefits.

The core activities referred to above are supplemented by **complementary activities** using existing products, platforms, and services for which DZ BANK acts as a corporate bank vis-à-vis third parties. These activities are not in direct competition with those of the cooperative banks.

The Outlook section of the group management report describes expected **developments in the market and business environment** together with the DZ BANK Group's business strategy and the implications for earnings performance in 2012. These are crucial factors in the DZ BANK Group's strategic positioning and the resulting opportunities during 2012.

2.3.2. Credit ratings

During the year under review, international rating agencies reviewed the credit ratings of banks around the globe. DZ BANK's long-term ratings at Moody's Investors Service Inc. (Moody's) and Fitch Ratings Ltd. (Fitch) remained unchanged at Aa3 and A+ respectively, whereas Standard & Poor's Ratings Services (Standard & Poor's) upgraded their rating for the cooperative financial network including DZ BANK to AA- in December. Figure 11 provides an overview of DZ BANK's credit ratings.

FIG. 11 – DZ BANK RATINGS

	Standard & Poor's		Moody's		Fitch	
	2011	2010	**2011**	2010	**2011**	2010
Covered bonds (DZ BANK BRIEFE)	AAA	AAA	–	–	AAA	AAA
Long-term rating	AA-	A+	Aa3	Aa3	A+	A+
Short-term rating	A-1	A-1	P-1	P-1	F1+	F1+

3. RISK CAPITAL MANAGEMENT

3.1. STRATEGY, ORGANIZATION, AND RESPONSIBILITY

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

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. DZ BANK is responsible for risk and capital management, and for compliance with capital adequacy at group level. The companies are independently responsible for monitoring and controlling their respective risks within the context of the groupwide risk and capital management system. At the DZ BANK Group level, minimum standards have been specified for the management of risk and the appropriateness of these standards is regularly reviewed.

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, groupwide risk-weighted assets and economic upper loss limits are planned as limits for the risk capital requirement on an annual basis as part of the **strategic planning process.** This process ends in a requirements budget for the economic and regulatory capital needed by the group. DZ BANK treasury coordinates the action needed to cover this requirement and the implementation of any corresponding measures to raise capital.

The integration of economic risk capital requirements planning into the strategic planning process ensures that the risk strategy for types of risk covered by capital is closely linked with the DZ BANK Group's business strategies.

3.2. 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 and the relevant upper loss limit.

3.3. MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

3.3.1. Measurement methods

Economic capital management in the DZ BANK Group is based on internal risk measurement methods, which take into account all key types of risk (with the exception of liquidity risk). The risk capital requirement in the DZ BANK Group is determined by aggregating the relevant types of risk from all companies. This then incorporates the effects of diversification between the different types of risk within the group companies. The selected methods serve to meet the requirements for a groupwide integrated risk capital management system specified by Basel II Pillar 2 and by the Minimum Requirements for Risk Management for the banking sector (MaRisk BA).

3.3.2. Risk-bearing capacity

As part of risk-bearing-capacity analysis, the risk capital requirement is compared with the aggregate risk cover in order to determine the economic capital adequacy. At the end of the year, the Board of Managing Directors determines the upper loss limits for the following year on the basis of the aggregate risk cover. Aggregate risk cover comprises equity and hidden reserves. It is reviewed in full on a quarterly basis and also partly updated on a monthly basis. The DZ BANK Group's available aggregate risk cover for 2011 was measured at €11,474 million with effect from December 31, 2010 (December 31, 2009 for 2010: €11,758 million).

As at December 31, 2011, the total upper loss limit for the group amounted to €10,665 million (December 31, 2010: €10,563 million). The total risk capital

FIG. 12 – UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT

	Upper loss limit		Risk capital requirement	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Credit risk[1]	4,309	4,208	3,526	3,477
Equity risk	1,107	1,075	911	777
Market risk	3,638	3,756	2,713	2,994
Technical risk of a home savings and loan company[2]	585	513	585	513
Actuarial risk	2,000	1,710	1,967	1,684
Operational risk	710	599	651	530
Business risk[1, 2]	611	638	516	521
Total after diversification	**10,665**	10,563	**8,953**	8,795

1 The prior-year values have been restated following the reclassification of specific risks at Union Asset Management Holding from credit risk to business risk
2 The prior-year values have been restated following the separation of technical risk of a home savings and loan company from business risk

requirement was determined at €8,953 million (December 31, 2010: €8,795 million). The group's higher risk capital requirement was largely attributable to increased risk levels at R+V and DVB. Figure 12 shows a breakdown of the **upper loss limit** by type of risk and the **capital requirement** for each type of risk compared with 2010. The DZ BANK Group had adequate economic capital available at all times during the course of the year under review.

3.3.3. Risk capital requirement stress tests

In the DZ BANK Group, the analysis of risk-bearing capacity is supplemented by standardized stress tests on the risk capital requirement and on aggregate risk cover. The results of the stress tests are mostly determined by the group companies. Separate stress tests are carried out for each type of risk included in risk capital management: credit risk, equity risk, market risk, technical risk of a home savings and loan company, actuarial risk, operational risk, and business risk. The risk type stress tests are supplemented by a stress scenario that models the correlations between different types of risk. Internal risk measurement methods are used in the implementation of the stress tests. The initial parameters for measuring risk are scaled in such a way as to reflect extremely negative economic situations. The procedure for aggregating risk types into a stress test result covering all group companies and risk types is similar to the regular procedure used for risk measurement.

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

3.4. MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

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

3.4.1. The DZ financial conglomerate

The Financial Conglomerates Directive Implementation Act in Germany forms the legal basis for the DZ BANK financial conglomerate. The enhanced regulation affects groups of financial services providers that operate extensively across different sectors in the financial services industry. At conglomerate level, it results, among other things, in a more accurate assessment of capital adequacy risks, risk concentrations, and intragroup transactions. The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [German Federal Financial Supervisory Authority] has classified the DZ BANK Group as a financial conglomerate, in which DZ BANK acts as the parent in the conglomerate. The DZ BANK financial conglomerate comprises the DZ BANK banking group and the R+V insurance group.

The financial conglomerate solvency is the amount equating to the difference between the total of eligible equity in the financial conglomerate and the total of solvency requirements for the conglomerate. The coverage ratio is calculated by dividing equity by the solvency requirement amounts. The resulting ratio must be at least 100 percent. The calculation of financial conglomerate solvency as at December 31, 2010 and the projection to December 31, 2011 demonstrate that the DZ BANK financial conglomerate significantly exceeds the minimum regulatory requirements.

3.4.2. DZ BANK banking group

REGULATORY FRAMEWORK

To calculate the regulatory capital requirement in accordance with KWG and SolvV, the DZ BANK banking group uses the following methods:

- Credit risk: Internal ratings-based approaches (primarily the foundation IRB approach and the IRB approach for the retail business; the regulatory credit risk measurement methods used by DVB are based on the advanced IRB approach)
- Market risk: Predominantly the group's own internal model and, to a minor extent, the Standardized Approach
- Operational risk: Standardized Approach.

As at December 31, 2011, the companies in the DZ BANK banking group implemented the enhanced regulatory requirements of the Capital Requirements Directive (CRD) III concerning capital requirements for credit risk (securitizations in the trading book, re-securitizations in the banking book and trading book) and market risk in the trading book (crisis risk amount, additional default and migration risks, correlation trading portfolio). The resulting extension of the scope of the solvency report is the main reason for the year-on-year increase in the capital requirement.

In the year under review, DZ BANK continued to support the further development of banking supervision through its collaboration in the relevant committees, both at national and international levels.

REGULATORY CAPITAL RATIOS

As in prior years, the DZ BANK banking group's **regulatory capital** was calculated on the basis of the HGB single-entity financial statements of the companies included within the scope of consolidation and amounted to a total of €11,475 million as at December 31, 2011 (December 31, 2010: €10,967 million). There was an increase of €848 million in Tier 1 capital as at December 31, 2011, compared with the end of 2010. This increase stemmed largely from the fact that the appropriation of profit for 2010 was used to strengthen the capital base by a total of €489 million. The €67 million decrease in deductions for securitization exposures, together with changes in the scope of consolidation, also helped to increase Tier 1 capital. Expired capital elements in particular resulted in a total reduction of €340 million in Tier 2 capital, which could not be offset by the year-on-year reduction in the deduction for securitization exposures.

As at December 31, 2011, regulatory **capital adequacy requirements** were calculated at €7,970 million (December 31, 2010: €6,926 million). Of the year-on-year increase, €820 million was attributable to the enhanced capital requirements under the provisions of the Capital Requirements Directive (CRD) III, which were applicable for the first time at December 31, 2011; a further €112 million was attributable to a rise in the capital requirements for operational risk.

The **total capital ratio** declined from 12.7 percent (as at December 31, 2010) to 11.5 percent at the balance sheet date. As at December 31, 2011, the **Tier 1 capital ratio** was 10.1 percent, a decrease on the ratio of 10.6 percent as at December 31, 2010. Both these key ratios therefore exceeded the regulatory minimum ratios (8.0 percent for the total capital ratio and 4.0 percent for the Tier 1 capital ratio). The main reason behind the fall in the capital ratios was the new provisions under CRD III with tighter requirements regarding the measurement of market risk using internal models.

The effective Tier 1 capital ratio for the DZ BANK banking group as at December 31, 2011 was 11.7 percent. This figure already included the retention of the profit for 2011 and the reclassification of reserves in accordance with section 340f HGB.

Figure 13 provides an overview of the DZ BANK banking group's regulatory capital ratios.

FIG. 13 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP

€ million	Dec. 31, 2011	Dec. 31, 2010
Capital		
Tier 1 capital	10,056	9,208
Total Tier 2 capital after capital deductions	1,419	1,759
Total	**11,475**	**10,967**
Capital requirements		
Credit risk (including equity risk)	6,229	6,127
Market risk	1,150	320
Operational risk	591	479
Total	**7,970**	**6,926**
Capital ratios		
Total capital ratio	11.5%	12.7%
Tier 1 capital ratio	10.1%	10.6%

STRESS TESTS

At banking group level, DZ BANK conducts the quarterly regulatory stress tests that are required to verify that the group satisfies the solvency requirements in crisis situations. In these tests, a deterioration in credit ratings and collateral values is applied, depending on the bank and asset class concerned. In addition to this stress scenario, regulatory capital adequacy is tested by means of a standard scenario in which an even more significant deterioration in credit ratings is assumed. As at December 31, 2011, the solvency requirements were satisfied without qualification in both stress scenarios, as had also been the case 12 months earlier.

As in 2010, DZ BANK and material companies in the banking group successfully took part in the EU-wide stress test conducted by the European Banking Authority (EBA) in the second quarter of 2011. DZ BANK was also involved in the recapitalization survey (stress test) conducted among European banks by the EBA. This survey found that there would be a recapitalization requirement of approximately €350 million to achieve the minimum ratio of 9 percent for core Tier 1 capital specified by the EBA. DZ BANK plans to close this gap in capital from its own resources by June 30, 2012. The relevant plans have been submitted to the German financial services regulator. These plans include, in particular, the retention of profits, action in terms of some investments, and a reduction in the capital tied up in connection with portfolios that are being phased out. According to internal calculations, the minimum ratio for core Tier 1 capital was – to all intents and purposes – already at 8.9 percent at the end of 2011.

BASEL III

The European financial sector is faced with considerable challenges related to the implementation of European legislation in connection with Basel III, CRD IV, and the Capital Requirements Regulation (CRR). Besides higher capital requirements, more stringent definitions as regards capital, and a new calculation method for leverage, the legislation will also introduce a requirement to comply with two standardized liquidity ratios. These regulatory requirements must be gradually implemented in full between January 2013 and 2022.

As a consequence of CRD IV and CRR, there is also a requirement to bring the regulatory reporting system into line with IFRS. Currently, it can be assumed that the deadline for initial application of an IFRS-based group solvency report for German banks will be postponed by one year to January 1, 2014. DZ BANK is carrying out extensive work to transform the reporting system from HGB to IFRS compliance. This comprises a number of activities including the preparation of test accounts so that the impact can be assessed. These tests have shown that the new regulations are highly likely to have a significant effect on regulatory capital and regulatory capital ratios.

As the starting point for its activities under Basel III, DZ BANK has systematically identified opportunities and risks for the cooperative financial network and, as part of the strategic and operational planning process, is addressing in detail the tighter regulatory framework and its implications. Measures to implement these requirements in the group's operations have already been initiated and will continue in 2012 and

2013 as a matter of urgency. Efforts will be focused particularly on closely monitoring the main capital drivers and implementing the defined measures to reallocate capital in order to improve capital distribution within the DZ BANK banking group. From the current perspective, DZ BANK will satisfy the requirements of Basel III.

Despite the expected impact on the capital and risk situation in the DZ BANK banking group, DZ BANK believes that its sharp strategic focus on being a network-oriented central institution with close ties to the local cooperative banks offers ample potential for further network-based growth going forward.

3.4.3. R+V insurance group

INSURANCE COMPANY SOLVENCY

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

In the year under review, the R+V insurance group and all its constituent companies satisfied the minimum regulatory solvency requirements. As at December 31, 2011, preliminary figures show that the R+V insurance group's risk-bearing capacity for regulatory purposes (adjusted solvency) amounted to 128.1 percent compared with 135.9 percent as at December 31, 2010. The group had eligible own funds of €3,491 million at its disposal on December 31, 2011 (December 31, 2010, €3,541 million) to cover a solvency requirement of €2,725 million (December 31, 2010: €2,606 million). Analysis of the capital market scenarios applied in the internal planning shows that the R+V insurance group's solvency ratio will continue to exceed the minimum statutory requirement as at December 31, 2012.

SOLVENCY II

For a number of years, the EU Commission has been carrying out detailed work on a new regulatory model for insurance companies with the working title of Solvency II. The Solvency II Directive of the European Parliament and of the European Council was adopted on November 25, 2009. The provisions of this Directive must be transposed into national law by 2013. As things stand at the moment, the Solvency II rules will need to be applied from 2014 onward, although they will be subject to transitional periods.

R+V is well prepared to meet the regulatory challenges presented by Solvency II as a result of internal projects and working group activities and by virtue of its involvement in working groups of the Gesamtverband der Deutschen Versicherungswirtschaft e.V., Berlin, (GDV) [German Insurance Association] and BaFin. In a further dimension to these activities, R+V has also been involved in the impact studies conducted as part of the Solvency II project.

In the impact study conducted at December 31, 2009, and in the new internal calculations carried out as at December 31, 2010 using the same model as that used in the previous year's impact study, all material companies in the R+V insurance group each had at their disposal eligible own funds that well exceeded the solvency requirements for each individual company; in terms of the solvency of the group as a whole, the regulatory R+V group similarly had eligible own funds well in excess of the solvency requirements for the group. These calculations are being regularly updated throughout the group in preparation for Solvency II.

R+V is also part of an interdepartmental project working on the refinement of the economic risk capital model in the R+V insurance group to ensure that the group will meet future regulatory requirements for internal models.

4. CREDIT RISK

4.1. DEFINITION AND CAUSES

Credit risk or default risk is the risk of default on receivables resulting from the failure of counterparties to meet their contractual obligations. **Country risk** is the element of credit risk relating to the risk of default by a borrower abroad resulting from interruptions to the international payment transfer system in the borrower's country of residence (transfer risk). In addition, country risk refers to the risk that governments are unable or only partially able to meet their contractual obligations.

Credit risk may arise in traditional lending business and also in trading activities. **Traditional lending business** is for the most part commercial lending, including financial guarantee contracts and loan commitments. In the context of credit risk management, **trading activities** refers to securities business – comprising securities in both the banking book and the trading book including promissory notes, derivatives, and the assets underlying derivatives – and secured and unsecured money market business (including sale and repurchase agreements, referred to below as 'repo' transactions).

Credit risk in connection with trading activities arises in the form of replacement risk, settlement risk, and issuer risk. **Replacement risk** on derivatives is the risk of counterparty default before the settlement date of a trading transaction with a positive fair value. A financial loss arises from the need to replace the transaction at the prevailing market terms. Money market business (for example, repo transactions) also generates replacement risk.

Settlement risk arises in connection with trading transactions that are not processed concurrently. The risk is that counterparties do not meet their obligations, counter-performance already having taken place.

Issuer risk is the risk that the issuer of a security does not meet its contractual obligations. In this case, the holder of the security incurs a financial loss in the form of interest and principal payments not received. There are also issuer risks attached to derivative contracts (for example, credit derivatives), where the default of the underlying asset can lead to losses.

Credit risk from traditional lending business arises primarily at DZ BANK, BSH, DG HYP, DVB, TeamBank, and VR-LEASING. The risk results from the specific transactions in each company and therefore has varying characteristics in terms of diversification and size in relation to the volume of business.

Credit risk from trading activities arises particularly at DZ BANK, BSH, DG HYP, and DZ PRIVATBANK. Replacement risk and settlement risk arise largely in connection with DZ BANK's trading activities. Issuer risk results mainly from the trading activities and investment business conducted by DZ BANK, BSH, DG HYP, and DZ PRIVATBANK. BSH, DG HYP and DZ PRIVATBANK only incur credit risk on banking book trading activities. BSH restricts its investments mainly to investment-grade securities.

4.2. RISK STRATEGY

The DZ BANK Group pursues a strictly decentralized business policy aimed at promoting the cooperative banks and is bound by the core strategic guiding principle of 'a network-oriented central institution and financial services group'. The business and risk policy for the credit-risk-bearing core businesses in the group is formulated on the basis of risk-bearing capacity. The credit risk strategy therefore forms the basis for credit risk management and reporting across the whole group and ensures that there is a standard approach to credit risk within the group.

Lending throughout the group is predominantly based on the 'VR rating' system, a rating procedure developed by DZ BANK in collaboration with the BVR and WGZ BANK. Both DZ BANK and the subsidiaries with a material credit risk seek to maintain a good rating structure in their credit portfolios at all times. In the future, the portfolios 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 makes decisions during the course of the year to ensure that the rules for the medium-term and long-term credit risk strategy are adjusted in line with changing circumstances and current developments.

The following key aspects of DZ BANK's credit risk strategy were modified in the year under review:

- The upper limit on the size of loans allowed for non-banks was reduced.
- Future structured finance exposures will be aligned even more closely with cooperative network business.
- The credit quality requirements in export finance for bank clients were in some areas extended to include rating categories that presented a higher probability of default.
- The requirements applicable to the Group Treasury division in respect of the credit quality of liquid assets held for the purposes of liquidity management were specified more clearly.
- The management of limits for exposures to banks was aligned with the level of risk involved.

In addition, DG HYP's business strategy was reconfigured to sharpen its focus on its core German market.

4.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

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

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

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

4.4. RISK MANAGEMENT

4.4.1. Credit rating systems

RATING SYSTEM CHARACTERISTICS

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

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

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

DEVELOPMENT OF RATING SYSTEMS

A number of internal rating systems that had been revised or newly designed in 2010 were implemented in the year under review. These included a new asset finance rating system (shipping finance rating system) used by DZ BANK and a newly designed system for rating investment funds. The regulator has approved the shipping finance rating system as suitable for determining the regulatory capital requirement. DZ PRIVATBANK S.A. has been using the newly developed rating system for securities financing business since the first half of 2011. In addition, the rating systems used for the banking and country rating segments that were fundamentally revised in 2010 were implemented at DZ BANK in the year under review.

VR MASTER SCALE

The VR master scale serves as a groupwide rating benchmark with which to standardize the different rating systems used by the companies in the DZ BANK Group as a result of differences in their business priorities. It thereby provides all group companies with a consistent view of counterparties' credit ratings. The VR master scale is shown in figure 14.

RATING DESK

The VR rating systems for banks and countries are also available to DZ BANK subsidiaries and the cooperative banks. Users can enter into a master agreement to access the ratings via an IT application (Rating Desk), which is available throughout the cooperative financial network, in return for the payment of a fee. Any accessed ratings are first validated by the companies in the DZ BANK Group or the cooperative banks before they are included in the user's credit procedures.

FIG. 14 – VR MASTER SCALE

Internal rating classes			
Cooperative financial network	DZ BANK (VR master scale)	Average default probability	Rating category
0A	1A	0.01 %	Investment grade
0B	1B	0.02 %	
0C	1C	0.03 %	
0D	1D	0.04 %	
0E	1E	0.05 %	
1A	2A	0.07 %	
1B	2B	0.10 %	
1C	2C	0.15 %	
1D	2D	0.23 %	
1E	2E	0.35 %	
2A	3A	0.50 %	
2B	3B	0.75 %	Non-investment grade
2C	3C	1.10 %	
2D	3D	1.70 %	
2E	3E	2.60 %	
3A	4A	4.00 %	
3B	4B	6.00 %	
3C	4C	9.00 %	
3D	4D	13.50 %	
3E	4E	30.00 %	
4A	5A	Past due >90 days	Default
4B	5B	Specific loan loss allowance	
4C	5C	Exemption from interest/debt restructuring	
4D	5D	Insolvency	
4E	5E	Compulsory winding-up/ derecognition	
Not rated			

4.4.2. Pricing in the lending business

To ensure that lending business remains profitable, **standard risk costs** are determined in the management of individual transactions in many parts of the group. 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 DZ BANK's contribution margin costing. In this way, DZ BANK obtains a return on the economic capital tied up that is in line with the risk involved and that covers any unexpected losses arising from the lending business. At the same time, pricing also includes an appropriate amount to cover the costs of risk concentration. The methods used by the companies in the group to manage individual transactions vary according to the particular features of the product or business concerned.

4.4.3. Management of exposure in traditional lending business

MEASURING EXPOSURES IN TRADITIONAL LENDING BUSINESS

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

In traditional lending business, the credit exposure or lending volume is the same as the nominal value of the total loan book and reflects the maximum volume at risk of default. The credit exposure is a gross value because risk-bearing financial instruments are measured before the application of any credit risk mitigation and before the recognition of any allowances for losses. In the case of loans and undrawn loan commitments, the gross lending volume is based on carrying amounts. In the lease business minimum lease payments are used as a basis for measuring the gross lending volume, while principal amounts are used for this purpose in building society operations. In addition, loans and advances to customers in building society operations are reduced by the associated deposits. The maximum credit exposure comprises the total lines of credit committed to third parties, or in the case of limit overruns, the higher amounts already drawn.

LIMIT SYSTEM FOR MANAGING EXPOSURES IN TRADITIONAL LENDING BUSINESS

Limits are set in the relevant group companies for individual borrowers. Group limits are also set at DZ BANK Group level for critical counterparties. As a prerequisite for prompt monitoring of limits, suitable **early warning processes** have been established in group companies that are of material significance for the group's credit risk. Loan agreements frequently include financial covenants that act as early warning indicators for changes in credit standing and as a tool for proactive risk management. In addition, DZ BANK has set up processes to handle instances in which **limits have been exceeded.** The main subsidiaries have similar procedures adapted to the needs of their particular business models. **Country exposure** in the traditional lending business is managed by setting limits for individual countries at the DZ BANK Group level.

4.4.4. Management of credit exposure in trading transactions

MEASURING CREDIT EXPOSURE IN TRADING TRANSACTIONS

Replacement risk, settlement risk, and issuer risk are exposure-based measurements of the maximum potential loss in trading transactions. These are determined without taking into account the likelihood of a default. In order to determine the credit exposure, securities in the banking book and trading book are predominantly measured at fair value (nominal amounts are used in building society operations) and derivatives at a loan equivalent value.

Replacement risk on derivatives is calculated mainly on the basis of fair value and the add-on for an individual transaction. The add-on takes into account specific risk factors and residual maturities. Where legally enforceable, netting agreements and collateral agreements are used at counterparty level to reduce exposure.

As regards **settlement risk,** the amount to be set aside is deemed to be the amount owed, i.e. the amount actually due to be paid by the counterparty to DZ BANK. Settlement risk is recognized for the specified settlement period.

At group level, **issuer risk** is determined on the basis of the fair value of securities positions. In a few subsidiaries, nominal values are also used. Risks relating to the underlying instruments in derivative transactions are also included in issuer risk.

LIMIT SYSTEM FOR MANAGING TRADING EXPOSURE

DZ BANK has established a volume-oriented **limit system** to limit the credit risk arising from trading business. Replacement risk is managed via a structure of limits broken down into maturity bands. A daily limit is set in order to manage settlement risk. A general or specific limit related to credit ratings is determined for each issuer as the basis for managing issuer risk. Pfandbriefs and asset-backed securities are subject to separate limits. Material subsidiaries have their own comparable limit systems. Exposure in connection with DZ BANK's trading business is measured and monitored using a standard method and a central, IT-supported limit management system to which all relevant trading systems are connected. The trading exposure for the group is also aggregated by the same IT system.

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

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

4.4.5. Management of risk concentration and correlation risks

CONCENTRATIONS OF RISK IN CREDIT AND COLLATERAL PORTFOLIOS

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

CORRELATION RISK

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

MEASURES TO PREVENT CONCENTRATION RISK AND CORRELATION RISK

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

These requirements are based on the Credit Support Annex (ISDA Master Agreement) and the Collateralization Annex (German Master Agreement for Financial Futures) and stipulate that only generally approved collateral in the form of cash (mainly in euros or US dollars), investment-grade government bonds, and/or Pfandbriefs can usually be used for mitigating risks arising from **OTC derivatives**. High-grade collateral is also required for **reverse repo transactions** in compliance with the DZ BANK's own internal minimum requirements and the generally accepted master agreements, although the range of collateral is somewhat broader here than in the case of OTC derivatives. In addition, the prompt evaluation of collateral within the agreed margining period also helps to limit risk.

4.4.6. Minimizing credit risk

COLLATERAL STRATEGY AND SECURED TRANSACTIONS

In accordance with the DZ BANK Group'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.

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

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

Secured transactions in traditional lending business encompass commercial lending including financial guarantee contracts and 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.

TYPES OF COLLATERAL

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

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

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

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

MANAGEMENT OF TRADITIONAL LOAN COLLATERAL

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

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

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

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

COLLATERAL MANAGEMENT

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

DZ BANK's policy on collateral regulates the content of collateral agreements and the responsibilities and authorities for implementing the rights and obligations they confer within the bank. This policy specifies contract parameters, such as the quality of collateral, frequency of transfer, minimum transfer amounts, and thresholds. DZ BANK regularly uses bilateral collateral agreements. Exceptions apply to cover assets and special purpose entities, as the special legal status of the counterparties means that only unilateral collateral agreements can be usefully enforced, and to supranational or government entities. Any decision not to use a bilateral collateral agreement must be approved by a person with the relevant authority. Netting and collateralization generally result in a significant reduction in the exposure from trading business. IT systems are used to measure exposures and collateral. Margining is carried out on a daily basis for the vast majority of collateral agreements in accordance with the collateral policy.

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

4.4.7. Management of non-performing exposures

MANAGING AND MONITORING NON-PERFORMING EXPOSURES

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

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

Where required, similar procedures have been implemented in the main subsidiaries, where they are adapted to the characteristics of the risks faced by each particular business.

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

The following descriptions apply to DZ BANK. The main subsidiaries have implemented comparable guidelines on the recognition of provisions, impairment losses, and allowances for losses on loans and advances adapted in line with their respective business activities.

A transaction is deemed to be '**past due**' if interest payments, repayments of principal, or settlements of other receivables are more than one day in arrears. A borrower is classified as a '**default**' if the borrower is not expected to meet his/her payment obligations in full without the need for action such as the recovery of any available collateral. Regardless of this definition, a borrower is classified as in default according to SolvV criteria if payments are past due by more than 90 days.

If there is objective evidence that the value of repayments under **loans** is impaired, a review is carried out to establish whether it is likely that the borrower will not meet his/her contractual obligations in full and whether a financial loss could be incurred. **Specific loan loss allowances** are recognized for the difference between the carrying amount of the loan or advance and the net present value of the anticipated payments, including any proceeds from the recovery of collateral.

Provisions are recognized for loan commitments and for liabilities under financial guarantee contracts in an amount equivalent to the difference between the present value of the potential default amount and the present value of expected payments, provided that it is probable the obligation will be actually incurred.

If no specific allowances are recognized for losses on payments due under loans or if there are no provisions for loan commitments or liabilities under financial guarantee contracts, then these transactions are recognized in the **portfolio loan loss allowance.** As soon as an impairment becomes apparent or a transaction is identified as requiring a provision or liability, it is derecognized from the portfolio and recognized as a specific loan loss allowance. The calculation of the portfolio loan loss allowance is based on the calculation of expected losses used for regulatory purposes.

Latent country risk is recognized in the specific loan loss allowances and in the portfolio loan loss allowances.

In **trading units,** derivatives business and parts of the securities and money market business are measured at fair value through profit or loss. Any impairment is therefore immediately recognized in the income statement and the balance sheet, precluding the need for the recognition of any allowances for losses. For securities and money market placements that are recognized at amortized cost or fair value through other comprehensive income, impairment losses are determined using the same procedure as that for loans.

BSH, DG HYP, and TeamBank recognize specific loan loss allowances evaluated on a group basis for their retail business **in addition to specific loan loss allowances.** These specific loan loss allowances evaluated on a group basis are based on cash flows from credit portfolios with the same risk characteristics analyzed using migration scenarios and probabilities of default.

4.4.8. Credit portfolio management

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

Portfolio models are also used together with value-at-risk methods to quantify unexpected losses that may arise from the credit portfolios of group companies. Credit value-at-risk describes the risk of unexpected losses arising should a default event occur in the credit portfolio. Credit value-at-risk is measured using credit portfolio models that take into account concentrations and also reflect the rating structure of the credit portfolio. The measurement includes credit risk and liquidation risk from both lending and trading businesses.

4.4.9. Managing credit risk arising from securitizations

OBJECTIVES AND SCOPE OF SECURITIZATION

The DZ BANK Group uses securitization as a credit portfolio management tool and to optimize its risk/return profile.

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

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

The CORAL ABCP program has been set up to provide securitization of assets from European companies. This program is currently funded primarily by liquidity lines, but DZ BANK is seeking to extend the funding using ABCP.

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

Figure 15 shows the main exposures held by the companies in the DZ BANK Group as **originator** and **sponsor.** From a regulatory perspective, the securitizations are transactions that need to be backed by capital.

FIG. 15 – SECURITIZATION EXPOSURES OF THE COMPANIES IN THE DZ BANK GROUP IN THEIR CAPACITY AS ORIGINATORS AND SPONSORS

Company & transaction	Type of transaction	Role	Purpose of transaction	Type of assets	Volume[1]		Retained exposures		Comments (Dec. 31, 2011)
					Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	
DZ BANK									
CORAL	ABCP conduit	Sponsor	Generation of commission income	Loans and advances to European corporates and an ABS exposure	€0.9 billion	€0.8 billion	Commitments of €0.9 billion, €0.76 billion of which has been utilized	Commitments of €0.8 billion, €0.78 billion of which has been utilized	Provision of liquidity lines
AUTOBAHN	ABCP conduit	Sponsor	Generation of commission income	Loans and advances to North American customers	€2.1 billion	€1.5 billion	Commitments of €2.1 billion, €0.02 billion of which has been utilized	Commitments of €2.4 billion, €0.04 billion of which has been utilized	Provision of liquidity lines
DG HYP									
PROVIDE VR	Synthetic RMBSs[2]	Originator	Optimization of capital employed; reduction of credit risk	Mortgage-backed real-estate loans in German retail business	€0.3 billion	€0.5 billion	Exposure of €24 million	Exposure of €27 million	Including first-loss pieces for which adequate impairment losses have been recognized
PROSCORE VR	Synthetic CMBSs[2]	Originator	Optimization of capital employed; reduction of credit risk	Mortgage-backed real-estate loans to corporates in Germany	€0.1 billion	€0.2 billion	Exposure of €10 million	Exposure of €12 million	Including first-loss pieces for which adequate impairment losses have been recognized
VR-LEASING									
CORAL[3]	Lease securitization	Originator	Capital and liquidity management; transfer of risk	Lease receivables from corporates in Germany	€0.3 billion	€0.3 billion	Credit enhancements amounting to €16 million	Credit enhancements amounting to €15 million	Credit enhancements not hedged

1 Disclosures before consolidation
2 CMBSs = commercial mortgage-backed securities; RMBSs = residential mortgage-backed securities
3 Contained in DZ BANK's CORAL program

DZ BANK's **investor-related exposures** are assigned to the banking book and, to a lesser extent, the trading book. These exposures are actively managed with the aim of optimizing the portfolio and reducing risk. From a strategic viewpoint, there are no plans for new securitization exposures.

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

CAUSES OF RISK

Credit risk in connection with securitizations in the banking book arises primarily from investments in securitizations, the provision of liquidity facilities for ABCP, and the necessary retention of securitization tranches that DZ BANK issues itself. The liquidity facilities provided as part of the ABCP programs are managed in the banking book. The resulting risk largely depends on the quality of the asset pool.

In the context of the portfolio as a whole, the re-securitization exposures and related risks are of minor significance. Risks in connection with these exposures are essentially attributable to the complexity of the securitization structures, in which the securitized exposure in turn comprises one or more other securitization exposures. Examples of these structures are collateralized debt obligations (CDOs) linked to ABS exposures.

ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

Exposures to asset-backed securities (ABSs), which for the DZ BANK Group constitute investor-related exposures within the meaning of SolvV, are **managed** by the relevant group companies and are subject to the groupwide risk management standards. These standards require that securitization exposures should be individually analyzed and limited.

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

Portfolio risk exposures are reported once a month at group level to the DZ BANK Group's credit management function and to DZ BANK's Board of Managing Directors; this reporting process covers the group's aggregate risk exposure. This enables the group to manage the risks it incurs from structured products by applying a groupwide global limit.

RISK MONITORING AND STRESS TESTS

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

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

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

The economic stress tests encompass both the credit risk and the spread risk arising from the DZ BANK Group's entire securitization exposures.

RISK MITIGATION

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

4.5. LENDING VOLUME

4.5.1. Classes and concentrations

The 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. This breakdown corresponds to the risk classes required for the external reporting of risks arising from financial instruments. The credit-risk-bearing instruments are also classified by sector, country group, credit rating, and term to maturity. This breakdown highlights any concentrations of volume.

4.5.2. Reconciliation of lending volume to the consolidated financial statements

Figure 16 shows a reconciliation from the gross lending volume used for internal group management to individual balance sheet items. The main reasons for the discrepancies between the internal management figures and those in the external financial statements are differences in the basis of consolidation, differences in the definition of lending volume, and various differences between measurement methods.

Differences in the **scope of consolidation** result from the fact that, in internal risk management, only the companies in the DZ BANK Group that contribute significantly to the overall risk of the group are included.

With regard to the **definition of lending volume**, a proportion of R+V's investments that the management does not consider to be credit-risk-bearing securities business is managed under actuarial risk. This is because these asset items largely correspond to insurance liabilities. These two items are offset against each other in the internal management of risk.

The discrepancy in the **securities business** is mainly due to the variations in carrying amounts that arise because the issuer risk attaching to the underlying transaction in credit derivatives is recognized in the internal management accounts, whereas credit derivatives are recognized at their fair value as financial assets or financial liabilities held for trading in the consolidated financial statements.

Measurement differences in **derivatives business** and **money market business** are mainly because countervailing positions are offset for the purposes of risk management, whereas positions are not netted in this way in the consolidated financial statements. In addition, add-ons are attached to the current fair values of derivative positions in the internal management accounts to take account of potential future changes in their fair value. By contrast, the external financial statements focus exclusively on the fair values determined on the valuation date, and, unlike in the internal accounts, collateral is not recognized for risk mitigation purposes.

In **money market business** further discrepancies arise between the consolidated financial statements and internal credit risk reports due to the method in which repo transactions are recognized. In contrast to the consolidated accounts, collateral provided or received for securities is offset against the corresponding assets or liabilities in the internal management accounts.

To provide a complete picture, the volume of **investments held by insurance companies** shown in the reconciliation is broken down by debtor group and credit rating category in figure 17. The investments held by R+V are included in the overall risk analysis for the DZ BANK Group via actuarial risk.

FIG. 16 – RECONCILIATION OF THE LENDING VOLUME

€ billion

	Lending volume for internal management accounts		Reconciliation					
			Scope of consolidation		Definition of the lending volume		Carrying amount and measurement	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Traditional lending business	206.3	198.5	4.1	4.2	–	–	-0.5	-1.5
Securities business	90.7	95.3	0.3	0.4	52.1	50.6	-13.0	-12.1
Derivatives business	11.4	8.5	–	–	–	–	-14.7	-11.7
Money market business	6.1	3.6	–	–	–	–	28.1	24.6
Total	314.5	305.9	4.4	4.6	52.1	50.6	-0.2	-0.7
			Balance as at Dec. 31, 2011				56.3	
			Balance as at Dec. 31, 2010				54.5	

1 As at December 31, 2011, the investments held by insurance companies recognized in the internal management accounts of the DZ BANK Group amounted to €437 million (December 31, 2010: €699 million). In the 'Definition of the lending volume' section of the reconciliation, this amount is deducted from the investments held by insurance companies that are reported under 'Lending volume for the consolidated financial statements'.

Lending volume for the consolidated financial statements

Dec. 31, 2011		Dec. 31, 2010			Section of notes
209.9	65.2	201.2	62.0	**Loans and advances to banks**	
	65.4		62.1	of which: loans and advances to banks excluding money market placements	45
	-0.2		-0.2	of which: allowances for losses on loans and advances to banks	47
	118.2		113.7	**Loans and advances to customers**	
	120.3		115.8	Loans and advances to customers excluding money market placements	46
	-2.1		-2.1	of which: allowances for losses on loans and advances to customers	47
	26.4		25.5	**Financial guarantee contracts and loan commitments**	82
130.1	77.6	134.2	82.9	**Bonds and other securities**	
	17.3		26.0	of which: financial assets held for trading/bonds excluding money market placements	49
	2.2		1.8	of which: financial assets held for trading/promissory notes, registered bonds, and loans and advances	49
	58.1		55.1	of which: investments/bonds excluding money market placements	50
	52.5		51.3	**Investments held by insurance companies**[1]	
	5.7		5.0	of which: mortgage loans	51
	10.5		11.2	of which: promissory notes and loans	51
	10.0		10.1	of which: registered bonds	51
	1.7		1.7	of which: other loans	51
	4.3		4.5	of which: variable-yield securities	51
	19.9		18.6	of which: fixed-income securities	51
	0.2		0.1	of which: derivatives (positive fair values)	51
	0.2		0.1	of which: deposits with ceding insurers	51
-3.3	-3.3	-3.2	-3.2	**Derivatives**	
	0.9		0.8	of which: derivatives used for hedging (positive fair values)	48
	32.9		23.6	of which: financial assets held for trading/derivatives (positive fair values)	49
	-2.6		-1.4	of which: derivatives used for hedging (negative fair values)	60
	-34.6		-26.2	of which: financial assets held for trading/derivatives (negative fair values)	61
34.2	34.2	28.2	28.2	**Money market placements**	
	14.6		11.5	of which: loans and advances to banks/money market placements	45
	0.5		0.5	of which: loans and advances to customers/money market placements	46
	0.1		0.4	of which: financial assets held for trading/money market instruments	49
	18.9		15.4	of which: financial assets held for trading/money market placements	49
	0.1		0.5	of which: investments/money market instruments	50
370.8		**360.4**		**Total**	

FIG. 17 – INVESTMENTS HELD BY INSURANCE COMPANIES BY BORROWER GROUP AND RATING CATEGORY

	Investment grade		Non-investment grade		Default		Not rated[1]		Total	
€ billion	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Financial sector	25.5	24.7	0.6	0.5	–	–	–	–	26.1	25.3
Public sector	11.9	12.6	0.7	0.5	–	–	–	–	12.6	13.1
Corporates	3.4	2.9	0.1	0.1	–	–	–	–	3.5	3.0
Other	5.9	5.1	–	–	–	–	4.6	4.8	10.4	9.9
Total	46.7	45.4	1.3	1.1	–	–	4.6	4.8	52.6	51.3

1 The 'not rated' column largely comprises variable-yield securities, predominantly equities and investment fund shares/units

4.5.3. Change in lending volume

The total lending volume of the DZ BANK Group was up by 3 percent to €314.5 billion as at December 31, 2011 (December 31, 2010: €306.0 billion). Figure 18 shows a breakdown by type of business and average lending volume by type of business. The average lending volume for the year was determined as the arithmetic mean of the balance of loans and advances at the end of each quarter in the year under review.

The year under review saw a continuous increase in lending volume, particularly in **traditional lending business** with a very high level of credit quality. The year-on-year growth in traditional lending business amounted to €7.7 billion as at December 31, 2011, with most of this growth being accounted for by DZ BANK and DVB. As at December 31, 2011, loans and advances in the traditional lending business were €5.5 billion (December 31, 2010: €0.7 billion) or 3 percent (December 31, 2010: 0.4 percent) above the average value for the year of €201 billion.

In contrast, the contraction in **securities business** lending volume, which had begun back in 2009, continued. Most of this decrease in securities business was attributable to the financial sector. The growth in lending to the public sector stemmed largely from top-rated German securities. As at December 31, 2011, the credit exposure in the securities business amounted to €90.7 billion (December 31, 2010: €95.3 billion), a decrease of 2 percent (December 31, 2010: 7 percent) on the average for the year of €92.3 billion (2010: €101.9 billion). This development is a result of the continued reduction in the bond portfolio (the reduction focusing increasingly on financial industry securities) consistent with corporate strategy since the start of the financial crisis in 2007.

The increase in lending for **derivatives and money market operations** was mainly attributable to the expansion of DZ BANK's business with top-rated borrowers. The average lending was calculated to be €15.3 billion in 2011 (2010: €14.1 billion), with the year-end value of €17.5 billion (December 31, 2010: €12.1 billion) exceeding the average for the year by 12 percent. In 2010, the average value for the year was 16 percent higher than the year-end value. The increase was attributable both to the expansion in derivatives and money market business and also to market effects in the derivatives business, primarily in interest-rate derivatives and credit derivatives, where wider credit spreads were reflected in increasing add-ons. The money market business was subject to normal wide fluctuations during the course of the year.

Given the efficiency of the workout process in the DZ BANK Group, the role played by **calling in collateral** during the course of workout procedures for non-performing borrowers was as negligible in 2011 as in 2010.

4.5.4. Sector structure of the credit portfolio

The sectoral breakdown of the credit portfolio presented in figure 18 shows that the total volume of lending as at December 31, 2011 continued to be highly concentrated in the financial sector (42 percent), a situation that had changed little since December 31, 2010 (43 percent). In addition to the local cooperative banks, the borrowers in this customer segment comprised banks from other

FIG. 18 – LENDING VOLUME BY SECTOR, AVERAGE LENDING VOLUME

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Financial sector	74.9	71.1	44.5	50.0	14.0	10.1	133.4	131.1
Public sector	8.5	9.2	32.9	27.7	0.6	0.4	42.0	37.3
Corporates	78.1	74.5	3.7	4.8	2.2	1.3	84.0	80.5
Retail	40.4	39.1	6.1	8.3	–	–	46.5	47.5
Industry conglomerates	3.3	3.5	3.6	4.5	0.6	0.3	7.5	8.4
Other	1.1	1.1	–	–	–	–	1.1	1.1
Total	**206.3**	**198.5**	**90.7**	**95.3**	**17.5**	**12.1**	**314.5**	**306.0**
Average for the reporting period	200.8	197.8	92.3	101.9	15.3	14.1	308.3	313.8

FIG. 19 – LENDING VOLUME BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Germany	162.4	154.6	50.9	44.9	9.6	7.1	222.9	206.6
Other industrialized nations	38.3	37.1	37.7	49.6	7.4	4.8	83.4	91.5
Non-industrialized nations	5.6	6.8	2.1	0.8	0.5	0.2	8.1	7.8
Total	**206.3**	**198.5**	**90.7**	**95.3**	**17.5**	**12.1**	**314.5**	**306.0**

FIG. 20 – LENDING VOLUME BY RESIDUAL MATURITY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
≤ 1 year	50.0	62.5	19.9	26.1	10.9	7.1	80.8	95.8
> 1 year to ≤ 5 years	52.0	50.0	36.1	34.1	2.5	2.3	90.7	86.3
> 5 years	104.3	86.1	34.7	35.1	4.1	2.7	143.0	123.9
Total	**206.3**	**198.5**	**90.7**	**95.3**	**17.5**	**12.1**	**314.5**	**306.0**

sectors of the credit industry and other financial institutions.

In its role as the central institution for the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK provides funding for the companies in the DZ BANK Group and for the local cooperative banks. For this reason, the local cooperative banks account for one of the largest loans and advances items in the DZ BANK Group's credit portfolio. DZ BANK also supports the local cooperative banks in the provision of larger-scale funding to corporate customers. The resulting syndicated business, DZ BANK, DG HYP and DVB's direct business with corporate customers in Germany and abroad, the retail real-estate business under the umbrella of BSH, and TeamBank's consumer finance business determine the sectoral breakdown of the remainder of the portfolio.

4.5.5. Geographical structure of the credit portfolio

Figure 19 shows the geographical distribution of the credit portfolio by **country group.** As at December 31, 2011, more than 97 percent of the total lending volume continued to be concentrated in Germany and in other industrialized countries, so there had been practically no change over the previous 12 months. Supranational institutions such as the World Bank and European Investment Bank are included in the figures for non-industrialized countries. During the year under review, the volume of loans and advances to such institutions increased by around €1 billion.

4.5.6. Residual maturity structure of the credit portfolio

The breakdown of the credit portfolio by residual maturity presented in figure 20 shows that the lending volume as at December 31, 2011 had grown year-on-year by €4 billion in the mid-maturity band and by €19 billion in the longest band. In contrast, the shortest maturity band shows a contraction of €15 billion. These changes were largely attributable to changes at DZ BANK. Contrary to the trend at group level, a significant feature of DG HYP's credit portfolio was the reduction in lending volume in traditional lending business in line with corporate strategy.

4.5.7. Rating structure of the credit portfolio

Figure 21 shows the DZ BANK Group's lending volume by **rating class** according to the VR master scale. 'Not rated' comprises counterparties for which a rating classification is not required.

The proportion of the total credit portfolio accounted for by rating classes 1A to 3A (investment grade) remained unchanged at 77 percent between December 31, 2010 and December 31, 2011. Within the 'investment grade' category, there were increases in the proportions of some of the rating classes, particularly the best classes of 1A to 1D. The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) remained almost unchanged at 21 percent between December 31, 2010 and December 31, 2011. Defaults in rating classes 5A to 5E as at December 31, 2011 accounted for 2 percent of the DZ BANK Group's total lending volume and thus remained at the low level of the previous year.

4.5.8. Single-borrower concentrations

As at December 31, 2011, the 10 counterparties associated with the largest lending volumes accounted for 8 percent of the DZ BANK Group's total lending exposure (December 31, 2010: 7.5 percent). These counterparties comprised exclusively financial-sector and public-sector borrowers domiciled in Germany. All these exposures consisted of investment-grade lending with a rating of 2D or better.

4.5.9. Collateralized lending volume

Figure 22 shows the breakdown of collateralized lending volume by type of collateral and class of risk-bearing instrument at overall portfolio level. In the case of traditional lending business, figures are reported before the application of any offsetting agreements, whereas the collateralized exposures in the securities business and derivatives and money market business are shown net.

Collateralized lending volume saw a year-on-year increase of 9 percent. As the underlying gross lending volume only grew by 3 percent, the collateralization rate of 25 percent as at December 31, 2011 was slightly higher than the equivalent figure of 24 percent as at December 31, 2010.

In traditional lending business, the greatest proportion of collateralized lending volume – 68 percent as at December 31, 2011 (December 31, 2010: 67 percent) – was accounted for by lending secured by charges over physical assets such as land charges, mortgages, and registered ship mortgages. These types of collateral are particularly important for BSH, DG HYP, and DVB. In contrast, charges over physical assets are of lesser importance at DZ BANK because DZ BANK bases its lending decisions primarily on borrower credit quality. Other collateral mostly comprises asset collateral at VR-LEASING.

In the securities business, there is generally no further collateralization to supplement the hedging activities already taken into account. Equally, in derivatives and money market business, collateral received under collateral agreements is already factored into the calculation of gross lending volume with the result that only a comparatively low level of collateral (personal and financial collateral) is then additionally reported.

4.5.10. Investment-grade lending volume

Figures 23 and 24 show the lending volume that

FIG. 21 – LENDING VOLUME BY RATING CLASS

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
1A	11.1	10.7	39.0	36.4	3.1	1.0	53.3	48.1
1B	0.7	0.2	5.2	5.3	0.5	0.5	6.5	6.0
1C	65.3	63.4	12.1	11.9	5.1	4.6	82.5	79.9
1D	1.1	0.6	3.8	4.3	0.9	0.5	5.7	5.4
1E	1.2	2.1	1.2	2.5	0.7	0.3	3.1	5.0
2A	6.9	4.9	4.2	6.9	0.9	0.9	12.0	12.7
2B	12.9	10.0	7.9	5.3	1.9	0.8	22.7	16.2
2C	6.8	7.0	6.9	12.3	1.7	1.7	15.4	21.0
2D	9.5	9.1	2.7	2.1	0.6	0.3	12.8	11.5
2E	11.1	11.8	2.1	1.6	0.8	0.4	14.0	13.8
3A	11.6	12.6	1.0	2.6	0.3	0.2	12.8	15.4
3B	15.7	14.5	0.8	0.5	0.1	0.1	16.7	15.0
3C	10.2	11.9	1.1	0.6	0.1	0.2	11.5	12.7
3D	8.4	7.3	0.3	–	0.2	0.1	8.9	7.5
3E	9.3	7.8	0.3	0.2	–	0.1	9.6	8.1
4A	2.2	3.2	0.3	0.4	–	–	2.5	3.6
4B	1.6	1.4	0.2	0.3	–	–	1.8	1.7
4C	4.8	4.2	0.1	0.1	–	–	5.0	4.4
4D	5.3	4.8	–	0.1	–	–	5.3	4.9
4E	4.4	4.7	0.9	1.1	0.1	0.1	5.4	6.0
Default	4.7	4.9	0.3	0.2	–	–	5.1	5.1
Not rated	1.5	1.5	0.1	0.4	0.4	0.2	2.0	2.1
Total	**206.3**	**198.5**	**90.7**	**95.3**	**17.5**	**12.1**	**314.5**	**306.0**

FIG. 22 – COLLATERALIZED LENDING VOLUME BY TYPE OF COLLATERAL

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Guarantees, indemnities, risk subparticipation	16.5	15.8	–	–	0.3	0.2	16.8	15.9
Credit insurance	1.3	1.0	–	–	–	–	1.3	1.0
Land charges, mortgages, ship mortgages	53.4	48.2	–	–	0.1	0.1	53.5	48.3
Pledged loans and advances, assignments, other pledged assets	1.3	1.2	–	–	–	–	1.3	1.2
Financial collateral	0.8	1.0	–	–	0.4	–	1.2	1.2
Other collateral	5.1	4.8	–	–	–	0.2	5.1	4.8
Collateralized lending volume	**78.4**	**72.0**	**–**	**–**	**0.8**	**0.4**	**79.1**	**72.4**
Gross lending volume	206.3	198.5	90.7	95.3	17.5	12.1	314.5	306.0
Uncollateralized lending volume	**127.9**	**126.5**	**90.7**	**95.3**	**16.7**	**11.7**	**235.3**	**233.5**

FIG. 23 – LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY SECTOR

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Financial sector	133.4	131.1	133.0	130.8
Public sector	42.0	37.3	42.0	37.3
Corporates	84.0	80.5	80.1	76.5
Retail	46.5	47.5	44.9	45.7
Industry conglomerates	7.5	8.4	7.5	8.3
Other	1.1	1.1	1.1	1.0
Total	**314.5**	**306.0**	**308.5**	**299.7**

FIG. 24 – LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY COUNTRY GROUP

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Germany	222.9	206.6	219.5	203.1
Other industrialized nations	83.4	91.5	81.2	89.7
Non-industrialized nations	8.1	7.8	7.9	6.9
Total	**314.5**	**306.0**	**308.5**	**299.7**

FIG. 25 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY SECTOR

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days to 1 month		Past due > 1 month to 2 months		Past due > 2 months to 3 months		Past due > 3 months		Total	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Financial sector	44	12	3	2	1	5	1	–	7	10	56	28
Public sector	17	12	–	1	1	1	–	–	–	–	19	13
Corporates	212	370	429	304	502	229	55	30	226	240	1,425	1,173
Retail	500	508	72	122	27	40	11	13	42	62	653	746
Industry conglomerates	–	–	6	–	–	–	–	–	–	–	6	–
Other	–	1	4	10	2	3	1	1	2	3	10	19
Total	**774**	**902**	**515**	**439**	**534**	**277**	**68**	**45**	**278**	**315**	**2,168**	**1,979**

FIG. 26 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY COUNTRY GROUP

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days to 1 month		Past due > 1 month to 2 months		Past due > 2 months to 3 months		Past due > 3 months		Total	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Germany	732	777	103	56	196	105	44	35	167	215	1,241	1,187
Other industrialized nations	43	7	387	107	337	57	24	–	87	30	877	201
Non-industrialized nations	–	117	25	277	1	116	–	10	24	70	50	590
Total	**774**	**902**	**515**	**439**	**534**	**277**	**68**	**45**	**278**	**315**	**2,168**	**1,979**

is neither impaired nor past due, i.e. the investment-grade proportion of the total credit portfolio.

This proportion of the portfolio accounted for 98 percent of the overall lending volume as at December 31, 2011, unchanged from the previous year. The large proportion of investment-grade business is attributable to the risk-conscious lending policy that the group continued to pursue in 2011.

4.5.11. Lending volume past due but not impaired

Figures 25 and 26 show the portion of the lending volume that is past due but not impaired. The disclosures relate for the most part to traditional lending business. Because of the conservative risk provisioning policy of the companies in the DZ BANK Group, past-due loans only account for a relatively small proportion of the overall credit portfolio.

The increase in the lending volume past due but not impaired was particularly attributable to methodology adjustments at DZ BANK. The past-due loans in arrears by more than 3 months amounting to €278 million (December 31, 2010: €315 million) were predominantly loans secured by mortgages. The internal limit for these loans was €213 million as at December 31, 2011 (December 31, 2010: €334 million).

4.5.12. Collateralized lending volume

Figures 27 and 28 show the impaired lending volume. The disclosures relate for the most part to traditional lending business. As at December 31, 2011, the lending volume after allowances and impairment losses was €1,994 million (December 31, 2010: €2,417 million). The year-on-year decrease was largely attributable to corporate business in DVB.

The amounts reported for December 31, 2010 before specific loan loss allowances (total: €4,317 million) and after specific loan loss allowances (total: €2,417 million) have been restated from the figures shown in the 2010 group management report's risk report (totals: €5,078 million and €3,178 million respectively).

FIG. 27 – IMPAIRED LENDING VOLUME, BY SECTOR

	Impaired lending volume					
	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Financial sector	300	354	235	208	65	146
Public sector	–	–	–	–	–	–
Corporates	2,443	2,805	1,083	1,117	1,360	1,688
Retail	992	1,091	429	548	562	542
Industry conglomerates	3	37	–	–	3	37
Other	18	30	14	26	4	3
Total	**3,755**	**4,317**	**1,761**	**1,900**	**1,994**	**2,417**

FIG. 28 – IMPAIRED LENDING VOLUME, BY COUNTRY GROUP

	Impaired lending volume					
	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Germany	2,160	2,308	1,045	1,230	1,115	1,078
Other industrialized nations	1,386	1,649	587	523	799	1,126
Non-industrialized nations	209	359	128	148	81	212
Total	**3,755**	**4,317**	**1,761**	**1,900**	**1,994**	**2,417**

4.6. ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Figures 29 to 36 show the change in allowances (specific loan loss allowances, including the specific loan loss allowances evaluated on a group basis and portfolio loan loss allowances), the provisions for loan commitments, and liabilities under financial guarantee contracts in the year under review and 2010 for the entire credit portfolio of the companies in the DZ BANK Group. Except for the portfolio loan loss allowances, these figures are presented in separate breakdowns by industry and by country group.

