Volksbanken Raiffeisenbanken
cooperative financial network

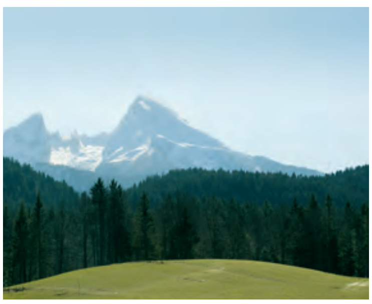



2013 ANNUAL REPORT
PARTNERSHIP FOR SUCCESS








DZ BANK Group

DZ BANK GROUP

PARTNER IN THE VOLKSBANKEN RAIFFEISENBANKEN COOPERATIVE FINANCIAL NETWORK

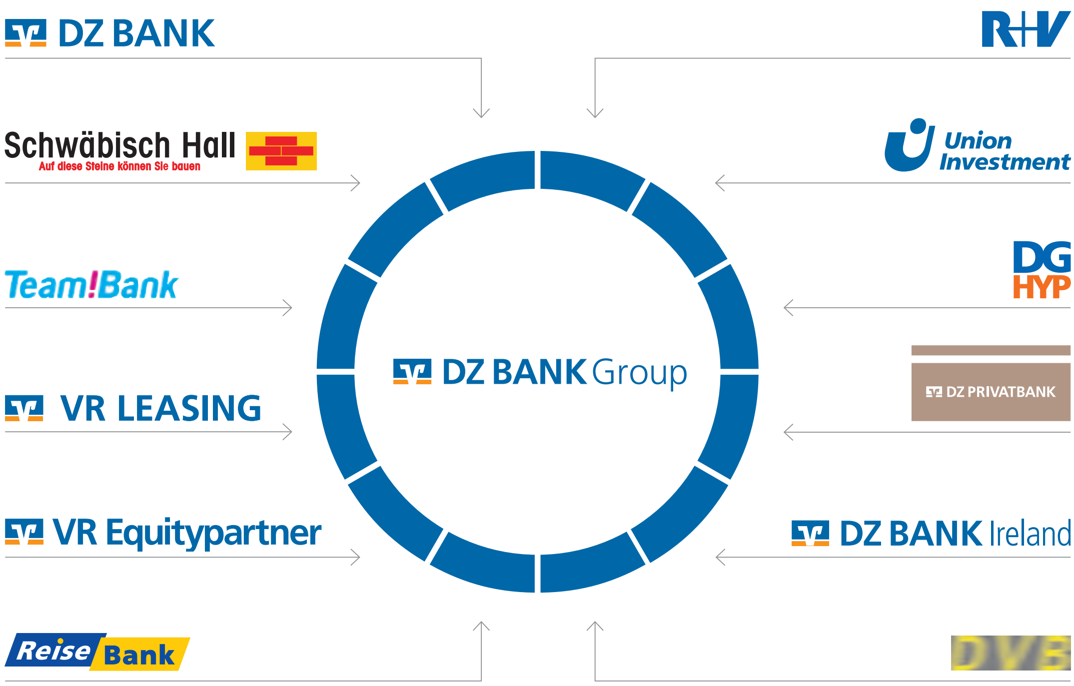
The DZ BANK Group forms part of the German cooperative financial network, which comprises some 1,100 local cooperative banks and is one of Germany's largest private-sector financial services organizations measured in terms of total assets. Within the cooperative financial network, DZ BANK AG functions 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 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



PRODUCT BRANDS

AKZENT Invest

easyCredit®

KEY FIGURES

DZ BANK GROUP

€ million	2013	2012
FINANCIAL PERFORMANCE		
Operating profit[1]	2,762	1,846
Allowances for losses on loans and advances	-540	-527
Profit before taxes	2,222	1,319
Net profit	1,467	969
Cost/income ratio (percent)	51.5	60.7

	Dec. 31, 2013	Dec. 31, 2012
FINANCIAL POSITION		
Assets		
Loans and advances to banks	74,214	79,429
Loans and advances to customers	121,726	123,811
Financial assets held for trading	52,857	66,709
Investments	56,875	59,792
Investments held by insurance companies	70,255	66,296
Remaining assets	11,051	11,199
Equity and liabilities		
Deposits from banks	91,361	100,596
Deposits from customers	98,548	92,169
Debt certificates issued including bonds	53,953	63,290
Financial liabilities held for trading	45,770	58,715
Insurance liabilities	67,386	63,260
Remaining liabilities	15,806	16,565
Equity	14,154	12,641
Total assets/total equity and liabilities	**386,978**	**407,236**
Volume of business[2]	**621,301**	**627,412**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	17.9	13.8
Tier 1 capital ratio (percent)	16.4	13.6
DERIVATIVES		
Notional amount	945,906	968,733
Positive fair values	23,145	37,831
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**28,962**	**28,227**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	A1	A1
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

CONTENTS

WOLFGANG KIRSCH (CHIEF EXECUTIVE OFFICER)

Dear Shareholders,

The DZ BANK Group's profit before taxes came to €2.22 billion in 2013. This equates to a year-on-year increase of 68.5 percent and is the highest profit reported in our banking group's history. This solid figure is founded on the stable operating profit generated by the entire DZ BANK Group. Every unit delivered a strong business performance.

The figures reported in these annual financial statements also indicate that the sovereign debt crisis in Europe has now eased: DG HYP, in particular, not only did well in its operating business, it also saw reversals of impairment losses in its portfolios of bonds from eurozone periphery countries – mirroring the write-downs that were required at what had been the peak of the crisis so far.

From left to right:
WOLFGANG KIRSCH (CHIEF EXECUTIVE OFFICER), LARS HILLE, FRANK WESTHOFF, ALBRECHT MERZ, STEFAN ZEIDLER, THOMAS ULLRICH, DR. CORNELIUS RIESE, WOLFGANG KÖHLER

Each group company made a positive contribution to these encouraging results:

DZ BANK AG enjoyed a good year, particularly in corporate banking. Our intensive joint marketing approach aimed at the German Mittelstand is beginning to bear fruit. In 2014, we will be continuing to press ahead with our corporate customer initiatives under the banner of 'Deutschland – made by Mittelstand', the cooperative financial network's advertising campaign. We delivered a similarly impressive performance both in transaction banking and, despite the challenging environment of low interest rates, in DZ BANK AG's network-oriented capital markets business, which we have focused even more sharply on business with the cooperative banks.

Bausparkasse Schwäbisch Hall achieved new record figures both in its new home savings business and in its home finance business. Union Investment earned net inflows in excess of €10 billion. R+V registered an encouraging year-on-year rise in premiums earned but was also negatively affected by large claims. TeamBank and DZ PRIVATBANK can also look back on a successful year. DG HYP continued to consolidate its position as one of the leading companies in the commercial real-estate finance business. VR Leasing is progressing well thanks to its focus on the needs of the local cooperative banks.

Net interest income in the DZ BANK Group totaled approximately €3.12 billion, down by 4.4 percent compared with the high level achieved in the previous year of €3.26 billion. The main reason for this decline was the reduced income from liquidity management at DZ BANK AG caused by the market situation. By contrast, there were particularly strong gains from DG HYP's commercial real-estate finance business and from TeamBank's larger consumer finance portfolio. Allowances for losses on loans and advances rose insignificantly, from €527 million in 2012 to €540 million in the reporting year. Net fee and commission income climbed by a substantial 7.8 percent to €1.1 billion thanks to Union Investment's very good business performance. Gains and losses on trading activities amounted to a net gain of €148 million, compared with €659 million in 2012, which had benefited from a significant narrowing of spreads. The level of gains and losses on investments improved from a loss of €442 million to a loss of €121 million. As far as other gains and losses on valuation of financial instruments were concerned, we achieved a gain of €1.1 billion (2012: loss of €276 million), above all because of reversals of impairment losses in DG HYP's bond portfolio. Net income from insurance business fell from €532 million to €373 million. Administrative expenses grew by 2.9 percent to approximately €2.94 billion due to the increase in regulatory requirements and market-related capital expenditure.

This impressive business performance overall is attributable to the hard work of the employees in the DZ BANK Group. My colleagues on the Board of Managing Directors and I would like to take this opportunity to express our sincere gratitude to them. In partnership with the cooperative banks, we once again demonstrated in 2013 that we can sustainably and successfully act as a reliable banking partner for the real economy. The encouraging start to 2014 has also reinforced our belief that we are following the right strategy.

2014 is a watershed year for Europe's major banks. The European Central Bank is preparing to take over banking supervision for those major banks in the eurozone whose total assets exceed €30 billion or 20 percent of their country's economic output. The establishment of this single supervisory mechanism marks the first step toward European banking union.

The banks overseen by the ECB, which include DZ BANK, will be kept busy by the Asset Quality Review and a further stress test this year. At DZ BANK, we are now benefiting from having begun to take comprehensive measures to strengthen our capital base from our own resources at an early stage. Retaining profits, further sharpening the focus of our business, and carefully managing risk-weighted assets enabled us to considerably raise our core Tier 1 capital ratio once again in 2013. This ratio had reached 9.2 percent at the end of 2013. If the first step in implementing Basel III/CRR is taken into account, the ratio would be 8.6 percent, which is above the minimum ratio of 8 percent required by the Asset Quality Review.

However, it remains difficult to predict how the regulatory situation will pan out. In Europe alone, more than 60 legislative initiatives on banking regulation are currently in the pipeline. Given these circumstances, our capital increase of €1.5 billion will underpin our already solid capital base so that we can meet the regulatory requirements. Exempting the central institution's contribution from the capital deduction at the level of our cooperative banks constitutes significant and fair support for our capital-strengthening measures. We are grateful that the banking regulator has recognized the special nature of our network structures and that the German government is raising our concerns on this matter at European level.

We on the Board of Managing Directors of DZ BANK are confident that our organization will rise to the particular challenge posed by our capital increase, satisfying the interests of everyone involved and with everyone playing their part. After all, DZ BANK is an attractive investment for its owners, from both a strategic and a business perspective. Our dividend proposal is also derived from this assessment. A dividend payment of €0.13 per share for 2013 will be proposed to the Annual General Meeting – an increase of 30 percent.

After two years of low growth rates, our economists predict a sharp rise in global gross domestic product of 3.6 percent for 2014. We believe that Germany will generate economic growth of over 2 percent in each of the next two years. There are also more and more signs that the other economies in the eurozone will grow slightly.

In 2014, we will not be able to sustain the earnings performance that we delivered in 2013 due, among other reasons, to one-off effects resulting from remeasurement. Given the current economic and political situation, there will continue to be significant uncertainty about the business performance of our sector. However, we are part of the successful cooperative financial network, whose domestic market in Germany is prospering. On this basis, we believe that we have good prospects for achieving earnings at the end of 2014 that are roughly on a par with the two previous years.

The increasingly apparent long-term challenges faced by our sector – low interest rates, the significant complexity of regulatory requirements, and changes in customer behavior – will place great demands on our cooperative organization over the years to come. There is no doubt that we are living in a time of huge upheaval, a 'saddle period' (Reinhart Koselleck) for our sector, but also for our society. Web 2.0 and demographic change are just two of the factors that will influence the banking world in the future. Criticism of not only the financial sector but also of our social market economy as a whole is on the increase.

The DZ BANK Group will continue to play its part in overcoming these shared challenges through its current initiatives, the most important ones being supporting our organization's key projects for the future such as 'webErfolg' and 'Beratungsqualität', strengthening the regional presence of DZ BANK AG's corporate banking business, and expanding business with wealthy private customers at DZ PRIVATBANK. We are confident that our customer-centric business model, coupled with our willingness to embrace change, will stand us in good stead for the future.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer

2013 ANNUAL REPORT
PARTNERSHIP FOR SUCCESS

The DZ BANK Group is firmly focused on consolidating the market position of the cooperative banks. Our range of services for the cooperative banks encompasses not only the management of liquidity and own-account investments but also, in particular, the development of efficient, market-driven products and services to support the banks’ customer business. These activities strengthen the financial services expertise of the cooperative financial network over the long term. The cooperative banks, who are both our shareholders and most important customers, recognize the contribution we make, as demonstrated by the findings of our most recent survey. Five board members at cooperative banks have explained to us in more detail the aspects of the partnership with the DZ BANK Group that they find especially relevant for their own banks.

“Currently, we are probably the most successful financial services group in Germany – and that is partly because the collaboration with DZ BANK and its subsidiaries works so well. We will therefore be making our full contribution to ensure that DZ BANK’s long-term capital adequacy requirements are satisfied.”

ANDREAS HOF
Chief Executive Officer,
VR Bank Main-Kinzig-Büdingen eG,
and Chairman of the Financial Services
Advisory Council for the DZ BANK Group

THREE QUESTIONS FOR ANDREAS HOF

01

What are the main features of your bank?

We are a regional cooperative bank with a total of 57 branches. Our territory covers parts of the Main-Kinzig district, eastern Wetterau, and the southern Vogelsberg hills. Our main local competitors are four savings banks. Moreover, the financial center of Frankfurt is not very far away, and we also face competition from the aggressive pricing tactics adopted by online banks. We have a broadly diversified range of both retail and corporate customers and are firmly rooted in our local area with a network of fully modernized branches. We have invested in our online banking service, which is proving very successful. And not least, we have the benefit of an excellent reputation in terms of trustworthiness, customer focus, and quality of service.

02

What does the partnership with DZ BANK mean for you in practice?

The aspects of the partnership that stand out are trust and empathy. For years now, we have maintained a dialog that is constructive, while at the same time we have not been afraid to voice criticism. This has been a highly successful approach. For example, in the corporate banking business, we have successfully implemented a payments processing initiative together with DZ BANK. In addition, we have been involved in significant joint projects related to renewable energies and risk transfer in connection with syndicated loans. The close collaboration with our central institution offers us well-defined benefits. We are therefore already backing DZ BANK's capital increase, which has been made necessary by the new regulatory requirements.

03

Which entities in the DZ BANK Group have proved to be a particularly successful source of collaboration?

DZ BANK's subsidiaries provide premium products and quality services. Ultimately, they make it possible for us to be a successful financial services provider. Our key partners in terms of steady fee and commission income are Union Investment, the R+V insurance group, and TeamBank. In the private banking business, we worked with DZ PRIVATBANK to successfully 'refine' our existing portfolio and to attract a notable volume of new business. In order to assemble greater expertise in online sales, both for ourselves and for the cooperative financial network, we are currently participating in a pilot project for online product sales in which we are acting as the bank on behalf of R+V Versicherung, Bausparkasse Schwäbisch Hall, and TeamBank. We are also collaborating with Union Investment and TeamBank on the reciprocal provision of job-shadowing opportunities for trainees.

VR BANK
MAIN-KINZIG-BÜDINGEN EG

2.32 billion
total assets as at December 31, 2013 (€)

approx. 600
employees (including subsidiaries)

56,867
cooperative members

57
branches (including 10 self-service centers)

BOARD OF MANAGING DIRECTORS

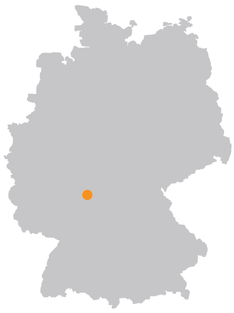
Andreas Hof
Chief Executive Officer

Manfred Bress
Deputy Chief Executive Officer

Bernd Stöhr
Member of the Board of Managing Directors

Roland Trageser
Member of the Board of Managing Directors

HEAD OFFICE



Büdingen

SUPERVISORY BOARD

Michael Harth
Chairman

CONTACT

www.vrbank-mkb.de

“The partnership with DZ BANK has proved to be a very positive experience. That is why we are supporting the capital increase of our central institution; it benefits the entire cooperative financial network.”

ANDREAS BÖHLER
Spokesman of the Board of Managing Directors, Volksbank Kraichgau Wiesloch-Sinsheim eG, and Chairman of the Banking Advisory Council of DZ BANK AG for Baden-Württemberg

THREE QUESTIONS FOR ANDREAS BÖHLER

01

What are the main features of your bank?

We are the largest regional cooperative bank in the Kraichgau region with total assets of more than €3.1 billion. Our region is very prosperous, and the competitive environment is consequently challenging. Both our corporate and private banking businesses are built on sound customer relationships that have grown over decades. Our committed team of employees is currently focusing on two strategic initiatives aiming to optimize the quality of advice and implement the 'webErfolg' project.

02

What does the partnership with DZ BANK mean for you in practice?

We have always taken a positive view of the partnership with DZ BANK. It is particularly encouraging that DZ BANK has significantly stepped up its focus on the interests of the primary banks in the last few years. It is implementing its strategy of 'Verbund First'. In practical terms, this is evident in corporate banking, for example, where we make use of DZ BANK's advisory services in connection with interest-rate hedges. As for the capital increase, we know that DZ BANK has already done a great deal to strengthen its capital base. It is solely because of the new regulatory requirements that DZ BANK now needs to undertake further capital increases. With our contribution, we will not only be reinforcing the stability of our central institution, but also be improving the future prospects for the cooperative financial network as a whole.

03

Which entities in the DZ BANK Group have proved to be a particularly successful source of collaboration?

On a day-to-day basis, we use the entire range of products from the DZ BANK Group. It is well known that our customers have high expectations, and one of the key services in both retail and corporate banking business is a review of the customer's insurance position known as R+V VersicherungsCheck. In the high-end private banking business, our Family Office service based in Wiesloch offers what are in many regards unique wealth management functions, combining advice on assets with a variety of investment, fund, and management services. The private-client funds and special funds offered by Union Investment are of particular interest to the high-net-worth individuals in this client segment. Over the years, we have always had a close relationship with Bausparkasse Schwäbisch Hall and benefited from the brisk demand for their products.

VOLKSBANK KRAICHGAU WIESLOCH-SINSHEIM EG

3.156 billion
total assets as at December 31, 2013 (€)

605
employees

approx. 52,000
cooperative members

46
branches

BOARD OF MANAGING DIRECTORS

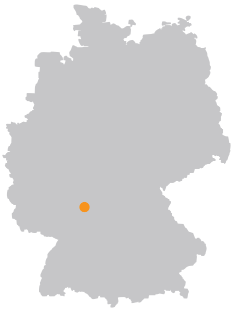
Andreas Böhler
Spokesman of the Board of Managing Directors

Thomas Geier
Deputy Spokesman of the Board of Managing Directors

Stefan Baumann
Member of the Board of Managing Directors

Wilhelm Rupp
Member of the Board of Managing Directors

HEAD OFFICE



Wiesloch-Sinsheim

SUPERVISORY BOARD

Dr. Thorsten Seeker
Chairman

CONTACT

www.vbkraichgau.de

"We collaborate with DZ BANK on an equal footing. As we are convinced that the cooperative model is sustainable for the future, we will be happy to contribute to the capital increase."

WOLFGANG VÖLKL
Spokesman of the Board of Managing Directors, Volksbank Raiffeisenbank Oberbayern Südost eG, and Chairman of the Banking Advisory Council of DZ BANK AG for Bavaria

THREE QUESTIONS FOR WOLFGANG VÖLKL

01

What are the main features of your bank?
The territory covered by our business comprises the Traunstein and Berchtesgadener Land rural districts, some of the most beautiful scenery in Bavaria. Total assets amount to approximately €1.5 billion. Our competitors are the banks and savings banks in the immediate vicinity and across the border in Austria. Our operating policy focuses on security, reliability, and on being close to our customers, both physically and mentally. However, our defining feature is our innovative strength.

02

What does the partnership with DZ BANK mean for you in practice?
DZ BANK's mandate focuses on the requirements and needs of the cooperative banks. We have made significant progress in this regard over the last few years. We are also guided by the tagline 'Verbund First' and collaborate with DZ BANK as equal partners. Furthermore, the communications between DZ BANK and ourselves are open and based on trust. Examples of shared projects include the joint credit business, support for customer events, workshops covering current issues and developments, as well as information exchange events for employees. We are therefore happy to make our contribution to the planned capital increase without any ifs or buts because we are in no doubt that the cooperative model will continue to be viable in the future.

03

Which entities in the DZ BANK Group have proved to be a particularly successful source of collaboration?
We enjoy an especially fruitful relationship with R+V Versicherung and Union Investment. One advantage of the products and services from the DZ BANK Group is that most customers are already familiar with their names. Furthermore, these financial service providers and their products have the benefit of an outstanding reputation, repeatedly reinforced by reviews in the specialist and popular press. For example, in times of low interest rates on savings, investments in funds are an appealing alternative to traditional savings or deposits for many investors. Our objective is to meet the requirements of any prospective customer by finding a fund that precisely matches the customer's demands and needs. Generally speaking, it is important to us to be able to offer the customer tailored solutions for each area of need. The broad range of products offered by the entities in the DZ BANK Group is invaluable in this regard.

VOLKSBANK RAIFFEISENBANK OBERBAYERN SÜDOST EG

1.5 billion
total assets as at December 31, 2013 (€)

552
employees (including subsidiaries)

approx. 30,100
cooperative members

46
branches

BOARD OF MANAGING DIRECTORS

Josef Frauenlob
Spokesman of the Board of Managing Directors
with responsibility for central sales, corporate customer sales

Wolfgang Völkl
Spokesman of the Board of Managing Directors
with responsibility for retail customer sales, human resources

Franz Brecht
Member of the Board of Managing Directors

Jürgen Hubel
Member of the Board of Managing Directors

HEAD OFFICE

Bad Reichenhall

SUPERVISORY BOARD

Maximilian Stadler
Chairman

CONTACT

www.vrbank-obb-so.de

“If we are to continue to be perceived by our customers as a quality service provider in the future, we need to be supported by the DZ BANK Group as a reliable, expert partner.”

CHRISTOPH OCHS
Chief Executive Officer,
VR Bank Südpfalz eG,
and Chairman of the Banking
Advisory Council of DZ BANK AG
for Central Germany

THREE QUESTIONS FOR CHRISTOPH OCHS

01

What are the main features of your bank?

Our cooperative bank has total assets of over €1.7 billion and 40 branches. It is a key partner for both business and retail customers in southern Palatinate. We have been actively involved in the development of our region for almost 150 years, providing stimulus and, where necessary, serving as the engine for the local economy. Current examples include our support for the 2015 State Garden Show at Landau, the site of the high-quality Schulze-Delitzsch-Carrée housing project that we have developed, and support for the creation of a regional wine center. In the case of the latter, we helped to attract top designer Michael Michalsky to work on the project.

02

What does the partnership with DZ BANK mean for you in practice?

A highly efficient, well-positioned central institution is indispensable to our business. We maintain a constructive dialog in a spirit of partnership at all levels and in relation to all issues. Moreover, it has been noticeable that DZ BANK has significantly sharpened its focus on the needs of the cooperative banks over the last few years. We now receive support exactly where we need it: in the management of market risk and income, in the planning for retail customer securities business, in the joint credit business, and in development lending. We have also worked with experts at DZ BANK to review our activities in our strategic business line of payments processing and to optimize our range of services for corporate customers through ProFi ZV.

03

Which entities in the DZ BANK Group have proved to be a particularly successful source of collaboration?

If we are to continue to compete in the marketplace as a cooperative bank, we must have at our disposal the range of products and services available from today's universal banks. We position ourselves as a quality provider, and the products and services that we do not develop ourselves must therefore satisfy our exacting criteria. It is in this regard that we place our trust entirely in the entities of the DZ BANK Group. Union Investment is one of the three largest providers of mutual funds in Germany. In R+V Versicherung, we have a very well-positioned partner in the insurance sector. Bausparkasse Schwäbisch Hall is also impressive, not only on the basis of size and brand recognition, but also because it can offer future-proof products. This broadly based and highly productive portfolio has provided the foundation for our success as a financial services provider.

VR BANK SÜDPFALZ EG

1.7 billion
total assets as at December 31, 2013 (€)

approx. 500
employees

approx. 47,000
cooperative members

40
branches

BOARD OF MANAGING DIRECTORS

Christoph Ochs
Chief Executive Officer

Jürgen Büchler
Member of the Board of Managing Directors

Jordan Clifford
Member of the Board of Managing Directors

HEAD OFFICE

Landau in der Pfalz

SUPERVISORY BOARD

Roland Eiswirth
Chairman

CONTACT

www.vrbank-suedpfalz.de

“The products and services offered by the DZ BANK Group help us to position Berliner Volksbank as an expert, customer-oriented financial services provider.”

ANDREAS MERTKE
Member of the Board of Managing Directors, Berliner Volksbank eG, and Chairman of the Banking Advisory Council of DZ BANK AG for North/East Germany

THREE QUESTIONS FOR ANDREAS MERTKE

01

What are the main features of your bank?

Our territory covers Berlin and the neighboring regions of Brandenburg, which are together home to a population of some 4.5 million people – a market that is both attractive and highly competitive. As our customer structure is highly diversified, we must offer suitable solutions for a huge range of customer needs. To provide professional advice for customers in key segments, such as real estate, renewable energies, and agriculture, we work in close collaboration with specialists. In retail banking business, we are steadily extending our range of online services so that we can provide a faster and more needs-oriented service for customers. Given these requirements, we rely on a division of tasks and the large range of products and services available in the cooperative financial network.

02

What does the partnership with DZ BANK mean for you in practice?

The key areas of collaboration are the money and capital markets, research, and the securities and syndicated business. The expertise and customer focus of our contacts at DZ BANK make a significant contribution to our money and capital markets business. It is important to us that we have access to a comprehensive range of information and are able to hold detailed discussions, including on a one-to-one basis. In the securities business, we particularly value the research services and the solution-oriented, unbiased advice and support available from DZ BANK. Even more active aftersales support would provide our employees with further assistance. We plan to defend and build on the strong market position enjoyed by our bank in the customer business. If this is to be successful, DZ BANK's expert advice and ability to develop products innovatively and rapidly in response to changes in conditions will be indispensable. In the syndicated business, there has been an increase in the volume of guarantees provided by DZ BANK for customer loans.

03

Which entities in the DZ BANK Group have proved to be a particularly successful source of collaboration?

Collaboration with all partners has been equally outstanding. The products and services offered by the entities in the DZ BANK Group help us to position Berliner Volksbank as an expert, customer-oriented financial services provider. In many cases, we have been able to achieve top ranking in terms of sales figures. This applies to the products and services from TeamBank, for example. We have achieved similarly impressive success with the marketing of real-estate finance products from Bausparkasse Schwäbisch Hall and fund products from Union Investment. In the case of DG HYP, we have succeeded in providing our customers with syndicated finance worth more than €0.5 billion.

BERLINER VOLKSBANK EG

10.10 billion
total assets as at December 31, 2013 (€)

2,063
employees

131,951
cooperative members

110
branches

BOARD OF MANAGING DIRECTORS

Dr. Holger Hatje
Chief Executive Officer

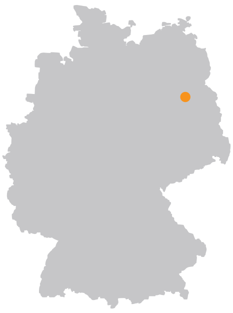
Stefan Gerdsmeier
Member of the Board of Managing Directors

Carsten Jung
Member of the Board of Managing Directors

Andreas Mertke
Member of the Board of Managing Directors

Tanja Müller-Ziegler
Deputy Member of the Board of Managing Directors

HEAD OFFICE



Berlin

SUPERVISORY BOARD

Stephan Schwarz
Chairman

CONTACT

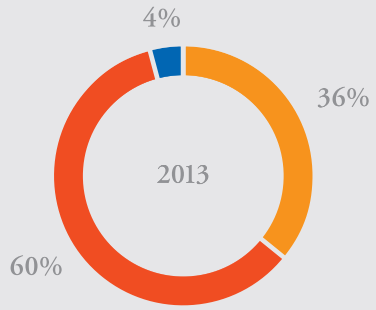
www.berliner-volksbank.de

SIGNIFICANT CONSENSUS

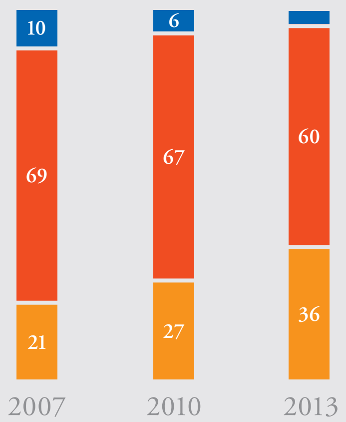
The cooperative banks rate the partnership with DZ BANK positively*

OVERALL SATISFACTION WITH
DZ BANK IN 2013
(%)

96%
of all banks are satisfied with DZ BANK.



The good satisfaction ratings have steadily improved since 2007.



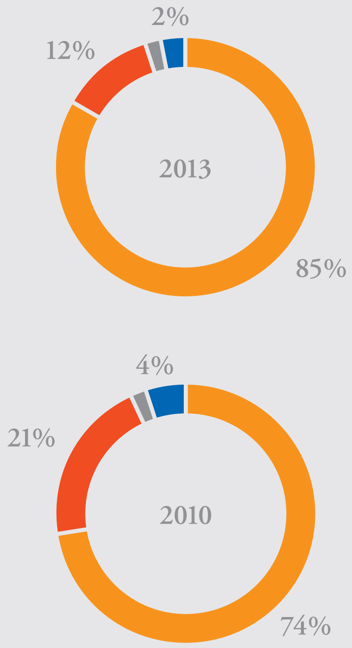
Extremely / very satisfied
Satisfied
Less satisfied / dissatisfied

* Customer satisfaction survey carried out by forsa on behalf of DZ BANK (results for 2007, 2010, 2013).
Interviewees: Board members of the cooperative banks in the territory covered by DZ BANK
Participants: 565 out of 902 banks (response rate of 63 percent)

POSITIONING OF THE DZ BANK GROUP AS A FINANCIAL SERVICES PROVIDER

85%

of board members of cooperative banks state that their market presence is supported over the long term by the financial products and services and financial services strategy of the DZ BANK Group (significant improvement compared with 2010).



Fully / mostly agree
Partly agree
Don’t agree especially / at all
Don’t know

PERCEPTION OF DZ BANK AS A RELIABLE PARTNER IN THE FINANCIAL CRISIS

90%

of all banks perceived DZ BANK as a reliable partner in the financial crisis as a result of its advice and support in connection with own-account investing activities.