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

Over the course of 2011, the DZ BANK Group was able to reduce its **specific loan loss allowances** by a further €139 million following the net decrease of €160 million in 2010. Even in an economic environment heavily influenced by the sovereign debt crisis in the countries of the euro zone and in the United States, DZ BANK has been able to achieve a net reduction in its allowances for losses on loans and advances. This reduction is the result of successful efforts to aid the recovery of non-performing loans in the workout portfolio and systematic continued implementation of the risk-conscious business strategy established in previous years.

The net increase of €194 million in **portfolio loan loss allowances** (2010: net decrease of €75 million) was the result of a number of factors, including changes in the volume of specific loan loss allowances, rating adjustments, and an increased drawdown of lines of credit.

Despite the effects of the sovereign debt crisis on economic conditions, the generally positive macroeconomic trends in 2011 enabled the DZ BANK Group to post a net reversal of **provisions** amounting to €7 million following the net reversal of €15 million recognized in 2010.

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

FIG. 29 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY SECTOR – 2011

€ million	Balance as at Jan. 1, 2011	Additions	Utilizations	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2011	Directly recognized impairment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	208	67	-6	-38	-2	6	235	1	–
Public sector	–	–	–	–	–	–	–	–	–
Corporates	1,117	527	-187	-380	-26	33	1,083	37	-36
Retail	548	190	-78	-218	-7	-6	429	60	-23
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	26	28	-1	-2	–	-37	14	1	-5
Total specific loan loss allowances[1]	1,899	812	-272	-639	-36	-4	1,761	100	-64
Portfolio loan loss allowances	346	309	–	-114	–	-2	539	–	–
Total loan loss allowances	**2,245**	1,121	-272	-752	-36	-5	**2,299**	100	-64

1 Including specific loan loss allowances evaluated on a group basis

FIG. 30 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY SECTOR – 2010

€ million	**Balance as at Jan. 1, 2010**	Additions	Utiliza-tions	Reversals	Interest income	Other changes	**Balance as at Dec. 31, 2010**	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	309	200	-110	-190	-5	4	208	1	-2
Public sector	–	–	–	–	–	–	–	–	–
Corporates	1,149	472	-291	-264	-30	82	1,117	50	-29
Retail	569	234	-125	-122	-1	-7	548	57	-32
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	34	52	-1	-8	–	-50	26	1	-58
Total specific loan loss allowances[1]	2,060	**958**	**-528**	**-583**	**-36**	**28**	1,899	**109**	**-121**
Portfolio loan loss allowances	420	55	–	-135	–	6	346	–	–
Total loan loss allowances	**2,480**	1,013	-528	-719	-36	34	**2,245**	109	-121

1 Including specific loan loss allowances evaluated on a group basis

FIG. 31 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY SECTOR – 2011

€ million	**Balance as at Jan. 1, 2011**	Additions	Utilizations	Reversals	Other changes	**Balance as at Dec. 31, 2011**
Financial sector	21	11	–	-24	1	8
Public sector	–	–	–	–	–	–
Corporates	110	34	–	-51	–	94
Retail	2	15	–	–	–	17
Industry conglomerates	–	–	–	–	–	–
Other	48	20	–	-13	–	56
Total	**181**	80	–	-88	1	**174**

FIG. 32 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY SECTOR – 2010

€ million	**Balance as at Jan. 1, 2010**	Additions	Utilizations	Reversals	Other changes	**Balance as at Dec. 31, 2010**
Financial sector	12	4	–	–	6	21
Public sector	–	–	–	–	–	–
Corporates	105	68	–	-69	6	110
Retail	3	–	–	-1	–	2
Industry conglomerates	–	–	–	–	–	–
Other	73	4	–	-29	–	48
Total	**193**	75	–	-99	12	**181**

FIG. 33 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – 2011

€ million	Balance as at Jan. 1, 2011	Additions	Utiliza-tions	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2011	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,230	389	-170	-374	-24	-5	1,045	65	-42
Other industrialized nations	522	406	-102	-249	-11	21	587	34	-22
Non-industrialized nations	148	18	-1	-16	–	-20	128	–	–
Total specific loan loss allowances[1]	1,899	812	-272	-639	-36	-4	1,760	100	-64
Portfolio loan loss allowances	345	309	–	-114	-	-2	539	–	–
Total loan loss allowances	2,245	1,121	-272	-752	-36	-5	2,299	100	-64

1 Including specific loan loss allowances evaluated on a group basis

FIG. 34 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – 2011

€ million	Balance as at Jan. 1, 2010	Additions	Utiliza-tions	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2010	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,359	394	-239	-226	-24	-34	1,230	61	-58
Other industrialized nations	612	455	-264	-306	-10	35	522	44	-5
Non-industrialized nations	90	109	-24	-51	-2	27	148	4	-58
Total specific loan loss allowances[1]	2,060	958	-528	-583	-36	28	1,899	109	-121
Portfolio loan loss allowances	420	55	–	-135	–	6	345	–	–
Total loan loss allowances	2,480	1,013	-528	-719	-36	34	2,245	109	-121

1 Including specific loan loss allowances evaluated on a group basis

FIG. 35 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY COUNTRY GROUP – 2011

€ million	Balance as at Jan. 1, 2011	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2011
Germany	113	47	–	-59	38	139
Other industrialized nations	21	31	–	-29	11	33
Non-industrialized nations	47	2	–	–	-48	2
Total	181	80	–	-88	1	174

FIG. 36 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY COUNTRY GROUP – 2010

€ million	Balance as at Jan. 1, 2010	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2010
Germany	104	68	–	-64	6	113
Other industrialized nations	17	4	–	-6	6	21
Non-industrialized nations	72	4	–	-29	–	47
Total	193	75	–	-99	12	181

4.7. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

The following disclosures relating to exposures and adjustments in subportfolios also form part of the above analyses of the entire credit portfolio. However, a separate analysis of these subportfolios has been included because of their significance for the risk position in the DZ BANK Group.

4.7.1. Sovereign debt crisis and political flashpoints

CHANGES IN ECONOMIC CONDITIONS IN 2011

For some time now, substantial budget deficits have been a feature of the euro-zone economies of **Portugal, Ireland, Italy, Greece, and Spain,** and these deficits are accompanied by government debt levels that are high in relation to gross domestic product. There was also a noticeable impact from the sovereign debt crisis in these European countries during the year under review.

Despite a bailout by the EU and IMF, a Greek debt write-off seems unavoidable. Default scenarios are not being predicted for the other countries in this group, even though economic conditions remain tough. Nevertheless, the austerity measures introduced to restore budgetary stability involve significant risk for future economic growth, which in turn is likely to have a negative impact on further budget consolidation.

The Portuguese government has demonstrated its determination to implement the consolidation policy agreed with the EU and IMF. The Portuguese economy is continuing to suffer from considerable structural weaknesses and its poor level of competitiveness is reflected in high current account deficits.

The Irish government is also pursuing a strict policy of consolidation and the spending cuts that it has imposed are beginning to bear fruit. However, the possibility of a further burden on public finances caused by a potential need for more financial support in the banking sector cannot be ruled out.

Unlike Greece, Italy has a broad industrial base. The policy of consolidation pursued by Mario Monti's new government has strengthened confidence in financial markets, thus satisfying the preconditions for a situation in which Italy can introduce reforms to reinforce economic competitiveness and curb government debt.

By European standards, government debt in Spain is still at modest levels, although this debt is increasing. The Spanish government has made initial progress in its policy of consolidation by reducing the budget deficit, but public finances are still likely to be at some risk from the situation in the banking sector.

Based on information currently available, it does not appear that the other countries in the euro zone will be faced with a situation similar to that in Greece. However, if there is a sustained loss of confidence in financial markets, this could be expected to have a negative impact on the funding options for these countries in international financial markets. Against this backdrop, DZ BANK has continued to significantly scale back its exposures with counterparties in these countries over the past year (reduced by 29 percent). Given the persistent uncertainty, DZ BANK's loans and advances to borrowers in these countries also continue to be closely monitored.

Among the EU accession countries, developments in **Hungary** remain the focus of much concern. Although the country's economic fundamentals saw an overall stabilization in the year under review, there is still a potential risk to economic stability caused by imbalances in the foreign currency exposures held by banks and in Hungary's significant external funding requirement. The risk is being exacerbated by the controversial domestic orientation of the government's economic policy, which is causing uncertainty and meeting with a cool response from international investors. This has also led to strained relations with the EU and with the IMF, which provided financial support to save the country from bankruptcy in 2008. The EU and IMF have made any further financial support dependent on the cooperation of the Hungarian government, although the government has already indicated that it is willing to soften its approach. If no support were to be made available by the EU or IMF, it is likely that Hungary would quickly face payment problems.

In addition to the financial and sovereign debt crises in Europe and the United States, the political flashpoints in **North Africa** and the **Middle East** remained the focus of attention in the year under review.

EXPOSURE OF THE DZ BANK GROUP

The DZ BANK Group's exposure to the countries hit by the European sovereign debt crisis continued to contract in 2011. The proportion of lending attributable to this subportfolio further decreased from 8 percent of total exposure as at December 31, 2010 to 5 percent as at December 31, 2011. Loans and advances amounted to a total of €16,381 million as at December 31, 2011 (December 31, 2010: €23,163 million), which constituted a year-on-year decrease of 29 percent. DZ BANK only has a negligible volume of hedging exposures in credit derivatives in which the Greek public sector is associated with the underlying instrument.

Figure 37 shows the borrower structure (by credit-risk-bearing instrument) for DZ BANK Group loans and advances affected by the sovereign debt crisis.

As at December 31, 2011, lending to counterparties domiciled in Hungary and credit exposure in the troubled areas of North Africa and the Middle East each accounted for less than 1 percent of the DZ BANK Group's total lending volume and were therefore maintained at the low level reported for the end of 2010.

4.7.2. Impact of the financial crisis

SECURITIZATION PORTFOLIO

In 2011, the increased market liquidity compared with 2010 meant that DZ BANK could once again return to measuring its securitization exposures by full use of the methodology based on observable liquidity spreads in the marketplace. The resulting measurement at fair value was also applied to the prior-year values for comparison purposes, giving rise to discrepancies with the disclosures on page 89 et seq. of the 2010 Annual Report.

The **fair value** of the DZ BANK Group's securitization exposure as at December 31, 2011 amounted to €12.6 billion after having been as high as €15.5 billion as at December 31, 2010. This equates to a reduction of 19 percent (2010: 19 percent). The reduction in the fair value of the portfolios held by the group in the year under review was largely the result of redemptions. Since December 31, 2008, the securitization exposure has been cut by a total of 51 percent.

As at December 31, 2011, 53 percent (December 31, 2010: 52 percent) of the borrowers in the aggregate portfolio were from European countries, in particular

FIG. 37 – LOANS AND ADVANCES TO BORROWERS IN THE COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Portugal	131	246	984	1,578	7	22	1,121	1,846
of which: public sector	–	–	464	731	–	–	464	731
of which: non-public sector	131	246	520	848	7	22	657	1,115
of which: financial sector	–	107	384	726	7	21	391	855
Italy	443	458	3,675	5,381	192	229	4,310	6,068
of which: public sector	–	–	1,760	2,136	–	–	1,760	2,136
of which: non-public sector	443	458	1,915	3,245	192	229	2,550	3,932
of which: financial sector	78	108	1,320	2,403	181	218	1,579	2,729
Ireland	867	810	635	1,454	417	482	1,918	2,746
of which: public sector	–	–	50	50	–	–	50	50
of which: non-public sector[2]	867	810	585	1,404	417	482	1,868	2,696
of which: financial sector[2]	–	24	391	1,031	416	481	807	1,536
Greece	939	877	465	1,422	–	5	1,405	2,303
of which: public sector	–	–	265	1,002	–	–	265	1,002
of which: non-public sector	939	877	200	420	–	5	1,140	1,301
of which: financial sector	7	42	64	233	–	–	71	276
Spain	448	561	7,128	9,492	50	147	7,627	10,200
of which: public sector	65	68	3,086	3,816	–	–	3,151	3,884
of which: non-public sector	383	492	4,042	5,677	50	147	4,475	6,316
of which: financial sector	70	80	2,419	3,844	50	146	2,539	4,070
Total	**2,827**	**2,951**	**12,888**	**19,328**	**666**	**884**	**16,381**	**23,163**
of which: public sector	65	68	5,626	7,735	–	–	5,691	7,803
of which: non-public sector	2,762	2,883	7,262	11,593	666	884	10,690	15,360
of which: financial sector	156	361	4,577	8,238	654	866	5,387	9,465

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments; excluding R+V loans and advances
2 The comparative figures presented as at December 31, 2010 differ from those shown on page 92 of the 2010 Annual Report owing to the exclusion of intragroup transactions as at December 31, 2011

from the United Kingdom, Ireland, Spain, the Netherlands, and Germany; a further 39 percent of borrowers were domiciled in the US (unchanged on the proportion as at December 31, 2010). As at December 31, 2011, credit insurance was in place for the underlying transactions in virtually all RMBSs based in Australia, as was also the case at the end of 2010.

The credit rating awarded to each securitization is based on the lowest available rating issued by the rating agencies Standard & Poor's, Moody's, and Fitch. As at December 31, 2011, 40 percent (December 31, 2010: 57 percent) of the **securitization exposure on the balance sheet** consisted of AAA tranches rated by external credit agencies. A further 19 percent of the exposure (December 31, 2010: 17 percent) was in the external rating classes AA+ to AA-. The increase in the proportion of the total securitization exposure on the balance sheet accounted for by the BBB+ to B- rating class to 16 percent (December 31, 2010: 8 percent) was attributable both to the shorter redemption periods for exposures in better rating classes and to the deterioration in economic conditions in the US and in the European countries hit by the sovereign debt crisis.

Within the total exposure at the end of the financial year, €3.5 billion (December 31, 2010: €3.6 billion) was related to **exposures to conduits**. Of this amount, 66 percent (December 31, 2010: 70 percent) was accounted for by undrawn liquidity lines to conduits. As at December 31, 2011, 82 percent (December 31, 2010: 69 percent) of securitization exposure to conduits was in external rating class A or higher. Securitization exposure classified as AAA accounted for 8 percent of the total exposure to conduits as at December 31, 2011 (December 31, 2010: 5 percent). A further 15 percent (December 31, 2010: 23 percent) was rated AA. Rating classes BBB+ to B- made up 16 percent (December 31, 2010: 27 percent) of the total exposure to conduits as at December 31, 2011.

Securitization exposures in the **CDO** product category remained at €1.1 billion as at December 31, 2011 and therefore unchanged compared with the end of the previous year. Loans and advances in the **subprime portfolio** totaled €0.8 billion as at December 31, 2011, a decrease compared with December 31, 2010 (€1.1 billion). Investments in this segment of the market were discontinued with the onset of the financial crisis in 2007. As at December 31, 2011, the volume of assets, especially those related to RMBS securities, insured by **monoliners** was negligible, as was also the case at the end of 2010.

Figure 38 shows the changes in the fair value of the entire securitization portfolio broken down by **impairment losses and changes in portfolio composition** in the year under review. There were negative changes in the fair value of the portfolio amounting to €587 million in 2011. As things stand, these adjustments largely constitute fluctuations in market value that could recover by the time the securitization exposures reach their maturity date. The companies in the DZ BANK Group have recognized adequate allowances for the securitization portfolio.

LEVERAGED FINANCE PORTFOLIO

Of all the companies in the DZ BANK Group, only DZ BANK is involved in the leveraged finance product segment on a significant scale. DZ BANK classifies mergers & acquisitions and related types of financing that involve an above-average level of gearing ('leverage') as leveraged finance transactions. These

FIG. 38 – CHANGES IN THE COMPOSITION AND VALUE OF THE SECURITIZATION PORTFOLIO

€ million	**Fair value as at Jan. 1, 2011 before changes in composition and value**	Changes in composition due to purchases, sales, redemptions, and exchange-rate fluctuations	Changes in value	**Fair value as at Dec. 31, 2011 after changes in composition and value**
Receivables from retail loans	8,062	-1,322	-647	6,093
of which: RMBSs	7,892	-1,574	-644	5,674
of which: assets classified as subprime	1,137	-135	-176	826
of which: assets classified as Alt-A	332	-48	-45	240
Receivables from corporate loans[1]	590	-217	6	379
Receivables from CMBSs	2,155	-512	-14	1,629
Receivables from CDOs	1,147	-146	68	1,069
Total exposure reported on the balance sheet	11,954	-2,198	-587	9,170
Exposures to conduits[2]	3,565	-94	0	3,471
Total	**15,520**	**-2,292**	**-587**	**12,641**

1 Including receivables from purchased leased assets amounting to €145 million as at Jan. 1, 2011 and €56 million as at Dec. 31, 2011
2 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits

primarily include the following types of acquisition finance, especially for private equity companies whose credit ratings essentially depend on the cash flows expected to be generated by the acquired companies:

- leveraged buyouts by financial sponsors
- recapitalization and funding of acquisitions
- management buyouts and management buyins.

DZ BANK also arranges and underwrites this type of acquisition finance.

The following disclosures relate to the gross lending volume of leveraged finance transactions, which is based on carrying amounts and does not include credit risk mitigation techniques or the recognition of loan loss allowances.

The loan commitments granted by DZ BANK in this product segment totaled €1.23 billion as at December 31, 2011 (December 31, 2010: €1.29 billion). Of this total, loans amounting to €0.88 billion (December 31, 2010: €1.01 billion) had already been drawn down and outstanding loan commitments came to €343 million (December 31, 2010: €285 million). The leveraged finance portfolio was hedged by credit derivatives and guarantees in the amount of €19 million at the balance sheet date (December 31, 2010: €27 million). As at December 31, 2011, the exposures in the portfolio revealed a broad sectoral diversification, with over 80 percent (December 31, 2010: over 70 percent) accounted for by companies based in the European Union.

Impairment losses of €28 million (2010: €55 million) were recognized for this portfolio in the year under review.

4.7.3. Targeted management action

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

The DZ BANK Group responded to the events unfolding in North Africa and the Middle East by suspending or reducing the national credit limits granted to the countries in these regions. The group has only entered into new business in the countries involved in a small number of exceptional cases, and then only if there is an existing connection with the cooperative financial network.

The companies in the DZ BANK Group have recognized adequate allowances for losses on loans and advances related to exposures affected by the sovereign debt crisis in Europe and the United States and by the turmoil in North Africa and the Middle East.

4.8. RISK POSITION

The amount of capital required to cover credit risk is based on a number of factors, including the size of single-borrower exposures, individual ratings, and the industry sector of each exposure. As at December 31, 2011, the risk capital requirement in the DZ BANK Group amounted to €3,526 million (December 31, 2010: €3,477 million). The DZ BANK Group also set an upper loss limit of €4,309 million (December 31, 2010: €4,208 million).

The prior values have been restated following the reclassification of specific risks at Union Asset Management Holding from credit risk to business risk. Despite an increase in the lending volume, the risk capital requirement remained largely stable during the course of the year, although there were some small fluctuations. As a consequence of the focus on excellent credit quality in new business, the growth in the volume of loans and advances did not have any material impact on the risk capital requirement. The upper loss limit was not exceeded at any time during 2011. Figure 39 shows the gross lending volume and the associated risk capital requirement.

FIG. 39 – CAPITAL REQUIREMENT FOR CREDIT RISK BY RISK-BEARING INSTRUMENT

	Risk capital requirement (€ million)		Lending volume (€ billion)	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Traditional lending business	2,354	2,218	206.3	198.5
Securities business	1,032	1,137	90.7	95.3
Derivatives and money market business	140	123	17.5	12.1
Total	3,526	3,477	314.5	306.0

4.9. SUMMARY AND OUTLOOK

In 2011, all internal rating systems and the rating systems approved by the banking regulators for compliance under SolvV were validated in detail. Existing rating systems for the banking and country segments were refined. The DZ BANK Group also introduced rating systems for two other segments: investment funds and asset finance (shipping finance). For 2012, efforts will be made to obtain IRB-approach approval for the newly introduced rating system for investment funds to be used at DZ BANK.

In the management of traditional loan collateral, the focus in 2011 was on the enhancement and streamlining of processes and rules for the purposes of implementing further SolvV requirements for the use of methods to minimize credit risk. As in 2010, a further key area of collateral management activity was the increase in data quality. To this end, further action plans were implemented in DZ BANK's collateral management system to enhance efficiency and transparency. DZ BANK also continued to translate requirements for the refinement of the collateral management system into functional specifications and will maintain development of the collateral management system during 2012 on an ongoing basis. In addition, DZ BANK intends to carry out a further optimization of the internal credit risk measurement system.

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

In view of the forecasts for economic growth and current assessments of the crisis in the euro zone countries, the DZ BANK Group is assuming that a reasonable level of specific loan loss allowances in line with the volume of business will be required for the 2012 financial year.

5. EQUITY RISK

In the DZ BANK Group, equity risk is understood to be the risk of unexpected losses from a drop in the fair value of investments below their carrying amount. In principle, equity risk arises from equity investments in companies in which DZ BANK does not have any specific rights to information or control because DZ BANK's share of the total equity in the investee is too small. Within the DZ BANK Group, equity risk arises primarily at DZ BANK and to a lesser extent at BSH and R+V.

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

In addition, the strategic investments held by R+V help to support sales and marketing and the geographical diversification of the insurance business by means of investments in international markets. R+V investments in banks within the Volksbanken Raiffeisenbanken cooperative financial network also form part of the strategic investments.

Decisions on whether to acquire or dispose of equity investments are made by the Board of Managing Directors at DZ BANK, BSH or R+V respectively in consultation with the relevant committees. At DZ BANK, the Central Services division is responsible for supporting these investments, whereas at BSH the task falls within the scope of the International Markets division and the Controlling and Investment Management division. At R+V, responsibility is assigned to the relevant central service or investment planning and control. The monitoring and measurement of equity risk is the responsibility of the relevant planning and control units which must then submit quarterly reports on the results of their activities to the Supervisory Board, the Board of Managing Directors, and the Central Services division.

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

The volume of long-term equity investments in entities outside the DZ BANK Group amounted to €3,148 million as at December 31, 2011 (December 31, 2010: €2,503 million). The increase in the volume of these investments was largely attributable to the inclusion of DZ Equity Partner in differentiated risk measurement at DZ BANK and the inclusion of investments not subject to consolidation in DVB's equity risk.

As at December 31, 2011, the economic capital requirement for the DZ BANK Group's equity risk was measured at €911 million, an increase on the corresponding figure of €777 million as at December 31, 2010. As at December 31, 2011, the upper loss limit was €1,107 million (December 31, 2010: €1,075 million). The upper loss limit was not exceeded at any time during 2011.

6. MARKET RISK

6.1. DEFINITION AND CAUSES

Market risk comprises market risk in the narrow sense of the term and market liquidity risk.

Market risk in the narrow sense of the term – referred to below as market risk – is the risk of loss arising from adverse movements in market prices or in the parameters that influence prices. Depending on the underlying influences, market risk can be broken down into interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk.

Market risk in the DZ BANK Group arises principally from DZ BANK's customer-account trading activities, DZ BANK's cash pooling function for the Volksbanken Raiffeisenbanken cooperative financial network, the lending business of DZ BANK, BSH, and DG HYP, the real estate finance business of BSH and DG HYP, R+V's investments, and from group companies' own issues. Spread risk is the most significant type of market risk for the DZ BANK Group. The spread is the premium earned on bonds at risk of default compared with risk-free bonds.

Market liquidity risk is the risk of loss arising from adverse changes in market liquidity, for example as a result of a reduction in market depth or market disruption.

6.2. RISK STRATEGY

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

Within the DZ BANK Group, trading business is conducted primarily by DZ BANK.

DZ BANK conducts trading activities as part of its role as a central institution in the Volksbanken Raiffeisenbanken cooperative financial network and as a corporate bank for customers outside the cooperative financial network. As part of a range of services for the cooperative banks and the cooperative financial network, DZ BANK provides investment and risk management products, platforms, research, and expertise, and acts as an intermediary transforming small deposits into larger-scale lending. DZ BANK also provides facilities for risk transfer from the cooperative financial network and cash pooling within the cooperative financial network. DZ BANK's trading strategy is aimed at generating profits primarily from customer margins and structuring margins. To this end, the bank mainly undertakes dynamic hedging of interest-rate risk and spread risk within the relevant limits.

Open market-risk positions arise principally in connection with customer business and holding securities portfolios in trading for customer account and the risk is predominantly spread risk. To support its liquidity management function as a central institution and corporate bank, and on behalf of the DZ BANK Group, DZ BANK also maintains liquidity portfolios in which it holds – within the relevant limits – bonds eligible for central bank borrowing. The portfolios also help generate additional margin income. DZ BANK manages market risk in its lending business and own issues as part of its non-trading portfolios and also incurs market risk from holding issues from the primary banks and subsidiaries. The market risk on these items is largely determined by the spread risk.

BSH is exposed to market risk in the form of interest-rate risk. BSH is particularly exposed to this risk because it guarantees its customers fixed interest rates on both their credit balances and on loans to be drawn down in the future. Risk quantification models designed specifically for the building society business take account of this transaction structure. BSH enters into capital-market transactions to hedge its collective business, with the focus on risk mitigation. BSH does not conduct any own-account trading with a view to exploiting short-term pricing fluctuations.

DG HYP's business model means that the risks relevant to its management of market risk are interest-rate risk, spread risk, and currency risk. Currency risk only represents a minimal risk in this case, as it is usually completely eliminated. Spread risk is monitored as part of the internal reporting system. DG HYP's treasury is not permitted to trade in the equity and commodity markets. As DG HYP is classed as a non-trading book institution, it does not engage in own-account trading in the sense of exploiting short-term fluctuations in interest rates and prices.

R+V's investments result in equity price risk, interest-rate risk, and currency risk, although the interest-rate and equity-price risks represent the most important risk categories. R+V's market risk strategy is determined by the provisions of the German Regulation on the Investment of the Cover Assets of Insurance Companies (AnlV) and the basic regulatory investment principles and rules for cover assets. In this regard, insurance companies are under an obligation to invest collateral assets and other cover assets to achieve the greatest possible security and profitability while at the same time ensuring the liquidity of the insurance company with an appropriate mix and diversification of investments. In addition, well-established collaboration arrangements between R+V's actuarial and investment departments as part of the management of assets and liabilities ensure that insurance contract benefit obligations on the balance sheet are matched with investment opportunities.

The market risks assumed by R+V reflect the investment portfolio structure developed as part of strategic asset allocation taking into account the individual risk-bearing capacity and long-term income requirements of R+V subsidiaries. These risks are managed within the framework of the overall risk management system and in compliance with the upper loss limits specified throughout the group.

6.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

6.3.1. Organization and responsibility

For the purposes of groupwide market risk management, market risks are broken down on the basis of the underlying type of business into banking and building society/insurance risks. Market risk arising from **banking activities** consists of positions run in the trading and non-trading portfolios of the DZ BANK Group. DZ BANK is mainly responsible for the risk, with DG HYP only contributing to a lesser extent. Market risk arises from the **building society operations and insurance business** at BSH and R+V respectively.

At **DZ BANK**, as a bank with a trading book, market risk is managed on a decentralized basis using portfolios, each portfolio manager bearing responsibility for risk and performance. Market risk arising at **BSH** is managed at overall bank level and exclusively as part of the banking book. Market risk at **DG HYP** is managed centrally by a committee that specifies the guidelines for the bank's treasury activities on the basis of daily reports on the overall portfolio. Operational implementation of decisions is the responsibility of DG HYP's treasury department. **R+V** manages market risk at individual company level.

6.3.2. Risk reporting

Key figures for market risk are submitted at **group level** to the Group Risk Committee in the quarterly group risk report. If any limits are exceeded at group company level, this is notified to DZ BANK using an ad hoc reporting system.

In the **banks** within the DZ BANK Group, as part of the management reporting system, risk control provides the senior managers responsible for risk management and risk control, and the portfolio managers, with daily, weekly, or monthly market risk updates.

At **R+V**, all senior managers in individual companies receive monthly risk management reports and investment portfolio management reports. The central risk management committee at R+V (the Risk Conference) also receives quarterly reports.

6.4. RISK MANAGEMENT

6.4.1. Measurement of market risk

INTERNAL MODEL

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

Value-at-risk is a key performance indicator that describes the maximum expected loss for a given probability (confidence level) and within a specified holding period for the positions under normal market conditions. The model does not show the maximum potential loss that could arise under extreme market conditions. It is based on market scenarios that were observed within the prior year and simulates these scenarios for the bank's current positions (historical simulation). Stress tests are carried out to estimate potential losses in special market conditions. In these stress tests, the following are deemed to be material risk factors: interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk.

To determine the value-at-risk at the level of each entity, DZ BANK uses an internal risk model approved by BaFin for the calculation of the **regulatory capital requirement** for general and specific market risk in accordance with SolvV. Based on this model, value-at-risk and stressed value-at-risk (crisis risk amount) are 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 10 trading days.

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

Since October 2011, DZ BANK has been using an internal model approved by the regulator to determine the capital related to the **additional default and migration risk in the trading book.** In this model, sudden changes in market prices arising from rating migration or the collapse of an issuer are specifically factored into the regulatory risk calculation. Potential losses from migrations and defaults are measured on the basis of a one-sided prediction interval with a confidence level of 99.90 percent and a prediction horizon of one year. Calculations assume a constant risk position up to the prediction horizon.

The model meets the requirements of section 318a (2) sentence 1 SolvV for a meaningful differentiation of risk and for an accurate, consistent risk estimate. The model is validated by market risk control as part of standard processes.

MODEL VALIDATION, MEASUREMENT INDEPENDENTLY OF THE TRADING FUNCTION

The market risk model is subject to continuous **operational review** as part of standard processes. The review is carried out by market risk control using analyses of the value-at-risk, and evaluations of the backtesting and stress test results. In addition, the internal model is audited by **internal audit** at regular intervals. Refinements to the model are reported monthly to the entire Board of Managing Directors of DZ BANK.

At least once a year, an **enhanced review of the model** (adequacy review) is carried out, including a comprehensive analysis of time series, parameterization, stress test scenarios, and processes. This analysis includes technical elements, such as delivery times and the quality of the value-at-risk figure, and statistical figures, for example backtesting anomalies in the value-at-risk and quantile time series at different portfolio levels.

Independently of the trading function, exposures are measured daily using current market parameters. To this end, the market data is collected by the risk control department itself and the measurement methods and models are developed and validated independently of the trading units.

MEASURING MARKET RISK IN THE INSURANCE BUSINESS

R+V carries out **scenario analyses** to measure the market risk arising on its investments. These scenarios demonstrate the effect of different potential changes. For equities held directly and via investment funds, the effect of a 35 percent fluctuation in price is simulated for the fair value of these positions. In the case of fixed-income securities, registered bonds, promissory notes, and loans, the scenario shows the effect of a one-percentage-point upward shift in the interest-rate curve on the fair value of these securities and loans.

In addition, **duration analysis** is regularly carried out for the portfolio of fixed-income securities and loans.

The calculation of the **capital requirement** for market risk at R+V, which is limited by the upper loss limit as part of risk capital management, is based on a value-at-risk approach. This calculation uses a confidence level of 99.95 percent and a holding period of one year.

6.4.2. Backtesting and stress tests

SCOPE OF APPLICATION

The backtesting and stress test procedures described below for the banks in the DZ BANK Group are applied not only to the approved internal risk model for the calculation of capital requirements in accordance with SolvV but also to the non-trading portfolios for the purposes of internal market risk management.

BACKTESTING ON BANKS

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

STRESS TESTS ON BANKS

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

STRESS TESTS ON R+V

R+V uses annual stress tests specified by BaFin to review whether it is in a position to meet its obligations to policyholders, even in the event of a sustained crisis situation on the capital markets. R+V carries out the stress tests on the basis of the value-at-risk approach also used to determine the risk capital requirement.

6.4.3. Management of limits for market risk

Market risk is managed at **DZ BANK**, **BSH**, and **DG HYP** using a limit system appropriate to the portfolio structure. This system limits the risks assumed in parts of the group as well as any losses arising during the course of the year. Within the trading divisions of DZ BANK and the treasury at DG HYP, the management of risk based on value-at-risk is supported by a limit system structured around sensitivities and scenarios, and by stress test limits. In the DG HYP treasury, the system of limits is based on value-at-risk and sensitivities. Market risk at **R+V** is limited by the upper loss limits applicable throughout the group.

6.4.4. Mitigation of market risk

MARKET RISK HEDGING

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

DG HYP exclusively uses external exchange-based and OTC transactions to hedge against market risk, although the OTC transactions used for hedging are primarily with counterparties within the DZ BANK Group. At **BSH**, the asset-liability committee decides whether to hedge market risk via OTC transactions. At **R+V**, the relevant portfolio managers hedge market risk solely using exchange-based transactions.

HEDGE EFFECTIVENESS

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

BSH includes all individual positions in its market risk assessment.

At **DG HYP**, the effectiveness of any hedging is reviewed and reported daily in terms of both risk and performance. The report covers the entire DG HYP book. Derivatives in various forms are used to mitigate market risk. These are predominantly plain vanilla products.

When positions are first established, **R+V** checks the positions for which it is responsible for correlations as defined by supervisory regulations, in order to ensure that the desired effectiveness of economic hedging is actually achieved. R+V also measures its currency exposure in order to make ongoing adjustments in accordance with the applicable hedging benchmarks and guidelines. In addition, it monitors limits and reports on options transactions on a daily basis. Finally, sensitivity analyses are also carried out.

6.4.5. Management of interest-rate risk

Interest-rate risk arises in the trading portfolios and the non-trading portfolios of the banks in the DZ BANK Group. The non-trading portfolios cover the items in the banking book. Interest-rate risk means sensitivity to fluctuating earnings as a result of movements in interest rates. At each bank, the value-at-risk for interest-rate risk is determined separately for the trading portfolio and the non-trading portfolio. The values-at-risk are added together to give a total value-at-risk figure for the DZ BANK banking group's combined trading portfolio and a figure for its combined non-trading portfolio. The interest-rate risk in the banking book is included in the value-at-risk for both the trading and non-trading portfolios.

At **DZ BANK Group** level, interest-rate risk is measured quarterly and reported to the Group Risk Committee as part of the quarterly group risk report. At **DZ BANK**, a fixed interest period of one day is assumed for balances on nostro and loro accounts. Loan transactions with fixed interest terms are included in the interest-rate risk management system at their maturity date. Loans with variable interest rates are included up to the next rollover date.

BSH is subject to particular interest-rate risks arising from its collective home savings business since it gives customers a binding interest-rate guarantee both for savings and for the loan element that may be drawn down in the future. BSH uses a sophisticated simulation model based on the behavior of building society customers to measure interest-rate risk. The model forecasts the volume of collective assets held, taking into consideration planned new business and different customer options.

6.4.6. Managing market risk arising from securitizations

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

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

6.5. RISK POSITION

Throughout the year under review, the **economic capital requirement** for market risk remained within the upper loss limits in both the group's banking business and in the group's building society and insurance businesses. Figure 40 shows the figures for December 31, 2011 and December 31, 2010.

The decrease in the risk capital requirement for the banking business was largely attributable to the decline in market risk at DZ BANK. The decrease in risk in the building society and insurance businesses was a consequence of the fall in interest rates.

Figure 41 shows the changes in **value-at-risk** for the different types of market risk in respect of the trading

FIG. 40 – UPPER LOSS LIMITS AND CAPITAL REQUIREMENT FOR MARKET RISK BY TYPE OF BUSINESS

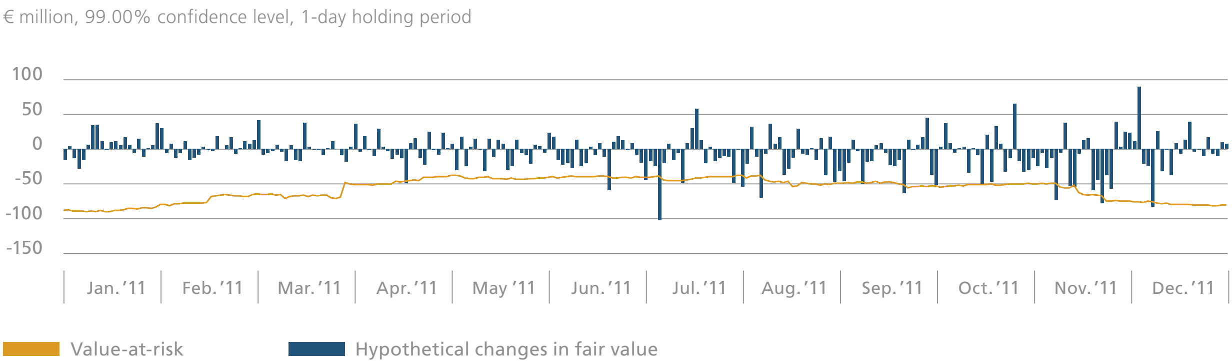
€ million	Upper loss limit		Risk capital requirement	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Banking	2,044	2,277	1,728	1,853
Building society operations and insurance business	1,594	1,479	985	1,141
Total	3,638	3,756	2,713	2,994

FIG. 41 – VALUE-AT-RISK IN THE BANKING BUSINESS[1]

€ million	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity risk	Diversification effect[2]	Total
Trading portfolios							
Dec. 31, 2011	7	77	3	10	–	-12	85
Average	10	57	2	8	–	-17	61
Maximum	18	89	3	11	2	-27	96
Minimum	5	38	2	5	–	-4	40
Dec. 31, 2010	11	87	2	9	1	-16	93
Non-trading portfolios							
Dec. 31, 2011	5	6	6	2	–	-5	16
Average	5	19	6	2	–	-6	26
Maximum	6	36	6	4	–	-8	43
Minimum	3	5	5	1	–	-3	12
Dec. 31, 2010	3	29	6	2	–	-6	32

1 Value-at-risk with 99.00 percent confidence level, 1-day holding period, 1-year observation period, based on company-specific modeling. The banking business is an aggregation of the following management units: DZ BANK, DG HYP, DVB, DZ BANK Ireland, DZ BANK Polska, DZ PRIVATBANK, TeamBank, and Union Asset Management Holding.
2 Total effects of diversification between the types of market risk for all consolidated group companies

FIG. 42 – VALUE-AT-RISK FOR MARKET RISK AND HYPOTHETICAL CHANGES IN FAIR VALUE IN DZ BANK'S TRADING PORTFOLIOS



and non-trading portfolios in the banking business in the year under review.

Figure 42 shows the changes in value-at-risk and the results of daily backtesting of DZ BANK's trading portfolios.

The fall in value-at-risk up to the spring was attributable to the fact that relevant market scenarios from 2010 were no longer included in the one-year historical simulation. The subsequent increase in risk reflected the increasing market volatility against the background of the escalating sovereign debt crisis in Europe and the United States.

Backtesting revealed that on 10 trading days in the year under review the fair value of the portfolio exceeded the forecast risk values in a hypothetical buy-and-hold scenario due to changes in market parameters (the forecasted risk values were exceeded on 4 occasions in 2010)

In essence, the increase in the number of days on which risk values were exceeded was caused by exceptionally sharp market fluctuations in connection with the sovereign debt crisis.

6.6. MARKET LIQUIDITY RISK

The management of market liquidity risk falls within the remit of the portfolio managers responsible for managing market risk. Market liquidity risk arises principally at DZ BANK, BSH, and DG HYP.

Given the sustained economic crisis, the decline in the market liquidity that had already been evident in 2010 persisted in the year under review and even affected classes of securities that had previously been highly liquid.

The DG HYP treasury's investment policy only permits exposures in securities that are eligible for ECB borrowing and that offer a high degree of liquidity at all times. The relevant provisions of the German Pfandbrief Act (PfandBG) are observed with regard to the use of securities purchased as replacement cover. Market liquidity risk also arises on certain ABS portfolio securities that were purchased before the reorganization of DG HYP's business model and that are to be gradually sold or held to maturity. DG HYP is no longer initiating new business involving these products.

6.7. SUMMARY AND OUTLOOK

The sovereign debt crisis in European countries led to capital-market spreads widening and becoming more volatile in the year under review. This trend is likely to continue in 2012. It is therefore reasonable to assume that over the 2012 financial year the value-at-risk will remain around the level reported at the end of 2011.

The experience of the recent economic crisis has been incorporated on a permanent basis into the methods and systems used for market risk management. As in previous years, the focus of DZ BANK's trading business in 2012 will be on customer business. In addition, securities will be managed as liquidity reserves. The setting of limits will continue to be based on the risk-bearing capacity of the group.

Plans for 2012 include action to ensure that spread risk is more accurately incorporated into DZ BANK's internal market risk model by introducing issue spreads as risk factors.

7. LIQUIDITY RISK

7.1. DEFINITION AND CAUSES

Liquidity risk is the risk that cash and cash equivalents will not be available in sufficient amounts to ensure that payment obligations can be met, or that such cash and cash equivalents can only be obtained at an inflated cost. In this way liquidity risk is equivalent to insolvency risk.

Liquidity risk arises from a mismatch in timing and amount between anticipated cash inflows and outflows. The main factors impacting on the level of liquidity risk are as follows:

- the funding structure of the lending business;
- uncertainty surrounding liquidity tied up in funding structured issues and certificates;
- trends in deposits and loans, funding potential in money markets and capital markets;
- the eligibility of securities for use as collateral and the market liquidity of these securities;
- the granting of liquidity options (for example, in the form of irrevocable loan or liquidity commitments);
- the obligation to pledge collateral (for example, for derivatives or in connection with guarantees for payments as part of intraday liquidity).

Liquidity risk also arises from changes to the DZ BANK Group's rating if contractual requirements to provide collateral depend on the rating.

The level of liquidity risk in the DZ BANK Group is determined by the activities of DZ BANK and the following management units: BSH, DG HYP, DVB, DZ BANK Ireland, DZ PRIVATBANK, TeamBank, and VR-LEASING.

7.2. RISK STRATEGY

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

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

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

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

7.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

7.3.1. Organization and responsibility

The strategic guidelines for the management of liquidity risk at group level are established by the Group Risk Committee. With these guidelines as a basis, **liquidity risk management** for the group is then coordinated by the Market Working Group.

Liquidity risk in the group companies is managed by the DZ BANK Treasury division and in the individual subsidiaries. The individual companies are provided with funding by DZ BANK (**group funding**) or the companies exchange cash among themselves via DZ BANK (**group clearing**).

Groupwide **liquidity risk control** is coordinated by the Group Risk Management Working Group. Liquidity risk control is carried out in the Controlling division at DZ BANK and in the subsidiaries independently of the units responsible for liquidity risk management. DZ BANK is responsible for aggregating the results of liquidity risk control activities in individual companies to generate a group overview.

At **DZ BANK** level, the strategic guidelines for liquidity risk management are decided by the Treasury Committee. Liquidity risk is managed by head office treasury in Frankfurt and by treasuries in foreign branches, although Frankfurt has primary responsibility. Liquidity risk control is carried out centrally by head office risk control and independently of liquidity risk management.

7.3.2. Risk reporting

The DZ BANK Group's liquidity up to one year and structural liquidity are reported on a daily basis to the member of the Board of Managing Directors of DZ BANK responsible for the Group Treasury and Group Controlling divisions. The entire Board of Managing Directors receives a weekly report on the current situation and the changes over the previous week. The DZ BANK treasury units and units in the subsidiaries responsible for the management of liquidity risk also receive detailed daily information showing the contribution from each individual position to the aggregate position. The Group Risk Committee receives a quarterly report on liquidity up to one year for the DZ BANK Group and the individual group companies. The group companies have their own corresponding reporting procedures to support the monitoring and control of liquidity at individual company level.

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

7.4. RISK MANAGEMENT

7.4.1. Measurement of liquidity risk

INTRADAY LIQUIDITY

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

Within the DZ BANK Group, the biggest intraday cash flows are at DZ BANK in Frankfurt.

LIQUIDITY UP TO ONE YEAR

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

The internal liquidity risk model is also used to determine the liquidity risk at DZ BANK Group level. All group companies with a significant impact on liquidity risk are integrated into the model, which is used to simulate one risk scenario and four stress scenarios on a daily basis. The model also covers the liquidity risk arising from short-term funding of the ABCP programs.

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

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

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

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

The internal liquidity risk model is constantly revised and adjusted in line with changes in the market, products, and processes. This **adequacy review** is carried out by every company integrated into the DZ BANK Group's liquidity risk management system.

7.4.2. Management of limits for liquidity risk

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

Since the end of the second quarter of 2011 the DZ BANK Group has also been analyzing **'introductory' scenarios** in addition to the limit scenarios. These introductory scenarios differ in terms of the definition of the securities recognized for liquidity generation purposes, which means that only highly liquid securities are recognized within the first forecasting month. The ability to readily convert such securities into cash in private markets (as opposed to the ability to obtain funding from central banks) is a focal point of this analysis, especially for forecasting periods of up to one week. By adopting these changes, the DZ BANK Group is implementing the latest liquidity risk management rules applicable to banks whose securities are admitted to trading on a regulated market in the EU; these regulations arise from the third amendment to the Minimum Requirements for Risk Management for banks and financial services institutions.

7.4.3. Liquidity risk mitigation

Measures to reduce liquidity risk are initiated by the treasuries of the group companies as part of their liquidity management function. Active liquidity risk management is made possible by holding sufficient available instruments in the form of cash and liquid securities, and by managing the maturity profile of money-market and capital market transactions.

7.4.4. Liquidity costs

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

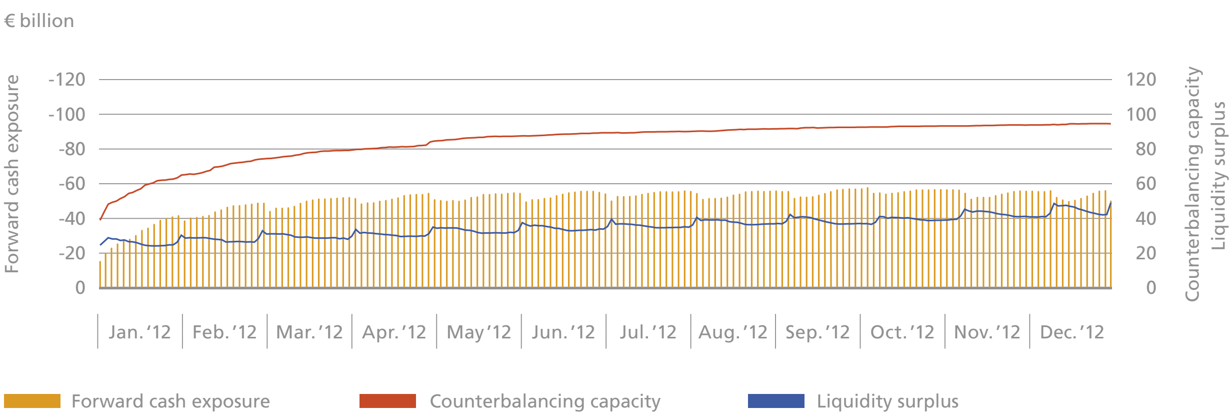
7.5. RISK POSITION

Figure 43 shows the results from the measurement of liquidity risk in the risk scenario and in the stress scenarios subject to limits (limit scenarios) as at December 31, 2011 and December 31, 2010. The values reported are the values that occur on the day on which the liquidity surplus calculated over the forecast period of one year is at a minimum level. The trend in forward cash exposure, counterbalancing capacity, and liquidity surplus in the risk scenario as calculated at December 31, 2011 is shown in figure 44. The overviews take into account the effect on liquidity of the measures

FIG. 43 – LIQUIDITY UP TO 1 YEAR IN RISK SCENARIO AND IN THE STRESS SCENARIOS SUBJECT TO LIMITS (LIMIT SCENARIOS): FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ million	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
Risk scenario (base scenario)	-49.6	-37.2	74.5	61.1	24.9	23.9
Stress scenarios						
Downgrading	-52.7	-50.6	67.5	70.6	14.8	20.0
Corporate crisis	-60.2	-58.8	66.9	71.3	6.7	12.5
Market crisis	-44.8	-14.2	60.7	32.6	15.8	18.4
Combination crisis	-66.2	-20.7	77.3	38.8	11.1	18.1

FIG. 44 – LIQUIDITY FORECAST IN RISK SCENARIO



that can be implemented to generate liquidity in the individual scenarios. These measures include the collateralized funding of securities via central banks or in the repo market.

The **minimum liquidity surplus** of the DZ BANK Group in the risk scenario measured as at December 31, 2011 amounted to €24.9 billion (December 31, 2010: €23.9 billion). The DZ BANK Group's liquidity did not fall below the observation threshold or limit for the minimum liquidity surplus in any of the limit scenarios during the reporting period.

7.6. SUMMARY AND OUTLOOK

In 2011, liquidity risk management in the DZ BANK Group followed standard daily processes. Despite the turmoil in the markets, the solvency of the group and of each individual company was never in jeopardy at any point. Some of the effects of the financial crisis were persistent but the bank was able to cope adequately with these effects within its existing organizational framework.

Stress tests to measure and monitor liquidity are carried out on a daily basis, independently of the trading function. The results of the stress tests suggest that, in the limit scenarios, neither DZ BANK nor the DZ BANK Group will experience a liquidity squeeze in 2012, even if a serious crisis should arise.

In addition, it is planned to reinvest the cash obtained from maturing liquidity portfolio securities in 2012 in highly liquid issues and this is expected to help bring about an ongoing improvement in the resilience of the group in stress scenarios.

8. TECHNICAL RISK OF A HOME SAVINGS AND LOAN COMPANY

Technical risk of a home savings and loan company is defined as a risk to earnings. It constitutes the risk of an unexpected sharp drop in earnings in building society operations. Variances compared with future planned earnings could arise primarily as a result of changes in the following factors:

- competitive environment;
- legal framework (particularly as regards government subsidies for building society savings);
- customer behavior.

Technical risk of a home savings and loan company is subdivided into two components: collective risk and new business risk. Changes in the collective business are determined by number of parameters, reflecting customer behavior. The collective building society business responds to changes in customer behavior if this varies significantly from the forecast behavior and the changes are expected to be rather more than short-term. Any negative effects not attributable to changes in behavior caused by interest-rate movements are known as collective risk. Adverse effects resulting from any deviation from the planned future level of new business are defined as new business risk.

Technical risk of a home savings and loan company arises in the DZ BANK Group in connection with the business activities of BSH.

Technical risk of a home savings and loan company is closely linked with the BSH business model and cannot therefore be avoided. Against this backdrop, the **risk strategy** aims to prevent an uncontrolled increase in risk. The objective is achieved through a forward-looking policy for products and scales of rates and charges, and also through the integrated management of collective and non-collective business.

BSH is **responsible** for managing technical risk of a home savings and loan company within the DZ BANK Group. This includes measuring the risk and communicating risk information to the risk management committees at BSH and to the Board of Managing Directors and Supervisory Board of BSH. Technical risk of a home savings and loan company forms an integral part of the DZ BANK Group's risk reporting system.

A special collective simulation, which includes the effects of a (negative) change in customer behavior and a drop in new business, is used **to measure the risk.** The results of the collective simulation are fed into an income statement for the period using a long-term forecast of earnings. The variance between the actual earnings in the risk scenario and the necessary earnings to achieve the target is used as a risk measure. The variance is discounted to produce a present value. The total of present values for variances represents the technical risk of a home savings and loan company and therefore the risk capital requirement for this type of risk.

In order to determine the technical risk of a home savings and loan company in a **stress scenario**, the risk parameters are adjusted in line with current circumstances. Stress tests are carried out quarterly.

For the present value perspective in the liquidation approach within BSH's **overall bank limit system** the technical risk of a home savings and loan company is covered by risk capital.

As at December 31, 2011, the capital requirement for technical risk of a home savings and loan company amounted to €585 million (December 31, 2010: €513 million) with an upper loss limit of the same amount (December 31, 2010: €513 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2011. The year-on-year increase in technical risk of a home savings and loan company was attributable to the adverse change in the environmental conditions and assumptions relevant to the risk scenario. Based on new business planning at BSH, no significant increase in technical risk of a home savings and loan company is forecast for 2012.

9. ACTUARIAL RISK

9.1. DEFINITION AND CAUSES

Actuarial risk is the risk that the actual cost of claims and benefits deviates from the expected cost as a result of chance, error or change. In the DZ BANK Group, actuarial risk arises from the business activities of the insurance subsidiary R+V and its constituent companies. The risk arises from the direct life insurance, pension insurance and health insurance business, the direct non-life insurance, and the inward reinsurance business. The actuarial risk situation in life insurance companies and pension funds is characterized to a large extent by fixed premiums and the long-term nature of the guaranteed benefits in the event of a claim.

One of the characteristics of the actuarial risk situation of a health insurance company is the constant rise in the cost of claims, caused both by the growth in the portfolio and by the behavior of policyholders and service providers.

Key factors in the actuarial risk in the non-life insurance business are the premium/claim risk and reserve risk, including the risk in connection with credit insurance.

Actuarial risks for a reinsurer are primarily concentrated in a portfolio at risk from natural disasters and far-reaching changes in trends in primary markets.

9.2. RISK STRATEGY

R+V's annually updated risk strategy governing the management of actuarial risk in its subgroup comprises the following components:

- ensuring that obligations under insurance contracts can always be met;
- ensuring that there is a broad balance of risk across all lines of business, from non-life insurance to personal insurance;
- regularly reviewing the adequacy of the indicators and threshold values for the individual risks in the segments and lines of business;
- specifying mandatory underwriting guidelines and limits to circumscribe liability risk for both individual claims and cumulative claims, and allocating clear signing authorities;
- reviewing the impact of new products and business areas on R+V's risk profile as part of the product management process.

9.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

R+V is responsible for managing actuarial risk within the DZ BANK Group.

The risk management process, which is implemented across all companies in the R+V group on a cross-company basis, defines rules for dealing with risks and forms the basis of a central **early warning system**. Investees are also included in the R+V group's risk management. An updated index-based assessment of all significant risks at R+V is prepared quarterly on the basis of binding key performance indicators and threshold values. Corrective action is initiated if a defined index value is exceeded. In addition, managers and employees are surveyed in order to ensure that risks are identified at an early stage. Risks that have been identified are subsequently evaluated at the Risk Conference, which is held every quarter.

R+V has a fully integrated **business continuity management system** with a central coordination function. A separately established committee, which receives specialist support from the relevant crisis managers for IT, buildings, and human resources, ensures that emergency business continuity management activities are coordinated within the R+V group and reports to the R+V Risk Conference on any major findings and any business continuity exercises that have been carried out.

Business continuity management ensures that the operating activities of the companies can be maintained in the event of a crisis. The necessary business processes are identified and supported with personnel resources as part of a business continuity plan.

The central **reporting of risk** at R+V ensures transparent reporting. A system of reports to the relevant member of the Board of Managing Directors and the head of the Risk Conference allows for the notification of changes in risks that jeopardize the future of the business as a going concern. Company information that has a bearing on risk exposure is passed to the relevant supervisory body on a regular basis. Actuarial risk also forms an integral part of the DZ BANK Group's internal risk reporting system.

A **risk inventory** is drawn up once per year. In this process, all known individual and cumulative risks, together with risk-bearing capacity and the business continuity management system, are reviewed and documented. The indicators and threshold values used are also reviewed.

9.4. RISK MANAGEMENT

9.4.1. Risk management in the direct life insurance and pension insurance business

The actuarial risk situation in the life insurance and pension insurance business is characterized to a large extent by fixed premiums and the long-term nature of the guaranteed benefits in the event of a claim.

Insurance liabilities are recognized to ensure that all benefit obligations under insurance contracts can be met. The calculation of these liabilities is based on assumptions about future trends in biometric risk (e.g. mortality and occupational invalidity), investment income, and costs. The risk that the assumptions will change over the course of time is acted against by careful product development and actuarial control systems.

The risk that future investment income will fall short of the **guaranteed interest** on the insurance liabilities is countered by ensuring that there is enough free capital that can be made available even in adverse capital market situations. The necessary capital requirement to maintain solvency is reviewed on an ongoing basis with the support of stress tests and scenario analyses as part of the management of assets and liabilities. Specifically, a systematic review is carried out to assess the effects of a long period of low interest rates and volatile capital markets.

Following the Regulation Amending the German Benefit Reserve Regulation (DeckRV) promulgated on March 11, 2011, the maximum discount rate for new contracts was lowered to 1.75 percent with effect from January 1, 2012. The introduction of the supplementary discount rate reserve facilitates the early recognition of an appropriate provision in periods of low interest rates. As at December 31, 2011, the relevant reference rate for the supplementary discount rate reserve was 3.92 percent. A supplementary discount rate reserve was recognized in the year under review. R+V expects to make further additions in 2012 and these additions have been included in the budget accounts.