STRATEGIC FOCUS AS A NETWORK-ORIENTED CENTRAL INSTITUTION IS HAVING AN EFFECT (%)

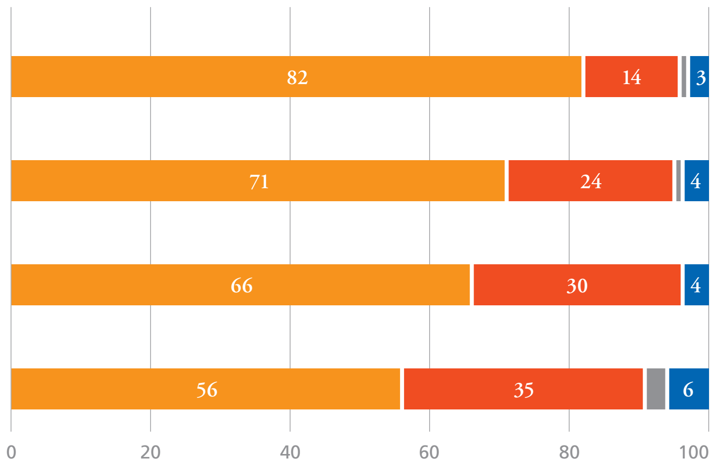
DZ BANK …

provides appropriate information about business and strategic developments

focuses its operating policy first and foremost on the cooperative banks

behaves as I would expect a central institution to behave

accommodates the needs and suggestions of the cooperative banks



Fully / mostly agree
Partly agree
Don’t know
Don’t agree especially / at all

AWARDS WON BY THE DZ BANK GROUP IN 2013

(SELECTION)

DZ BANK GROUP: EMPLOYER AWARDS

- Top Employers Institute's Top German Employer award 2013 given to Bausparkasse Schwäbisch Hall, DZ BANK, R+V Versicherung, TeamBank, Union Investment
- Other employer awards bestowed on entities in the DZ BANK Group include audit berufundfamilie® certification for the family-oriented HR policy at Bausparkasse Schwäbisch Hall, DG HYP, DZ BANK, R+V Versicherung, TeamBank, and Union Investment and, once again, the Top Job award for TeamBank

DZ BANK RESEARCH: FORECASTER OF THE YEAR AMONG OTHER TOP AWARDS*

- DZ BANK ranked no. 1 for economic forecasts for 2013 in an evaluation conducted on behalf of Süddeutsche Zeitung
- 1st place in the overall ranking (short and long-term interest rates, Dow Jones STOXX 50, DAX) issued by the Centre for European Economic Research (ZEW) for the best forecasts by banks
- Awards from StarMine (in cooperation with the financial newspaper Handelsblatt) for best broker for German equities in 2013, best sector analyst by earnings estimates in the insurance and consumer goods sectors, and best sector analyst by equities recommendations for the consumer goods sector

DZ BANK: AKZENT INVEST PRODUCTS RECOGNIZED – SERVICE RATED AS 'VERY GOOD'

- DZ BANK wins Investment Certificates House of the Year award for the 11th time in a row; DZ BANK among the top 3 in the overall assessment for the first time (certificates advisors together with DIE WELT, ZertifikateJournal, Börse Frankfurt, Börse Stuttgart, and Bloomberg)
- Study by the WELT Group and management consultancy Sapient Global Markets: DZ BANK takes 1st place for the first time in the investor service and transparency categories with a rating of 'very good'
- Börse am Sonntag: DZ BANK wins reader award for Best Investment Certificates Issuer
- In 2013, TÜV SÜD again thoroughly audited and issued its seal of approval for the Capital Markets Retail division's quality management system in customer service and its product development process

BAUSPARKASSE SCHWÄBISCH HALL: TOP RANKINGS AND GOLD STATUS

- Sector winner in the 2013 service ranking: Schwäbisch Hall was the only German building society to attain gold status in the Service-Champions competition run by ServiceValue GmbH, Goethe University Frankfurt am Main, and DIE WELT
- Euro am Sonntag magazine names Schwäbisch Hall as the Best Building Society of 2013, rating both its service and its advice as 'very good'
- Golden Effie award from the German Association of Communications Agencies (GWA) for the Heimat campaign

DZ PRIVATBANK: TOP COMMENDATIONS WON OR DEFENDED

- Rated as 'recommended' in the Best Managers of Foundation Assets in 2013 ranking
- Named one of the Elite Managers of Local Authority Assets in 2013 (Elite Report)
- 1st place defended in the All-time Best List of Asset Management on Test – the 'Europa League' of Asset Managers compiled by Fuchsbriefe-Verlag and Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen GmbH (IQF)
- Awarded magna cum laude in the Elite Report 2014 specialist magazine from Handelsblatt

EASY CREDIT: CONSUMER FINANCE EXPERT AGAIN WINS AWARDS FOR INNOVATION AND QUALITY

- Consumer finance expert easyCredit was the first entity to receive the Fairness in Consumer Finance certificate; the audit was conducted by DQS GmbH based on the new fairness criteria developed by Institut für Finanzdienstleistungen (iff), Hamburg, and the applicable system criteria of ISO 9001:2008
- easyCredit was the first entity to be honored by DQS for successfully implementing the new DIN SPEC 77224 specification 'Inspiring customers through service excellence'; this finding was reconfirmed in July 2013, when the highest rating was again achieved
- TeamBank AG with its easyCredit product has been awarded the TOP 100 seal of approval for innovation for the third time; the consumer finance expert in the cooperative financial network therefore remains one of the most innovative companies in the German Mittelstand

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

- R+V Versicherung AG's financial stability again assessed with a credit rating of AA- ('very strong') by rating agency Standard & Poor's
- R+V Lebensversicherung AG awarded the Insurer Financial Strength rating AA- ('very strong') by Fitch Ratings and commended as 'excellent' (mmm) by financial analysis service map-report; it also received the top rating of 5 stars from analysts Morgen & Morgen and from Professor Finsinger
- R+V Krankenversicherung AG given the top rating 'excellent' (mmm) by financial analysis service map-report for the 10th time in succession for its outstanding work over many years; its new R+V-Pflege FörderBahr long-term care product rated as 'very good' by Europäisches Institut für Kunden-Dialog (EIK)
- R+V Allgemeine Versicherung AG's casualty insurance is the winner in a test by Handelsblatt; Handelsblatt also commends its residential building insurance as 'very good'

UNION INVESTMENT: OUTSTANDING PERFORMANCE AT BOTH COMPANY AND PRODUCT LEVELS

- Union Investment comes out top in the multi-asset category of the 2014 Feri EuroRating Awards: Analysts Feri EuroRating Services declares Union Investment to be the best multi-asset manager in the German-speaking countries
- Union Investment Real Estate wins the 2013 Scope Investment Award in the European large portfolios category for its open-ended real estate fund UniImmo: Deutschland
- Union Investment awarded the top 5-star rating by Capital magazine in Capital-Fonds-Kompass for the twelfth time in succession

* In some cases, the awards received in 2013 relate to forecasts submitted in 2012.

HIGHLIGHTS OF 2013 FOR THE DZ BANK GROUP

(SELECTION)

DZ PRIVATBANK: 2013 MANAGEMENT FORUM

Our system of values has come under scrutiny since the financial crisis. A lack of values – or having the wrong values – is seen as partly responsible for the problems that have occurred. How valuable are our values? To what extent do they influence how we act? At DZ PRIVATBANK's management forum in March 2013, four distinguished speakers took part in a panel discussion entitled 'Our shared value compass: confidence, responsibility, commitment' in order to find the right answers to these questions. Around 300 board members and guests from the cooperative financial network took up the invitation to the forum, which was held to coincide with the Annual General Meeting in Luxembourg.

HEAD TO HEAD: THE DZ BANK DEBATE

Two people. Two opinions. One discussion. This was again the format for the debates held in 2013 between four well-known politicians on topical issues. At DZ BANK's offices in Berlin, Julia Klöckner and Karl Lauterbach exchanged verbal blows. And at the Wilhelma Theater in Stuttgart, Thomas Strobl went face to face with Cem Özdemir in an exciting discussion.

BAUSPARKASSE SCHWÄBISCH HALL: SEVEN MILLION CUSTOMERS

Schwäbisch Hall welcomed its seven millionth building society customer on March 7, 2013 at Volksbank Mittelhessen. The customer in question was 17-year-old Tizian Pfeiffer from Wettenberg near Gießen, who had taken out a home savings contract based on the new scale of rates and charges for young people at his local cooperative bank. Now with over seven million customers, Schwäbisch Hall is the largest building society in Germany and has a market share of more than 30 percent.

GROUPS VISIT DZ BANK IN FRANKFURT

In 2013, more than 110 groups from across Germany again visited DZ BANK in Frankfurt. The visitors included board members, supervisory board members, customers, bank trainees, students, and schoolchildren.

The main activities arranged for visitors are talks by inhouse speakers on subjects relating to developments at DZ BANK and in the financial markets. One of the highlights for visitors is always the outlook from the 50th floor of the 200m Westendtower, which offers stunning views over 'Mainhattan' – as Frankfurt is sometimes referred to. An individual program can be drawn up for groups on request.

DZ BANK CAPITAL MARKETS CONFERENCE: GERMANY AFTER THE PARLIAMENTARY ELECTIONS

The fourth capital markets conference took place on October 1, 2013 in Frankfurt. This year's topics were the consequences of central banks' monetary policies and the impact of regulation on capital markets. The economist Professor Jörg Rocholl presented various perspectives on the topic of whether the planned European banking union will be an effective regulatory and settlement system for Europe's banks. Professor Jürgen Stark and Professor Wolfgang Wiegard took part in a debate. Jürgen Stark has had many roles in which he has influenced Europe's single currency. He is regarded as an advocate of stability-oriented monetary policy, the independence of central banks, and robust public finances. By contrast, Wolfgang Wiegard is regarded as a pragmatic neoclassical economist. Although he believes the ECB's OMT program, which is a particularly controversial issue in Germany, is in a legal gray area, he regards it as legitimate and better than the alternative options.

BRAND HOUSE OPENS: A NEW HOME FOR THE SCHWÄBISCH HALL BRAND

Schwäbisch Hall is the first German building society to open a brand house, providing the opportunity for visitors to its headquarters to experience the Schwäbisch Hall brand. The brand logo is familiar to 87 percent of people in Germany, 89 percent of them associate the slogan 'bricks you can build on', and its catchy jingle, with Schwäbisch Hall, and no fewer than nine out of ten of those asked knew about the building society's fox mascot. "Bausparkasse Schwäbisch Hall is intrinsically linked with the notion of 'home'," emphasized Dr Matthias Metz, Chief Executive Officer of Bausparkasse Schwäbisch Hall. Various multimedia elements in the brand house will bring the Schwäbisch Hall brand to life.

UNION INVESTMENT: 2013 RISK MANAGEMENT CONFERENCE

Five years on from the start of the financial crisis and the situation in the markets remains challenging: On the one hand, low interest rates are forcing institutional investors to take greater risks while, on the other, regulation and smaller risk budgets are placing tighter restrictions on risk tolerance. Possible solutions to this dilemma were presented at Union Investment's eighth risk management conference, which was held on November 7, 2013. The prominent speakers included Hans-Werner Sinn, President of the ifo Institute of Economic Research, and Joseph Stiglitz, winner of the Nobel Prize for Economics.

DZ BANK: 2013 INVESTMENT DIALOG

The theme of the 2013 Investment Dialog, which took place at the Alte Oper concert hall in Frankfurt on September 11, 2013, was 'Young, old, diverse – demography as an opportunity'. In his opening speech, DZ BANK Chief Executive Officer Wolfgang Kirsch explained the risks and opportunities of demographic change from the perspective of the cooperative banks. Discussion leaders Corinna Wohlfeil and Christian Sievers talked to Friedrich Caspers, Chief Executive Officer of R+V, Raimund Becker from the German Federal Employment Agency, and Hermann Requardt, member of the Managing Board of Siemens AG, about what companies think of the scientific findings and political assessments of demographic change. Other standpoints were presented by Hessen's Minister President Volker Bouffier, generations researcher Professor Bernd Raffelhüschen, Fresenius SE's Chief Financial Officer Stefan Sturm, and Member of DZ BANK's Board of Managing Directors Lars Hille.

GROUP MANAGEMENT REPORT

I. DZ BANK Group fundamentals

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (DZ BANK), as the parent company in the DZ BANK Group, implements the transparency requirements as specified in section 315 HGB and complies with equivalent requirements in the relevant German accounting standard (GAS 20 Group Management Report) with the publication of this group management report.

1. BUSINESS MODEL

As a central institution, corporate bank, and holding company, DZ BANK and its core functions are focused closely on the local cooperative banks, which are its customers and owners. Its objective is to consolidate the position of the cooperative financial network as one of the leading financial services providers in Germany on a long-term basis.

Based on close cooperation with the local cooperative banks in their end-customer business and the decentralized provision of competitive products and services, the activities of the DZ BANK Group are a significant contributing factor in helping the cooperative banks to strengthen their market position. The primary banks also benefit from other types of assistance, including substantial financial support in the form of fees, commissions, bonuses, profit distributions, and the transfer of cost benefits.

The guiding principle followed by the DZ BANK Group is to fulfill the role of a network-oriented central institution and financial services group. The focus on network-based business is always given priority, especially in times when resources are in short supply.

In its role as a corporate bank, DZ BANK offers complementary services using existing products, platforms, and support activities. These services are constantly reviewed both from a strategic perspective (for example, so that there is no direct competition with the cooperative banks) and from an economic perspective (for example, so that the returns are appropriate and the risk acceptable).

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.

2. SUCCESSFUL STRATEGIC FOCUS AS NETWORK-ORIENTED CENTRAL INSTITUTION AND FINANCIAL SERVICES GROUP MAINTAINED

The 1,101 cooperative banks with their 13,211 branches serve 30 million customers, of whom more than half (a total of 17.3 million customers) are also members of the cooperative banks. This structure forms the basis for the success of the DZ BANK Group and is the foundation for one of Germany's largest financial services groups: the Volksbanken Raiffeisenbanken cooperative financial network.

During the course of 2013, the DZ BANK Group successfully strengthened its customer-oriented focus on the needs of the cooperative banks. The aim of the DZ BANK Group is to work hand in hand with the local cooperative banks to offer innovative products and efficient processes so that it can continue to position itself as one of the leading financial services groups in the years to come.

To achieve this aim, it is steadfastly pursuing a strategy of network-oriented growth, a consistent focus, and closer integration of the DZ BANK Group within the cooperative financial network, driven by its guiding principle, which is to be a network-oriented central institution and financial services group.

2.1. NETWORK-ORIENTED GROWTH

2.1.1. Corporate banking

Corporate banking is one of the core strategic business lines for the local cooperative banks and DZ BANK. DZ BANK has therefore put in place a number of organizational structures commensurate with the importance of the business line to the group. It has introduced a well-defined geographical organizational structure by establishing four regional corporate customer units, which are helping to increase customer focus. The further development of the joint marketing strategy with the local cooperative banks based on the ProFi DZ BANK customer relationship management system is also intended to enhance the profile of the cooperative financial network in the corporate banking market.

In addition to the focus on joint business with the local cooperative banks, DZ BANK continued its efforts to step up its direct business with medium-sized companies and major corporate customers in 2014. It is planned to maintain the successful 'Deutschland – made by Mittelstand' promotional campaign in 2014 that was initiated the previous year. The aim of the campaign is to ensure further expansion in business with small and medium-sized enterprises (SMEs) in Germany, the most important customer group in corporate banking as far as DZ BANK and the local cooperative banks are concerned. The campaign highlights the performance capabilities of the cooperative financial network.

One of the organizational refinements to support this business line has been to create a competence center for foreign business, which is responsible for handling all DZ BANK's international business with corporate customers. This interface to the relevant product and customer areas enables corporate customers of DZ BANK and of the local cooperative banks throughout Germany to obtain a comprehensive range of advice on international business. In another initiative to pool expertise, DZ BANK has also set up a competence center focusing on renewable energies.

The objective of this strategic realignment is to help the cooperative banks achieve greater penetration of the corporate banking market, in particular by increasing cross-selling activities.

2.1.2. Retail banking

DZ BANK's main focus of sales in the retail banking securities business in 2013 was on capital preservation investment certificates (capital guarantees and partial protection) and structured interest-rate investment certificates.

In the reporting year, DZ BANK was able to achieve further consolidation of its dominant position in the market for capital preservation certificates, increasing its market share by 3.0 percentage points to 53.5 percent, based on a strict quality strategy that places great emphasis on the priority investor requirements for guarantees, opportunities, and security.

2.1.3. Transaction banking

National systems for credit transfers and direct debits are being replaced by the Single Euro Payments Area (SEPA), which came into force on February 1, 2014, although there is a transition period up to August 1, 2014. DZ BANK has developed an action plan to enable it to work together with its partners in the cooperative financial network to actively help customers with the transition. The action plan includes all relevant aspects of the SEPA transition and is the subject of a comprehensive information and communication campaign launched by the bank.

During 2013, DZ BANK reached a milestone as a depositary when the value of assets held in custody passed the €100 billion mark. This makes DZ BANK the only German bank among the top 5 depositaries in Germany, the other four being international competitors.

Transaction banking has to operate within an environment of broad-ranging demands in terms of regulatory activities, innovation, and operational improvement. An example of new services offered to the local cooperative banks is DZ BANK's service for implementing the requirement to submit reports to a transaction register as stipulated in the European Market Infrastructure Regulation (EMIR). The comprehensive obligations and procedural measures in connection with submitting reports independently to a registered trade repository would require individual cooperative banks to commit a huge amount of time, effort, and expense. In line with the principles of the decentralized structure of the cooperative financial network, DZ BANK is therefore offering a service as a central institution that will enable the local cooperative banks to continue operating their derivatives business in the current form in the future.

2.1.4. Continuous growth of subsidiaries

In a persistently challenging market environment, the Union Investment Group was able to increase its volume of assets under management to an all-time high of €206.2 billion (as at December 31, 2013). The Union Investment Group expects to see this growth continue over the next few years, driven by the group's positioning as a central solutions provider for retail clients and risks/returns manager for institutional clients.

R+V Versicherung AG, Wiesbaden, (R+V) is one of the leading providers in the insurance market. In the year under review, it once again increased the premiums earned. It plans to ensure that it continues to achieve organic growth in the future by expanding its range of guarantee and combined insurance products as well as products specially developed for members and the network.

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH) was able to reaffirm its position as undisputed market leader in 2013. It achieved a marked rise in the number of new customers during the reporting year on the back of a successful new market positioning campaign with the tagline 'Du kaufst den wichtigsten Ort der Welt' [You are buying the most important place in the world]. BSH plans to use collaborative partnerships, for example with the R+V Group, to exploit other sales channels with the aim of attracting new customers to the cooperative financial network.

In the private banking business, DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK S.A.) already has cooperation agreements with close to 1,000 partner banks throughout Germany. It also operates under the premium VR-PrivateBanking brand, offering services specifically for particular target customers in collaboration with over 400 partner banks. It supports the decentralized cooperation by providing a wide range of services that the cooperative banks can then market independently. At the start of 2013, DZ PRIVATBANK S.A. gained additional customers by successfully acquiring and migrating the private banking business of Hauck & Aufhäuser Banquiers Luxembourg S.A., Luxembourg. The private banking portfolio acquisitions over the last few years have helped to attract new customers to the cooperative financial network as a whole. In 2013, the private banking market initiative in Germany generated total gross inflows of around €2 billion. As at December 31, 2013, the value of the portfolio of assets under management stood at €13.5 billion, roughly the same level as at the end of 2012.

On the back of the easyCredit product, TeamBank AG Nürnberg, Nuremberg, (TeamBank) in collaboration with the local cooperative banks managed to increase the cooperative financial network's share of the consumer finance market to 18.5 percent (as at December 31, 2013). Given increasing customer demand for a one-to-one advisory service supported by online communications, TeamBank has now set up a live video advice option. This is one of the ways in which it is planning to press ahead with the development of a multichannel capability to ensure that it retains its competitive edge and strong position in the market in the future.

2.2. CONSISTENT FOCUS

2.2.1 Further development in capital markets business

In 2013, DZ BANK focused its activities in the capital market business in order to meet the enhanced regulatory capital adequacy requirements and align business with the substantial changes in market conditions. In addition to organizational changes, DZ BANK also implemented various action plans to improve its income and cost position as well as adapt its range of products and services.

2.2.2 Strategic realignment at VR-LEASING AG continued

As part of its strategic realignment, VR-LEASING AG, Eschborn, (VR-LEASING AG) recently sold its construction management subsidiary VR BAUREGIE GmbH, Eschborn, and its Russian subsidiary FB-LEASING OOO, Moscow, (FB-LEASING). These disposals form part of a process in which VR-LEASING AG is refocusing on a range of finance solutions for customers of the cooperative financial network.

2.2.3 Commercial real-estate finance

Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) is continuing to concentrate its sales activities related to commercial real-estate finance on SMEs and the cooperative financial network. Portfolios in non-core business activities are also being systematically scaled back as part of the implementation of the realigned business strategy.

2.3. CLOSER INTEGRATION OF THE DZ BANK GROUP WITHIN THE COOPERATIVE FINANCIAL NETWORK

The DZ BANK Group works in close cooperation with the WGZ BANK Group and the special committees of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin, (BVR) [National Association of German Cooperative Banks] on critical future-related issues affecting the cooperative financial network. These issues include both corporate banking and the financial services strategy in retail banking.

The BVR's special 'Market' committee recently launched a project aimed at protecting competitiveness and long-term profitability in corporate banking. In this project, the cooperative financial network is defining the strategic challenges and areas of activity in relation to the small company and large/medium-sized company customer segments. The results can then be used as the basis for a project to develop marketing solutions for the local cooperative banks.

The development of a number of retail banking projects has continued, including the following:

In the BVR 'webErfolg' project, DZ BANK has provided assistance for the development of a network-wide integration architecture encompassing the individual websites of the local cooperative banks. The resulting IT architecture is now being tested and will form the basis for the future online activities of the cooperative financial network.

The objective of the BVR's 'Beratungsqualität' project is to create a uniform cooperative selling culture. To this end, the project is developing standardized, legally verified processes for the provision of holistic customer advisory services within the local cooperative banks.

2.4. CAPITAL MANAGEMENT

2.4.1. Regulatory challenges

Efforts to strengthen the capital base of the DZ BANK Group remain the top priority. Various measures that the bank has taken over the last few years have led to a significant increase in the Tier 1 capital ratio. These measures have included retaining earnings, taking steps in relation to long-term equity investments, and reducing the capital tied up in connection with certain portfolios that are being phased out, such as the asset-backed securities portfolio or selected European government bonds. Assuming the adjusted values as at December 31, 2013 on the basis of IFRS, and assuming that the regulatory legal basis valid from January 1, 2014, i.e. the Capital Requirements Regulation (CRR), had already come into force as at the reporting date and would have been applicable to the company, the core Tier 1 capital ratio would, as a consequence, have improved to 8.6 percent.

Although the current easing in the European sovereign debt crisis and the economic environment in Germany are giving cause for optimism, the DZ BANK Group's expectations for the new year are tinged with some apprehension.

In 2014, the DZ BANK Group is facing the largest capital increase in its history. Despite doubling the capital ratio over the last 5 years, the new regulatory requirements mean that it will be necessary to increase capital on a scale beyond anything that the DZ BANK Group can manage from its own resources. The support of the German cooperative banks will be required. Various events are being held to ensure that shareholders are provided with comprehensive information about the current situation and the prospects for the DZ BANK Group. A successful capital increase will enable the cooperative financial network to furnish proof of its robust cohesion and the strength of the group – a key factor in ensuring that the bank is viewed positively by the general public and continues to be awarded a good credit rating.

3. MANAGEMENT OF THE DZ BANK GROUP

3.1. GOVERNANCE

3.1.1. Integration within the cooperative financial network

The DZ BANK Group is a financial services group comprising entities that function as product specialists, providing the Volksbanken Raiffeisenbanken cooperative financial network with an entire range of financial services. Given the particular nature of the group, the Board of Managing Directors of DZ BANK consciously manages the group with a balanced centralized and decentralized approach with clearly defined interfaces and taking into account business policy requirements.

The three defining features of governance in the DZ BANK Group are the general management approach of the DZ BANK Group, appointments to key posts in the subsidiaries, and the committee structure.

For the purposes of managing the subsidiaries through appointments to key posts, a representative of DZ BANK is appointed in each case as the chairman of the supervisory body and generally also as the chairman of any associated committees (risk and investment committee, audit committee, human resources committee).

3.1.2. Corporate management committees

The **Group Coordination Committee** ensures coordination between the key entities 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 AG, Frankfurt am Main, (Union Asset Management Holding), VR-LEASING AG, and 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 retail customers, corporate customers, and institutional clients;
- international coordination;
- IT, operations, and resources strategies;
- human resources management;
- risk management.

The **Group Risk Committee** is the central committee in the DZ BANK Group responsible for proper operational organization and, in particular, risk management in accordance with section 25a (1a) and (1b) German Banking Act (KWG) in conjunction with section 25a (1) KWG. It assists DZ BANK with group-wide financial and liquidity management and provides support for risk capital management throughout the group. The Group Risk Committee also assists the Group Coordination Committee in matters of principle. The members of this committee include the relevant executives at DZ BANK responsible for Group Finance, Strategy & Controlling, Risk Control, Credit, and Group Treasury. The committee members also include representatives of the executives at those group companies with a material impact on the risk profile of the group. The Group Risk Committee has set up the following 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, and in matters relating to 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 body 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 entities. The monitoring and control of DZ BANK's credit portfolio is coordinated by the Credit Committee. This committee normally meets every two weeks and makes decisions on material lending exposures at DZ BANK, taking into account the credit risk strategy of both the bank and the group. The Credit Committee is also responsible for managing DZ BANK's credit risk and country risk throughout the DZ BANK Group.

– The **Market working group** is responsible for providing implementation support throughout the group in the following areas: liquidity management, funding activities, balance sheet structure management, market risk management, and equity management. This body also focuses on coordinating and agreeing funding strategies and liquidity reserve policies, as well as on planning the funding within the DZ BANK Group.

– The **Finance working group** advises the Group Risk Committee on matters concerning accounting, tax law, and financial regulation. The Finance working group considers accounting, tax law, and regulatory issues and their significance for the DZ BANK Group. It discusses new statutory requirements and works out possible implementation options.

The **Group IT Committee**, comprising the members of the boards of managing directors of the main group entities 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 makes decisions on collaboration issues, identifies and realizes synergies, and initiates joint projects.

The members of the **Group HR Committee** comprise the HR directors from the main group entities. This committee helps the Group Coordination Committee address HR issues of strategic relevance. The Group HR Committee initiates and coordinates activities relating to overarching HR issues while at the same time exploiting potential synergies. It also coordinates the groupwide implementation of regulatory requirements concerning HR systems and facilitates the sharing of HR policy information throughout the DZ BANK Group.

The **DZ BANK Group Heads of Internal Audit working group**, which is led by DZ BANK, coordinates group-relevant audit issues and the planning of cross-company audits and activities based on a common framework drawn up and approved by the relevant members of the Board of Managing Directors. This working group also serves as a platform for sharing specialist information across the group – especially information on current trends in internal audits – and for developing best practice in internal audit activities. The working group reports to the Chief Executive Officer of DZ BANK and, where appropriate, to the Group Coordination Committee.

Within the coordination model, **product and sales committees** are responsible for data gathering, coordination, and pooling functions relating to the range of products and services provided by the DZ BANK Group. The **retail customers** product and sales committee coordinates products and services, fee and commission models, and the marketing activities of its members where there are overarching interests affecting the whole of the group. The common objectives are to generate profitable growth in market share for the cooperative banks and the entities in the DZ BANK Group and to increase market penetration with network products from all the entities involved. The **institutional clients** product and sales committee helps to strengthen the position of the DZ BANK Group in the institutional clients market. In corporate banking, the **cross-selling committee**, whose members comprise representatives from the group entities, focuses on coordinating and integrating activities specifically aimed at agreeing, generating, and systematizing cross-selling activities between the group entities. This helps to support both the joint lending business with the cooperative banks and the direct corporate customer business of the entities in the DZ BANK Group.

The **International Coordinators working group** is the central, cross-departmental information platform for international activities in the DZ BANK Group. The working group gathers and distributes information on the various international activities and develops coordinated procedures.

Figure 1 provides an overview of the committees of particular importance in the management of the DZ BANK Group.

3.2. MANAGEMENT UNITS

In the Bank, Retail, Real Estate Finance, and Insurance operating segments, the DZ BANK Group comprises DZ BANK as the parent company, the DZ BANK Group's fully consolidated subsidiaries in which DZ BANK directly or indirectly holds the majority of the shares, and other long-term equity investments that are not fully consolidated.

All entities in the DZ BANK Group are integrated into groupwide management. In the case of subgroups, the disclosures in the group management report on management units relate to the entire subgroup comprising the parent company of the subgroup plus its subsidiaries and second-tier subsidiaries. From a formal, company-law perspective, the management units are managed by the parent company in the subgroup, which is responsible for compliance with management directions in the subsidiaries and second-tier subsidiaries. The management units are assigned to the operating segments, as follows:

- Bank operating segment:
  DZ BANK, DZ BANK Ireland plc, Dublin, (DZ BANK Ireland), VR-LEASING AG, and DVB Bank SE, Frankfurt am Main, (DVB) (including the respective subgroups)

- Retail operating segment:
  TeamBank, DZ PRIVATBANK S.A., and Union Asset Management Holding (including the subgroup)

- Real Estate Finance operating segment:
  BSH and DG HYP (including the respective subgroups)

- Insurance operating segment:
  R+V (including the subgroup)

These fully consolidated entities are material or important management units and form the core of the financial services group. DZ BANK forms a separate management unit from a higher-level perspective.

Until October 31, 2013, DZ BANK Polska was a separate management unit. The main operating activities of DZ BANK Polska were transferred to the newly established DZ BANK branch in Warsaw with effect from November 1, 2013.

3.3. KEY PERFORMANCE INDICATORS

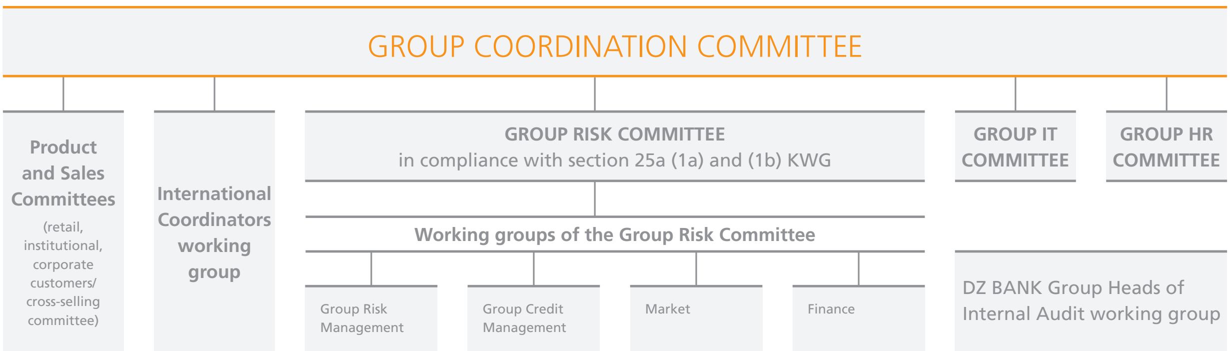
- **Profitability/IFRS profitability figures:**
  The profitability figures (operating profit/loss, allowances for losses on loans and advances, profit/loss before taxes, net profit/loss) are presented in section II.3.1. of this group management report.

- **IFRS volume figures:**
  One of the main volume KPIs is equity. Equity is presented in section II.4.

- **Productivity:**
  One of the main productivity KPIs is the cost/income ratio. This is presented in section II.3.1. of this group management report.

- **Capital adequacy:**
  The KPIs and the calculation method for economic capital adequacy are described in section V.7.2. of this group management report. The KPIs for regulatory capital adequacy are included in section V.7.3.

FIG. 1 – MANAGEMENT COMMITTEES IN THE DZ BANK GROUP



3.4. MANAGEMENT PROCESS

In the annual strategic planning process, the entities 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 entity 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.

Target attainment is monitored in a number of ways, including through quarterly meetings with the subsidiaries and the DZ BANK divisions.

Groupwide initiatives are implemented in order to unlock identified marketing potential. These include the development of new, innovative products and sales methods for the strategic business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking – in order to further strengthen sales by the DZ BANK Group and the local cooperative banks. Regular reports on the individual initiatives 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.

At DZ BANK level, the main divisions involved in the strategic planning process are Strategy & Controlling, Risk Control, Group Finance, and Research and Economics. The planning coordinators in the market units and the subsidiaries are also incorporated into the process. The Strategy & Controlling division is responsible for overall coordination, including strategic financial planning as part of the strategic planning process.

II. Business report

1. ECONOMIC CONDITIONS

Over the reporting year, average inflation-adjusted gross domestic product (GDP) in Germany increased by 0.4 percent year on year.

Against the backdrop of an unusually long winter period, economic output in Germany remained static in the first quarter of 2013 compared with the previous quarter. Over the rest of the year, the domestic economic climate brightened with aggregate output up by 0.7 percent in the second quarter, 0.3 percent in the third quarter, and 0.4 percent in the fourth quarter, in each case compared with the preceding quarter.

In **individual European countries** economic growth continued to vary significantly in 2013. Overall economic output in the countries of the European Monetary Union once again declined slightly during the year. The economies throughout the entire eurozone continued to be constrained in 2013 by austerity measures taken as part of economic and financial policies in the countries on the periphery to overcome their high budget deficits and lack of competitiveness.

In the EU countries as a whole however, a weak start to the year in which economic output fell by 0.1 percent in the first quarter of 2013 compared with the previous quarter – a continuous run of 6 quarters with a negative growth outlook – was finally followed by an improvement again in the second quarter, with output up by 0.3 percent. This overall positive trend for the eurozone (even though driven for the most part by just a few of the EU core countries) was sustained through the third and fourth quarters of 2013, in which output was up on the preceding quarter by 0.1 percent and 0.3 percent respectively.

Consumer sentiment in the eurozone improved significantly during the second half of 2013 despite the tough conditions in the labor market overall. A more promising outlook for corporate capital investment also gradually continued to emerge, particularly with the manufacturing sector reporting a rise in new orders in the last two quarters of 2013.

The **United States** achieved only muted economic growth in 2013, despite continuing to pursue a markedly expansionary monetary policy. Even though Democrats and Republicans were unable to reach an agreement in the reporting year on necessary fiscal consolidation measures, some previously agreed spending cuts did come into force during the year with the effect of damping down the US economy. The first signs of easing in the US labor market appeared with a further drop in the unemployment rate during the course of the year. The US economy was given some impetus however, mainly by the trend in residential construction. After years in the doldrums, the US housing market was once again able to provide a considerable boost to growth in the reporting year.

In the **emerging markets in Asia and Latin America**, economic growth lost some of its pace in 2013. Discussions surrounding a possible imminent change of direction in the United States, involving restrictions on its expansionary monetary policy, led to an outflow of capital from the emerging markets in the reporting year. Nevertheless, demand from the emerging economies again provided strong stimulus for growth and a boost for exports in Germany.

Adjusted for inflation, consumer demand once again rose year on year in **Germany** and, as in 2012, made a considerable contribution to the country's economic growth. The willingness of consumers to spend was given a push by the healthy position in the jobs market and the persistently low levels of interest available on savings. At the same time however, businesses remained unenthusiastic about spending on capital equipment as a result of the uncertainty caused by the crisis in the eurozone.

In Germany, additional tax revenues generated on the back of an upturn in economic performance during the course of 2013 limited the overall federal budgetary deficit for the year to 0.1 percent of gross domestic product.

2. THE BANKING INDUSTRY AS EUROPEAN SOVEREIGN DEBT CRISIS BEGINS TO EASE

Trends in **European capital markets in the year under review benefited from the provision of an adequate level of liquidity by the European Central Bank** (**ECB**). Since the beginning of 2012, the ECB has made **2 three-year tenders available to the financial markets with a total value of around €1 trillion,** the drawdown of which had declined markedly by the end of the year under review. In order to ensure the continued provision of liquidity for the financial markets, **the ECB stated at the beginning of November 2013 that it would be maintaining its full allotment policy until mid-2015.**

Back in the summer of 2012, Cyprus had submitted **a request for financial assistance to its euro partners.** In **January 2013** the **rating agencies Moody's and Fitch downgraded Cyprus' credit rating from B3 to Caa3 and from BB- to B respectively.**

Following a further deterioration in the financial crisis in Cyprus, **EU finance ministers meeting in Brussels on March 15/16, 2013** decided on a **bailout for the country of up to €10 billion with the involvement of the International Monetary Fund** (**IMF**).

An agreement between the EU finance ministers, the IMF, and the Cypriot government was not reached until March 25, 2013. This agreement provided for **extensive restructuring at** the two major banks in the country, **Laiki Bank – which was to be subsequently closed – and Bank of Cyprus**, together with the requirement that a radical share **of the liabilities would have to be assumed by the shareholders, bondholders, and depositors** (**if deposits had a value greater than €100,000**).

In mid-April 2013, the German parliament voted in favor of the €10 billion bailout for Cyprus. Most of these funds (**€9 billion**) **were to be provided under the European Stability Mechanism** (**ESM**). The balance of the bailout funds amounting to **€1 billion was to be provided by the IMF.** In return, the **Cypriot parliament voted** by a slim majority on April 30, 2013 **to implement a comprehensive program of cuts amounting to €13 billion.**

Having held parliamentary elections on February 24/25, 2013, Italy underwent a period of almost 2 months without any party being able to form a **workable majority with which to govern. On March 8, 2013, Fitch lowered Italy's credit rating by a notch to BBB+** in view of the political uncertainty created by this situation. It was only after the re-election of Giorgio Napolitano as President in mid-April 2013 that **future Prime Minister Enrico Letta** succeeded in **forming a coalition government with a suitable majority at the end of April 2013. This government was replaced in February 2014 by a government led by a new Prime Minister, Matteo Renzi.**

On July 9, 2013, Standard & Poor's downgraded Italy's credit rating from BBB+ to BBB with a negative outlook, citing the low prospects for growth in the economy.

Further waves of uncertainty were sent through financial markets **at the beginning of April 2013 when the Portuguese Constitutional Court ruled that key elements in the 2013 austerity budget** submitted by the Portuguese government led by Prime Minister Pedro Passos Coelho **were in breach of the constitution. At the start of May 2013, the Portuguese government** therefore decided on **new spending cuts worth €1.8 billion** in order to meet the restructuring conditions imposed by international lenders.

In mid-2013, EU finance ministers decided to follow a corresponding decision made by the EU Commission at the end of May 2013 **and allow some member states more time to lower their budget deficits below the threshold of 3 percent of economic output** in the country concerned. Besides **deadline extensions for Spain** (**until 2016**), the ministers also approved **longer deadlines for France, Portugal, and Slovenia** (**until 2015**) **and for the Netherlands and Poland** (**until 2014**). The excessive deficit procedure that had been initiated against a number of EU countries, including Italy, was stopped because these countries had since managed to reduce their excessive deficits.

After **Standard & Poor's had confirmed the United Kingdom's top rating of AAA at the beginning of April 2013**, (albeit with **outlook negative**), **Fitch** followed the lead given by Moody's 2 months previously **and downgraded the United Kingdom on April 19, 2013 by one notch to AA+**. By contrast, **Fitch upgraded** the **credit rating of Greece** by a notch **from CCC to B- in mid-May 2013. On July 3, 2013, Standard & Poor's moved Cyprus's credit rating up from SD to CCC+.**

On the same day, Standard & Poor's lowered the long-term rating for 3 of the major banks (Barclays, Deutsche Bank, and Credit Suisse) from A+ to A citing the reduced earnings potential in investment banking, enhanced regulatory requirements, and the general uncertainty in the market environment.

France lost its top rating from Fitch on July 12, 2013, which cut the country's credit score to AA+. Fitch said that it had taken this step predominantly because the country's debt ratio was likely to remain at a high level for a long time. **At the beginning of November 2013, Standard & Poor's downgraded France's credit rating from AA+ to AA but raised the outlook from 'negative' to 'stable'.**

On November 29, 2013, Standard & Poor's lowered the rating for the Netherlands from AAA to AA+ citing the worsening growth prospects, making it more difficult for the country to carry out rapid fiscal consolidation. On the same day, Standard & Poor's **raised its long-term rating for Cyprus from CCC+ to B-, and also adjusted the outlook attaching to Spain's BBB- rating to 'stable'.**

In mid-October 2013, EU finance ministers unanimously approved the **procedure for the introduction of the regulation governing the single supervisory mechanism (SSM). As a result of this regulation, responsibility for the direct supervision of the largest banks in the eurozone (and in other European countries that join the SSM) will be transferred to the ECB.** The change affects approximately 130 banks that have total assets in excess of €30 billion, or that are important to the economy of the European Union or a member state, or that are important at an international level. **DZ BANK is among the banks that are expected to be supervised by the ECB from the autumn of 2014, following the completion of a comprehensive assessment.**

At a **meeting held on June 20/21, 2013** in Luxembourg, **EU finance ministers had reached an agreement on the conditions under which the ESM could be used for direct recapitalization of struggling banks. However, a direct bailout under the ESM for major banks** to save them from failure could **not** be considered **until the single supervisory mechanism under the auspices of the ECB was in place and operational. Furthermore, national parliaments would first have to approve the expansion of the role of the ESM.** One of the provisions in the resolution directive agreed by the finance ministers is that, before any such bailout, **shareholders, creditors, and depositors with credit balances of more than €100,000 would also have to contribute to the rescue.**

In a further step toward a standardized resolution mechanism for struggling banks, **Michel Barnier, European Commissioner for Internal Market and Services, had presented draft legislation for the single resolution mechanism (SRM) on July 10, 2013.** In addition to **creating a resolution fund to be funded by the banks**, the draft also provides for a **central resolution committee with representatives from the national supervisory authorities, the EU Commission, and the ECB. EU finance ministers agreed this resolution mechanism in mid-December 2013 subject to the proviso that the resolution committee would also have ultimate decision-making authority over the resolution of a bank.** However, the EU Commission would also be granted a right of objection in this regard. If this right were to be enforced, EU finance ministers would make the final decision. Individual details are still being negotiated by the EU institutions involved.

In addition, **negotiators from the EU Parliament and Council Presidency reached agreement in mid-December 2013 on the principles of a bail-in system.** These principles, which will come into effect from 2016, specify that primarily the **shareholders, creditors, and depositors with balances of more than €100,000 must be the first in line to help rescue a bank.** At the same time, it was decided that **support for struggling banks from public funds would only be considered**

in exceptional cases and only if an amount equivalent to 8 percent of the liabilities of the bank concerned could be made available under the bail-in system referred to above.

It was also specified in the agreement that **funds were to be set up in the EU member states** to be used in connection with the recovery or resolution of banks. **Contributions from the banks are to be used to build up the funds so that they reach a target level of 1 percent of the covered bank deposits in the country concerned by 2025.** However, the length of the accumulation phase is still the subject of negotiations between the EU institutions.

The Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups (**Bank Separation Act**), which was passed by German lawmakers on June 8, 2013, includes greater liability for the managing directors of financial institutions as part of their risk management obligations and a duty for systemically important banks to draw up precautionary restructuring plans in case of crisis, known as recovery plans. In addition, the Act **obliges banks to segregate certain non-customer-related securities transactions recognized on the balance sheet under 'financial instruments held for trading' and 'available-for-sale financial assets' in self-contained subsidiaries** that are separate from other divisions **if the total volume of these transactions exceeds €100 billion or 20 percent of total assets**.

Although the DZ BANK Group exceeds these thresholds, its securities portfolios make a significant contribution to the cash-pooling function allowed for in the Bank Separation Act, which is typical of network structures, or **they are held on behalf of customers**. Both of the scenarios are believed to be exceptions to the banking segregation rules specified above, but any exemption is subject to a decision by the regulators.

Draft legislation published by EU Commissioner Michel Barnier on January 29, 2014 governing the structural separation of banks provides for a ban on proprietary trading for banks with total assets of more than €30 billion and trading business that exceeds €70 billion or 10 percent of total assets. The ban is also intended to apply to investments in certain alternative investment funds (AIF). Under the proposed rules, **regulators would also be given a significant degree of discretion to require the transfer of other trading activities.** The proposed regulation provides for a **ban on proprietary trading from 2017**. It is not yet possible to assess the implications from this draft legislation because the final version of the proposed regulation text has not yet been agreed.

In 2013, **international capital markets continued to be influenced by the expansionary monetary policies of the central banks**. While the **ECB** focused on **providing liquidity directly** to banks in the eurozone, the **central banks in the United States, United Kingdom, and Japan** made liquidity available by **buying up securities on a large scale**.

As a result of the **ECB lowering its key interest rate by 25 basis points to 0.50 percent on May 2, 2013** and, a day earlier, the Federal Reserve (Fed) confirming that it would continue with its policy of quantitative easing, both the DAX and the Dow Jones hit historic highs in early May 2013.

When **the Fed indicated on May 22, 2013 that there was a possibility it could trim back its existing monthly bond-buying of US$ 85 billion in the future**, this triggered a drop in market prices in almost all asset classes. It was then evident that this was followed by a flow of investor capital back from the emerging markets to the industrialized countries in the expectation of an improving return on assets henceforward. To pre-empt possible interest-rate rises in the eurozone on the back of the Fed's announcement, **Mario Draghi issued** the ECB's first ever forward guidance on interest rates **in early July 2013, which stated that interest rates would remain at the current low level for a long time and might even be lowered again.**

To widespread surprise, the Fed decided in mid-September 2013 to maintain its monthly bond-buying policy at the existing level, stating that it still needed to wait for more evidence of a sustained economic recovery. One of the consequences of this monetary policy decision by the Fed was a sharp rise in market prices.

In view of the improvement in economic data, **the Fed decided on December 18, 2013 to cut its monthly bond-buying by US$ 10 billion to US$ 75 billion from January 2014.** At the same time, the Fed stressed that it also intended to keep interest rates at the current low level, even if the unemployment rate in the United States fell below the current target of 6.5 percent. In a second step, **the Fed announced on January 29, 2014 that it was scaling back its monthly bond purchases by a further US$ 10 billion to US$ 65 billion from February 2014.**

Similarly unexpectedly, and in response to the marked drop in the rate of inflation in the eurozone, **the ECB lowered its key interest rate in early November 2013 by a further 25 basis points to a record low of 0.25 percent.** The DAX responded by soaring to a record high, and bond yields slipped significantly.

Almost without exception, **the major German banks** suffered a contraction in operating income during 2013, primarily as a consequence of the prevailing low interest rates. In some cases, the allowances for losses on loans and advances recognized by banks increased markedly compared with 2012. Administrative expenses rose moderately for the most part.

3. FINANCIAL PERFORMANCE

3.1. 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 2013.

The year-on-year changes in the key figures that made up the net profit generated by the DZ BANK Group in the reporting year were as described below.

Operating income in the DZ BANK Group amounted to €5,699 million (2012: €4,701 million). This figure comprises net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

Operating profit, i.e. the difference between operating income and administrative expenses, rose by €916 million in 2013 to €2,762 million (2012: €1,846 million).

Net interest income (including income from long-term equity investments) in the DZ BANK Group decreased by 4.4 percent year on year to €3,118 million (2012: €3,260 million).

In the Bank operating segment, net interest income rose in the DVB subgroup by €4 million and in the VR LEASING subgroup (VR LEASING) by €4 million, but declined at DZ BANK (excluding income from long-term equity investments) by €86 million. In the Retail operating segment, net interest income at TeamBank increased by €21 million, but in contrast decreased at DZ PRIVATBANK – comprising DZ PRIVATBANK S.A. and DZ PRIVATBANK (Schweiz) AG, Zurich, (DZ PRIVATBANK Schweiz) – by €36 million. In the Real Estate Finance operating segment, net interest income at DG HYP was up by €23 million, but in the BSH subgroup down by €13 million.

Income from long-term equity investments in the DZ BANK Group amounted to €130 million in 2013, a similar figure to that achieved in 2012 (€122 million).

Allowances for losses on loans and advances in the reporting year amounted to €540 million (2012: €527 million).

The net addition to specific loan loss allowances for the group amounted to €524 million (2012: €525 million). In the case of the portfolio loan loss allowances for the group, the net addition was €21 million in 2013 compared with a small net reversal in 2012 of €9 million.

Further detailed disclosures regarding the risk situation in the DZ BANK Group can be found in this group management report in V. Opportunity and risk report.

Net fee and commission income in the DZ BANK Group increased by 7.8 percent to €1,104 million (2012: €1,024 million).

In the Bank operating segment, net fee and commission income declined by €7 million at DZ BANK and by €2 million in the DVB subgroup. However, in the Retail operating segment, this figure was up by €87 million in the Union Investment Group and by €19 million at DZ PRIVATBANK, but down by €7 million at TeamBank. Net fee and commission income in the Real Estate Finance operating segment fell by €12 million in the BSH subgroup.

The DZ BANK Group's **gains and losses on trading activities** in 2013 came to a net gain of €148 million compared with a net gain of €659 million for 2012.

This was largely attributable to the gains and losses on trading activities at DZ BANK amounting to a net gain of €97 million (2012: €615 million).

Gains and losses on investments in the DZ BANK Group amounted to a loss of €121 million, although this represented a year-on-year improvement (2012: loss of €442 million).

The figures under Consolidation/reconciliation in 2012 had included a loss of €71 million that had arisen in connection with the investment in the Österreichische Volksbanken-AG Group. Following the loss of significant influence over this group in 2012, the group was then no longer included in the consolidated financial statements using the equity method. The Consolidation/reconciliation figures in 2012 had also included impairment losses of €22 million relating to Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento. Corresponding impairment losses were also recognized in 2013 in an amount of €7 million.

In the year under review, the DZ BANK Group recognized losses on disposals (to optimize capital) and impairment losses in a total amount of €87 million in connection with asset-backed securities (ABSs) (2012: losses of €225 million).

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a gain of €1,100 million in 2013 (2012: loss of €276 million).

FIG. 2 – INCOME STATEMENT

€ million	2013	2012	Change (%)
Net interest income	**3,118**	3,260	-4.4
Allowances for losses on loans and advances	**-540**	-527	2.5
Net fee and commission income	**1,104**	1,024	7.8
Gains and losses on trading activities	**148**	659	-77.5
Gains and losses on investments	**-121**	-442	-72.6
Other gains and losses on valuation of financial instruments	**1,100**	-276	>100.0
Net income from insurance business	**373**	532	-29.9
Administrative expenses	**-2,937**	-2,855	2.9
Staff expenses	-1,513	-1,478	2.4
Other administrative expenses[1]	-1,424	-1,377	3.4
Other net operating income	**-23**	-56	-58.9
Profit before taxes	2,222	1,319	68.5
Income taxes	**-755**	-350	>100.0
Net profit	**1,467**	969	51.4

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

Of the figure reported for the group in 2013, a gain of €1,028 million was accounted for by DG HYP in the Real Estate Finance operating segment (2012: loss of €247 million).

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. In 2013, this figure decreased by 29.9 percent to €373 million (2012: €532 million).

This change in the net income from insurance business was the net result of a number of factors, including on the one hand a rise in premium receipts, but on the other hand significantly lower gains and losses on investments held by insurance companies, higher claims costs in non-life insurance, and a higher addition to the benefit reserve in the life insurance and health insurance business. In 2012, the net gain on investments held by insurance companies had been reduced by losses of €35 million on the disposal of government bonds from peripheral countries of the eurozone particularly affected by the sovereign debt crisis.

Administrative expenses in the DZ BANK Group rose by 2.9 percent year on year to €2,937 million (2012: €2,855 million), including an increase in staff expenses of €35 million (2.4 percent) to €1,513 million (2012: €1,478 million) and an increase in other administrative expenses of €47 million (3.4 percent) to €1,424 million (2012: €1,377 million).

The DZ BANK Group's **other net operating income** amounted to a net expense of €23 million (2012: net expense of €56 million).

The net expense of €23 million for 2013 included an expense resulting from the transfer of a €20 million loss (2012: €25 million loss) from DZ Beteiligungsgesellschaft mbH Nr. 11, Frankfurt am Main, to DZ BANK. Other net operating income also comprised gains from the deconsolidation of DZ Polska S.A., Warsaw, and FB-Leasing OOO, Moscow, of €18 million and €10 million respectively. Other net operating income also included impairment losses on goodwill in the R+V Versicherung subgroup amounting to €57 million following an impairment test carried out in the year under review.

The **cost/income ratio** for the DZ BANK Group in 2013 was 51.5 percent (2012: 60.7 percent).

Profit before taxes in the reporting year amounted to €2,222 million compared with a figure of €1,319 million in 2012.

The DZ BANK Group's **income taxes** in 2013 amounted to €755 million compared with a figure of €350 million for 2012. This included deferred tax expense amounting to €265 million (2012: deferred tax income of €128 million) and a current tax expense of €490 million (2012: €478 million).

The DZ BANK Group generated a **net profit** of €1,467 million in 2013 compared with a net profit of €969 million in 2012.

The details on the financial performance of the DZ BANK Group set out above and below (3.2.) do not include any variances compared with the information provided in the 2012 outlook.

FIG. 3 – SEGMENT INFORMATION

2013

€ million	**Bank**	Retail	Real Estate Finance	Insurance	Consolidation/ reconciliation	**Total**
Net interest income	1,778	689	1,263	–	-612	3,118
Allowances for losses on loans and advances	-406	-103	-31	–	–	-540
Net fee and commission income	467	954	-215	–	-102	1,104
Gains and losses on trading activities	127	12	9	–	–	148
Gains and losses on investments	-60	-9	-40	–	-12	-121
Other gains and losses on valuation of financial instruments	57	21	1,026	–	-4	1,100
Premiums earned	–	–	–	12,693	–	12,693
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	2,923	-55	2,868
Insurance benefit payments	–	–	–	-13,181	–	-13,181
Insurance business operating expenses	–	–	–	-2,126	119	-2,007
Administrative expenses	-1,400	-965	-584	–	12	-2,937
Other net operating income	-15	4	51	-57	-6	-23
Profit before taxes	**548**	**603**	**1,479**	**252**	**-660**	**2,222**
Cost/income ratio (%)	59.5	57.7	27.9	–	–	51.5

2012

€ million	**Bank**	Retail	Real Estate Finance	Insurance	Consolidation/ reconciliation	**Total**
Net interest income	1,607	709	1,251	–	-307	3,260
Allowances for losses on loans and advances	-396	-89	-42	–	–	-527
Net fee and commission income	470	855	-206	–	-95	1,024
Gains and losses on trading activities	640	7	7	–	5	659
Gains and losses on investments	-260	-38	-45	–	-99	-442
Other gains and losses on valuation of financial instruments	-46	12	-249	–	7	-276
Premiums earned	–	–	–	11,787	–	11,787
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	3,353	-67	3,286
Insurance benefit payments	–	–	–	-12,509	–	-12,509
Insurance business operating expenses	–	–	–	-2,145	113	-2,032
Administrative expenses	-1,342	-950	-569	–	6	-2,855
Other net operating income	-60	-24	45	4	-21	-56
Profit before taxes	**613**	**482**	**192**	**490**	**-458**	**1,319**
Cost/income ratio (%)	57.1	62.5	70.9	–	–	60.7

3.2. FINANCIAL PERFORMANCE IN DETAIL

The tables on the preceding page show a detailed breakdown of the earnings performance for the operating segments of the DZ BANK Group compared with 2012 as also shown in note 29 of the notes to the consolidated financial statements:

3.2.1. Bank operating segment

In the Bank operating segment, **net interest income** advanced by 10.6 percent to €1,778 million (2012: €1,607 million).

Net operating interest income (excluding income from long-term equity investments) at DZ BANK fell by 14.5 percent to €508 million (2012: €594 million).

This decrease resulted from a significant year-on-year fall in net interest income related to funding activities in money markets caused by market conditions. A lower expense arising from the funding of long-term equity investments was offset by a slight drop in income from long-term securities, mainly attributable to the strategy of reducing loan securitizations with the aim of recovering capital.

In the corporate customer lending business, net operating interest income of €212 million equated to an increase of 5.2 percent compared with the 2012 figure of €201 million.

Despite this encouraging performance, it is worth pointing out that the sluggish economy and a general disinclination to commit to capital spending in 2013 combined to prevent the demand for lending reaching the 2012 level, both in the direct business with large and medium-sized corporate customers and in the joint credit business with the local cooperative banks.

Especially against the backdrop of the European sovereign debt crisis, many corporate customers seemed to be nervous about economic trends on international markets going forward and decided to postpone capital spending until the next year. Furthermore, large and medium-sized companies continued to enjoy a reasonable liquidity position making them reluctant to commit to new borrowing. Corporate capital investment was increasingly self-funded.

This trend was also evident in the development lending business with the cooperative banks. Following an unusually encouraging start of the year, the total volume of new business over the whole of the year just fell short of the challenging level set in 2012. Given the low level of interest rates, the local cooperative banks increasingly used their own funds for funding purposes. The growth in the programs for energy-efficient construction and renovation, and in the programs for start-up finance and corporate capital investment subsidies, was unable to fully make up for the drop in new business volume.

In contrast, the year under review saw greater demand for structured finance (including syndicated loans and acquisition finance), particularly in corporate banking business with major corporate customers.

The trends also continued to be positive in the agriculture, nature, and (renewable) energies (ANE) product sector. Significant growth was achieved in both agriculture and renewable energies finance with customers of the local cooperative banks, although finance business involving photovoltaic installations diminished considerably as a result of changes to the development support available in Germany. The prolonged discussion surrounding changes to the Renewable Energy Sources Act (EEG) in Germany and a restriction on the financial assistance available to support green electricity also had an adverse impact. However, these negative developments were significantly outweighed by growth in other areas, notably finance business involving wind farms.

During the reporting period, DZ BANK paid particular attention to stepping up its joint marketing activities with the entities in the cooperative financial network. One of the consequences of the successful collaboration within the network was a further increase in the proportion of corporate banking business derived from cross-selling.

The Structured Finance division focuses on meeting the finance needs of German businesses at home and abroad. It also supports foreign businesses with a substantial involvement in Germany.

One of the key features of the market environment was the low level of interest rates. Customers exploited this opportunity to stock up on a long-term basis using the bond and promissory note markets.

Net operating interest income in the Structured Finance division amounted to a total of €81 million, an increase of 0.6 percent on the equivalent figure in 2012. The trends in the individual product areas within this division (acquisition finance, international trade and export finance, project finance, and asset securitization) in 2013 are described below.

In the acquisition finance business, the division arranges and structures debt finance to support the acquisition of large and medium-sized companies, primarily in German-speaking Europe. Large numbers of customers have made use of the high degree of liquidity in lending and bond markets to fund their loans. Redemptions in combination with a selective approach to the granting of new loans led to a reduction in the size of the portfolio, as a result of which net operating interest income declined year on year by 10.9 percent to €33 million (2012: €38 million).

The emphasis in the international trade and export finance business was very much on providing support for both SMEs and large corporate customers in Germany. In an environment characterized by increasingly fierce competition, this business saw a slightly lower level of net operating interest income compared with 2012 at €28 million, a year-on-year decrease of 3.0 percent (2012: €29 million). Given the changes in market conditions, the decline in the business involving short-term trade finance was almost completely offset by the slight shift of business toward structured trade finance and long-term export finance arrangements secured by government export credit insurance.

Growth in project finance business during the year under review was somewhat muted overall, with net operating interest income amounting to €24 million (2012: €26 million). As in previous years, one notable exception was the finance business aimed at capital investment in renewable energies in Germany, where performance remained strong in 2013.

The Structured Finance division uses asset securitization products to offer structured investments and asset finance for a broad selection of asset types. Liquidity costs in the asset securitization business amounting to €4 million saw an improvement of €8.0 million compared with the equivalent 2012 costs of €12.1 million as a result of the overall drop in such costs.

Net interest income in the VR LEASING subgroup was slightly up on the 2012 level at €236 million, an increase of 1.7 percent.

Whereas net operating interest income (excluding income from long-term equity investments) in the domestic business rose by €13 million year on year to €179 million, the equivalent income in international business declined by €18 million to €31 million in line with VR LEASING's new business strategy. Income from long-term equity investments climbed by €9 million year on year to €26 million.

Following the strategic realignment initiated in 2011, VR LEASING is focusing its market presence on Germany. VR LEASING has positioned itself within the cooperative banking sector as a service provider for finance solutions focusing on leasing, factoring, centralized settlement, and innovative products aimed at regionally oriented SMEs.

Once the organizational implementation of the realignment had largely been completed in Germany in 2013, a further key milestone in the process of scaling back the international business was reached in the third quarter with the disposal of the Russian subsidiary, FB-LEASING.

Given the limited growth in corporate capital spending during 2013, overall new leasing business in the sector remained at the same level as that in 2012. A great deal of this stagnation was attributable to the continuing significant impact from the crisis in the eurozone and the associated planning uncertainty for businesses, particularly during the first half of 2013. It should be noted that the proportion of German exports accounted for by eurozone countries has fallen by more than 5 percentage points since 2008 owing to the crisis in the eurozone. It was only when the improvement in the eurozone economies, and primarily in the southern European countries, became evident during the second half of the year that businesses began to upgrade their relevant export forecasts again, although this was only reflected in a marginal upward trend in export figures from the perspective of 2013 as a whole.

In the year under review, net interest income in the DVB subgroup amounted to €255 million, an increase of 1.6 percent and therefore almost unchanged year on year (2012: €251 million).

During the year under review, global freight and passenger transport in all areas of the transport sector was influenced by a gradual improvement in economic growth in the eurozone, but slackening economic growth in emerging markets, and generally muted economic recovery in the United States. Furthermore, the international transport industry continued to suffer from overcapacity, particularly within individual market segments covering international maritime shipping.

Given this tough economic environment, the DVB subgroup, a leading provider of lending in the international transport finance business, continued to focus its operating activities on stable new business with systematic management of risk.

A credit portfolio that was strongly diversified across various types of transport, geographical regions, and users enabled the DVB subgroup to maintain its volume of new business in the year under review at €4.7 billion, approximately the same level as the volume of €4.6 billion achieved in 2012. This volume was spread across 173 deals in 2013 compared with 158 deals in 2012.

Of the total **allowances for losses on loans and advances** in the Bank operating segment amounting to €406 million (2012: €396 million), an amount of €227 million (2012: €152 million) was attributable to DZ BANK, €87 million (2012: €71 million) to the DVB subgroup, and €64 million (2012: €173 million) to VR LEASING.

At DZ BANK, the net addition to specific loan loss allowances was almost unchanged year on year at €177 million (2012: €167 million). However, primarily as a result of a deterioration in the ratings of borrowers, DZ BANK recognized a net addition to the portfolio loan loss allowances of €36 million, contrasting with a net reversal of €25 million in portfolio loan loss allowances in 2012. In the DVB subgroup, allowances for losses on loans and advances in both 2013 and 2012 featured an amount of €71 million relating to the maritime shipping business segment. At VR LEASING, the substantial drop in allowances for losses on loans and advances was predominantly attributable to the fact that the figure recognized in 2012 was still considerably influenced by the allowances that were necessary in connection with the business in eastern Europe.

In the Bank operating segment, **net fee and commission income** declined by 0.6 percent to €467 million (2012: €470 million).

Net fee and commission income at DZ BANK reached an amount of €255 million in 2013 compared with €262 million in 2012.

The higher contributions to this net income generated in the securities business from commission and custody business were offset to a fractionally greater degree by lower income from the securities issuing business (attributable to market conditions) and higher payments to the banks in the cooperative financial network in connection with the issuance of DZ BANK bonds. The contribution from the lending business was down slightly as a result of a fall in loan processing fees. The contribution generated by payments processing was at the same level as in 2012. Likewise, the contribution from the international business remained virtually unchanged year on year.

In the year under review the corporate customer divisions succeeded in increasing their contribution to net fee and commission income by 6.5 percent to €55 million (2012: €52 million) despite fierce competition in the marketplace.

In the Structured Finance division, net fee and commission income in 2013 amounted to a total of €89 million, slightly below (5.4 percent) the corresponding figure for 2012 of €94 million. The trends in the individual product areas within this division in 2013 are described below.

In the acquisition finance business, the year under review saw substantially greater competition from banks outside Germany and debt funds, among others. Nevertheless, the division was still able to achieve a further slight year-on-year rise in net fee and commission income from acquisition finance, increasing the figure by 7.6 percent to €21 million (2012: €19 million). The main reasons behind this increase were delays in finalizing some larger finance agreements that were then only signed in 2013.

One of the factors that had significantly impacted the level of net fee and commission income from international trade and export finance in 2012 had been a high level of one-off items. With a contribution of €10 million in 2013, it was therefore not possible to repeat the excellent level of the contribution achieved in 2012 (€13 million).

The net fee and commission income from project finance business amounting to €11 million also fell short of the 2012 figure of €15 million as a consequence of the subdued level of activity in the market.

In the loan syndication business, net fee and commission income ran counter to the general market trend with a further increase of 5.7 percent to €5 million (2012: €4 million). This excellent performance in the loan syndication business was attributable to improved networking with the cooperative banks and the very good credit ratings held by DZ BANK.

For about 2 years, the number of transactions in the international documentary business (letters of credit, guarantees, collections) has been falling. As a consequence, the net fee and commission income of €11 million in 2013 was down 6.3 percent on the corresponding figure for 2012 of €12 million.

Net fee and commission income from the asset securitization business amounted to €32 million, driven by the positive performance of the business. This represented a slight improvement of 3.7 percent compared with the equivalent figure for 2012 of €31 million.

In Capital Markets business with equities customers, DZ BANK once again successfully placed its expertise and its product range at the disposal of its own corporate customers and companies advised by the cooperative banks. DZ BANK benefited from the encouraging level of activity in rights issues, a critical market segment for DZ BANK's business, and was involved in a number of high-profile transactions in a lead capacity.

In the DVB subgroup, net fee and commission income declined year on year by 1.5 percent to €129 million (2012: €131 million).

The main components of this net fee and commission income were as follows: €77 million (2012: €77 million) from new transport finance business, €28 million (2012: €31 million) from the ongoing lending business, €5 million (2012: €6 million) from asset management business, and €22 million (2012: €21 million) from consulting.