Having lowered the discount rate for new business and recognized a supplementary discount rate reserve, R+V has put in place the most important prerequisites for limiting interest-rate guarantee risk in its life insurance and pension insurance business.

Policyholder bonuses have already been declared and secured for 2012. Annual policyholder bonuses are determined at a level such that there are still enough available funds to cover the interest-rate guarantee risk. This assessment is based on the available reserve for deferred policyholder participation and the valuation reserves in investments allowing for estimated ongoing interest income.

R+V operates its life insurance and pension insurance business predominantly in Germany. The resulting geographical **concentration** of insured risk is not considered to be critical, particularly in view of the diversification of this risk. Within Germany, the risk is spread evenly without any cumulative risk from a geographical perspective.

9.4.2. Risk management in the direct health insurance business

In the health insurance business, actuarial risk is controlled by a **risk-conscious underwriting policy**, the features of which are binding underwriting guidelines, careful selection of risk, and targeted management of benefits and costs. The discount rate is regularly checked by the procedure developed by the Deutsche Aktuarvereinigung e.V., Cologne, (DAV) [German Actuarial Association] for calculating the company actuarial discount rate. The discount rate that has been applied for a number of years continued to be used in the year under review.

9.4.3. Risk management in the direct non-life insurance business

Key factors in actuarial risk in the non-life insurance business are the premium/claim risk and reserve risk. **Premium risk** is the risk that future compensation in connection with insured losses that have not yet materialized will be higher than expected. **Reserve risk** relates to situations in which loss reserves recognized for losses that have already materialized prove to be inadequate.

Risk management in direct non-life insurance business is carried out through targeted risk selection, risk-oriented premiums and products, and profit-oriented underwriting guidelines. In order to maintain a balanced risk profile, R+V always seeks to avoid exposure to major individual risks. Managers use planning and control tools to ensure they are in a position to identify unexpected or adverse portfolio or claim trends at an early stage and to initiate appropriate corrective action in response to the changes in the risk situation. To make these risks manageable, pricing is based on a precise calculation with the help of mathematical/statistical modeling.

Cumulative risk is particularly important and also a part of premium/claim risk. Cumulative risk occurs when multiple claims result from a single loss event.

Risk arising from natural hazards such as earthquakes, gales, floods, or hailstorms (car insurance) is assessed by carrying out regular studies based on the insurance portfolio. Geographical diversification and underwriting restrictions for certain risks and regions – for example, using the ZÜRS geographical information system in the case of flood risk – limit the risk to a calculable amount.

In the year under review, the methodology was extended to include a prospective limit system that factors in the allocated internal risk capital amounts. The risk exposure determined on the basis of projected business performance is set against an upper loss limit derived from the allocated internal risk capital. If such models are not yet sufficiently refined to achieve the necessary stability – for example, models to estimate the risk from hailstorms – the possible risk situation continues to be assessed using deterministic approaches until the planned replacement date for the methodology.

Premium and reserve risk in connection with **credit insurance** arises from the inability or refusal of a policyholder's customer to meet his/her payment obligations. In this case, the policyholder has a claim for payment against the customer in connection with a trade receivable (credit risk) or in connection with a guarantee (guarantee insurance).

To manage the risks arising on credit insurance, R+V uses insurance mechanisms such as deductibles and annual aggregate limits. R+V achieves the intended diversification of risk in its portfolio by creating a balance of risk based on the structure of the entire insurance portfolio and the term structure of the insurance contracts. A selective and security-oriented underwriting policy that takes into account the individual risks of the various products and policyholders ensures the development of portfolios with a homogeneous risk profile. The ongoing monitoring of the credit quality of policyholders' customers is a significant contributing factor in the prevention of losses.

9.4.4. Risk management in inward reinsurance

Actuarial risk in the inward reinsurance business is controlled by continuous monitoring of the market. Special importance is attached to obtaining a balanced portfolio in regard to both global geographic and sectoral diversification.

Risk management is conducted via a clearly structured and profit-oriented **underwriting policy**. The assumption of risk is circumscribed by mandatory underwriting guidelines and limits that restrict potential liability arising from both individual and cumulative claims. In addition, the undertaking of risk is linked to clear underwriting authorities. Compliance with these requirements is regularly reviewed.

Actual and potential losses under catastrophe insurance, in terms of both amount and frequency, are continuously recorded and assessed using industry standard software and R+V's own verification systems.

A key risk management tool is systematic **cumulative loss control,** the purpose of which is to prevent the accumulation of multiple claims arising from one loss event. Cumulative risk resulting from, for example, natural disasters is managed centrally. Appropriate amounts are recognized under insurance liabilities.

9.4.5. Risk mitigation

The purpose of reinsurance cover is to limit losses arising from individual risks or cumulative claims. The reinsurance of major or natural disaster risks takes into account the R+V group's financial resources and reserves.

In the life insurance, pension insurance, and health insurance businesses, **diversification** of the insured risks within the group has the effect of mitigating the overall risk. For example, an increase in mortality has an adverse impact on earnings from life insurance and risk insurance policies in which capital is accumulated. On the other hand however, the same trend results in an improvement in earnings from pension insurance.

Overall, the earnings currently projected for risk situations are sufficiently high to ensure that positive earnings would still be generated, even in the event of a significant increase in claims. Biometric risk is minimized by using a security-oriented approach and by regularly reviewing the basis of calculations. This allows R+V to identify changes in good time and initiate appropriate corrective action.

In the direct non-life insurance business, risk is systematically reduced by means of risk sharing, risk insurance, risk exclusion, and by taking a rigorous approach to the structuring or restructuring of deductibles.

9.5. CLAIMS RATE TREND

The claims rate trend in R+V's insurance business is shown in figure 45.

The **non-life insurance** businesses of the companies in the R+V group continued to benefit disproportionately from the excellent economic situation in Germany by exploiting the synergies offered by the Volksbanken Raiffeisenbanken cooperative financial network. In the year under review, the level of premiums earned continued to grow sharply in all main segments in line with projections, and significantly better than in the market as a whole. The level of claims in direct non-life insurance fell within the parameters of R+V's risk appetite. The impact from ongoing implementation of measures to improve earnings was reflected in the slight year-on-year improvement in the operating claims rate (before reinsurance). There were no high individual claims of more than €20 million, nor were

FIG. 45 – CLAIMS RATE AND SETTLEMENTS (NET OF REINSURANCE)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Claims rate (net) as % of premiums earned										
Including major/natural disaster claims	78	77	73	73	74	71	72	72	72	81
Excluding major/natural disaster claims	71	75	73	71	70	70	70	71	71	78
Settlements (net) as % of provision for incoming claims										
Non-life	2	5	5	8	6	7	6	3	4	5

FIG. 46 – GROSS CLAIMS PROVISIONS IN DIRECT BUSINESS AND PAYMENTS MADE AGAINST THE ORIGINAL PROVISIONS

€ million	2011	2010	2009	2008	2007	2006	2005	2004
At the end of the year	3,341	3,324	2,953	2,704	2,672	2,509	2,396	2,312
1 year later	–	3,135	2,901	2,623	2,601	2,414	2,253	2,258
2 years later	–	–	2,763	2,527	2,531	2,306	2,170	2,183
3 years later	–	–	–	2,533	2,472	2,268	2,127	2,142
4 years later	–	–	–	–	2,487	2,230	2,110	2,106
5 years later	–	–	–	–	–	2,245	2,088	2,090
6 years later	–	–	–	–	–	–	2,085	2,067
7 years later	–	–	–	–	–	–	–	2,069
Settlements	–	**189**	**190**	**171**	**185**	**264**	**311**	**243**

FIG. 47 – GROSS CLAIMS PROVISIONS IN INWARD REINSURANCE BUSINESS AND PAYMENTS MADE AGAINST THE ORIGINAL PROVISIONS

€ million	2011	2010	2009	2008	2007	2006	2005	2004
Gross provisions for claims outstanding	1,409	1,190	892	712	596	524	504	464
Cumulative payments for the year concerned and prior years								
1 year later	–	437	282	232	127	138	134	163
2 years later	–	–	399	347	203	175	179	218
3 years later	–	–	–	410	250	212	208	246
4 years later	–	–	–	–	282	240	224	266
5 years later	–	–	–	–	–	252	246	278
6 years later	–	–	–	–	–	–	252	296
7 years later	–	–	–	–	–	–	–	301
Gross provisions for claims outstanding and payments made against the original provision								
At the end of the year	1,409	1,190	892	712	596	524	504	464
1 year later	–	1,401	1,026	779	583	541	497	486
2 years later	–	–	872	765	529	480	461	468
3 years later	–	–	–	696	518	432	420	442
4 years later	–	–	–	–	479	423	382	422
5 years later	–	–	–	–	–	396	381	403
6 years later	–	–	–	–	–	–	362	407
7 years later	–	–	–	–	–	–	–	389
Settlements	–	**–211**	**20**	**16**	**117**	**128**	**142**	**75**

there any exceptionally high claims resulting from natural disasters. Nevertheless, the year under review did see an increasing number of loss events related to natural hazards, although the number of claims actually fell. Even though there were no storms or floods, one of the notable features of 2011 was an above average level of claims in connection with natural hazards as a consequence of significant hailstorm damage.

Overall, the year under review was characterized by a substantial increase in the average value of claims, but also by a slight drop in the number of claims.

The claims rate trend in direct business and inward reinsurance business is shown in figures 46 and 47.

The level of reserves in **non-life insurance** as at December 31, 2011 can generally be described as ample, as was the case at the end of 2010.

During the reporting period, R+V had reinsurance cover in place in its direct insurance operations to mitigate its risk exposure to natural disasters, to protect its existing financial strength and earnings power, and to enhance its ability to sustain risk.

In common with all other reinsurers, R+V's **inward reinsurance business** was affected by exceptional events in the year under review. A number of severe natural disasters occurred on an unprecedented scale. The economic cost of €293 billion even exceeded the total for 2005, the previous most expensive year (€156 billion for the year as a whole). In 2011, R+V recognized claims expenses of approximately €300 million (2010: approximately €121 million) for the five largest natural disasters during the year: the earthquakes in Japan and New Zealand, the series of tornadoes in the United States, and the floods in Brisbane, Australia, and in Thailand.

9.6. CREDIT INSURANCE

The value of limits issued in the credit insurance business was €24.9 billion as at December 31, 2011, almost unchanged on the figure of €24.0 billion as at December 31, 2010. However, utilization of these facilities rose from €18.1 billion to €20.5 billion. This increase was attributable to the stable level of business activity in the construction industry, the consequent stronger demand for guarantees, and the general economic recovery. As a result of the significant increase in the trading volume of German companies, the volume of supply contracts insured also rose.

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

9.7. RISK POSITION AND OUTLOOK

As at December 31, 2011, the **economic capital requirement** for actuarial risk was measured at €1,967 million, a significant increase on the corresponding figure of €1,684 million as at December 31, 2010. The increase resulted from growth in R+V's business volumes and the rise in interest rates. As at December 31, 2011, the upper loss limit for the total actuarial risk was set at €2,000 million (December 31, 2010: €1,710 million).

A key factor in the development of the actuarial risk situation in 2012 will be whether the tangible economic recovery proves to be lasting. A further material risk could develop out of the prevailing period of low interest rates.

The R+V group possesses all the necessary tools in order to be able to control the risks that have been identified. Sufficient capital, a well-diversified product portfolio, strong distribution channels, and cost-effective business operations will enable the R+V group to manage the risks that have been identified and benefit from opportunities that arise.

10. OPERATIONAL RISK

10.1. DEFINITION AND CAUSES

DZ BANK defines operational risk as the risk of unexpected loss from human behavior, technological failure, weaknesses in process or project management, or external events. This closely resembles the regulatory definition. Legal risk is included in this definition. The other main management units within the DZ BANK Group also use this definition or a definition comparable with SolvV. The activities of DZ BANK and those of BSH, DG HYP, DVB, DZ PRIVATBANK, R+V, TeamBank, and Union Asset Management Holding have a significant impact on operational risk.

10.2. RISK STRATEGY

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

- Continuous enhancement of **risk awareness,** so that it is reflected in an appropriate risk culture focusing not only on individual areas of responsibility but also on the overarching interests of the bank. Establishment of comprehensive, open communication systems to support these aims.
- An open and largely penalty-free **approach to operational risk** promoting a problem-solving culture.
- 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.
- Mandatory rule for all **decisions** to take into account the impact on operational risk; this applies in particular to the new product process and to business continuity planning.
- Subject to cost effectiveness, appropriate **resources** for managing operational risk to be made available.
- **Incentive systems** compatible with risk to ensure a sustained contribution based on performance from the perspective of the entire business.
- **Management** of operational risk on a decentralized basis.
- Compliance with relevant **regulatory requirements** guaranteed at all times.

10.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

The starting point for all other tools for the management and control of operational risk is the **functional organization model,** which describes in detail the roles and responsibilities of all persons involved in the process. Appropriate **guidelines** ensure that there is a groupwide harmonization of organizational structures in group companies. The management of operational risk is the responsibility of each group company. A groupwide coordinated approach to operational risk is managed by a **working group** assigned to the Group Risk Management Working Group and comprising representatives from the main group companies.

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

10.4. RISK MANAGEMENT

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

The groupwide collection of **loss data** allows DZ BANK to identify, analyze, and evaluate loss events, highlighting patterns, trends, and concentrations of operational risk. The assembled data history also forms the basis for the planned calculation of economic capital using a portfolio model (known as OpVaR). Losses are recorded if they are above a threshold value of €1,000.

In large parts of the DZ BANK Group, senior managers from all management units assess operational risk as part of the **risk self-assessment** process in order to identify and evaluate all material operational risks and ensure maximum possible transparency regarding the risk position. The main potential risks for all first-level risk categories as defined by SolvV are calculated and described using risk scenarios. The findings will be fed into the internal portfolio model in the future. The scenarios also allow the group to identify risk concentrations.

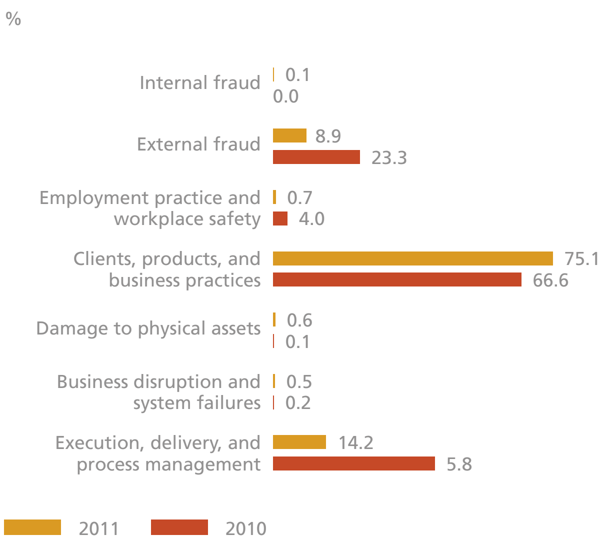
In addition to the loss database and risk self-assessment, **risk indicators** help the group identify risk trends and concentrations at an early stage and detect weaknesses in business processes. A system of warning lights is used to indicate risk situations based on specified threshold values. Risk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

Continuous **improvement** of business processes is one method of minimizing operational risk. The **transfer of risk** by means of insurance or outsourcing as permitted by liability regulations provides further protection. Operational risk is **avoided,** for example, by **rejecting** products identified during the new product process as entailing too much risk. In all relevant group companies, comprehensive contingency plans covering business-critical processes have been established to ensure the continuation of business in the event of process disruption or system breakdown. These business continuity plans are regularly reviewed and simulated to ensure they are fully functional. A number of ways are used to minimize the operational risk associated with **securitization exposures,** one of which is to carry out regular due diligence reviews with the parties involved.

10.5. LOSS EVENTS AND LOSSES

Figure 48 shows the losses reported in 2011 classified by **loss event category.** Over the course of time, there are regular fluctuations in the pattern of losses as the probability of relatively large losses occurring in each individual case is very low. Losses did not reach a critical level relative to the upper loss limit at any point during 2011. The disclosures relating to 2010 are different from the disclosures on page 115 of the 2010 Annual Report because some of the losses reported in 2010 had not yet been processed in full when the group management report for 2010 was prepared.

FIG. 48 – NET LOSSES BY EVENT CATEGORY[1]



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

10.6. RISK POSITION

As at December 31, 2011, the DZ BANK Group's **economic capital requirement** for operational risk was calculated at €651 million (December 31, 2010: €530 million), whereas the upper loss limit was set at €710 million (December 31, 2010: €599 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2011. The year-on-year increase in the risk capital requirement and upper loss limit was attributable to the rise in gross margin, particularly at DZ BANK.

10.7. SUMMARY AND OUTLOOK

In the year under review, DZ BANK began to develop an internal portfolio model for determining the economic risk capital requirement. The purpose of this model is to ensure that the capital requirement for operational risk is determined according to the level of risk incurred to complement the system implemented in 2010 in which risk capital is allocated on a risk-sensitive basis to the DZ BANK divisions bearing or causing risk. DZ BANK intends to continue with the implementation of this project during 2012.

Efforts in 2012 will be focused particularly on further harmonization of methods, data standards, and guidelines at DZ BANK Group level, including the associated processes and IT infrastructure. Incentives for sustainable risk management will also be provided, for example via the risk strategy. Further refinement of the system is planned for 2012.

11. BUSINESS RISK

Business risk denotes the risk of losses arising from unexpected earnings volatility which, for a given business strategy, is caused by changes in external conditions or parameters and cannot be offset by cost-cutting. Fluctuations in earnings attributable to other types of risk are not included in this analysis.

The management of business risk in the DZ BANK Group is a primary responsibility of the **Board of Managing Directors of DZ BANK** and is carried out in consultation with the senior management of the main subsidiaries and the heads of the DZ BANK divisions involved. Group management is integrated into a committee structure, headed by the **Group Coordination Committee.** The Central Services division supports the Board of Managing Directors as part of its role in supervising the activities of the subsidiaries.

The **Financial Services Advisory Council** is increasing the involvement of the cooperative banks in the joint development and marketing of the DZ BANK Group's products and services and it works closely with the BVR and its special committees. The Financial Services Advisory Council therefore acts as a recommendation committee on product and sales issues arising from the partnership between the cooperative banks and the DZ BANK Group. This approach endeavors to engender a high degree of mutual commitment while at the same time fully maintaining the decentralized structure to the benefit of the cooperative banks.

The management of business risk is closely linked with the **management of opportunities** and the tools used in the strategic planning process. It is based on the forward-looking assessment of success factors and the setting of associated targets both for the subsidiaries integrated into the active management of risk, and for the divisions of DZ BANK.

Risk is quantified using a risk model based on an earnings-at-risk approach. As the business model varies between management units, each group company is itself responsible for calculating its business risk so that the particular features of each business model can be accommodated. The business risk at DZ BANK Group level is determined by aggregating these individual risk values.

As at December 31, 2011, the **economic capital requirement** for business risk in the DZ BANK Group amounted to €516 million (December 31, 2010: €521 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2011. As at December 31, 2011, the upper loss limit for this type of risk was €611 million (December 31, 2010: €638 million). As a result of the separation of technical risk of a home savings and loan company from business risk and the reclassification of specific risks at Union Asset Management Holding from credit risk to business risk, the values shown for 2010 are different from the values reported on page 118 of the 2010 Annual Report.

12. SUMMARY

The management of opportunities and risks forms an integral part of the strategic planning process in the DZ BANK Group. Efficient management and control tools are used in all areas of risk. These tools are subject to gradual further development and refinement. The development of these tools is derived from business management requirements and, in terms of risk management, is based on regulatory requirements. The management of opportunities is based on a qualitative approach and is tightly integrated into the strategic planning process.

Groupwide risk capital management ensures that risks are consistently and comprehensively divided into seven clearly defined risk types. Liquidity risk and reputational risk constitute two further risk types that are managed although not backed by capital given the nature of the risks involved. All material group companies are directly integrated into the risk-management process. The other companies are recorded and managed as part of the management of equity risk.

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

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

The DZ BANK Group remained within its economic risk-bearing capacity in 2011 and also complied with regulatory requirements at all times. Despite the persistent disruption in the markets, the solvency of the DZ BANK Group was never in jeopardy at any point in the year under review. The DZ BANK Group was able to cope adequately with the effects of the financial crisis and sovereign debt crisis on its liquidity position by using the existing organizational arrangements available in its liquidity risk management system.

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

CONSOLIDATED FINANCIAL STATEMENTS

D FINANCIAL INSTRUMENTS DISCLOSURES

E OTHER DISCLOSURES

Income statement
for the period January 1 to December 31, 2011

€ million	(Note)	2011	2010
Net interest income	(29)	3,137	2,732
Interest income and current income and expense		9,106	8,712
Interest expense		-5,969	-5,980
Allowances for losses on loans and advances	(30)	-395	-258
Net fee and commission income	(31)	963	1,113
Fee and commission income		2,554	2,572
Fee and commission expenses		-1,591	-1,459
Gains and losses on trading activities	(32)	398	1,015
Gains and losses on investments	(33)	-333	-708
Other gains and losses on valuation of financial instruments	(34)	-999	-88
Premiums earned	(35)	11,193	10,921
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(36)	2,088	2,959
Insurance benefit payments	(37)	-10,968	-11,645
Insurance business operating expenses	(38)	-1,965	-1,829
Administrative expenses	(39)	-2,722	-2,588
Other net operating income	(40)	-73	-6
Profit before taxes		324	1,618
Income taxes	(41)	285	-493
Net profit		**609**	**1,125**
Attributable to:			
Shareholders of DZ BANK		385	867
Non-controlling interests		224	258

APPROPRIATION OF PROFITS

€ million	2011	2010
Net profit	609	1,125
Non-controlling interests	-224	-258
Appropriation to retained earnings	-324	-721
Unappropriated earnings	**61**	**146**

Statement of comprehensive income for the period January 1 to December 31, 2011

€ million	(Note)	2011	2010
Net profit		609	1,125
Gains and losses on available-for-sale financial assets	(42)	-664	-641
Gains and losses on cash flow hedges	(42)	-10	9
Exchange differences on currency translation of foreign operations		–	22
Actuarial gains and losses on defined benefit plans		3	-116
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method		-8	-13
Other comprehensive income/loss before taxes		-679	-739
Income taxes relating to components of other comprehensive income	(43)	160	221
Other comprehensive income/loss		-519	-518
Total comprehensive income/loss		**90**	**607**
Attributable to:			
Shareholders of DZ BANK		-67	379
Non-controlling interests		157	228

Balance sheet as at December 31, 2011

ASSETS

€ million	(Note)	Dec. 31, 2011	Dec. 31, 2010
Cash and cash equivalents	(13, 44)	2,556	579
Loans and advances to banks	(14, 45)	80,035	73,614
Loans and advances to customers	(14, 46)	120,760	116,275
Allowances for losses on loans and advances	(15, 47)	-2,278	-2,224
Derivatives used for hedging (positive fair values)	(16, 48)	901	798
Financial assets held for trading	(17, 49)	71,858	68,047
Investments	(18, 50)	61,690	58,732
Investments held by insurance companies	(51, 55)	59,348	57,996
Property, plant and equipment, and investment property	(19, 52, 55)	2,219	2,152
Income tax assets	(20, 53)	2,916	2,626
Other assets	(21, 54)	5,453	4,647
Non-current assets and disposal groups classified as held for sale	(22, 56)	113	47
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		355	175
Total assets		**405,926**	**383,464**

EQUITY AND LIABILITIES

€ million	(Note)	Dec. 31, 2011	Dec. 31, 2010
Deposits from banks	(23, 57)	106,919	104,156
Amounts owed to other depositors	(23, 58)	92,871	84,935
Debt certificates including bonds	(24, 59)	55,114	55,189
Derivatives used for hedging (negative fair values)	(16, 60)	2,598	1,362
Financial liabilities held for trading	(17, 61)	67,371	57,691
Provisions	(25, 62)	1,823	1,773
Insurance liabilities	(10, 63)	57,437	56,216
Income tax liabilities	(20, 53)	1,001	1,311
Other liabilities	(64)	5,848	5,718
Subordinated capital	(26, 65)	3,935	4,262
Liabilities included in disposal groups classified as held for sale	(22, 56)	9	13
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		225	111
Equity	(66)	10,775	10,727
Subscribed capital		3,160	3,160
Capital reserves		1,111	1,111
Retained earnings		3,188	2,687
Revaluation reserve		-1,101	-680
Cash flow hedge reserve		-25	-17
Currency translation reserve		-3	8
Non-controlling interests		4,384	4,312
Unappropriated earnings		61	146
Total equity and liabilities		**405,926**	**383,464**

Statement of changes in equity

€ million	Subscribed capital	Capital reserves	Equity earned by the group	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	**Equity before non-controlling interests**	Non-controlling interests	**Total equity**
Equity as at Jan. 1, 2010	3,160	1,111	2,072	-241	-22	-22	6,058	4,175	10,233
Net profit	–	–	867	–	–	–	867	258	1,125
Other comprehensive income/loss	–	–	-73	-450	5	30	-488	-30	-518
Total comprehensive income/loss	–	–	794	-450	5	30	379	228	607
Capital increase	–	–	–	–	–	–	–	36	36
Changes in scope of consolidation	–	–	87	11	–	–	98	40	138
Acquisition/disposal of non-controlling interests	–	–	2	–	–	–	2	-11	-9
Dividends paid	–	–	-122	–	–	–	-122	-156	-278
Equity as at Dec. 31, 2010	3,160	1,111	2,833	-680	-17	8	6,415	4,312	10,727
Net profit	–	–	385	–	–	–	385	224	609
Other comprehensive income/loss	–	–	-3	-440	-8	-1	-452	-67	-519
Total comprehensive income/loss	–	–	382	-440	-8	-1	-67	157	90
Capital increase	–	–	–	–	–	–	–	3	3
Changes in scope of consolidation	–	–	181	19	–	-10	190	189	379
Acquisition/disposal of non-controlling interests	–	–	-1	–	–	–	-1	-31	-32
Dividends paid	–	–	-146	–	–	–	-146	-246	-392
Equity as at Dec. 31, 2011	3,160	1,111	3,249	-1,101	-25	-3	6,391	4,384	10,775

Statement of cash flows

€ million	2011	2010
Net profit	**609**	**1,125**
Non-cash items included in net profit and reconciliation to cash flows from operating activities		
Depreciation, amortization, impairment losses, reversals of impairment losses on assets, and other non-cash changes in financial assets and liabilities	1,994	187
Non-cash changes in provisions	254	347
Changes in insurance liabilities	5,211	6,053
Other non-cash income and expenses	-533	-107
Gains and losses on the disposal of assets and liabilities	596	768
Other adjustments (net)	-3,761	-3,936
Subtotal	4,370	4,437
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks	-6,373	-12,598
Loans and advances to customers	-4,669	-3,798
Other assets from operating activities	666	206
Derivatives used for hedging (positive and negative fair values)	-17	700
Financial assets and financial liabilities held for trading	6,123	-32,078
Deposits from banks	2,475	48,730
Amounts owed to other depositors	7,194	6,808
Debt certificates including bonds	-164	-9,803
Other liabilities from operating activities	-4,326	-3,089
Interest, dividends, and operating lease payments received	9,609	14,166
Interest paid	-5,697	-10,683
Income taxes paid	-346	-278
Cash flows from operating activities	**8,845**	**2,720**
Proceeds from the sale of investments	13,016	16,948
Proceeds from the sale of investments held by insurance companies	29,145	30,791
Proceeds from the sale of property, plant and equipment, and investment property (excluding assets subject to operating leases)	142	10
Payments for the acquisition of investments	-16,620	-14,461
Payments for the acquisition of investments held by insurance companies	-31,093	-35,104
Payments for the acquisition of property, plant and equipment, and investment property (excluding assets subject to operating leases)	-156	-171
Changes in scope of consolidation	-4	17
of which: Proceeds from the sale of consolidated subsidiaries net of cash divested	–	1
Payments for the acquisition of consolidated subsidiaries net of cash acquired	-4	-25
Net change in cash and cash equivalents from other investing activities	-340	-98
Cash flows from investing activities	**-5,910**	**-2,068**
Proceeds from capital increases	3	36
Dividends paid to shareholders of DZ BANK and non-controlling interests	-392	-278
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	-569	-318
Cash flows from financing activities	**-958**	**-560**

€ million	2011	2010
Cash and cash equivalents as at January 1	579	487
Cash flows from operating activities	8,845	2,720
Cash flows from investing activities	-5,910	-2,068
Cash flows from financing activities	-958	-560
Cash and cash equivalents as at December 31	**2,556**	**579**

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

Cash flows from operating activities comprise cash flows mainly arising in connection with the revenue-producing activities of the group and other activities that cannot be classified as investing or financing activities. Cash flows related to the acquisition and disposal of non-current assets are allocated to investing activities. Cash flows from financing activities include cash flows arising from transactions with equity owners and from other borrowing to finance business activities.

As in 2010, disposals of consolidated subsidiaries did not result in any cash outflow in 2011.

NOTES

A General disclosures

» 01
BASIS OF PREPARATION

Pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002, the consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK), Frankfurt am Main, for the 2011 financial year have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The provisions specified in section 315a (1) German Commercial Code (HGB) for companies whose securities are admitted to trading on a regulated market in the EU have also been applied in the consolidated financial statements of DZ BANK. In addition, further standards adopted by the Deutscher Standardisierungsrat [German Accounting Standards Board] have generally been taken into account where such standards have been published in the German Federal Gazette by the Bundesministerium der Justiz [Federal Ministry of Justice] pursuant to section 342 (2) HGB.

The DZ BANK Group's financial year is the same as the calendar year. In the interest of clarity, some items on the face of the income statement, the statement of comprehensive income, and the balance sheet have been aggregated and are explained by additional disclosures in the notes. Unless stated otherwise, all amounts are shown in millions of euros (€ million). All figures are rounded to the nearest whole number. This may result in very small discrepancies in the calculation of totals and percentages.

The consolidated financial statements of DZ BANK have been released for publication by the Board of Managing Directors following approval by the Supervisory Board on March 22, 2012.

» 02
ACCOUNTING POLICIES AND ESTIMATES

CHANGES IN ACCOUNTING POLICIES

The financial statements of the companies consolidated in the DZ BANK Group have been prepared using uniform accounting policies.

FIRST-TIME APPLICATION IN 2011 OF CHANGES IN IFRS

The following amendments to and revised versions of financial reporting standards, new and amended interpretations, and improvements to IFRSs are applied for the first time in the consolidated financial statements of DZ BANK:
– IAS 24 *Related Party Disclosures* (IAS 24 (2009)),
– Amendment to IFRS 1 – *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters,*
– Amendment to IAS 32 – *Classification of Rights Issues*,

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments,*
- Amendments to IFRIC 14 – *Prepayments of a Minimum Funding Requirement,* and
- Improvements to IFRSs (2010).

In 2011, the improvements to IFRSs (2010) relating to IFRS 7 *Financial Instruments: Disclosures* resulted in changes to the disclosures on the nature and extent of risk arising from financial instruments. These disclosures are published in the risk report within the group management report in compliance with IFRS 7.B6. The new version of IFRS 7.36(b) requires quantitative disclosures relating to the collateral for the entire credit portfolio, whereas the previous version only specified a description of the collateral held. Conversely, the standard no longer includes the requirement to disclose the fair value of collateral related to the subportfolios of impaired lending volumes and lending volumes overdue, but not impaired. Likewise, the disclosure requirements for the volume of renegotiated loans have been removed as a result of the deletion of IFRS 7.36(d). The other amendments to IFRS 7 arising from the improvements to IFRSs (2010) do not lead to any changes in financial reporting for the DZ BANK Group.

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

CHANGES IN IFRS ENDORSED BY THE EU BUT NOT YET ADOPTED

The DZ BANK Group has decided against voluntary early adoption of the amendments to IFRS 7 – *Disclosures – Transfers of Financial Assets* relating to the transfer of financial assets, which have been endorsed by the EU. These amendments, specifically the introduction of IFRS 7.42A to 42H (replacing IFRS 7.13), result in substantial enhancements to financial reporting disclosures regarding the derecognition of financial assets. The disclosures on transferred financial assets that are not derecognized in their entirety are extended to include a summary of the fair values of the assets and associated liabilities as well as additional qualitative disclosures on the transactions. The amendments to IFRS 7 now also provide for qualitative and quantitative disclosures on financial assets that have been derecognized in their entirety but that are still subject to a continuing involvement. The amendments to IFRS 7 do not have any impact on the financial position or financial performance of the DZ BANK Group. The amendments to IFRS 7 must be applied prospectively for financial years beginning on or after July 1, 2011. The DZ BANK Group will apply the amendments to IFRS 7 from the 2012 financial year onward.

CHANGES IN IFRS THAT HAVE NOT BEEN ENDORSED BY THE EU

The following new or revised accounting standards, amended accounting standards, and new interpretations that have been issued by the International Accounting Standards Board (IASB) have not yet been endorsed by the EU:
- IFRS 9 *Financial Instruments,*
- IFRS 10 *Consolidated Financial Statements,*
- IFRS 11 *Joint Arrangements,*
- IFRS 12 *Disclosure of Interests in Other Entities,*
- IFRS 13 *Fair Value Measurement,*
- IAS 27 *Separate Financial Statements,*

- IAS 28 *Investments in Associates and Joint Ventures,*
- Amendments to IFRS 1 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters,*
- Amendments to IFRS 7 – *Disclosures – Offsetting Financial Assets and Financial Liabilities,*
- Amendments to IFRS 9 and IFRS 7 – *Mandatory Effective Date and Transition Disclosures,*
- Amendments to IAS 1 – *Presentation of Items of Other Comprehensive Income,*
- Amendments to IAS 12 – *Deferred Tax: Recovery of Underlying Assets*,
- Amendments to IAS 19 – *Employee Benefits,*
- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*, and
- IFRIC Interpretation 20 – S*tripping Costs in the Production Phase of a Surface Mine.*

IFRS 9 *Financial Instruments* constitutes the first part (phase I) of a wide-ranging project to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. On November 12, 2009, the IASB issued amended requirements for the classification of financial assets. On October 28, 2010, it completed the first phase by issuing and publishing additions to IFRS 9 covering requirements for the accounting treatment of financial liabilities. IFRS 9 includes requirements for the recognition and measurement of all items falling within the scope of IAS 39. At the moment, the measurement requirements remain incomplete. As a result of IFRS 9, financial assets need to be reclassified. Both the business models of the portfolios and the characteristics of the contracted cash flows for the individual financial assets must be taken into account for the purposes of the reclassification. Unlike IAS 39, IFRS 9 specifies that, as regards financial liabilities designated as at fair value through profit or loss, any changes in such liabilities resulting from a change in credit risk must be recognized in other comprehensive income. The other requirements relating to financial liabilities have been largely carried over from IAS 39 unchanged. Currently, the impact of IFRS 9 on future consolidated financial statements is being investigated as part of projects being conducted by the companies in the DZ BANK Group. It will only be possible to complete these projects when phase II *Amortized Cost and Impairment of Financial Assets* and phase III *Hedge Accounting* have been published.

The transitional provisions governing the switch from IAS 39 to IFRS 9 have changed as a result of amendments to IFRS 9 and IFRS 7 – *Mandatory Effective Date and Transition Disclosures*. These amendments have postponed the date for mandatory first-time adoption from January 1, 2013 to January 1, 2015. Application must generally be retrospective, although earlier adoption is permitted. Another change as a result of the amendments is that there is no longer a requirement to report restated prior-year figures. For companies that apply IFRS 9 for financial years beginning on or after January 1, 2013, there will be an additional requirement under IFRS 7 to include disclosures in the notes describing the effects of the transition from IAS 39 to IFRS 9. The timing of the DZ BANK Group's initial adoption of IFRS 9 depends on when the standard becomes part of EU law. As at the date on which these consolidated financial statements are published, no date has yet been planned for endorsement by the EU.

In May 2011, the IASB issued three standards that are largely concerned with consolidated financial statements (IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* and IFRS 12 *Disclosure of Interests in Other Entities*). IFRS 10 is the core standard for preparing consolidated financial statements and replaces the corresponding provisions in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose*

Entities. The standard establishes a uniform principle of control applicable to all entities, including special-purpose entities. Henceforward, IAS 27 *Separate Financial Statements* only includes provisions governing single-entity financial statements in accordance with IFRS. IFRS 11 is concerned with joint arrangements and replaces IAS 31 *Interests in Joint Ventures*. All disclosure requirements relating to subsidiaries, joint ventures, associates, and unconsolidated structured entities are summarized in IFRS 12. It is mandatory for the three standards to be applied retrospectively to financial years beginning on or after January 1, 2013. DZ BANK is currently examining the impact on its consolidated financial statements.

IFRS 13 *Fair Value Measurement* comprises provisions to ensure that fair value is determined on a uniform basis across all IFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The individual standards define when fair value is to be measured. Comprehensive quantitative and qualitative disclosure requirements have also been introduced regarding fair value measurement. DZ BANK is currently undertaking a project to establish the implications of IFRS 13. IFRS 13 must be applied prospectively for financial years beginning on or after January 1, 2013.

The amendments to IFRS 7 – *Disclosures – Offsetting Financial Assets and Financial Liabilities* require comprehensive disclosures on financial instruments that are subject to legally enforceable global set-off arrangements or similar structures. The amendments must be applied retrospectively to financial years beginning on or after January 1, 2013.

The amendments to IAS 19 – *Employee Benefits* have resulted in various changes to the accounting treatment of defined benefit obligations. The amendments have removed the election options relating to the recognition of actuarial gains and losses and now specify that these remeasurements be recognized immediately in other comprehensive income/loss. In the future, the net interest income and expenses in connection with the defined benefit net assets and obligations, as well as the service cost, must be recognized in the income statement. The DZ BANK Group is not expecting these amendments to have any material impact on its financial position or financial performance, although they will lead to a significant expansion in the required disclosures. The amendments must be applied retrospectively to financial years beginning on or after January 1, 2013.

The amendments to IAS 32, referred to as IAS 32 – *Offsetting Financial Assets and Financial Liabilities,* set out specific application guidelines for offsetting financial instruments, although the existing fundamental provisions for offsetting financial instruments remain unchanged. There is no impact on the financial position or financial performance of the DZ BANK Group. The amendments must be applied retrospectively to financial years beginning on or after January 1, 2014.

The other aforementioned amendments to IFRSs have no material impact on DZ BANK's consolidated financial statements.

The initial application dates for amendments issued by IFRS are subject to the proviso that the amendments must first be endorsed by the EU.

FIRST-TIME APPLICATION IN 2011 OF CHANGES IN HGB

The consolidated financial statements of the DZ BANK Group apply the following new German Accounting Standards (GAS) for the first time:

- GAS 18 *Deferred Taxes*, and
- GAS 19 *Duty to Prepare Consolidated Financial Statements, Basis of Consolidation*.

These new German Accounting Standards have not had any impact on DZ BANK's consolidated financial statements.

SOURCES OF UNCERTAINTY ASSOCIATED WITH ESTIMATES

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

Assumptions and estimates are used primarily in determining the fair value of financial assets and financial liabilities and in identifying any impairment of financial assets. Estimates also have a material impact on determining the recoverability of goodwill or intangible assets acquired as part of business combinations. Furthermore, assumptions and estimates affect the measurement of insurance liabilities, provisions for employee benefits, and other provisions as well as the recognition and measurement of income tax assets and income tax liabilities.

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

If there are no prices available for certain financial instruments from active markets, the fair values of such financial assets and financial liabilities have to be determined on the basis of estimates, resulting in some uncertainty. Uncertainties associated with estimates arise primarily if fair values are determined using valuation techniques involving significant valuation parameters that are not observable in the market. This affects both financial instruments measured at fair value and financial instruments measured at amortized cost whose fair values are disclosed in the notes. The assumptions and measurement methods used to determine fair values in the absence of market prices are described in the financial instruments disclosures in note 67.

IMPAIRMENT OF FINANCIAL ASSETS

When an impairment test is carried out for financial assets in the category of 'loans and receivables' and for finance lease receivables, it is necessary to determine estimated future cash flows from interest payments and the repayment of principal as well as from any realization of collateral. This requires estimates and assumptions, which in turn give rise to some uncertainty.

GOODWILL AND INTANGIBLE ASSETS

The recognition of goodwill is largely based on estimated future income, synergies, and non-recognizable intangible assets generated by business combinations or acquired as part of business combinations. The recoverability of the carrying amount is verified by means of budget accounts that are largely based on estimates. Identifiable intangible assets acquired as part of business combinations are recognized on the basis of their future economic benefits. These benefits are assessed by management using reasonable, well-founded assumptions. The estimates applied in the case of business combinations in 2011 and 2010 are described in note 85.

INSURANCE LIABILITIES

The exercise of discretion as well as the estimates and assumptions underlying the measurement of insurance liabilities are described in the insurance business disclosures in note 10.

PROVISIONS FOR EMPLOYEE BENEFITS AND OTHER PROVISIONS

Uncertainty associated with estimates in connection with provisions for employee benefits arises primarily from the measurement of defined benefit obligations, on which actuarial assumptions have a material effect. Actuarial assumptions are based on a large number of long-term, forward-looking factors, such as salary increases, annuity trends, and average life expectancy.

Actual cash outflows in the future related to items for which other provisions have been recognized may differ from the forecast utilization of the provisions.

INCOME TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are calculated on the basis of estimates of future taxable income in taxable entities. In particular, these estimates have an effect on any assessment of the extent to which it will be possible to make use of deferred tax assets in the future. In addition, the calculation of current tax assets and liabilities for the purposes of preparing financial statements involves estimates of details relevant to income tax.

» 03 SCOPE OF CONSOLIDATION

In addition to DZ BANK AG as the parent, the consolidated financial statements for the year ended December 31, 2011 include 26 subsidiaries (2010: 27) and 5 subgroups (2010: 5) comprising a total of 903 subsidiaries (2010: 943). A subsidiary is included in the scope of consolidation from the date on which DZ BANK obtains control over the subsidiary concerned. A parent company generally acquires control by directly or indirectly holding a majority of the voting power in the subsidiary. The consolidated financial statements also include special-purpose entities in which DZ BANK does not hold a majority of the voting power, either directly or indirectly. These companies are consolidated because the substance of the relationship indicates that the DZ BANK Group exercises control.

The principal change to the scope of consolidation in the period under review was the first-time consolidation of the following two subsidiaries: DZ Beteiligungsgesellschaft mbH Nr. 18, Frankfurt am Main, and WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH, Stuttgart. In addition, the group undertook some internal reorganization in which DZ PB S.A., Luxembourg-Strassen, was merged with its subsidiary DZ PRIVATBANK S.A., Luxembourg-Strassen; DZ PB-Beteiligungsgesellschaft mbH, Frankfurt am Main, was also merged into DZ BANK. Further changes in the scope of consolidation resulted from business combinations and are presented in note 85.

The consolidated financial statements include 22 joint ventures with at least one other company outside the group (2010: 24) and 15 associates (2010: 11) over which the DZ BANK Group has significant influence. These companies are accounted for using the equity method.

The shareholdings of the DZ BANK Group are listed in full in note 97.

» 04 PROCEDURES OF CONSOLIDATION

As specified by IAS 27 in conjunction with IFRS 3, capital consolidations are accounted for using the acquisition method by offsetting the acquisition cost of a subsidiary against the group's share of the acquiree's equity remeasured at fair value on the respective acquisition date. Any positive difference between these two amounts is recognized as goodwill under other assets. Goodwill is tested for impairment at least once a year. Any negative goodwill is recognized immediately in profit or loss. Any share of an acquiree's equity not attributable to the parent company is reported under equity as non-controlling interests.

Interests in joint ventures and investments in associates are accounted for using the equity method and reported under investments on the face of the balance sheet.

The consolidated subsidiaries have generally prepared their financial statements on the basis of a financial year ended December 31, 2011. There are 3 companies (2010: 3 companies) included in the consolidated financial statements with different reporting dates for their annual financial statements. With 5 (2010: 4) exceptions, the separate financial statements of the entities accounted for using the equity method are prepared to the same balance sheet date as that of the parent company. There is no resulting material impact in respect of the subsidiaries and associates concerned, and therefore no interim financial statements have been prepared.

Intragroup assets and liabilities, as well as intragroup income and expenses, are eliminated in full. Intragroup profits or losses resulting from transactions within the group are also eliminated in full.

CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments in this category are measured at fair value through profit or loss. This category is broken down into two subcategories, as shown below.

Financial instruments held for trading

The 'financial instruments held for trading' subcategory covers financial assets and financial liabilities that are acquired or incurred for the purpose of selling or repurchasing them in the near term, that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or that are derivatives, except for derivatives that are designated and effective hedging instruments.

Financial instruments designated as at fair value through profit or loss; fair value option

Financial assets and financial liabilities may be designated to the 'financial instruments designated as at fair value through profit or loss' subcategory by exercising the fair value option, provided that the application of this option eliminates or significantly reduces measurement or recognition inconsistencies (accounting mismatches), the financial assets and liabilities are managed as a portfolio on a fair value basis, or they include one or more embedded derivatives required to be separated from the host contract.

HELD-TO-MATURITY INVESTMENTS

The 'held-to-maturity investments' category consists of non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These investments are measured at amortized cost. The premiums and discounts are allocated over the expected life of the instrument using the effective interest method. The DZ BANK Group does not use the 'held-to-maturity investments' category.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost. The premiums and discounts are allocated over the expected life of the instrument using the effective interest method.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

'Available-for-sale financial assets' are financial assets that cannot be classified in any other category. They are measured at fair value. Any changes in fair value between 2 balance sheet dates are recognized in other comprehensive income. The changes in fair value reported on the face of the balance sheet are included in the revaluation reserve as part of equity. When financial assets in this category are sold, gains and losses recognized in the revaluation reserve are reclassified to the income statement. Equity instruments in this category are measured at cost if their fair value cannot be reliably determined.

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

This category includes all financial liabilities within the scope of IAS 39 that are measured at amortized cost.

In accordance with IAS 32, shares in partnerships are normally classified as debt instruments. Given their subordinated status compared with the liabilities of the partnerships concerned, non-controlling interests in this case are reported as subordinated capital. Profit attributable to non-controlling interests is recognized under other liabilities, provided that the resulting liability is not of a subordinated nature. Non-controlling interests in partnerships are classified as 'share capital repayable on demand' and are assigned to the 'financial liabilities measured at amortized cost' category.

This category also includes liabilities under compensation payment obligations owed to non-controlling interests in consolidated subsidiaries. These liabilities arise if DZ BANK or some other entity controlled by DZ BANK has concluded a profit transfer agreement with a subsidiary in accordance with section 291 (1) of the German Stock Corporation Act (AktG) under which there are non-controlling interests. Liabilities under compensation payment obligations are recognized at the amount of the discounted obligation.

In addition, this category includes liabilities from capitalization transactions. There is no significant transfer of insurance risk in these transactions and they do not therefore satisfy the criteria for an insurance contract under IFRS 4. As a consequence, such transactions need to be treated as financial instruments in accordance with IAS 39.

OTHER FINANCIAL INSTRUMENTS

LIABILITIES FROM FINANCIAL GUARANTEE CONTRACTS

Liabilities from financial guarantee contracts measured in accordance with IAS 39 must be recognized as a liability at fair value by the issuer of the guarantee at the date of issue. The fair value is normally equivalent to the present value of the consideration received for issuing the financial guarantee contract. In any subsequent measurement, the obligation must be measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognized less any cumulative amortization. In the presentation of financial guarantee contracts, the guarantee commission receivables due from the beneficiary to the DZ BANK Group as the issuer of the guarantee are offset against guarantee obligations (net method).

RECEIVABLES AND PAYABLES UNDER FINANCE LEASES

Receivables and payables under finance leases fall within the scope of IAS 17 and are explained in note 11.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES SPECIFIC TO INSURANCE BUSINESS

In addition to financial instruments that fall within the scope of IAS 39, financial assets and financial liabilities arising from the insurance business are recognized and measured in accordance with the provisions of the HGB and other German accounting provisions applicable to insurance companies, as required by IFRS 4.25(c).

Deposits with ceding insurers are recognized at their nominal amounts. Receivables arising out of direct insurance operations and receivables arising out of reinsurance operations are recognized at their nominal amounts net of payments made. Impairment losses on receivables arising out of direct insurance operations and on receivables arising out of reinsurance operations are recognized directly in the carrying amounts. Assets related to unit-linked contracts are measured at fair value through profit or loss on the basis of the underlying investments.

Deposits received from reinsurers, payables arising out of direct insurance operations and payables arising out of reinsurance operations are recognized at their notional amounts.

Deposits with ceding insurers as well as assets related to unit-linked contracts are reported on the face of the balance sheet under investments held by insurance companies. Deposits received from reinsurers, receivables and payables arising out of direct insurance operations, and receivables and payables arising out of reinsurance operations are recognized under other assets or other liabilities.

APPLICATION OF THE FAIR VALUE OPTION

The DZ BANK Group bases its use of the fair value option on all the application criteria mentioned in IAS 39.

The fair value option is applied to eliminate or significantly reduce accounting mismatches between non-derivative financial instruments and derivatives that are contracted for hedging. Derivatives are measured at fair value through profit or loss, whereas non-derivative financial instruments are generally measured at amortized cost or changes in fair value are recognized in other comprehensive income. If the relevant hedge accounting criteria are not met, this gives rise to accounting mismatches that can be significantly reduced by applying the fair value option. To avoid accounting mismatches, the fair value option is exercised for loans and money market receivables, promissory notes in respect of banks and customers, bonds, issued registered and bearer Pfandbriefs, other debt instruments, and money market deposits. Some of the promissory notes and bonds are structured financial instruments containing derivatives for which bifurcation is not required. The derivative components of these instruments are subject to economic hedging that does not meet the criteria for the application of hedge accounting.

The risk and the performance arising from certain investments held by the DZ BANK Group are evaluated and reported on the basis of their fair values. Application of the fair value option to these investments helps harmonize both the financial management and the presentation of the DZ BANK Group's financial position and financial performance. These investments comprise units in money market funds, fixed-income funds, equity funds, real estate funds, and other investment products with significant diversification of risk. The investments concerned are primarily in funds from the Union Investment Group.

The fair value option is also applied to structured financial assets and financial liabilities containing embedded derivatives requiring bifurcation, provided that the embedded derivatives cannot be measured separately and the financial assets and financial liabilities are not classified as held for trading. The issued financial instruments in this case are structured issues of interest-bearing securities, collateralized loan obligations, and credit-linked notes.

INITIAL RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Derivatives are initially recognized on the trade date. Regular way purchases and sales of non-derivative financial assets are generally recognized and derecognized using settlement date accounting. In the case of consolidated investment funds, all financial instruments are recognized on the trade date. Changes in fair value between the trade date and settlement date are recognized in accordance with the category of the financial instrument.

All financial instruments are measured at fair value on initial recognition. In the case of financial assets or financial liabilities not measured at fair value through profit or loss, initial recognition includes transaction costs directly attributable to the acquisition of the asset or issue of the liability concerned.

Differences between transaction prices and fair values determined using valuation techniques largely based on observable market data are recognized in profit or loss on initial recognition. If the fair value is derived from transaction prices at the time of acquisition and this value is then used as a basis for any subsequent measurement, any changes in fair value are only recognized in profit or loss if they can be attributed to a change in observable market data. Any differences not recognized at the time of initial recognition are allocated over the maturity of the financial instruments concerned and recognized in profit or loss accordingly.

Financial assets are derecognized if the contractual rights to the cash flows from the financial assets have expired or these rights have been transferred to third parties, and substantially no risks or rewards of ownership in the financial assets or financial liabilities remain. If the criteria for derecognizing financial assets are not satisfied, the transfer to third parties is recognized as a secured loan in the amount of the continuing involvement. Financial liabilities are derecognized when the contractual obligations have been settled, extinguished or have expired.

IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Financial assets not measured as at fair value through profit or loss must be tested at each balance sheet date to establish whether there is any objective evidence that these assets are impaired.

In the case of debt instruments, important objective evidence of impairment includes financial difficulties on the part of the issuer or debtor, delay or default on interest payments or repayments of principal, failure to comply with ancillary contractually agreed arrangements or the contractually agreed provision of collateral, a significant downgrading in credit rating or issue of a default rating. In the case of securitization exposures, impairment testing requires an assessment of the assets underlying the securitization.

Significant objective evidence of impairment in the case of equity instruments includes a lasting deterioration in financial performance, sustained losses or consumption of equity, substantial changes with adverse consequences for the issuer’s technological, market, economic or legal environment, and/or a considerable or enduring reduction in fair value associated with such changes.

As regards securities, the disappearance of an active market for a financial asset owing to financial difficulties on the part of the issuer may constitute evidence of impairment.

LOANS AND RECEIVABLES, FINANCE LEASE RECEIVABLES

If there is objective evidence of impairment in the case of financial assets in the category 'loans and receivables' or in the case of finance lease receivables, the impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows. Estimated future cash flows include payments of interest, repayments of principal, and cash flows from the realization of collateral. Specific allowances in the amount of the determined impairment loss requirement are recognized for the financial assets concerned. These allowances are recognized separately for individual financial assets or as a specific loan loss allowance evaluated on a group basis.

Financial assets with similar features for which impairment losses are not recognized on an individual basis are grouped into portfolios and tested collectively for impairment. Impairment losses are calculated on the basis of historical default rates for comparable portfolios. If any impairment is identified, a portfolio loan loss allowance is recognized.

Changes in the present value of estimated future cash flows between 2 balance sheet dates resulting from unwinding the discount in accordance with IAS 39.AG93 are recognized as interest income.

If an impairment test shows that a previously recognized impairment loss no longer exists, the impairment loss must be reversed. The resulting carrying amount must not be greater than the amortized cost of the asset or the amount determined in accordance with the accounting requirements for finance lease receivables that would have been reported if the impairment loss had not been recognized.

Impairment losses on loans and advances to banks and customers in the category 'loans and receivables' and on finance lease receivables are recognized in the DZ BANK Group by using allowance accounts. As long as a receivables default is deemed to be probable, an impairment loss is recognized as an allowance for losses on loans and advances. The allowance is derecognized against the financial asset if the default is almost certain or definitively occurs. Significant indications of such a situation include remaining unsettled receivables even after collateral has been realized, identification of impaired collateral, insolvency, permanent lack of assets on the part of the debtor, or if the whereabouts of the debtor are unknown. Impairment losses are recognized directly if no allowances for losses on loans and advances were recognized for the receivables concerned in prior years or insufficient allowances were recognized. Any receipts related to loans and advances for which impairment losses have already been directly recognized, are recognized immediately in profit or loss.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

If there is a negative revaluation reserve as at the balance sheet date for individual financial assets in the 'available-for-sale financial assets' category, an impairment test is carried out to establish whether there is any objective evidence, as detailed above, that the assets concerned are impaired. In this case the cumulative negative amount in the revaluation reserve must be reclassified to profit or loss. Impairment losses related to equity instruments measured at cost are deducted directly from the carrying amounts of the financial assets concerned and recognized in profit or loss.

In the case of debt instruments, if the reasons for a previously recognized impairment loss no longer apply and this can be attributed to an event that occurred after the impairment was identified, any such impairment loss must be reversed. The reversal of impairment losses in respect of equity instruments measured at fair value in the 'available-for-sale financial assets' category is not permitted. Any subsequent increases in fair value are recognized in other comprehensive income. Impairment losses may not be reversed for equity instruments measured at cost.

EMBEDDED DERIVATIVES

Embedded derivatives that are combined with a non-derivative financial instrument (host contract) in a hybrid (compound) instrument must be separated from the host contract and accounted for separately if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid (compound) instrument is not measured at fair value through profit or loss. If these conditions are not met, the embedded derivative may not be separated from the host contract. If an embedded derivative has to be separated, the individual components of the compound instrument are recognized and measured in accordance with the rules for the original financial instruments. In the DZ BANK Group, non-derivative financial instruments containing embedded derivatives requiring bifurcation are largely measured at fair value through profit or loss because they are either classified as held for trading or are subject to application of the fair value option. As a result, there is no requirement to separate and individually measure the embedded derivatives in these instruments.

CLASSES OF FINANCIAL INSTRUMENTS

For the purposes of the disclosures on the importance of financial instruments to the financial position and financial performance of the DZ BANK Group, financial instruments falling within the scope of IFRS 7 are classified using the 6 classes of financial instruments described below.

CLASSES OF FINANCIAL ASSETS

Financial assets measured at fair value

The class of financial assets measured at fair value comprises the following categories defined by IAS 39:

- financial instruments at fair value through profit or loss with the subcategories
  - financial instruments held for trading and
  - financial instruments designated as at fair value through profit or loss (fair value option)
- available-for-sale financial assets

This class does not include financial assets under the category 'available-for-sale financial assets' whose fair value cannot be reliably determined and are therefore measured at cost. These financial assets are classified as financial assets measured at amortized cost.

In addition to the financial assets in the categories specified above, this class of financial instruments additionally includes derivatives used for hedging (positive fair values), which are also measured at fair value.

Financial assets measured at amortized cost

The 'financial assets measured at amortized cost' class includes financial assets in the category 'loans and receivables' and those in the category 'available-for-sale financial assets' for which a fair value cannot be reliably determined.

Other financial assets

In the DZ BANK Group, the class 'other financial assets' comprises solely finance lease receivables.

CLASSES OF FINANCIAL LIABILITIES

Financial liabilities measured at fair value

Financial liabilities in the category 'financial instruments at fair value through profit or loss' with the subcategories 'financial instruments held for trading' and financial instruments designated as at fair value through profit or loss, along with derivatives used for hedging (negative fair values), together make up the class 'financial liabilities measured at fair value' in the DZ BANK Group.

Financial liabilities measured at amortized cost

The class known as 'financial liabilities measured at amortized cost' is identical to the category of financial liabilities of the same name.

Other financial liabilities

In the DZ BANK Group, the 'other financial liabilities' class comprises finance lease liabilities, liabilities in connection with continuing involvement, and liabilities from financial guarantee contracts.

GENERAL INFORMATION ON HEDGE ACCOUNTING

» 06
HEDGE ACCOUNTING

As an integral part of its risk management strategy, the DZ BANK Group hedges against risks arising in connection with financial instruments. Hedging methods include the use of derivatives.

If the hedging of risk in connection with financial instruments gives rise to accounting mismatches between the hedged item and the derivative used for the hedge, the DZ BANK Group designates the hedging transaction as a hedge in accordance with the hedge accounting requirements of IAS 39 in order to eliminate or reduce such mismatches. The exposures hedged under hedge accounting in the DZ BANK Group are interest-rate risk and currency risk.

FAIR VALUE HEDGES

A fair value hedge is intended to ensure that changes in the fair value of the hedged item are offset by countervailing changes in the fair value of the hedging instrument. Changes in the fair value of the hedged item and the hedging instrument – insofar as they relate to the hedged risk – are recognized in profit or loss. Risks may be hedged by designating hedges either on an individual or on a portfolio basis.

Hedged items categorized as 'loans and receivables', 'financial assets at amortized cost', or receivables under finance leases are measured in accordance with the general measurement principles for these financial instruments. The values are adjusted for the change in fair value attributable to the hedged risk. Hedged items categorized as 'available-for-sale financial assets' are measured at fair value, although only changes not attributable to the hedged changes in fair value are recognized in other comprehensive income/loss. Interest income and interest expense arising from hedged items or hedging instruments are recognized under net interest income.

If the fair value is hedged against interest-rate risk on a portfolio basis, the cumulative changes in fair value attributable to the hedged risk are reported on the face of the balance sheet under fair value changes of the hedged items in portfolio hedges of interest-rate risk, either under assets or liabilities depending on whether the portfolio comprises financial assets or financial liabilities.

In fully effective hedges, the changes in fair value (attributable to the hedged risk) recognized in profit or loss over the lifetime of the hedge match exactly. Any changes in fair value recognized in the carrying amount of the hedged items are amortized through profit or loss by the time the hedge has been terminated.

CASH FLOW HEDGES

The purpose of cash flow hedges is to ensure that changes in uncertain future cash flows from hedged items are offset by changes in cash flows from hedging instruments.

Hedging instruments are measured at fair value. Changes in fair value attributable to the effective portion of the hedge are recognized in other comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge must be recognized in profit or loss. Hedged items are recognized and measured in accordance with the general principles for the relevant measurement category. At the end of a hedging relationship, any changes in fair value recognized in other comprehensive income must be reclassified to profit or loss on the date on which the hedged items or transactions are also recognized in profit or loss.

HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION

Hedges of net investments in foreign operations are generally designated if these net investments are held in foreign currency and economically hedged by liabilities or derivatives denominated in foreign currency. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Currently there are no designated hedges of net investments in foreign operations in the DZ BANK Group.

HEDGED ITEMS

Fair value hedges are used in the hedging of interest-rate risk. The hedged financial assets are loans and advances to banks and customers that are classified as 'loans and receivables' or that have arisen in connection with finance leases. Bonds in the category 'available-for-sale financial assets' are also designated as hedged items in fair value hedges. Hedged financial liabilities are deposits from banks and amounts owed to other depositors, mortgage Pfandbriefs, public-sector Pfandbriefs, other bonds, and subordinated liabilities, all of which are measured at amortized cost. Interest-rate risk portfolios under both assets and liabilities are designated as hedged items in portfolio hedges. Fair value hedges are also used in connection with loan commitments issued by the DZ BANK Group.

Cash flow hedges are designated in connection with hedging exposure to interest-rate and currency risk. The hedged items are cash flows in connection with floating-rate financial liabilities and estimated receipts from interest payments denominated in a currency other than the reporting currency (euros).

HEDGING INSTRUMENTS

Interest-rate swaps and swaptions are designated as hedging instruments in fair value hedges of financial assets and financial liabilities.

Interest-rate swaps and forward forex transactions are used in cash flow hedges.

ASSESSMENT OF HEDGE EFFECTIVENESS

The prerequisite for recognizing a hedge under IAS 39 is that the hedge must be highly effective on both a prospective and retrospective basis. Highly effective in this case means that the changes in fair value or expected cash flows for the hedged items must be offset by the changes in fair value or expected cash flows for the hedging instruments within a range of 80 percent to 125 percent specified by IAS 39. Hedge effectiveness must be assessed and documented at every balance sheet date as a minimum. If this assessment identifies that a hedge has not achieved the required effectiveness, the hedge must be reversed retrospectively to the balance sheet date of the last assessment in which the hedge was found to be effective.

In the case of fair value hedges, prospective effectiveness is predominantly assessed by using simulations and sensitivity analyses based on the basis point value method. The dollar offset method and noise threshold value are used to assess retrospective effectiveness. In these methods, the cumulative changes in the fair value of the hedged items attributable to the hedged risk are compared with the changes in the fair value of the hedging instruments.

When assessing the retrospective and prospective effectiveness of cash flow hedges involving forward forex transactions, the expected or actual cash flows for the hedged item are compared against the cash flows from the hedging instrument. In the case of cash flow hedges involving interest-rate swaps, a sensitivity analysis is used to assess prospective effectiveness, whereas the hypothetical derivatives method is used to assess retrospective effectiveness.

» 07 CURRENCY TRANSLATION

All monetary assets and liabilities, together with unsettled spot transactions, are translated at the closing rate (spot rate on the balance sheet date) into the relevant functional currency of the entities in the DZ BANK Group. Cash in foreign currency is translated using the buying rate for cash on the balance sheet date. The translation of non-monetary assets and liabilities depends on the way in which these assets and liabilities are measured. If non-monetary assets are measured at amortized cost, they are translated using the historical exchange rate. Non-monetary assets measured at fair value are translated at the closing rate. Income, expenses, gains, and losses are translated at the prevailing closing rate when they are recognized either in profit or loss or in other comprehensive income.

If the functional currency of subsidiaries consolidated in the DZ BANK Group is different from the group’s reporting currency (euros), all assets and liabilities are translated at the closing rate. Equity is translated at the historical rate. Income and expenses are also translated at the closing rate, provided that there is no material effect compared with the use of average rates. Any differences arising from currency translation are reported in the currency translation reserve. In most cases, the functional currency of the companies included in the consolidated financial statements is the euro, i.e. the group's reporting currency.

» 08
SALE AND REPURCHASE AGREEMENTS

Sale and repurchase agreements (repos) are transactions in which the parties agree the sale and subsequent repurchase of securities at a fixed price and time. The risks and rewards of ownership of the sold securities remain in full with the original seller, provided that the buyer is under an obligation to sell back the securities. If the DZ BANK Group enters into repos as the original seller, the securities sold continue to be recognized on the balance sheet because the derecognition criteria in IAS 39 are not satisfied. A liability corresponding to the amount of the purchase price received is recognized. If the group enters into reverse repos as a buyer, the securities purchased must not be recognized on the balance sheet. A receivable corresponding to the amount of the purchase price paid is recognized.

The repos entered into by the companies in the DZ BANK Group are exclusively genuine repos, that is to say repos in which the buyer is under an obligation to sell back the securities. The transactions are governed by master agreements in which the buyer of the securities is permitted to make use of the securities without restriction (with no requirement for a prior counterparty default) and sell back securities of the same type. Details on any repos are disclosed separately in note 71.

» 09
SECURITIES LENDING AND COLLATERAL

Securities lent as part of securities lending transactions are recognized on the balance sheet in accordance with the accounting treatment of collateral. Borrowed securities do not meet the recognition criteria set out in IAS 39 and must therefore not be recognized on the balance sheet.

Securities lending by companies in the DZ BANK Group is largely governed by master agreements in which the borrower of the securities is permitted to make use of the securities without restriction (with no requirement for a prior counterparty default) and return securities of the same type. Details on any securities lending are disclosed separately in note 73.

Receivables are recognized for assets pledged as collateral in the form of cash deposits. Other assets pledged as collateral continue to be reported on the face of the balance sheet unchanged. Where collateral is received, and this collateral is in cash, a liability for a corresponding amount is recognized. Other financial or non-financial assets received as collateral are not recognized on the balance sheet unless the assets are obtained in connection with the realization of collateral or a purchase of real estate that was previously held as collateral.

BASIC PRINCIPLES FOR THE ACCOUNTING TREATMENT OF INSURANCE BUSINESS

» 10
INSURANCE BUSINESS

The DZ BANK Group's insurance business comprises insurance contracts, capitalization transactions, and service contracts. It also includes financial guarantee contracts with insured parties.

Insurance contracts govern the transfer of significant insurance risk from the insured party to the insurer and the payment of compensation if a future contingent event materializes and adversely impacts the insured party. Insurance contracts are recognized in accordance with the requirements of IFRS 4. Capitalization transactions comprise, in particular, fund-linked or index-linked contracts without policyholder bonuses, pension fund contracts based on defined benefit plans, and contracts to protect credit balances associated with preretirement part-time employment against the risk of insolvency. Capitalization transactions are classified as financial instruments under IAS 39. Service contracts comprise, in particular, separable and transferable administrative components of insurance and capitalization contracts. Such service contracts are subject to the revenue recognition requirements specified in IAS 18. Any financial guarantee contracts in connection with insurance business are recognized in accordance with the accounting requirements applicable to insurance contracts.

The insurance business of the DZ BANK Group is reported under specific insurance items on the face of the income statement and balance sheet. Material components of the specific insurance items are described below.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities held or acquired as part of insurance business are accounted for in accordance with the accounting policies for financial instruments described in note 5. These financial assets and financial liabilities are reported under investments held by insurance companies, other assets held by insurance companies, and other liabilities of insurance companies. Any impairment losses related to financial assets reported under investments held by insurance companies or other assets held by insurance companies are applied directly to the carrying amount.

Other liabilities of insurance companies include the benefit obligations under capitalization transactions, which are in turn reported under liabilities from capitalization transactions. The underlying financial instruments in these transactions are reported as part of assets related to unit-linked contracts under investments held by insurance companies.

INVESTMENT PROPERTY

The investment property included in the investments held by insurance companies is measured at amortized cost in accordance with the cost model. Government grants are deducted when the carrying amount of the asset is identified, and are then recognized in profit or loss over the period covered by the grant by means of a reduced depreciation charge.

Real estate is generally subject to impairment tests using standard valuation methods based on the requirements of the German Real Estate Valuation Regulation (ImmoWertV), the German Real Estate Valuation Guidelines (WertR 2006), and the German Building Code (BauGB). Accordingly, the current value of real estate is determined by using the sales comparison approach, income approach, or cost approach and taking into account the provisions of any relevant contracts.

Any expenditure that increases value and extends the useful life of real estate is capitalized. Maintenance and repair costs are expensed as incurred.

INSURANCE LIABILITIES

Under IFRS 4.13, insurance companies are permitted to continue applying existing accounting policies to certain insurance-specific items during a transition period. As required by IFRS 4.25(c), insurance liabilities are therefore recognized and measured in accordance with HGB and other German accounting provisions applicable to insurance companies. Insurance liabilities are shown before the deduction of the share of reinsurers, which is reported as an asset.

PROVISION FOR UNEARNED PREMIUMS

The provision for unearned premiums represents premiums that have already been collected but that relate to future periods.

The provision for unearned premiums from direct non-life insurance operations is calculated from the gross premiums using the 360-day system. Calculation of non-transferable income components is based on the letter from the Bundesministerium der Finanzen (BMF) [German Federal Ministry of Finance], dated April 30, 1974. According to this letter, 85 percent of the fees, commissions, and payments to representatives, as well as some administrative personnel expenses, in non-life insurance may not be transferred.

Unearned premiums from life insurance are calculated taking into account the starting date of each individual policy after deduction of non-transferable premium components. As far as life insurance is concerned, imputed collection expenses equivalent to up to 4 percent of premiums may not be transferred.

The provision for unearned premiums in health insurance predominantly relates to international travel healthcare insurance business.

The proportion of the provision for unearned premiums relating to ceded insurance business is calculated as specified in the individual reinsurance contracts.

BENEFIT RESERVE

The purpose of the benefit reserve is to ensure that guaranteed entitlements to future insurance benefits can be satisfied on a permanent basis. Guaranteed entitlements for insured persons in respect of life insurance and casualty insurance with premium refund as well as the provision for increasing age in health insurance are reported under the benefit reserve.

The benefit reserve for life insurance and casualty insurance with premium refund is calculated in Germany on the basis of individual policies taking into account starting dates in accordance with approved business plans and the principles declared to the relevant regulatory authorities. The prospective method is used for life insurance (except for fund-linked insurance products and working life insurance) and for casualty insurance (with the exception of premium-based policies that started prior to 1982). The retrospective method is used for other types of insurance. Negative benefit reserves on an individual policy basis are recognized with an amount of zero.

The assumptions used in calculations are determined in accordance with current recommendations issued by Deutsche Aktuarvereinigung e.V. (DAV) [German Actuarial Association] and the regulator and in accordance with other national statutory provisions and regulations. As a rule, calculation of the benefit reserve is based on interest rates of between 2.25 percent and 4.00 percent. These interest rates are generally determined by the legally prescribed maximum discount rates. The calculation assumptions apply from the date on which the policy is written until the policy expires.

Calculation of the benefit reserve is generally based on the Zillmer method, which spreads the imputed cost of writing the policy over its entire term. For old life insurance policies, the maximum Zillmer rate is 3.5 percent of the sum insured; for new policies, 4.0 percent of total premiums. Reduced rates may apply for special policies, for example group or collective policies. In the casualty insurance business, zillmerizing is only applied to new business from June 2000 onward. Zillmerizing is not applied to subsidized pension insurance policies under the German Personal Pension Plan Act (AVmG), credit insurance policies, or pension insurance policies under reinsured pension plans.

The benefit reserve implicitly includes administrative expenses for contracts with ongoing payment of premiums. A provision for administrative costs has been recognized to cover premium-free years under insurance policies, fully paid-up insurance, and some legacy insurance commitments.

In health insurance, benefit reserves are computed prospectively on an individual policy basis using the technical parameters for calculating rates. Negative benefit reserves and positive benefit reserves are netted. The parameters for the computation of the reserves involve, in particular, assumptions regarding mortality, rates of return on investment, cancelations, and costs. The discount rate is 3.50 percent. The group uses mortality tables issued by the private health insurance industry in Germany, company-specific probability rates for policy cancelations, and profiles of benefit drawdown. These assumptions are regularly reviewed in accordance with actuarial principles and updated, where appropriate.

When the benefit reserves are prospectively calculated, the parameters used are generally retained throughout the term of the policy. If the actuarial analyses conducted once a year reveal that the level of cover offered is inadequate in terms of either biometric parameters or discount rate, appropriate adjustments are made. The biometric parameters used in such computations are based primarily on the mortality and invalidity tables published by the DAV.

PROVISION FOR CLAIMS OUTSTANDING

The provision for claims outstanding represents benefit obligations arising from claims in which it is not yet possible to reliably determine the amount and/or the timing of the payment. The provision is recognized for claims that have already been reported and also for insured events that have occurred but have not yet been reported. It includes both internal and external expenses as well as the cost of settling claims.

The provision for claims outstanding in direct non-life insurance business is determined on a case-by-case basis for all known claims. Recourse claims, excess proceeds, and claims under loss sharing agreements are netted. Based on claims reports in previous years, an additional claims provision is recognized for claims that occur or are caused before the balance sheet date but have not yet been reported by this date. Statistical estimates are used in this measurement. The provision for claims outstanding is not discounted, except in the case of the pension benefits reserve. The provisions for claims settlement expenses, which are also included in this item, have been calculated in accordance with the requirements set out in the coordinated regulations issued by the German federal states on February 2, 1973 and in accordance with formula 48 (German Insurance Association [GDV] formula) as specified in a letter dated March 20, 1973. Under these arrangements, internal costs likely to be incurred in connection with the settlement of future claims are projected using an overall rate applied to the present level of expenses.

The provision for claims outstanding as regards life insurance and pension funds is determined on a case-by-case basis. The provision is recognized for claims that have already been incurred and reported by the balance sheet date, but have not yet been settled. It also includes an estimate for claims already incurred but not yet reported. A provision for settlement expenses is recognized in an amount equivalent to 1 percent of the claims provision to cover claims incurred and reported by the balance sheet date (excluding maturing policies) and also IBNR losses.

In health insurance, the provision for claims outstanding is determined on the basis of the costs paid out in the financial year in connection with claims during the year. The calculation is based on claims experience over the previous 3 financial years. Recourse claims are deducted from the provision for claims outstanding. The recognized provision includes the costs of settling claims, calculated in accordance with tax rules. The reinsurers' share of the provision is determined in accordance with reinsurance agreements. Where appropriate, provisions for claims outstanding are recognized on a case-by-case basis for claims relevant to reinsurance.

RESERVE FOR DEFERRED POLICYHOLDER PARTICIPATION

The reserve for deferred policyholder participation represents obligations not yet due for settlement on the balance sheet date relating to premium refunds to insured parties. It includes amounts allocated to policyholders under statutory or contractual arrangements for bonuses and rebates as well as provisions resulting from time-restricted cumulative recognition and measurement differences between items in the financial statements prepared in accordance with IFRS and those prepared in accordance with HGB. In the case of measurement differences recognized in other comprehensive income, such as unrealized gains and losses on available-for-sale financial assets, an appropriate reserve for deferred policyholder participation is recognized in other comprehensive income; otherwise, changes in the reserve are recognized in profit or loss.

The reserve for deferred policyholder participation in the non-life insurance business is recognized in an amount equivalent to 90 percent of the difference between the carrying amounts for items in the financial statements prepared in accordance with IFRS and those in the financial statements prepared in accordance with HGB net of deferred taxes.

The reserve for deferred policyholder participation related to life insurance policies and pension funds is recognized to cover the entitlement of policyholders to profit-related premium refunds. Funds earmarked in this way are therefore made available for future allocation of bonuses to policyholders on an individual policy basis. Within the overall reserve for deferred policyholder participation, a distinction is made between reserves attributable to bonuses already declared but not yet allocated (including participation in valuation reserves), the funding used to finance future terminal bonuses, and the free reserve for deferred policyholder participation. Under section 56a of the Supervision of German Insurance Companies Act (VAG), that element of the reserve for deferred policyholder participation not attributable to bonuses already declared but not yet allocated may be used to avert an imminent crisis and may therefore be seen as mitigating risk. A reserve for deferred policyholder participation is recognized as the need arises in an amount equivalent to 90 percent of the difference between the carrying amounts for items in the financial statements prepared in accordance with IFRS and those in the financial statements prepared in accordance with HGB net of deferred taxes.

The reserve for deferred policyholder participation related to health insurance includes amounts allocated to policyholders under statutory or contractual arrangements for bonuses and rebates. A reserve for deferred policyholder participation is recognized in an amount equivalent to 80 percent of the difference between the carrying amounts for items in the financial statements prepared in accordance with IFRS and those in the financial statements prepared in accordance with HGB net of deferred taxes.

OTHER INSURANCE LIABILITIES

Other insurance liabilities include the non-life insurance obligations arising from membership of the Verein Verkehrsopferhilfe e.V. (VOH) [road casualty support organization], Berlin, in line with the object of this organization. This item also includes the provision for unearned premiums under dormant vehicle insurance policies, the provision being determined on an individual policy basis. The cancelation provision is calculated on the basis of past experience, whereas operational planning is used as the basis for measuring the premium deficiency provision.

Other life insurance liabilities are computed on the basis of individual policies from premiums that are already due but have yet to be paid and have not yet been included in the life insurance liability to the extent that the investment risk is borne by the policyholders.

REINSURANCE BUSINESS

In the case of reinsurance business, the insurance liabilities are recognized in accordance with the details provided by the ceding insurers. If no such details are available as at the balance sheet date, the provision for the financial year is estimated. The critical factors in estimating the provision are the contractual terms and conditions and the pattern of this business to date. In a few instances, loss provision details provided by ceding insurers are deemed to be too low in the experience of DZ BANK; in such cases, appropriate increases are applied, the increases having been determined in accordance with prudent business practice, past experience, and actuarial calculation methods.

RESERVE FOR UNIT-LINKED INSURANCE CONTRACTS

The reserve for unit-linked insurance contracts is an item corresponding to assets related to unit-linked contracts where the related investments arise out of contracts to be reported in accordance with IFRS 4. The reserve is similarly measured at fair value on the basis of the attributable investments.

ADEQUACY TEST FOR INSURANCE LIABILITIES

Insurance liabilities must be regularly reviewed and subjected to an adequacy test. The adequacy test determines, on the basis of a comparison with estimated future cash flows, whether the carrying amount of insurance liabilities needs to be increased.

To review the insurance liabilities in the health insurance companies, a regular comparison is made between the present values of estimated future insurance benefits and costs, on the one hand, and the present values of estimated future premium payments on the other. In the event of any deficits, the insurance company has the option of adjusting premiums.

» 11 LEASES

A lease is classified as a finance lease if substantially all the risks and rewards incidental to the ownership of an asset are transferred to the lessee. If the risks and rewards remain substantially with the lessor, the lease is an operating lease.

DZ BANK GROUP AS LESSOR

If a lease is classified as a finance lease, a receivable due from the lessee must be recognized. The receivable is measured at an amount equal to the net investment in the lease at the inception of the lease. Lease payments are apportioned into a payment of interest and repayment of principal. The interest portion based on the lessor's internal discount rate for a constant periodic rate of return is recognized as interest income, whereas the repayment of principal reduces the carrying amount of the receivable.

If a lease is classified as an operating lease, the DZ BANK Group retains beneficial ownership of the leased asset. These leased assets are reported as assets. The leased assets are measured at cost less depreciation and any impairment losses. Unless another systematic basis is more representative of the pattern of income over time, lease income is recognized in profit or loss on a straight-line basis over the term of the lease and is included in the current income from operating leases reported under net interest income.

THE DZ BANK GROUP AS LESSEE

If a lease is classified as a finance lease, the DZ BANK Group is the beneficial owner of the leased asset. The leased asset must therefore be recognized as an asset on the group's balance sheet. On initial recognition, the leased asset is recognized at the lower of fair value and the present value of the minimum lease payments, and a liability of an equivalent amount is also recognized. The lease payments made must be broken down into an interest portion and a repayment portion.

Lease payments under operating leases are recognized on a straight-line basis over the term of the leases concerned and reported as administrative expenses.

INTEREST AND DIVIDENDS RECEIVED

» 12
INCOME

In the DZ BANK Group, interest income is accrued and recognized in the relevant period using the effective interest method.

The cash flows used to calculate the effective interest rate take into account contractual agreements in connection with the financial assets and financial liabilities concerned.

Premiums and discounts are allocated over the expected life of financial instruments using the effective interest method. Any additional costs incurred that are directly connected with the acquisition or sale of a financial asset or financial liability, and thus can be directly assigned to the transaction, are factored into the effective interest rate. Such costs include sales charges directly associated with the origination of home savings contracts and commitment fees for loans. If an impairment loss has been recognized for a financial asset, interest income is no longer accrued on the basis of the contractual terms and conditions for the financial instrument concerned; instead, interest income is determined and recognized on the basis of the present value of the impaired asset using the unwinding mechanism as specified by IAS 39.AG93.

Dividends are recognized as soon as a legal entitlement to the payment of such a dividend is established.

FEES AND COMMISSIONS

Income from fees and commissions is recognized when the underlying services have been performed, it is probable that the economic benefits will flow to the group, and the amount of the income can be reliably measured. Such income is therefore recognized in profit or loss over the period in which the underlying service is performed or immediately after the service has been performed.

Fees and commissions earned over the period in which a service is performed include certain types of fees for administration and safe custody as part of the securities business and asset management, and fees in connection with the furnishing of financial guarantees. In the case of performance-related management fees, income is recognized when the contractually agreed performance criteria have been satisfied.

INSURANCE BUSINESS

For each insurance contract, gross premiums written are calculated pro rata temporis for an exact number of days based on the actual start date of the insurance. These premiums comprise all amounts that become due in the financial year in connection with insurance premiums, premium installments, and one-off premiums for direct insurance and reinsurance business. Premiums for unit-linked life insurance, except capitalization transactions without policyholder bonuses, are also recognized as gross premiums written.

The components of premiums covering administration fees are reported pro rata temporis as income in the income statement. In the case of index-linked policies and service contracts, additional administration charges, fees, and commissions are deferred in accordance with IAS 18 and apportioned over the relevant periods for the duration of the policy or contract concerned in line with the service performed.

» 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash on hand, balances with central banks and other government institutions, treasury bills, and non-interest-bearing treasury notes.

Cash on hand comprises euros and foreign currencies. Cash in euros is measured at nominal value; foreign currency cash is translated at the buying rate. Balances with central banks and other government institutions, treasury bills, and non-interest-bearing treasury notes are classified as ‘loans and receivables’ and measured at amortized cost. Interest income on cash and cash equivalents is recognized as interest income from lending and money market business.

» 14 LOANS AND ADVANCES TO BANKS AND CUSTOMERS

All receivables attributable to registered debtors not classified as ‘financial instruments held for trading’ are recognized as loans and advances to banks and customers. In addition to fixed-term receivables and receivables payable on demand in connection with lending, lease, and money market business, loans and advances to banks and to customers include promissory notes and registered bonds.

Loans and advances to banks and customers are measured at amortized cost using the effective interest method. In fair value hedges, the carrying amounts of hedged receivables are adjusted for the change in fair value attributable to the hedged risk. The resulting hedge adjustments are recognized within other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions. To avoid or significantly reduce accounting mismatches, certain loans and advances are designated as at fair value through profit or loss. Finance lease receivables are recognized and measured in accordance with the requirements for the accounting treatment of leases.

Interest income on loans and advances to banks and customers is recognized as interest income from lending and money market business. This also includes gains and losses on the sale of such loans and advances classified as 'loans and receivables' and the amortization of hedge adjustments to carrying amounts due to fair value hedges. Gains and losses on the valuation of loans and advances designated as at fair value through profit or loss are also shown under the same item as part of other gains and losses on valuation of financial instruments.

» 15 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Allowances for losses on loans and advances are reported as a separate line item on the assets side of the balance sheet. Additions to allowances for losses on loans and advances, and any reversals of such allowances, are recognized under allowances for losses on loans and advances on the face of the income statement.

The recognition of allowances for losses on loans and advances in the DZ BANK Group also includes changes in the provisions for loan commitments, other provisions for loans and advances, and liabilities from financial guarantee contracts. Any additions or reversals under these items are also recognized in profit or loss under allowances for losses on loans and advances.

» 16 DERIVATIVES USED FOR HEDGING (POSITIVE AND NEGATIVE FAIR VALUES)

The carrying amounts of derivatives designated as hedging instruments in effective and documented hedging relationships are reported under either derivatives used for hedging (positive fair values) or derivatives used for hedging (negative fair values).

These derivatives are measured at fair value. In the case of hedging instruments in fair value hedges, changes in fair value between 2 balance sheet dates are recognized in the income statement as an element of other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions.

If the hedging instruments are being used as cash flow hedges, changes in fair value attributable to the effective portion of the hedge must be recognized in other comprehensive income. These changes are shown in the cash flow hedge reserve as part of equity. Changes in fair value attributable to the ineffective portion of the hedge are included in other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions.

» 17 FINANCIAL ASSETS AND FINANCIAL LIABILITIES HELD FOR TRADING

Financial assets and financial liabilities held for trading comprise solely financial assets and financial liabilities that fall within the measurement category 'financial instruments held for trading'.

Derivatives with positive fair values are classified as financial assets held for trading if they were entered into for trading purposes or, despite being intended to be used as hedges, do not meet the requirements for an accounting treatment as hedging instruments. Financial assets held for trading also include bonds and other fixed-income securities, shares and other variable-yield securities, and receivables held for trading purposes.

Financial liabilities held for trading include delivery commitments arising from short sales of securities, issued bonds, other debt certificates, and liabilities held for trading purposes. The procedure for classifying derivatives with negative fair values as financial liabilities held for trading is the same as that used for financial assets held for trading.

Financial instruments reported as financial assets or financial liabilities held for trading are always measured at fair value through profit or loss. Gains and losses on valuation, interest income and expense, and dividends arising from financial assets and financial liabilities held for trading are recognized under gains and losses on trading activities, provided that there is an actual intent to trade the instruments concerned.

Gains and losses on valuation of derivatives that are entered into for hedging purposes, but are not recognized as hedging transactions, are recognized under other gains and losses on valuation of financial instruments as gains and losses on derivatives used for purposes other than trading. If, to avoid accounting mismatches, hedged items are classified as 'financial instruments designated as at fair value through profit or loss', valuation gains and losses on the related derivatives concluded for hedging purposes are recognized under gains and losses on financial instruments designated as at fair value through profit or loss. Interest income and interest expense arising in connection with derivatives that were not entered into for trading purposes or are used to hedge financial instruments designated as at fair value through profit or loss are reported under net interest income.

» 18 INVESTMENTS

The following are recognized as investments: bearer bonds and other fixed-income securities, shares and other variable-yield securities, and other bearer or registered shareholdings in companies in which the DZ BANK Group has no significant influence, provided that these securities or shares are not held for trading purposes. Investments also include investments in subsidiaries, interests in joint ventures, and investments in associates.

Investments are initially recognized at fair value. Shares and other shareholdings, and investments in subsidiaries, joint ventures and associates that are accounted for using the equity method or for which a fair value cannot be reliably determined are initially recognized at cost. These investments are subsequently measured in accordance with the principles applicable to the relevant measurement category. In the case of interests in joint ventures and investments in associates, the equity method is used for subsequent measurement.

Impairment losses on investments are determined on the basis of the IAS 39 requirements applicable to the relevant category of financial assets or on the basis of accounting standards relevant to the financial assets concerned. Impairment losses are applied directly to the carrying amount of the investment.

Interest and any investment premiums or discounts amortized over the maturity of the investment using the effective interest method are recognized under net interest income. Dividends derived from equity instruments are recognized as current income under net interest income. Gains or losses on investments accounted for using the equity method are also reported under net interest income. Impairment losses, reversals of impairment losses, and gains and losses realized on the sale of investments not measured at fair value through profit or loss are reported under gains and losses on investments.

» 19 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

Property, plant and equipment, and investment property comprises land and buildings as well as office furniture and equipment with an estimated useful life of more than one reporting period used by the entities in the DZ BANK Group. This item also includes assets subject to operating leases. Investment property is real estate held for the purposes of generating rental income or capital appreciation.

Property, plant and equipment, and investment property is measured at cost less cumulative depreciation and cumulative impairment losses in subsequent reporting periods. Depreciation is largely recognized on a straight-line basis over the useful life of the asset. Borrowing costs directly assignable to property, plant and equipment, and investment property are capitalized as part of the asset cost, provided that the asset concerned is a qualifying asset.

Depreciation on property, plant and equipment and investment property is recognized as an administrative expense. Impairment losses and reversals of impairment losses are reported under other net operating income.

» 20 INCOME TAX ASSETS AND LIABILITIES

Current and deferred tax assets are shown under the income tax assets balance sheet item; current and deferred tax liabilities are reported under income tax liabilities. Current income tax assets and liabilities are recognized in the amount of any expected refund or future payment.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts recognized in the financial statements in accordance with IFRS and those in the financial statements for tax purposes. Deferred tax assets are also recognized in respect of as yet unused tax loss carryforwards, provided that utilization of these loss carryforwards is sufficiently probable. Deferred tax assets are measured using the national and company-specific tax rates expected to apply at the time of realization. A uniform tax rate is applied in the case of group companies forming a tax group with DZ BANK.

Deferred tax assets and liabilities are not discounted. Where temporary differences arise in relation to items recognized in other comprehensive income, the resulting deferred tax assets and liabilities are also recognized in other comprehensive income. Current and deferred tax income and expense to be recognized through profit or loss is reported under income taxes in the income statement.

» 21 OTHER ASSETS

Other assets include a number of items, including intangible assets. Intangible assets are recognized at cost. In the subsequent measurement of software, acquired customer relationships, and other intangible assets with a finite useful life, carrying amounts are reduced by cumulative amortization and cumulative impairment losses. Goodwill and other intangible assets with an indefinite useful life are not amortized but are subject to an impairment test at least once during the reporting period.

» 22 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The carrying amount of non-current assets or disposal groups for which a sale is planned is recovered principally through a sale transaction rather than through their continuing use. These assets and disposal groups therefore need to be classified as held for sale if the criteria set out below are satisfied.

To be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset or disposal group, an active program to locate a buyer and complete the plan has been initiated, the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to the current fair value, and a sale is expected to be completed within one year of the date on which the asset or disposal group is classified as held for sale.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The assets are no longer depreciated from the date on which they are classified as held for sale.

Assets and disposal groups classified as held for sale are shown separately on the face of the balance sheet under non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale. Gains and losses arising on measurement as well as gains and losses on the sale of these assets or disposal groups that do not belong to a discontinued operation are recognized in the income statement under other net operating income. If the assets or disposal groups belong to discontinued operations, all gains and losses arising from these assets and disposal groups must be shown separately as 'profit/loss from discontinued operations, net of tax'.

» 23 DEPOSITS FROM BANKS AND AMOUNTS OWED TO OTHER DEPOSITORS

All liabilities attributable to registered creditors not classified as 'financial instruments held for trading' are recognized as deposits from banks and amounts owed to other depositors. In addition to fixed-maturity liabilities and liabilities repayable on demand arising from the deposit, home savings and loan, and money market businesses, these liabilities also include, in particular, registered bonds and promissory notes issued.

Deposits from banks and amounts owed to other depositors are measured at amortized cost using the effective interest method. Where deposits from banks and amounts owed to other depositors are designated as a hedged item in an effective fair value hedge, the carrying amount is adjusted for any change in the fair value attributable to the hedged risk. If, to avoid or significantly reduce accounting mismatches, the fair value option is applied for deposits from banks and amounts owed to other depositors, the liabilities are measured at fair value as at the balance sheet date.

Interest expense on deposits from banks and amounts owed to other depositors is recognized separately under net interest income. Interest expense also includes gains and losses on early redemptions and the amortization of hedge adjustments to carrying amounts due to fair value hedges. Hedge adjustments to the carrying amount due to fair value hedges are reported within other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions. If liabilities are designated as at fair value through profit or loss, the gains and losses on valuation are recognized under the same item as part of other gains and losses on valuation of financial instruments.

» 24 DEBT CERTIFICATES INCLUDING BONDS

Debt certificates including bonds cover 'Pfandbriefs', other bonds, and commercial paper for which transferable bearer certificates have been issued.

Debt certificates including bonds and gains and losses thereon are measured and recognized in the same way as deposits from banks and amounts owed to other depositors.

» 25 PROVISIONS

PROVISIONS FOR EMPLOYEE BENEFITS

Pension plans agreed with the employees of the companies in the DZ BANK Group are based on various types of pension schemes that depend on the legal, economic, and tax situation in each country and include both defined contribution plans and defined benefit plans.

Where a commitment is made to defined contribution plans, fixed contributions are paid to external pension providers. The amount of the contributions and the income earned from the pension assets determine the amount of future pension benefits. No provisions are recognized for these indirect pension commitments. The contributions paid are recognized as pension and other post-employment benefit expenses under administrative expenses.

Pension obligations arising from defined benefit plans are measured on the basis of the projected unit credit method. The measurement of the obligations depends on various actuarial assumptions. These include, in particular, assumptions about long-term salary and pension trends and average life expectancy. Assumptions about salary and pension trends are based on past trends and take into account expectations regarding future changes in the labor market. Generally accepted biometric tables (2005 G mortality tables published by Professor Dr. Klaus Heubeck) are used to estimate average life expectancy. The discount rate used to discount future payment obligations is an appropriate market interest rate for investment-grade fixed-income corporate bonds with a maturity equivalent to that of the defined benefit obligations. The estimated long-term growth in existing plan assets is determined on the basis of the structure of investment assets, taking into account historical experience.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding the defined benefit obligations, plan assets and reimbursement rights are recognized as other comprehensive income/loss in the financial year in which they occur.

The plan assets for the DZ BANK Group's defined benefit plans consist to a significant extent of the plan assets of DZ BANK. These are managed as trust assets by DZ BANK Pension Trust e.V., Frankfurt am Main.

In addition to the provisions for defined benefit obligations, the provisions for employee benefits include provisions for other long-term employee benefits, provisions for termination benefits, and provisions for short-term employee benefits. Provisions for other long-term employee benefits are recognized, in particular, to cover long-service bonuses. Provisions for early retirement and partial retirement schemes are included under the provisions for termination benefits.

OTHER PROVISIONS

Provisions are liabilities in which the amounts or due dates are uncertain. Provisions are recognized for present obligations arising out of past events, in which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

The provisions are recognized and measured using the best estimate of the present value of their anticipated utilization. This estimate takes account of future events as well as the risks and uncertainties relating to the issue concerned.

Provisions for loan commitments and other provisions for losses on loans and advances factor in the usual sector-specific level of uncertainty. The underlying assumptions and estimates used include figures based on past experience as well as expectations and forecasts relating to future trends and developments.

Provisions relating to building society operations are recognized to cover the payment of any bonuses that may have been agreed in the terms and conditions of home savings contracts. These bonuses may take the form of a reimbursement of some of the sales charges or interest bonuses on deposits.

The expense incurred by the unwinding of the discount on provisions is recognized as interest expense under net interest income.

» 26 SUBORDINATED CAPITAL

Subordinated capital comprises all registered or bearer debt instruments that, in the event of insolvency or liquidation, are repaid only after settlement of all unsubordinated liabilities but before distribution to shareholders of any proceeds from the insolvency or liquidation.

Subordinated liabilities largely comprise subordinated bearer bonds and promissory notes. Capital contributions from typically dormant partners are recognized as liabilities to dormant partners. Profit-sharing rights outstanding comprise registered and bearer profit-participation certificates in issue. Regulatory core capital that does not meet IFRS equity criteria is recognized as other hybrid capital. The share capital repayable on demand comprises the non-controlling interests in partnerships controlled by companies in the DZ BANK Group. These non-controlling interests must be classified as subordinated.

Subordinated capital and gains and losses on this capital are measured and recognized in the same way as deposits from banks and amounts owed to other depositors.

» 27 CONTINGENT LIABILITIES

Contingent liabilities are possible obligations arising from past events. The existence of these obligations will only be confirmed by future events outside the control of the entities in the DZ BANK Group. Present obligations arising out of past events but not recognized because of the improbability of an outflow of resources embodying economic benefits or because the amount cannot be measured with sufficient reliability also constitute contingent liabilities.

The amount of contingent liabilities is disclosed in the notes unless the probability of an outflow of resources embodying economic benefits is remote.

Contingent liabilities are measured at the best estimate of possible future outflows of resources embodying economic benefits.

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

INFORMATION ON OPERATING SEGMENTS

» 28
SEGMENT INFORMATION

2011

€ million	Bank	Retail	Real Estate Finance	Insurance	Consolidation/ reconciliation	Total
Net interest income	1,484	669	1,225	–	-241	3,137
Allowances for losses on loans and advances	-212	-63	-120	–	-	-395
Net fee and commission income	460	831	-216	–	-112	963
Gains and losses on trading activities	393	16	-7	–	-4	398
Gains and losses on investments	-44	-292	22	–	-19	-333
Other gains and losses on valuation of financial instruments	45	25	-1,045	–	-24	-999
Premiums earned	–	–	–	11,193	–	11,193
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	2,175	-87	2,088
Insurance benefit payments	–	–	–	-10,968	–	-10,968
Insurance business operating expenses	–	–	–	-2,095	130	-1,965
Administrative expenses	-1,280	-925	-525	–	8	-2,722
Other net operating income	-81	13	35	-19	-21	-73
Profit before taxes	**765**	**274**	**-631**	**286**	**-370**	**324**
Cost/income ratio (%)	56.7	73.3	> 100.0	–	–	79.1

2010

€ million	Bank	Retail	Real Estate Finance	Insurance	Consoli-dation/ reconcili-ation	**Total**
Net interest income	1,332	567	1,150	–	-317	2,732
Allowances for losses on loans and advances	-99	-94	-65	–	–	-258
Net fee and commission income	467	905	-174	–	-85	1,113
Gains and losses on trading activities	1,013	24	-23	–	1	1,015
Gains and losses on investments	-440	2	-233	–	-37	-708
Other gains and losses on valuation of financial instruments	24	14	-128	–	2	-88
Premiums earned	–	–	–	10,921	–	10,921
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	3,051	-92	2,959
Insurance benefit payments	–	–	–	-11,645	–	-11,645
Insurance business operating expenses	–	–	–	-1,935	106	-1,829
Administrative expenses	-1,220	-865	-508	–	5	-2,588
Other net operating income	-44	32	41	-16	-19	-6
Profit before taxes	**1,033**	**585**	**60**	**376**	**-436**	**1,618**
Cost/income ratio (%)	51.9	56.0	80.3	–	–	58.0

GENERAL INFORMATION ON OPERATING SEGMENTS

The information on operating segments has been prepared using the management approach in accordance with IFRS 8. Under this standard, external reporting must include segment information that is used internally for the management of the company and for the purposes of quantitative reporting to the chief operating decision-makers. The DZ BANK Group's information on operating segments has therefore been prepared on the basis of the internal management reporting system.

DEFINITION OF OPERATING SEGMENTS

The Group Coordination Committee ensures coordination between the key companies in the DZ BANK Group to achieve consistent management of opportunities and risks, allocate capital, deal with strategic issues, and leverage synergies. In addition to the entire Board of Managing Directors of DZ BANK, the members of this committee comprise the chief executive officers of Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH), DZ PRIVATBANK S.A., Luxembourg-Strassen, R+V Versicherung AG, Wiesbaden, (R+V), TeamBank AG Nürnberg, Nuremberg, (TeamBank), Union Asset Management Holding AG, Frankfurt am Main, and VR-LEASING AG, Eschborn, and the Spokesman of the Board of Managing Directors of Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP). A coordination model is used to harmonize activities throughout the group. For the purposes of operating segment disclosures, 4 segments have been identified on the basis of this model.

The Bank operating segment brings together the activities of the DZ BANK Group in the cooperative financial network and in its corporate banking, institutional customers, and capital markets businesses. The segment focuses mainly on corporate customers. The subgroups VR LEASING and DVB Bank (DVB) and the following companies are reported under this segment: DZ BANK Ireland plc, Dublin, (DZ BANK Ireland) and DZ BANK. The Bank operating segment also includes consolidated companies that do not form part of the core operating businesses of the DZ BANK Group.

The Retail operating segment covers the DZ BANK Group's private banking operations and activities relating to asset management. The segment generally focuses on private clients and includes DZ PRIVATBANK, TeamBank, and the Union Asset Management Holding subgroup.

The Real Estate Finance operating segment encompasses the group's building society operations together with the retail and commercial real estate business. The companies assigned to this segment include DG HYP and the BSH subgroup.

The Insurance operating segment comprises the R+V Versicherung subgroup.

PRESENTATION OF OPERATING SEGMENTS

Interest income and associated interest expenses generated by the operating segments are offset and reported as net interest income in the information on operating segments because, from a group perspective, the operating segments are managed solely on the basis of the net figure.

MEASUREMENT

Internal reporting to the chief operating decision-makers in the DZ BANK Group is primarily based on the generally accepted accounting and measurement principles applicable to the DZ BANK Group.

Intragroup transactions between operating segments are carried out on an arm's-length basis. These transactions are reported internally using the financial reporting standards applied to external financial reporting.

The key indicators for assessing the performance of the operating segments are profit/loss before taxes and the cost/income ratio. The cost/income ratio shows the ratio of administrative expenses to operating income and reflects the economic efficiency of the operating segment concerned.

Operating income includes net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

CONSOLIDATION/RECONCILIATION

The adjustments shown under Consolidation/reconciliation to reconcile operating segment profit/loss before taxes to consolidated profit/loss before taxes were fully attributable to the elimination of intragroup transactions and to the fact that interests in joint ventures and investments in associates were accounted for using the equity method.

The adjustments to net interest income were primarily the result of the elimination of intragroup dividend payments and profit distributions in connection with intragroup liabilities to dormant partners and were also attributable to the early redemption of issued bonds and commercial paper that had been acquired by companies in the DZ BANK Group other than the issuer.

The figure under Consolidation/reconciliation for net fee and commission income largely relates to the fee and commission business of TeamBank and BSH with R+V Versicherung.

The remaining adjustments are mostly also attributable to the consolidation of income and expenses.

DZ BANK GROUP-WIDE DISCLOSURES

INFORMATION ABOUT GEOGRAPHICAL AREAS

The DZ BANK Group's operating income was generated in the following geographical areas:

€ million	2011	2010
Germany	2,568	3,808
Rest of Europe	633	833
Rest of World	437	101
Consolidation/reconciliation	-197	-278
Total	**3,441**	**4,464**

Information on geographical areas is presented according to the home countries of the companies included in the consolidated financial statements.

This information does not include the separate disclosure of certain non-current (largely tangible) assets because these assets are of minor significance in the DZ BANK Group's business model.

INFORMATION ABOUT PRODUCTS AND SERVICES

Information on products and services offered by the DZ BANK Group is included in the income statement disclosures below.

» 29 NET INTEREST INCOME

€ million	2011	2010
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**9,106**	**8,712**
Interest income from	**8,854**	**8,515**
Lending and money market business	7,709	7,685
of which relating to: local authority loans	701	746
mortgage loans	935	984
home savings loans	246	269
advance and interim financing	647	600
other building loans	60	47
finance leases	398	363
Fixed-income securities	1,412	1,092
Portfolio hedges of interest-rate risk	-267	-262
Current income from	**147**	**113**
Shares and other variable-yield securities	43	33
Investments in subsidiaries	4	3
Operating leases	100	77
Income/loss from using the equity method for	**85**	**31**
Interests in joint ventures	74	58
Investments in associates	11	-27
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**20**	**53**
INTEREST EXPENSE ON	**-5,969**	**-5,980**
Deposits from banks and amounts owed to other depositors	-4,307	-4,127
of which: relating to home savings deposits	-702	-655
Debt certificates including bonds	-1,469	-1,718
Subordinated capital	-226	-219
Portfolio hedges of interest-rate risk	51	93
Provisions and other liabilities	-18	-9
Total	**3,137**	**2,732**

In 2010, the income/loss from using the equity method for investments in associates included income of €19 million generated by an associate's discontinued operations.

» 30 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	2011	2010
Allowances for losses on loans and advances to banks	**-26**	**2**
Additions	-38	-189
Reversals	13	189
Directly recognized impairment losses	-1	–
Receipts from loans and advances previously impaired	–	2
Allowances for losses on loans and advances to customers	**-379**	**-285**
Additions	-1,073	-820
Reversals	732	525
Directly recognized impairment losses	-102	-109
Receipts from loans and advances previously impaired	64	119
Changes in provisions for loan commitments, in other provisions for loans and advances, and in liabilities from financial guarantee contracts	**10**	**25**
Total	**-395**	**-258**

» 31 NET FEE AND COMMISSION INCOME

€ million	2011	2010
Fee and commission income	**2,554**	**2,572**
Securities business	1,603	1,650
Asset management	30	30
Payments processing including card processing	151	140
Lending business and trust activities	250	273
Financial guarantee contracts and loan commitments	37	34
International business	15	14
Building society operations	309	285
Other	159	146
Fee and commission expenses	**-1,591**	**-1,459**
Securities business	-559	-552
Asset management	-22	-24
Payments processing including card processing	-80	-70
Lending business	-214	-188
Financial guarantee contracts and loan commitments	-4	-3
Building society operations	-574	-508
Other	-138	-114
Total	**963**	**1,113**

» 32 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	2011	2010
Gains and losses on non-derivative financial instruments and embedded derivatives	712	1,453
Gains and losses on derivatives	-239	-415
Gains and losses on exchange differences	-75	-23
Total	**398**	**1,015**

» 33 GAINS AND LOSSES ON INVESTMENTS

€ million	2011	2010
Gains and losses on bonds and other fixed-income securities	**-314**	**-674**
Disposals	-27	-6
Impairment losses	-527	-716
Reversals of impairment losses	240	48
Gains and losses on shares and other variable-yield securities	**-13**	**4**
Disposals	2	6
Impairment losses	-15	-2
Gains and losses on investments in subsidiaries	**-6**	**-6**
Disposals	2	-1
Impairment losses	-8	-5
Gains and losses on interests in joint ventures	**–**	**-1**
Impairment losses	–	-1
Gains and losses on investments in associates	**–**	**-31**
Impairment losses	–	-31
Total	**-333**	**-708**

In the year under review, the DZ BANK Group sold investments in non-consolidated subsidiaries and other shareholdings in companies in which the group had no significant influence with a total carrying amount of €10 million measured at cost (2010: €49 million). This resulted in gains on disposal of €3 million. In 2010, there had only been negligible losses on disposal.

In 2010, impairment losses on investments in associates amounting to €31 million had resulted from the adjustment of the carrying amount for an associate to value in use. The value in use had decreased during 2010 owing to a forecast of declining cash inflows in the future.

» 34 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	2011	2010
GAINS AND LOSSES ARISING ON HEDGING TRANSACTIONS	**23**	**6**
Fair value hedges	**9**	**13**
Gains and losses on hedging instruments	62	-292
Gains and losses on hedged items	-53	305
Portfolio fair value hedges	**13**	**-3**
Gains and losses on hedging instruments	-846	-14
Gains and losses on hedged items	859	11
Gains and losses on cash flow hedges	**1**	**-4**
GAINS AND LOSSES ON DERIVATIVES USED FOR PURPOSES OTHER THAN TRADING	**-1**	**440**
GAINS AND LOSSES ON FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-1,021**	**-534**
Gains and losses on non-derivative financial instruments and embedded derivatives	-1,187	-504
Gains and losses on derivatives	166	-30
Total	**-999**	**-88**

Gains and losses on derivatives used for purposes other than trading include gains and losses on valuation of derivatives that are used for economic hedging but are not recognized as hedging transactions.

» 35 PREMIUMS EARNED

€ million	2011	2010
Net premiums written	**11,241**	**10,930**
Gross premiums written	11,332	11,104
Reinsurance premiums ceded	-91	-174
Change in provision for unearned premiums	**-48**	**-9**
Gross premiums	-36	-26
Reinsurers' share	-12	17
Total	**11,193**	**10,921**

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

€ million	2011	2010
Income from investments held by insurance companies	**3,823**	**3,795**
Interest income and current income	2,547	2,458
Income from reversal of impairment losses and unrealized gains	222	399
Gains on valuation through profit or loss of investments held by insurance companies	243	322
Gains on disposals	811	616
Expenses in connection with investments held by insurance companies	**-1,942**	**-1,018**
Administrative expenses	-121	-99
Depreciation/amortization expense, impairment losses and unrealized losses	-772	-277
Losses on valuation through profit or loss of investments held by insurance companies	-405	-188
Losses on disposals	-644	-454
Other gains and losses of insurance companies	**207**	**182**
Other insurance gains and losses	248	264
Other non-insurance gains and losses	-41	-82
Total	**2,088**	**2,959**

The income and expenses relating to investments and other gains and losses include gains of €14 million resulting from currency translation differences (2010: €150 million).

» 37 INSURANCE BENEFIT PAYMENTS

€ million	2011	2010
Expenses for claims	**-9,035**	-7,472
Gross expenses for claims	-9,091	-7,615
Reinsurers' share	56	143
Changes in benefit reserve, reserve for deferred policyholder participation, and in other insurance liabilities	**-1,933**	-4,173
Changes in gross liabilities	-1,897	-4,157
Reinsurers' share	-36	-16
Total	**-10,968**	-11,645

The net reinsurance expense amounted to €52 million (2010: net income of €9 million).

» 38 INSURANCE BUSINESS OPERATING EXPENSES

€ million	2011	2010
Gross expenses	-1,997	-1,867
Reinsurers' share	32	38
Total	**-1,965**	-1,829

» 39 ADMINISTRATIVE EXPENSES

€ million	2011	2010
Staff expenses	**-1,414**	-1,378
Wages and salaries	-1,165	-1,137
Social security contributions	-142	-139
Pension and other post-employment benefit expenses	-101	-101
Expenses for share-based payments	-6	-1
General and administrative expenses	**-1,196**	-1,101
Expenses for temporary staff	-18	-17
Contributions and fees	-97	-77
of which: contributions to the German restructuring fund for banks	-19	–
Consultancy	-203	-160
Office expenses	-187	-175
IT expenses	-244	-239
Property and occupancy costs	-153	-153
Information procurement	-46	-47
Public relations/marketing	-154	-149
Other general and administrative expenses	-89	-79
Expenses for administrative bodies	-5	-5
Depreciation and amortization	**-112**	-109
Property, plant and equipment, and investment property	-48	-49
Other assets	-64	-60
Total	**-2,722**	-2,588

The following table shows a breakdown of pension and other post-employment benefit expenses:

€ million	2011	2010
Expenses in respect of defined benefit obligations	**-82**	-83
Current service cost	-33	-31
Interest expense	-86	-86
Expected return on plan assets	37	34
Expenses in respect of defined contribution obligations	**-9**	-9

» 40 OTHER NET OPERATING INCOME

€ million	2011	2010
Other income from leasing business	5	3
Other changes in provisions and accruals	84	53
Expenses for other taxes/income from refunds of other taxes	-28	13
Gains and losses on non-current assets and disposal groups classified as held for sale	-13	-12
Residual net operating income	-121	-63
Total	**-73**	**-6**

Gains and losses on non-current assets and disposal groups classified as held for sale include impairment losses of €11 million (2010: losses of €11 million) and realized losses of €2 million on disposals (2010: losses of €1 million). The impairment losses largely relate to non-current assets and disposal groups classified as held for sale whose measurement does not fall within the scope of IFRS 5.

» 41 INCOME TAXES

€ million	2011	2010
Current tax expense	-266	-289
Deferred tax income/expense	551	-204
Total	**285**	**-493**

Deferred taxes include income of €69 million (2010: €258 million) arising from the appearance and disappearance of temporary differences. The total for current taxes includes income of €41 million (2010: €136 million) attributable to previous years.

Current taxes in relation to the German limited companies in the group are calculated using an effective corporation tax rate of 15.825 percent based on a corporation tax rate of 15.0 percent plus the solidarity surcharge. The tax rate applied in 2011 was unchanged compared to 2010. The effective rate for trade tax is 14.7 percent (2010: 14.742 percent) for DZ BANK and subsidiaries that are members of the tax group. The slight reduction in the rate of trade tax resulted from a change in the average multiplier used for the companies in the tax group.