Within the transport finance business in the DVB subgroup, the core areas of lending – shipping, aviation, offshore finance, and land transport – in 2013 were affected by the weakening global economic growth and the associated adverse impact on international freight and passenger transport markets and on the fees and commission generated from this business.

In the Bank operating segment, **gains and losses on trading activities** decreased to a gain of €127 million, down 80.2 percent on the gain of €640 million in 2012. This figure was predominantly influenced by the gains and losses on trading activities at DZ BANK.

DZ BANK's gains and losses on trading activities in 2013 came to a net gain of €97 million compared with a figure of €615 million for 2012.

In the operating business, the extraordinary high gain in 2012 had been caused by a much higher valuation – primarily in the first quarter – of the securities held for dealing purposes as a result of the narrowing of spreads driven by market conditions.

In addition, gains and losses on trading activities were adversely impacted in the reporting year by increases of

€295 million (December 31, 2012: €262 million) in the carrying amounts of DZ BANK's liabilities recognized at fair value as a result of the narrowing of spreads.

DZ BANK's gains for the reporting year were also boosted by the balance of unrealized and realized gains and losses relating to ABSs, which amounted to a gain of €46 million (2012: gain of €97 million).

Further factors influencing the gains and losses on trading activities at DZ BANK included interest-rate-related changes in the value of cross-currency basis swaps amounting to a loss of €81 million (2012: loss of €190 million).

As in previous years, the gains and losses on trading activities at DZ BANK in 2013 stemmed mainly from DZ BANK's customer-related business in investment and risk management products involving the asset classes of interest rates, equities, loans, foreign exchange, and commodities. In each case, the focus is on the needs of the cooperative banks and the specialized service providers in the DZ BANK Group as well as on those of their retail and corporate customers. The range of products and services is also aligned with the requirements of direct corporate customers as well as national and international institutional clients.

The factors that defined the capital market environment in 2013 were interest rates at a record low, the bull market for equities, and the simultaneous and persistent investor uncertainty. The main focus of sales in the retail banking securities business in 2013 was on capital preservation products (capital guarantees and partial protection) and structured interest-rate products.

In 2013, DZ BANK was once again able to achieve a further consolidation of its dominant position in the market for capital preservation certificates, increasing its market share by 3.0 percentage points to 53.5 percent, based on a strict quality strategy that places great emphasis on the priority investor requirements for guarantees, opportunities, and security.

Structured interest-rate products generating the greatest retail investor demand included subordinated debt issuances, products with simple interest-rate structures, and floating-rate bonds with a minimum coupon. In 2013 DZ BANK also continued to help the cooperative banks support independent decision-makers among investor customers by introducing the new VR-ProfiBroker e-brokerage application. It was also able to maintain its average share of the flow products market at around 8 percent in the reporting year, consolidating its position as one of the top 3 providers in the overall market.

The cooperative banks extended the diversification of their new investments as part of their own-account investing activities with the aim of exploiting the historically low level of interest rates to stabilize their financial performance over the long term. In this regard, the cooperative banks showed a preference for fund products, primarily in the real estate and equities asset classes. There was also significant growth in the volume of fixed-term funds.

The volume of securities and deposit-taking business with corporate customers achieved in 2012 was sustained in the year under review. Given the persistent low level of interest rates, DZ BANK was hit by deterioration in the margins achievable in money market business. Commercial paper business contracted during the course of the year, mainly as a result of a further drop in issuance activity. Products offering long-term hedging of interest rates continued to be in high demand. DZ BANK also systematically continued to expand its foreign exchange business with corporate customers during the reporting year and succeeded in attracting a large number of new customers despite low volatility and a contraction in trading volumes on currency markets.

Among institutional clients, demand picked up again for corporate bonds, covered bonds, and government bonds issued by peripheral countries of the eurozone. Investors in this case increasingly tended to favor coupon structures with long maturities. Multitranche paper was bought in addition to callable bonds with single or multiple call dates. DZ BANK also continued to consolidate its leading market position in interest-rate derivative products.

In the highly competitive primary market for new bond issues, there was a substantial fall in the number of covered bond and bank bond issues. This reflected the impact on financial-sector issuers from the reduction in total assets on balance sheets.

Gains and losses on investments in the Bank operating segment amounted to a loss of €60 million, an improvement compared with the 2012 loss of €260 million.

In 2013, impairment losses of €20 million (2012: €59 million) were recognized in relation to VB-Leasing International Holding GmbH, Vienna.

In the year under review, the DZ BANK Group also recognized losses on disposals (to optimize capital) and impairment losses in a total amount of €42 million in connection with ABSs in the Bank operating segment (2012: losses of €178 million).

The increase in **other gains and losses on valuation of financial instruments** in the Bank operating segment of €103 million to a gain of €57 million (2012: loss of €46 million) was largely the result of two increases: an increase in the DVB subgroup of €46 million to a gain of €2 million (2012: loss of €44 million) caused by an improvement in gains and losses on derivatives used for purposes other than trading and an improvement in the gains and losses on valuation of non-derivative financial instruments using the fair-value option; and an increase at VR LEASING of €16 million to a gain of €15 million (2012: loss of €1 million) resulting from the valuation of portfolios of interest-rate and currency swaps. Further factors included in the gains and losses on valuation of financial instruments in the Bank operating segment were interest-rate-related changes in the value of cross-currency basis swaps at DVB amounting to a loss of €15 million (2012: €21 million).

Administrative expenses in the Bank operating segment rose by 4.3 percent to €1,400 million (2012: €1,342 million), largely caused by an increase in the administrative expenses at DZ BANK of 4.2 percent to €925 million (2012: €888 million) against the background of new appointments in response to regulatory requirements, salary adjustments in the context of pay hikes under collective pay agreements, and increases in other administrative expenses in connection with measures to meet enhanced regulatory requirements.

Profit before taxes in the Bank operating segment declined by €65 million in 2013 to €548 million (2012: €613 million).

This decrease was largely attributable to a year-on-year fall in the profit before taxes at DZ BANK of €254 million to €354 million (2012: €608 million), which in turn resulted, on a like-for-like basis, from a marked decrease in gains and losses on trading activities (down by €518 million) with a simultaneous improvement in net interest income (up by €131 million) and in gains and losses on investments (up by €175 million). In the VR LEASING subgroup, profit before taxes rose by €217 million to €32 million (2012: loss of €185 million). In 2012, it was clear that the profit before taxes was still being adversely affected by the process of scaling back the business in eastern Europe. Profit before taxes in the DVB subgroup in 2013 amounted to €112 million, almost at the level of the like-for-like figure for 2012 of €118 million.

3.2.2. Retail operating segment

In the Retail operating segment, **net interest income** contracted by 2.8 percent to €689 million (2012: €709 million).

The net interest income earned by TeamBank rose markedly by 4.3 percent in 2013 to €504 million. Despite the gathering pace of the economic recovery in Germany, the market for consumer finance remained static during the year under review. In 2013, TeamBank also faced the challenges presented by persistently low interest rates and cut-throat competition in terms of pricing.

TeamBank, the leading consumer finance specialist in Germany, was able to overcome these obstacles and in 2013 generate exceptional growth in the volume of its easyCredit business (at nominal values) to €6,566 million (2012: €6,231 million), an increase of 5.4 percent, as well as continue to consolidate the market share of the cooperative financial network. As at December 31, 2013, this market share was 18.5 percent.

A critical factor in this successful performance was TeamBank's strategic focus on fairness, a core component of cooperative values and the essence of its brand. TeamBank now has a fair, collaborative partnership with approximately 81 percent of all local cooperative banks in Germany, emphasizing the application of this guiding principle in practice. In Austria, the number of partner banks collaborating with TeamBank was expanded to a total of 71 during the year under review.

To continue pursuing its quality and growth strategy, TeamBank again expanded its market presence in 2013 to provide further channels for the product innovations that have already been successfully established in its customer business.

In 2013, a total of around 58,000 customers were using easyCredit-Finanzreserve, which is the only credit card with a consumer finance function available in the market so far. It combines the typical features of easyCredit, such as flexibility and fairness, with the benefits of a needs-based financial reserve.

As part of the newly designed advisory concept known as ‘easyCredit-Liquiditätsberater’, the financial compass created individually for each customer provides both the customer and the advisor with the transparency necessary for the credit decision. The ‘easyCredit-Liquiditätsberater’ also helps partner banks pursue their strategic objective of attracting and retaining members, in that it offers customers an attractive member benefit that they can use to their advantage. Financial assistance was provided for more than 124,000 members in the year under review. Of this total, some 32,000 were new to the cooperative financial network.

Net interest income at DZ PRIVATBANK fell by 17.3 percent to €172 million.

The main reasons behind this decline in net interest income were the low level of interest rates and the implementation of a risk-conscious investment strategy. For example, the net interest income in 2012 had still included a proportion of interest income from bonds issued by peripheral countries in the eurozone. These bonds were sold during the course of 2012. Reduced volume in LuxCredit foreign-currency lending also led to a decline in net interest income.

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 amounted to €5.8 billion as at December 31, 2013 (December 31, 2012: €6.5 billion).

Allowances for losses on loans and advances in the Retail operating segment amounted to €103 million in 2013 (2012: €89 million). These allowances were attributable to TeamBank, which recognized allowances for losses on loans and advances of €103 million in the year under review (2012: €89 million).

The rise in the balance of allowances for losses on loans and advances at TeamBank resulted mainly from the growth in the size of the portfolio of easyCredit business.

Net fee and commission income in the Retail operating segment amounted to €954 million in 2013, up by 11.6 percent year on year (2012: €855 million).

Net fee and commission income in the Union Investment Group rose by 10.1 percent to €951 million.

The average volume of assets under management went up markedly by 16.4 billion in 2013 to €199.8 billion. This exceptional increase was essentially attributable to the net new business generated and the excellent performance of both the market and the group during the year. The contribution generated with the average assets under management in the reporting year accounted for 79.3 percent of the net fee and commission income.

Performance fees also rose in 2013. After all, 73.7 percent of all Union Investment’s mutual funds outperformed their benchmark in the reporting year. The equity funds and mixed funds alone improved their performance in 2013 by an average of 20.6 percent and 8.9 percent respectively.

Whereas the spotlight in the first half of 2013 was still on the economic and political instability in some EU countries, notably Cyprus, the economic data published in mid-August 2013 for the second quarter of the year pointed to the first signs of stabilization in the eurozone. The improvement in the economic situation within the eurozone, particularly in the southern European countries, was sustained throughout the rest of the year. At the same time, international equities and bonds markets received a boost from the decision made by central banks to maintain their expansionary monetary policy and from a further reduction in interest rates compared with 2012.

In this economic environment, Union Investment managed to sustain its proven strategy of consistently aligning its range of services with the long-term solutions necessary to meet the needs of investors and banks.

Given the positive trends in the economic environment, the partnership with the local cooperative banks and the proximity to customers facilitated by this partnership enabled Union Investment to generate net inflows of €3.7 billion from its retail clients business.

Against the backdrop of the prolonged period of low interest rates, the emphasis for retail clients was primarily on the range of products involving private-client funds. These multi-asset solutions use 6 different product variants to take into account a graduated risk profile tailored to each individual customer. In 2013, Union Investment generated net inflows of €2.2 billion from this business.

Another tool that can be used for the purposes of a controlled entry into higher-yield investments and the targeted accumulation of wealth for retail clients is the fund-linked savings plan. A total of 222,800 new plans were agreed in 2013, once again significantly exceeding the total in 2012.

Union Investment also occupies a leading position in the market for fund-based Riester solutions. In 2013, clients invested a total of €996 million in innovative UniProfiRente Riester solutions. The volume of the UniProfiRente portfolio climbed to €9.6 billion in the year under review.

Despite extensive statutory amendments imposing further restrictions, primarily on the flexibility to redeem open-ended real estate funds in two stages at the beginning of the year and at the midpoint in the year, this asset class generally remained attractive as a base investment. These assets attracted investments of €2.2 billion, mainly from risk-averse investors looking for an investment with inflation protection.

Institutional business accounted for the largest proportion of total net inflows in 2013 at €6.4 billion.

The low level of interest rates forced institutional investors to increase the diversification in their portfolios so that they could continue to generate reasonable returns. Union Investment offered investors suitable solutions to help them increase diversification in the resources to be invested and enhance the opportunities to generate good returns with controlled risk. Demand was therefore concentrated primarily in bonds, corporate bonds from the emerging markets, and equity investments with dividend strategies.

The trend toward greater diversification was also highlighted by the increased interest from institutional investors in infrastructure and real estate investments. In addition, considerable growth was generated in the category of products covering socially responsible investments, with the value of funds under management amounting to €6.8 billion as at December 31, 2013 (December 31, 2012: €5.9 billion).

The proven IMMUNO capital preservation approach has been supplemented by the KONVEXO strategy, allowing customers to make better use of opportunities with only a comparatively low increase in risk tolerance.

Net fee and commission income at DZ PRIVATBANK advanced by 24.1 percent to €98 million.

The collaboration with partner banks with the objective of consolidating market position in the cooperative private banking business was notched up still further during the year under review. Additional impetus came from the private customer portfolio acquired from Hauck & Aufhäuser Banquiers Luxembourg S.A. in the first quarter of 2013. This enabled DZ PRIVATBANK to maintain the portfolio of assets under management for high-net-worth private clients at a stable level. As at December 31, 2013, the value of this portfolio stood at €13.5 billion, roughly the same level as at the end of 2012.

DZ PRIVATBANK also expanded its business in services for investment funds in the reporting year. Between December 31, 2012 and December 31, 2013, the value of funds under management grew by €6.0 billion to €76.8 billion. As at December 31, 2013, the number of fund-related mandates had increased to 580 (December 31, 2012: 562).

The net fee and commission income earned by TeamBank in 2013 fell by 7.9 percent to a net expense of €96 million (2012: net expense of €89 million).

The higher fee and commission expenses were attributable to the increased trailer fees paid by TeamBank to the primary banks as a consequence of the strong performance of its easyCredit business.

Gains and losses on investments in the Retail operating segment amounted to a loss of €9 million in the reporting year (2012: loss of €38 million).

The improvement in this figure was largely explained by the change in the gains and losses on investments at DZ PRIVATBANK, which amounted to a loss of €2 million in 2013 (2012: loss of €35 million) and was therefore once again at a normal level. The figure reported for 2012 had been significantly influenced by losses of €33 million arising from the disposal of bonds from the peripheral countries in the eurozone, notably Greek government bonds.

Other gains and losses on valuation of financial instruments in the Retail operating segment amounting to €21 million (2012: €12 million) included gains arising from changes in the value of cross-currency basis swaps amounting to €7 million (2012: losses of €20 million) relating to DZ PRIVATBANK.

Administrative expenses in the Retail operating segment rose by €15 million to €965 million (2012: €950 million).

Staff expenses at TeamBank went up by €3 million to €79 million as a result of increases in wages and salaries and higher pension expenses. Other administrative expenses were up by €1 million to €108 million, principally as a consequence of increased costs incurred to satisfy enhanced regulatory and statutory requirements.

At DZ PRIVATBANK, administrative expenses rose by €9 million to €195 million as a result of the expansion in business accompanied by an increase in the number of employees. In the Union Asset Management Holding subgroup, staff expenses went up by €6 million to €290 million following average salary increases, an adjustment to the variable remuneration components, and the creation of additional posts, although at the same time other administrative expenses fell by €3 million to €294 million.

Profit before taxes in the Retail operating segment rose substantially in the year under review by €121 million to €603 million (2012: €482 million).

This increase was attributable in particular to a rise in the profit before taxes in the Union Asset Management Holding subgroup, which was up by €93 million to €399 million as both the market and the subgroup itself performed well. In addition, a fall in profit before taxes at TeamBank of €15 million to €116 million was offset by an increase at DZ PRIVATBANK of €43 million to €88 million. The latter increase was largely caused by a year-on-year effect relating to the profit before taxes for 2012, the amount of which hadbeen significantly reduced by the charges resulting from the reduction in the portfolio of securities relating to the peripheral countries in the eurozone.

3.2.3. Real Estate Finance operating segment

Net interest income in the Real Estate Finance operating segment advanced by 1.0 percent to €1,263 million (2012: €1,251 million).

In the BSH subgroup, net interest income declined by 1.3 percent to €979 million (2012: €992 million).

The effect from deposit interest rates, which were once again lower compared with those available in 2012, could not be offset in full by the rise in volume caused by the brisk level of business over the last few years. An amount of €7 million within this decrease in net interest income was explained by the year-on-year fall in the share of profit from companies accounted for using the equity method.

In non-collective home finance business, interest income rose year on year despite the low average level of interest rates because of increased demand for advance and interim financing loans.

In the home savings loans business, smaller portfolios and a drop in average interest rates led to a fall in interest income. Furthermore, the historically low interest rates applied to the investment of a higher balance of available funds also led to lower interest income, although in this case there was also some impact in particular from the typical building society requirement for a liquidity reserve based on conservative investment criteria.

The substantial inflow of funds in the year under review from new home savings business – which once again increased markedly – confirms that home savings remain highly appealing to investors, especially as the contributions also guarantee the investor a home savings loan at a fixed interest rate and an accumulation of wealth independently of the financial crisis.

BSH is the market leader and in the spring of 2013 it redesigned its 'Schwäbisch Hall Tarif Fuchs' scale of rates and charges to include particularly cost-effective home savings rates for customers wishing to carry out home improvements and other innovative financing products. It therefore takes into account both increased market requirements and more sophisticated customer needs.

Net interest income at DG HYP of €283 million was up by 8.8 percent compared with the figure of €260 million for 2012.

Within this figure, an increase in net operating interest income in commercial real-estate finance to €209 million (2012: €178 million), a year-on-year increase of 17.4 percent, more than offset the decline in net operating interest income in the non-strategic lending business (in particular, consumer home finance) to €52 million (2012: €65 million), a year-on-year decrease of 20.0 percent.

The key reason behind this increase was the successful performance of the DG HYP business model, in which it is planned to expand the target business of commercial real-estate finance while at the same time implementing a strategy of scaling back the consumer home finance business, which is no longer a core activity.

In the year under review, German real-estate markets benefited from the country's economic strength and economic conditions, which compared very favorably with those prevailing elsewhere. Given its decentralized structure and huge potential for diversification involving a wide variety of deals in different real-estate segments, Germany as a center of real-estate business offers a high degree of stability and is also particularly interesting to foreign investors. The historically low level of interest rates is also providing noticeable stimulus.

In a market in which the competition has become fiercer, DG HYP has successfully consolidated its position as a leading provider of commercial real-estate finance in its core market of Germany.
The volume of new business generated in the year under review amounted to €5,378 million (2012: €5,256 million) and therefore exceeded forecasts. Of this total, €5,328 million (2012: €5,060 million) was accounted for by the German market.

The development of the trust-based collaboration with the local cooperative banks, which DG HYP continued to step up in 2013, has proved to be particularly encouraging. This led to an increase in the joint credit business with the local cooperative banks to €2,861 million (2012: €2,198 million), which equated to a year-on-year increase of 30.2 percent.

The excellent performance of this business reflects the significant appeal and increasing importance of commercial real-estate finance for the cooperative banks. Accordingly, DG HYP has gradually expanded its regional presence and, in addition to the six real-estate centers throughout Germany, it now has regional offices in Hannover, Kassel, and Leipzig, the offices in Kassel and Leipzig being located within the local cooperative banks themselves.

In the interests of the cooperative financial network, DG HYP also assists the local cooperative banks with public-sector funding inquiries. Taking account of borrowers' credit ratings, DG HYP prepares finance offers that the relevant local cooperative banks then present to local authorities. The financing volume rose by €111 million in 2013 to €438 million (2012: €327 million); the net interest income increased by 34.6 percent to €4 million (2012: €3 million).

Net fee and commission income in the Real Estate Finance operating segment declined by €9 million in 2013 to a net expense of €215 million (2012: net expense of €206 million).

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 2013, 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 €251 million (2012: net expense of €239 million).

In the home savings business, BSH signed approximately 1.13 million new home savings contracts in 2013, a record level of new home savings business with a volume of €36.0 billion, exceeding the exceptionally high level achieved in 2012 by 9.6 percent. Total home savings deposits rose by 9.9 percent to €44.9 billion.

In the home finance business, the volume of lending to clients jointly brokered with the cooperative banks grew to €12.7 billion in 2013, representing an increase of 5.4 percent. This figure does not include the €5.9 billion accounted for by cooperative bank home finance supported by a home savings contract from BSH.

Home savings and home finance remain instruments of choice for retirement provision. There is a particular focus on Riester savings products, as a result of which savers are normally able to reap the particular benefits of living in their own homes (safely and securely in the knowledge of how much it is costing) well before they reach retirement age. Demand in the reporting year for the related Fuchs WohnRente product offered by BSH, the market leader for Riester savings products, was considerable, with 107,000 new contracts signed in 2013.

The German Pensions Improvement Act (AltvVerbG) of July 1, 2013 brought the conversion of homes to make them accessible to the elderly and disabled within the scope of the Riester savings provisions. This will lead to a significant capital investment requirement because only 5 percent of the entire housing stock in Germany currently meets all the accessibility requirements.

An even greater challenge is presented by the switch to renewable energy sources that policymakers have introduced in Germany. This policy aims to cut the demand from housing and other buildings for primary energy by 80 percent by 2050. According to calculations confirmed by the German Energy Agency, this will require an annual capital investment of approximately €33 billion. In 2013, the growing number of completed new builds also pushed up demand for home finance. This trend has become apparent again since 2010 following several years of decline and it was expected to continue in 2013 with estimated year-on-year growth of 14 percent.

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.

In the reporting year, **gains and losses on investments** in the Real Estate Finance segment amounting to a loss of €40 million (2012: loss of €45 million) mainly comprised the effects of recoveries in the mortgage-backed securities (MBS) portfolio at DG HYP. These effects amounted to a loss of €46 million and arose from the reduction in the volume of risk-weighted asset equivalents.

Other gains and losses on valuation of financial instruments in the Real Estate Finance segment amounting to a gain of €1,026 million primarily related to a gain of €1,028 million at DG HYP. This figure was influenced by gains on DG HYP‘s portfolio of bonds from the eurozone‘s periphery. This resulted, in particular, from the narrowing of credit spreads; a further amount of €180 million was attributable to the redemption of a corporate bond guaranteed by an EU country with a nominal volume of €240 million and due to mature at the end of March 2013. The bond was valued at €60 million as at the maturity date.

Other gains and losses on valuation of financial instruments in 2012 amounting to a loss of €249 million comprised a loss of €247 million attributable to DG HYP. It was largely caused by write-downs in the portfolio of government bonds of eurozone countries affected by the sovereign debt crisis, a portfolio that is being phased out.

The increase of 2.6 percent in **administrative expenses** in the Real Estate Finance operating segment to €584 million (2012: €569 million) was largely explained by the increase of €11 million to €122 million in the administrative expenses of DG HYP caused by the rise in the banking levy and additional costs for projects in connection with regulatory requirements. In the BSH subgroup, administrative expenses rose by €4 million to €462 million.

Profit before taxes in the Real Estate Finance operating segment rose sharply in 2013 by €1,287 million to €1,479 million (2012: €192 million). The primary reason behind this increase was the positive change in other gains and losses on valuation of financial instruments at DG HYP as a consequence of the factors described above.

3.2.4. Insurance operating segment

Premiums earned climbed by €906 million to €12,693 million (2012: €11,787 million), reflecting the tight integration of R+V into the cooperative financial network. The already very high level of premiums earned in 2012, which had been boosted by significant growth stimulus, was therefore again exceeded, this year by 7.7 percent. Gross premiums written increased to €12,753 million in 2013, up by 7.4 percent on the impressive level of premiums generated in the previous year (2012: €11,875 million).

In the non-life insurance business, the contribution was growth of 4.3 percent, with most of this growth being generated in the vehicle insurance business.

Premium income in the life insurance and health insurance business grew appreciably year on year by 12.1 percent. This increase was accounted for by both regular and one-time premiums.

In the inward reinsurance business, premium income declined by 2.7 percent.

Gains and losses on investments held by insurance companies and other insurance company gains and losses fell by 12.8 percent to a gain of €2,923 million (2012: gain of €3,353 million).

The lower level of gains on investments held by insurance companies compared with the previous year reflected the relevant developments in the financial, capital, and currency markets. Although the performance of equity markets relevant to R+V was generally better than in 2012, at the same time there was also a significant year-on-year rise in the level of long-term interest rates. Furthermore, exchange rate movements were far less favorable for R+V than in the previous year.

Owing to the countervailing effects from the recognition of provisions for premium refunds (particularly in the life insurance and health insurance business) and claims by policyholders in the fund-linked business 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 €13,181 million, which represented an increase of 5.4 percent on the 2012 figure of €12,509 million.

In the periods from May to early August 2013 and from the end of October to the beginning of December 2013, the non-life insurance business received a considerable number of major claims relating to flood and storm damage. These claims led to expenses of approximately €470 million in 2013, although an amount of €250 million was offset by natural catastrophe reinsurance with insurers external to the DZ BANK Group.

In line with the changes in premium income, higher additions were made to insurance liabilities at companies offering personal insurance.

In inward reinsurance, losses caused by major claims – especially those resulting from natural disasters – were within expectations, however. Overall, the level of losses in this area of business was noticeably lower than in 2012.

The fall in **insurance business operating expenses** to €2,126 million (2012: €2,145 million), a year-on-year decrease of 0.9 percent, was primarily the result of lower front-end fees in the life insurance and health insurance business. The higher front-end fees in 2012 had been caused by the switch to unisex rates at the end of the year.

Profit before taxes in the Insurance operating segment declined by €238 million in 2013 to €252 million (2012: €490 million).

3.2.5. 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 entities 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.

4. NET ASSETS

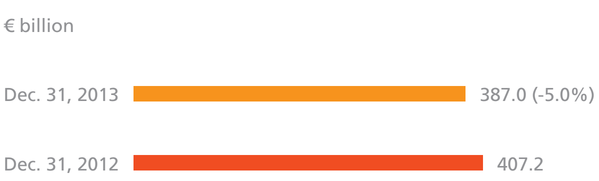
As at December 31, 2013, the DZ BANK Group's **total assets** had contracted to €387.0 billion, a decrease of €20.2 billion (December 31, 2012: €407.2 billion). The reduction was largely due to the decline of €21.6 billion in DZ BANK's total assets.

The DZ BANK Group's **loans and advances to banks** fell by €5.2 billion to €74.2 billion, a decrease of 6.6 percent. Loans and advances to domestic banks grew by €0.7 billion, or 1.1 percent, to €68.7 billion; loans and advances to foreign banks were down by €5.9 billion, or 52.2 percent, to €5.5 billion.

Loans and advances to customers in the DZ BANK Group had fallen by €2.1 billion, or 1.7 percent, to €121.7 billion as at December 31, 2013. This figure included an increase in the loans and advances to customers in the BSH subgroup (up by €2.4 billion) but also a decrease in the loans and advances to customers at DZ BANK (down by €1.1 billion), in the DVB subgroup (down by €1.0 billion), at DG HYP (down by €0.9 billion), and at DZ PRIVATBANK (down by €0.8 billion).

As at December 31, 2013, **financial assets held for trading** amounted to €52.9 billion, down significantly by €13.9 billion, or 20.8 percent, compared with the figure as at December 31, 2012. Whereas the amount of money market placements (up by €1.0 billion) and holdings of promissory notes, registered bonds, and other loans and advances (up by €0.2 billion) together rose by €1.2 billion, there was a significant decrease in the amount of derivatives (positive fair values) of €14.6 billion to €22.1 billion. Within this figure, the amount of derivatives (positive fair values) in the

FIG. 4 – TOTAL ASSETS



DZ BANK Group had declined by €14.2 billion to €21.4 billion as a result of the change in the level of interest rates.

Investments contracted by €2.9 billion or 4.9 percent to €56.9 billion. This was primarily attributable to a decrease of €2.6 billion in the volume of bonds.

The DZ BANK Group's **deposits from banks** as at December 31, 2013 amounted to €91.4 billion, which was €9.2 billion (9.2 percent) below the figure reported as at December 31, 2012. As a result of market conditions, deposits from domestic banks declined markedly by €6.1 billion to €82.6 billion and deposits from foreign banks also declined by €3.1 billion to €8.8 billion.

Deposits from customers grew by €6.4 billion, or 6.9 percent, to €98.6 billion. In particular, deposits from customers grew in the BSH subgroup by €4.0 billion, at DZ BANK by €3.1 billion, and in the DVB subgroup by €1.0 billion, but contracted at DG HYP by €1.6 billion.

At the end of the period under review, the carrying amount of **debt certificates issued including bonds** in the DZ BANK Group had reached €54.0 billion (December 31, 2012: €63.3 billion). The change amounting to a decline of €9.3 billion in the group was largely attributable to the decrease in debt certificates issued including bonds at DZ BANK in an amount of €5.3 billion and at DG HYP in an amount of €3.8 billion.

Financial liabilities held for trading declined by €12.9 billion, or 22.0 percent, to €45.8 billion. Within this figure, the decrease of €16.6 billion in the amount of derivatives (negative fair values) was more than offset by growth of €3.2 billion in money market deposits.

As at December 31, 2013, the **equity** reported by the DZ BANK Group was €14,154 million (December 31, 2012: €12,641 million). This change essentially reflects the net profit generated during the period under review. As at December 31, 2013, the revaluation reserve for available-for-sale financial assets had risen by €340 million to €376 million (December 31, 2012: €36 million).

The **DZ BANK Group's equity and solvency situation** is described in this group management report in V. Opportunity and risk report, section 7. Risk capital management.

5. FINANCIAL POSITION

The DZ BANK Group abides by the principle that solvency must be ensured at all times.

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 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, 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. and DZ BANK Ireland can draw on.

The DZ BANK Group's main **sources of funding** on the unsecured money markets as at December 31, 2013 were as follows:

FIG. 5 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

%	Dec. 31, 2013	Dec. 31, 2012
Local cooperative banks	49	48
Other banks, central banks	12	15
Corporate customers, institutional customers	27	22
Commercial paper (institutional investors)	12	15

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, key repo and securities lending activities, together with the collateral management process, are managed centrally in Group Treasury. Group Treasury also has at its disposal a portfolio of investment-grade liquid securities (collateral pool). These securities can be used through repos in connection with market funding activities and are also eligible for central bank borrowing.

Structural liquidity is used to manage and satisfy the long-term financing requirements (more than 1 year) of DZ BANK and, in consultation with the group entities, the corresponding requirements of the DZ BANK Group.

Both for the DZ BANK Group and each individual group entity, structural liquidity is measured daily on the basis of total cash 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's **long-term ratio** as at December 31, 2013 was 102 percent (December 31, 2012: 88 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.

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 entities in the DZ BANK Group. Options for obtaining covered liquidity through Pfandbriefe 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 for the next financial year on the basis of the coordinated business plans of the individual entities. 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 also 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.

To complement the description of the funding structure, further information on the **DZ BANK Group's liquidity risk** can be found in this group management report in V. Opportunity and risk report, section 11. 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 80 of the notes to the consolidated financial statements.

6. EVENTS AFTER THE BALANCE SHEET DATE

There were no events of particular importance after the end of the financial year.

III. Human resources report and sustainability

1. HUMAN RESOURCES REPORT

1.1. HR ACTIVITIES ACROSS THE GROUP

The focus of HR activities in 2013 was on drawing up the joint HR strategy for the DZ BANK Group. During this process, it became clear that the individual HR strategies covered a significant proportion of the core issues. On this basis, the Group HR Committee (comprising the members of the respective boards of managing directors with responsibility for HR) established guiding principles for the DZ BANK Group's HR strategy and also identified a number of core issues, such as the need for a joint employer branding strategy and the requirement to set up a standardized talent and demographics management system. In 2014, the topics addressed by the committee will include regulatory requirements and remuneration in the individual entities of the DZ BANK Group, together with the development of the joint remuneration strategy.