Deferred taxes must be calculated using tax rates expected to apply when the tax asset or liability arises. The tax rates used are therefore those that are valid or have been announced for the periods in question as at the balance sheet date.

The following table shows a reconciliation from expected income taxes based on application of the current tax law in Germany to reported income taxes:

€ million	2011	2010
Profit before taxes	**324**	1,618
Group income tax rate	30.525%	30.567%
Expected income taxes	**-99**	-495
Income tax effects	**384**	2
Impact of tax-exempt income and non-deductible expenses	-100	8
Adjustments resulting from other types of income tax, other trade tax multipliers, and changes in tax rates	-35	28
Tax rate differences on income subject to taxation in other countries	3	4
Current and deferred taxes relating to prior years	86	316
Change in impairment losses on deferred tax assets	434	-352
Other effects	-4	-2
Recognized income taxes	**285**	-493

The DZ BANK Group's tax rate for the year under review was affected, in particular, by the reversal of impairment losses on deferred tax assets, which in turn largely resulted from the extension of DZ BANK's tax group for income tax purposes.

» 42 AMOUNTS RECLASSIFIED TO THE INCOME STATEMENT

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

€ million	2011	2010
Gains and losses on available-for-sale financial assets	**-664**	-641
Gains (+)/losses (-) arising during the reporting period	-1,228	-577
Gains (-)/losses (+) reclassified to the income statement	564	-64
Gains and losses on cash flow hedges	**-10**	9
Gains (+)/losses (-) arising during the reporting period	-8	-26
Gains (-)/losses (+) reclassified to the income statement	-2	35

Of the gains (2010: losses) reclassified from the cash flow hedge reserve to the income statement, an amount of €1 million (2010: loss of €31 million) was recognized in net interest income, and an amount of €1 million (2010: loss of €4 million) in other gains and losses on valuation of financial instruments.

» 43 INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

€ million	2011			2010		
	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Gains and losses on available-for-sale financial assets	-664	167	-497	-641	187	-454
Gains and losses on cash flow hedges	-10	2	-8	9	-2	7
Exchange differences on currency translation of foreign operations	–	–	–	22	–	22
Actuarial gains and losses on defined benefit plans	3	-9	-6	-116	36	-80
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-8	–	-8	-13	–	-13
Other comprehensive income/loss	**-679**	**160**	**-519**	**-739**	**221**	**-518**

C Balance sheet disclosures

» 44 CASH AND CASH EQUIVALENTS

€ million	Dec. 31, 2011	Dec. 31, 2010
Cash on hand	164	155
Balances with central banks and other government institutions	2,313	391
of which: with Deutsche Bundesbank	2,168	238
Treasury bills, non-interest-bearing treasury notes	79	33
Total	**2,556**	**579**

The average target minimum reserve for the year under review was €534 million (2010: €937 million).

» 45 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Domestic banks	**6,680**	**4,268**	**61,571**	**59,393**	**68,251**	**63,661**
Affiliated banks	3,268	1,877	49,075	47,295	52,343	49,172
Other banks	3,412	2,391	12,496	12,098	15,908	14,489
Foreign banks	**6,199**	**4,541**	**5,585**	**5,412**	**11,784**	**9,953**
Total	**12,879**	**8,809**	**67,156**	**64,805**	**80,035**	**73,614**

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

€ million	Dec. 31, 2011	Dec. 31, 2010
Local authority loans	2,611	2,788
Mortgage loans	57	74
Other loans secured by mortgages on real estate	45	45
Home savings loans	9	13
Money market placements	14,608	11,466
Other loans and advances	62,705	59,228
Total	**80,035**	**73,614**

» 46 LOANS AND ADVANCES TO CUSTOMERS

€ million	Dec. 31, 2011	Dec. 31, 2010
Loans and advances to domestic customers	87,016	84,225
Loans and advances to foreign customers	33,744	32,050
Total	**120,760**	**116,275**

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

€ million	Dec. 31, 2011	Dec. 31, 2010
Local authority loans	14,973	16,154
Mortgage loans	20,748	21,520
Loans secured by ship mortgages or other loans secured by mortgages on real estate	1,294	978
Building loans advanced by building society	23,975	22,182
of which: from allotment (home savings loans)	6,430	6,582
for advance and interim financing	15,880	14,360
other building loans	1,665	1,240
Finance leases	5,590	5,041
Money market placements	490	507
Other loans and advances	53,690	49,893
Total	**120,760**	**116,275**

» 47 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

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

	Allowances for losses on loans and advances to banks		Allowances for losses on loans and advances to customers		Total
€ million	Specific loan loss allowances	Portfolio loan loss allowances	Specific loan loss allowances	Portfolio loan loss allowances	
Balance as at Jan. 1, 2010	240	29	1,803	390	2,462
Additions	188	1	766	54	1,009
Utilizations	-95	–	-435	–	-530
Reversals	-185	-4	-393	-132	-714
Interest income	-4	–	-32	–	-36
Other changes	1	–	27	5	33
Balance as at Dec. 31, 2010	145	26	1,736	317	2,224
Additions	26	12	776	297	1,111
Utilizations	–	–	-271	–	-271
Reversals	-12	-1	-620	-112	-745
Interest income	-1	–	-34	–	-35
Other changes	5	–	-11	–	-6
Balance as at Dec. 31, 2011	**163**	**37**	**1,576**	**502**	**2,278**

The interest income arises from unwinding the discount on impaired loans and advances recognized at present value as specified in IAS 39.AG93.

» 48
DERIVATIVES USED FOR HEDGING (POSITIVE FAIR VALUES)

€ million	Dec. 31, 2011	Dec. 31, 2010
Derivatives used as fair value hedges for	**900**	**792**
Financial assets	3	14
Financial liabilities	653	607
Portfolios of financial assets and financial liabilities	240	170
Loan commitments	4	1
Derivatives used as cash flow hedges for forecast transactions	**1**	**6**
Total	**901**	**798**

» 49
FINANCIAL ASSETS HELD FOR TRADING

€ million	Dec. 31, 2011	Dec. 31, 2010
DERIVATIVES (POSITIVE FAIR VALUES)	**32,904**	**23,609**
Interest-linked contracts	28,005	19,198
Currency-linked contracts	923	657
Share-/index-linked contracts	881	1,260
Other contracts	1,008	1,126
Credit derivatives	2,087	1,368
BONDS AND OTHER FIXED-INCOME SECURITIES	**17,390**	**26,355**
Money market instruments	**115**	**389**
from public-sector issuers	30	92
from other issuers	85	297
Bonds	**17,275**	**25,966**
from public-sector issuers	3,149	3,587
from other issuers	14,126	22,379
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**446**	**879**
Shares	274	710
Investment fund units	69	63
Other variable-yield securities	103	106
RECEIVABLES	**21,118**	**17,204**
Money market placements	**18,926**	**15,362**
with banks	17,602	11,908
of which: with affiliated banks	2,899	3,023
with other banks	14,703	8,885
with customers	1,324	3,454
Promissory notes, registered bonds, and other receivables	**2,192**	**1,842**
from banks	1,318	853
from customers	874	989
Total	**71,858**	**68,047**

» 50 INVESTMENTS

€ million	Dec. 31, 2011	Dec. 31, 2010
BONDS AND OTHER FIXED-INCOME SECURITIES	**58,246**	**55,573**
Money market instruments	**110**	**487**
from public-sector issuers	–	15
from other issuers	110	472
Bonds	**58,136**	**55,086**
from public-sector issuers	20,228	17,511
from other issuers	37,908	37,575
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,301**	**1,180**
Shares and other shareholdings	232	278
Investment fund units	793	634
Other variable-yield securities	276	268
INVESTMENTS IN SUBSIDIARIES	**1,265**	**1,212**
of which: in banks	80	93
in financial services institutions	13	12
INTERESTS IN JOINT VENTURES	**660**	**550**
of which: in banks	426	387
INVESTMENTS IN ASSOCIATES	**218**	**217**
of which: in banks	55	56
Total	61,690	58,732

The carrying amount of joint ventures accounted for using the equity method totaled €609 million (December 31, 2010: €525 million). €217 million of the investments in associates has been accounted for using the equity method (December 31, 2010: €214 million).

Investments also include shares and other variable-yield securities, investments in subsidiaries, interests in joint ventures, and investments in associates measured at cost with a total carrying amount of €742 million (December 31, 2010: €678 million). There are no active markets for these investments, nor can their fair value be reliably determined by using a valuation technique based on assumptions that do not rely on available observable market data. Furthermore, there are no other markets for these instruments. The purpose of these investments is largely to support the business operations of the DZ BANK Group on a permanent basis.

FINANCIAL DATA ON INTERESTS IN JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

€ million	Dec. 31, 2011	Dec. 31, 2010
Assets	5,452	5,240
Liabilities	4,900	4,738

€ million	2011	2010
Income recognized in profit or loss	886	1,194
Expenses recognized in profit or loss	-812	-1,135

The presentation of the cumulative financial data for joint ventures accounted for using the equity method is disclosed in respect of the DZ BANK Group's proportion of ownership interest.

FINANCIAL DATA ON INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

€ million	Dec. 31, 2011	Dec. 31, 2010
Assets	47,072	50,475
Liabilities	45,274	47,808

€ million	2011	2010
Income recognized in profit or loss	2,222	2,751
Net profit/loss	-658	73

The presentation of the cumulative financial data for associates accounted for using the equity method is based on the figures reported by the associates for the items concerned i.e. regardless of the DZ BANK Group's proportion of ownership interest.

In the year under review, a pro rata net loss for an associate amounting to €162 million (2010: €0 million) was not recognized because the carrying amount for this company had already been reduced to €0 in 2010. The pro rata net loss not recognized in 2011 is identical to the cumulative total of unrecognized pro rata net profit/loss.

» 51 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Dec. 31, 2011	Dec. 31, 2010
Investment property	1,402	1,170
Investments in subsidiaries	378	366
Interests in joint ventures	19	20
Investments in associates	34	68
Mortgage loans	5,722	4,975
Promissory notes and loans	10,544	11,221
Registered bonds	10,033	10,102
Other loans	1,718	1,722
Variable-yield securities	4,254	4,476
Fixed-income securities	19,949	18,562
Derivatives (positive fair values)	198	126
Deposits with ceding insurers	152	149
Assets related to unit-linked contracts	4,945	5,039
Total	**59,348**	**57,996**

As at the balance sheet date, the fair value of investment property was €1,588 million (December 31, 2010: €1,323 million). As in 2010, government grants of €5 million were deducted from the carrying amount of investment property. The grants are non-interest-bearing, low-interest or forgivable loans.

Some investment property has been pledged as collateral and is subject to restrictions on disposal, the total furnished collateral value of the property being €378 million (December 31, 2010: €260 million). The group also has capital expenditure commitments amounting to €80 million (December 31, 2010: €61 million). A total of €53 million was spent on the repair and maintenance of investment property in the year under review (2010: €18 million). Vacant property resulted in repair and maintenance expenses of €2 million (2010: €1 million).

The carrying amount of interests in joint ventures accounted for using the equity method totaled €19 million (December 31, 2010: €20 million).

» 52 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Dec. 31, 2011	Dec. 31, 2010
Land and buildings	462	319
Office furniture and equipment	107	112
Assets subject to operating leases	1,353	1,488
Investment property	117	112
Payments in advance	180	121
Total	**2,219**	**2,152**

The fair value of investment property was €137 million as at the balance sheet date (December 31, 2010: €117 million).

» 53 INCOME TAX ASSETS AND LIABILITIES

€ million	Dec. 31, 2011	Dec. 31, 2010
Income tax assets	**2,916**	**2,626**
Current income tax assets	703	756
Deferred tax assets	2,213	1,870
Income tax liabilities	**1,001**	**1,311**
Current income tax liabilities	300	287
Deferred tax liabilities	701	1,024

In addition to deferred tax assets recognized for tax loss carryforwards, deferred tax assets and liabilities are also recognized for temporary differences in respect of the items shown below:

	Deferred tax assets		Deferred tax liabilities	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Tax loss carryforwards	680	198		
Loans and advances to banks and customers (net)	129	106	686	592
Financial assets and liabilities held for trading, derivatives used for hedging (positive and negative fair values)	561	499	35	145
Investments	600	603	435	213
Investments held by insurance companies	158	157	237	293
Property, plant and equipment, and investment property	13	10	37	24
Deposits from banks and amounts owed to other depositors	822	594	32	60
Debt certificates including bonds	74	48	48	91
Provisions for employee benefits	208	215	28	27
Other provisions	101	111	9	15
Insurance liabilities	328	319	534	455
Other balance sheet items	118	98	199	197
Total (gross)	**3,792**	**2,958**	**2,280**	**2,112**
Netting of deferred tax assets and deferred tax liabilities	-1,579	-1,088	-1,579	-1,088
Total (net)	**2,213**	**1,870**	**701**	**1,024**

Deferred tax assets for temporary differences and tax loss carryforwards are only recognized if it is sufficiently probable that the asset can be realized in the future. No deferred tax assets are recognized for corporation tax loss carryforwards amounting to €82 million (December 31, 2010: €1,229 million) or for trade tax loss carryforwards amounting to €959 million (December 31, 2010: €2,241 million), both of which can be carried forward indefinitely. There remained foreign loss carryforwards of €677 million (December 31, 2010: €867 million) that mostly expire in no more than 18 years and for which no deferred tax assets are recognized. As regards companies (or permanent establishments of companies) in the DZ BANK Group that have suffered tax losses in 2011 or 2010 in their tax jurisdiction, it will be possible to utilize deferred tax assets amounting to €141 million (December 31, 2010: €159 million) in the future if a corresponding level of taxable income is available. It is assumed that this will in fact be the case based on information available from planning of taxable income.

Overall, there is a deferred tax asset surplus of €472 million (December 31, 2010: €311 million) recognized in other comprehensive income. These deferred tax assets primarily relate to investments, investments held by insurance companies, and to provisions for employee benefits.

Deferred tax assets of €1,612 million (December 31, 2010: €1,385 million) and deferred tax liabilities of €662 million (December 31, 2010: €1,013 million) are expected to be realized only after a period of 12 months.

No deferred tax liabilities have been recognized for subsidiaries' retained profits of €192 million (December 31, 2010: €180 million) that do not give rise to permanent differences because profits are unlikely to be distributed in the foreseeable future.

» 54 OTHER ASSETS

€ million	Dec. 31, 2011	Dec. 31, 2010
Other assets held by insurance companies	3,433	3,326
Goodwill	280	151
Other intangible assets	365	226
of which: software	195	188
acquired customer relationships	145	–
Other receivables	136	270
Residual other assets	1,239	674
Total	**5,453**	**4,647**

Other intangible assets include internally generated intangible assets amounting to €41 million (December 31, 2010: €34 million).

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

€ million	Dec. 31, 2011	Dec. 31, 2010
Intangible assets	**161**	**167**
Reinsurance assets	**369**	**459**
Provision for unearned premiums	37	47
Benefit reserve	118	154
Provision for claims outstanding	214	258
Receivables	**1,055**	**920**
Receivables arising out of direct insurance operations	585	496
Receivables arising out of reinsurance operations	164	144
Other receivables	306	280
Credit balances with banks, checks and cash on hand	**218**	**201**
Residual other assets	**1,630**	**1,579**
Property, plant and equipment	458	445
Prepaid expenses	19	22
Remaining assets held by insurance companies	1,153	1,112
Total	**3,433**	**3,326**

The intangible assets in the remaining assets held by insurance companies include internally generated intangible assets amounting to €29 million (December 31, 2010: €31 million).

The following tables show the reinsurers' share of the changes in insurance liabilities:

REINSURERS' SHARE OF THE CHANGES IN THE PROVISION FOR UNEARNED PREMIUMS

€ million	2011	2010
Balance as at Jan. 1	47	29
Additions	52	65
Utilizations/reversals	-62	-47
Balance as at Dec. 31	**37**	**47**

REINSURERS' SHARE OF THE CHANGES IN THE BENEFIT RESERVE

€ million	2011	2010
Balance as at Jan. 1	154	169
Additions	12	6
Interest component	–	3
Utilizations/reversals	-48	-24
Balance as at Dec. 31	**118**	**154**

REINSURERS' SHARE OF THE CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2011	2010
Balance as at Jan. 1	258	227
Claims expenses	53	124
less payments	-97	-93
Balance as at Dec. 31	**214**	**258**

» 55
CHANGES IN NON-CURRENT ASSETS

The following table shows the changes in investment property included in the investments held by insurance companies, the changes in property, plant and equipment, and investment property, and the changes in intangible assets included in other assets:

€ million	Investments held by insurance companies Investment property
Carrying amounts as at Jan. 1, 2010	1,003
Cost as at Jan. 1, 2010	1,162
Additions	256
Reclassifications	-17
Disposals	-36
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Cost as at Dec. 31, 2010	**1,365**
Reversals of impairment losses as at Jan. 1, 2010	15
Additions	3
Reversals of impairment losses as at Dec. 31, 2010	**18**
Depreciation/amortization and impairment losses as at Jan. 1, 2010	-174
Depreciation/amortization expense for the year	-36
Impairment losses for the year	-5
Disposals	2
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Depreciation/amortization and impairment losses as at Dec. 31, 2010	**-213**
Carrying amounts as at Dec. 31, 2010	1,170
Cost as at Jan. 1, 2011	1,365
Additions	184
Reclassifications	-1
Disposals	-34
Changes attributable to currency translation	–
Changes in scope of consolidation	121
Cost as at Dec. 31, 2011	**1,635**
Reversals of impairment losses as at Jan. 1, 2011	18
Additions	1
Reversals of impairment losses as at Dec. 31, 2011	**19**
Depreciation/amortization and impairment losses as at Jan. 1, 2011	-213
Depreciation/amortization expense for the year	-40
Impairment losses for the year	-3
Reclassifications	1
Disposals	3
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Depreciation/amortization and impairment losses as at Dec. 31, 2011	**-252**
Carrying amounts as at Dec. 31, 2011	**1,402**

Property, plant and equipment, and investment property					Other assets	
Land and buildings	Office furniture and equipment	Assets subject to operating leases	Investment property	Payments in advance	Goodwill	Other intangible assets
327	113	1,181	109	67	149	187
552	510	1,467	126	67	149	619
6	35	961	8	124	4	94
–	–	–	–	-67	–	1
-1	-47	-637	-5	-3	-2	-2
-1	2	17	–	–	–	2
–	6	31	–	–	–	9
556	**506**	**1,839**	**129**	**121**	**151**	**723**
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
-225	-397	-286	-17	–	–	-432
-13	-35	-140	-1	–	–	-60
–	–	-8	–	–	–	–
1	43	87	1	–	–	1
–	-2	-5	–	–	–	-1
–	-3	1	–	–	–	-5
-237	**-394**	**-351**	**-17**	**–**	**–**	**-497**
319	112	1,488	112	121	151	226
556	506	1,839	129	121	151	723
5	31	643	18	102	133	213
152	1	205	1	-38	–	2
–	-50	-146	-6	-13	-4	-2
–	-1	32	–	8	–	-2
–	–	-882	–	–	–	–
713	**487**	**1,691**	**142**	**180**	**280**	**934**
–	–	–	–	–	–	–
6	–	1	–	–	–	–
6	**–**	**1**	**–**	**–**	**–**	**–**
-237	-394	-351	-17	–	–	-497
-13	-33	-152	-2	–	–	-73
-7	–	-25	-6	–	–	–
–	1	–	–	–	–	-1
–	46	85	–	–	–	1
–	–	-8	–	–	–	1
–	–	112	–	–	–	–
-257	**-380**	**-339**	**-25**	**–**	**–**	**-569**
462	**107**	**1,353**	**117**	**180**	**280**	**365**

The reclassification under land and buildings contains €154 million resulting from the merger of DVG Deutsche Vermögensverwaltungs-Gesellschaft mbH & Co. Objekt City Haus 1 KG, Frankfurt am Main, with DZ BANK on January 1, 2011.

In 2011, the useful life of the assets varied from 16 to 50 years for buildings (2010: 25 to 50 years), from 1 to 25 years for office furniture and equipment (as in 2010), and from 1 to 23 years for assets subject to an operating lease (2010: 1 to 25 years); the useful life for investment property was 3 to 77 years (2010: 3 to 79 years). As in 2010, software included in other intangible assets continued to be amortized over a useful life of 1 to 15 years; the useful life of the customer relationships acquired in the year under review is 10 years.

Disclosures regarding the changes in goodwill are included in note 85.

» 56 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The non-current assets and disposal groups classified as held for sale include shares in companies and individual items of real estate, together with assets and liabilities of a consolidated special fund.

» 57 DEPOSITS FROM BANKS

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Domestic banks	**20,553**	18,062	**72,132**	63,624	**92,685**	81,686
Affiliated banks	14,423	14,090	35,901	26,920	50,324	41,010
Other banks	6,130	3,972	36,231	36,704	42,361	40,676
Foreign banks	**2,139**	1,940	**12,095**	20,530	**14,234**	22,470
Total	**22,692**	20,002	**84,227**	84,154	**106,919**	104,156

The following table shows the breakdown of deposits from banks by type of business:

€ million	Dec. 31, 2011	Dec. 31, 2010
Home savings deposits	388	381
Money market deposits	34,154	26,317
Other deposits	72,377	77,458
Total	**106,919**	104,156

» 58 AMOUNTS OWED TO OTHER DEPOSITORS

€ million	Dec. 31, 2011	Dec. 31, 2010
AMOUNTS OWED TO OTHER DOMESTIC DEPOSITORS	**83,465**	**77,148**
Home savings deposits	**37,500**	**34,950**
Other amounts owed to other depositors	**45,965**	**42,198**
Repayable on demand	7,357	4,924
With agreed maturity or notice period	38,608	37,274
AMOUNTS OWED TO OTHER FOREIGN DEPOSITORS	**9,406**	**7,787**
Home savings deposits	**1,245**	**1,208**
Other amounts owed to other depositors	**8,161**	**6,579**
Repayable on demand	4,136	2,261
With agreed maturity or notice period	4,025	4,318
Total	**92,871**	**84,935**

The following table shows the breakdown of amounts owed to other depositors by type of business:

€ million	Dec. 31, 2011	Dec. 31, 2010
Home savings deposits	38,745	36,158
Finance leases	12	13
Money market deposits	7,016	4,053
Other deposits	47,098	44,711
Total	**92,871**	**84,935**

The other amounts owed to other depositors are broken down by customer group as follows:

€ million	Dec. 31, 2011	Dec. 31, 2010
Germany	**45,965**	**42,198**
Retail customers	1,760	1,253
Corporate customers	44,074	40,619
Public sector	131	326
International	**8,161**	**6,579**
Retail customers	341	182
Corporate customers	7,516	6,389
Public sector	304	8
Total	**54,126**	**48,777**

» 59 DEBT CERTIFICATES INCLUDING BONDS

€ million	Dec. 31, 2011	Dec. 31, 2010
Bonds issued	**47,369**	**50,944**
Mortgage Pfandbriefs	6,690	7,061
Public-sector Pfandbriefs	11,383	12,707
Other bonds	29,296	31,176
Other debt certificates	**7,745**	**4,245**
Total	**55,114**	**55,189**

All other debt certificates are commercial paper.

» 60 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Dec. 31, 2011	Dec. 31, 2010
Derivatives used as fair value hedges for	**2,571**	**1,334**
Financial assets	577	451
Financial liabilities	13	17
Portfolios of financial assets and financial liabilities	1,975	865
Loan commitments	6	1
Derivatives used as cash flow hedges for	**27**	**28**
Financial liabilities	9	18
Forecast transactions	18	10
Total	**2,598**	**1,362**

» 61 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Dec. 31, 2011	Dec. 31, 2010
DERIVATIVES (NEGATIVE FAIR VALUES)	**34,556**	**26,238**
Interest-linked contracts	28,171	20,376
Currency-linked contracts	983	1,022
Share-/index-linked contracts	1,816	2,265
Other contracts	1,430	1,187
Credit derivatives	2,156	1,388
DELIVERY COMMITMENTS ARISING FROM SHORT SALES OF SECURITIES	**2,977**	**2,756**
BONDS AND OTHER DEBT CERTIFICATES ISSUED	**16,555**	**15,057**
Commercial paper	3,163	2,102
Other bonds	13,392	12,955
LIABILITIES	**13,283**	**13,640**
Money market deposits	**13,244**	**13,640**
from banks	11,074	11,083
of which: from affiliated banks	3,841	7,848
from other banks	7,233	3,235
from customers	2,170	2,557
Promissory notes and registered bonds issued	**39**	**–**
to banks	30	–
to customers	9	–
Total	**67,371**	**57,691**

Other bonds mainly comprise share- and index-linked certificates.

» 62
PROVISIONS

€ million	Dec. 31, 2011	Dec. 31, 2010
Provisions for employee benefits	**1,037**	**1,031**
Provisions for defined benefit obligations	845	829
Provisions for other long-term employee benefits	62	58
Provisions for termination benefits	89	104
of which: for early retirement schemes	14	18
for preretirement part-time employment schemes	29	30
for restructuring	31	40
Provisions for short-term employee benefits	41	40
Provisions for share-based payments	**7**	**1**
Other provisions	**779**	**741**
Provisions for onerous contracts	16	16
Provisions for restructuring	5	11
Provisions for loan commitments	61	72
Other provisions for loans and advances	31	31
Provisions relating to building society operations	423	380
Residual provisions	243	231
Total	**1,823**	**1,773**

PROVISIONS FOR DEFINED BENEFIT OBLIGATIONS

The following table shows the breakdown of provisions for defined benefit obligations:

€ million	Dec. 31, 2011	Dec. 31, 2010
Present value of defined benefit obligations not funded by plan assets	819	804
Present value of defined benefit obligations funded by plan assets	989	968
Present value of defined benefit obligations	**1,808**	**1,772**
less fair value of plan assets	-985	-981
Defined benefit obligations (net)	823	791
Recognized surplus	22	38
Provisions for defined benefit obligations	**845**	**829**
Reimbursement rights recognized as assets	4	4

The changes in the present value of the defined benefit obligations were as follows:

€ million	2011	2010
Present value of defined benefit obligations as at Jan. 1	1,772	1,619
Current service cost	33	31
Interest expense	86	86
Employee contributions	7	5
Pension benefits paid	-82	-79
Actuarial gains (-)/losses (+)	-18	101
Plan takeovers/settlements	2	–
Changes attributable to currency translation	3	9
Changes in scope of consolidation	5	–
Present value of defined benefit obligations as at Dec. 31	**1,808**	**1,772**

The following table shows the changes in plan assets:

€ million	2011	2010
Fair value of plan assets as at Jan. 1	981	974
Expected return on plan assets	37	34
Actuarial gains (+)/losses (-)	-13	-5
Contributions to plan assets	15	16
of which: contributions by employer	8	14
employee contributions	7	2
Pension benefits paid	-44	-46
Withdrawals from plan assets	-1	–
Plan takeovers/settlements	2	–
Changes attributable to currency translation	3	8
Changes in scope of consolidation	5	–
Fair value of plan assets as at Dec. 31	**985**	**981**

The actual return on plan assets amounted to €24 million (2010: €29 million). Additional contributions to plan assets of €27 million are expected in 2012.

The breakdown of plan assets as at the balance sheet date was as follows:

€ million	Dec. 31, 2011	Dec. 31, 2010
Investment fund units	762	785
Land and buildings	6	6
Other assets	2	–
Share of plan assets jointly held by several employers	215	190
Total	**985**	**981**

The investment fund units as reported are units in special funds whose investment focus is on bonds and other fixed-income securities.

The following actuarial assumptions have been used:

%	Dec. 31, 2011	Dec. 31, 2010
Discount rate	5.00	5.00
Expected return on plan assets	3.76	3.27
Expected return on reimbursement rights recognized as assets	4.54	4.56
Salary increases	1.50 – 3.50	1.50 – 3.50
Pension increases	0.00 – 3.00	0.00 – 3.00
Staff turnover	1.00 – 7.00	1.00 – 7.00

The table below shows the breakdown of funding for pension plans as at the reporting date and the 4 previous balance sheet dates:

€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Present value of defined benefit obligations	1,808	1,772	1,619	1,479	1,729
less fair value of plan assets	-985	-981	-974	-878	-925
Total	**823**	**791**	**645**	**601**	**804**

The following experience adjustments arose during the reporting year and the 4 previous financial years in the measurement of the defined benefit obligations and plan assets:

€ million	2011	2010	2009	2008	2007
Experience adjustments to the present value of defined benefit obligations (gains (-)/losses (+))	-10	-16	28	9	-1
Experience adjustments to plan assets (gains(+)/losses(-))	-13	-8	60	-59	-11

OTHER PROVISIONS

The following table shows the changes in other provisions:

€ million	Provisions for onerous contracts	Provisions for restructuring	Provisions for loan commitments	Other provisions for loans and advances	Provisions relating to building society operations	Residual provisions	Total
Balance as at Jan. 1, 2011	16	11	72	31	380	231	741
Additions	5	–	28	17	87	151	288
Utilizations	-4	-4	–	-1	-46	-108	-163
Reversals	-1	-2	-40	-17	–	-40	-100
Interest expense/ changes in discount rate	–	–	–	1	2	4	7
Other changes	–	–	1	–	–	5	6
Balance as at Dec. 31, 2011	**16**	**5**	**61**	**31**	**423**	**243**	**779**

The expected maturities of other provisions are shown in the tables below.

AS AT DECEMBER 31, 2011

€ million	≤ 3 months	> 3 months - 1 year	> 1 year - 5 years	> 5 years	Indefinite
Provisions for onerous contracts	–	–	–	16	–
Provisions for restructuring	–	–	5	–	–
Provisions for loan commitments	37	6	12	4	2
Other provisions for loans and advances	11	14	3	2	1
Provisions relating to building society operations	5	239	154	25	–
Residual provisions	15	155	41	25	7
Total	**68**	**414**	**215**	**72**	**10**

AS AT DECEMBER 31, 2010

€ million	≤ 3 months	> 3 months - 1 year	> 1 year - 5 years	> 5 years	Indefinite
Provisions for onerous contracts	1	1	–	14	–
Provisions for restructuring	1	3	7	–	–
Provisions for loan commitments	7	5	59	–	1
Other provisions for loans and advances	3	11	15	1	1
Provisions relating to building society operations	5	134	221	20	–
Residual provisions	22	113	80	13	3
Total	**39**	**267**	**382**	**48**	**5**

» 63 INSURANCE LIABILITIES

€ million	Dec. 31, 2011	Dec. 31, 2010
Provision for unearned premiums	1,053	1,016
Benefit reserve	40,344	39,145
Provision for claims outstanding	6,510	6,115
Reserve for deferred policyholder participation	4,871	5,253
Other insurance liabilities	34	50
Reserve for unit-linked insurance contracts	4,625	4,637
Total	**57,437**	**56,216**

CHANGES IN PROVISION FOR UNEARNED PREMIUMS

€ million	2011	2010
Balance as at Jan. 1	1,016	984
Additions	1,052	1,056
Utilizations/reversals	-1,017	-1,030
Changes attributable to currency translation	2	6
Balance as at Dec. 31	**1,053**	**1,016**

CHANGES IN BENEFIT RESERVE

€ million	2011	2010
Balance as at Jan. 1	39,145	36,605
Additions	4,503	4,679
Interest component	1,141	1,207
Utilizations/reversals	-4,445	-3,346
Balance as at Dec. 31	**40,344**	**39,145**

CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2011	2010
Balance as at Jan. 1	6,115	5,465
Claims expenses	4,734	5,098
less payments	-4,348	-4,477
Changes attributable to currency translation	9	29
Balance as at Dec. 31	**6,510**	**6,115**

CHANGES IN RESERVE FOR DEFERRED POLICYHOLDER PARTICIPATION

€ million	2011	2010
Balance as at Jan. 1	5,253	5,080
Additions	715	998
Utilizations/reversals	-787	-793
Changes resulting from unrealized gains and losses on investments (through other comprehensive income)	-262	-158
Changes resulting from other remeasurements (through profit or loss)	-48	126
Balance as at Dec. 31	**4,871**	**5,253**

The breakdown of maturities for insurance liabilities is shown in the following tables:

AS AT DECEMBER 31, 2011

€ million	≤ 1 year	> 1 year - 5 years	> 5 years	Indefinite
Provision for unearned premiums	956	79	18	–
Benefit reserve	1,605	6,957	12,204	19,578
Provision for claims outstanding	2,597	2,439	1,473	1
Reserve for deferred policyholder participation	705	546	883	2,737
Other insurance liabilities	27	5	1	1
Total	**5,890**	**10,026**	**14,579**	**22,317**

AS AT DECEMBER 31, 2010

€ million	≤ 1 year	> 1 year - 5 years	> 5 years	Indefinite
Provision for unearned premiums	933	68	15	–
Benefit reserve	1,962	6,843	12,454	17,886
Provision for claims outstanding	2,509	2,355	1,242	9
Reserve for deferred policyholder participation	777	509	881	3,086
Other insurance liabilities	30	9	–	11
Total	**6,211**	**9,784**	**14,592**	**20,992**

» 64 OTHER LIABILITIES

€ million	Dec. 31, 2011	Dec. 31, 2010
Other liabilities of insurance companies	4,063	4,129
Liabilities from financial guarantee contracts	113	109
Accruals	756	739
Other payables	491	420
Residual other liabilities	425	321
Total	**5,848**	**5,718**

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

€ million	Dec. 31, 2011	Dec. 31, 2010
Other provisions	**229**	**227**
Provisions for employee benefits	202	206
Provisions for share-based payments	2	–
Other provisions	25	21
Other liabilities	**3,834**	**3,902**
Subordinated capital	37	49
Deposits received from reinsurers	138	184
Payables arising out of direct insurance operations	1,947	1,961
Payables arising out of reinsurance operations	209	181
Debt certificates including bonds	25	24
Deposits from banks	207	140
Derivatives (negative fair values)	110	60
Liabilities from capitalization transactions	674	754
Other payables	147	212
Residual other liabilities	340	337
Total	**4,063**	**4,129**

» 65 SUBORDINATED CAPITAL

€ million	Dec. 31, 2011	Dec. 31, 2010
Subordinated liabilities	2,740	2,886
Liabilities to dormant partners	103	178
Profit-sharing rights	647	761
Other hybrid capital	387	374
Share capital repayable on demand	58	63
Total	**3,935**	**4,262**

SUBSCRIBED CAPITAL

» 66
EQUITY

The subscribed capital of DZ BANK consists of 1,215,422,303 registered no-par-value shares each with an imputed value of €2.60. All shares in issue are fully paid-up. For the 2010 financial year DZ BANK paid a dividend of €0.12 per share in 2011 (paid in 2010: €0.10 per share).

DISCLOSURES ON SHAREHOLDERS

At the end of the year under review, 95.9 percent of shares were held by cooperative enterprises (December 31, 2010: 95.8 percent). 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.

CAPITAL RESERVES

Capital reserves comprise the amounts from the issue of DZ BANK shares in excess of the imputed par value of the shares.

RETAINED EARNINGS

Retained earnings comprise earned, undistributed consolidated profit together with actuarial gains and losses on defined benefit plans after taking into account deferred taxes. Cumulative actuarial gains and losses amounted to €62 million (December 31, 2010: €66 million).

REVALUATION RESERVE

The revaluation reserve shows changes in the fair value of available-for-sale financial assets after allowing for deferred taxes. Gains and losses are only recognized in profit or loss when the relevant asset is sold or an impairment has been identified. As at December 31, 2011, non-current assets classified as held for sale accounted for minus €10 million (December 31, 2010: €0 million) of the revaluation reserve.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve comprises the gains and losses on the measurement of hedging instruments attributable to the effective portion of the hedge after taking into account deferred taxes. Cash flows hedged in this way comprise cash inflows and cash outflows that are projected to take place over the years 2012 to 2016 and that will be recognized in profit or loss in this period.

CURRENCY TRANSLATION RESERVE

The currency translation reserve is the result of the translation of financial statements of subsidiaries denominated in foreign currency into euros (the group reporting currency).

NON-CONTROLLING INTERESTS

Non-controlling interests comprise the equity of subsidiaries not attributable to DZ BANK. Of the total of non-controlling interests, minus €3 million (December 31, 2010: €0 million) is attributable to the cumulative other comprehensive income in connection with non-current assets classified as held for sale.

BREAKDOWN OF CHANGES IN EQUITY BY COMPONENT OF OTHER COMPREHENSIVE INCOME/LOSS

2011

€ million	Equity earned by the group	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	Non-controlling interests
Gains and losses on available-for-sale financial assets	–	-435	–	–	-62
Gains and losses on cash flow hedges	–	–	-8	–	–
Exchange differences on currency translation of foreign operations	–	–	–	3	-3
Actuarial gains and losses on defined benefit plans	-4	–	–	–	-2
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	1	-5	–	-4	–
Other comprehensive income/loss	**-3**	**-440**	**-8**	**-1**	**-67**

2010

€ million	Equity earned by the group	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	Non-controlling interests
Gains and losses on available-for-sale financial assets	–	-422	–	–	-32
Gains and losses on cash flow hedges	–	–	7	–	–
Exchange differences on currency translation of foreign operations	–	–	–	17	5
Actuarial gains and losses on defined benefit plans	-73	–	–	–	-7
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	–	-28	-2	13	4
Other comprehensive income/loss	**-73**	**-450**	**5**	**30**	**-30**

D Financial instruments disclosures

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument:

» 67
CLASSES, CATEGORIES, AND FAIR VALUES OF FINANCIAL INSTRUMENTS

€ million	Dec. 31, 2011 Carrying amount	Dec. 31, 2011 Fair value	Dec. 31, 2010 Carrying amount	Dec. 31, 2010 Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**156,450**	**156,450**	**147,918**	**147,918**
Financial instruments held for trading	**72,056**	**72,056**	**68,173**	**68,173**
Financial assets held for trading	71,858	71,858	68,047	68,047
Investments held by insurance companies	198	198	126	126
Fair value option	**22,080**	**22,080**	**24,487**	**24,487**
Loans and advances to banks	1,483	1,483	1,407	1,407
Loans and advances to customers	6,462	6,462	6,929	6,929
Investments	13,156	13,156	15,173	15,173
Investments held by insurance companies	979	979	978	978
Derivatives used for hedging	**901**	**901**	**798**	**798**
Derivatives used for hedging (positive fair values)	901	901	798	798
Available-for-sale financial assets	**61,413**	**61,413**	**54,460**	**54,460**
Investments	37,059	37,059	31,308	31,308
Investments held by insurance companies	24,354	24,354	23,152	23,152
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**226,386**	**227,886**	**214,549**	**216,514**
Loans and receivables	**225,644**	**227,144**	**213,871**	**215,836**
Cash and cash equivalents	2,392	2,392	424	424
Loans and advances to banks	78,352	79,336	72,036	72,705
Loans and advances to customers	106,679	108,718	102,289	104,408
Investments	9,907	8,103	10,834	9,936
Investments held by insurance companies	27,299	27,935	27,362	27,612
Other assets	660	660	751	751
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	355		175	
Available-for-sale financial assets	**742**	**742**	**678**	**678**
Investments	742	742	678	678
OTHER FINANCIAL ASSETS	**5,541**	**5,873**	**5,004**	**5,228**
Finance leases	**5,541**	**5,873**	**5,004**	**5,228**
Loans and advances to customers	5,541	5,873	5,004	5,228

	Dec. 31, 2011		Dec. 31, 2010	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**103,213**	**103,213**	**92,454**	**92,454**
Financial instruments held for trading	**67,481**	**67,481**	**57,751**	**57,751**
Financial liabilities held for trading	67,371	67,371	57,691	57,691
Other liabilities	110	110	60	60
Fair value option	**33,134**	**33,134**	**33,341**	**33,341**
Deposits from banks	7,420	7,420	6,932	6,932
Amounts owed to other depositors	11,490	11,490	11,006	11,006
Debt certificates including bonds	12,797	12,797	14,007	14,007
Subordinated capital	1,427	1,427	1,396	1,396
Derivatives used for hedging	**2,598**	**2,598**	**1,362**	**1,362**
Derivatives used for hedging (negative fair values)	2,598	2,598	1,362	1,362
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**227,467**	**228,592**	**216,740**	**218,272**
Deposits from banks	99,499	99,274	97,224	97,315
Amounts owed to other depositors	81,369	82,468	73,916	74,690
Debt certificates including bonds	42,317	42,718	41,108	41,789
Other liabilities	1,549	1,549	1,515	1,515
Subordinated capital	2,508	2,583	2,866	2,963
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	225		111	
OTHER FINANCIAL LIABILITIES	**157**	**161**	**280**	**288**
Finance leases	**44**	**48**	**97**	**105**
Amounts owed to other depositors	12	12	13	14
Other liabilities	32	36	84	91
Liabilities in connection with continuing involvement	**–**	**–**	**74**	**74**
Debt certificates including bonds	–	–	74	74
Liabilities from financial guarantee contracts	**113**	**113**	**109**	**109**
Other liabilities	113	113	109	109

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

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

Market participants establish whether markets are inactive by analyzing the transaction volumes supplied by market data providers. Primary and secondary market activity in asset-backed securities based on US assets and in commercial mortgage-backed securities had almost totally ground to a halt since the start of the financial crisis. A modified discounted cash flow method was therefore used to determine the fair value in this case. The regular tests conducted during the first half of 2011 revealed that the markets for all the DZ BANK Group's asset-backed securities were no longer deemed to be illiquid. As at the balance sheet date, the group therefore returned to a method for determining fair value that was based on observable market parameters.

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

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

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

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

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

The fair value reported under investments held by insurance companies relates to fixed-income securities matched as cover for long-term insurance contract obligations as part of insurance operations. Because these instruments are normally held over their entire maturity, interest-rate-related changes in fair value during the maturity of the financial assets balance each other out in full.

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

» 68
FAIR VALUE HIERARCHY

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

	Level 1		Level 2		Level 3	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Financial assets measured at fair value	**70,288**	**67,453**	**85,700**	**78,331**	**462**	**2,134**
Loans and advances to banks	–	–	1,483	1,407	–	–
Loans and advances to customers	–	–	6,462	6,929	–	–
Derivatives used for hedging (positive fair values)	–	–	901	798	–	–
Financial assets held for trading	12,923	16,267	58,758	50,485	177	1,295
Investments	35,011	29,852	15,188	16,225	16	404
Investments held by insurance companies	22,354	21,334	2,908	2,487	269	435
Financial liabilities measured at fair value	**6,753**	**6,557**	**95,352**	**84,455**	**1,108**	**1,442**
Deposits from banks	–	–	7,353	6,845	67	87
Amounts owed to other depositors	–	–	11,469	10,986	21	20
Debt certificates including bonds	2,201	2,245	9,751	10,456	845	1,306
Derivatives used for hedging (negative fair values)	–	–	2,598	1,362	–	–
Financial liabilities held for trading	4,494	4,309	62,702	53,353	175	29
Other liabilities	58	3	52	57	–	–
Subordinated capital	–	–	1,427	1,396	–	–

The following transfers took place between hierarchy Levels 1 and 2 in the period under review:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	**2011**	2010	**2011**	2010
Financial assets measured at fair value	**4,306**	**738**	**4,943**	**9,758**
Financial assets held for trading	187	152	738	6,800
Investments	3,845	483	4,091	2,740
Investments held by insurance companies	274	103	114	218
Financial liabilities measured at fair value	**107**	**108**	**77**	**2,206**
Debt certificates including bonds	100	–	–	2,196
Financial liabilities held for trading	6	108	77	10
Other liabilities	1	–	–	–

The table below shows the changes in fair values of Level 3 financial assets during the year under review.

€ million	Financial assets held for trading	Investments	Investments held by insurance companies
Balance as at Jan. 1, 2010	4,364	4,345	190
Additions (purchases)	–	–	26
Transfers	-2,410	-3,589	139
from Level 3 to Levels 1 and 2	-2,410	-3,596	-33
from Levels 1 and 2 to Level 3	–	7	172
Disposals (sales)	-744	-349	-15
Changes resulting from measurement at fair value	17	-3	95
through profit or loss	17	2	55
through other comprehensive income	–	-5	40
Other changes	68	–	–
Balance as at Dec. 31, 2010	1,295	404	435
Additions (purchases)	54	–	22
Transfers	-1,169	-331	-222
from Level 3 to Levels 1 and 2	-1,175	-335	-228
from Levels 1 and 2 to Level 3	6	4	6
Disposals (sales)	-25	-59	-3
Changes resulting from measurement at fair value	22	3	-13
through profit or loss	22	3	-5
through other comprehensive income	–	–	-8
Other changes	–	-1	50
Balance as at Dec. 31, 2011	**177**	**16**	**269**

The table below shows the changes in fair values of Level 3 financial liabilities during the year under review.

€ million	Deposits from banks	Amounts owed to other depositors	Debt certificates including bonds	Financial liabilities held for trading
Balance as at Jan. 1, 2010	–	–	1,834	29
Additions (issues)	–	2	–	10
Transfers	97	18	43	-10
from Level 3 to Levels 1 and 2	–	–	43	-10
from Levels 1 and 2 to Level 3	97	18	–	–
Disposals (settlements)	-3	–	-493	–
Changes resulting from measurement at fair value through profit or loss	-7	–	-66	–
Other changes	–	–	-12	–
Balance as at Dec. 31, 2010	87	20	1,306	29
Additions (issues)	–	–	–	129
Transfers	–	–	-3	–
from Level 3 to Levels 1 and 2	–	–	-3	–
Disposals (settlements)	-6	–	-394	–
Changes resulting from measurement at fair value through profit or loss	-14	1	-54	13
Other changes	–	–	-10	4
Balance as at Dec. 31, 2011	**67**	**21**	**845**	**175**

The other changes relate to reclassifications, accrued interest, currency translation, and changes in the scope of consolidation.

In 2011, a gain of €107 million (2010: gain of €152 million) was recognized in profit or loss on the measurement of hierarchy Level 3 financial instruments held at the balance sheet date.

The transfers from hierarchy Level 2 to hierarchy Level 1, and from hierarchy Level 1 to hierarchy Level 2 arose because of the different changes in the availability of valid market data applicable to each financial instrument. The transfers from hierarchy Level 3 to Levels 1 and 2 were attributable to the availability of observable input factors and market data for certain valuation parameters on the balance sheet date.

In the year under review, no asset-backed securities were included in Level 3. In the case of asset-backed securities held as financial assets – all other things being equal – a rise of 1 basis point in credit spreads would have reduced the fair value of asset-backed securities by €0.1 million in 2010. Alternative assumptions about the default correlations used could lead to significant changes in certain structured securities issued by the DZ BANK Group (n-to-default credit-linked notes). All other things being equal, a rise of 1 percent in correlation assumptions would lead to an increase in the fair value of these financial liabilities of €1.1 million (December 31, 2010: €1.3 million). Sensitivity analysis is used to calculate the aforementioned changes in fair values. Non-performing exposures and strategically held investments in subsidiaries and other shareholdings whose fair values are calculated using discounted cash flow methods are not included in the sensitivity analysis.

» 69 FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table shows the maximum exposure to credit risk of loans and receivables designated as at fair value through profit or loss:

€ million	Dec. 31, 2011	Dec. 31, 2010
Loans and advances to banks	1,483	1,407
Loans and advances to customers	6,528	7,005
Investments	475	395
Investments held by insurance companies	716	658
Total	**9,202**	**9,465**

The maximum exposure to credit risk is equivalent to fair value and therefore to the carrying amount of loans and receivables. Financial guarantee contracts with a value of €4,865 million (December 31, 2010: €6,048 million) furnished by affiliated banks mitigate this credit risk.

The following changes in fair value recognized in profit or loss relating to loans and receivables designated as at fair value through profit or loss resulted from the change in the credit risk. In 2010, there had also been changes in credit derivatives associated with the loans and receivables.

	Changes during the reporting period		Cumulative changes	
€ million	2011	2010	Dec. 31, 2011	Dec. 31, 2010
Loans and receivables	-24	-17	-122	-119
Credit derivatives	–	-2	–	–

The changes in financial assets' fair values resulting from credit risks are determined by collating the changes in fair value not attributable to changes in market conditions.

The following overview shows the fair value of financial liabilities designated as at fair value through profit or loss compared with the amounts contractually required to be repaid at maturity to the creditors concerned:

	Fair value		Amount repayable	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Deposits from banks	7,420	6,932	7,269	6,816
Amounts owed to other depositors	11,490	11,006	10,699	10,685
Debt certificates including bonds	12,797	14,007	12,603	13,882
Subordinated capital	1,427	1,396	1,355	1,348
Total	**33,134**	**33,341**	**31,926**	**32,731**

» 70
RECLASSIFICATIONS

As a consequence of the inactivity in the markets, some of the financial assets originally recognized as held for trading were no longer intended for trading purposes and were thus reclassified in the years 2008 to 2010 to the categories 'loans and receivables' or 'available-for-sale financial assets'. In addition, investments in the category 'available-for-sale financial assets' had been reclassified as 'loans and receivables' in 2008 because the DZ BANK Group had decided to hold these financial assets for the foreseeable future. All reclassifications presented were consistent with the amendments made to IAS 39 and IFRS 7 in October 2008.

No financial assets were reclassified in the year under review. In 2010, financial assets with a carrying amount of €245 million had been reclassified from the category 'financial instruments held for trading' to 'available-for-sale financial assets'.

The table below shows the carrying amounts and the fair values of the financial assets that have been reclassified in accordance with the amendments made to IAS 39 and IFRS 7 in October 2008 and that were held at the balance sheet date.

€ million	Dec. 31, 2011	Dec. 31, 2010
Carrying amounts	3,038	3,657
Fair values	2,335	3,394

If all the reclassifications in prior years had not been carried out, an additional loss of €125 million before taxes would have been recognized in the income statement during the reporting year as a result of the fair value measurement (2010: loss of €118 million before taxes). In addition, excluding the reclassification of available-for-sale financial assets performed in 2008, a further loss of €87 million before taxes in respect of the fair value measurement would have been recognized in other comprehensive income during the reporting period (2010: gain of €259 million before taxes).

In the year under review, the profit before taxes included an amount of €136 million derived from gains, losses, income, and expenses in connection with all the reclassified financial assets held (2010: minus €352 million).

The range of effective interest rates (as at the reclassification date) for the financial assets reclassified during 2010 was 2.2 percent to 4.7 percent. On the date of reclassification, cash flows amounting to €293 million were expected to be achievable for the financial assets reclassified in 2010.

» 71 SALE AND REPURCHASE AGREEMENTS

Under sale and repurchase agreements, bonds and other fixed-income securities that are recognized in financial assets held for trading and investments are temporarily sold with a commitment to repurchase the assets at a later date (repo transactions). As at the balance sheet date, the carrying amounts of securities subject to such sale and repurchase agreements were:

€ million	Dec. 31, 2011	Dec. 31, 2010
Financial assets held for trading	7,960	5,258
Investments	2,804	2,414
Total	**10,764**	**7,672**

The carrying amounts of liabilities arising from sale and repurchase agreements were as follows:

€ million	Dec. 31, 2011	Dec. 31, 2010
Deposits from banks	2,551	1,893
Amounts owed to other depositors	51	477
Financial liabilities held for trading	7,853	5,271
Total	**10,455**	**7,641**

The liabilities arising from such sale and repurchase agreements included in financial liabilities held for trading are reported as money market deposits.

The fair value of purchased bonds and other fixed-income securities arising from reverse repo transactions amounted to €15,749 million as at the balance sheet date (December 31, 2010: €12,467 million). The receivables arising from reverse repo transactions amounted to €15,701 million (December 31, 2010: €12,585 million) and are recognized as money market placements within financial assets held for trading.

» 72
CONTINUING INVOLVEMENTS

As at December 31, 2010, loans and advances to customers with a value of €88 million had been transferred but had not met the derecognition criteria in IAS 39. There were debt certificates including bonds amounting to €74 million associated with these receivables. The transaction was brought to an end in 2011.

» 73
SECURITIES LENDING

The carrying amount of securities lent under securities lending arrangements was as follows:

€ million	Dec. 31, 2011	Dec. 31, 2010
Financial assets held for trading	**20**	**47**
Bonds and other fixed-income securities	–	6
Shares and other variable-yield securities	20	41
Investments held by insurance companies	**539**	**555**
Total	**559**	**602**

The fair value of securities borrowed under securities lending arrangements was as follows:

€ million	Dec. 31, 2011	Dec. 31, 2010
Bonds and other fixed-income securities	89	214
Shares and other variable-yield securities	188	63
Total	**277**	**277**

» 74
COLLATERAL

COLLATERAL PLEDGED

The breakdown of the carrying amount of financial assets pledged as collateral for liabilities is as follows:

€ million	Dec. 31, 2011	Dec. 31, 2010
Loans and advances to banks	30,974	29,329
Loans and advances to customers	100	90
Financial assets held for trading	10,262	7,089
Investments	619	143
Investments held by insurance companies	299	215
Total	**42,254**	**36,866**

Funds received from Kreditanstalt für Wiederaufbau (KfW bank) that are to be specifically used for the purposes of development program loans are passed on to affiliated banks. The resulting loans and advances to affiliated banks are lodged with the KfW bank as collateral.

The loans and advances to customers pledged as collateral are building loans issued as part of KfW development program loans. The amounts due to the KfW bank are secured by assigning to KfW bank the receivables arising from the forwarding of the development loans together with the collateral furnished by the borrowers.

Securities and money market placements recognized as financial assets held for trading are pledged as collateral for exchange-traded forward transactions, non-exchange-traded derivatives and for forward forex transactions. These arrangements are governed by standard industry collateral agreements.

Securities that form part of the DZ BANK Group's investments are pledged as collateral for liabilities to Deutsche Bundesbank.

The investments held by insurance companies are predominantly securities pledged as collateral as part of the reinsurance business; this collateral may only be sold or pledged by the recipient in the event of default by the assignor.

COLLATERAL HELD

Foreign mortgage rights with a fair value of €132 million (December 31, 2010: €143 million) used as collateral for loans and advances to customers may be repledged as collateral or sold, even in the absence of any payment default by the party providing the collateral. However, there is an obligation to return the collateral to the owner.

NET GAINS AND LOSSES

» 75
ITEMS OF INCOME, EXPENSE, GAINS, AND LOSSES

The breakdown of net gains or net losses on financial instruments by IAS 39 category for financial assets and financial liabilities is as follows:

€ million	2011	2010
Financial instruments at fair value through profit or loss	**-381**	972
Financial instruments held for trading	931	1,475
Financial instruments designated as at fair value through profit or loss	-1,312	-503
Available-for-sale financial assets	**1,044**	2,030
Loans and receivables	**7,790**	6,791
Financial liabilities measured at amortized cost	**-5,097**	-5,090

Net gains or net losses comprise gains and losses on fair value measurement through profit or loss, impairment losses and reversals of impairment losses, and gains and losses on the sale or early repayment of the financial instruments concerned. These items also include interest income and expense, current income, income from profit-pooling, profit-transfer agreements, partial profit-transfer agreements, and expenses from the transfer of losses.

INTEREST INCOME AND EXPENSE

The following total interest income and expense arose in connection with financial assets and financial liabilities that are not measured at fair value through profit or loss:

€ million	2011	2010
Interest income	10,163	9,665
Interest expense	-5,119	-5,105

FEE AND COMMISSION INCOME AND EXPENSES

€ million	2011	2010
Fee and commission income		
from financial instruments not at fair value through profit or loss	559	553
from trust and other fiduciary activities	1,634	1,683
Fee and commission expenses		
for financial instruments not at fair value through profit or loss	-710	-609
for trust and other fiduciary activities	-570	-563

INTEREST INCOME ON IMPAIRED FINANCIAL ASSETS

Interest income arising from unwinding the discount on impaired loans and advances recognized at present value as specified in IAS 39.AG93 amounted to €67 million (2010: €57 million).

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows impairment losses on financial assets broken down by class of financial instrument.