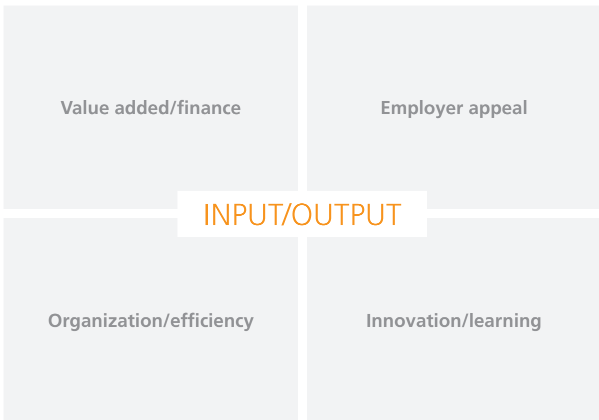
During the reporting year, 20 official meetings were also held across the seven HR working groups with the aim of progressing joint HR activities. In the 'Careers in the DZ BANK Group' working group, for example, careers advisors known as career scouts helped 31 employees transfer between the entities of the DZ BANK Group (2012: 22). The objective of the career scouts is to continue to identify employees in the DZ BANK Group entities who are prepared to switch jobs and increase the freedom of movement in the group in terms of careers. One of the activities undertaken by the 'Professional development' working group was the successful completion of a pilot project for a cross-mentoring program aimed at heads of department in the DZ BANK Group. It is planned to continue with the implementation of this project in 2014.

The details of activities carried out by other working groups are described in more detail below.

1.1.1. DZ BANK Group HR KPI cockpit

The 'HR planning and control' working group developed the structure and content of the DZ BANK Group's HR key performance indicator cockpit (HR KPI cockpit), which was then implemented during the reporting year. It also approved a joint introductory document covering the requirements for generating and using the KPIs. The objectives of the joint KPIs are to ensure that there is integration with the DZ BANK Group's HR strategy and encourage information-sharing, which can then be used as the basis for determining best-practice solutions. The increased transparency and comparability of HR KPIs will also help each HR department analyze its own position within the DZ BANK Group.

FIG. 6 – THE FOUR DIMENSIONS OF THE DZ BANK GROUP'S HR KPI COCKPIT



1.1.2. Joint employer branding strategy

In 2011, a strategic initiative from the Corporate Campus with the title 'Strategies for success in the war for talent' had provided the impetus for the development of an employer branding strategy for the DZ BANK Group. From mid-2012 onward, a temporary working group comprising HR marketing experts from the entities in the DZ BANK Group carried out detailed work on this joint strategy. One of the key points that the strategy had to emphasize was the strength of a financial services provider as an employer. The HR directors in the DZ BANK Group approved the resulting employer value proposition (EVP), the content of which was to form the basis of the future HR marketing activities across the group. The key phrases in the EVP are derived from the cooperative values and are as follows:

– Success through reasonable and sustainable activities
– Human and fair approach
– Commonality and diversity
– Prospects, future, and stability.

Joint HR marketing activities will be launched in 2014.

1.1.3. TRAINEES

In 2013, an average of 997 trainees (2012: 912) were employed within the DZ BANK Group in Germany and abroad. The ratio of trainees to total employees was 3.4 percent (2012: 3.2 percent). Each year, a workshop is held for all the trainees in the DZ BANK Group to encourage networking within the group. In addition, a job shadowing assignment in another entity within the DZ BANK Group has been included as a standard component of the trainee program since the year under review.

TEAMUP

A joint trainee program for the local cooperative banks had been launched in 2011. The program, entitled TeamUp, is led by DZ BANK. 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 range of products and services provided across the entire cooperative financial network. Since the launch of the program in October 2011, 25 young people have signed up to start their careers via TeamUp. The first group came to the end of their program in the first quarter of 2013, the participants then taking up their first career posts in the cooperative bank concerned. One of the other benefits of TeamUp is that it therefore helps to reinforce the business relationship between DZ BANK and the cooperative banks.

DZ BANK GROUP CAREER PRIZE

In 2013, the DZ BANK Group Career Prize was awarded jointly by the entities in the DZ BANK Group for the fifth time, although it was the twelfth time that the prize had been awarded overall. The Career Prize, which is worth a total of €24,000, is awarded in recognition of outstanding academic dissertations in the area of banking and finance. A total of 137 dissertations were submitted, of which 68 were in the category of university master's degree dissertations, and 69 in the category of bachelor's degree dissertations (combined work/study degrees). First place in the masters category was awarded to an interdisciplinary dissertation from a psychology institute with significant relevance to financial issues entitled 'Ein Blick ins Gehirn von Dagobert Duck: Gier und Entscheidungsverhalten. Behaviorale und neurophysiologische Korrelate' [A glimpse into the mind of Scrooge McDuck: greed and decision-making behavior. Behavioral and neurophysiological correlates]. The panel of judges was very enthusiastic about the current relevance of the dissertation. The judges felt that it promoted and supported the discussion about the frequently invoked cultural change in banks. In the bachelor's degree category, the winning dissertation carried the title 'Rating Change Probabilities – An Empirical Analysis of Sovereign Ratings'. The author addressed the probability of changes to country credit ratings and worked out the influencing factors in connection with rating changes. The judges specifically highlighted the innovative approach and the current relevance of the issue. A panel discussion with three high-profile representatives from the worlds of sport and business was also held on the subject of success factors in these two areas of activity. The conclusions drew parallels between the success factors in both sport and business. Further information can be found at www.karriere-preis.de

ABSOLVENTENKONGRESS

The DZ BANK Group has had a joint stand at the Absolventenkongress in Cologne, one of Germany's biggest graduate job fairs, 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 event in 2013 was the third time that the DZ BANK Group had shared its stand with the BVR and WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, presenting themselves together as the cooperative financial network.

1.1.4. ADVANCEMENT OF WOMEN

In 2011, the entities in the DZ BANK Group had issued a letter of intent declaring their intention to provide active support for the advancement of women in their careers, a measure necessary to safeguard the competitiveness of the group over the long term. The group also aims to achieve greater equality of opportunity in the recruitment and development of management trainees. In addition to various action plans, such as those aimed at ensuring that all entities in the DZ BANK Group achieve audit berufundfamilie® work and family audit certification or sign the diversity charter, six entities in the DZ BANK Group (2012: two entities) took part in 2013 in Women&Work, Germany's largest trade fair and conference for women. The objective was specifically to provide women with the opportunity to make contact with businesses, obtain information in workshops or panel discussions, and strengthen their own network.

1.2. CORPORATE CAMPUS FOR MANAGEMENT & STRATEGY

The Corporate Campus for Management & Strategy was set up in 2010 as a development and information-sharing platform for senior managers in the DZ BANK Group. It has become successfully established and is now in its fourth year. A total of 14 management development events were held in 2013. The number of participants (from the target group comprising the members of the boards of managing directors and heads of divisions) fell from 150 in 2012 to 104 in 2013. This was attributable to a number of factors, not least the necessary prioritization in the group entities caused by the enhanced statutory requirements in the financial sector. Participant feedback in all management development formats continued to be excellent. The reporting year saw the implementation of two strategic initiatives for the group ('Achieving more together – in the context of the DZ BANK Group's role in the cooperative banks' and 'The future of investing'). The leadership program for members of boards of managing directors launched in 2012 was successfully continued in the reporting year. Further information can be found at www.corporatecampus.dzbankgruppe.de

1.3. TAKING RESPONSIBILITY FOR EMPLOYEES

The individual DZ BANK Group entities continued to provide services aimed at promoting the health of employees, such as attractive sporting opportunities within the company and special courses on preventing illness. Flexible working hours and part-time working models, together with other services aimed at improving work-life balance, are included in the range of options and therefore form a permanent, integral part of HR policy in each entity.

1.4. AWARDS: EMPLOYER OF CHOICE

In recent years the entities in the DZ BANK Group have competed successfully for a range of awards, the most important being: Top German Employer (Top Employers Institute), Germany's 100 Top Employers (trendence), the auditberufundfamilie® work and family audit certificate (non-profit making Hertie Foundation). DZ BANK Group entities were regularly 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.

FIG. 7 – EMPLOYEE DATA
(AVERAGE NUMBER OF EMPLOYEES IN THE YEAR)

Employees (excluding trainees)	2013	2012
Total	28,962	28,227
Germany	25,637	24,985
ROW	3,325	3,242
Staff turnover (%)	4.7	5.4
Resignations (%)	2.1	2.5
Years of service (as at Dec. 31)	12.4	12.2
Professional development days per employee*	3.2	3.1

(* excluding trainees and ROW)

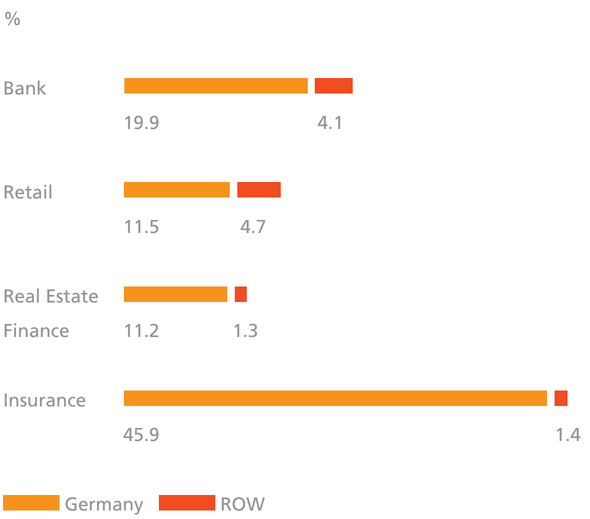
Full-time/part-time		
Full-time	23,780	23,420
Part-time	5,182	4,807
Proportion of full-time (%)	82.0	83.0
Proportion of part-time (%)	18.0	17.0

Gender		
Total male	15,559	15,178
Total female	13,403	13,049
Proportion of women (%, Germany & ROW)	46.3	46.2
Total number of managers*	2,555	2,519
Proportion of female managers (%)*	21.9	20.4

(* as at Dec. 31)

Trainees		
Total	997	912
Male	521	478
Female	476	434
Proportion of women (%)	47.8	47.6
Proportion of trainees (%)	3.4	3.2

FIG. 8 – AVERAGE NUMBER OF EMPLOYEES BY OPERATING SEGMENT IN 2013



Absolute

Bank	5,755 (2012: 5,633)
Retail	3,347 (2012: 3,307)
Real Estate Finance	3,245 (2012: 3,188)
Insurance	13,290 (2012: 12,857)
Bank	1,196 (2012: 1,181)
Retail	1,364 (2012: 1,312)
Real Estate Finance	374 (2012: 361)
Insurance	391 (2012: 388)

2. SUSTAINABILITY

2.1. COOPERATIVES: 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. Around the globe, almost 800 million people in more than 100 countries are members of a cooperative. Cooperatives provide a place of work for 100 million people.

The strong regional ties of the entities and their businesses, particularly in the cooperative banking sector, are hallmarks of our shared cooperative guiding principle and one of our strengths that puts us ahead of the rest.

DZ BANK is now one of the leading financial institutions in terms of sustainability. This is confirmed by the sustainability rating received from the sustainability ratings agency oekom research AG, which awarded the DZ BANK Group prime status in 2011 and again in 2013. This status is given by oekom research AG to entities that stand out from the crowd because of their above-average environmental and social commitment.

2.2 SUSTAINABILITY-RELATED PRODUCTS AND SERVICES

As one of the country's leading financial services providers, the DZ BANK Group is playing a key role in funding the switch to renewable energy sources in Germany. The DZ BANK Group's range of products covering renewable energies 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.

Since the beginning of 2009, the renewable energies sector has been a strategic area of activity for DZ BANK. As well as traditional bank loans funded from our own liquidity, the arrangement of development loans is currently a key aspect of our activities. In the renewable energies sector, DZ BANK AG currently provides lending of around €2 billion to fund the expansion of infrastructure and the development of new, more efficient technologies.

Protection against climate change is also a major area of business for BSH, which helps its customers in many ways, including providing them with support for renovating buildings and installing photovoltaic equipment.

The entities in the DZ BANK Group also offer a broad range of sustainability-related products and services, ranging from special investment certificates and funds to insurance policies and home savings contracts. DZ BANK, for example, offers the 'Anlage Zukunft' product line and conducts sustainability research.

Union Investment has a broad spectrum of mutual funds and special funds that are managed from a sustainability perspective. These have been recognized by rating agencies, and are also proving popular with customers. As a result, the asset management company has increased its volume of sustainably invested products by 15.5 percent.

As part of its commitment to corporate social responsibility, DZ BANK stopped all speculative trading in agricultural commodities in spring 2013.

2.3. EMBEDDING SUSTAINABILITY IN THE ORGANIZATION: EXAMPLES IN THE DZ BANK GROUP

In addition to offering sustainability-related products and services, the individual entities in the DZ BANK Group have also enhanced key processes so that they satisfy social and environmental criteria. On January 1, 2013, DZ BANK signed up to the Equator Principles, which provide a global standard for project finance. Since then, all project finance involving a total investment of more than US$ 10 million has been subject to an additional review in compliance with the requirements of the Equator Principles. DZ BANK's lending guidelines also include carrying out its own sustainability check, which is based on the principles of the UN Global Compact. Branch guidelines and the lending risk strategy also stipulate which activities cannot be funded due to their environmental or social risks.

In 2013, DZ BANK AG also signed up to the German Sustainability Code. It provides a database of entities' efforts to achieve sustainability, presenting this information in a transparent and comparable form that strengthens the entities' engagement.

Since 2010, Union Investment has been a signatory to the UN Principles for Responsible Investment, as a result of which it undertakes to include social and environmental criteria in all its investment analyses. Union Investment has also developed a strategy known as the UniEngagement approach, whereby it proactively exercises its voting rights to encourage entities to adopt sustainable corporate policies and uncover potential for sustainable activities.

Based on expertise in sustainable facilities management, BSH has developed an environmental management system for its Schwäbisch Hall site where, for example, the head office has been run on a carbon-neutral basis since 2011.

Both DG HYP and DZ PRIVATBANK have set up a fixed framework of responsibility for sustainability issues in their respective organizations and, since 2012, have been participating in the groupwide sustainability market initiative.

R+V has also set up a system for coordinating sustainability in its own subgroup and has appointed officers with responsibility for sustainability and environmental issues.

2.4. SUSTAINABILITY MARKET INITIATIVE

In August 2013, our commitment to the UN Global Compact was extended to include the entities participating in the sustainability market initiative. BSH, DG HYP, DZ BANK, DZ PRIVATBANK, TeamBank, VR LEASING, R+V Versicherung, and Union Investment all undertook to comply with the UN's sustainability principles and will report on their compliance jointly.

The entities in the DZ BANK Group are also involved in joint action to complement the individual activities pursued within each entity. The objective of the sustainability market initiative established in 2010 is to achieve a greater degree of pooling in the activities undertaken by the group entities and to focus on the shared goal of exploiting market opportunities and avoiding risk while at the same time enhancing corporate citizenship. Following the initial review of the existing situation and the implementation of the first measures in each entity, the focus in 2012 switched to developing joint activities in working groups. One of the outcomes of this work in 2012 was the development and introduction of supply standards. An internal climate study in 2012 laid down the basic principles for the development of a new climate strategy in the DZ BANK Group. A systematic database structure is one of the components in the development of a groupwide information-sharing system. This database structure was used for the first time in 2013 following preparation work carried out in a working group during 2012. The entities that make up the DZ BANK Group will continue to work closely together on this in the future, setting up a standing committee, the Group Corporate Responsibility Committee, in 2014. The committee will be made up of the sustainability coordinators and communications managers from the various entities. Another of the initiative's goals for 2014 will be to draw up a joint climate strategy.

2.5. TRANSPARENCY IN SUSTAINABILITY ACTIVITIES

The reporting year saw the publication of DZ BANK AG's fifth sustainability report prepared in accordance with the international reporting standards under the Global Reporting Initiative (GRI).

The objectives and action plans of the entities within the DZ BANK Group are also becoming more transparent. Union Investment's first separate sustainability report appeared in 2012, while BSH included a detailed sustainability report within its own annual report.

REPORTS PUBLISHED BY THE DZ BANK GROUP

Sustainability report of DZ BANK AG, together with further information:
www.sustainability.dzbank.com/

Sustainability report of Union Investment:
http://unternehmen.union-investment.de/Unternehmen/UMH/Kennzahlen/Gesch_ftsbericht/CSR_engl.pdf

Annual report of Bausparkasse Schwäbisch Hall:
https://www.schwaebisch-hall.de/bsh/englisch/medien/documents/financial-year-2012.pdf

Information on sustainability at VR-LEASING AG:
http://www.vr-leasing.de/vr_leasing/unternehmen/nachhaltigkeit/

Sustainability report of DG HYP:
http://www.dghyp.de/en/unternehmen/sustainability.html

IV. Outlook

1. ECONOMIC CONDITIONS

1.1. GLOBAL ECONOMIC TRENDS

Two years of marginal growth have now finally been followed by an uptrend in the global economy, with numerous indicators confirming that the global economic slowdown has been reversed. At the same time, there are signs that the weight of responsibility for providing the impetus is once again shifting between groups of countries. There will again be a slightly higher contribution to global expansion from the advanced industrialized nations in 2014, although above-average growth rates are still expected to be the norm in the emerging markets. Overall, global gross domestic product (GDP) is likely to grow at a rate of around 3.6 percent in 2014 and 2015.

Forecasts predict that the stronger rate of global expansion will also be reflected in higher volumes of international trade. Global trade is expected to see a return to significantly higher rates of growth, with 5 percent estimated for 2014 and a further increase in 2015. On the other hand, the lingering crisis in the eurozone, onerous levels of sovereign debt, and underlying structural problems – even outside the eurozone – mean that it would be foolish to rule out the possibility of further setbacks on the road to global economic recovery.

1.2. TRENDS IN THE USA

There are several factors pointing to an improvement in the economy in the US, not least encouraged by the apparent new-found ability of the two political camps to come to a compromise. The recovery in the housing market has perceptibly gathered pace. After a period of market correction that has dragged on for well over five years, house prices are now climbing rapidly with double-digit annual growth rates. Rising retail sales and greater utilization of industrial capacity are both indicators that the economic recovery will be sustained. As the mood becomes more optimistic, consumer spending continues to be a key growth driver. However, there have recently also been encouraging figures from industry showing that output has risen. In addition, the sustained recovery has been mirrored over the last few months by the situation in the labor market, where there has been a significant improvement in employment figures.

Although there is still no long-term plan addressing the huge federal deficit, the smoldering budget dispute has been doused for now, clearing one of the obstacles on the path to economic recovery. All things considered, real GDP in the US is likely to increase by around 3 percent in 2014 and 2015. Inflation is forecast at approximately 2.1 percent in 2014, followed by a slight acceleration in 2015.

1.3. TRENDS IN THE EUROZONE

Unlike the US, Europe is still bearing the scars from the financial crisis and the excesses that preceded it; the situation remains considerably more serious. Nevertheless, the recession in the eurozone has died away over the past year and has been replaced by excellent prospects for stabilization of the economy. Recovery is likely to be rather weak, however, compared with economic upturns in the past. The crisis has been deep-seated and prolonged, its fallout severe. The resulting high unemployment, persistently low capacity utilization, and enormous levels of government debt represent major obstacles to a dynamic economic recovery following the recession.

The gathering pace of foreign trade activity will provide some impetus for growth in 2014. As the rise in unemployment is halted, consumer spending is likely to pick up again slightly. Additional stimulus for capital investment will come from the greater potential for replacement investment and an improvement in sales prospects. In 2014, most of the EU member states are likely to return to positive growth, with GDP higher than in 2013. Among the larger economies, Italy and Spain will leave recession. Overall, a rise in eurozone economic output of around 1.2 percent in 2014 would be a reasonable assumption. Further growth can be expected in 2015. Consumer prices will increase slightly as economic activity gradually picks up again. It is only in 2015 that the inflation rate is likely to return to levels around 2 percent.

1.4. TRENDS IN GERMANY

The economic outlook for Germany continues to brighten. Significantly, there has been a further rise in business climate barometers for the coming months. In terms of fundamentals, many indicators point to an imminent rebound in the German economy. In most businesses, the profits situation and conditions for capital investment are very favorable. The financing options for German businesses are exceptionally advantageous and finance continues to be readily available, according to information provided by businesses. The prospects for consumer spending have also continued to improve. Low unemployment and rising incomes are boosting consumer confidence. For some years now, the German labor market has proven to be the anchor of stability in the economy. Employment rates are moving steadily upward and have already reached record levels.

The end of the recession in the eurozone and recovery in the global economy will drive demand for German industrial products. Given the improvement in sales prospects, it is likely that capital spending projects held in the pipeline for some time will be reactivated. Businesses with a strong domestic focus are going to be looking at investing in expansion again in view of the stable demand within Germany. Investment in construction activity is also on the up again. Renovation work to improve the energy efficiency of buildings is also likely to continue providing a significant extra boost in this sector.

Growth in Germany is predicted to exceed the 2 percent mark in each of the next two years. Average consumer price inflation in 2014 will be around 2.1 percent because there will be a gradual build-up of pressure on prices from the domestic economy and any cushioning effect from a fall in prices for mineral oil products will subside.

The continuation of the ECB's expansionary monetary policy and the sustained pressure on costs are also likely to fuel the rise in consumer prices. As the ECB is not expected to tighten the reins in terms of interest rate policy in the foreseeable future, yields on ten-year German government bonds will probably remain flat in 2014 before increasing slightly in 2015.

1.5. TRENDS IN THE FINANCIAL SECTOR

Banks and insurance companies remain at the center of public attention as a result of the sovereign debt crisis in the eurozone and judicial investigations into the financial crisis. Public debate is focusing particularly on the macro and micro financial risks arising from the interaction between the real economy and the different segments within the financial sector.

A number of regulatory measures have been introduced to ensure the stability of the financial sector. Over the next few years these measures will need to be enshrined in law and reviewed to ensure that they are fit for purpose.

The financial sector as a whole must expect to face additional regulatory requirements and the imposition of further statutory conditions over the coming years. A desirable outcome would be a set of sound, transparent measures that take into account the efficiency of the banks and the diversity within the German financial sector while at the same time remaining proportionate.

2. CHANGES IN FINANCIAL POSITION AND FINANCIAL PERFORMANCE

2.1. FINANCIAL PERFORMANCE

The outlook for the business performance of the DZ BANK Group in 2014 and 2015 is positive, especially in view of the improvement in the economic situation in Europe. Given this background, and disregarding the one-off effects in gains and losses on valuation of financial instruments in the reporting year, DZ BANK is budgeting for a slight overall increase in earnings from operating activities in 2014 and 2015.

Performance in terms of **net interest income** will be positive in view of the economic prospects, especially in Germany, and the economic recovery in the other key countries of the eurozone, but the figure for 2014 is nevertheless forecast to be slightly down because of year-on-year effects. During the course of 2015, a slight increase in net interest income is expected, driven by the stronger pace of economic growth, particularly in the eurozone.

Net interest income could be negatively impacted if there is a reduction in key interest rates combined with a renewed deterioration in expectations regarding economic growth over the next few years.

The specific loan loss allowances included in the **allowances for losses on loans and advances** are expected to stay at approximately the same level in 2014 as in 2013 based on the favorable forecasts for economic growth and the application of the consistent, long-term risk policy. As far as 2015 is concerned, it is expected that allowances for losses on loans and advances will increase in line with the growth in net interest income.

Risks would arise if the European sovereign debt crisis were to flare up again causing a sharp economic downturn in Europe, and Germany were unable to escape the effects. Such a development would then have a detrimental impact on the level of allowances for losses on loans and advances.

In 2014, **net fee and commission income** is expected to be marginally higher than in 2013. It is worth noting that fee and commission income from the excellent performance of the assets under management business could be expected to offset the sharp rise in fee and commission payments arising from the uptrend in new business.

Net fee and commission income is expected to rise fractionally in 2015, particularly as a result of an increase in the volume of business in private banking.

Any renewed uncertainty in capital and financial markets could have a negative impact on confidence and sentiment among private and institutional investors, thereby depressing net fee and commission income.

Gains and losses on trading activities are expected to show a year-on-year improvement in 2014, not least because of the negative valuation effects recognized in 2013. As a result of the negative amounts from funding cap adjustments and expenses in connection with basis spread effects in 2013, a substantial increase in net gains on trading activities is forecast for 2014 and 2015. Some growth stimulus is expected to come from customer-driven capital market business and from cross-selling activity following the implementation of the corporate banking initiative by the scheduled date.

The prerequisite for an improvement in gains and losses on trading activities is the forecast long-term economic growth in Europe combined with stability in financial markets. These prerequisites are predicted to be in place in 2014.

Any significant renewed volatility in financial markets could influence the trend in gains and losses on trading activities. Any further tightening of regulatory requirements could also impair the amount of net gains realized on trading activities in the future.

Following the recognition of losses caused by the disposal of securitized investments to optimize capital recovery, DZ BANK expects to see a significant improvement in **gains and losses on investments** in 2014 and 2015. In addition, impairment losses on securitization exposures are expected to fall further in 2014, thereby increasing gains on investments.

Other gains and losses on valuation of financial instruments, which in 2013 were primarily influenced by the positive effects from the DG HYP portfolio, are expected to show a significantly lower net gain or greater net loss in 2014 and 2015. The forecast trend in this case reflects the reduced potential for reversing impairment losses.

Net income from insurance business is expected to show a significant year-on-year increase in 2014. Premiums earned are again predicted to rise as budgeted (the result of expected premium growth in non-life insurance and life/health insurance). Prudent estimates suggest that net gains on investments held by insurance companies will fall marginally.

A further increase in net income from insurance business is also predicted for 2015.

Exceptional events in the capital markets or changes in underwriting practices may affect the level of net income expected to be earned from insurance business.

Administrative expenses are expected to rise again slightly in 2014. This increase will reflect the response of the cooperative financial network to the tighter regulatory and statutory provisions. One of the main consequences of these provisions will be higher staff costs. In view of these developments, it is becoming increasingly important to actively manage costs to prevent unnecessary increases.

The aim remains to improve the cost/income ratio, despite additional pressures, by rigorously managing costs and accelerating growth in the operating business. The cost/income ratio is expected to fall in 2014 and 2015 (disregarding the one-off valuation effects).

The DZ BANK Group believes that its firm strategic focus on the cooperative financial network continues to provide it with potential to achieve network-based growth in 2014 and 2015 in close collaboration with the local cooperative banks. Its objective is to consolidate its position as one of the leading financial services providers in Germany on a long-term basis.

The DZ BANK Group believes that its membership of the successful cooperative financial network and the availability of a prosperous domestic market in Germany mean it has the best possible chance of achieving a net profit in 2014 and 2015 that lies roughly in the corridor defined by the net profit achieved in 2013 and 2012.

Earnings performance could be impacted if anything were to re-ignite volatility in capital and financial markets. Finance policies introduced in response to the sustained high levels of sovereign debt and the associated risks for economic growth could also have an effect on profit forecasts.

The entire DZ BANK Group uses a strategic planning process to regularly identify growth potential and track implementation action plans, taking account of risk trends and capital requirements.

Over the last few years, DZ BANK has strengthened its capital base from its own resources. Significant progress was again made in this regard last year. DZ BANK increased its regulatory capital base by approximately €1.5 billion, mainly by retaining profits and reducing securitization exposures.

However, the regulatory requirements in force since January 1, 2014, which gradually introduce tighter regulation over the next few years, will place a significant additional burden on DZ BANK. With this in mind, DZ BANK intends to create an additional capital buffer using the net proceeds of approximately €1.5 billion from the issue of new shares.

2.2. LIQUIDITY AND FINANCIAL POSITION

DZ BANK anticipates that the local cooperative banks will continue to hold stable levels of deposits in 2014, which will help with its management of operational liquidity. Corporate customers and institutional investors, both national and international, will also continue to make a sustained contribution to the diversification of funding.

The structural funding of the DZ BANK Group is expected to continue to be underpinned by stable sales of secured and unsecured funding products using the broad, well established customer base.

The DZ BANK Group had adequate economic capital available at all times during the course of the year under review. From the current perspective, this is also expected be the case for 2014 and 2015.

3. SEGMENT TRENDS

3.1. BANK OPERATING SEGMENT

Improved economic performance both in Germany and the rest of Europe in 2014 provides a strong foundation for a sharp upward trend in earnings in 2014 and 2015.

However, the continued sovereign debt crisis and the implementation of the financial policies introduced to resolve the problems could also lead to volatility and uncertainty on capital markets in 2014. This could affect the performance of the Bank operating segment in 2014 and 2015.

Net interest income will be positively impacted by the corporate banking initiative. The objective is to continue the expansion of corporate banking by systematically implementing the approved growth strategy with a regional organizational structure. This is intended to generate growth in new business volume in 2014 and 2015, both in direct business and in joint lending business with other parties, while at the same time stabilizing growth in margins.

At the same time, cross-selling in the corporate banking business will continue to be encouraged within the DZ BANK Group with the aim of generating an extra boost for net fee and commission income and net gains on trading activities. Given this stimulus, net fee and commission income is also expected to increase slightly in 2014 and 2015.

The DZ BANK Group expects to be able to reduce allowances for losses on loans and advances significantly in 2014 because the effects from valuation changes recognized in the portfolio loan loss allowances in 2013 will no longer apply and there will also be a benefit as the international portfolio of VR-LEASING AG continues to be scaled back as planned.

It is possible there could be a very small rise in specific loan loss allowances in 2015, depending on the planned expansion of the corporate banking initiative and SME financing. Overall, the changes in the allowances for losses on loans and advances reflect a financially sound credit portfolio and the rigor always imposed in the implementation of risk policy.

An unexpected economic downturn in Germany and/or growth rates in the rest of Europe that turn out to be lower than forecast could have a negative impact on allowances for losses on loans and advances.

In the capital markets business, DZ BANK's strategic aim remains to continue as one of the leading and most innovative providers of capital market products and structured capital market products for German customers. The bank also aims to focus on generating earnings and creating added value for the cooperative banks, the entities in the cooperative financial network, and their customers, as well as enhancing the competitiveness of the local cooperative banks in retail and corporate banking.

Net gains from trading activities are expected to show a substantial improvement in 2014 and 2015 compared with 2013. This significant increase takes into account the effects from changes in valuations recognized in the reporting year, specifically funding cap adjustments and expenses arising from the effects of basis swap spreads.

In line with corporate strategy, DZ BANK expects the customer-driven capital markets business to boost growth in net gains on trading activities as a result of increased sales activity. An extra stimulus is expected to come from additional cross-selling following the implementation of the corporate banking initiative by the scheduled date.

Any renewed uncertainty among private and institutional investors resulting from the sovereign debt crisis could have an adverse impact on net gains on trading activities.

The predicted slight rise in administrative expenses in 2014 results from the enhanced requirements imposed under the tighter regulatory framework for banks. The necessary increase in the number of employees and the additional IT costs as a consequence of projects related to regulatory requirements will be particularly apparent in the increase in administrative expenses. Others factors contributing to this increase will include higher staff, general, and administrative expenses, in turn caused by inflation and changes to collective pay agreements.

Overall, however, active management of costs and the resulting corrective measures ought to ensure that the cost/income ratio continues to fall up to 2015.

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 finance policy measures are concerned may have a negative impact on strategic direction and therefore on earnings in the Bank operating segment.

3.2. RETAIL OPERATING SEGMENT

The principal driver for earnings growth in 2014 will be the planned growth in volume in private banking and higher volumes in asset management. DZ BANK therefore expects to generate a slight overall increase in earnings in 2014.

Over the next few years, the strategic activities begun in private banking are expected to lead to an ambitious 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. To this end, there will continue to be capital investment in the planned expansion across all sites and in optimization in relation to technology, tax, and sales.

Slight growth in net interest income and net fee and commission income is expected in 2014 in line with the planned increase in market share.

In 2014, administrative expenses will increase slightly year on year on the back of further development in the private banking market initiative and the resulting establishment of new branches in Germany as well as due to enhanced regulatory requirements.

The Union Investment Group endeavors to be one of the two largest and most successful asset managers in Germany by setting the highest standards of quality in marketing for retail clients.

This is intended to lead to a permanent increase in the volume of assets under management. A corresponding uptrend in 2014 and 2015 is expected to increase earnings slightly and thus improve business performance. Additional growth stimulus may be generated by the continued positive trend in the capital markets.

In overall terms, the performance of the asset management business may be affected by volatility and a certain degree of uncertainty in financial and capital markets. In addition, further regulatory requirements relating to both institutional and retail customer business will lead to considerable uncertainty.

Another of the subsidiaries in the Retail operating segment is TeamBank, which plans to consolidate its position as part of its overall strategy to become market leader based on its key selling point as a responsible partner for fair, secure, and innovative consumer finance.