€ million	2011	2010
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-967**	**-107**
Available-for-sale financial assets	**-967**	-107
Investments	-397	-3
Investments held by insurance companies	-570	-104
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**-1,273**	**-1,796**
Loans and receivables	**-1,255**	-1,789
Loans and advances to banks	-39	-189
Loans and advances to customers	-1,079	-884
Investments	-135	-714
Investments held by insurance companies	-2	-2
Available-for-sale financial assets	**-18**	-7
Investments	-18	-7
OTHER FINANCIAL ASSETS	**-42**	**-15**
Finance leases	**-42**	-15
Loans and advances to customers	-42	-15

The changes in impairment losses included in the allowances for losses on loans and advances recognized under assets, shown by class of financial instrument, were as follows:

€ million	Financial assets measured at amortized cost	Other financial assets
Balance as at Jan. 1, 2010	2,344	32
Additions	974	13
Utilizations	-523	–
Reversals	-677	-12
Interest income	-34	-2
Other changes	27	6
Balance as at Dec. 31, 2010	2,111	37
Additions	1,024	42
Utilizations	-246	-13
Reversals	-689	-14
Interest income	-32	-2
Other changes	-5	-1
Balance as at Dec. 31, 2011	**2,163**	**49**

The financial assets measured at amortized cost are loans and advances to banks and customers in the category ‘loans and receivables’. The other financial assets comprise solely finance lease receivables from customers.

» 76
DERIVATIVES

The DZ BANK Group uses derivatives primarily to hedge against market risk as well as for trading purposes. As at the balance sheet date, the breakdown of the portfolio of derivatives was as follows:

	Notional amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
€ million	≤ 1 year	> 1 year - 5 years	> 5 years	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
INTEREST-LINKED CONTRACTS	191,244	360,343	258,136	809,723	815,515	29,062	20,065	30,754	21,766
OTC products									
Forward rate agreements	24,519	–	–	24,519	16,400	12	3	16	16
Interest-rate swaps	131,366	284,110	224,683	640,159	654,436	26,505	18,489	25,924	18,386
Interest-rate options – call	9,193	34,481	12,860	56,534	52,826	2,445	1,562	17	–
Interest-rate options – put	12,321	38,152	20,593	71,066	71,713	28	–	4,796	3,334
Other interest-rate contracts	468	384	–	852	774	70	10	–	28
Exchange-traded products									
Interest-rate futures	13,377	3,216	–	16,593	19,366	2	1	1	2
CURRENCY-LINKED CONTRACTS	58,350	5,880	302	64,532	59,875	957	695	1,064	1,032
OTC products									
Forward forex transactions	50,116	4,302	281	54,699	47,576	853	559	983	895
Forex options – call	4,043	779	–	4,822	5,830	91	135	18	–
Forex options – put	3,544	769	–	4,313	5,854	13	–	58	129
Exchange-traded products									
Forex futures	28	–	–	28	34	–	–	–	–
Forex options	619	30	21	670	581	–	1	5	8
SHARE-/INDEX-LINKED CONTRACTS	17,964	14,421	1,752	34,137	38,710	881	1,262	1,830	2,267
OTC products									
Share/index options – call	638	270	34	942	1,302	161	316	–	–
Share/index options – put	578	240	–	818	959	–	–	187	323
Other share/index contracts	2,079	3,016	1,553	6,648	7,958	58	152	306	525
Exchange-traded products									
Share/index futures	707	2	–	709	763	1	1	10	3
Share/index options	13,962	10,893	165	25,020	27,728	661	793	1,327	1,416
OTHER CONTRACTS	11,853	28,072	27,006	66,931	60,171	1,016	1,134	1,460	1,207
OTC products									
Cross-currency swaps	10,005	26,976	7,736	44,717	40,394	923	1,020	1,387	1,103
Precious metal contracts	46	5	–	51	48	2	6	–	4
Commodities contracts	798	887	131	1,816	1,171	90	106	35	36
Other contracts	–	–	19,014	19,014	17,988	–	–	4	–
Exchange-traded products									
Futures	104	2	–	106	65	–	–	–	–
Options	900	202	125	1,227	505	1	2	34	64
CREDIT DERIVATIVES	25,311	43,907	13,377	82,595	84,302	2,087	1,377	2,156	1,388
Protection buyer									
Credit default swaps	12,194	20,841	6,421	39,456	40,569	1,987	1,042	74	299
Protection seller									
Credit default swaps	13,117	23,066	6,589	42,772	43,382	89	313	2,071	1,085
Total return swaps	–	–	367	367	351	11	22	11	4
Total	304,722	452,623	300,573	1,057,918	1,058,573	34,003	24,533	37,264	27,660

The financial instruments held at the balance sheet date involved the following counterparties:

€ million	Fair value			
	Positive		Negative	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
OECD central governments	219	100	221	76
OECD banks	30,588	22,496	34,496	25,967
OECD financial services institutions	57	68	98	69
Other companies, private individuals	3,080	1,796	2,244	1,412
Non-OECD banks	59	73	205	136
Total	34,003	24,533	37,264	27,660

The Union Investment Group has capital preservation commitments under section 1 (1) no. 3 German Personal Pension Plan Certification Act (AltZertG) amounting to €5,883 million (December 31, 2010: €4,804 million). These commitments are the total amount of the contributions paid to Union Investment Privatfonds GmbH, Frankfurt am Main, to date by investors in UniProfiRente/4P, the fund-linked 'Riester' pension product. Statutory provisions specify that this is the minimum amount that must be made available at the start of the payout phase. The group also has guarantee commitments of €13,131 million (December 31, 2010: €13,184 million) in connection with genuine guarantee funds launched by fund management companies in the group. From 2011, the resulting obligations have been included in the breakdown of derivatives under other contracts as 'other contracts'. The prior-year figures have been restated accordingly.

» 77 DIFFERENCES NOT RECOGNIZED ON INITIAL RECOGNITION

As at the balance sheet date, there were gains of €10 million not included in the initial recognition of financial assets acquired in the year under review. There were no such unrecognized differences in 2010.

» 78 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS

With the exception of the maturity analyses required by IFRS 7.39(a) and (b) and IFRS 4.39(d)(i), the disclosures on the nature and extent of risks arising from financial instruments (IFRS 7.31-42) and insurance contracts (IFRS 4.38-39A) are included in the risk report within the group management report. The maturity analyses can be found in notes 63 and 79.

» 79
MATURITY ANALYSIS

AS AT DECEMBER 31, 2011

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Financial assets	**45,564**	**20,832**	**38,683**	**160,186**	**162,014**	**17,762**
Cash and cash equivalents	2,392	–	–	–	–	–
Loans and advances to banks	14,873	3,753	6,602	34,190	30,791	–
Loans and advances to customers	18,371	6,032	14,199	52,894	41,275	5,356
Derivatives used for hedging (positive fair values)	38	15	92	450	357	–
Financial assets held for trading	6,668	7,997	10,022	20,727	24,520	1,181
of which: non-derivative financial assets held for trading	6,210	7,383	7,182	8,960	7,060	1,181
Derivatives (positive fair values)	458	614	2,840	11,767	17,460	–
Investments	1,370	1,815	4,429	32,628	26,298	1,535
Investments held by insurance companies	832	1,176	3,300	19,096	38,772	9,690
of which: non-derivative investments held by insurance companies	795	1,165	3,285	19,045	38,736	9,690
Derivatives (positive fair values)	37	11	15	51	36	–
Other assets	1,020	44	39	201	1	–
Financial liabilities	**-66,437**	**-22,321**	**-39,470**	**-100,849**	**-87,932**	**-41,270**
Deposits from banks	-32,403	-11,212	-18,229	-32,034	-22,496	-519
Amounts owed to other depositors	-20,559	-3,489	-2,279	-9,928	-29,328	-38,831
Debt certificates including bonds	-5,626	-2,361	-7,120	-35,311	-11,437	–
Derivatives used for hedging (negative fair values)	-34	-21	-96	-887	-1,553	–
Financial liabilities held for trading	-6,534	-4,828	-10,920	-19,815	-20,205	-996
of which: non-derivative financial liabilities held for trading	-6,168	-4,170	-7,559	-9,416	-3,497	-996
Derivatives (negative fair values)	-366	-658	-3,361	-10,399	-16,708	–
Other liabilities	-1,280	-373	-621	-1,191	-1,152	-509
of which: non-derivative other liabilities	-1,218	-360	-620	-1,180	-1,137	-509
Derivatives (negative fair values)	-62	-13	-1	-11	-15	–
Subordinated capital	-1	-37	-205	-1,683	-1,761	-415
Financial guarantee contracts and loan commitments	**-25,649**	**-70**	**-224**	**-395**	**-58**	**-48**
Financial guarantee contracts	-5,504	-24	-1	-11	-22	-48
Loan commitments	-20,145	-46	-223	-384	-36	–

AS AT DECEMBER 31, 2010

€ million	≤ 1 month	> 1 month– 3 months	> 3 months– 1 year	> 1 year – 5 years	> 5 years	Indefinite
Financial assets	**43,745**	**18,553**	**39,010**	**159,752**	**150,191**	**13,009**
Cash and cash equivalents	424	–	–	–	–	–
Loans and advances to banks	13,661	2,081	5,198	26,561	34,903	369
Loans and advances to customers	17,864	6,033	14,893	62,270	31,582	309
Derivatives used for hedging (positive fair values)	30	27	190	354	227	–
Financial assets held for trading	8,834	7,842	8,129	22,954	18,909	1,692
of which: non-derivative financial assets held for trading	8,353	7,377	6,063	13,729	7,424	1,692
Derivatives (positive fair values)	481	465	2,066	9,225	11,485	–
Investments	1,161	1,364	7,158	28,908	25,654	1,383
Investments held by insurance companies	916	1,020	3,351	18,297	38,915	9,254
of which: non-derivative investments held by insurance companies	882	1,010	3,349	18,251	38,870	9,254
Derivatives (positive fair values)	34	10	2	46	45	–
Other assets	855	186	91	408	1	2
Financial liabilities	**-59,854**	**-17,375**	**-37,191**	**-92,683**	**-97,628**	**-38,972**
Deposits from banks	-32,981	-9,301	-12,472	-26,458	-28,037	-674
Amounts owed to other depositors	-14,468	-2,233	-3,132	-8,571	-36,217	-36,250
Debt certificates including bonds	-4,567	-2,215	-9,917	-31,946	-14,649	–
Derivatives used for hedging (negative fair values)	-84	-21	-80	-420	-740	–
Financial liabilities held for trading	-6,801	-3,379	-10,488	-21,670	-14,827	-902
of which: non-derivative financial liabilities held for trading	-5,976	-2,560	-7,414	-11,384	-3,388	-902
Derivatives (negative fair values)	-825	-819	-3,074	-10,286	-11,439	–
Other liabilities	-946	-175	-634	-1,223	-1,098	-744
of which: non-derivative other liabilities	-939	-175	-632	-1,212	-1,085	-744
Derivatives (negative fair values)	-7	–	-2	-11	-13	–
Subordinated capital	-7	-51	-468	-2,395	-2,060	-402
Financial guarantee contracts and loan commitments	**-24,978**	**-16**	**-126**	**-319**	**-19**	**–**
Financial guarantee contracts	-5,194	–	-1	-11	-16	–
Loan commitments	-19,784	-16	-125	-308	-3	–

The maturity analysis shows contractually agreed cash inflows with a plus sign and contractually agreed cash outflows with a minus sign. In the case of financial guarantee contracts and loan commitments, the potential cash outflows are shown.

The contractual maturities do not match the estimated actual cash inflows and cash outflows, especially in the case of financial guarantee contracts and loan commitments. The management of liquidity risk is described in the risk report within the group management report.

The following table shows the carrying amounts of debt related to national governments and other public authorities in countries particularly affected by the sovereign debt crisis (hereinafter referred to as 'sovereign debt'), the debt concerned being broken down by the categories of financial instrument specified by IAS 39:

» 80 EXPOSURES TO COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

€ million	Dec. 31, 2011
Portugal	**336**
Financial instruments held for trading	12
Fair value option	202
Available-for-sale financial assets	73
Loans and receivables	49
Italy	**3,271**
Financial instruments held for trading	84
Fair value option	1,148
Available-for-sale financial assets	2,039
Ireland	**146**
Financial instruments held for trading	40
Fair value option	50
Available-for-sale financial assets	56
Greece	**169**
Fair value option	9
Available-for-sale financial assets	160
Spain	**2,657**
Financial instruments held for trading	111
Fair value option	2,036
Available-for-sale financial assets	510
Total	**6,579**

The fair value of Portuguese sovereign debt categorized as 'loans and receivables' amounts to €23 million.

Debt issued by countries particularly affected by the sovereign debt crisis and held as part of the insurance business, together with the impairment loss on this debt, is only recognized in the proportion attributable to the shareholders of DZ BANK.

FAIR VALUE HIERARCHY

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

	Dec. 31, 2011	
€ million	Level 1	Level 2
Portugal	**285**	**2**
Financial instruments held for trading	12	–
Fair value option	202	–
Available-for-sale financial assets	71	2
Italy	**2,261**	**1,010**
Financial instruments held for trading	84	–
Fair value option	733	415
Available-for-sale financial assets	1,444	595
Ireland	**145**	**1**
Financial instruments held for trading	40	–
Fair value option	50	–
Available-for-sale financial assets	55	1
Greece	**46**	**123**
Fair value option	–	9
Available-for-sale financial assets	46	114
Spain	**659**	**1,998**
Financial instruments held for trading	35	76
Fair value option	507	1,529
Available-for-sale financial assets	117	393
Total	**3,396**	**3,134**

IMPAIRMENT

At a summit held on October 26, 2011, the heads of state and heads of government of the countries in the euro zone decided to include private creditors in the restructuring of Greece's debt. Under this plan, private creditors were required to waive repayment rights equivalent to 50 percent of the nominal value of their holdings of bonds issued by the Greek government.

This constituted objective evidence that Greek government bonds were impaired. In the year under review, the DZ BANK Group therefore recognized impairment losses in an amount equivalent to the difference between the amortized cost and the fair value as at the balance sheet date for all its exposures in the category 'available-for-sale financial assets' regardless of residual maturity. The resulting losses recognized in profit or loss amounted to €451 million. As at the balance sheet date, the cumulative impairment losses on sovereign debt also amounted to €451 million.

The impairment loss on bonds in the 'available-for-sale financial assets' category was recognized by reclassifying to the income statement losses already recognized in other comprehensive income/loss up to the date of impairment loss.

No impairment losses were recognized to cover exposures in respect of the debt from other countries particularly affected by the sovereign debt crisis (Portugal, Italy, Ireland, and Spain) because there was insufficient objective evidence of impairment on the date the financial statements were prepared.

MATURITY ANALYSIS

AS AT DECEMBER 31, 2011

€ million	≤ 1 month	> 1 month– 3 months	> 3 months– 1 year	> 1 year – 5 years	> 5 years	Indefinite
Portugal	–	–	18	333	235	–
Italy	14	26	122	1,400	3,049	795
Ireland	–	1	24	112	57	–
Greece	–	13	6	54	567	–
Spain	3	3	342	1,825	2,107	–
Total	**17**	**43**	**512**	**3,724**	**6,015**	**795**

The maturity analysis shows the contractually agreed cash inflows.

E Other disclosures

» 81 CONTINGENT LIABILITIES

€ million	Dec. 31, 2011	Dec. 31, 2010
Contingent liabilities from income tax and other taxes	–	3
Other contingent liabilities	11	10
Total	**11**	**13**

There are lawsuits for damages pending in connection with various real estate investment trusts offered by DG ANLAGE Gesellschaft mbH, Frankfurt am Main; some of these claims have essentially been allowed by the competent court. Further proceedings may have been initiated against DZ BANK for damages in order to protect the plaintiff against the time-limit for claims; the potential financial impact cannot be reliably determined at present.

» 82 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Dec. 31, 2011	Dec. 31, 2010
Financial guarantee contracts	**5,610**	**5,222**
Loan guarantees	2,754	2,368
Letters of credit	291	753
Other guarantees and warranties	2,565	2,101
Loan commitments	**20,834**	**20,236**
Credit facilities to banks	2,769	2,914
Credit facilities to customers	7,544	7,281
Guarantee credits	108	52
Letters of credit	80	68
Global limits	10,333	9,921
Total	**26,444**	**25,458**

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

» 83 TRUST ACTIVITIES

Assets held and liabilities entered into as part of trust activities do not satisfy the criteria for recognition on the balance sheet. The following table shows the breakdown for trust activities:

€ million	Dec. 31, 2011	Dec. 31, 2010
Trust assets	**2,609**	**2,582**
Loans and advances to banks	372	363
Loans and advances to customers	1,116	1,086
Investments	1,121	1,133
Trust liabilities	**2,609**	**2,582**
Deposits from banks	1,276	1,255
Amounts owed to other depositors	1,333	1,327

Trust assets and trust liabilities each include trust loans amounting to €1,315 million (December 31, 2010: €1,308 million).

» 84 ASSET MANAGEMENT BY THE UNION INVESTMENT GROUP

€ million	Dec. 31, 2011	Dec. 31, 2010
Fund assets	**156,341**	**164,086**
Other types of asset management	**20,303**	**19,119**
Institutional asset management	3,659	2,793
Advisory and outsourcing	16,644	16,326
Accounts managed by third parties	**-6,368**	**-5,800**
Total	**170,276**	**177,405**

As at the balance sheet date, Union Investment Group (through Union Asset Management Holding) had total assets under management of €170,276 million (December 31, 2010: €177,405 million). The fund assets comprise equity funds, fixed-income funds, money market funds, mixed funds, other securities funds, capital preservation funds, real estate funds, alternative investment funds, and hybrid funds issued by Union Investment Group.

As at the balance sheet date, Union Investment Group also managed assets as part of institutional asset management, and advisory and outsourcing operations. The fund value of funds that have been issued by Union Investment Group but whose portfolio management has been outsourced is shown as a deduction. The definition of assets under management is based on the aggregate statistics from the BVI Bundesverband Investment und Asset Management e.V. (BVI) [Federal Association of German Fund Management Companies], Frankfurt am Main.

Assets managed on behalf of group companies are included in the figures presented above. Some of these assets are consolidated in accordance with SIC-12. To maintain consistency with the BVI aggregate statistics, the fund volumes for BEA Union Investment Management Limited, Hong Kong, a joint venture accounted for using the equity method, and the non-consolidated subsidiaries IPConcept Fund Management S.A., Luxembourg-Strassen, and IPConcept (Schweiz) AG, Zurich, have also been included in the figures presented above.

» 85 BUSINESS COMBINATIONS

Business combinations and intragroup restructuring involving the group companies engaged in private banking were carried out during the reporting period as a continuation of the private banking market initiative in order to pool the cooperative financial network's competencies and strengthen its position.

Following resolutions passed at the general meetings of DZ PRIVATBANK S.A. and WGZ BANK Luxembourg S.A., Luxembourg, (WGZ Luxembourg) on June 9, 2011, the merger of WGZ Luxembourg into DZ PRIVATBANK S.A. became effective in law. As a result of the merger, WGZ Luxembourg's assets, all rights, obligations and liabilities were transferred to DZ PRIVATBANK S.A. by means of the universal succession. DZ PRIVATBANK S.A. is a subsidiary of DZ BANK. The deal constitutes a business combination under IFRS 3 with DZ PRIVATBANK S.A. as the acquirer and WGZ Luxembourg the acquired company. The date of the acquisition was June 9, 2011. The deal also included a non-cash capital increase in DZ PRIVATBANK S.A., the non-cash contribution taking the form of the 20.0 percent shareholding in the subsidiary DZ PRIVATBANK (Schweiz) AG, Zurich, held by the previous shareholders in WGZ Luxembourg. In addition, DZ PB S.A. was merged with its subsidiary DZ PRIVATBANK S.A. as part of an intragroup transaction. As a consequence of these last two transactions, the shareholding of DZ PRIVATBANK S.A. in DZ PRIVATBANK (Schweiz) AG increased from 0.0 percent to 100.0 percent. The proportion of the shares in DZ PRIVATBANK S.A. held by DZ BANK is now 70.3 percent (prior to the mergers and capital contributions: 89.7 percent).

A total of 4,608,942 new shares in DZ PRIVATBANK S.A. were issued to the former shareholders of WGZ Luxembourg as part of the merger between these two companies. The fair value of the new shares issued amounted to €377 million at the acquisition date. The calculation of the fair value was based on the enterprise values determined for the companies involved in the merger. These values were first calculated using the income capitalization approach in order to serve as the basis for establishing the exchange ratio.

Measurement of WGZ Luxembourg's assets and liabilities at their fair value as at the acquisition date revealed total net assets of €249 million, which are broken down as follows:

€ million	Fair value
Assets	
Cash and cash equivalents	1
Loans and advances to banks	1,184
Loans and advances to customers	508
Financial assets held for trading	22
Investments	1,142
Property, plant and equipment, and investment property	1
Income tax assets	1
Other (intangible) assets	127
Liabilities	
Deposits from banks	1,121
Amounts owed to other depositors	1,500
Financial liabilities held for trading	27
Provisions	4
Income tax liabilities	60
Other liabilities	1
Subordinated capital	24

The nominal amount of the acquired loans and advances to banks and customers amounted to €1,683 million. There are no material future contractual cash flows that are likely to be uncollectible.

The business combination gave rise to goodwill of €128 million. The main reasons for the recognition of this goodwill were future anticipated synergies and surplus income.

If the merger with WGZ Luxembourg had been undertaken at the start of the year under review, the DZ BANK Group's net interest income would have been €14 million higher, and net fee and commission income €8 million higher. There would also have been an increase of €6 million in administrative expenses. Allowing for other income and expenses recognized in profit or loss, the DZ BANK Group's net profit for the year would have been €4 million higher in total.

The business combination took the form of a merger, which is why the transferred assets and liabilities are no longer accounted for separately. The income and net profit or loss for the acquired unit have therefore no longer been disclosed separately since the date of the acquisition.

The merger of DZ PRIVATBANK S.A. with WGZ Luxembourg and the accompanying injection of capital into DZ PRIVATBANK S.A. in the form of the shareholdings in DZ PRIVATBANK (Schweiz) AG transferred from the previous shareholders in WGZ Luxembourg resulted in an overall increase of €377 million in the group's equity. Of this amount, €190 million was attributable to DZ BANK's shareholders and €187 million to non-controlling interests. The effects of this increase are shown under the changes in the scope of consolidation that are presented within the statement of changes in equity.

In addition, the group company DZ PRIVATBANK S.A. acquired parts of the private banking business owned by UniCredit Luxembourg S.A., Luxembourg. The transaction took the form of an asset deal and represented a business combination as defined by IFRS 3. DZ PRIVATBANK S.A. obtained control by acquiring legal title to the pertinent assets and liabilities and taking on the relevant employees with effect from January 1, 2011. The consideration transferred amounted to €27 million. Of this amount, €24 million was paid in cash and €3 million represented the fair value of a contingent consideration at the acquisition date. This contingent consideration relates to compensation payments based on development in the client portfolio.

Measurement of the acquiree's assets and liabilities at their fair value as at the acquisition date revealed total net assets of €27 million, which are broken down as follows:

€ million	Fair value
Assets	
Loans and advances to banks	555
Loans and advances to customers	25
Other (intangible) assets	27
Liabilities	
Amounts owed to other depositors	580

The business combination took the form of an asset deal, which is why the transferred assets and liabilities are no longer accounted for separately. The income and net profit or loss for the acquired unit have therefore not been disclosed separately since the date of the acquisition.

Further business combinations in the year under review resulted in the recognition of goodwill amounting to €5 million.

Goodwill is allocated to the DZ BANK Group's operating segments – each of which constitutes a group of cash-generating units – that are likely to derive benefits from the synergies generated by the business combination. As at the balance sheet date, the allocation of goodwill was broken down as follows: €55 million to the Bank operating segment (December 31, 2010: €56 million), €56 million to the Insurance operating segment (December 31, 2010: €54 million), and €169 million to the Retail operating segment (December 31, 2010: €41 million).

Goodwill is regularly tested for possible impairment in the last quarter of the financial year. If there are any indications of possible impairment, more frequent impairment tests are also carried out. In an impairment test, the carrying amount of the goodwill-bearing units is compared with the relevant recoverable amount. The carrying amount is equivalent to the equity attributable to the goodwill-bearing entity. For the purposes of the test, the goodwill is notionally increased by the amount attributable to non-controlling interests. If the recoverable amount exceeds the carrying amount, no impairment of the goodwill is recognized. The recoverable amount is determined as the value in use of the goodwill-bearing entity. Value in use is based on the group's 4-year plan, from which estimated future cash flows can be derived. Cash flows beyond the end of the planning period are estimated using constant rates of growth. In the reporting year, the individual growth rates for each segment used in the impairment test were between 1.1 percent and 1.2 percent (2010: between 1.0 percent and 1.2 percent). The value in use for a goodwill-bearing entity is produced by discounting these cash flows back to the date of the impairment test. Discount rates used in the calculation were determined on the basis of the capital asset pricing model. The rates used in 2011 (before taxes) were between 13.7 percent and 15.1 percent (2010: between 10.8 percent and 13.5 percent). As in 2010, no impairment was identified in the reporting year.

Sensitivity analyses are also carried out in which parameters relevant to the calculation of value in use are modified within a plausible range of values. The parameters that are particularly relevant to the DZ BANK Group are the forecast cash flows and the discount rates. No impairment would result in the Retail or Insurance operating segments in any of the scenarios. If the discount rate were to be increased by 50 basis points, this would lead to an impairment loss in respect of goodwill in the Bank operating segment amounting to €17 million. A reduction of 5 percent in the forecast cash flows would result in the need to recognize an impairment loss of €49 million in this operating segment.

FINANCE LEASES

» 86
LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2011	Dec. 31, 2010
Gross investment	**6,700**	**5,748**
Up to 1 year	1,787	1,810
More than 1 year and up to 5 years	3,450	3,310
More than 5 years	1,463	628
less unearned finance income	**-1,112**	**-709**
Net investment	5,588	5,039
less present value of unguaranteed residual values	**-107**	**-95**
Present value of minimum lease payment receivables	**5,481**	**4,944**
Up to 1 year	1,501	1,553
More than 1 year and up to 5 years	2,913	2,869
More than 5 years	1,067	522

As at the balance sheet date, the accumulated allowance for uncollectible minimum lease payments at lessor companies amounted to €49 million (December 31, 2010: €37 million).

Within the DZ BANK Group, the DVB and VR LEASING subgroups are active as lessors. The entities in the DVB subgroup primarily enter into finance leases for ships, ship containers, aircraft, and aircraft engines. As in 2010, the terms of the leases in existence in 2011 were for periods of up to 13 years. The real estate and equipment leases entered into by the companies in the VR LEASING subgroup for the most part comprise partial-payout leases, full-payout leases, and cancelable leases; these companies also enter into hire purchase agreements.

THE DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2011	Dec. 31, 2010
Total future minimum lease payments	**66**	125
Up to 1 year	15	59
More than 1 year and up to 5 years	14	26
More than 5 years	37	40
less discount	**-22**	-28
Present value of future minimum lease payments	44	97
Up to 1 year	13	47
More than 1 year and up to 5 years	7	21
More than 5 years	24	29

As at the balance sheet date, the total future minimum lease payments expected to be received under non-cancelable subleases amounted to €12 million (December 31, 2010: €14 million).

Some of these leases include arrangements for the purchase of the leased asset at the end of the lease term (purchase option). In addition, the lease payments in some leases are subject to a review on a specified date based on the situation in capital markets on that date.

Residual other assets held by insurance companies included leased property, plant and equipment amounting to €28 million (December 31, 2010: €114 million). Other payables of insurance companies included finance lease liabilities of €32 million (December 31, 2010: €84 million). In addition, assets subject to operating leases totaling €12 million (December 31, 2010: €13 million) were reported under property, plant and equipment, and investment property. Amounts owed to other depositors included finance lease liabilities of €12 million (December 31, 2010: €13 million).

OPERATING LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2011	Dec. 31, 2010
Total future minimum lease payments under non-cancelable leases	**1,376**	1,503
Up to 1 year	293	333
More than 1 year and up to 5 years	672	783
More than 5 years	411	387

In 2011, contingent minimum lease payments of €6 million (2010: €7 million) were recognized as income.

Entities in the DVB subgroup enter into operating leases for ships, aircraft, and rail freight cars as the lessor. As at the balance sheet date, lease terms for ship leases and aircraft leases were up to 10 years (as was also the case as at December 31, 2010); for rail freight cars, lease terms were also up to 10 years (December 31, 2010: up to 6 years). The real estate and equipment leases entered into by the companies in the VR LEASING subgroup for the most part comprise partial-payout leases, full-payout leases, and cancelable leases; these companies also enter into hire purchase agreements. R+V Versicherung enters into standard commercial leases for residential property and business premises.

THE DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2011	Dec. 31, 2010
Total future minimum lease payments under non-cancelable leases	**479**	577
Up to 1 year	124	121
More than 1 year and up to 5 years	297	346
More than 5 years	58	110

As at the balance sheet date, the total future minimum lease payments expected to be received under non-cancelable subleases amounted to €31 million (December 31, 2010: €32 million).

In the year under review, minimum lease payments of €117 million (2010: €126 million) and contingent rents of €24 million (2010: €28 million) were recognized as expenses. Payments under subleases amounted to €7 million (2010: €6 million).

Operating leases in the DZ BANK Group are largely leases for properties and business premises, some of which contain extension options or have their lease payments linked to a price index. There are also a small number of standard leases for office furniture and equipment.

SALE AND LEASEBACK TRANSACTIONS

Some companies in the DZ BANK Group, particularly individual companies in the VR LEASING subgroup, enter into sale and leaseback agreements. The classification of such leases as finance leases or operating leases depends on the structure of each individual transaction.

Some group companies entered into sale and leaseback transactions that could not be classified as a lease because of the economic substance of the transaction. The power to use the leased assets and the economic rewards remained with the seller. These leases are structured as full-payout leases with an expiration date of 2015. As in 2010, no consideration was received in the year under review.

» 87 LETTERS OF COMFORT

Except in the event of political risk, DZ BANK has undertaken to ensure in proportion to its shareholding for the consolidated entity DZ PRIVATBANK S.A. and in total for the consolidated entity DZ BANK Ireland and for the non-consolidated entity DZ PRIVATBANK Singapore Ltd., Singapore, that these companies are able to meet their contractual obligations. These banks are identified in the list of DZ BANK Group's shareholdings (note 97) as being covered by a letter of comfort. DZ BANK has also issued subordinated letters of comfort in respect of DZ BANK Capital Funding LLC I, DZ BANK Capital Funding LLC II, and DZ BANK Capital Funding LLC III, all based in Wilmington, State of Delaware, USA. In addition, DZ BANK has issued 8 subordinated letters of comfort in respect of DZ BANK Perpetual Funding (Jersey) Limited, St. Helier, Jersey, Channel Islands, each relating to different classes of preferred shares.

» 88 EMPLOYEES

Average number of employees by employee group:

	2011	2010
Female employees	**12,861**	**12,248**
Full-time employees	8,729	8,469
Part-time employees	4,132	3,779
Male employees	**14,964**	**14,552**
Full-time employees	14,428	14,100
Part-time employees	536	452
Total employees	**27,825**	**26,800**

The increase in the average number of employees in the DZ BANK Group was primarily the result of business combinations and adding subsidiaries to the scope of consolidation.

» 89 AUDITOR FEES

The total fees charged for 2011 by the independent auditors of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, broken down by type of service are as follows:

€ million	2011	2010
Auditing services	6.9	6.8
Other attestation services	3.1	2.1
Tax consultancy services	0.1	0.1
Other services	0.5	0.6
Total	**10.6**	**9.6**

The fees for auditing services comprise expenses relating to the audit of the consolidated financial statements and group management report of DZ BANK as well as the audits of the annual financial statements and management reports of DZ BANK and consolidated subsidiaries carried out by the auditors of the consolidated financial statements. The fees for other attestation services comprise the fees charged for the audit in accordance with section 36 of the German Securities Trading Act (WpHG), the review by the auditor of the condensed interim consolidated financial statements and the interim group management report, and services for which the auditors' professional seal was required. Tax consultancy fees relate to fees paid by domestic group companies 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.

» 90 REMUNERATION PAID TO THE BOARD OF MANAGING DIRECTORS AND SUPERVISORY BOARD OF DZ BANK

The overall remuneration paid by the group to DZ BANK's Board of Managing Directors in accordance with IAS 24.17 amounted to €8.5 million in the reporting year (2010: €9.4 million). This total is broken down into short-term employee benefits of €6.5 million (2010: €6.8 million), post-employment benefits of €1.3 million (2010: €1.5 million), and share-based payments of €0.7 million (2010: €1.1 million). The remuneration paid to the Board of Managing Directors in 2011 and 2010 included the total bonus awarded to the Board of Managing Directors for the year in question. Supervisory Board compensation amounted to €0.8 million (2010: €0.8 million) and consisted of payments due in the short term.

The remuneration paid to the Board of Managing Directors included contributions of €0.3 million (2010: €0.5 million) to defined contribution pension plans. DZ BANK has defined benefit obligations for the members of the Board of Managing Directors amounting to €10.2 million (December 31, 2010: €8.7 million).

In 2011, the total compensation paid to the Board of Managing Directors of DZ BANK for the performance of their duties in DZ BANK and its subsidiaries pursuant to section 314 (1) no. 6a HGB was €7.4 million (2010: €8.4 million), while the total remuneration paid to the Supervisory Board for the performance of these duties amounted to €0.8 million (2010: €0.8 million).

The total compensation paid to former members of the Board of Managing Directors or their surviving dependants pursuant to section 314 (1) no. 6b HGB amounted to €8.2 million in 2011 (2010: €8.2 million).

» 91
SHARE-BASED PAYMENTS

The companies in the DZ BANK Group have entered into share-based payment agreements with the members of the Board of Managing Directors and with certain other salaried employees.

DZ BANK has entered into agreements governing variable remuneration components with the members of the Board of Managing Directors and a group of selected salaried employees. The variable remuneration components take the form of a target bonus, the size of which is linked to the achievement of various corporate targets. Internal key performance indicators are used to determine whether the targets have been reached or not. The resulting total bonus is fixed by the Supervisory Board no later than on the date on which the annual financial statements are formally accepted. The remuneration determined in this annual process is paid out over 5 years. With the exception of the initial amount equivalent to 20 percent of the total bonus, which is paid out immediately after the bonus has been fixed, the payment of the remaining 4 annual installments (each equivalent to 20 percent of the total bonus) is dependent on sustained performance based on a calculation of enterprise value per DZ BANK share. Each installment may be paid in full, in an amount equivalent to 50 percent of the original calculated amount, or may not be paid at all depending on the performance of the shares measured over 4 analysis periods (1-year, 2-year, 3-year, and 4-year periods). The defined performance of the shares distinguishes between performance of better than -10 percent, between -10 percent and -15 percent, and worse than -15 percent. The value per share is determined each year by means of an independent business valuation. Based on a value per share of €9.10 from the business valuation as at December 31, 2010 and a value per share of €8.80 as at December 31, 2011, it can be assumed that the bonus will be paid in full.

DZ PRIVATBANK S.A. has entered into agreements on variable remuneration components with the members of its Board of Managing Directors. The structure of these agreements is similar to that of the agreements at DZ BANK, although in this case the variable remuneration components are measured using a business valuation of DZ PRIVATBANK S.A.

The variable components of the remuneration paid to the Board of Managing Directors of R+V depend on whether both quantitative and qualitative targets are achieved. Half of the variable remuneration depends on changes in the enterprise value of R+V within the last 3 years. The enterprise value of R+V is determined in accordance with the principles specified in IDW S 1 *Principles for the Performance of Business Valuations*. If the change in enterprise value is negative, the Supervisory Board decides whether and to what extent the related proportion of variable remuneration will be paid, depending on the extent of the negative performance.

At DVB, the variable salary payments to the Board of Managing Directors include a bonus, which is determined on the basis of agreements on targets. The targets are agreed for each financial year between the Supervisory Board and each member of the Board of Managing Directors and have two basic elements. The first element is a target for the relevant financial year, the achievement of which can be measured using objective criteria, for example financial key performance indicators such as economic value added or DVB's profit before taxes. The second element comprises the individual performance of the member of the Board of Managing Directors concerned. The amount of bonus paid depends on the measurable degree of target attainment. A prerequisite for payment of the bonus is that the employment contract of the member of the Board of Managing Directors must not have been terminated, nor must any notice of termination have been submitted, on the date of payment. This condition does not apply however if the person concerned is stepping down because he/she has reached the age of retirement or if his/her fixed-term contract as a member of the Board of Managing Directors is not being renewed or extended. The bonus for the year under review is to be paid out in 4 tranches: 50 percent in 2012; 16.66 percent in each of the 3 subsequent years (2013 through 2015). A precondition for the payment of these 3 future tranches is that the allowances for losses on loans and advances in the year before the payment are below a specified threshold value. A further condition applicable to all 4 bonus installments is that 50 percent of each tranche is subject to an additional one-year holding period and is therefore not distributed immediately. During this holding period, the value of the retained tranche is replaced by a share-based remuneration instrument linked to the performance of DVB. In this mechanism, the value of the retained tranche is initially converted into notional shares in DVB *(phantom shares)*. At the end of the subsequent year, the tranche due for payment is calculated by multiplying the allocated phantom shares by the closing price of DVB shares on the Frankfurt Stock Exchange on the last trading day of the calendar year concerned, plus the dividend distributed during the course of the year. The calculation of the bonus value does not involve the creation of any genuine shares in DVB, just phantom shares used for computational purposes.

In the year under review, the agreements described above gave rise to expenses in the DZ BANK Group of €8 million (2010: €1 million). As at December 31, 2011, the provisions recognized by the DZ BANK Group for share-based payments amounted to €9 million (December 31, 2010: €1 million).

DZ BANK enters into transactions with related parties (persons or entities) as part of its ordinary business activities. All of this business is transacted on an arm's length basis. Most of these transactions involve typical banking products and financial services.

» 92
RELATED PARTY DISCLOSURES

TRANSACTIONS WITH RELATED PARTIES (ENTITIES)

€ million	Dec. 31, 2011	Dec. 31, 2010
Loans and advances to banks	**246**	**538**
to subsidiaries	124	59
joint ventures	121	462
associates	1	17
Loans and advances to customers	**457**	**542**
to subsidiaries	424	536
joint ventures	28	1
associates	5	5
Financial assets held for trading	**182**	**365**
of subsidiaries	6	7
associates	176	358
Investments	**1**	**43**
of associates	1	43
Investments held by insurance companies	**267**	**235**
of subsidiaries	115	128
joint ventures	97	99
associates	55	8
Other assets	**18**	**15**
of subsidiaries	15	12
joint ventures	2	3
associates	1	–
Deposits from banks	**165**	**661**
owed to subsidiaries	1	16
joint ventures	129	645
associates	35	–
Amounts owed to other depositors	**108**	**112**
owed to subsidiaries	90	98
associates	14	14
other entities	4	–
Financial liabilities held for trading	**110**	**104**
of subsidiaries	7	10
associates	103	94
Other liabilities	**50**	**13**
of subsidiaries	39	11
joint ventures	11	2

€ million	Dec. 31, 2011	Dec. 31, 2010
Financial guarantee contracts	**108**	**118**
for associates	108	118
Loan commitments	**216**	**200**
to subsidiaries	215	200
joint ventures	1	–

€19 million (2010: €23 million) of the total reported net interest income, €7 million (2010: €10 million) of the total reported net fee and commission income, and €8 million (2010: €5 million) of the total reported gains and losses on investments held by insurance companies and other insurance company gains and losses was attributable to transactions with related parties (entities).

TRANSACTIONS WITH RELATED PARTIES (PERSONS)

Related parties (persons) are key management personnel who are directly or indirectly responsible for the planning, management, and supervision of the activities of DZ BANK, as well as their close family members. For the purposes of IAS 24, the DZ BANK Group considers the members of the Board of Managing Directors and the members of the Supervisory Board to be key management personnel. As at December 31, 2011, the DZ BANK Group's loans and loan commitments to related parties amounted to €2.1 million (December 31, 2010: €1.7 million).

Like unrelated parties, key management personnel and their close family members also have the option of obtaining further financial services from the DZ BANK Group, for example in the form of insurance contracts, home savings contracts, and leases. Where they made use of this option, the transactions were carried out on an arm's-length basis.

The declaration of compliance with the German Corporate Governance Code required by section 161 of the German Stock Corporation Act (AktG) has been issued by the Board of Managing Directors and Supervisory Board of DVB Bank SE, a publicly traded company, and has been made available to the shareholders on a permanent basis via the company's website.

» 93
CORPORATE GOVERNANCE

WOLFGANG KIRSCH
(Chief Executive Officer)

» 94
BOARD OF MANAGING DIRECTORS

LARS HILLE — WOLFGANG KÖHLER

HANS-THEO MACKE — ALBRECHT MERZ

THOMAS ULLRICH — FRANK WESTHOFF

» 95
SUPERVISORY BOARD

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

WOLFGANG APITZSCH
(Deputy Chairman of the Supervisory Board)
Attorney

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

RÜDIGER BEINS
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

ULRICH BIRKENSTOCK
Employee
R+V Allgemeine Versicherung AG

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

HERMANN BUERSTEDDE
Employee
Union Asset Management Holding AG

CARL-CHRISTIAN EHLERS
(Member of the Supervisory Board until May 10, 2011)
Chief Executive Officer
Kieler Volksbank eG (until June 30, 2011)

KARL EICHELE
Employee
VR Kreditwerk AG

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

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

BERND HÜHN
Spokesman of the Board of Managing Directors
Volksbank Worms-Wonnegau eG

RITA JAKLI
Senior Manager
R+V Versicherung AG

SIGMAR KLEINERT
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

WILLY KÖHLER
Chief Executive Officer
VR Bank Rhein-Neckar eG
(until December 31, 2011)

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

STEPHAN SCHACK
(Member of the Supervisory Board since May 10, 2011)
Spokesman of the Board of Managing Directors
Volksbank Raiffeisenbank eG, Itzehoe

GUDRUN SCHMIDT
Employee
ver.di Landesbezirk Hessen

UWE SPITZBARTH
National Group Director Banks
ver.di Bundesverwaltung

WITHIN DZ BANK

» 96
SUPERVISORY MANDATES HELD BY MEMBERS OF THE BOARD OF MANAGING DIRECTORS AND EMPLOYEES

As at the balance sheet date, 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. Mandates in companies included in the consolidation are indicated with an asterisk (*).

MEMBERS OF THE BOARD OF MANAGING DIRECTORS

WOLFGANG KIRSCH
(Chief Executive Officer)

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall,
Chairman of the Supervisory Board (*)

Landwirtschaftliche Rentenbank, Frankfurt am Main,
Member of the Board of Directors

Österreichische Volksbanken-AG, Vienna,
Member of the Supervisory Board

R+V Versicherung AG, Wiesbaden,
Chairman of the Supervisory Board (*)

Südzucker AG, Mannheim,
Member of the Supervisory Board

Union Asset Management Holding AG,
Frankfurt am Main,
Chairman of the Supervisory Board (*)

LARS HILLE	Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DZ PRIVATBANK (Schweiz) AG, Zurich, Chairman of the Board of Directors (*)
	DZ PRIVATBANK S.A., Luxembourg-Strassen, Chairman of the Supervisory Board (*)
	Union Asset Management Holding AG, Frankfurt am Main, Member of the Supervisory Board (*)
WOLFGANG KÖHLER	DVB Bank SE, Frankfurt am Main, Member of the Supervisory Board (*)
	DZ BANK Polska S.A., Warsaw, Chairman of the Supervisory Board
	DZ PRIVATBANK S.A., Luxembourg-Strassen, Member of the Supervisory Board (*)
	Österreichische Volksbanken-AG, Vienna, Member of the Supervisory Board
	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
HANS-THEO MACKE	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*)
	EDEKABANK AG, Hamburg, Member of the Supervisory Board
	VR-LEASING AG, Eschborn, Chairman of the Supervisory Board (*)

ALBRECHT MERZ	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*)
	BayWa AG, Munich, Member of the Supervisory Board
	R+V Allgemeine Versicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	R+V Lebensversicherung AG, Wiesbaden, Member of the Supervisory Board (*)
	TeamBank AG Nürnberg, Nuremberg, Chairman of the Supervisory Board (*)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*)
THOMAS ULLRICH	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Chairman of the Supervisory Board
	Equens SE, Utrecht, Member of the Supervisory Board
	FIDUCIA IT AG, Karlsruhe, Member of the Supervisory Board

FRANK WESTHOFF	BAG Bankaktiengesellschaft, Hamm, Member of the Supervisory Board
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Chairman of the Supervisory Board (*)
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	DVB Bank SE, Frankfurt am Main, Chairman of the Supervisory Board (*)
	DZ BANK Ireland plc, Dublin, Chairman of the Board of Directors (*)
	TeamBank AG Nürnberg, Nuremberg, Deputy Chairman of the Supervisory Board (*)
	Volksbank International AG, Vienna, Second Deputy Chairman of the Supervisory Board (until February 15, 2012)

DZ BANK 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 (*)
DR. THOMAS KETTERN	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board
BERNHARD KUHN	DZ BANK Polska S.A., Warsaw, Member of the Supervisory Board (since January 1, 2012)
WINFRIED MÜNCH	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main, Member of the Supervisory Board
KARL-HEINZ VON OPPENKOWSKI	DZ BANK Polska S.A., Warsaw, Vice Chairman of the Supervisory Board

CLAUDIO RAMSPERGER	Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
DR. CORNELIUS RIESE	ReiseBank AG, Frankfurt am Main, Member of the Supervisory Board (*)
JOCHEN RIECKE	Equens SE, Utrecht, Member of the Supervisory Board
GREGOR ROTH	ConCardis GmbH, Frankfurt am Main, Member of the Supervisory Board
	Deutsche WertpapierService Bank AG, Frankfurt am Main, Member of the Supervisory Board
	Equens SE, Utrecht, Deputy Chairman of the Supervisory Board
	ReiseBank AG, Frankfurt am Main, Chairman of the Supervisory Board (*)

IN THE DZ BANK GROUP

As at the balance sheet date, members of the Boards of Managing Directors and employees also held mandates on the statutory supervisory bodies of the following major companies in Germany. Mandates in companies included in the consolidation are indicated with an asterisk (*).

DR. MATTHIAS METZ Chief Executive Officer Bausparkasse Schwäbisch Hall AG	VR Kreditwerk AG, Schwäbisch Hall, Chairman of the Supervisory Board (*)
GERHARD HINTERBERGER Member of the Board of Managing Directors Bausparkasse Schwäbisch Hall AG	VR Kreditwerk AG, Schwäbisch Hall, Member of the Supervisory Board (*)
EHRHARD STEFFEN Spokesman of the Board of Managing Directors VR Kreditwerk AG	BSQ Bauspar AG, Nuremberg, Deputy Chairman of the Supervisory Board

DR. FRIEDRICH CASPERS Chief Executive Officer R+V Versicherung AG	Condor Allgemeine Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) Raiffeisendruckerei GmbH, Neuwied, Member of the Supervisory Board R+V Allgemeine Versicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Krankenversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Lebensversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Pensionsfonds AG, Wiesbaden, Chairman of the Supervisory Board (*) Union Asset Management Holding AG, Frankfurt am Main, Member of the Supervisory Board (*)
FRANK-HENNING FLORIAN Member of the Board of Managing Directors R+V Versicherung AG	CHEMIE Pensionsfonds AG, Munich, Member of the Supervisory Board (*) GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart, Deputy Chairman of the Supervisory Board (*) TeamBank AG Nürnberg, Nuremberg, Member of the Supervisory Board (*)

HEINZ-JÜRGEN KALLERHOFF Member of the Board of Managing Directors R+V Versicherung AG	R+V Krankenversicherung AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*) R+V Service Center GmbH, Wiesbaden, Deputy Chairman of the Supervisory Board (*)
DR. CHRISTOPH LAMBY Member of the Board of Managing Directors R+V Versicherung AG	KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Member of the Supervisory Board (*)
HANS-CHRISTIAN MARSCHLER Member of the Board of Managing Directors R+V Versicherung AG	KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*)
RAINER NEUMANN Member of the Board of Managing Directors R+V Versicherung AG	CHEMIE Pensionsfonds AG, Munich, Member of the Supervisory Board (*) Condor Allgemeine Versicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart, Chairman of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) Protektor Lebensversicherungs-AG, Berlin, Chairman of the Supervisory Board Sprint Sanierung GmbH, Cologne, Deputy Chairman of the Supervisory Board

DR. NORBERT ROLLINGER Member of the Board of Managing Directors R+V Versicherung AG	Sprint Sanierung GmbH, Cologne, Chairman of the Supervisory Board R+V Service Center GmbH, Wiesbaden, Chairman of the Supervisory Board (*)
PETER WEILER Member of the Board of Managing Directors R+V Versicherung AG	Condor Allgemeine Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Chairman of the Supervisory Board (*)
HANS JOACHIM REINKE Chief Executive Officer Union Asset Management Holding AG	Union Investment Institutional GmbH, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*) Union Investment Privatfonds GmbH, Frankfurt am Main, Chairman of the Supervisory Board (*) Union Investment Real Estate GmbH, Hamburg, Deputy Chairman of the Supervisory Board (*) Union Investment Service Bank AG, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*)

ULRICH KÖHNE Member of the Board of Managing Directors Union Asset Management Holding AG	Union Investment Service Bank AG, Frankfurt am Main, Chairman of the Supervisory Board (*)
ALEXANDER SCHINDLER Member of the Board of Managing Directors Union Asset Management Holding AG	Union Investment Institutional GmbH, Frankfurt am Main, Chairman of the Supervisory Board (*)
JENS WILHELM Member of the Board of Managing Directors Union Asset Management Holding AG	Union Investment Privatfonds GmbH, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*) Union Investment Real Estate GmbH, Hamburg, Chairman of the Supervisory Board (*)
DR. REINHARD KUTSCHER Chief Executive Officer Union Investment Real Estate GmbH	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*)
SONJA ALBERS Employee Union Asset Management Holding AG	Union Investment Service Bank AG, Frankfurt am Main, Member of the Supervisory Board (*)
THEOPHIL GRABAND Chief Executive Officer VR-LEASING AG	SCHUFA Holding AG, Wiesbaden, Chairman of the Supervisory Board

» 97
LIST OF
SHAREHOLDINGS

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
ABO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	94.80		26	0
ACP IT Finanzierungs (Deutschland) GmbH[1]	Eschborn	95.00		25	0
ACT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
ACW Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		36	11
Adger Ocean KS (I)[1]	Oslo, Norway	0.00		0	0
Adger Ocean KS II[1]	Oslo, Norway	0.00		0	0
Adger Ocean KS III[1]	Oslo, Norway	0.00		0	0
Adirondack Shipping LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
AER Holding N.V.[1]	Willemstad, Netherlands Antilles	100.00		17,389	218
AFK Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		30	2
AFK Grundstücksverwaltungsgesellschaft mbH & Co. Objekt-Betreuung KG[1]	Eschborn	94.00	66.67	10	1
AFU Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		112	0
AGAB Aktiengesellschaft für Anlagen und Beteiligungen	Frankfurt am Main	100.00		88,228	945
AGIMA Aktiengesellschaft für Immobilien-Anlage[5]	Frankfurt am Main	100.00		84,025	0
Al Sahaab Aircraft Leasing Company[1]	Mirgab, Cayman Islands	0.00		0	0
Al-Rubban NFC Shipping Fund IV[1]	Majuro, Marshall Islands	0.00		0	0
American Flirtation N.V.[1]	Curaçao, Netherlands Antilles	100.00		0	0
AMORFOS Grundstücksgesellschaft mbH & Co. KG[1]	Eschborn	6.00	55.00	-273	-28
AP 62 Ltd.[1]	George Town, Cayman Islands	0.00		0	0
AP 64 Ltd.[1]	George Town, Cayman Islands	0.00		0	0
Aquila Aircraft Leasing Ltd.[1]	Dublin, Ireland	0.00		0	0
Aran Airfinance Ltd.[1]	Tokyo, Japan	100.00		7	-1
ARATOS GmbH[1]	Eschborn	100.00		71	46
ARATOS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	68	79
ARGINUS GmbH[1]	Eschborn	100.00		208	1
ARGINUS GmbH & Co. Immobilien KG[1]	Eschborn	4.00	52.00	-2,028	18
ARMIDA GmbH[1]	Eschborn	100.00		40	15
ARMIDA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	23	22
ASPASIA GmbH[1]	Eschborn	100.00		26	1
ASPASIA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	1	0
Assimoco S.p.A.[1]	Segrate (Mi), Italy	89.35		58,830	-67,820
Assimoco Vita S.p.A.[1]	Segrate (Mi), Italy	80.80		70,509	1,002
Assimocopartner S.r.l. Unipersonale[1]	Segrate (Mi), Italy	100.00		89	14
ASTERIOS GmbH[1]	Eschborn	100.00		52	27
attrax S.A.[1]	Luxembourg, Luxembourg	100.00		17,592	7,754
Aufbau und Handelsgesellschaft mbH[1]	Stuttgart	94.90		809	684
Augusta GmbH[1]	Ludwigsburg	100.00		26	0
AURIGA GmbH[1]	Eschborn	100.00		-422	-167
Autobahn 2003 Holdings LLC	Delaware, USA	0.00		0	0
Autobahn Funding Company LLC	Delaware, USA	0.00		0	0
AXICA Kongress- und Tagungszentrum Pariser Platz 3 GmbH[5]	Berlin	100.00		26	0
BAL Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		31	0
Bausparkasse Schwäbisch Hall Aktiengesellschaft – Bausparkasse der Volksbanken und Raiffeisenbanken[5]	Schwäbisch Hall	81.80		1,812,302	0
BFL Gesellschaft des Bürofachhandels mbH & Co. KG[1]	Eschborn	72.38	72.74	21,151	0
BFL Gesellschaft des Bürofachhandels Verwaltungsgesellschaft mbH[1]	Eschborn	100.00		32	0
BFL Leasing Einkaufs-GmbH[1]	Eschborn	100.00		51	0
BFL Leasing GmbH[1]	Eschborn	100.00		8,276	3,697
BIG-Immobilien Gesellschaft mit beschränkter Haftung[1]	Frankfurt am Main	100.00		750	-7
BIG-Immobilien GmbH & Co. Betriebs KG[1]	Frankfurt am Main	100.00		3,283	406
Bischoff GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	18	17
Blasket Airfinance Ltd.[1]	Tokyo, Japan	100.00		7	-1
Blue Moon Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
Bluebell Aircraft Leasing Ltd.[1]	Floriana, Malta	100.00	0.00	0	0
Bonham Aircraft Leasing Ltd.[1]	George Town, Cayman Islands	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Braveheart Shipping Holdco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Braveheart Shipping Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Bukit Merah Shipping Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
Bukit Timah Chartering Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0
Bukit Timah Shipping LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Bukit Timah Shipping Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0
Bulls Aircraft Leasing (Malta) Ltd.[1]	Floriana, Malta	100.00	0.00	0	0
Buzzard Aircraft Leasing Limited[1]	Dublin, Ireland	100.00	0.00	0	0
BWG Baugesellschaft Württembergischer Genossenschaften mbH[1, 5]	Stuttgart	94.78		9,965	0
CALYPSO GmbH[1]	Eschborn	100.00		24	0
CANOPOS GmbH[1]	Eschborn	100.00		43	18
CANOPOS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-17	20
Capital Lease Limited[1]	Hong Kong, Hong Kong	0.00		102,041	17
carexpert Kfz-Sachverständigen GmbH[1]	Walluf	60.00		2,726	46
Cash Express Gesellschaft für Finanz- und Reisedienstleistungen mbH[1, 5]	Frankfurt am Main	100.00		1,543	0
CATHENA GmbH[1]	Eschborn	100.00		47	22
CBL MOBILE GmbH[1, 5]	Eschborn	100.00		39	0
CBL MOBILE II GmbH[1]	Eschborn	100.00		190	-11
CEBIR Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
CELES Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		549	4
Centra Leasing Anlagen GmbH[1, 5]	Eschborn	100.00		5,899	0
Centra Leasing Anlagen GmbH & Co. Objektbeteiligungs KG[1]	Eschborn	100.00		61	53
CET Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		179	-26
CHEMIE Pensionsfonds AG[1]	Munich	100.00		14,668	1,000
Chiefs Aircraft Holding (Malta) Limited[1]	Floriana, Malta	100.00	0.00	0	0
CHROMARIA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	36	35
CI CONDOR Immobilien GmbH [1]	Hamburg	100.00		33,715	0
CIRA GmbH & Co. 2. Objekt KG[1]	Frankfurt am Main	100.00		91	8
COLONNA GmbH[1]	Eschborn	100.00		27	1
COLONNA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	-2	0
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH[1]	Wiesbaden	100.00		3,037	1,128
Condor Allgemeine Versicherungs-Aktiengesellschaft[1, 5]	Hamburg	100.00		41,762	0
Condor Beteiligungsgesellschaft mbH[1]	Hamburg	100.00		28	0
Condor Dienstleistungs GmbH[1]	Hamburg	100.00		182	-6
Condor Lebensversicherungs-Aktiengesellschaft[1, 5]	Hamburg	94.99		38,588	0
Condor-Fonds-Union[1]	Frankfurt am Main	0.00		0	0
Consultanta Financiara Germana SRL[1]	Bucharest, Romania	100.00		254	-893
Container Investment Fund I LLC[1]	Majuro, Marshall Islands	0.00		-453	-678
Container Investment Fund II LLC[1]	Majuro, Marshall Islands	0.00		-4,820	0
Container Investment Fund III LLC[1]	Majuro, Marshall Islands	0.00		4,962	-2,062
CORAL Capital Limited	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) 2 Limited	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) Limited	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Jersey) Limited	St. Helier, Jersey	0.00		0	0
Coresande Limited[1]	Dublin, Ireland	100.00	0.00	14	14
CORETTI GmbH[1]	Eschborn	100.00		28	1
CORETTI GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2	0
Cornelius Aircraft Leasing Limited[1]	George Town, Cayman Islands	0.00		0	0
Corporate Express Miet + Leasing GmbH[1]	Eschborn	100.00		25	0
Cruise/Ferry Master Fund I N.V.[1]	Willemstad, Netherlands Antilles	0.00		0	0
D8 Product Tankers I LLC[1]	Majuro, Marshall Islands	0.00		80	81
DAC Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		53	27
DAC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lüneburg KG[1]	Eschborn	99.00	83.67	34	33
Dalian Deepwater Developer Ltd.[1]	St. Helier, Jersey	0.00		0	0
DEGEACTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEACTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		10	-60
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		41	15
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	51.00	16	19