TeamBank intends to create a competence center, which will specialize in managing the liquidity of TeamBank customers, as part of its focus on developing a holistic approach to liquidity planning and provision. This consistent focus on customer needs is intended to increase customer satisfaction and customer loyalty, thereby generating further increases in the volume of new business.

TeamBank predicts that growth will be underpinned by consumers' confidence in a further improving situation in the job market. It therefore expects to see slight but continuous growth in net interest income in both 2014 and 2015.

Allowances for losses on loans and advances are expected to rise in line with expansion of the portfolio. It is also likely that there will be a slight deterioration in the risk parameters. Productivity improvements and better capacity utilization of the current infrastructure are expected to ensure the cost/income ratio consistently remains at a low level.

The risks faced by the Retail operating segment result from the increasingly intense competition that has been created by the global and national consolidation of competitors, which may put margins under further 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.

3.3. REAL ESTATE FINANCE OPERATING SEGMENT

In the Real Estate Finance operating segment, significantly lower earnings are forecast for 2014, given that the 2013 figures included one-off items at DG HYP.

In the year under review, other gains and losses on valuation of financial instruments in the Real Estate Finance operating segment were heavily influenced by gains from the DG HYP portfolio. Net gains on valuation of financial instruments are expected to be substantially lower in 2014 and 2015.

Following a successful strategic realignment, DG HYP now acts as a specialist and active competence center for commercial real estate finance at the disposal of the cooperative financial network and the local cooperative banks in their regional markets. The intention is to consolidate DG HYP's market position by expanding new business activities in collaboration with the local cooperative banks.

Given the size and stability of the German market, this territory offers huge potential for the development of new business based on further locally driven penetration of the regional markets. In 2014, net interest income from further intensification of new real-estate finance business will not fully offset the effects from the ongoing reduction of non-strategic portfolios and is therefore likely to see a marginal decline.

The willingness of Germans to commit to home savings will continue to be reflected in a slight uptrend. The market leader, BSH, will be able to benefit from this trend with new business. In addition to generating income from brokering home savings and loans, the local cooperative banks can also earn cross-selling income by acting as intermediaries for other bank products.

In general terms, building societies will continue to be adversely affected in 2014 by the extremely low level of interest rates. This market environment will increase the pressure to modify contract terms, where possible, and enhance process efficiency. It is also giving rise to pressure on the sector to consolidate, with competition in the home finance segment becoming increasingly aggressive. The strategy is to engender a greater customer focus and customer satisfaction, ensuring long-term success by maintaining and expanding customer numbers, which are expected to increase slightly in 2014.

In addition, 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 favorable trend is expected to continue with growing portfolios in 2014 based on the increase in new business in recent years.

However, portfolio growth and the policy regarding the scale of rates and charges are not expected to fully offset the effect from low interest rates. As a result, net interest income in 2014 is expected to stabilize at the level achieved in 2013.

Administrative expenses are expected to rise moderately in 2014. This trend is also likely to continue with a slight increase in 2015 resulting from higher expenses associated with 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.

The increasingly fierce competition could lead to a fall in margins. A further cut in interest rates, which are already at a low level, could also have a negative impact on earnings.

3.4. INSURANCE OPERATING SEGMENT

In the Insurance operating segment, R+V, one of Germany's leading insurance companies, is striving to generate organic growth based on a comprehensive range of insurance and pension products. It is planning to gain further market share by exploiting the potential available in the cooperative financial network, increasing cross-selling activity, and making the most of its innovative products.

The overarching objective of R+V's strategic growth is to create added value for the Volksbanken Raiffeisenbanken cooperative financial network from income-oriented growth.

Once again, net income from insurance business is expected to show a significant year-on-year increase in 2014 and beyond. This will involve a gradual development of R+V's market position by means of organic growth based on what is currently a very sound portfolio of existing business. The aim is then also to achieve a further small rise in premiums earned in 2014.

In the non-life insurance business, it is planned to increase market share by outperforming the market in terms of income-oriented growth. Planned measures to improve earnings performance include a more restrictive underwriting policy and a systematic expansion in process standardization and automation.

Strong growth in premiums is expected in the life and health insurance business, significantly higher than the growth rates expected for the sector as a whole. R+V intends to position itself as the preferred provider for insurance and pensions in the Volksbanken Raiffeisenbanken cooperative financial network and as the preferred occupational pensions provider for SMEs. In the health insurance business, it plans to gradually expand its market share by exploiting the potential for new products in the network and in the market as a whole.

The restructuring of the Assimoco Group, Segrate (Mi), Italy, was successfully completed in 2013. The considerable improvement in earnings over the last three years is also expected to continue in 2014. A much greater level of sales activity (in which the collaboration with CCB Trento, Italy, is of particular importance) is expected to be a major contributing factor in this regard.

Commission and bonus payments to the local cooperative banks are expected to increase again slightly in 2014 and 2015 in line with the positive trend in premiums and products.

Insurance business operating expenses will see a small increase in 2014 in line with the growth in premiums. This rise in expenses will result from the planned expansion of headcount, capital expenditure on various IT infrastructure projects, and higher fee, commission, and bonus expenses.

Based on a prudent assessment of further trends on capital markets, there is planned to be a marginal fall in net gains on investments held by insurance companies in 2014. From R+V's perspective, this figure is expected to improve marginally in 2015, assuming a further sustained recovery, particularly in European capital markets.

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 administrative expenses ratio should be at least held constant, if not improved, despite ongoing price competition.

V. Opportunity and risk report

1. DISCLOSURE PRINCIPLES

DZ BANK, as the parent company in the DZ BANK Group, implements the transparency requirements related to opportunities and risks as specified in section 315 HGB and complies with equivalent requirements in the relevant German accounting standard (GAS 20 Group Management Report) with the publication of this opportunity and risk report.

This report also satisfies applicable international risk reporting requirements, specifically those specified in IAS 1.134-136 (capital), IFRS 7.31-42 (nature and extent of risks arising from financial instruments), and IFRS 4.38-39A (nature and extent of risks arising from insurance contracts). The maturity analyses required by IFRS 7.39(a) and (b), and by IFRS 4.39(d)(i), are disclosed in the notes to the consolidated financial statements in notes 80 and 64 respectively.

The requirements set out in IFRS 7 are generally limited to financial instruments, shifting the focus of reporting to credit risk, equity risk, market risk, and liquidity risk. In contrast, the DZ BANK Group takes a holistic view of all these risks when using risk management tools and when assessing the risk position. As a consequence, the groupwide risk management system not only covers risks that arise specifically in connection with financial instruments, but also all other relevant types of risk. This integrated approach is reflected in this opportunity and risk report.

The external risk reporting requirements specified in section 26a of the German Banking Act (KWG) in conjunction with sections 319 to 337 of the German Solvency Regulation (SolvV) are satisfied by the regulatory risk report published by the DZ BANK banking group. This report is available on DZ BANK's website. The opportunity and risk report within the group management report implements those components of the regulatory disclosure requirements that relate directly to internal risk management but that do not directly relate to the regulatory reporting system.

This opportunity and risk report also includes information in compliance with those recommended risk-related disclosures that have been issued by the Financial Stability Board and the European Banking Authority (EBA) that extend beyond the statutory requirements and that are intended to improve the usefulness of the disclosures in the decision-making process.

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 diagrams and totals calculated from the individual values shown.

2. SUMMARY

2.1. RISK MANAGEMENT SYSTEM

The DZ BANK Group defines **opportunities** as unexpected positive variances from the forecast financial performance for the coming year.

Risks are adverse developments affecting financial position or financial performance, and essentially comprise the risk of future losses or insolvency.

The DZ BANK Group has a comprehensive risk management system that in general meets its own business management needs and statutory requirements. The management of opportunities and risks forms an integral part of the groupwide strategic planning process. The risk management system is based on risk strategies adopted by the Board of Managing Directors.

The risk management system is more detailed 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 management of opportunities is based on a qualitative approach and is tightly integrated into the strategic planning process.

The purpose of the groupwide risk capital management system is to ensure that the risks in the risk types backed by capital are calculated consistently.

Risk management also covers a further type of risk, liquidity risk, which is not covered by capital owing to the nature of the risk involved.

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 methods used for the measurement of risk are integrated into the risk management system. Risk model calculations are used for the management of the DZ BANK Group and the entities included within the group.

Given the methods that it has implemented, the organizational arrangements and IT systems that it has put in place, DZ BANK and its subsidiaries are, to the greatest possible extent, 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 entities. This applies in particular to the early detection of risks that could affect the group's survival as a going concern.

The tools used for the purposes of risk management also enable the DZ BANK Group to respond appropriately to market turmoil. Changes in risk factors, such as a deterioration in the credit rating of counterparties or the widening of credit 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 are intended to 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 material risk types, and a flexible internal reporting system generally ensure that the management is in a position to initiate targeted corrective action if required.

All DZ BANK Group entities are integrated into the groupwide opportunity and risk management system. DZ BANK and the following subsidiaries – also referred to as **management units** in this opportunity and risk report – represent the core of the financial services group:

– BSH
– DG HYP
– DVB
– DZ BANK Ireland
– DZ PRIVATBANK S.A.
– R+V
– TeamBank
– Union Asset Management Holding
– VR-LEASING AG

The management units are deemed to be material in terms of their contribution to the DZ BANK Group's aggregate risk and are therefore directly incorporated into the group's risk management system:

The other subsidiaries and investee entities are recorded and managed indirectly 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 entities – and meet the minimum standards applicable throughout the group.

2.2. RISK FACTORS AND RISKS

The DZ BANK Group is exposed to risk factors related to both the market and sector. These risk factors are reflected in the risk types covered by capital and in liquidity risk.

The **regulatory environment** encompassing the entire banking industry is characterized by a steady progression of ever tighter regulatory capital and liquidity standards and increasingly stringent process and reporting requirements. These developments are reflected mainly in business risk.

Potentially, the **European sovereign debt crisis** could have a negative impact on credit risk, equity risk, market risk, actuarial risk, business risk, and reputational risk.

The **protracted period of low interest rates** could reduce profits in the banking, retail, real-estate, and insurance businesses.

Moreover, the DZ BANK Group is exposed to business-specific risk factors of an overarching nature

FIG. 9 – RISKS, OPERATING SEGMENTS, AND MANAGEMENT UNITS IN THE DZ BANK GROUP[1]

Risks

	Risk type	Definition	Risk factors
Core financial sector risks	**Credit risk** – Traditional credit risk – Issuer risk – Replacement risk	Risk of losses arising from the default of counterparties (borrowers, issuers, other counterparties)	– Concentration of loans with a longer term to maturity and a non-investment-grade credit rating – Deterioration in the credit quality of public-sector bonds – Increased requirement for allowances for loans on losses and advances
	Equity risk	Risk of losses arising from negative changes in the fair value of that portion of the long-term equity investments portfolio in which the risks are not included in other types of risk	Increased requirement for the recognition of impairment losses on the carrying amounts of investments
	Market risk – Interest-rate risk – Spread risk – Equity price risk – Currency risk – Commodity risk – Market liquidity risk	– Risk of losses on financial instruments or other assets arising from changes in market prices or in the parameters that influence prices (market risk in the narrow sense of the term) – Risk of losses arising from adverse changes in market liquidity (market liquidity risk)	– Widening of credit spreads on European government bonds – Shortages of market liquidity
	Liquidity risk	Risk that cash and cash equivalents will not be available in sufficient amounts to ensure that payment obligations can be met (insolvency risk)	– Funding structure for lending business – Uncertainty surrounding tied-up liquidity – Changes in the volume of deposits and loans – Funding potential in money markets and capital markets – Fluctuations in fair value, marketability of securities, and the eligibility of such securities for use in collateralized funding arrangements – Exercise of liquidity options – An obligation on the DZ BANK Group to pledge its own collateral
Specialist financial sector risks	**Technical risk of a home savings and loan company[2]** – New business risk – Collective risk	– Risk of a negative impact from possible variances compared with the planned new business volume (new business risk) – Risk of a negative impact that could arise from variances between the actual and forecast performance of the collective building society business caused by significant long-term changes in customer behavior unrelated to changes in interest rates (collective risk)	– Decline in new business – Changed customer behavior (unrelated to changes in interest rates)
	Actuarial risk – Biometric risk – Interest-rate guarantee risk – Premium and claim risk – Reserve risk – Cost risk – Lapse risk	Risk that the actual cost of claims and benefits deviates from the expected cost as a result of chance, error or change	– In the case of products with long-term guarantees, calculation assumptions vary over the term of the contracts compared with the assumptions at the time the contracts were signed – The actual impact of losses exceeds the forecast impact
Business-performance risk	**Operational risk**	Risk of losses from human behavior, technological failure, weaknesses in process or project management, or external events	– Business interruptions – Insufficient availability of employees – Malfunctions or breakdowns in data processing systems – Disruptions to outsourced processes and services – Inaccurate external financial reporting – Impact of market manipulation and accounting or tax fraud – Failure to recognize violations of legal provisions
	Business risk	Risk of losses arising from earnings volatility which, for a given business strategy, is caused by changes in external conditions or parameters	– Fiercer competition based on pricing and terms – Insufficiently competitive electronic trading platforms
	Reputational risk	Risk of losses from events that damage the confidence of customers, investors, the labor market, or the general public in DZ BANK Group entities or in the products and services they offer	Worsening of the reputation of the banking sector as a result of the financial crisis and the sovereign debt crisis

1 Apart from spread risk, migration risk on securities, and migration risk on traditional loans, which are covered by the capital buffer
2 Including the business risk and reputational risk of BSH
3 Included in the risk capital requirement for business risk; at BSH, included in the risk capital requirement for the technical risk of a home savings and loan company

that affect **a number of risk types**. These factors may include potential shortcomings in the risk management system, the possible downgrading of the credit rating for DZ BANK or its subsidiaries, or ineffective hedges. These risks are generally taken into account as part of the group's overall risk management.

Operating segments and management units

		Bank				Retail			Real Estate Finance		Insurance
Risk management KPIs disclosed		DZ BANK	DVB	DZ BANK Ireland	VR-LEASING AG	DZ Privatbank S.A.	TeamBank	Union Asset Management Holding	BSH	DG HYP	R+V
– Lending volume and allowances for losses on loans and advances – Risk capital requirement	Sections 8.5., 8.6. Section 8.7.	●	●	●	●	(●)	●		●	●	●
– Investment volume – Risk capital requirement	Section 9.4.	●	●		(●)	(●)	(●)	(●)	●	(●)	●
– Risk capital requirement – Value-at-risk	Section 10.6.	●	(●)	(●)	(●)	(●)	(●)	(●)	●	●	●
– Minimum liquidity surplus in the risk scenarios and stress scenarios – Liquidity forecast	Section 11.5. Section 11.5.	●	●	●	●	●	●		●	●	
Risk capital requirement	Section 12.4.								●		
– Claims rate and claims provisions – Risk capital requirement	Section 13.5.3. Section 13.6.										●
– Loss events and losses – Risk capital requirement	Section 14.5. Section 14.6.	●	●	(●)	(●)	●	●	●	●	●	●
Risk capital requirement	Section 15.3.	●	●	(●)	(●)	●	(●)	(●)		(●)	(●)
Risk capital requirement[3]	Section 16.	●	●	(●)	(●)	●	(●)	(●)	●	(●)	●

Disclosures about the group entities in the opportunity and risk report:

● Quantitative and qualitative disclosures (●) Quantitative disclosures Not relevant

The main features of the directly managed risks and their significance for the operating segments and the management units are shown in fig. 9.

To ensure that the presentation of the disclosures remains clear, the risk management system disclosures included in the opportunity and risk report are limited to the more material entities in the group (indicated in fig. 9 by a dot on a dark gray background). This selection is based on a materiality assessment, which takes into account the contribution of each group entity to the DZ BANK Group's overall risk for each type of risk. In contrast, the figures presented in the opportunity and risk report cover all the management units included in the internal reporting system (indicated additionally in fig. 9 by a dot on a light gray background).

The subcategories shown under credit risk and market risk are those that are relevant to the DZ BANK Group. The risk management system also includes other subcategories of credit risk and market risk but these additional subcategories are not described in this opportunity and risk report because they are of minor significance in the overall risk management picture, although they are included in the figures disclosed in the report.

The DZ BANK Group remained within its economic risk-bearing capacity in 2013 and also complied with regulatory requirements at all times. The solvency of the DZ BANK Group was never in jeopardy at any point during the reporting period. By holding ample liquidity reserves, the group ensured that it was able to protect its liquidity against any potential crisis-related threats.

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 continued existence of the DZ BANK Group or individual group entities as a going concern might be at risk.

3. RISK STRATEGY

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 activities re-sulting from the 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.

In order to implement these principles, the Board of Managing Directors of DZ BANK has drawn up risk strategies for each of the material risks using the business strategy as a basis. The individual risk substrategies each encompass the main risk-bearing business activities, the objectives of risk management (including the requirements for accepting or preventing risk), and the action to be taken to attain the objectives. The risk substrategies are described in the following sections covering the individual risk types.

4. FUNDAMENTAL PRINCIPLES OF MANAGING OPPORTUNITIES AND RISKS

4.1. REGULATORY FRAMEWORK FOR RISK MANAGEMENT

The conglomerate-wide risk management system complies with the statutory requirements specified in section 25 (1) of the German Supervision of Financial Conglomerates Act (FKAG) in conjunction with section 25a KWG and the German Minimum Requirements for Risk Management in the banking sector (MaRisk BA). It also observes the requirements specified in section 64a of the Supervision of German Insurance Companies Act (VAG) and section 28 of the German Capital Investment Code (KAGB) in conjunction with the Minimum Requirements for Risk Management in the insurance sector (MaRisk VA) and the Minimum Requirements for Risk Management in investment companies (InvMaRisk).

BaFin has identified the DZ BANK Group as systemically important to Germany as a financial center and has requested the group to prepare a recovery plan in accordance with the German Minimum Requirements for the Design of Recovery Plans (MaSan). DZ BANK has drawn up the required recovery plan and submitted it to BaFin.

4.2. RISK-ORIENTED CORPORATE GOVERNANCE

4.2.1. Governance structure

The DZ BANK Group's risk management system builds on the risk strategies adopted by the Board of Managing Directors of DZ BANK. It is based on three pillars that are interlinked and well established in the monitoring and control environment. The DZ BANK Group thereby has a governance structure that complies with MaRisk requirements, sets out the operational framework for risk management, and fosters the development of an appropriate groupwide risk culture.

Fig. 10 shows the governance structure for risk management in the DZ BANK Group.

The risk management committees are described elsewhere in this group management report in the section covering the fundamentals of the DZ BANK Group (section I.3.1.2.). The business opportunities are discussed during the course of the strategic planning process at the level of the individual management units and within special closed sessions held by the Board of Managing Directors.

4.2.2. Risk management

Risk management refers to the operational implementation of the risk strategies in the risk-bearing business units based on standards applicable throughout the group.

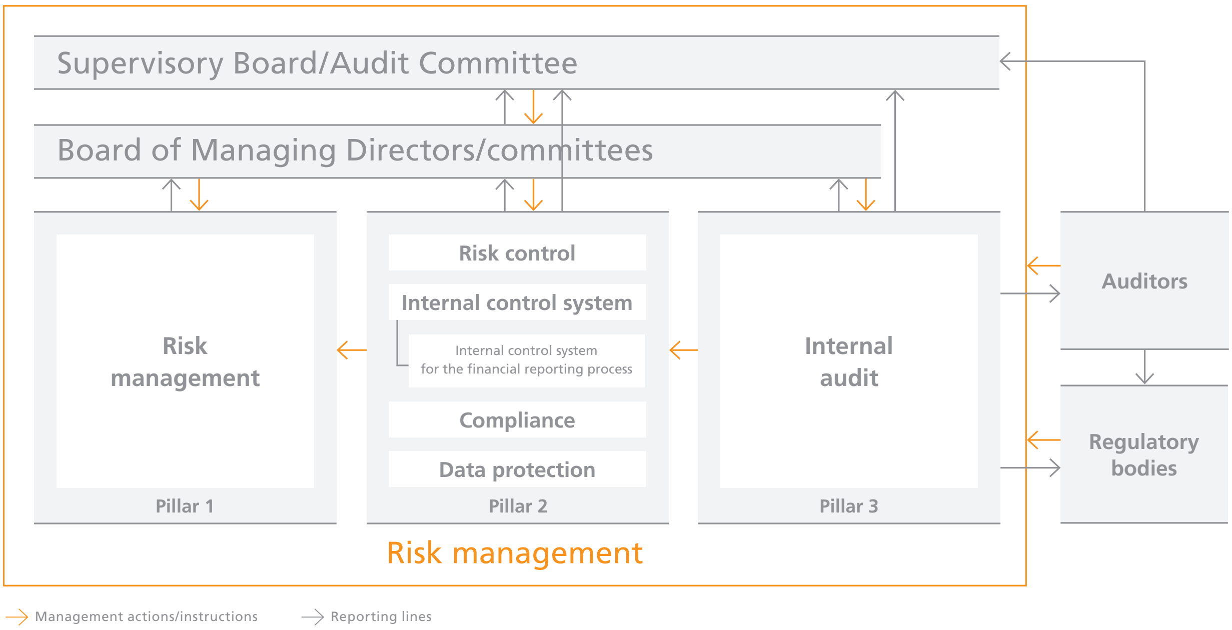
The management units make conscious decisions on whether to assume or avoid risks. They must observe guidelines and risk limits specified by the head office.

The divisions responsible for risk management are separated both in terms of organization and function from downstream divisions.

4.2.3. Risk control

Central Risk Control at 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. It includes early detection, full recording of data (to the extent that this is possible) and internal monitoring for all material risks. Risk Control also reports risks to the Supervisory Board, the Board of Managing Directors, and the management units.

FIG. 10 – GOVERNANCE STRUCTURE OF RISK MANAGEMENT IN THE DZ BANK GROUP



Risk control at DZ BANK lays down the fundamental requirements for the risk measurement methods to be used throughout the group and coordinates implementation with risk control units in the subsidiaries. The aim of this structure is to ensure that the management of risk capital is consistent throughout 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 specified 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 aims to ensure that all risk measurement methods used are up to date. The risk control units in the subsidiaries also monitor compliance with the entity-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 management units concerned.

4.2.4. Internal control system

DZ BANK uses the groupwide internal control system to implement the relevant regulatory requirements specified in MaRisk. The DZ BANK Group's internal control system also takes into account the framework for internal controls produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which can be applied to any industry.

The objective of the internal control system is to ensure the effectiveness and efficiency of the risk management activities within the DZ BANK Group by means of suitable basic principles, action plans, and procedures.

Organizational structures and precautions built into work processes serve to ensure that the monitoring of risk management activity is integrated into processes.

IT systems are systematically protected by authority-dependent management of authorizations and by technical precautions, the aim of which is to prevent unauthorized access both within and outside group entities.

4.2.5. Internal control system for the consolidated financial reporting process

OBJECTIVE AND RESPONSIBILITIES

DZ BANK is subject to a requirement to prepare consolidated financial statements and a group management report. The primary objective of external consolidated financial reporting in the DZ BANK Group is to provide appropriate, timely information for the users of the consolidated financial statements and group management report. This includes all activities to ensure that external consolidated 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.

In order to limit operational risk in this area of activity, DZ BANK and its subsidiaries have set up an internal control system for the consolidated financial reporting process as an integral component of the control system put in place for the general risk management process. 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 financial reporting is achieved.

Overall responsibility for external financial reporting lies in the first instance with Group Finance and Risk Control at DZ BANK, with all the consolidated entities in the DZ BANK Group responsible for preparing and monitoring the quantitative and qualitative information required for the consolidated financial statements.

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 regularly updated. The basis for opportunity and 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 also established the key elements of the risk-related disclosure procedures and 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.

RESOURCES AND METHODS

The processes set up in the DZ BANK Group entities (using suitable IT systems) are intended to permit 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 policy on risk disclosure.

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. The purpose of this structure is to ensure that 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 where the financial reporting process involves certain cost calculations, such as those for determining pension obligations or 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 plans set out the procedures for collating and generating the quantitative and qualitative information required for the preparation of statutory company reports and necessary for the internal management of the operating 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. These plans are intended 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 fine tuned.

INFORMATION TECHNOLOGY

The IT systems used for preparing the consolidated financial statements must satisfy the necessary security requirements in terms of confidentiality, integrity, availability, authorization, authenticity, and non-repudiation. IT-supported controls are used, the purpose of which is 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 entity in the DZ BANK Group.

The information technology used for accounting purposes is equipped with the 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.

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.

4.2.6. Compliance and data protection

COMPLIANCE

The role of each of the compliance functions in the DZ BANK Group is to ensure that business activities are conducted in accordance with applicable law, regulatory requirements, and internal rules and regulations. Monitoring and control activities are largely focused on private transactions carried out by employees (guiding principles for employees) and on preventing insider trading, market manipulation, money laundering, and other criminal offenses. The purpose of these activities is to protect customers, employees, and the DZ BANK Group itself.

In order to implement compliance function standards as specified in MaRisk BA, suitable requirements were drawn up in the relevant subsidiaries in coordination with DZ BANK. However, these requirements had not yet been fully met in 2013.

The managers responsible for the compliance function each report directly to the member of the Board of Managing Directors responsible for this area of activity.

DATA PROTECTION

The entities in the DZ BANK Group have introduced suitable precautions to ensure that they comply with data protection provisions. This has involved, in particular, creating the function of data protection officer and issuing standard data protection principles.

4.2.7. Control functions

INTERNAL AUDIT

In DZ BANK and all material group entities, the **Internal Audit division** is responsible for carrying out control and monitoring tasks independently of any particular process. 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 and internal control systems to ensure that they are fully operational, effective, and that processing is properly carried out, 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 entities reports to the chief executive officer or other senior managers of the entity concerned. DZ BANK and all subsidiaries involved follow the special requirements for the structure of the Internal Audit function specified in MaRisk.

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

FURTHER CONTROL FUNCTIONS

The **Supervisory Board** of DZ BANK satisfies itself at regular intervals that the risk management system is appropriate and functioning properly.

Independent auditors carry out an assessment pursuant to section 317 (4) HGB during the course of the audit of the annual financial statements to establish whether the early-warning system for risk and the internal monitoring system used by the DZ BANK Group are fit for purpose. Audits are also carried out by **banking and insurance regulatory authorities**.

4.3. RISK MANAGEMENT TOOLS

4.3.1. Accounting basis for risk measurement

The transaction data that is used to prepare DZ BANK's consolidated financial statements also forms the basis for the groupwide measurement of credit risk, equity risk, market risk, liquidity risk, actuarial risk, and technical risk of a home savings and loan company. A wide range of other factors are also taken into account in the calculation of risk. These factors are explained in more detail during the course of this opportunity and risk report.

The line items in the consolidated financial statements relevant to risk measurement are shown in fig. 11.

The sections below provide a further explanation of the link between individual types of risk and the consolidated financial statements.

A further breakdown of the line items in the consolidated financial statements used to determine **credit risk** is given in section 8.5.2 of this opportunity and risk report.

The investments used for the purposes of measuring **equity risk** are the following items reported in note 51 of the notes to the consolidated financial statements: shares and other shareholdings, investments in subsidiaries, investments in associates, and interests in joint ventures. The relevant items for the investments held by insurance companies balance sheet line item are those in note 52 of the notes to the consolidated financial statements, as follows: investments in subsidiaries, investments in associates, and interests in joint ventures. The affiliation agreements underlying the equity investments can be established from the list of shareholdings (see note 99 in the notes to the consolidated financial statements).

In the DZ BANK Group, the measurement of financial instruments both for the purposes of determining market risk and for financial reporting purposes is based on financial market data provided centrally. Minor discrepancies arise from the recognition of different impairment amounts in the market risk calculation and in the accounting treatment. With the exception of these differences, the disclosures relating to **market risk** reflect the fair values of the assets and liabilities concerned.

The measurement for the **technical risk of a home savings and loan company** is based on the loans and advances to customers and also the savings deposits (classified as deposits from customers) described in note 59 of the notes to the consolidated financial statements.

Insurance liabilities, as reported in the financial statements, are a key value for determining all types of **actuarial risk**. The investments held by insurance companies balance sheet item is also used for determining the interest-rate guarantee risk, and the other assets item for determining the biometric risk, the premium and claim risk, and the reserve risk.

FIG. 11 – RISK-BEARING EXPOSURES IN THE CONSOLIDATED FINANCIAL STATEMENTS OF THE DZ BANK GROUP[1]

		Credit risk				Market risk					Portfolio assignment[2]			Actuarial risk					
	Consolidated financial statements	Traditional credit risk	Issuer risk	Replacement risk	**Equity risk**	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity risk	Trading portfolios	Non-trading portfolios	**Technical risk of a home savings and loan company**	Biometric risk	Interest-rate guarantee risk	Premium and claim risk	Reserve risk	Cost risk	Lapse risk
Risk-bearing assets	Loans and advances to banks	●		●		●	●		●		●	●							
	Loans and advances to customers	●				●	●		●		●	●	●						
	Derivatives used for hedging (positive fair values)			●		●	●	●	●	●	●	●							
	Financial assets held for trading		●	●		●	●	●	●	●	●								
	Investments		●	●	●	●	●	●	●			●							
	Investments held by insurance companies		●		●	●	●	●	●						●				
	Other assets													●		●	●		
	Financial guarantee contracts and loan commitments	●																	
Risk-bearing liabilities	Deposits from banks					●	●		●		●	●							
	Deposits from customers					●	●		●		●	●	●						
	Debt certificates issued including bonds					●	●	●	●	●	●	●							
	Derivatives used for hedging (negative fair values)			●		●	●	●	●	●	●	●							
	Financial liabilities held for trading			●		●	●	●	●	●	●								
	Insurance liabilities													●	●	●	●	●	●

1 As liquidity risk is determined on the basis of all exposures in the consolidated financial statements, the details for liquidity risk are not provided here for reasons of clarity
2 Disclosures for the banking business

The calculation of **liquidity risk** is derived from future cash flows, which in general terms are determined from all of the balance sheet items in the consolidated financial statements.

Operational risk, **business risk**, and **reputational risk** are measured independently of the balance sheet items reported in the consolidated financial statements.

4.3.2. Measurement of risk and risk concentrations

BASIC PRINCIPLES

Economic capital – known as the **risk capital requirement** – is calculated for credit risk, equity risk, market risk, technical risk of a home savings and loan company, 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 and a confidence level of 99.90 percent.

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.

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. A distinction is made between risk concentrations that occur within a risk type (intra-risk concentrations) and concentrations that arise as a result of the interaction between different types of risk (inter-risk concentrations). Inter-risk concentrations are implicitly taken into account when determining correlation matrices for the purposes of inter-risk aggregation. They are mainly managed by using quantitative stress test approaches and qualitative analyses to provide a holistic view across all types of risk. The analysis of intra-risk concentrations is described for each type of risk in the sections below.

CREDIT RISK

Expected and unexpected losses are calculated within a credit-portfolio analysis for business in which the DZ BANK Group must bear credit risk. 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. 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.

In order to highlight **concentrations of credit risk**, the exposure at portfolio level is categorized by, among other things, industry sector, country group, term to maturity, size category, and rating. In addition, risks resulting from large exposures to individual single borrower units are closely monitored and managed.

The key factor to be considered when determining concentrations of credit risk is the possibility of a simultaneous default by a number of borrowers who share one or more 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

Equity risk is determined as value-at-risk on the basis of a variance-covariance approach. 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.

MARKET RISK

The capital requirement for market risk is calculated as the value-at-risk over a one-year time horizon based on simulations. The results of stress tests are included in this calculation. In addition to calculating economic capital, and for purposes of operational management, a value-at-risk for a holding period of one trading day (or for 10 trading days) 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, migration, equities, currencies, and commodities. This incorporates the effects of correlation between these different risk factors, particularly in stress phases.

Further improvements were introduced in 2013 in the methods used to record market risk, particularly the spread risk and migration risk associated with securities. Identified risks are recorded centrally for the whole of the group.

TECHNICAL RISK OF A HOME SAVINGS AND LOAN COMPANY

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 technical risk of a home savings and loan company. Concentrations of this risk may arise primarily from new business risks.

ACTUARIAL RISK

For the most part, value-at-risk approaches are used to quantify actuarial risk. Possible risk concentrations are analyzed, monitored, and managed as part of the risk management system.

OPERATIONAL RISK

The capital requirement for operational risk is determined at group level using the Standardized Approach specified by regulatory requirements. Analyses of internal losses, risk indicators, 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.

BUSINESS RISK

Business risk is determined using a risk model based on an earnings-at-risk approach. 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. The strategic risk analyzed in the context of business risk is not considered to be material.

REPUTATIONAL RISK

Reputational risk is taken into account within business risk and is therefore implicitly included in the measurement of risk and assessment of capital adequacy in the DZ BANK Group. The risk of a detrimental change in the group's reputation is specifically taken into account in liquidity risk management.

LIQUIDITY RISK

In contrast to the other types of risk, there is no capital requirement in connection with liquidity risk. 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 can 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).

4.3.3. Stress tests

In addition to the risk measurements, the effects of extreme but plausible 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.

4.3.4. Limitation principles

The DZ BANK Group has implemented a system of limits to ensure that risk-bearing capacity is maintained. 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.

Specific amendments to risk positions based on an adjustment of the volume and risk structure in the underlying transactions are intended to ensure that the measured exposures do not exceed the agreed volume and risk limits.

4.3.5. Hedging objectives and hedging transactions

Hedging activities are undertaken in order to transfer credit risk, market risk, liquidity risk, actuarial risk, and operational risk to the greatest possible extent 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 items and the derivatives 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 and it exercises the fair value option. 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 78 of the notes to the consolidated financial statements.

4.3.6. Risk reporting and risk manual

The quarterly **overall risk report**, which encompasses the risks identified by DZ BANK, is the main channel by which the risks of the DZ BANK Group and the management units are communicated to the Board of Managing Directors, Group Risk Committee, and Supervisory Board. In addition, the Board of Managing Directors and Supervisory Board receive portfolio and exposure-related management information in the **credit risk report**, which is also produced quarterly. The Board of Managing Directors also receives daily, weekly, and monthly information on **liquidity risk** in the DZ BANK Group and management units.

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 exposures concerned, the purpose of these systems is to ensure that decision-makers and supervisory bodies at all times receive transparent information on the risk profile of the management units for which they are responsible.

The **risk manual**, which is available to all employees of the management units, sets out the general parameters for identifying, measuring, assessing, managing, monitoring, and communicating risks. These general parameters are intended to ensure that risk management is properly carried out in the DZ BANK Group. The manual forms the basis for a shared understanding of the minimum standards for risk management throughout the group.

The main subsidiaries also have their own risk manuals covering special aspects of risk related specifically to these management units.

4.3.7. Risk inventory and adequacy review

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 materiality analysis is carried out for those types of risk that could arise in connection with the operating activities of the entities in the DZ BANK Group. A subsequent stage involves assessing the extent of risk concentration in types of risk classified as material.

DZ BANK also conducts an **adequacy review** at DZ BANK Group level around the same time as the regular risk inventory check. The objective is to review the latest groupwide specifications for the analysis of risk-bearing capacity. In addition, the adequacy review includes a number of other tests to assess whether the risk measurement methods used for all types of risk classified as material are in fact fit for purpose. Action is taken to modify the risk management tools, where required.

The risk inventory check and adequacy review are coordinated in terms of content and timing. All management units in the DZ BANK Group are included in both processes.

The results from the regular risk inventory check and the adequacy review 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.

Risk inventory checks and adequacy reviews are similarly conducted in the main subsidiaries.

5. OPPORTUNITIES

5.1. MANAGEMENT OF OPPORTUNITIES

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.

Details on the strategic planning process are described elsewhere in this group management report in the section covering the fundamentals of the DZ BANK Group (section I.3.4.).

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.

5.2. POTENTIAL OPPORTUNITIES

5.2.1. 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, Transaction Banking, and Capital Markets, which focuses on the cooperative financial network.

DZ BANK's **focus on the cooperative banks** is vital in view of the need to manage scarce resources and 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 retail banking and SME business.

Furthermore, it is planned to enhance **corporate governance** in the DZ BANK Group with the aim of integrating the local cooperative banks even more closely. Over the last few years, DZ BANK has also stepped 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 strategic focus of the DZ BANK Group, guided by the 'Verbund First' principle, is a significant contributing factor in helping **the cooperative banks strengthen their market position**. The local cooperative banks therefore not only receive substantial financial support in the form of fees, commissions, and profit distributions, they also enjoy the transfer of cost benefits and the availability of competitive products and services.

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 do not compete directly with those of the cooperative banks and they enable further economies of scale to be created for the entire cooperative financial network.

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 the earnings performance forecast for 2014. These are crucial factors in the DZ BANK Group's strategic positioning and resulting opportunities for increasing revenue and cutting costs during 2014.

5.2.2. Credit ratings

DZ BANK is awarded credit ratings by the three largest rating agencies, Standard & Poor's, Moody's, and Fitch. Individual subsidiaries of DZ BANK are also given their own ratings. In view of the high degree of cohesion within the cooperative financial network, Fitch and Standard & Poor's issue a network rating, for the purposes of which the cooperative financial institutions are analyzed on a consolidated basis. The criteria used by the agencies include factors such as strategy, risk assessment, transparency, and solidarity within the cooperative financial network in addition to business performance and collaboration.

The ratings are critical in determining the funding opportunities available on money and capital markets. They open up additional business options and potential opportunities for the entities in the DZ BANK Group.

During the course of the year under review, the rating agencies reviewed the credit ratings issued for DZ BANK. The very good ratings issued for DZ BANK by Standard & Poor's, Moody's (A1 long-term rating), and Fitch (A+ long-term rating) were reconfirmed. Fig. 12 provides an overview of DZ BANK's credit ratings.

During 2013, Standard & Poor's and Fitch issued long-term credit ratings for the cooperative financial network of AA- and A+ respectively. There were no changes in the credit ratings compared with 2012.

FIG. 12 – DZ BANK RATINGS

	Standard & Poor's		Moody's		Fitch	
	2013	2012	2013	2012	2013	2012
Covered bonds (DZ BANK BRIEFE)	AAA	AAA	–	–	AA	AA
Long-term rating	AA-	AA-	A1	A1	A+	A+
Short-term rating	A-1+	A-1+	P-1	P-1	F1+	F1+

6. GENERAL RISK FACTORS

6.1. MARKET AND SECTOR RISK FACTORS

The DZ BANK Group is subject to a range of risk factors that apply generally to the German and European banking industry as a whole. These market and sector risk factors have an impact on the risks covered by capital and also on liquidity risk. For the most part, the factors can be classified under business risk but are addressed separately here because of their key importance for the DZ BANK Group.

6.1.1. Regulatory environment

CRD IV AND CRR

The European financial sector is faced with considerable challenges as a result of the implementation of European legislation in connection with Basel III in the form of the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). This legislation is imposing much tighter regulatory standards, including process and reporting requirements, and in particular more stringent capital adequacy requirements. German banks must start to apply the new regulations from January 1, 2014.

The CRR not only includes stricter capital requirements, it is also introducing completely new liquidity requirements. In essence, these comprise a requirement to comply with a liquidity coverage ratio (LCR) relating to the maintenance of a portfolio of particularly liquid assets providing cover for a 30-day period, and with a net stable funding ratio (NSFR) relating to stable funding of long-term assets.

As the different business activities of the DZ BANK Group generate risk-weighted assets to varying degrees and tie up capital and/or liquidity, the tighter capital and liquidity requirements could force the DZ BANK Group to cease activities that tie up a disproportionately high amount of capital or liquidity and that can no longer be operated profitably.

COMPREHENSIVE ASSESSMENT

From a provisional date in autumn 2014, the ECB will assume responsibility for the supervision of a large number of banks in the eurozone, including DZ BANK. The ECB supervisory activities will be based on the Single Supervisory Mechanism (SSM).

Before the Single Supervisory Mechanism is initiated, each bank will be subject to a comprehensive assessment. The process of assessments started in 2013 and is scheduled to be completed by October 2014. The comprehensive assessment comprises a risk assessment and a stress test. The objective of the comprehensive assessment is to use a largely standardized assessment procedure throughout Europe to uncover risks on the balance sheets of the banks subject to the assessment and determine resulting action plans necessary to strengthen capital adequacy.

The ECB plans to publish the overall findings from all the components of the comprehensive assessment before its scheduled assumption of responsibility of supervision in September 2014.

LEVERAGE RATIO

The CRR has introduced the principle of a leverage ratio for banks. This KPI shows the ratio of a bank's Tier 1 capital to its overall exposure. In contrast to risk-based capital requirements for which the assumptions are derived from models, the individual line items in the leverage ratio are not given their own risk weighting but are included in the KPI without any weighting at all. All banks are subject to an obligation to report the leverage ratio from 2014. The disclosure requirement applies from 2015.

Initially, there is no mandatory minimum value for the leverage ratio because its effect is to be analyzed in more detail in a monitoring phase up to January 2017. A decision will then be made as to whether and at what level there is to be a mandatory minimum for the leverage ratio at European level.

The introduction of the leverage ratio could lead to an additional capital requirement for the DZ BANK Group based on the current volume of business. Implications for the group's business model and competitive position cannot be ruled out either.

The disclosure of DZ BANK's leverage ratio and an assessment of this ratio by financial market players could have an adverse impact on the external assessment of the bank's capital position and on DZ BANK's funding costs.

CAPITAL REQUIREMENTS FOR MARKET RISK

Based on the experience of the financial crisis, the Basel Committee on Banking Supervision published in October 2013 its second consultative document entitled 'Fundamental review of the trading book', which sets out plans for a fundamental review of the existing rules for capital requirements in relation to the market risk in the trading book (referred to as Basel 3.5).

Significant new features include a revision of the boundary between the trading book and banking book, the introduction of a new standardized approach, a complete revision of the risk measurement approach for the internal market risk model, and more stringent criteria for the approval of internal market risk models. The plans are also aiming for greater integration between the Standardized Approach and internal models-based approaches. The consequence of this is that DZ BANK, which is a bank with an internal model, will have to reintroduce the Standardized Approach in the future and will be subject to a mandatory requirement to use this approach to calculate the capital requirement for market risk in the trading book alongside its calculations using the internal model.

It is likely that the 'Fundamental review of the trading book' will lead to far-reaching, very time-consuming, and costly changes relating to the calculation of capital requirements for market risk in the trading book. This applies not only to banks such as DZ BANK with internal models, but to all banks in the DZ BANK Group, which will have to introduce the new Standardized Approach.

The date on which these new requirements are expected to come into force is as yet unknown. The implementation of the new requirements could mean that the DZ BANK Group is subject to an additional capital requirement. Similarly, the DZ BANK Group cannot rule out the possibility of a negative impact on its cost structure or implications for its internal organizational structures, risk management system, business model, or competitive position.

RISK DATA MANAGEMENT

In January 2013, the Basel Committee on Banking Supervision published principles for effective risk data aggregation and risk reporting. The principles aim to increase aggregation capability for all risk data used for internal risk management and to improve the risk management and decision-making processes (including internal risk reporting) at banks. The requirements must be implemented by global systemically important banks (G-SIBs) by 2016.

The German banking regulators also intend to make compliance with these principles mandatory for domestic systemically important banks (D-SIBs) by including the principles in MaRisk BA. Currently, the timing for implementation and compliance with the principles in Germany has not yet been definitively specified, but it is likely that the rules will come into force not long after 2016.

The implementation of the new requirements, and possibly also inadequate implementation, could involve changes to the DZ BANK Group's business model, have a negative effect on the competitive position of the group, or lead to the need for additional capital. Moreover, it is impossible to gauge whether the principles will be implemented in the original form proposed by the Basel Committee on Banking Supervision or in some amended form.

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 effective date for Solvency II has now been set for January 1, 2016 following the conclusion in November 2013 of the trilogue negotiations involving representatives of the Council, European Parliament, and European Commission.

Solvency II defines requirements for capital adequacy, risk management, and a standardized reporting system for insurance companies, applicable throughout the EU. The new system of supervision is intended to facilitate more flexible regulation using a stronger principles- and risk-based approach.

As far as R+V is concerned, Solvency II will give rise to significant changes in capital requirements and in the measurement of assets and liabilities. R+V will also have to comply with additional rules on business organization and further reporting and disclosure obligations. Other changes relate to the group requirements. There are additions to applicable investment principles in that entities must in the future cover their investments with capital in an amount commensurate with the risk content of the individual investments.

Given BaFin's notice that it will issue specific details on the requirements during the preparation phase for Solvency II prior to its full introduction on January 1, 2016, it is not yet possible to provide substantive information about the effects of the switch to Solvency II on R+V and the DZ BANK Group.

OTHER REGULATORY RISK FACTORS

In addition to the regulatory requirements described above, the following planned initiatives may give rise to risks for DZ BANK:

- EU Crisis Management Directive
- Single Supervisory Mechanism
- Reform of deposit protection schemes
- Classification of DZ BANK as a domestic systemically important bank (D-SIB)

- German Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups
- Financial transaction tax
- Publication of the findings from regulatory audits

6.1.2. Economic trends

The business performance of the DZ BANK Group is particularly influenced by Germany's economic position and the situation in financial and capital markets. Besides regular fluctuations in demand and production, extraordinary or unparalleled events can play a particular role. For example, the German economy is currently being substantially affected by the sovereign debt crisis in Europe. Germany's export-driven economy is highly dependent on international trade. A persistent period of weak growth, stagnation, or a sharp downturn in international trade would cause a drop in production and a correspondingly lower level of demand for finance from businesses.

Domestic economic performance is also dependent on national political decision-making in addition to the general economic factors. For example, negotiations are currently taking place about the introduction of a nationwide minimum wage. Higher staff costs generally lead to an increase in production costs, which could adversely impact competitiveness and result in a loss of market share both in Germany and abroad. Ultimately, the consequent contraction in production and capital investment in the entities concerned could lead to lower demand for borrowing.

6.1.3. European sovereign debt crisis

During the year under review, trends in international financial markets continued to be shaped to a large degree by the fallout from the global financial crisis, which was also the main reason behind the high degree of uncertainty in capital markets and in the real economy. Even though global economic growth and, in particular, the situation in financial markets saw a slight improvement again, the economy, the confidence of financial market players, and the extent of customer activity in the banking business continue to be adversely impacted by the sovereign debt crisis and, in particular, by the restrictive policy of fiscal consolidation and high level of unemployment in some of the countries of the European Union.

Substantial budget deficits accompanied by government debt levels that are high in relation to gross domestic product remain a feature of the eurozone economies of Portugal, Ireland, Greece, and Spain. In Italy, the budget deficit is comparatively modest, but the Italian national debt in relation to gross domestic product is one of the highest in the world. Nevertheless, it is evident that all of the countries in the eurozone affected by the crisis have made substantial progress since 2012 in consolidating their budgets and stabilizing their economies. For example, Ireland was able to exit the bailout under the European Stability Mechanism and return to the international financial markets in January 2014.

However, the financial position of Greece and Cyprus is still considered to be precarious. Despite a partial debt write-off by foreign creditors in 2012, Greek government debt is at one of the highest levels in the world at 176 percent of gross domestic product. In Cyprus too, which finds itself at the beginning of a harsh economic readjustment process following the collapse of its banking system, government debt could reach an unsustainable level over the next few years. Further debt restructuring in these countries in the coming years cannot therefore be ruled out. Another haircut for the Greek debt could renew the uncertainty in capital markets and in the real economy.

Among the other countries on the periphery of the European sovereign debt crisis, Hungary and Slovenia remain particularly vulnerable to developments in international financial markets and a potential resultant deterioration in the options available to them for refinancing their national debt.

The European sovereign debt crisis has implications for various risks faced by the DZ BANK Group. It affects credit risk (deterioration in the credit quality of public-sector bonds, increase in the allowances for losses on loans and advances), equity risk (increased requirement for the recognition of impairment losses on the carrying amounts of investments), market risk (increase in credit spreads, reduced market liquidity), business risk (contraction in the demand for bank loans and insurance products), and reputational risk (standing of the banking industry).

6.1.4. Environment of low interest rates

With interest rates at a historically low level, interest receivable on loans is low and the interest margin is relatively narrow, restricting the opportunities for earning income in **traditional banking business**. A risk scenario involving a very long period of low interest rates, possibly combined with a deflationary trend, would therefore also have a considerable negative impact on the performance of the DZ BANK Group.

In the event of a further fall in interest rates, the DZ BANK Group could be exposed to the risk of falling earnings, including earnings from the extensive BSH **building society operations** unless BSH were to initiate corrective action. If interest rates were to be very low, home savings loans for customers would be less worthwhile and home savings deposits would be retained for longer periods. From the perspective of returns, customers could use contracts with comparatively high interest rates for credit balances as savings products. The investment of the surplus from the collective home savings business in the capital market or in loans outside the collective business at low rates of interest would also put downward pressure on earnings. The introduction of a new generation of home savings rates in the spring of 2013 is already gradually mitigating the risk from the lower level of interest rates.

In the **life insurance and pension insurance business**, a persistently low level of interest rates over the long term would lead to an interest-rate guarantee and reinvestment risk, particularly for portfolios in which a high level of returns has been guaranteed. Having lowered the discount rate for new business from 2012 and recognized a supplementary discount rate reserve, R+V has put in place key prerequisites for limiting interest-rate guarantee risk in its life insurance and pension insurance business.

Given the long period of low interest rates, the challenge faced by the DZ BANK Group's **asset management activities** brought together under Union Asset Management Holding is to ensure that the guarantee commitments given to customers in respect of individual funds can actually be met from the funds concerned.

This particularly affects the UniProfiRente product and the guarantee fund product group. UniProfiRente is a retirement pension solution certified and subsidized by the German government (known in Germany as a Riester pension). The amounts paid in during the contributory phase and the contributions received from the government are guaranteed to be available to the investor at the pension start date. The pension is then paid out under a payment plan with a subsequent life annuity.

The DZ BANK Group faces the risk that it could have to waive some of the management fee in order to meet the guarantee commitments. If this risk were to materialize, it could have a considerable negative impact on the financial performance of the DZ BANK Group.

A rapid **rise in interest rates** on capital markets could also involve some risks. The pricing losses on fixed-income securities and necessary remeasurement of low-interest long-term lending business that could result from such an upturn could have a detrimental impact on the earnings of the DZ BANK Group.

6.2. OVERARCHING BANK-RELATED RISKS

The DZ BANK Group is exposed to bank-specific risk factors that impact the risks backed by capital and liquidity risk. These factors are described below. They are generally taken into account as part of the group's overall risk management.

6.2.1. Shortcomings in the risk management system

Regardless of the fundamental suitability of the risk measurement procedures used in the DZ BANK Group, 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.

For any given confidence level, the value-at-risk used for determining the risk capital requirement can be significantly influenced by extreme events for which the probability of occurrence is low. However, estimates for such rare events are generally subject to a great deal of uncertainty (referred to as model risk). Moreover, there are no comprehensive historical observations in most cases for extreme losses of this nature, which makes it more difficult to validate any models. Key input parameters for measurement models are also subject to uncertainty, because they are already estimates themselves.

The measurement of liquidity risk is subject to similar model risk related to the design of stress scenarios and the validation of models and parameters. In addition, risks arising from scenarios that extend beyond the risk tolerance for serious crises set by the Board of Managing Directors are accepted and are therefore not taken into account for risk management purposes.

Despite continuously reviewing crisis scenarios, it is simply not possible to set down a definitive record of all economic conditions that could potentially have a negative impact. Therefore, an analysis of crisis scenarios in stress tests cannot guarantee that there will not be other crisis situations that could lead to greater losses or liquidity needs.

6.2.2. Rating downgrades

If DZ BANK's credit rating or the network rating for the cooperative financial network were to be downgraded, this would have a negative impact on the costs of equity and borrowing. As a result, new liabilities could arise, or liabilities dependent on the maintenance of a specific credit rating could become due for immediate payment.

DZ BANK's credit rating is an important element in any comparison with competitor banks. It also has a significant impact on the ratings for DZ BANK's main subsidiaries. A downgrade or even just the possibility of a downgrade in the rating for DZ BANK or one of its subsidiaries could have a detrimental effect on the relationship with customers and on the sale of products and services.

Furthermore, if a rating downgrade were to occur, the DZ BANK Group could face a situation in which it had to furnish additional collateral in connection with rating-linked collateral agreements for derivatives or in which it was no longer considered a suitable counterparty for derivative transactions at all. If the credit rating for DZ BANK or one of its subsidiaries were to fall out of the range covered by the top four rating categories (investment grade ratings, disregarding rating subcategories) the operating business of DZ BANK or the subsidiary concerned, and therefore also the funding costs for all the entities in the group, could suffer an adverse impact.

In contrast to Standard & Poor's, Fitch and Moody's include in their ratings a potential government bailout in the event of crisis that could affect the continued existence of DZ BANK as a going concern. Without the inclusion of potential support from the German government or within the cooperative financial network, DZ BANK's rating would be at an inferior level. It is also possible that the weighting given to either of these factors in DZ BANK's rating could be reduced in the future with a resulting negative impact on the rating itself.

6.2.3. Hedge ineffectiveness

The DZ BANK Group is exposed to the risk that the counterparty in a hedge could become insolvent and therefore no longer be in a position to meet its obligations. Consequently, the hedge could turn out to be ineffective and the DZ BANK Group would then be exposed to risks that it had hitherto believed to be minimized.

Unforeseen market trends could undermine the effectiveness of action taken to minimize market risk. One example is the risk in connection with the financial crisis and sovereign debt crisis. In this case, the DZ BANK Group could only have minimized some of this risk with great difficulty; it may not have been possible to hedge some of the risk at all. One of the particular factors to take into account is that some of the quantitative measurement methods and key risk indicators in the risk management system are based on the DZ BANK Group's past experience. Furthermore, the quantitative risk management system does not encompass all risks and makes assumptions about the market environment that are not based on specific events. It is conceivable there could be market scenarios in which the measurement methods and key risk indicators used by the DZ BANK Group incorrectly forecast certain potential losses, resulting in miscalculations.

In the context of the management of market risk, use is made of credit derivatives, comprising credit-linked notes, credit default swaps, and total return swaps, in order to reduce the issuer risk attaching to bonds and derivatives. Macro hedges 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. If these instruments and measures turn out to be only partially effective or ineffective, it is possible that the DZ BANK Group could incur losses against which the instruments or measures ought to have provided protection. Moreover, hedging activities give rise to costs and may result in additional risks. Gains and losses arising from ineffective risk hedges can increase the volatility of the earnings generated.

7. RISK CAPITAL MANAGEMENT

7.1. 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 adequacy requirements aims to ensure that the assumption of risk is always consistent with the DZ BANK Group's capital resources.

The **Board of Managing Directors of DZ BANK** defines the corporate objectives and the capital requirement in the DZ BANK Group in terms of both risks and returns. In managing the risk profile, the Board of Managing Directors strives for an appropriate ratio of risk capital requirement to aggregate risk cover. DZ BANK is responsible for risk and capital management, and for compliance with capital adequacy at group level. 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. The action needed to cover this requirement and the implementation of any corresponding measures to raise capital is approved by the treasury committee and then coordinated by DZ BANK treasury.

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

7.2. MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

7.2.1. 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 entities. This then incorporates the effects of diversification between the different types of risk within the group entities. The selected methods serve to meet the requirements specified by MaRisk BA for a groupwide integrated risk capital management system.

7.2.2. Risk-bearing capacity

As part of risk-bearing-capacity analysis, the risk capital requirement is compared with the aggregate risk cover (reduced by a capital buffer) in order to determine the economic capital adequacy. The Board of Managing Directors determines the upper loss limits for the year on the basis of the aggregate risk cover and bearing in mind the necessary capital buffer. These limits then restrict the risk capital requirement. Aggregate risk cover comprises equity and hidden reserves. It is generally reviewed on a quarterly basis and also partly updated on a monthly basis.

The aggregate risk cover available to the DZ BANK Group as at December 31, 2013 was measured at €16,652 million (December 31, 2012: €15,041 million). The year-on-year increase was largely attributable to the improvement in net profit and the issue of new subordinated capital. The aggregate risk cover originally calculated as at December 31, 2012 had amounted to €15,326 million. This amount has been restated as a result of the need for an adjustment in accordance with IAS 8.41 et seq. The adjustment was required because of hidden liabilities at DZ BANK.

The purpose of the capital buffer is to cover the lack of some precision in risk measurement as well as account for risks that are not measured as part of the risk capital requirement and not managed using risk limits (upper loss limits). This applies, for example, to spread risk and migration risk on securities and to migration risk on traditional loans.

The individual components of the capital buffer are quantified using a method based on scenarios and models with input from experts. As at December 31, 2013, the capital buffer amounted to €3,001 million (December 31, 2012: €3,453 million).

Derived from the aggregate risk cover minus the capital buffer, the total upper loss limit for the DZ BANK Group amounted to €10,302 million as at December 31, 2013 (December 31, 2012: €10,164 million). The risk capital requirement was determined at €7,753 million (December 31, 2012: €7,556 million). The year-on-year rise in the risk capital requirement was largely attributable to greater credit risk following adjustments in the portfolio modeling.

As at December 31, 2013, the economic capital adequacy ratio for the DZ BANK Group was calculated at 176.1 percent (December 31, 2012: 153.4 percent). The original economic capital adequacy ratio calculated as at December 31, 2012 had been 157.1 percent. This value has also been restated as a result of the need for the adjustment in accordance with IAS 8. The aggregate risk cover (after deduction of the capital buffer) exceeded the calculated risk capital requirement at all times during the course of 2013. From the current perspective, this is also expected to be the case for 2014.

Fig. 13 shows an overview of the economic capital adequacy and its components.

7.2.3. Economic stress tests

The DZ BANK Group's stress test framework includes hypothetical stress tests (both overarching tests and tests specific to each risk type), an overarching historical stress test not specific to any risk type, and an inverse stress test. Stress tests are applied to the risk capital requirement and/or the aggregate risk cover, depending on the stress scenario. The tests may be specific to a particular type of risk or may apply across all risk types. The specific 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 risk capital requirement stress test.

The initial parameters for measuring risk are scaled in such a way as to reflect extremely negative hypothetical or historical economic situations. For the purposes of stress tests on aggregate risk cover, appropriate assumptions are made for the measurement parameters used for the overall DZ BANK Group portfolio. In the case of the inverse stress test, the bank has developed a simulated scenario in which its risk-bearing capacity is jeopardized. The procedure for aggregating risk types into a stress test result

FIG. 13 – ECONOMIC CAPITAL ADEQUACY

€ million	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Aggregate risk cover	16,652	16,852	16,131	15,585	15,041
Capital buffer	-3,001	-3,476	-3,445	-3,425	-3,453
Aggregate risk cover after deduction of capital buffer	**13,651**	**13,376**	**12,686**	**12,160**	**11,588**
Upper loss limit	10,302	10,297	10,412	10,412	10,164
Credit risk	3,036	2,831	2,821	2,998	2,843
Equity risk	783	755	815	861	822
Market risk	2,136	1,915	1,948	2,167	2,138
Technical risk of a home savings and loan company	576	576	576	576	593
Actuarial risk	1,904	1,907	1,914	1,940	1,840
Operational risk	731	735	736	736	720
Business risk (including reputational risk)	416	421	412	400	311
Diversification effect	-1,829	-1,746	-1,712	-1,722	-1,711
Risk capital requirement (after diversification)	**7,753**	**7,394**	**7,510**	**7,956**	**7,556**
Economic capital adequacy	**176.1%**	**180.9%**	**168.9%**	**152.8%**	**153.4%**

covering all group entities 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.

7.2.4. Possible impact from crystallized risk

If risk covered by capital actually materializes, this has a negative impact on both financial performance and financial position. In the income statement, the recognized expenses are higher and/or the recognized income is lower than originally expected. This is accompanied by a decrease in the net assets on the balance sheet because assets are unexpectedly lower and/or liabilities are unexpectedly higher.

If there is a deterioration in financial performance, there is the risk of long-term **negative risk-adjusted profitability**. The cost of capital cannot then be covered, and economic value added (EVA) becomes negative. If this situation arose, there would no longer be any point in continuing business operations from a business management perspective.

Viewed in isolation and assuming there are no other influencing factors, this chain of events would apply particularly in a scenario where the equity holder is simply seeking to maximize profits. In the case of DZ BANK, however, there is another significant factor in that the intention of the equity holders (who in many cases are also customers of DZ BANK and its subsidiaries) in committing equity to DZ BANK is not only to achieve, as far as possible, market-level returns commensurate with the risk involved, but also to utilize the decentralized services that DZ BANK provides as a central institution in the cooperative financial network. The return on investment that forms part of any purely monetary analysis therefore needs to be adjusted in the case of DZ BANK to factor in the effects of the extra benefits. Given this background, EVA is only of limited use for assessing the advantages of the investment in DZ BANK. Thus, a negative EVA is not necessarily associated with the discontinuation of business activities undertaken by DZ BANK or its subsidiaries.

If risk were to materialize and associated losses be incurred, there would be a risk that the DZ BANK Group would miss its **economic capital adequacy target**. However, this situation could also occur with an increase in risk arising from heightened market volatility or as a consequence of changes in the business structure. In addition, a decrease in aggregate risk cover, for example because its components have expired or are no longer eligible, could mean that the risk capital requirement exceeds the aggregate risk cover. Additional or more stringent statutory or regulatory requirements could also have a negative impact on the economic capital adequacy of the DZ BANK Group.

In a situation in which the economic capital adequacy of the DZ BANK Group could not be guaranteed, there would be insufficient capital available to meet the group's own standards with regard to the coverage of risk. This could lead to a deterioration in the credit ratings for DZ BANK and its subsidiaries. If there is also insufficient capital to meet the level of protection demanded by regulators, these regulators could initiate action, which in extreme cases could aim to wind up DZ BANK or its subsidiaries.

7.3. 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 Versicherung AG insurance group are strictly observed.

7.3.1. DZ BANK financial conglomerate

The FKAG in conjunction with the German Financial Conglomerates Solvency Regulation (FkSolV) form the legal basis for the DZ BANK financial conglomerate. The enhanced regulation affects groups of financial institutions 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 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.

On the basis of a provisional calculation, the DZ BANK financial conglomerate's eligible equity as at December 31, 2013 amounted to €16,192 million (December 31, 2012: €13,014 million). On the other side of the ratio, the provisional solvency requirement amounted to €9,133 million (December 31, 2012: €9,192 million), producing a provisional coverage ratio of 177.3 percent (December 31, 2012: 141.6 percent), significantly in excess of the regulatory minimum requirement. The substantial rise in the coverage ratio was mainly attributable to a marked improvement in the capital base achieved by retaining profits.

7.3.2. 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 Approaches
- Operational risk: Standardized Approach.

A waiver is available under section 2a KWG, which states that – provided certain conditions are met – the regulatory supervision of individual German-based banks within a banking group may be replaced by supervision of the entire banking group. The DZ BANK banking group continued to make use of this waiver in 2013 for DG HYP.

In the reporting year, DZ BANK continued to support the further development of banking supervision, once again stepping up its collaboration in the relevant committees, both at national and international levels.

REGULATORY CAPITAL RATIOS

The DZ BANK banking group's regulatory **capital** amounted to a total of €15,270 million as at December 31, 2013 (December 31, 2012: €12,314 million).

There was a significant increase of €1,803 million in Tier 1 capital as at December 31, 2013 compared with the end of 2012. The main factors behind the increase in Tier 1 capital were the appropriation of profits of €1,411 million relating to 2012 and the decrease of €431 million in the capital deductions for 50 percent of securitization exposures.

As at December 31, 2013, there was also a substantial increase of €1,153 million in Tier 2 capital compared with December 31, 2012. Notable changes included the addition of new subordinated liabilities, in-creasing the total volume of these liabilities by €520 million. The effect from this change was boosted by a decrease in the capital deductions for 50 percent of securitization exposures and in further capital deductions amounting to a total of €717 million. Some of the overall increase was offset by a reduction of €96 million in the excess of valuation allowances over expected loss, which is recognized as Tier 2 capital.

As at December 31, 2013, regulatory **capital adequacy requirements** were calculated at €6,828 million (December 31, 2012: €7,148 million). This decline was mainly attributable to the reduction in the portfolio of loans and advances to banks and businesses.