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEALBUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	-1
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamm-Heessen KG[1]	Eschborn	90.00	66.67	3	0
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		72	46
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		56	55
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		36	10
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		14	41
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		59	33
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-933	-1
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-281	-120
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		110	85
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.90	75.00	109	103
DEGECALAN Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGECALAN Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		7	55
DEGECALIX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		40	1
DEGECALIX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	50.00	-252	61
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		74	5
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.99	85.71	-2,669	-2,302
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		47	22
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	75.50	18	22
DEGECASTELL GmbH[1]	Eschborn	100.00		23	0
DEGECEBER Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		43	15
DEGECEBER Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		19	18
DEGECEDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		992	289
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		40	14
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-215	27
DEGECENUM Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
DEGECERVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		390	40
DEGECIVO Grundstücksverwaltungsgesellschaft mbH Berlin[1]	Berlin	100.00		30	4
DEGECOMO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	2
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berenbostel KG[1]	Eschborn	100.00		4	38
DEGECOPAX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGECOPAX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		8	138
DEGECULA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		78	52
DEGECULA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sindelfingen KG[1]	Eschborn	6.00	75.50	87	65
DEGEDELTA Vermietungsgesellschaft für Betriebsvorrichtungen mbH[1]	Eschborn	100.00		29	1
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		57	31
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	66.67	38	38
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-163	80
DEGEDEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		37	11
DEGEDEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	66.67	15	14

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		32	6
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Nord KG[1]	Eschborn	100.00		7	97
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Süd KG[1]	Eschborn	100.00		3	21
DEGEFACTOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		64	39
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	66.67	-43	200
DEGEFERRO Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
DEGEFILA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEFILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.00	75.50	-555	13
DEGEFULVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		35	9
DEGEGAMMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEGRADUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEGRADUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	28
DEGEGRAVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEGRAVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.66	-201	100
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	47
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		55	30
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-98	44
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekt Hattingen mbH[1]	Eschborn	100.00		-526	-552
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekte West mbH[1]	Eschborn	100.00		72	46
DEGEIMPULS Objekt Düsseldorf Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		76	50
DEGEKONKRET Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	-1
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Worms KG[1]	Eschborn	100.00		3	11
DEGEMAGNUS Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	21
DEGEMARCA Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
DEGEMARO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEMARO Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Volksbank Pforzheim KG[1]	Eschborn	0.00	66.67	-1,352	153
DEGEMATRIX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		142	114
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Voerde KG[1]	Eschborn	90.00	66.67	3	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lauingen KG[1]	Eschborn	2.00	66.67	-827	80
DEGEMILA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		41	16
DEGEMILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-1,526	227
DEGEMINAX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		83	16
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-3,915	557
DEGEMOBIL Vermietungsgesellschaft für Betriebsvorrichtungen mbH[1]	Eschborn	100.00		30	0
DEGEMODUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		56	30
DEGEMODUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		38	41
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-954	149
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		52	27
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	51.00	19	33
DEGEMONDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		38	40
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		154	128
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	95.00	75.00	-2,726	496
DEGEMOX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEMOX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	27
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-2,821	322
DEGENASUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGENASUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-3,667	443
DEGENATUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGENATUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-230	19
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-8,118	1,019
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	-119	12
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		122	97
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.00	75.50	118	117
DEGENAVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGENAVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-711	90
DEGENIMIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		66	40
DEGENITOR Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
DEGENOVUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		1,304	241
DEGEPACTO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEPACTO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-298	52
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		61	35
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	75.50	-2,354	19
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	35
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		176	11
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.00	66.67	-2	3
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	26	3
DEGEPLAN Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
DEGEPLAN Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Katzenelnbogen KG[1]	Eschborn	100.00		4	23
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		50	25
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	75.50	31	29
DEGEPROJEKT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		606	-5
DEGEPROLOG Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-10	-1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEQUADRA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		52	26
DEGERADIUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		37	11
DEGERADIUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	95.00	83.67	-471	8
DEGEREAL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		561	142
DEGEREAL Grundstücksverwaltungsgesellschaft mbH & Co. Objekte Pfalz KG[1]	Eschborn	95.00	83.67	699	174
DEGEREDA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		32	5
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	27
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-208	19
DEGEREX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		52	27
DEGEREX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	33	32
DEGERIA Beteiligungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGERIMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGERIMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	66.67	3	1
DEGERIPA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		40	14
DEGERIPA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	76.00	-362	-41
DEGERISOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGERISOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	27	3
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	2.00	66.67	-2,469	87
DEGERODO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGERODO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-393	-62
DEGEROTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.00	75.50	-12	1
DEGERUDENS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		69	43
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-342	56
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		43	18
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.00	75.50	-73	47
DEGESALTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	66.67	3	1
DEGESALVEO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH &Co. Objekt Neuss KG[1]	Eschborn	90.00	66.67	3	0
DEGESANNA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		0	-54
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	33
DEGESATURA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	-1
DEGESELLA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESERA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESERA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	51.00	652	59
DEGESERVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESERVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-854	-2
DEGESIDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		78	52

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGESIDO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	66.67	63	63
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		58	32
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	94.91	75.00	242	164
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		48	22
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	75.50	28	27
DEGESILEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		67	42
DEGESILEX Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Karlsfeld KG[1]	Eschborn	5.00	75.50	-2,443	118
DEGESILVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		36	10
DEGESISTO Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		114	0
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		44	18
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	75.50	-1,449	17
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	1.18	6.67	-3,130	539
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	66.67	-1,897	-138
DEGESTRENA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		53	27
DEGESUR Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		634	0
DEGETALUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		70	44
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		49	24
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	10.00	75.50	-361	35
DEGETANDEM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		42	16
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-379	12
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	16
DEGETERRA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		34	9
DEGETERRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	75.50	-762	-16
DEGETEXTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		47	21
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	67.34	-149	94
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		55	30
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	5.00	66.67	37	36
DEGETRAPUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGETRAPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-136	48
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		48	22
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	75.50	21	26
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		3	12
DEGEVIA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEVIA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Rhede Gronauer Strasse 21 KG[1]	Eschborn	90.00	66.67	3	0
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		47	22
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	100.00		-409	57
DEGEZONA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEZONA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	0.00	66.67	10	1
DESPINA GmbH[1]	Eschborn	100.00		46	12
DESTRA Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
Deucalion Capital I (UK) Ltd.[1]	London, UK	0.00		856	793
Deucalion Capital I Limited[1]	George Town, Cayman Islands	0.00		0	-2,078
Deucalion Capital II (UK) Ltd.[1]	London, UK	0.00		3,058	1,727
Deucalion Capital II Limited[1]	George Town, Cayman Islands	0.00		-2,392	-1,575
Deucalion Capital III Limited[1]	George Town, Cayman Islands	0.00		3,393	1,278
Deucalion Capital IV Limited[1]	George Town, Cayman Islands	0.00		3,510	2,290
Deucalion Capital IX Limited[1]	George Town, Cayman Islands	0.00		1,742	597
Deucalion Capital V Limited[1]	George Town, Cayman Islands	0.00		3,624	2,294
Deucalion Capital VI Limited[1]	George Town, Cayman Islands	0.00		2,497	1,161
Deucalion Capital VII Limited[1]	George Town, Cayman Islands	0.00		14,933	16,503
Deucalion Capital VIII Limited[1]	George Town, Cayman Islands	0.00		7,804	5,244
Deucalion Capital XI Limited[1]	George Town, Cayman Islands	0.00		-18,345	-13,552
Deucalion Engine Leasing (Ireland) Ltd.[1]	Dublin, Ireland	0.00		0	0
Deucalion Ltd.[1]	George Town, Cayman Islands	0.00		3,560	2,717
Deucation Capital II (MALTA) Limited[1]	Valetta, Malta	0.00		0	0
Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft[5]	Hamburg	100.00		1,407,258	0
DEVIF-Fonds Nr. 150 Deutsche Gesellschaft für Investmentfonds[1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 2 Deutsche Gesellschaft für Investmentfonds[1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 250 Deutsche Gesellschaft für Investmentfonds[1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 500 Deutsche Gesellschaft für Investmentfonds[1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 526 Deutsche Gesellschaft für Investmentfonds[1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 528 Deutsche Gesellschaft für Investmentfonds[1]	Frankfurt am Main	0.00		0	0
DEVIF-Fonds Nr. 60 Deutsche Gesellschaft für Investmentfonds[1]	Frankfurt am Main	0.00		0	0
DEVON Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DG Betriebsservice Verwaltungs-Gesellschaft mbH	Frankfurt am Main	100.00		8	2
DG Funding LLC	New York, USA	0.89	100.00	734,408	4,616
DG Holding Trust	New York, USA	100.00		686,961	2,312
DG LEASING GmbH[1]	Eschborn	100.00		26	0
DG Participacoes Ltda.[1]	São Paulo, Brazil	100.00		0	0
DG Teleservice-Verbund GmbH i.L.	Frankfurt am Main	100.00		1,693	11
DINO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	4
DIVUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		61	35
DOBAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		48	9
DOBAS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Siegen-Eiserfeld KG[1]	Eschborn	100.00		-254	1
Dom Maklerski AmerBrokers S.A.[1]	Warsaw, Poland	100.00		4,017	-183
DORADUS GmbH[1]	Eschborn	100.00		27	1
DORADUS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2	0
DOSA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		49	1
DOSA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Ramstein KG[1]	Eschborn	5.00	66.67	-641	87
DRITTE DG Vermietungsgesellschaft für Immobilien mbH[1, 5]	Eschborn	100.00		26	0
DUNAVAGON s.r.o.[1]	Dunajská Streda, Slovakia	100.00	0.00	0	0
DURO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		51	25
DV01 Szarazfoldi Jarmukolcsonzo rt[1]	Áporka, Hungary	0.00		0	0
DVB Aviation Finance Asia Pte Ltd.[1]	Singapore, Singapore	100.00		-5,199	-1,376
DVB Bank America N.V.[1]	Willemstad, Netherlands Antilles	100.00		144,582	11,103
DVB Bank SE	Frankfurt am Main	95.45		617,782	27,880
DVB Capital Markets LLC[1]	Wilmington, USA	100.00		1,510	-308
DVB Container Finance America LLC[1]	Ajeltake Island, Marshall Islands	100.00		-940	67
DVB Container Finance Asia Pte Ltd.[1]	Singapore, Singapore	100.00		-2,629	115
DVB Group Merchant Bank (Asia) Ltd.[1]	Singapore, Singapore	100.00		318,191	45,714
DVB Holding (US) Inc.[1]	Greenwich, USA	100.00		2,137	426
DVB Holding GmbH[1, 5]	Frankfurt am Main	100.00		13,000	0
DVB Invest (Suisse) AG[1]	Zurich, Switzerland	99.90		244	-30
DVB Investment Management N.V.[1]	Willemstad, Netherlands Antilles	100.00		-2,674	-194
DVB LogPay GmbH[1, 5]	Eschborn	100.00		3,000	0
DVB Objektgesellschaft Geschäftsführungs GmbH[1]	Frankfurt am Main	100.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DVB Service (US) LLC[1]	Delaware, USA	100.00		144	-187
DVB Transport (US) LLC[1]	New York, USA	100.00		2,932	208
DVB Transport Finance Limited[1]	London, UK	100.00		7,787	3,559
DVG Deutsche Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung[5]	Frankfurt am Main	100.00		82	0
DVL Deutsche Verkehrs-Leasing GmbH[1]	Eschborn	74.90		4,602	-5
DZ BANK Capital Funding LLC I[2, 4]	Wilmington, USA	100.00		301,690	11,678
DZ BANK Capital Funding LLC II[2, 4]	Wilmington, USA	100.00		501,706	14,801
DZ BANK Capital Funding LLC III[2, 4]	Wilmington, USA	100.00		350,754	9,964
DZ BANK Capital Funding Trust I	Wilmington, USA	0.00	100.00	300,001	11,499
DZ BANK Capital Funding Trust II	Wilmington, USA	0.00	100.00	500,001	14,565
DZ BANK Capital Funding Trust III	Wilmington, USA	0.00	100.00	350,001	9,853
DZ BANK Ireland public limited company[3]	Dublin, Ireland	100.00		152,315	9,868
DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH	Frankfurt am Main	100.00		815	19
DZ BANK Perpetual Funding (Jersey) Limited[4]	St. Helier, Jersey	0.00	100.00	1,078,736	56,265
DZ BANK Perpetual Funding Issuer (Jersey) Limited[1]	St. Helier, Jersey	0.00		401,253	18,391
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited[1]	St. Helier, Jersey	0.00		500,004	36,892
DZ BANK Polska S.A.	Warsaw, Poland	100.00		81,733	4,228
DZ BANK Sao Paulo Representacao Ltda.[2]	São Paulo, Brazil	100.00		181	-57
DZ Beteiligungsgesellschaft mbH Nr. 11[5]	Frankfurt am Main	100.00		196,620	0
DZ Beteiligungsgesellschaft mbH Nr. 14[5]	Frankfurt am Main	100.00		51	0
DZ Beteiligungsgesellschaft mbH Nr. 16[5]	Frankfurt am Main	100.00		25	0
DZ Beteiligungsgesellschaft mbH Nr. 18[5]	Frankfurt am Main	100.00		25	0
DZ Beteiligungsgesellschaft mbH Nr. 19	Frankfurt am Main	100.00		0	0
DZ Beteiligungsgesellschaft mbH Nr. 20[5]	Frankfurt am Main	100.00		0	0
DZ Beteiligungsgesellschaft mbH Nr. 3[5]	Frankfurt am Main	100.00		18,881	0
DZ CAPITAL MANAGEMENT GmbH	Frankfurt am Main	100.00		166	-516
DZ Equity Partner Beteiligungskapital GmbH & Co. KG UBG[2]	Frankfurt am Main	100.00		44,501	2,781
DZ Equity Partner GmbH[5]	Frankfurt am Main	100.00		38,877	0
DZ Equity Partner Management GmbH[1]	Frankfurt am Main	100.00		525	25
DZ FINANCIAL MARKETS LLC	New York, USA	100.00		7,129	-517
DZ Gesellschaft für Grundstücke und Beteiligungen mbH[5]	Frankfurt am Main	100.00		4,037	0
DZ Immobilien GmbH & Co. KG WH10	Frankfurt am Main	100.00		41,960	-2,202
DZ PRIVATBANK (Schweiz) AG[1]	Zurich, Switzerland	100.00		167,844	10,902
DZ PRIVATBANK S.A.[3]	Luxembourg-Strassen, Luxembourg	70.33		381,261	70,765
DZ PRIVATBANK Singapore Ltd.[1, 3]	Singapore, Singapore	100.00		11,404	-1,603
DZ Private Banking Vertriebsgesellschaft mbH	Frankfurt am Main	100.00		139	-4
DZ Vermögensverwaltung I GmbH	Frankfurt am Main	100.00		26	3
DZ Versicherungsvermittlung Gesellschaft mbH[5]	Frankfurt am Main	100.00		51	0
DZ Vierte Beteiligungsgesellschaft mbH[5]	Frankfurt am Main	100.00		334,687	0
e@syCredit Marketing und Vertriebs GmbH[1]	Nuremberg	100.00		21	-1
Eagle Aircraft Leasing Limited[1]	George Town, Cayman Islands	0.00		0	0
EC Verwertungsgesellschaft 1 GmbH & Co. KG[1]	Frankfurt am Main	100.00		0	0
EC Verwertungsgesellschaft 1 GmbH i.L.[1]	Klosterneuburg, Austria	99.27	100.00	106,010	85,426
EC Verwertungsgesellschaft 2 GmbH[1]	Regensburg	100.00		8,984	-431
EC Verwertungsgesellschaft 2 Gmbh & Co. KG[1]	Frankfurt am Main	100.00		0	0
ENDES Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
Englische Strasse 5 GmbH[1]	Berlin	90.00		0	0
EPI Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
Epirus Enterprises Inc.[1]	Majuro, Marshall Islands	0.00		0	0
Euro Toll Fuel Spain S.L.[1]	Barcelona, Spain	100.00		0	0
Euro Toll Service GmbH[1, 5]	Eschborn	75.12		0	0
Europäische Genossenschaftsbank S. A.[1]	Luxembourg-Strassen, Luxembourg	100.00		12,499	64
EXEDRA GmbH[1]	Eschborn	100.00		26	1
EXEDRA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
EXERT Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
Falcon Aircraft Leasing Limited[1]	Dublin, Ireland	0.00		0	0
FB-LEASING OOO[1]	Moscow, Russia	100.00		0	0
Finassimoco S.p.A.[1]	Segrate (Mi), Italy	56.73		83,227	-22,286
Finch Aircraft Leasing Limited[1]	Dublin, Ireland	0.00		0	0
First Cash Solution GmbH	Frankfurt am Main	60.00		164	11
FLORIN GmbH[1]	Eschborn	100.00		49	24

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
FLORIN GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-22	-23
Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt.[1]	Budapest, Hungary	51.25		18,367	6,433
Fundamenta-Lakáskassza Pénzügyi Közvetítõ Kft.[1]	Budapest, Hungary	100.00		857	-109,662
GAF Active Life 1 Renditebeteiligungs-GmbH & Co. KG[1]	Nidderau	60.25		99,542	0
GAF Active Life 2 Renditebeteiligungs-GmbH & Co. KG[1]	Nidderau	55.59		74,935	0
Gandari Shipping Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
GbR Dortmund Westenhellweg 39 - 41[1]	Wiesbaden	94.00		42,022	2,537
GENO-Haus Stuttgart GmbH & Co. KG Verwaltungsgesellschaft[2]	Stuttgart	55.20		1	0
Genossenschaftlicher Informations Service GIS GmbH	Frankfurt am Main	100.00		3,185	-226
GMS Management und Service GmbH[1]	Nidderau	66.67		63	36
Gola Airfinance Ltd.[1]	Tokyo, Japan	100.00		7	-1
GOLDBERG Grundstücksverwaltungsgesellschaft Sütex mbH & Co.[1]	Eschborn	95.00	83.67	111	66
Goldberg Zweite Grundstücksverwaltungsgesellschaft Sütex mbH & Co. KG[1]	Eschborn	94.50	88.00	8	7
Green Eagle Investments N.V.[1]	Willemstad, Netherlands Antilles	100.00	0.00	1,612	-4,918
Green Mountain Shipping Ltd.[1]	Willemstad, Netherlands Antilles	0.00		0	0
Grundstücksverwaltungsgesellschaft Sütex mbH[1]	Eschborn	100.00		189	110
GTIS Brazil II S-Feeder LP[1]	Edinburgh, UK	100.00	0.00	0	0
GWG 1. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		1,857	-71
GWG 2. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		3,000	160
GWG 3. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		7,000	693
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG[1]	Stuttgart	90.60		174,772	12,762
GWG ImmoInvest GmbH[1]	Stuttgart	94.90		3,586	106
GZ-Immobilien-Management GmbH & Co. Objekt KG	Frankfurt am Main	100.00		0	-4
GZ-Trust Consult GmbH i.L.	Stuttgart	100.00		520	-2
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG[1]	Berlin	100.00		28,534	450
Haus der Technik GmbH & Co. KG[1]	Eschborn	90.00		240	2
Havel Nordost Grossmobilien GmbH[1]	Liebenwalde	100.00		43	9
Havel Nordost Zweite Grossmobilien GmbH[1]	Liebenwalde	100.00		34	9
Havel Nordost Zweite Grossmobilien GmbH & Co. Vermietungs KG[1]	Zehdenick	0.00	52.00	-441	109
Hawk Aircraft Leasing Limited[1]	Dublin, Ireland	0.00		0	0
Henderson Global Investors Real Estate (No.2) LP[1]	London, UK	100.00		20,304	183
HGI Immobilien GmbH & Co. GB I KG[1]	Frankfurt am Main	73.91	73.21	33,584	-35,272
HGI Real Estate LP[1]	London, UK	100.00		16,315	2,316
Hibiscus Aircraft Leasing Limited[1]	Floriana, Malta	0.00		0	0
Highlanders Aircraft Leasing (IRL) Ltd.[1]	Dublin, Ireland	100.00	0.00	0	0
HLCA I - Universal Fonds[1]	Frankfurt am Main	0.00		0	0
HLCL-Universal-Fonds II[1]	Frankfurt am Main	0.00		0	0
Hollandse Scheepshypotheekbank N.V.[1]	Rotterdam, Netherlands	100.00		711	0
HumanProtect Consulting GmbH[1]	Cologne	100.00		200	114
Hypotheken-Management GmbH[1, 5]	Mannheim	100.00		6,647	0
Ibon Leasing Limited[1]	George Town, Cayman Islands	100.00		1	310
Immobilien-Gesellschaft 'DG Bank-Turm, Frankfurt am Main, Westend' mbH & Co. KG des genossenschaftlichen Verbundes[1]	Frankfurt am Main	94.59		270,013	13,440
Immobilien-Verwaltungsgesellschaft 'DG BANK-Turm, Frankfurt am Main, Westend' mbH	Frankfurt am Main	100.00		84	12
Immocon Lambda Leasingges. m.b.H. in Liq.[1]	Vienna, Austria	100.00		119	0
INBEG Industriebeteiligungsgesellschaft mbH i. L.[1]	Frankfurt am Main	93.32		-60,607	4
Indexfinal Limited[1]	London, UK	100.00		1	0
Infifon XI B. V.[1]	The Hague, Netherlands	100.00		26	3
Infotec Miet + Leasing GmbH[1]	Eschborn	95.00		26	0
IPConcept (Schweiz) AG[1]	Zurich, Switzerland	100.00		3,572	-497
IPConcept Fund Management S.A.[1]	Luxembourg-Strassen, Luxembourg	100.00		3,376	1,446
ITF Suisse AG[1]	Zurich, Switzerland	100.00		31,645	3,941
IZD-Beteiligung S.à.r.l.[1]	Luxembourg, Luxembourg	99.50		19,878	-11
JASPIS GmbH[1]	Eschborn	100.00		36	11
JASPIS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-3	14
KALAMOS GmbH[1]	Eschborn	100.00		53	28
KALAMOS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	-643	-178
KASTOS GmbH[1]	Eschborn	100.00		29	1
KASTOS GmbH & Co. Immobilien KG[1]	Eschborn	94.00	76.00	-1	0
KBIH Beteiligungsgesellschaft für Industrie und Handel mbH[1]	Frankfurt am Main	100.00		1,851	6

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
KERKIS I LLC[1]	Majuro, Marshall Islands	0.00		0	0
KERKIS II LLC[1]	Majuro, Marshall Islands	0.00		0	0
KERKIS III LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
KERKIS IV LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
KISSELBERG Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		20	-2
KISSELBERG Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1]	Eschborn	6.00	66.67	12,594	2,618
KRAVAG Umweltschutz und Sicherheitstechnik GmbH[1]	Hamburg	100.00		171	10
KRAVAG-ALLGEMEINE Versicherungs-Aktiengesellschaft[1]	Hamburg	100.00		64,479	-2,582
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft[1]	Hamburg	51.00		119,165	-14,629
L.J.W. S.A.[1]	Saint Geneviève Des Bois, France	100.00		0	0
Landes Holding GmbH[1]	Isny im Allgäu	72.35	74.90	0	0
Landes Lederwarenfabrik GmbH[1]	Isny im Allgäu	100.00		0	0
Lantana Aircraft Leasing Limited[1]	Floriana, Malta	0.00		0	0
LARISSOS GmbH[1]	Eschborn	100.00		26	1
LARISSOS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
LEKANIS GmbH[1]	Eschborn	100.00		25	0
LEKANIS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		2	0
LEPORIS GmbH[1]	Eschborn	100.00		24	-1
Lexi Limited[1]	George Town, Cayman Islands	100.00		0	303
LISENE GmbH[1]	Eschborn	100.00		27	1
LISENE GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	-2	0
LITOS GmbH[1]	Eschborn	100.00		39	14
LITOS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	-27	8
Locanis AG[1]	Unterföhring	56.32		-7,225	-2,530
Lombard Bérlet Gépjármüpark-kezelö és Kereskedelmi Korlátolt Felelösségû Társaság[1]	Szeged, Hungary	100.00		4,809	164
Lombard Ingatlan Lízing Zártkörûen Mûködõ Részvénytársaság[1]	Szeged, Hungary	100.00		583	-1,213
Lombard Pénzügyi és Lízing Zártkörûen Mûködõ Részvénytársaság[1]	Szeged, Hungary	91.73		8,793	3,232
Longspur Limited[1]	Grand Cayman, Cayman Islands	100.00		0	24
M.V. Shoe Care Pvt. Ltd.[1]	Noida U.P., India	51.00		0	0
MagCode AG i.L.[1]	Heidenheim	56.83		-1,724	-259
Maple Leaf Cement Holdco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Maple Leaf Trading Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Maple Leafe Shipping Holdco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Maple Leafe Trading Holdco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Medico 12 GmbH & Co. KG[1]	Frankfurt am Main	99.98		14,893	-2,045
Mediterra LLC[1]	Ajeltake Island	0.00		0	0
MEGGLE Verwaltungsgesellschaft mbH[1]	Eschborn	100.00		84	59
Melvo GmbH[1]	Ludwigsburg	100.00		4,040	0
Melvo Holding GmbH[1]	Munich	69.73	69.63	20,881	493
MEROPE GmbH[1]	Eschborn	100.00		24	0
MEROPE GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
Mertus einhundertsiebte GmbH[1]	Frankfurt am Main	100.00		0	0
MI-Fonds 384 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds 388 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds 391 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds 392 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 57 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 59 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MINTAKA GmbH[1]	Eschborn	100.00		25	0
MINTAKA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		1	-1
MODULUS GmbH[1]	Eschborn	100.00		47	22
MODULUS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	27	26
MoRe Mobile Ressourcen GmbH[1, 5]	Mannheim	100.00		25	0
Morgenstern Miet + Leasing GmbH[1]	Eschborn	95.00		26	0
Mount Abu Offshore Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0
Mount Benom Ltd.[1]	Labuan, Malaysia	0.00		0	0
Mount Bintang LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Bubu LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Erskine Shipping Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Mount Faber LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Kaba Shipping LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Kinabalu LLC[1]	Majuro, Marshall Islands	0.00		0	0
Mount Lawu LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
MOUNT LYDERHORN LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Mulu LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Pleasant Shipping Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0
Mount Rinjani Shipping Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0
Mount Santubong Ltd.[1]	Labuan, Malaysia	0.00		0	0
Mount Shimla Offshore Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0
MOUNT TAHAN LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Trisul Offshore Pte. Ltd.[1]	Singapore, Singapore	100.00	0.00	0	0
MS 'GEORG SCHULTE' Schifffahrtsgesellschaft mbH & Co. KG[1]	Hamburg	78.77		0	0
MSU Management-, Service- und Unternehmensberatung GmbH[1]	Kaiserslautern	74.00		235	29
NALINUS GmbH[1]	Frankfurt am Main	83.00		31,713	-12
NEDONAS GmbH[1]	Eschborn	100.00		26	1
NEDONAS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
Nedship Financial Consultants E.P.E.[1]	Piraeus, Greece	100.00		45	1
Nedship Participation (Norway) B.V.[1]	Rotterdam, Netherlands	100.00		2,043	481
Nedship Scheepvaarthuis B.V.[1]	Rotterdam, Netherlands	100.00		-483	-53
Nedship Shipping B.V.[1]	Rotterdam, Netherlands	100.00		3,027	142
NELO Dritte GmbH[1]	Eschborn	100.00		42	17
NELO Dritte GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	317	24
NELO Erste GmbH[1]	Eschborn	100.00		39	14
NELO Fünfte GmbH[1]	Eschborn	100.00		41	16
NELO Fünfte GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	20	20
NELO Zweite GmbH[1]	Eschborn	100.00		41	16
NELO Zweite GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	20	19
Netherlands Shipmortgage Corporation Ltd.[1]	Hamilton, Bermuda	100.00		0	0
Next-Faktor Pénzügyi Szolgáltató Zártkörüen Müködó Részevénytársasag[1]	Budapest, Hungary	76.00		0	0
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG[1]	Norderfriedrichskoog	94.00	49.00	-3,425	-300
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG[1]	Norderfriedrichskoog	94.00	49.00	-2,216	-174
NFC Labuan Shipleasing I Ltd.[1]	Labuan, Malaysia	0.00		0	0
NFC Shipping Fund B LLC[1]	Majuro, Marshall Islands	0.00		-8,110	1,491
NFC Shipping Fund C LLC[1]	Majuro, Marshall Islands	0.00		1,610	-251
NFC Shipping Fund II LLC[1]	Majuro, Marshall Islands	0.00		129	-26
NFC Shipping Fund V LLC[1]	Majuro, Marshall Islands	0.00		-1,420	15
NFC Shipping Fund VI LLC[1]	Majuro, Marshall Islands	0.00		-27,916	-4,476
NFC Shipping Fund VII LLC[1]	Majuro, Marshall Islands	0.00		-1,236	-3,396
NOMAC AIRCRAFT LEASING (IRL) Ltd.[1]	Dublin, Ireland	0.00		0	0
NOVA Achte GmbH[1]	Eschborn	100.00		53	28
NOVA Elfte GmbH[1]	Eschborn	100.00		18	-1
NOVA Neunte GmbH[1]	Eschborn	100.00		38	13
NOVA Sechste GmbH[1]	Eschborn	100.00		27	2
NOVA Siebte GmbH[1]	Eschborn	100.00		39	14
NOVA Siebte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	18	17
NTK Immobilien GmbH[1]	Hamburg	100.00		47	1
NTK Immobilien GmbH & Co. Management KG[2]	Hamburg	100.00		278	-317
NUMENIOS GmbH[1]	Eschborn	100.00		29	1
Ocean Container II[1]	Oslo, Norway	0.00		0	0
OCTANS GmbH[1]	Eschborn	100.00		24	0
Old Winterport Corp.[1]	Portland, USA	100.00		0	0
OOO Salamander Woly RUS[1]	Moscow, Russia	100.00		0	0
Optima Pensionskasse Aktiengesellschaft[1]	Hamburg	100.00		4,006	100
Optima Versicherungs-Aktiengesellschaft[1, 5]	Hamburg	100.00		17,113	0
PAMISOS GmbH[1]	Eschborn	100.00		26	1
PAMISOS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
PARLA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	3
Pascon GmbH [1]	Wiesbaden	100.00		0	0
Paul Ernst Versicherungsvermittlungs mbH[1]	Hamburg	51.00		321	295
PAVONIS GmbH[1]	Eschborn	100.00		125	106

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
PC-Ware Leasing GmbH[1]	Eschborn	100.00		25	0
PDZ Personaldienste & Zeitarbeit GmbH[5]	Darmstadt	100.00		60	0
Pension Consult-Beratungsgesellschaft für Altersvorsorge mbH[1]	Munich	100.00		613	96
Philip Trading Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
POHACONO GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	6	32
Puffin Aircraft Leasing Ltd.[1]	Dublin, Ireland	0.00		0	0
Q, Inc.[1]	San Francisco, USA	63.17		0	0
Quoniam Asset Management GmbH[1]	Frankfurt am Main	75.00	100.00	15,230	5,389
Quoniam Rentenfonds[1]	Frankfurt am Main	0.00		0	0
R+V Allgemeine Versicherung Aktiengesellschaft[1, 5]	Wiesbaden	95.00		616,229	0
R+V Direktversicherung AG[1, 5]	Wiesbaden	100.00		9,500	0
R+V Erste Anlage GmbH[1]	Wiesbaden	100.00		11,618	514
R+V Gruppenpensionsfonds AG[1]	Munich	100.00		12,231	140
R+V Gruppenpensionsfonds Service GmbH[1]	Munich	100.00		25	0
R+V Immobilienfonds OIK Nr. 4 Oppenheim[1]	Wiesbaden	0.00		0	0
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin[1]	Dublin, Ireland	100.00		2,896	-3,021
R+V KOMPOSIT Holding GmbH[1, 5]	Wiesbaden	100.00		1,580,315	0
R+V Krankenversicherung AG[1]	Wiesbaden	100.00		44,485	5,000
R+V Kureck Immobilien GmbH[1]	Wiesbaden	100.00		125	2
R+V Leben Wohn GmbH & Co. KG[1]	Wiesbaden	100.00		90,909	3,002
R+V Lebensversicherung AG[1, 5]	Wiesbaden	100.00		264,981	0
R+V Luxembourg Lebensversicherung S.A.[1]	Luxembourg-Strassen, Luxembourg	100.00		220,173	30,378
R+V Pensionsfonds AG[1]	Wiesbaden	100.00		10,638	283
R+V Pensionskasse AG[1]	Wiesbaden	100.00		43,760	500
R+V Personen Holding GmbH[1, 5]	Wiesbaden	100.00		522,289	0
R+V Real Estate Belgium N.V./S.A.[1]	Brussels, Belgium	100.00		1,972	-5
R+V Rechtsschutz-Schadenregulierungs-GmbH[1, 5]	Wiesbaden	100.00		53	0
R+V Service Center GmbH[1, 5]	Wiesbaden	100.00		2,869	0
R+V Service Holding GmbH[1, 5]	Wiesbaden	100.00		156,781	0
R+V Treuhand GmbH[1]	Wiesbaden	100.00		27	0
R+V Versicherung AG	Wiesbaden	74.92		1,751,012	95,191
RAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		932	689
RAS Grundstücksverwaltungsgesellschaft mbH & Co. Objektbeteiligungs KG[1]	Eschborn	100.00		824	818
Rathlin Airfinance Ltd.[1]	Tokyo, Japan	100.00		7	-1
RC II S.a.r.l.[1]	Luxembourg, Luxembourg	90.00		0	0
ReiseBank Aktiengesellschaft[1, 5]	Frankfurt am Main	100.00		17,724	0
Riga Maritime LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
RISALIS GmbH[1]	Eschborn	100.00		36	11
RISALIS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	15	13
RUBINOS GmbH[1]	Eschborn	100.00		31	6
Rushmore Shipping LLC[1]	Majuro, Marshall Islands	0.00		0	0
RUV Agenturberatungs GmbH[1]	Wiesbaden	100.00		659	0
SAG Unternehmensbeteiligungsgesellschaft MT Cape Tampa mbH & Co. KG[1]	Dortmund	99.32	98.86	0	0
SAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		567	541
SAREMA GmbH[1]	Eschborn	100.00		27	1
SAREMA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	52.00	-2	0
Schuster Assekuradeur GmbH[1]	Hamburg	100.00		116	8
Schuster Finanzdienstleistungs-GmbH[1]	Bielefeld	100.00		26	0
Schuster Versicherungsmakler GmbH[1]	Bielefeld	100.00		632	556
Schwäbisch Hall Facility Management GmbH[1]	Schwäbisch Hall	51.00		4,206	555
Schwäbisch Hall Wohnen GmbH Gesellschaft für wohnwirtschaftliche Dienstleistungen[1]	Schwäbisch Hall	100.00		632	38
SECURON Hanse Versicherungsmakler GmbH[1]	Hamburg	51.00		0	0
SECURON Versicherungsmakler GmbH[1]	Munich	51.00		448	242
Setaria Ltd.[1]	Dublin, Ireland	100.00	0.00	0	0
Shamrock Trading Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Shark Aircraft Leasing (Ireland) Limited[1]	Dublin, Ireland	0.00		0	0
Shipping Capital Antilles N.V.[1]	Willemstad, Netherlands Antilles	100.00		18,709	1,350
Shipping Capital B.V.[1]	The Hague, Netherlands	100.00		6,737	410
SHT Schwäbisch Hall Training GmbH[1]	Schwäbisch Hall	100.00		3,468	509
SIIM Fund I (Shipping and Intermodal Investment Management Fund)[1]	Majuro, Marshall Islands	0.00		-3,680	-4,434

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
SIKINOS GmbH[1]	Eschborn	100.00		48	23
SIKINOS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-28	3
SINALOA Aircraft Leasing Limited[1]	Floriana, Malta	0.00		0	0
Sprint Sanierung GmbH[1]	Cologne	100.00		20,513	1,252
SRF I Limited[1]	Floriana, Malta	0.00		0	0
SRF II Limited[1]	Floriana, Malta	0.00		0	0
SRF III Limited[1]	Floriana, Malta	0.00		0	0
SRF Railcar Leasing Limited[1]	Portroe, Nenagh, Ireland	100.00	0.00	0	0
Stani Trading Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Stephenson Capital Limited[1]	George Town, Cayman Islands	0.00		1,596	223
Stormers Aircraft Leasing (Malta) Ltd.[1]	Floriana, Malta	100.00	0.00	0	0
SVG-VERSICHERUNGSMAKLER GmbH [1]	Munich	51.00		56	-33
TA Miet + Leasing GmbH[1]	Eschborn	95.00		26	0
Taigetos Funding LLC[1]	Majuro, Marshall Islands	0.00		0	0
Taigetos I LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Taigetos II LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Taigetos III LLC[1]	Majuro, Marshall Islands	0.00		0	0
TAR Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
TBS I Trading Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
TeamBank AG Nürnberg[2, 5]	Nuremberg	92.14		344,428	0
Technicon GmbH[1]	Wasserburg	100.00		28	0
Technology DZ Venture Capital Fund I GmbH & Co. KG[1]	Munich	68.29		33,681	-10,943
TEGANON GmbH[1]	Eschborn	100.00		25	0
TEGANON GmbH & Co. Immobilien KG[1]	Eschborn	100.00		2	0
Teide LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Terra Maris I LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
TES (535 E4) Limited[1]	Bridgend, UK	100.00		1,809	361
TES (757) Ltd.[1]	Bridgend, UK	100.00		7	0
TES (E4) Limited[1]	Bridgend, UK	100.00		0	0
TES (RB 211-535) Ltd.[1]	Bridgend, UK	100.00		0	0
TES ASIA PACIFIC Pte. Ltd.[1]	Singapore, Singapore	100.00		0	0
TES Aviation Ltd.[1]	Bridgend, UK	100.00		345	0
TES Aviation Services Ltd.[1]	Bridgend, UK	100.00		652	0
TES Holding Ltd.[1]	Bridgend, UK	92.09		21,841	104
TES Parts Ltd.[1]	Bridgend, UK	100.00		1,888	1,495
TEU Asset Company N.V.[1]	Willemstad, Netherlands Antilles	100.00	0.00	3,154	-2,773
TEU Management Company N.V.[1]	Willemstad, Netherlands Antilles	100.00	0.00	5	13
The Ocean Clementine Limited Partnership[1]	London, UK	100.00		26	-145
The Ocean Gwendolen Limited Partnership[1]	London, UK	100.00		25	-145
Tiger Aircraft Leasing (UK) Limited[1]	London, UK	0.00		0	0
TILIAS GmbH[1]	Eschborn	100.00		39	14
TILIAS GmbH & Co. Immobilien KG[1]	Eschborn	50.00	76.00	18	17
Tishman Speyer Brazil Feeder (Scots/D), L.P.[1]	Edinburgh, UK	100.00		17,681	81
Tishman Speyer European Strategic Office Fund Feeder, L.P.[1]	New York, USA	97.18		27,070	3,984
TOPAS GmbH[1]	Eschborn	100.00		47	21
TOPAS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	-4	26
TOS Grundstücksverwaltungsgesellschaft mbH[1, 5]	Eschborn	100.00		26	0
TOS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Beta KG[1]	Eschborn	100.00		10	17
Total Engine Support Ltd.[1]	Bridgend, UK	100.00		1,780	201
Tubbataha Aviation Ltd.[1]	George Town, Cayman Islands	100.00		0	286
TUKANA GmbH[1]	Eschborn	100.00		33	6
TUKANA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	8	8
TURMALI GmbH[1]	Eschborn	100.00		24	0
UI Vario: 2 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UIN MultiAssetFonds[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 560[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 635[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 669[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 715[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 716[1]	Frankfurt am Main	0.00		0	0
UIN-Fonds Nr. 578 Union Investment Institutional GmbH[1]	Frankfurt am Main	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
UIR FRANCE 1 S.a.r.l.[1]	Paris, France	100.00		17	4
UIR FRANCE 2 S.a.r.l.[1]	Paris, France	100.00		15	1
UIR Verwaltungsgesellschaft mbH[1]	Hamburg	100.00		93	-2
Ullswater Subsea LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
UMB Unternehmens-Managementberatungs GmbH[1, 5]	Wiesbaden	100.00		588	0
UniEM IMMUNO 90 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UniInstitutional Flexible Commodities issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
Union Asset Management Holding AG[2]	Frankfurt am Main	78.69		428,839	159,458
Union Investment Financial Services S.A.[1]	Luxembourg, Luxembourg	100.00		18,903	4,324
Union Investment Institutional GmbH[1, 5]	Frankfurt am Main	100.00		22,770	0
Union Investment Institutional Property GmbH[1]	Hamburg	90.00		11,297	334
Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	100.00		217,619	106,553
Union Investment Privatfonds GmbH[1, 5]	Frankfurt am Main	100.00		75,442	0
Union Investment Real Estate Asia Pacific Pte. Ltd.[1]	Singapore, Singapore	100.00		23	15
Union Investment Real Estate France S.A.S.[1]	Paris, France	100.00		0	0
Union Investment Real Estate GmbH[2]	Hamburg	94.50		57,768	35,586
Union Investment Service Bank AG[1, 5]	Frankfurt am Main	100.00		36,115	0
Union Investment Towarzystwo Funduszy Inwestycyjnych S. A.[1]	Warsaw, Poland	100.00		21,646	6,957
Union IT-Services GmbH[1, 5]	Frankfurt am Main	100.00		1,581	0
Union Service-Gesellschaft mbH[1, 5]	Frankfurt am Main	100.00		4,750	0
UniSystem FIZ issued through Union Investment Towarszystwo Funduszy Inwestycyjnych S.A.[1]	Warsaw, Poland	0.00		0	0
UniVorsorge 1 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 2 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 3 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 4 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 5 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 6 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UniVorsorge 7 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
Unterstützungskasse der Condor Versicherungsgesellschaften GmbH[1]	Hamburg	100.00		26	0
VAUTID (SHANGHAI) Wear Resistant Material Trading Co. Ltd.[1]	Shanghai, China	100.00		0	0
VAUTID Austria GmbH[1]	Marchtrenk, Austria	100.00		0	0
VAUTID GmbH[1]	Ostfildern-Ruit	90.00		708	-837
Vautid North America, Inc.[1]	Pittsburgh, USA	0.00	100.00	0	0
Vautid-Belgium PGmbH[1]	Raeren-Eynatten, Belgium	100.00		0	0
VBM Leasing GmbH[1]	Munich	100.00		2,282	162
VMB Vorsorgemanagement für Banken GmbH[1]	Overath	51.00		0	0
VR DISKONTBANK GmbH[1, 5]	Eschborn	100.00		71,147	0
VR FACTOREM GmbH[1, 5]	Eschborn	100.00		23,285	0
VR GbR[2]	Frankfurt am Main	88.75		181,045	36,077
VR Hausbau AG[1]	Stuttgart	94.48		2,750	50
VR HYP GmbH[1]	Hamburg	100.00		25	0
VR IT-LEASING GmbH[1]	Eschborn	100.00		25	0
VR Kreditservice GmbH[1, 5]	Hamburg	100.00		25	0
VR Kreditwerk AG[1, 5]	Schwäbisch Hall	100.00		27,775	0
VR Real Estate GmbH[1]	Hamburg	100.00		25	0
VR WERT Gesellschaft für Immobilienbewertung mbH[1, 5]	Hamburg	100.00		100	0
VR.medico LEASING GmbH[1]	Berlin	100.00		604	4,842
VR.medico LEASING Verwaltungsgesellschaft mbH[1]	Berlin	100.00		31	0
VR-BAUREGIE GmbH[1, 5]	Eschborn	100.00		520	0
VR-IMMOBILIEN-LEASING GmbH[1, 5]	Eschborn	100.00		14,123	0
VRL-Beteiligungs GmbH[1]	Eschborn	100.00		22	-2
VR-LEASING ABYDOS GmbH[1]	Eschborn	100.00		54	29
VR-LEASING ABYDOS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-26	3
VR-LEASING AKANTHUS GmbH[1]	Eschborn	100.00		39	14
VR-LEASING AKANTHUS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		18	18
VR-LEASING Aktiengesellschaft[5]	Eschborn	83.46		203,249	0
VR-LEASING ALDEBARA GmbH[1]	Eschborn	100.00		35	10
VR-LEASING ALDEBARA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-168	-52
VR-LEASING ALTANOS GmbH[1]	Eschborn	100.00		27	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING ALTANOS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2	0
VR-LEASING AMASIS GmbH[1]	Eschborn	100.00		26	1
VR-LEASING AMASIS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-3	0
VR-LEASING AMETRIN GmbH[1]	Eschborn	100.00		45	20
VR-LEASING AMETRIN GmbH & Co. Immobilien KG[1]	Eschborn	100.00		25	23
VR-LEASING ANDROS GmbH[1]	Eschborn	100.00		45	20
VR-LEASING ANDROS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		25	170
VR-LEASING ARCADIA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING ARCADIA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		2	0
VR-LEASING ARINA GmbH[1]	Eschborn	100.00		42	17
VR-LEASING ARINA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	22	21
VR-LEASING ARKI GmbH[1]	Eschborn	100.00		51	26
VR-LEASING ARKI GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	31	32
VR-LEASING ARRIANUS GmbH[1]	Eschborn	100.00		39	14
VR-LEASING ARRIANUS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-1	18
VR-LEASING ASARO GmbH[1]	Eschborn	100.00		41	16
VR-LEASING ASARO GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	21	19
VR-LEASING ASINE GmbH[1]	Eschborn	100.00		28	1
VR-LEASING ASINE GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-31	-67
VR-LEASING ASOPOS GmbH[1]	Eschborn	100.00		27	2
VR-LEASING ASOPOS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		1	0
VR-LEASING ATRIA GmbH[1]	Eschborn	100.00		29	3
VR-LEASING ATRIA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	55.00	5	3
VR-LEASING AULOS GmbH[1]	Eschborn	100.00		25	0
VR-LEASING AVENTURIN GmbH[1]	Eschborn	100.00		42	15
VR-LEASING AVENTURIN GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	19	18
VR-LEASING AVILA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING AVILA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		2	0
VR-LEASING BETA GmbH[1]	Eschborn	100.00		43	18
VR-LEASING BETA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		23	78
VR-LEASING Beteiligungs GmbH & Co. KG[1]	Eschborn	100.00		27,942	812
VR-LEASING DELOS GmbH[1]	Eschborn	100.00		25	0
VR-LEASING DELOS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		2	-1
VR-LEASING DIVO GmbH[1]	Eschborn	100.00		72	45
VR-LEASING DIVO GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	38	36
VR-LEASING DOBAS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		11	10
VR-LEASING EINKAUFS-GmbH[1, 5]	Eschborn	100.00		80,008	0
VR-LEASING ERIDA GmbH[1]	Eschborn	100.00		27	1
VR-LEASING ERIDA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	76.00	-2	0
VR-LEASING FABIO GmbH[1]	Eschborn	100.00		37	12
VR-LEASING FABIO GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	5	17
VR-LEASING FACTA GmbH[1]	Eschborn	100.00		30	2
VR-LEASING FAGURA GmbH[1]	Eschborn	100.00		45	20
VR-LEASING FAGURA GmbH & Co. Dritte Immobilien KG[1]	Eschborn	6.00	66.67	25	57
VR-LEASING FAGURA GmbH & Co. Erste Immobilien KG[1]	Eschborn	100.00		14	13
VR-LEASING FAGURA GmbH & Co. Sechste Immobilien KG[1]	Eschborn	6.00	76.00	21	13
VR-LEASING FAGURA GmbH & Co. Siebte Immobilien KG[1]	Eschborn	6.00	68.00	35	34
VR-LEASING FAGUS GmbH[1]	Eschborn	100.00		29	4
VR-LEASING FAGUS GmbH & Co. Immobilien KG[1]	Eschborn	2.00	81.00	6	9
VR-LEASING FARINA GmbH[1]	Eschborn	100.00		36	10
VR-LEASING FARINA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	0	0
VR-LEASING FERRIT GmbH[1]	Eschborn	100.00		45	20
VR-LEASING FERRIT GmbH & Co. Erste Immobilien KG[1]	Eschborn	6.00	76.00	415	90
VR-LEASING FERRIT GmbH & Co. Fünfte Immobilien KG[1]	Eschborn	6.00	76.00	17	16
VR-LEASING FERRIT GmbH & Co. Vierte Immobilien KG[1]	Eschborn	6.00	75.50	-219	10
VR-LEASING FERRIT GmbH & Co. Zweite Immobilien KG[1]	Eschborn	0.00	52.00	-336	-23
VR-LEASING FIXUM GmbH[1]	Eschborn	100.00		36	11
VR-LEASING FLAVUS GmbH[1]	Eschborn	100.00		37	12
VR-LEASING FLAVUS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-265	-37
VR-LEASING FOLIO GmbH[1]	Eschborn	100.00		40	15
VR-LEASING FOLIO GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-26	24

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING FORTUNA GmbH[1]	Eschborn	100.00		30	2
VR-LEASING FRONTANIA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	25	97
VR-LEASING FULVIUS GmbH[1]	Eschborn	100.00		46	21
VR-LEASING HERMIA GmbH[1]	Eschborn	100.00		26	1
VR-LEASING HERMIA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	-1
VR-LEASING IKANA GmbH[1]	Eschborn	100.00		49	24
VR-LEASING IKANA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-2	17
VR-LEASING Immobilien-Holding GmbH & Co. KG[1]	Eschborn	94.80	95.91	151	225
VR-LEASING IRIS GmbH[1]	Eschborn	100.00		37	12
VR-LEASING IRIS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	16	14
VR-LEASING ISORA GmbH[1]	Eschborn	100.00		37	12
VR-LEASING ISORA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-206	25
VR-LEASING KOSMOS GmbH[1, 5]	Eschborn	100.00		89	0
VR-LEASING LACARA GmbH[1]	Eschborn	100.00		27	1
VR-LEASING LACARA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2	0
VR-LEASING LATONA GmbH[1]	Eschborn	100.00		26	1
VR-LEASING LATONA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
VR-LEASING LEROS GmbH[1]	Eschborn	100.00		38	13
VR-LEASING LEROS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-185	31
VR-LEASING LIMNOS GmbH[1]	Eschborn	100.00		38	11
VR-LEASING LIMNOS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	14	12
VR-LEASING LOTIS GmbH[1]	Eschborn	100.00		49	24
VR-LEASING LOTIS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	30	29
VR-LEASING LYRA GmbH[1]	Eschborn	100.00		68	42
VR-LEASING LYRA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	36	35
VR-LEASING MADIUM GmbH[1]	Eschborn	100.00		45	20
VR-LEASING MADIUM GmbH & Co. Immobilien KG[1]	Eschborn	100.00		7	25
VR-LEASING MADRAS GmbH[1]	Eschborn	100.00		268	28
VR-LEASING MADRAS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	-351	56
VR-LEASING MADURA GmbH[1]	Eschborn	100.00		36	11
VR-LEASING MADURA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	14	13
VR-LEASING MAGADIS GmbH[1]	Eschborn	100.00		63	38
VR-LEASING MAGADIS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	16	48
VR-LEASING MAGARO GmbH[1]	Eschborn	100.00		50	25
VR-LEASING MAGARO-FONDS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	68.00	-682	-9
VR-LEASING MAGO GmbH[1]	Eschborn	100.00		28	1
VR-LEASING MAGO GmbH & Co. Immobilien KG[1]	Eschborn	6.00	75.50	-4	0
VR-LEASING MALAKON GmbH[1]	Eschborn	100.00		29	2
VR-LEASING MALAKON GmbH & Co. Immobilien KG[1]	Eschborn	15.00	75.50	2,094	213
VR-LEASING MANEGA GmbH[1]	Eschborn	100.00		49	23
VR-LEASING MANEGA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	75.50	-45	-46
VR-LEASING MANIOLA GmbH[1]	Eschborn	100.00		39	13
VR-LEASING MANIOLA GmbH & Co. Immobilien KG[1]	Eschborn	11.20	51.00	1,689	145
VR-LEASING MARINUS GmbH[1]	Eschborn	100.00		25	0
VR-LEASING MARKASIT GmbH[1]	Eschborn	100.00		56	31
VR-LEASING MARKASIT GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-103	48
VR-LEASING MAROS GmbH[1]	Eschborn	100.00		29	1
VR-LEASING MAROS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	-3	0
VR-LEASING MARTES GmbH[1]	Eschborn	100.00		39	13
VR-LEASING MARTES GmbH & Co. Immobilien KG[1]	Eschborn	14.50	51.00	1,258	111
VR-LEASING MAXIMA GmbH[1]	Eschborn	81.00		26	0
VR-LEASING MAXIMA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	-112	-2
VR-LEASING MEDIO GmbH[1]	Eschborn	100.00		49	24
VR-LEASING MEDIO GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	25	28
VR-LEASING MELES GmbH[1]	Eschborn	100.00		39	13
VR-LEASING MELES GmbH & Co. Immobilien KG[1]	Eschborn	22.80	51.00	759	74
VR-LEASING MENTHA GmbH[1]	Eschborn	100.00		35	9
VR-LEASING MENTHA GmbH & Co. Immobilien KG[1]	Eschborn	22.00	51.00	543	52
VR-LEASING MENTUM GmbH[1]	Eschborn	100.00		47	21
VR-LEASING MENTUM GmbH & Co. Immobilien KG[1]	Eschborn	7.80	51.00	2,329	342
VR-LEASING MERGUS GmbH[1]	Eschborn	100.00		42	17

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING MERGUS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	24	21
VR-LEASING METIS GmbH[1]	Eschborn	100.00		40	15
VR-LEASING METIS GmbH & Co. Immobilien KG[1]	Eschborn	4.00	52.00	11	17
VR-LEASING METRO GmbH & Co. Objekt Karlsruhe KG[1]	Eschborn	100.00		-666	87
VR-LEASING METRO GmbH & Co. Objekte Rhein-Neckar KG[1]	Eschborn	100.00		-1,115	31
VR-LEASING MILETOS GmbH[1]	Eschborn	100.00		42	17
VR-LEASING MILETOS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	22	22
VR-LEASING MILIUM GmbH[1]	Eschborn	100.00		39	14
VR-LEASING MILIUM GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	18	17
VR-LEASING MILVUS GmbH[1]	Eschborn	100.00		30	4
VR-LEASING MILVUS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	1	-2
VR-LEASING MORIO GmbH[1]	Eschborn	100.00		42	17
VR-LEASING MORIO GmbH & Co. Immobilien KG[1]	Eschborn	94.00	75.50	-515	1
VR-LEASING MUNDA GmbH[1]	Eschborn	100.00		66	40
VR-LEASING MUNDA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-180	68
VR-LEASING MURALIS GmbH[1]	Eschborn	100.00		44	18
VR-LEASING MURALIS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	23	22
VR-LEASING MUSCAN GmbH[1]	Eschborn	100.00		35	9
VR-LEASING MUSCAN GmbH & Co. Immobilien KG[1]	Eschborn	19.10	51.00	648	60
VR-LEASING MUSCARI GmbH[1]	Eschborn	100.00		70	45
VR-LEASING MUSCARI GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-373	2
VR-LEASING MUSTELA GmbH[1]	Eschborn	100.00		62	37
VR-LEASING NALANDA GmbH[1]	Eschborn	100.00		42	16
VR-LEASING NALANDA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	75.50	15	19
VR-LEASING NAPO GmbH[1]	Eschborn	100.00		26	0
VR-LEASING NAPOCA GmbH[1]	Eschborn	100.00		39	13
VR-LEASING NAPOCA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	51.00	56	143
VR-LEASING NARUGO GmbH[1]	Eschborn	100.00		26	1
VR-LEASING NARUGO GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-253	-41
VR-LEASING NATANTIA GmbH[1]	Eschborn	100.00		29	2
VR-LEASING NAVARINO GmbH[1]	Eschborn	100.00		60	35
VR-LEASING NAVARINO GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-787	30
VR-LEASING NEKTON GmbH[1]	Eschborn	100.00		37	11
VR-LEASING NEKTON GmbH & Co. Immobilien KG[1]	Eschborn	6.00	60.00	15	14
VR-LEASING NEPTUN GmbH[1]	Eschborn	100.00		49	24
VR-LEASING NEPTUN GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-702	-13
VR-LEASING NESTOR GmbH[1]	Eschborn	100.00		45	19
VR-LEASING NESTOR GmbH & Co. Immobilien KG[1]	Eschborn	6.00	75.50	11	24
VR-LEASING NETTA GmbH[1]	Eschborn	100.00		51	20
VR-LEASING NETTA GmbH & Co. Immobilien KG[1]	Eschborn	94.00	51.00	-2	27
VR-LEASING NOVA Fünfte GmbH[1]	Eschborn	100.00		52	27
VR-LEASING NOVA Vierte GmbH[1]	Eschborn	100.00		54	29
VR-LEASING OBLONGA GmbH[1]	Eschborn	100.00		816	-28
VR-LEASING ONDATRA GmbH[1]	Eschborn	100.00		49	24
VR-LEASING ONDATRA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	30	29
VR-LEASING ONYX GmbH[1]	Eschborn	100.00		38	12
VR-LEASING ONYX GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2,026	-112
VR-LEASING OPAL GmbH[1]	Eschborn	100.00		25	0
VR-LEASING OPAVA GmbH[1]	Eschborn	100.00		26	1
VR-LEASING OPAVA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2,956	-90
VR-LEASING OPHIR GmbH[1]	Eschborn	100.00		39	13
VR-LEASING OPHIR GmbH & Co. Immobilien KG[1]	Eschborn	100.00	75.50	-10,682	467
VR-LEASING OPTIMA GmbH[1]	Eschborn	100.00		70	45
VR-LEASING OPTIMA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	-242	76
VR-LEASING ORDO GmbH[1]	Eschborn	100.00		41	15
VR-LEASING ORION GmbH[1]	Eschborn	100.00		56	30
VR-LEASING ORION GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	38	36
VR-LEASING OSMERUS GmbH[1]	Eschborn	100.00		40	15
VR-LEASING OSMERUS GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	19	26
VR-LEASING PAROS GmbH[1]	Eschborn	100.00		30	5
VR-LEASING PAROS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-151	-153

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING PAXOS GmbH[1]	Eschborn	100.00		26	0
VR-LEASING PAXOS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		1	-1
VR-LEASING POCO GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	6	31
VR-LEASING REGELSCHULE GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	20	18
VR-LEASING REGOR GmbH[1]	Eschborn	100.00		27	1
VR-LEASING REGOR GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2	0
VR-LEASING REGULUS GmbH[1]	Eschborn	100.00		28	1
VR-LEASING REGULUS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		-2	0
VR-LEASING REMUS GmbH[1]	Eschborn	100.00		26	1
VR-LEASING REMUS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
VR-LEASING RUSSLAND Holding GmbH[1]	Eschborn	75.20		8,509	-1
VR-LEASING SALA GmbH[1]	Eschborn	100.00		26	1
VR-LEASING SALIX GmbH[1]	Eschborn	100.00		68	43
VR-LEASING SALIX GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	52	51
VR-LEASING SALMO GmbH[1]	Eschborn	100.00		46	21
VR-LEASING SALMO GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	26	25
VR-LEASING SALONA GmbH[1]	Eschborn	100.00		33	8
VR-LEASING SALONA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	75.50	9	10
VR-LEASING SALTA GmbH[1]	Eschborn	100.00		44	19
VR-LEASING SALTA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	-6	2
VR-LEASING SALVIA GmbH[1]	Eschborn	100.00		44	18
VR-LEASING SALVIA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	23	22
VR-LEASING SALVIS GmbH[1]	Eschborn	100.00		28	2
VR-LEASING SAMARA GmbH[1]	Eschborn	100.00		71	45
VR-LEASING SAMARA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	40	58
VR-LEASING SANAGA GmbH[1]	Eschborn	100.00		41	16
VR-LEASING SANAGA GmbH & Co. Immobilien KG[1]	Eschborn	100.00		20	19
VR-LEASING SANIDOS GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SANIDOS GmbH & Co. Immobilien KG[1]	Eschborn	4.00	52.00	-5	17
VR-LEASING SANIS GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SARITA GmbH[1]	Eschborn	100.00		26	1
VR-LEASING SARITA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	-5	0
VR-LEASING SASKIA GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SASKIA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	19	18
VR-LEASING SEGOVI GmbH[1]	Eschborn	100.00		26	1
VR-LEASING SEGOVI GmbH & Co. Immobilien KG[1]	Eschborn	100.00		0	0
VR-LEASING SEGUSIO GmbH[1]	Eschborn	100.00		23	-5
VR-LEASING SEPIA GmbH[1]	Eschborn	100.00		35	10
VR-LEASING SEPIA GmbH & Co. Immobilien KG[1]	Eschborn	4.00	52.00	15	14
VR-LEASING SIGUNE GmbH[1]	Eschborn	100.00		36	11
VR-LEASING SIGUNE GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	14	12
VR-LEASING SILENE GmbH[1]	Eschborn	100.00		26	0
VR-LEASING SIMA GmbH[1]	Eschborn	100.00		47	21
VR-LEASING SIMA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	27	25
VR-LEASING SINABIS GmbH[1]	Eschborn	100.00		33	8
VR-LEASING SINABIS GmbH & Co. Immobilien KG[1]	Eschborn	6.00	75.50	5	9
VR-LEASING SIRIUS GmbH[1]	Eschborn	100.00		47	22
VR-LEASING SIRIUS GmbH & Co. Immobilien KG[1]	Eschborn	100.00		27	26
VR-LEASING SOLIDUS Achte GmbH[1]	Eschborn	100.00		29	4
VR-LEASING SOLIDUS Achtzehnte GmbH[1]	Eschborn	100.00		45	20
VR-LEASING SOLIDUS Achtzehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	26	24
VR-LEASING SOLIDUS Dreizehnte GmbH[1]	Eschborn	100.00		43	18
VR-LEASING SOLIDUS Dreizehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	23	21
VR-LEASING SOLIDUS Dritte GmbH[1]	Eschborn	100.00		33	8
VR-LEASING SOLIDUS Dritte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	58.00	11	30
VR-LEASING SOLIDUS Elfte GmbH[1]	Eschborn	100.00		43	18
VR-LEASING SOLIDUS Elfte GmbH & Co. Immobilien KG[1]	Eschborn	94.00	76.00	23	22
VR-LEASING SOLIDUS Erste GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Erste GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	19	18
VR-LEASING SOLIDUS Fünfte GmbH[1]	Eschborn	100.00		29	4
VR-LEASING SOLIDUS Neunte GmbH[1]	Eschborn	100.00		35	10

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING SOLIDUS Neunte GmbH & Co. Immobilien KG[1]	Eschborn	0.00	52.00	2,614	322
VR-LEASING SOLIDUS Neunzehnte GmbH[1]	Eschborn	100.00		42	17
VR-LEASING SOLIDUS Neunzehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	22	20
VR-LEASING SOLIDUS Objekt Karben GmbH[1]	Eschborn	94.00		-1,860	14
VR-LEASING SOLIDUS Sechzehnte GmbH[1]	Eschborn	100.00		39	14
VR-LEASING SOLIDUS Sechzehnte GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	18	17
VR-LEASING SOLIDUS Siebte GmbH[1]	Eschborn	100.00		53	28
VR-LEASING SOLIDUS Siebte GmbH & Co. Immobilien KG[1]	Eschborn	0.00	66.67	35	496
VR-LEASING SOLIDUS Vierzehnte GmbH[1]	Eschborn	100.00		39	14
VR-LEASING SOLIDUS Zehnte GmbH[1]	Eschborn	100.00		27	1
VR-LEASING SOLIDUS Zweite GmbH[1]	Eschborn	100.00		48	23
VR-LEASING SOLIDUS Zweite GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	29	25
VR-LEASING SOLIDUS Zwölfte GmbH[1]	Eschborn	100.00		45	19
VR-LEASING SOREX GmbH[1]	Eschborn	100.00		26	1
VR-LEASING TELLUR GmbH[1]	Eschborn	100.00		43	18
VR-LEASING TELLUR GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	0	0
VR-LEASING WINGERT GmbH[1]	Eschborn	100.00		426	18
VR-LEASING ZAWISLA GmbH & Co. Immobilien KG[1]	Eschborn	6.00	76.00	14	13
VR-Vermögensverwaltungs GmbH[1]	Vienna, Austria	100.00		287	74
Wadi Funding LLC[1]	Majuro, Marshall Islands	0.00		0	0
Wadi Woraya I LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Wadi Woraya III LLC[1]	Majuro, Marshall Islands	100.00	0.00	0	0
Waldhof GmbH & Co. KG[1]	Hamburg	100.00		5,748	241
Waldhof Verwaltungsgesellschaft mbH[1]	Hamburg	100.00		29	3
Wasps Aircraft Leasing (Ireland) Limited[1]	Dublin, Ireland	0.00		0	0
Wasps Aircraft Leasing Limited[1]	George Town, Cayman Islands	0.00		0	0
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH[1]	Stuttgart	94.90		13,051	1,565
Weinmann GmbH & Co. Objekt Eichwald KG[1]	Eschborn	100.00		31	99
Wiener Kühlhaus WKF Ges. m.b.H.[1]	Vienna, Austria	100.00		0	0
WKF Holding GmbH[1]	Vienna, Austria	100.00		0	0
Yellow Moon Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
ZBA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
ZBA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Eintausend KG[1]	Eschborn	94.00	75.50	-1,804	-295
ZOP Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
ZOP Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sechzehn KG[1]	Eschborn	100.00		10	90
ZPF Holding GmbH[1]	Siegelsbach	95.58		21	-4
ZPF Therm Maschinenbau GmbH[1]	Siegelsbach	100.00		726	-10
Zweite DG Vermietungsgesellschaft für Immobilien mbH[1, 5]	Eschborn	100.00		26	0

JOINT VENTURES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
AerCap Partners I Ltd.[1]	Shannon, Ireland	50.00	0.00	1,254	287
AerCap Partners II Ltd.[1]	Shannon, Ireland	0.00		-628	-703
BEA Union Investment Management Limited[1]	Hong Kong, Hong Kong	49.00		40,234	2,317
Bella Aircraft Leasing 1 Ltd.[1]	Shannon, Ireland	0.00		0	0
Capital Equipment Management Holding GmbH[1]	Hamburg	50.00		23	-5
Ceskomoravska stavebni sporitelna a.s.[1]	Prague, Czech Republic	45.00		373,350	78,730
Cinclus Aviation Investment Ltd.[1]	Floriana, Malta	0.00		0	0
D8 Product Tankers Ltd.[1]	Singapore, Singapore	0.00		0	0
Deucalion MC Engine Leasing (Ireland) Ltd.[1]	Dublin, Ireland	0.00		10,286	229
Deutsche WertpapierService Bank AG	Frankfurt am Main	50.00		216,355	12,929
DGVR Alpha Mobilien-Verwaltungsgesellschaft mbH[1]	Eschborn	50.00		34	8
DZ BANK Galerie im Städel Kunstverwaltungsgesellschaft mbH	Frankfurt am Main	50.00		1	-1
First BD Feederships Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
Fourth BD Feederships Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
HGI Immobilien GmbH[1]	Frankfurt am Main	50.00		155	0
Intermodal Investment Fund II LLC[1]	Majuro, Marshall Islands	0.00		6,390	275
Intermodal Investment Fund III LLC[1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund IV LLC[1]	Majuro, Marshall Islands	0.00		4,856	342
IZD-Holding S.à.r.l.[1]	Luxembourg, Luxembourg	50.30	50.00	39,383	-52
MD Aviation Capital Pte. Ltd.[1]	Singapore, Singapore	0.00		63,658	307
Mount Faber KS[1]	Oslo, Norway	0.00		1,193	340
Prvá stavebná sporitel'na, a.s.[1]	Bratislava, Slovakia	32.50		252,995	29,355
Raiffeisen Banca Pentru Locuinte S.A.[1]	Bucharest, Romania	33.32		6,997	-591
Second BD Feederships Shipping Limited[1]	St. John's, Antigua and Barbuda	50.00		0	0
TAG ASSET Management LLC[1]	Majuro, Marshall Islands	0.00		6,726	-2,646
VB-Leasing International Holding GmbH[1]	Vienna, Austria	50.00		75,325	-693
VR Unternehmerberatung GmbH	Düsseldorf	50.00		905	-595
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd.[1]	Tianjin, China	24.90		119,387	33

ASSOCIATES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Aer Lucht Limited[1]	Dublin, Ireland	0.00		0	0
Aviateur Capital Limited[1]	Dublin, Ireland	20.00		151	572
BAU + HAUS Management GmbH[1]	Wiesbaden	50.00		11,454	745
bbv-service Versicherungsmakler GmbH[1]	Munich	25.20		205	246
Bovey Offshore Pte. Ltd.[1]	Singapore, Singapore	0.00		2,564	699
Cassa Centrale Banca – Credito Cooperativo del Nord Est Società per Azioni	Trento, Italy	25.00	26.47	200,099	13,540
DEGECIVIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	49.00		307	-4
Equens SE	Utrecht, Netherlands	31.05		374,848	31,415
European Property Beteiligungs-GmbH[1]	Frankfurt am Main	38.90	33.20	1,623	623
Heimag Holding AG [1]	Munich	30.00		5,526	716
Intermodal Investment Fund V LLC[1]	Majuro, Marshall Islands	50.00		0	0
Leuvesteyn V.O.F.[1]	Rotterdam, Netherlands	33.33		0	0
MDAC 5 Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
MSN 223 Leasing Ltd.[1]	George Town, Cayman Islands	0.00		0	0
NFC AHTS Limited[1]	Limassol, Cyprus	0.00		2,972	-5
Österreichische Volksbanken-Aktiengesellschaft	Vienna, Austria	23.44		1,364,081	-791,523
Ox Traction N.V.[1]	Roosendaal, Netherlands	0.00		0	0
Pantheon LPG Carriers LLC[1]	Majuro, Marshall Islands	0.00		0	0
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig[1]	Wiesbaden	50.00		9,466	560
Rapid Aircraft Leasing Ltd.[1]	George Town, Cayman Islands	0.00		335	-137
Tertianum Besitzgesellschaft Berlin Passauer Strasse 5 – 7 mbH[1]	Munich	25.00		25,351	-357
Tertianum Besitzgesellschaft Konstanz Markstätte 2 – 6 Sigismundstrasse 5 – 9 mbH[1]	Constance	25.00		34,938	832
Tertianum Seniorenresidenzen Betriebsgesellschaft mbH[1]	Constance	4.00	25.00	714	-356
Ullswater Subsea DIS[1]	Oslo, Norway	0.00		5,635	883
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH[1]	Dresden	50.00		93	14
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V.[1]	Neubrandenburg	50.00		110	15
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V. (VVB)[1]	Magdeburg	50.00		39	0
VR Netze GmbH	Münster	25.15		7,904	637
VVB Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Brandenburg[1]	Teltow	50.00		34	4
West Supply III A/S[1]	Haugesund, Norway	22.22		486	73
West Supply III KS[1]	Haugesund, Norway	20.00		3,710	-46
WÜRTT. GENO-HAUS GmbH & Co. KG[2]	Stuttgart	37.16		40,760	0

SHAREHOLDINGS OF 20% OR MORE

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Assical S.r.l.[1]	Rende (CS), Italy	30.00		163	28
Assiconf S.r.l.[1]	Turin, Italy	20.00		26	4
ASSICRA Servizi Assisurativi Banche di Credito Cooperativo Abruzzo e Molise S.r.l.[1]	Pescara, Italy	25.00		166	21
ATRION Immobilien GmbH & Co. KG[1]	Grünwald	31.63		36,832	5,699
AUREO GESTIONI S.G.R.p.A.[1]	Milan, Italy	25.00		35,502	5,504
Bauland Schleswig-Holstein eG[1]	Bad Bramstedt	24.97		2,899	166
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH[1]	Munich	20.00		940	-636
BRASIL FLOWERS S.A.[1]	Barbacena, Brazil	45.00		0	0
Burghofspiele GmbH[1]	Eltville	20.00		144	0
Bürgschaftsbank Brandenburg GmbH	Potsdam	25.31		10,390	164
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	30.38		14,967	235
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	29.73		11,362	252
Bürgschaftsbank Thüringen GmbH	Erfurt	22.13		17,948	1,334
CardProcess GmbH	Karlsruhe	29.70		23,222	3,282
CEBAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	24.00		21	-1
Clean Car AG[1]	Meerbusch	29.33		20,956	2,100
Credit Suisse Global Infrastructure SCA SICAR[1]	Luxembourg, Luxembourg	30.09		340,363	36,466
Dacos Software GmbH[1]	Saarbrücken	29.96		-1,604	-2,132
Durovib Oberflächentechnik GmbH i.L.[1]	Schlüchtern	38.00		-515	-1,422
ECE-European Prime Shopping Centre SCS SICAF SIF B[1]	Luxembourg, Luxembourg	45.10	43.25	0	0
Elbank S.A.[1]	Warsaw, Poland	30.36	24.49	-18	-10
Finatem II GmbH & Co. KG[1]	Frankfurt am Main	20.20		64,333	1,782
FREUNDE DER EINTRACHT FRANKFURT Aktiengesellschaft[1]	Frankfurt am Main	30.77	19.05	2,877	55
GbR Ottmann GmbH & Co. Südhausbau KG, München VR Hausbau AG, Stuttgart (GbR 'Ackermannbogen.de-Wohnen am Olympiapark')[1]	Munich	50.00		-784	-1,097
GENO-Haus Stuttgart Beteiligungs GmbH	Stuttgart	33.33		22	4
Gesellschaft für ernährungswirtschaftliche Beteiligungen mbH	Ochsenfurt	49.90		5,770	427
Goldeck Zetti Beteiligungsgesellschaft mbH[1]	Leipzig	39.23		0	0
Golding Mezzanine SICAV IV[1]	Munsbach, Luxembourg	49.98		0	0
Johanna 140 Vermögensverwaltungs GmbH[1]	Bonn	57.50	49.00	0	0
Kredit-Garantiegemeinschaft des bayerischen Handwerks Gesellschaft mit beschränkter Haftung	Munich	20.00		4,806	0
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH	Stuttgart	20.00		1,023	0
KTP Holding GmbH[1]	Bonn	49.82		25	0
Laetitia Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG	Pullach	39.00		-3,017	-97
Magyar Takarékszövetkezeti Bank Zártkörüen Müködö Részvénytársaság	Budapest, Hungary	38.46		45,754	1,924
MB Asia Real Estate Feeder (Scot.) L.P.[1]	Edinburgh, UK	39.20	0.00	70,462	-10,940
Mercateo Beteiligungsholding AG[1]	Taufkirchen	32.83		468	-869
MK Metallfolien GmbH[1]	Hagen	37.23		-14,196	-28,901
Neida Holding AG[1]	Appenzell, Switzerland	35.00		1,789	144
P 21 GmbH - Power of the 21st Century i.L.[1]	Brunnthal	27.00	22.23	-1,998	-7,684
PWR Holding GmbH[1]	Munich	33.33		402	372
Schroder Italien Fonds GmbH & Co. KG[1]	Frankfurt am Main	23.08	19.74	32,731	2,475
Schroder Property Services B.V.[1]	Amsterdam, Netherlands	30.00		1,678	354
SCL GmbH[1]	Butzbach	49.00		0	0
Seguros Generales Rural S.A. de Seguros y Reaseguros[1]	Madrid, Spain	30.00		140,067	8,040
TFH Technologie-Finanzierungsfonds Hessen GmbH	Frankfurt am Main	33.33		3,800	266
TKW Holding GmbH[1]	Blankenhain	49.90		1,269	-430
UTT Beteiligungsgesellschaft mbH[1]	Krumbach	26.00	49.00	14,296	1,891
VAUTID Arabia Coating and Treatment of Metals L.L.C.[1]	Ras Al Khaimah, United Arab Emirates	24.50	0.00	0	0
VAUTID HUIFENG (WUHU) Wear Resistant Material Co. Ltd.[1]	Wuhu, China	50.00		0	0
VAUTID-SHAN HARDFACE Pvt. Ltd.[1]	Navi Mumbai, India	37.49		0	0
Venture-Capital Beteiligung Gesellschaft bürgerlichen Rechts mit Haftungsbeschränkung i.L.[1]	Stuttgart	20.00		409	236
VR FinanzDienstLeistung GmbH	Berlin	24.50		1,254	242
VR-NetWorld GmbH[2]	Bonn	39.05		2,943	1,071
VV Immobilien GmbH & Co. United States KG[1]	Munich	25.00		30,233	0
Wessel-Werk Beteiligungsverwaltung GmbH[1]	Karlsruhe	45.00		-560	-952
1-2-3. TV GmbH[1]	Unterföhring	20.93		3,825	-1,525

MORE THAN 5% OF VOTING RIGHTS (LARGE CORPORATIONS)

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
ARS Altmann AG[1]	Wolnzach	10.00		0	0
Banco Cooperativo Español S.A.	Madrid, Spain	12.02		291,576	14,850
ConCardis Gesellschaft mit beschränkter Haftung	Frankfurt am Main	19.60		36,637	12,140
DEPFA BeteiligungsHolding II Gesellschaft mit beschränkter Haftung[1]	Düsseldorf	10.00		136,660	13,660
EDEKABANK Aktiengesellschaft	Hamburg	8.35		82,437	3,654
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt am Main	19.60		10,640	229
Karlsruher Lebensversicherung AG	Karlsruhe	10.00		4,439	450
PANELLINIA BANK SOCIETE ANONYME	Athens, Greece	11.98		95,339	-11,405
Protektor Lebensversicherungs-AG[1]	Berlin	5.27		70,020	5,376
Raiffeisendruckerei GmbH[1]	Neuwied	7.88		32,581	839
Raiffeisen-Warenzentrale Kurhessen-Thüringen Gesellschaft mit beschränkter Haftung	Kassel	7.87		3,543	8,174
SCHUFA Holding AG[1]	Wiesbaden	17.94		20,438	-4,162

1 Held indirectly
2 Including shares held indirectly
3 A letter of comfort exists
4 A subordinated letter of comfort exists
5 Profit-and-loss transfer agreement

RESPONSIBILITY STATEMENT

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

Frankfurt am Main, February 28, 2012

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch

Hille	Köhler	Macke
Merz	Ullrich	Westhoff

AUDIT OPINION (TRANSLATION)

We have audited the consolidated financial statements prepared by DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows, and the notes, together with the group management report, for the financial year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB) is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Public Auditors) (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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 6, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

REPORT OF THE SUPERVISORY BOARD

Helmut Gottschalk, Chairman of the Supervisory Board of DZ BANK AG

The defining feature of the year under review was the challenging economic and, above all, political environment. Whereas the economy proved robust in the first six months of 2011, the European sovereign debt crisis caused the pace of economic growth to tail off substantially as the year progressed. Political efforts to contain the sovereign debt crisis by integrating European fiscal policy more closely were of only limited success, as were the accompanying packages of measures. The long-term restructuring of Greece's debt has not happened, and a number of European countries have seen a sharp rise in their risk premiums.

In the second half of the year, the European Banking Authority (EBA) carried out stress tests in the European banking sector with the aim of making it more crisis-resistant, especially in view of some European countries' worsening credit ratings. Capital benchmarks that differed from those of Basel III were used for the purposes of the test. These stress tests have not had the hoped-for stabilizing effect.

As part of its work, the Supervisory Board discussed the capital situation of DZ BANK and the associated regulatory environment in depth on several occasions. The topics discussed included DZ BANK's capital shortfall identified during the EBA's stress test and the steps to close it by June 30, 2012.

Another emphasis of the work of the Supervisory Board was DZ BANK's strategic focus as a network-oriented central institution and financial services group. As in previous years, the Supervisory Board held a special meeting dedicated to this matter, at which it discussed the strategy in detail and unanimously reiterated its commitment to the strategy.

DZ BANK's success in pursuing its strategy was reflected in the encouraging business performance in 2011. However, write-downs on the bond portfolios of peripheral European countries and on Greek government bonds reduced operating profit significantly.

SUPERVISORY BOARD AND COMMITTEES

In 2011, the Supervisory Board of DZ BANK monitored the management activities of the Board of Managing Directors in accordance with applicable legal provisions and the Articles of Association and decided on items of business presented to it that required approval. In order to discharge its responsibilities, the Supervisory Board has set up a Personnel Committee, an Audit Committee, a Risk and Investment Committee, and a Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG).

COOPERATION WITH THE BOARD OF MANAGING DIRECTORS

The Board of Managing Directors provided the Supervisory Board with regular, timely, and comprehensive written and oral reports on the position and performance of the bank and the group as well as on general business developments. The Board of Managing Directors also informed the Supervisory Board about the ongoing implementation of DZ BANK's strategy as a network-oriented central institution and financial services group, the capital situation, and the operational and strategic planning of both the bank and the group. The Supervisory Board was constantly updated about the profitability of the bank and the group. Furthermore, the Board of Managing Directors provided the Supervisory Board with regular reports about significant loan and investment exposures.

The Supervisory Board discussed these issues with the Board of Managing Directors, advised it, and monitored its management activities. As part of this, the Supervisory Board especially focused on the strategy and capital situation of DZ BANK, including with regard to current regulatory challenges and the stress tests. In addition, the Supervisory Board thoroughly examined the risk position of the bank and the group, the development of systems and procedures used to manage market, credit, and operational risks, and other material banking-specific risks. The Supervisory Board was involved in all decisions of fundamental importance.

SUPERVISORY BOARD MEETINGS

The Supervisory Board held five meetings in 2011. The Personnel Committee, the Audit Committee, and the Risk and Investment Committee each met on several occasions during the year. Their Chairs regularly reported to the Supervisory Board on the committees' work. The Mediation Committee did not need to meet in 2011.

The Board of Managing Directors notified the Supervisory Board in writing or by telephone of important events between Supervisory Board meetings. In urgent cases, the Supervisory Board decided on significant transactions by adopting resolutions in writing. The Supervisory

Board Chairman, the Chief Executive Officer of DZ BANK, the Chairs of the Supervisory Board committees, and the relevant members of the Board of Managing Directors also regularly held discussions ahead of key decisions and important transactions. Supervisory Board members attended all of the meetings held and participated in the written resolutions adopted by the Supervisory Board in 2011.

COOPERATION WITH THE AUDITORS

The auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, who issued a declaration of independence to the Supervisory Board, confirmed that the single-entity financial statements – together with the bookkeeping system – and the management report of DZ BANK AG as well as the consolidated financial statements and the group management report submitted by the Board of Managing Directors for the 2011 financial year complied with the applicable legal provisions. The auditors issued an unqualified opinion for each of these sets of financial statements. The audit reports were submitted to the members of the Supervisory Board, who discussed and advised on them in detail at their meetings. The Supervisory Board agrees with the findings of the audit.

ADOPTION OF THE FINANCIAL STATEMENTS

The Supervisory Board and its Audit Committee scrutinized the single-entity financial statements and management report of DZ BANK AG as well as the consolidated financial statements and group management report at their meetings. Representatives of the auditors attended the Supervisory Board meeting convened to adopt the financial statements as well as the preparatory meetings held by the Audit Committee and by the Risk and Investment Committee so that they could report in detail on the material findings of their audit. They were also available to answer questions from the members of the Supervisory Board. The Supervisory Board did not raise any objections to the financial statements. The Supervisory Board approved the single-entity financial statements of DZ BANK AG and the consolidated financial statements prepared by the Board of Managing Directors for the year ended December 31, 2011 at its meeting on March 22, 2012. The financial statements have therefore been adopted. The Supervisory Board approved the Board of Managing Directors' proposal for the appropriation of distributable profit.

CHANGES TO THE SUPERVISORY BOARD

At the end of the Annual General Meeting of DZ BANK AG on May 10, 2011, the former Chairman of the Risk and Investment Committee Mr. Carl-Christian Ehlers stepped down from the Supervisory Board. The Supervisory Board would like to thank Mr. Ehlers for his many years of service. Mr. Stephan Schack was newly elected to the Supervisory Board. The Supervisory Board elected Mr. Uwe Fröhlich as the new Chairman of the Risk and Investment Committee.

The Supervisory Board wishes to thank the Board of Managing Directors and all employees of DZ BANK for their valuable contribution in 2011.

Frankfurt am Main, March 22, 2012

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main

Helmut Gottschalk
Chairman of the Supervisory Board

DZ BANK ADVISORY COUNCILS

MEMBERS OF THE FINANCIAL SERVICES ADVISORY COUNCIL FOR THE DZ BANK GROUP

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

DEPUTY CHAIRMAN:
EBERHARD HEIM
Chief Executive Officer
Volksbank Tübingen eG
Tübingen

REPRESENTATIVES OF THE COOPERATIVE BANKS:

WOLFGANG ALTMÜLLER
Chief Executive Officer
VR meine Raiffeisenbank eG
Altötting

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

PETER BADE
Member of the Board of Managing Directors
Volksbank Lüneburger Heide eG
Winsen
(until September 2011)

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

DR. KLAUS EBERHARDT
Chief Executive Officer
Sparda-Bank Berlin eG
Berlin
(until December 2011)

RICHARD ERHARDSBERGER
Chief Executive Officer
VR-Bank Vilsbiburg eG
Vilsbiburg

UWE GUTZMANN
Chief Executive Officer
Volks- und Raiffeisenbank eG
Wismar

THOMAS JANSSEN
Member of the Board of Managing Directors
Volksbank Braunlage eG
Braunlage
(since September 2011)

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

WOLFGANG MÜLLER
Chief Executive Officer
Volksbank Mittleres Erzgebirge eG
Olbernhau

GERHARD J. RASTETTER
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe

REINHARD SCHLOTTBOM
(personal representative for the member from the Sparda-Bank Group)
Chief Executive Officer
PSD Bank Westfalen-Lippe eG
Münster

MARTIN SCHMITT
Chief Executive Officer
Kasseler Bank eG
Volksbank Raiffeisenbank
Kassel

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

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

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

MANFRED WÜNSCHE
Member of the Board of Managing Directors
Volksbank Stuttgart eG
Stuttgart

REPRESENTATIVES OF THE BVR AND ITS SPECIAL COMMITTEES:

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

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

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

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

MICHAEL SIEGERS
Chief Executive Officer
Volksbank Hildesheim eG
Hildesheim

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

CARSTEN GRAAF
(coopted member as Chairman of the BVR Association Council)
Chief Executive Officer
Volksbank Meerbusch eG
Meerbusch

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

CHAIRMAN:

BERND-DIETER REUSCH
Chief Executive Officer
Volksbank Metzingen-Bad Urach eG
Metzingen

DEPUTY CHAIRMAN:

REINHARD KRUMM
Chief Executive Officer
Volksbank Lahr eG
Lahr

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

ULF BLECKMANN
Member of the Board of Managing Directors
Volksbank Dreiländereck eG
Lörrach
(since August 2011)

ANDREAS BÖHLER
Chief Executive Officer
Volksbank Kraichgau Wiesloch-Sinsheim eG
Wiesloch
(since November 2011)

KLEMENS BOGENRIEDER
Chief Executive Officer
Federseebank eG
Bad Buchau

ELMAR BRAUNSTEIN
Chief Executive Officer
Volksbank Strohgäu eG
Korntal-Münchingen

RICHARD BRUDER
Chief Executive Officer
Volksbank Offenburg eG
Offenburg

WOLFGANG BURGER
Chief Executive Officer
Volksbank Bruhrain-Kraich-Hardt eG
Oberhausen-Rheinhausen
(until December 2011)

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

ANDREAS FEINAUER
Spokesman of the Board of Managing Directors
VR-Bank Weinstadt eG
Weinstadt
(until December 2011)

CLEMENS FRITZ
Chief Executive Officer
Volksbank Achern eG
Achern

HELMUT HABERSTROH
Spokesman of the Board of Managing Directors
Raiffeisenbank Aichhalden-Hardt-Sulgen eG
Hardt
(since February 2011)

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

EBERHARD HEIM
Chief Executive Officer
Volksbank Tübingen eG
Tübingen

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

CLAUS HEPP
Member of the Board of
Managing Directors
Volksbank Allgäu-West eG
Isny im Allgäu

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

ANDREAS HOFFMANN
Member of the Board of
Managing Directors
Volksbank
Bruhrain-Kraich-Hardt eG
Oberhausen-Rheinhausen
(since January 2012)

KLAUS HOLDERBACH
Chief Executive Officer
Volksbank Franken eG
Buchen (Odenwald)

EBERHARD KEYSERS
Member of the Board of
Managing Directors
Raiffeisenbank Aidlingen eG
Aidlingen

HANS KIRCHER
Chief Executive Officer
Raiffeisenbank
Bretzfeld-Neuenstein eG
Bretzfeld

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

MANFRED KUNER
Chief Executive Officer
Volksbank Triberg eG
Triberg (Black Forest)

FRITZ LEHMANN
Chief Executive Officer
Raiffeisenbank
Ehingen-Hochsträss eG
Ehingen (Donau)

GUNTRAM LEIBINGER
Member of the Board of
Managing Directors
Volksbank Donau-Neckar eG
Tuttlingen
(until February 2011)

WERNER LUZ
Chief Executive Officer
Volksbank Region Leonberg eG
Leonberg

PROFESSOR DR. WOLFGANG MÜLLER
Chief Executive Officer
BBBank eG
Karlsruhe

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

JÜRGEN PINNISCH
Member of the Board of
Managing Directors
Volksbank Heilbronn eG
Heilbronn
(since February 2011)

GERHARD J. RASTETTER
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe
(until December 2011)

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

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

PAUL ERICH SCHAAF
Chief Executive Officer
Untertürkheimer Volksbank eG
Stuttgart

ROLAND SCHÄFER
Chief Executive Officer
Volksbank Bruchsal-Bretten eG
Bretten
(since February 2012)

JÜRGEN SCHILLER
Member of the Board of
Managing Directors
VR-Bank Weinstadt eG
Weinstadt
(since February 2012)

VOLKER SCHMELZLE
Member of the Board of
Managing Directors
Volksbank Plochingen eG
Plochingen

WERNER SCHMIDGALL
Chief Executive Officer
Volksbank Backnang eG
Backnang

EBERHARD SPIES
Chief Executive Officer
VR Bank
Schwäbisch Hall-Crailsheim eG
Schwäbisch Hall

JÖRG STAHL
Spokesman of the Board of
Managing Directors
Volksbank Nagoldtal eG
Nagold

JOACHIM STRAUB
Chief Executive Officer
Volksbank eG
Villingen-Schwenningen

KARLHEINZ UNGER
Chief Executive Officer
Volksbank Ludwigsburg eG
Ludwigsburg

PETER VETTER
Chief Executive Officer
Volksbank
Wilferdingen-Keltern eG
Remchingen

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

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

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

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

CHAIRMAN:
DIETMAR KÜSTERS
Chief Executive Officer
Volksbank Straubing eG
Straubing

DEPUTY CHAIRMAN:
JOSEF FRAUENLOB
Spokesman of the Board of
Managing Directors
Volksbank Raiffeisenbank
Oberbayern Südost eG
Bad Reichenhall

ALOIS ATZINGER
Chief Executive Officer
Raiffeisenbank
Am Goldenen Steig eG
Waldkirchen

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

HANS BRUNNER
Chief Executive Officer
GenoBank DonauWald eG
Viechtach

GÜNTER DREHER
Member of the Board of
Managing Directors
Augusta-Bank eG
Raiffeisen-Volksbank
Augsburg
(until May 2011)

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

ALFRED FOISTNER
Chief Executive Officer
Raiffeisenbank
Oberschleissheim eG
Oberschleissheim

WILFRIED GERLING
Chief Executive Officer
Hallertauer Volksbank eG
Pfaffenhofen

MANFRED GEYER
Chief Executive Officer
Raiffeisen Volksbank eG
Gewerbebank
Ansbach

MANFRED GÖHRING
Chief Executive Officer
Raiffeisenbank Altdorf-Feucht eG
Feucht

ULRICH GUIARD
Member of the Board of
Managing Directors
VR-Bank Memmingen eG
Memmingen

MICHAEL HAAS
Chief Executive Officer
Volksbank Raiffeisenbank
Dachau eG
Dachau
(until December 2011)

JÜRGEN HANDKE
Chief Executive Officer
VR Bank Hof eG
Hof

DIRK HELMBRECHT
Chief Executive Officer
Volksbank Raiffeisenbank
Nürnberg eG
Nuremberg

FRIEDRICH HERTLE
Spokesman of the Board of
Managing Directors
Raiffeisen-Volksbank
Donauwörth eG
Donauwörth
(until December 2011)

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

KARLHEINZ KIPKE
Chief Executive Officer
VR-Bank Coburg eG
Coburg

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

MICHAEL KRUCK
Spokesman of the Board of
Managing Directors
Raiffeisen-Volksbank
Donauwörth eG
Donauwörth
(since December 2011)

PETER LANG
Member of the Board of
Managing Directors
Raiffeisenbank
Hollfeld-Waischenfeld-Aufsess eG
Hollfeld

JOSEF MURR
Chief Executive Officer
Raiffeisenbank Parkstetten eG
Parkstetten

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

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

JOHANN PERNPAINTNER
Chief Executive Officer
Raiffeisenbank Oberpfalz Süd eG
Donaustauf

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

KLAUS PRÄHOFER
Member of the Board of
Managing Directors
Raiffeisenbank
Vilshofener Land eG
Vilshofen

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

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

ROLAND SCHEER
Chief Executive Officer
Raiffeisenbank Bad Windsheim eG
Bad Windsheim

GREGOR SCHELLER
Chief Executive Officer
Volksbank Forchheim eG
Forchheim

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

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

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

DR. HERMANN STARNECKER
Member of the Board of
Managing Directors
VR Bank
Kaufbeuren-Ostallgäu eG
Marktoberdorf

HEINRICH STUMPF
Member of the Board of
Managing Directors
Augusta-Bank eG
Raiffeisen-Volksbank
Augsburg
(since August 2011)

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

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

ANTON ZWECK
Member of the Board of
Managing Directors
Raiffeisenbank im Naabtal eG
Nabburg

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

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

DEPUTY CHAIRMAN:
CHRISTOPH OCHS
Chief Executive Officer
VR Bank Südpfalz eG
Landau in der Pfalz

UWE ABEL
Chief Executive Officer
Mainzer Volksbank eG
Mainz

NORBERT ATZLER
Chief Executive Officer
PSD Bank Berlin-Brandenburg eG
Berlin

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

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

MANFRED BERNHART
Chief Executive Officer
Volksbank
Montabaur-Höhr-Grenzhausen eG
Montabaur

KURT BLETZER
Spokesman of the Board of Managing Directors
Raiffeisenbank Ried eG
Bürstadt
(until December 2011)

HANS-PETER BORN
Chief Executive Officer
Gross-Gerauer Volksbank eG
Gross-Gerau

WOLFGANG BRÜHL
Spokesman of the Board of Managing Directors
VR Bank
Biedenkopf-Gladenbach eG
Biedenkopf

ANDREAS DILL
Member of the Board of Managing Directors
Sparda-Bank Hannover eG
Hannover

THOMAS FLUCK
Chief Executive Officer
Raiffeisenbank
Friedelsheim-Rödersheim eG
Friedelsheim

MANFRED GERHARD
Spokesman of the Board of Managing Directors
VR Genossenschaftsbank
Fulda eG
Fulda

PETER HAFFELT
Member of the Board of Managing Directors
Dresdner Volksbank
Raiffeisenbank eG
Dresden
(until September 2011)

BERND HELL
Chief Executive Officer
LevoBank eG
Lebach

ANDREAS HOSTALKA
Member of the Board of Managing Directors
Volksbank Vogtland eG
Plauen

DIETER JERGENS
Member of the Board of Managing Directors
Vereinigte Genossenschafts- und Raiffeisenbank Westpfalz eG
VR-Bank Westpfalz
Landstuhl

GÜNTER JESSWEIN
Member of the Board of Managing Directors
Raiffeisenbank Trendelburg eG
Trendelburg

HUBERT KNEUSSEL
Member of the Board of Managing Directors
Volksbank eG Grebenhain
Grebenhain

WALTER KONRAD
Chief Executive Officer
Volksbank eG Darmstadt – Kreis Bergstrasse
Darmstadt

GERD KOSCHMIEDER
Member of the Board of Managing Directors
Volksbank Erzgebirge eG
Annaberg-Buchholz

CHRISTOPH KOTHE
Spokesman of the Board of Managing Directors
Volksbank Leipzig eG
Leipzig
(since December 2011)

HANS-JOSEF KREIS
Chief Executive Officer
Volksbank Saarlouis eG
Saarlouis
(until March 2012)

ECKHARD LENZ
Member of the Board of Managing Directors
Raiffeisenbank eG
Wolfhagen

HEINER LÖHL
Chief Executive Officer
Bank 1 Saar eG
Saarbrücken

MICHAEL MENGLER
Spokesman of the Board of Managing Directors
Vereinigte Volksbank Maingau eG
Obertshausen

PAUL MEUER
Chief Executive Officer
Rheingauer Volksbank eG
Geisenheim

KARL OPPERMANN
Member of the Board of Managing Directors
Waldecker Bank eG
Korbach

TILMAN RÖMPP
Member of the Board of Managing Directors
Volksbank Bautzen eG
Bautzen

MANFRED ROTH
Chief Executive Officer
VR Bank Weimar eG
Weimar

MANFRED RUMPF
Spokesman of the Board of
Managing Directors
Raiffeisenbank eG
Rodenbach
(since January 2012)

RAINER SCHÄFER-PRÖSSER
Member of the Board of
Managing Directors
Volksbank Heuchelheim eG
Heuchelheim
(since February 2011)

JÜRGEN SCHLESIER
Member of the Board of
Managing Directors
Raiffeisenbank Vogelsberg eG
Birstein
(until June 2011)

PETER SCHMITT
Chief Executive Officer
Raiffeisenbank eG
Grossenlüder

ERNST-KONRAD SCHNEIDER
Chief Executive Officer
Volksbank Wissmar eG
Wettenberg

BERNHARD SLAVETINSKY
Chief Executive Officer
PSD Bank Karlsruhe-Neustadt eG
Karlsruhe

DIETER STEFFAN
Deputy Chairman of
the Board of Managing Directors
Volksbank Alzey eG
Alzey

JÜRGEN WEBER
Chief Executive Officer
Sparda-Bank Hessen eG
Frankfurt am Main

HORST WEYAND
Chief Executive Officer
Volksbank
Rhein-Nahe-Hunsrück eG
Bad Kreuznach

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR NORTH/ EAST GERMANY

CHAIRMAN:
REINHARD SCHOON
Former Chief Executive Officer
Raiffeisen-Volksbank eG
Aurich

DEPUTY CHAIRMAN:
ANDREAS MERTKE
Member of the Board of
Managing Directors
Berliner Volksbank eG
Berlin

HANS-NISSEN ANDERSEN
Chief Executive Officer
Evangelische
Darlehnsgenossenschaft eG
Kiel

PETER BAHLMANN
Member of the Board of
Managing Directors
VR Bank
Oldenburg Land West eG
Hatten

GUIDO BLOCH
Member of the Board of
Managing Directors
Raiffeisenbank eG
Hagenow
(since February 2012)

MARTIN BRÖDDER
Member of the Board of
Managing Directors
Volks- und Raiffeisenbank
Prignitz eG
Perleberg

DR. REINER BRÜGGESTRAT
Spokesman of the Board of
Managing Directors
Hamburger Volksbank eG
Hamburg

JOHANNES BRUNS
Member of the Board of
Managing Directors
Ostfriesische Volksbank eG
Leer (East Friesland)
(until June 2011)

WERNER BRUNS
Member of the Board of
Managing Directors
Zevener Volksbank eG
Zeven

LÜBBO CREUTZENBERG
Member of the Board of
Managing Directors
Raiffeisen-Volksbank Fresena eG
Norden

JOSEF DAHL
Spokesman of the Board of
Managing Directors
Ostharzer Volksbank eG
Quedlinburg

HELMUT DOMMEL
Member of the Board of
Managing Directors
Raiffeisenbank
Mecklenburger Seenplatte eG
Waren (Müritz)

LUDGER ELLERT
Member of the Board of
Managing Directors
Volksbank Vechta eG
Vechta

HEIKO ERNST
Member of the Board of
Managing Directors
Volksbank Lüneburger Heide eG
Winsen

HEINZ FEISMANN
Member of the Board of
Managing Directors
Volksbank Süd-Emsland eG
Spelle

HOLGER FRANZ
Chief Executive Officer
Ostfriesische Volksbank eG
Leer (East Friesland)
(since August 2011)

ANDREAS FRYE
Chief Executive Officer
Volksbank Bösel eG
Bösel

ARMIN GERNHÖFER
Member of the Board of
Managing Directors
Volksbank eG
Seesen

UWE HEINEMANN
Member of the Board of
Managing Directors
Raiffeisen-Volksbank
Varel-Nordenham eG
Varel
(until February 2011)

MICHAEL HIETKAMP
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank eG
Hanseatic City of Greifswald

KLAUS HINSCH
Member of the Board of
Managing Directors
Raiffeisenbank eG
Hagenow
(until December 2011)

HERMANN ISENSEE
Spokesman of the Board of
Managing Directors
Volksbank
Wolfenbüttel-Salzgitter eG
Wolfenbüttel

ULI JELINSKI
Member of the Board of
Managing Directors
Raiffeisenbank Kalbe-Bismark eG
Kalbe (Milde)

GERD KÖHN
Member of the Board of
Managing Directors
Volksbank Jever eG
Jever

JOHANN LANDSBERG
Member of the Board of
Managing Directors
Volksbank Lübeck eG
Lübeck
(until December 2011)

HANS-JOACHIM LOHSKAMP
Member of the Board of
Managing Directors
Volksbank Uelzen-Salzwedel eG
Uelzen

HARALD LOTT
Member of the Board of
Managing Directors
Volksbank eG Westrhauderfehn
Rhauderfehn

JAN MACKENBERG
Member of the Board of
Managing Directors
Volksbank eG
Osterholz-Scharmbeck

JÜRGEN MANEGOLD
Spokesman of the Board of
Managing Directors
EDEKABANK AG
Hamburg
(since October 2011)

KLAUS MEHRENS
Member of the Board of
Managing Directors
Raiffeisenbank eG
Todenbüttel

WALTER MEYER
Member of the Board of
Managing Directors
Volksbank Elsterland eG
Jessen (Elster)

JOACHIM MEYER
Member of the Board of
Managing Directors
Volksbank eG
Nienburg (Weser)

GERHARD OPPERMANN
Deputy Spokesman of
the Board of Managing Directors
Hannoversche Volksbank eG
Hannover

MATTHIAS OSTERHUES
Member of the Board of
Managing Directors
Volksbank Oldenburg eG
Oldenburg
(since July 2011)

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

FRANK RAUSCHENBACH
Member of the Board of
Managing Directors
Volksbank Bramgau-Wittlage eG
Bramsche

ECKHARD RAVE
Member of the Board of
Managing Directors
Husumer Volksbank eG
Husum

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

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

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
VR Bank Neumünster eG
Neumünster
(until December 2011)

HOLGER WILLUHN
Spokesman of the Board of
Managing Directors
Volksbank Mitte eG
Duderstadt
(until October 2011)

ANDREAS WOBST
Member of the Board of
Managing Directors
Volksbank Einbeck eG
Einbeck
(since October 2011)

ADVISORY COUNCIL OF DZ BANK AG

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

DR. STELLA A. AHLERS
Chief Executive Officer
Ahlers AG
Herford
(since May 2011)

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

DR. GÜNTHER BECKSTEIN
Minister President (retired)
Munich

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

STEFAN DURACH
Managing Director
Develey Senf + Feinkost GmbH
Unterhaching

CONSUL COUNT ANTON WOLFGANG 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

DR. THEO FREYE
Spokesman of the Board of Management
CLAAS KGaA mbH
Harsewinkel

ROBERT FRIEDMANN
Spokesman of the Group Board of Managing Directors
WÜRTH GROUP
Rorschach (Switzerland) and Künzelsau

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

DR. WOLFGANG HEER
Spokesman of the Board of Managing Directors
Südzucker AG
Mannheim/Ochsenfurt

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

WILFRIED HOLLMANN
President
Zentralverband Gewerblicher Verbundgruppen e.V.
Berlin

DR. MARIETTA JASS-TEICHMANN
Managing Director
Papierfabrik Adolf Jass GmbH & Co. KG
Fulda
(since November 2011)

PROFESSOR DR. DR. H.C. ANTON KATHREIN
Managing Partner
Kathrein-Werke KG
Rosenheim

FRED KOGEL
Chairman of the Supervisory Board
Constantin Medien AG and Constantin Film AG
Ismaning/Munich
(until December 2011)

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

DR. HERBERT LANG
Chief Executive Officer
Sanacorp Pharmahandel GmbH
Planegg

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

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

BERNARD MEYER
Managing Director
MEYER WERFT GmbH
Papenburg

MARKUS MOSA
Spokesman of the Board of Managing Directors
EDEKA AKTIENGESELLSCHAFT
Hamburg
(until December 2011)

STEFAN MÜLLER
Member of the German Parliament
Berlin

MANFRED NÜSSEL
President
Deutscher Raiffeisenverband e.V.
Berlin

PROFESSOR EM. DR. ROLF PEFFEKOVEN
Johannes Gutenberg University of Mainz
Director
Institute of Financial Studies
Mainz

HERBERT PFENNIG
Spokesman of the Board of Managing Directors
Deutsche Apotheker- und Ärztebank eG
Düsseldorf

JÜRGEN RUDOLPH
Managing Director
Rudolph Logistics Group/ Rudolph Holding GmbH
Baunatal

DR. WOLF SCHUMACHER
Chief Executive Officer
Aareal Bank AG
Wiesbaden

JENS SCHWANEWEDEL
Chief Financial Officer
Verlagsgruppe Georg von Holtzbrinck GmbH
Stuttgart

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

GERD SONNLEITNER
President
Deutscher Bauernverband e.V.
Berlin

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

DR. UWE TILLMANN
Chief Executive Officer
Vion N.V.
HB Son en Breugel, Netherlands

PAUL-HEINZ WESJOHANN
Chief Executive Officer
PHW Group
Visbek

DR. MATTHIAS ZIESCHANG
Member of the Board of Managing Directors
Fraport AG
Frankfurt am Main
(since May 2011)

PRINCIPAL SHAREHOLDINGS OF DZ BANK

BANKS

Name & registered office	Group company[1]	Shareholding (%)
Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall	•	81.8
Ceskomoravska stavebni sporitelna a.s., Prague		45.0
Fundamenta-Lakáskassza Zrt., Budapest	•	51.2
Prvá stavebná sporiteľna a.s., Bratislava		32.5
Raiffeisen Banca Pentru Locuinte S.A., Bucharest		33.3
Sino-German-Bausparkasse Ltd., Tianjin		24.9
VR Kreditwerk AG, Schwäbisch Hall	•	100.0
Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento		25.0
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg	•	100.0
Deutsche WertpapierService Bank AG, Frankfurt am Main		50.0
DVB Bank SE, Frankfurt am Main	•	95.4
DZ BANK Ireland plc, Dublin[2]	•	100.0
DZ BANK Polska S.A., Warsaw		100.0
DZ BANK PRIVATBANK S.A., Luxembourg-Strassen[2]	•	70.0
DZ PRIVATBANK (Schweiz) AG, Zurich	•	100.0
Magyar Takarékszövetkezeti Bank Zártkörüen Müködö Részvénytársaság, Budapest		38.5
Österreichische Volksbanken-Aktiengesellschaft, Vienna		23.4
TeamBank AG Nürnberg, Nuremberg	•	92.1

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK AG or relevant parent
2 Letter of comfort from DZ BANK AG

OTHER SPECIALIZED SERVICE PROVIDERS

Name & registered office	Group company[1]	Shareholding (%)
DZ Equity Partner GmbH, Frankfurt am Main		100.0
Equens SE, Utrecht		31.1
EURO Kartensysteme GmbH, Frankfurt am Main		19.6
VR-LEASING Aktiengesellschaft, Eschborn	•	83.5
BFL Leasing GmbH, Eschborn	•	72.4
VR-BAUREGIE GmbH, Eschborn	•	100.0
VR DISKONTBANK GmbH, Eschborn	•	100.0
VR FACTOREM GmbH, Eschborn	•	100.0
VR-IMMOBILIEN-LEASING GmbH, Eschborn	•	100.0
VR·medico LEASING GmbH, Eschborn	•	100.0

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

ASSET MANAGEMENT COMPANIES

Name & registered office	Group company[1]	Shareholding (%)
Union Asset Management Holding AG, Frankfurt am Main	•	73.5
Quoniam Asset Management GmbH, Frankfurt am Main	•	100.0[2]
R+V Pensionsfonds AG, Wiesbaden (together with R+V Versicherung AG)	•	49.0
Union Investment Institutional GmbH, Frankfurt am Main	•	100.0
Union Investment Institutional Property GmbH, Frankfurt am Main	•	90.0
Union Investment Luxembourg S.A., Luxembourg	•	100.0
Union Investment Privatfonds GmbH, Frankfurt am Main	•	100.0
Union Investment Real Estate GmbH, Hamburg	•	94.0

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

INSURANCE COMPANIES

Name & registered office	Group company[1]	Shareholding (%)
R+V Versicherung AG, Wiesbaden	•	74.9
Condor Allgemeine Versicherungs-Aktiengesellschaft, Hamburg	•	100.0
Condor Lebensversicherungs-Aktiengesellschaft, Hamburg	•	95.0
KRAVAG-Allgemeine Versicherungs-Aktiengesellschaft, Hamburg	•	76.0
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft, Hamburg	•	51.0
R+V Allgemeine Versicherung Aktiengesellschaft, Wiesbaden	•	95.0
R+V Krankenversicherung AG, Wiesbaden	•	100.0
R+V Lebensversicherung AG, Wiesbaden	•	100.0
R+V Pensionsfonds AG, Wiesbaden (together with Union Asset Management Holding AG)	•	51.0

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

EDITORIAL INFORMATION

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

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

This annual report is available in electronic form on our website at www.annualreport.dzbank.com.

100%
Paper from well-managed forests
FSC® C006871
www.fsc.org

First Climate
Climate neutral print 70384

Volksbanken Raiffeisenbanken
cooperative financial network

DZ BANK Group