The **total capital ratio** rose from 13.8 percent as at December 31, 2012 to 17.9 percent as at the balance sheet date. As at December 31, 2013, the **Tier 1 capital ratio** was 16.4 percent, compared with the ratio of 13.6 percent as at December 31, 2012. 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). Stress tests4 provides an overview of the DZ BANK banking group's regulatory capital ratios.

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, 2013, the solvency requirements were satisfied without qualification in both stress scenarios, as had also been the case 12 months earlier.

FIG. 14 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP

€ million	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Capital					
Tier 1 capital	13,988	14,030	13,985	13,686	12,185
Total Tier 2 capital after capital deductions	1,282	1,366	748	301	129
Total	**15,270**	**15,396**	**14,733**	**13,987**	**12,314**
Capital requirements					
Credit risk (including long-term equity investments)	5,451	5,608	5,673	5,811	5,827
Market risk	692	563	611	775	645
Operational risk	685	685	685	685	676
Total	**6,828**	**6,856**	**6,969**	**7,271**	**7,148**
Capital ratios					
Total capital ratio	17.9%	18.0%	16.9%	15.4%	13.8%
Tier 1 capital ratio	16.4%	16.4%	16.1%	15.1%	13.6%

7.3.3. R+V Versicherung AG insurance group

The regulatory solvency requirements for insurance companies and insurance groups provide a means of evaluating the overall risk position in the R+V Versicherung AG 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 Versicherung AG insurance group as a whole and each of its constituent entities are analyzed at least once a quarter.

In 2013, all of the supervised insurance companies together with the overarching regulatory R+V Versicherung AG insurance group satisfied the minimum solvency requirements currently in force. In the reporting year, changes in the members of the boards of managing directors in individual insurance companies led to a change in the entities included in the regulatory R+V Versicherung AG insurance group on the basis of the provisions in section 104a (2) VAG.

As at December 31, 2013, preliminary figures show that the R+V Versicherung AG insurance group's risk-bearing capacity for regulatory purposes (adjusted solvency) amounted to 153.9 percent compared with 147.2 percent as at December 31, 2012. The group had eligible own funds of €4,819 million at its disposal on December 31, 2013 (confirmed final figure as at December 31, 2012: €4,284 million) to cover a solvency requirement of €3,130 million (confirmed final figure as at December 31, 2012: €2,911 million). Valuation reserves eligible for regulatory purposes are not included in these figures.

Analysis of the capital market scenarios applied in the internal planning shows that the R+V Versicherung AG insurance group's solvency ratio will continue to exceed the minimum statutory requirement as at December 31, 2014.

7.4. OUTLOOK

7.4.1. Capital increase

DZ BANK is planning a capital increase in 2014, the impetus for which primarily comes from the need to meet regulatory requirements. Further details on the regulatory background can be found in the business report (section I.2.4. of this group management report).

The capital increase is also expected to strengthen the aggregate risk cover, thereby improving the ability of the DZ BANK Group to absorb economic losses.

7.4.2. Management of economic risk capital

In 2014, there are plans to refine R+V's risk management system, primarily in view of the new regulatory requirements in Solvency II. The aim is to incorporate as far as possible the specific regulatory requirements for insurance companies and the particular needs of the R+V business model. The changes are intended to enable the R+V Group to be properly integrated into the DZ BANK Group and ensure that management direction is consistent in the group and internally within R+V.

The continuous improvement in the tools used for risk capital management will also be sustained throughout 2014, with changes being made in line with the new requirements of the regulatory environment.

At the start of 2014, spread risk and migration risk on securities is being separated from the capital buffer and integrated into risk capital management. An upper loss limit, operational limits, and a dedicated monitoring process will be introduced for these risk types in order to ensure that the associated risk capital is managed more effectively. The increase in aggregate risk cover associated with the separation from the capital buffer will match the increase in risk capital requirement. This change will not therefore have any overall effect on the DZ BANK Group's risk-bearing capacity.

7.4.3. Regulatory requirements

BASEL III

As part of its implementation of the new regulatory liquidity requirements, the DZ BANK Group will participate in Basel III monitoring, which will involve submitting the results from the calculation of the new key ratios (LCR and NSFR) to the regulators on a quarterly basis. Since the beginning of 2013 these ratios have also been calculated once a month for internal purposes. In this connection the DZ BANK Group is examining the impact that the new regulatory requirements will have on its liquidity management and its funding. This process involves a close dialog between DZ BANK's Group Treasury division and the units responsible for regulatory compliance.

Measures to implement these requirements in the group's operations have already been initiated and will continue in 2014. 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, it is reasonable to assume that DZ BANK will satisfy the requirements of Basel III.

One of the consequences of CRD IV and CRR is that there is also a requirement to bring the regulatory reporting system for the banking group into line with IFRS. DZ BANK has systematically prepared for the transition of regulatory reporting systems from HGB to IFRS compliance. This work has comprised a number of activities including the preparation of test accounts so that the impact can be assessed.

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. 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.

CAPITAL REQUIREMENTS FOR MARKET RISK

By way of preparation for the planned 'Fundamental review of the trading book', under which the regulatory capital requirements for market risk are to be comprehensively reorganized, DZ BANK is tracking the ongoing development of the implementation requirements and is participating in the associated consultation process. DZ BANK will also be participating in the quantitative impact study being planned by the Basel Committee on Banking Supervision in connection with this project. In addition, further activities are being planned for early preparation of a concept study related to Basel 3.5.

RISK DATA MANAGEMENT

The DZ BANK Group has given a high priority to implementing the principles for effective risk data aggregation and risk reporting published by the Basel Committee on Banking Supervision. In an initial step, an analysis of the existing position was carried out and any need for action identified. In 2014, with the involvement of the management units, this analysis will be used as the basis for preparing a target scenario for the DZ BANK Group, from which a step-by-step implementation plan can then be created, enabling the group to satisfy the requirements by 2016.

SOLVENCY II

As a result of internal projects and working group activities, and by virtue of its involvement in working groups set up by Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV) [German Insurance Association] and BaFin, R+V has prepared itself for the future challenges and thereby put in place the foundations for successful implementation of the Solvency II requirements. This also includes active participation in the studies being carried out as part of the European insurance regulator's Solvency II project (quantitative impact studies, long-term guarantees assessment by the European insurance regulator). In addition, R+V regularly organizes its own groupwide assessments based on the latest state of development in order to ensure that it is adequately prepared for the new Solvency II regulatory regime.

8. CREDIT RISK

8.1. DEFINITION AND CAUSES

8.1.1. Definition

Credit risk is defined as the risk of losses arising from the default of counterparties (borrowers, issuers, other counterparties).

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 capital market products such as securities (in both the banking book and the trading book), promissory notes, derivatives, secured money market business (such as sale and repurchase agreements, referred to below as repo transactions), and unsecured money market business.

In **traditional lending business**, credit risk arises in the form of default risk. In this context, default risk refers to the risk that a customer may be unable to settle receivables arising from loans or advances made to the customer (including lease receivables) or make overdue payments, or that losses may arise from contingent liabilities or from lines of credit committed to third parties.

Credit risk in connection with **trading activities** arises in the form of default risk that can be subdivided into issuer risk, replacement risk, and settlement risk, depending on the type of business involved.

Issuer risk is the risk is of incurring losses from the default of issuers of tradable debt or equity instruments (such as bonds, shares, profit-participation certificates), losses from a default in connection with the underlying instrument in derivatives (for example, credit or equity derivatives), or losses from a default in connection with fund components.

Replacement risk on derivatives is the risk of counterparty default during the maturity of a trading transaction where entities in the DZ BANK Group can only enter into an equivalent transaction with another counterparty if they incur an additional expense in the amount of the positive fair value at the time of the default.

Settlement risk arises when there are two mutually conditional payments and there is no guarantee that when the outgoing payment is made the incoming payment will be received. Settlement risk is the risk of a loss if counterparties do not meet their obligations, counter-performance already having taken place.

Country risk is treated as a risk subcategory within credit risk. Country risk in the narrower sense of the term refers to conversion, transfer, payment prohibition, or moratorium risk. It is the risk that a foreign government may impose restrictions preventing a debtor in the country concerned from transferring funds to a foreign creditor. In the broader sense of the term, country risk forms part of credit risk. In this case, it refers to the risk arising from exposure to the government itself (sovereign risk) and the risk that the quality of the overall exposure in a country may be impaired as a result of country-specific events.

8.1.2. Causes

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

Credit risk from trading activities arises in relation to issuer risk, mainly from the trading activities and investment business conducted by DZ BANK, BSH, DG HYP, DZ BANK Ireland, and R+V. Replacement risk arises for the most part in DZ BANK and DVB. BSH and DG HYP only incur credit risk on banking book trading activities.

8.2. 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.

As part of the annual updates to the DZ BANK credit risk strategy, a few clarifications were added to the strategy in 2014. This did not result in any material changes compared with the previous year.

In the case of factoring at VR LEASING, the minimum acceptable credit rating in the asset class of corporates was restricted.

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.

8.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

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 **credit risk 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.

8.4. RISK MANAGEMENT

8.4.1. 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, acquisition financing, and investment funds. 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, DZ BANK uses further rating systems to assess SMEs, agricultural businesses, public-sector entities, not-for-profit organizations, and foreign SMEs. 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

The rating systems used by DZ BANK for ABCP programs (internal assessment approach), asset finance, acquisition finance, project finance, foreign SMEs, and major corporate customers were revised and implemented during the course of the reporting year. Since the newly developed rating system for open-ended real estate funds was accepted by the German banking regulators in December 2013, DG HYP has been using this rating system to determine its regulatory capital requirement in accordance with the IRB approach.

DZ BANK CREDIT RATING MASTER SCALE

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

Fig. 15 shows DZ BANK's credit rating master scale, in which internal credit ratings are matched to the ratings used by Moody's, Standard & Poor's, and Fitch. It should be noted that some internal ratings cannot be matched with a particular external rating because of the greater degree of refinement in the credit rating master scale. In DZ BANK's master scale, the default bands remain unchanged to ensure comparability over the course of time, whereas some fluctuation in default rates can be seen in external ratings. Therefore, it is not possible to map the internal ratings directly to the ratings used by the rating agencies. The scale can thus only be used as a starting point for a comparison between internal and external credit ratings.

DZ BANK 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 entities in the DZ BANK Group or the cooperative banks before they are included in the user's credit procedures.

8.4.2. 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 entities in the group to manage individual transactions vary according to the particular features of the product or business concerned.

FIG. 15 – DZ BANK CREDIT RATING MASTER SCALE AND EXTERNAL CREDIT RATINGS

Internal rating class	Average default probability	External rating classes			Rating category
		Moody's	Standard & Poor's	Fitch	
1A	0.01%	Aaa to Aa2	AAA to AA	AAA to AA	Investment grade
1B	0.02%	Aa3	AA-	AA-	
1C	0.03%				
1D	0.04%	A1	A+	A+	
1E	0.05%				
2A	0.07%	A2	A	A	
2B	0.10%	A3	A-	A-	
2C	0.15%	Baa1	BBB+	BBB+	
2D	0.23%	Baa2	BBB	BBB	
2E	0.35%				
3A	0.50%	Baa3	BBB-	BBB-	
3B	0.75%	Ba1	BB+	BB+	Non-investment grade
3C	1.10%	Ba2	BB	BB	
3D	1.70%				
3E	2.60%	Ba3	BB-	BB-	
4A	4.00%	B1	B+	B+	
4B	6.00%	B2	B	B	
4C	9.00%	B3	B-	B-	
4D	13.50%				
4E	30.00%	Caa1 to C	CCC+ to C	CCC+ to C	
5A	Past due >90 days				Default
5B	Specific loan loss allowance				
5C	Exemption from interest/ debt restructuring				
5D	Insolvency				
5E	Compulsory winding-up/ derecognition				
NR	No rating necessary or not rated				

8.4.3. Management of exposure in the 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 generally 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 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 entities for individual borrowers and borrower/risk units. 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 entities 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 countries** at the DZ BANK Group level.

8.4.4. Management of credit exposure in trading transactions

MEASURING CREDIT EXPOSURE IN TRADING TRANSACTIONS

Issuer risk, replacement risk, and settlement 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.

The fair value of a securities exposure is used to determine the **issuer risk**. Risks relating to the underlying instruments in derivative transactions are also included in issuer risk.

Replacement risk on OTC derivatives and unsecured money market transactions 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. In the case of repos and securities lending transactions, haircuts are applied instead of add-ons.

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. It takes into account the amount and timing of outstanding cash flows for the purposes of managing the risk associated with mutual settlement at some point in the future. These future cash flows are already factored into the replacement risk through the fair value measurement and are therefore included in the risk capital requirement. As a result, settlement risk does not need to be covered with risk capital in addition to that for the other types of credit risk related to trading activities.

LIMIT SYSTEM FOR MANAGING TRADING EXPOSURE

DZ BANK has established an exposure-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. Unsecured money market transactions are subject to separate limits. A daily limit is set in order to manage settlement risk. A specific limit related to credit ratings or a fixed-term general limit is determined for each issuer as the basis for managing issuer risk. Pfandbriefe 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.

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 covering the utilization of replacement and issuer risk in connection with trading activities.

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

8.4.5. 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 between collateral and the borrower pledging the collateral or between the collateral and the counterparty whose replacement risk the collateral is intended to mitigate. If there is a significant positive correlation between the collateral and the borrower or the counterparty 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 counterparty, or together with the borrower or counterparty represents a single borrower as defined by section 19 (2) KWG.

WRONG-WAY 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 owing to the specific transaction structure involved.

Given the nature of trading business at DZ BANK, specific wrong-way risk arises largely in connection with repos and credit derivatives, in which the counterparty and underlying transaction form part of the financial sector. This risk is not material as far as DZ BANK is concerned because of the measures described below.

MEASURES TO PREVENT CONCENTRATION RISK AND WRONG-WAY RISK

In order to avoid unwanted risks that may arise from the concentration or correlation of collateral in the trading business or correlations between default risk in trading transactions and market risk, DZ BANK has brought into force a collateral policy and its own internal 'minimum requirements for bilateral reverse repo transactions and securities lending 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, in accordance with the collateral policy, only collateral in the form of cash (mainly in euros or US dollars), investment-grade government bonds, and/or Pfandbriefe can be used for mitigating risks arising from **OTC derivatives**. Exceptions to this rule are only permitted for local cooperative banks, although a very good credit rating (at least 2B on DZ BANK's credit rating master scale) is still required for the relevant securities collateral. The collateral must also be eligible for use as collateral at the ECB. High-grade collateral is also required for **repo transactions** in compliance with 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 'minimum requirements for bilateral reverse repos and securities lending transactions' exclude prohibited concentrations and correlations and specify collateral quality depending on the credit rating of the counterparties. To monitor the relevant rules and regulations, the bank has set up a separate reporting system involving daily monitoring and an annual report to the Credit Committee.

Specific wrong-way risk in connection with **credit derivatives** in which the counterparty and underlying instrument form part of the financial sector is notified to the Credit Committee in a quarterly report and is of minor significance.

8.4.6. 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 credit rating 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 made 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 and aircraft 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. Assigned receivables and physical collateral are only recognized for regulatory purposes to a limited extent.

In accordance with DZ BANK's collateral policy, only cash, investment-grade government bonds, and/or Pfandbriefe are normally accepted as **collateral for trading transactions** required by the collateral agreements used to mitigate the risk attaching to OTC derivatives. DZ BANK also enters into netting agreements to reduce the credit risk arising in connection with OTC derivatives. The prompt evaluation of collateral within the agreed margining period also helps to limit risk.

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 total return swaps. Macro hedges 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 recovery 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.

CENTRAL COUNTERPARTY CLEARING (CCP)

The European Market Infrastructure Regulation (EMIR) is permanently changing the environment in which banks, insurance companies, and investment funds conduct OTC derivative transactions. Under this regulation, market players must trade certain standardized derivatives in the future using central counterparties (known as clearing houses), report these contracts in a central transaction register, and use risk mitigation methods for OTC derivatives that are not processed centrally through a clearing house. This is intended to minimize counterparty risk.

Any market players not exempted from this new clearing obligation must be connected to a central counterparty. The market player concerned may be a direct member of a clearing house or may process its derivative contracts using a bank that is a member of the central counterparty.

Since 2011, DZ BANK has been a direct member of Europe's largest clearing house for interest-rate derivatives, the London Clearing House (LCH). It therefore has direct access to a central counterparty for derivatives for the purposes of clearing its own derivative positions. In August 2013, DZ BANK also joined Eurex Clearing AG as a clearing member. This diversification helps to prevent concentration risk that arises from the use of central counterparties.

8.4.7. 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 tried-and-tested 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 sub-portfolio 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. 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 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 calculation of 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 method for calculation of expected losses used for regulatory purposes.

Latent country risk is recognized 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, TeamBank, and VR-LEASING AG 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.

NON-PERFORMING LOANS

In the DZ BANK Group, a loan is classified as non-performing if it has been rated between 5A and 5E on the VR master scale. This corresponds to the definition of default specified by SolvV. Non-performing loans are also referred to by the abbreviation NPLs.

The following key figures are used to manage non-performing loans:

– loan loss allowance ratio (balance of allowances for losses on loans and advances as a proportion of total lending volume)
– risk cover ratio (balance of allowances for losses on loans and advances as a proportion of the volume of non-performing loans)
– NPL ratio (volume of non-performing loans as a proportion of total lending volume).

The balance of allowances for losses on loans and advances is calculated as the total of specific loan loss allowances, portfolio loan loss allowances, provisions for loan commitments, and liabilities under financial guarantee contracts.

8.4.8. 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 management units 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 entities. Credit value-at-risk describes the risk of unexpected losses arising should a default event occur in the credit portfolio. Credit portfolio models are used to measure the credit value-at-risk. Key factors in determining this credit risk include the lending volume, concentrations in terms of sectors and/or counterparties, and the credit quality structure of the credit portfolio. The measurement includes credit risk from both lending and trading businesses.

8.4.9. Managing credit risk arising from securitizations

OBJECTIVES AND SCOPE OF SECURITIZATION

During the course of the financial crisis, the DZ BANK Group ceased all its securitization activities except for those in a few, clearly defined areas of business. Areas where such activity has continued include the ABCP programs, although investment in ABSs has been halted. The bulk of the portfolio comprises residual balances of investor-related exposures dating back to the period prior to the financial crisis. The following details describe the management of credit risk in the present securitization business.

The objective of the entities in the DZ BANK Group in their role as **originators** 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 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 entities. This program is funded by liquidity lines and by the issuance of ABCP. There are plans to expand the ABCP-based funding still further. As at December 31, 2012, there had still been two transactions in the CORAL program in which VR-LEASING AG was acting as the asset seller. These transactions were reversed in 2013.

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

Fig. 16 shows the main exposures held by the entities in the DZ BANK Group as **originators** and **sponsors**. From a regulatory perspective, the securitizations are transactions that need to be backed by capital.

DZ BANK's **investor-related exposures** are assigned to the banking book, and to a lesser extent to the trading book, and are actively managed with the aim of scaling back the portfolio and reducing risk. The action taken to achieve this aim includes the disposal of selected exposures to optimize equity.

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 one multi-seller transaction 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. Re-securitizations are structures in which the securitized exposure in turn comprises one or more other securitization 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 KWG, are **managed** by the relevant group entities and are subject to the groupwide risk management standards. These standards require that securitization exposures 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.

FIG. 16 – SECURITIZATION EXPOSURES OF THE ENTITIES IN THE DZ BANK GROUP IN THEIR CAPACITY AS ORIGINATORS AND SPONSORS

Entity/transaction	Type of transaction	Role	Purpose of transaction	Type of assets	Volume[1]		Retained exposures		Comments (Dec. 31, 2013)
					Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	
DZ BANK									
CORAL	ABCP conduit	Sponsor	Generation of commission income	Loans and advances to European corporates	€0.7 billion	€0.7 billion	Commitments of €0.7 billion, €0.57 billion of which has been utilized	Commitments of €0.7 billion, €0.54 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	€1.7 billion	€1.9 billion	Unutilized commitments of €1.7 billion	Unutilized commitments of €1.9 billion	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	€0.1 billion	€0.1 billion	Exposure of €9 million	Exposure of €24 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	€0.01 billion	€0.01 billion	Exposure of €5 million	Exposure of €9 million	Including first-loss pieces for which adequate impairment losses have been recognized

1 Disclosures before consolidation
2 CMBSs = commercial mortgage-backed securities; RMBSs = residential mortgage-backed securities

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 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.

8.5. LENDING VOLUME AND ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

8.5.1. Lending volume as risk factor

The amount and structure of the lending volume are key factors in determining the credit risk. For the purposes of internal credit risk management in the DZ BANK Group, the lending volume is broken down by credit-risk-bearing instrument – 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 so that volume concentrations can be identified. Particularly in the case of an accumulation of exposures that have longer terms to maturity and a non-investment-grade rating, there is a danger that the credit risk will become serious, causing losses with a considerable negative impact on the financial performance and financial position of the DZ BANK Group.

8.5.2. Reconciliation of lending volume to the consolidated financial statements

Fig. 17 shows a reconciliation of the gross lending volume on which the risk management is based to individual balance sheet items in order to provide a transparent illustration of the link between the consolidated financial statements and risk management. There are discrepancies between the internal management and external financial reporting measurements for some products owing to the focus on the risk content of the items. The other 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 in recognition and measurement methods.

Differences in the **scope of consolidation** result from the fact that, in internal risk management, only the entities 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 considered as a whole for internal management purposes.

The discrepancy in the **securities business** is mainly due to the variations in carrying amounts that arise because credit derivatives are offset against the issuer risk attaching to the underlying transaction in the internal management accounts, whereas such 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 must not be 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 must not be 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 financial statements, collateral provided or received for securities is offset against the corresponding assets or liabilities in the internal management accounts.

8.5.3. Change in lending volume

As at December 31, 2013, the total lending volume of the DZ BANK Group was down by 2 percent to €303.4 billion (December 31, 2012: €308.5 billion). Fig. 19 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 reporting year.

Following a sharp contraction at the start of 2013, the volume of **traditional lending business** as at December 31, 2013 had reached €206.3 billion, almost the same level as at December 31, 2012 (€206.5 billion). The credit quality breakdown within this type of business was unchanged year on year. The lending volume in traditional lending business as at December 31, 2013 was marginally above the average value for the year under review at €205.5 billion.

The contraction in **securities business** lending volume, which had begun back in 2007 in line with corporate strategy, continued. Most of this decrease was attributable to the financial sector. By contrast, the volume of loans and advances to the public sector grew modestly. As at December 31, 2013, credit exposure in the securities business amounted to €82.7 billion (December 31, 2012: €85.1 billion), slightly above the corresponding average value for the year of €82.6 billion. At the end of 2012, this exposure value had been just below the average value for the year of €86.0 billion.

The contraction in lending for **derivatives and money market operations** was mainly attributable to the decline in DZ BANK's derivatives business. In the unsecured money markets business, there were marked swings in the volume of lending, although these swings evened themselves out during the course of the year. The average for the derivatives and money market business was calculated to be €18.2 billion in 2013 (2012: €19.6 billion). As at December 31, 2013, total volume amounted to €14.4 billion (December 31, 2012: €16.9 billion), 21 percent below the average for the year (December 31, 2012: 14 percent).

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 2013 as in 2012. The collateral called in amounted to a total of €53 million as at December 31, 2013 (December 31, 2012: €65 million).

8.5.4. Collateralized lending volume

The distribution of collateralized lending volume at overall portfolio level can be seen in Fig. 18 by type of collateral and class of risk-bearing instrument. In the case of traditional lending business, figures are generally 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 declined by 5 percent compared with the end of 2012. As the underlying gross lending volume was also marginally reduced, this led to a slightly lower collateralization rate as at December 31, 2013 of 27 percent (December 31, 2012: 29 percent).

FIG. 17 – 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, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Traditional lending business	206.3	206.5	3.6	4.0	–	–	-4.9	0.3
Securities business	82.7	85.1	–	0.1	61.2	58.4	-17.1	-16.9
Derivatives business	9.2	11.3	–	–	–	–	-8.9	-13.7
Money market business	5.3	5.6	–	–	–	–	27.2	28.3
Total	303.4	308.5	3.6	4.1	61.2	58.4	-3.7	-2.1
			Balance as at Dec. 31, 2013				61.0	
			Balance as at Dec. 31, 2012				60.4	

1 As at December 31, 2013, the investments held by insurance companies recognized in the internal management accounts of the DZ BANK Group amounted to €562 million (December 31, 2012: €443 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, 2013		Dec. 31, 2012		Note
204.9	**61.0**	210.8	**63.7**	**Loans and advances to banks**	
	61.2		63.9	of which: loans and advances to banks excluding money market placements	46
	-0.2		-0.1	of which: allowances for losses on loans and advances to banks	48
	118.9		**121.3**	**Loans and advances to customers**	
	121.3		123.6	Loans and advances to customers excluding money market placements	47
	-2.4		-2.4	of which: allowances for losses on loans and advances to customers	48
	25.0		**25.8**	**Financial guarantee contracts and loan commitments**	83
126.7	**65.0**	126.6	**67.8**	**Bonds and other securities**	
	10.8		11.2	of which: financial assets held for trading/bonds excluding money market placements	50
	0.7		0.5	of which: financial assets held for trading/promissory notes, registered bonds, and loans and advances	50
	53.4		56.1	of which: investments/bonds excluding money market placements	51
	61.7		**58.8**	**Investments held by insurance companies**[1]	
	7.3		6.5	of which: mortgage loans	52
	9.2		9.8	of which: promissory notes and loans	52
	10.0		9.9	of which: registered bonds	52
	1.3		1.6	of which: other loans	52
	5.2		4.5	of which: variable-yield securities	52
	28.4		26.1	of which: fixed-income securities	52
	0.2		0.3	of which: derivatives (positive fair values)	52
	0.2		0.2	of which: deposits with ceding insurers	52
0.3	**0.3**	-2.4	**-2.4**	**Derivatives**	
	0.9		0.8	of which: derivatives used for hedging (positive fair values)	49
	22.1		36.7	of which: financial assets held for trading/derivatives (positive fair values)	50
	-2.4		-3.0	of which: derivatives used for hedging (negative fair values)	61
	-20.3		-36.9	of which: financial liabilities held for trading/derivatives (negative fair values)	62
32.5	**32.5**	33.9	**33.9**	**Money market placements**	
	13.0		15.6	of which: loans and advances to banks/money market placements	46
	0.5		0.2	of which: loans and advances to customers/money market placements	47
	0.3		0.5	of which: financial assets held for trading/money market instruments	50
	18.3		17.3	of which: financial assets held for trading/money market placements	50
	0.4		0.3	of which: investments/money market instruments	51
364.4	**364.4**	368.9		**Total**	

In traditional lending business, the greatest proportion of collateralized lending volume – 74 percent as at December 31, 2013 (December 31, 2012: 73 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 extended retention of ownership and trade credit insurance in the centralized settlement and factoring business operated by VR-LEASING AG.

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.

8.5.5. Sector structure of the credit portfolio

Fig. 19 shows the breakdown of the credit portfolio by sector, in which the lending volume is classified according to the industry codes used by Deutsche Bundesbank. This also applies to the other sector breakdowns related to credit risk in this opportunity and risk report.

As at December 31, 2013, a significant proportion (40 percent) of the lending volume continued to be concentrated in the financial sector (December 31, 2012: 41 percent). In addition to the local cooperative banks, the borrowers in this customer segment comprised banks from other sectors of the banking 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 entities 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 large-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.

8.5.6. Geographical structure of the credit portfolio

Fig. 20 shows the geographical distribution of the credit portfolio by country group. The lending volume is assigned to the individual country groups using the International Monetary Fund's breakdown, which is updated annually. This also applies to the other country-group breakdowns related to credit risk in this opportunity and risk report.

As at December 31, 2013, 94 percent of the total lending volume was concentrated in Germany and in other western industrialized countries.

8.5.7. Residual maturity structure of the credit portfolio

RESIDUAL MATURITIES IN THE OVERALL CREDIT PORTFOLIO

The breakdown of the credit portfolio by residual maturity presented in Fig. 21 shows that the lending volume in the short maturity band contracted by €1.1 billion between December 31, 2012 and December 31, 2013, which was largely attributable to short-term money market placements and loans at DZ PRIVATBANK S.A. The decrease in lending volumes in the medium-maturity band stemmed mainly from the contraction in the securities portfolios held by DG HYP. The increase in lending volume in the longer-term maturity band primarily arose because of the contraction in the volume of derivatives business at DZ BANK.

FIG. 18 – COLLATERALIZED LENDING VOLUME BY TYPE OF COLLATERAL

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Guarantees, indemnities, risk subparticipation	13.6	15.0	–	–	0.3	0.4	13.9	15.4
Credit insurance	1.5	1.3	–	–	–	–	1.5	1.3
Land charges, mortgages, ship mortgages	61.4	63.7	–	–	0.1	0.1	61.5	63.8
Pledged loans and advances, assignments, other pledged assets	4.0	1.4	–	–	–	–	4.1	1.4
Financial collateral	0.8	0.9	–	–	0.1	0.1	1.0	1.0
Other collateral	1.4	5.0	–	–	–	–	1.4	5.0
Collateralized lending volume	**82.8**	**87.3**	**–**	**–**	**0.4**	**0.6**	**83.3**	**88.0**
Gross lending volume	206.3	206.5	82.7	85.1	14.4	16.9	303.4	308.5
Uncollateralized lending volume	**123.5**	**119.1**	**82.7**	**85.1**	**14.0**	**16.3**	**220.1**	**220.5**

FIG. 19 – LENDING VOLUME BY SECTOR, AVERAGE LENDING VOLUME

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Financial sector	76.7	73.9	34.7	38.1	11.2	13.0	122.7	125.1
Public sector	7.3	7.9	38.8	35.5	0.9	1.0	47.0	44.3
Corporates	77.2	79.9	3.3	3.3	1.7	2.5	82.2	85.7
Retail	41.4	40.6	4.0	5.1	–	–	45.4	45.8
Industry conglomerates	2.8	3.1	1.9	3.1	0.6	0.4	5.3	6.6
Other	0.8	0.9	–	–	–	–	0.8	0.9
Total	**206.3**	**206.5**	**82.7**	**85.1**	**14.4**	**16.9**	**303.4**	**308.5**
Average for the reporting period	205.5	205.8	82.6	86.0	18.2	19.6	306.4	311.4

FIG. 20 – LENDING VOLUME BY COUNTRY GROUP

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Germany	168.6	164.7	52.8	50.8	8.0	9.7	229.3	225.2
Other industrialized nations	24.7	26.8	26.7	30.9	5.5	6.4	56.9	64.2
Advanced economies	3.7	4.9	0.5	0.6	0.1	0.2	4.3	5.7
Non-industrialized nations	9.3	10.0	0.8	0.9	0.3	0.2	10.4	11.1
Supranational institutions	–	–	1.9	1.9	0.6	0.4	2.4	2.2
Total	**206.3**	**206.5**	**82.7**	**85.1**	**14.4**	**16.9**	**303.4**	**308.5**

FIG. 21 – LENDING VOLUME BY RESIDUAL MATURITY

€ billion	Traditional lending business		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
≤ 1 year	49.9	51.3	15.6	15.6	9.3	9.0	74.8	75.9
> 1 year to ≤ 5 years	50.9	51.8	33.1	36.4	2.2	2.7	86.2	90.9
> 5 years	105.5	103.4	34.0	33.1	2.9	5.2	142.4	141.7
Total	206.3	206.5	82.7	85.1	14.4	16.9	303.4	308.5

LENDING VOLUME PAST DUE BUT NOT IMPAIRED

Figures 22 and 23 show the portion of the lending volume that is past due but not impaired. The dis-closures largely relate to traditional lending business.

No valuation allowances were recognized for these loans because the amounts past due were generally repaid promptly. Furthermore, it can be assumed that the entire amounts due under the lending agreements concerned could be collected by recovering collateral. Because of the conservative risk provisioning policy of the entities in the DZ BANK Group, past-due loans only account for a relatively small proportion of the overall credit portfolio.

The contraction in lending volumes that were past due but not impaired was partly attributable to decreases in past-due loans in arrears by up to 5 days or up to 1 month at DG HYP and DZ BANK respectively. The past-due loans in arrears by more than 3 months amounting to €436 million (December 31, 2012: €403 million) were predominantly loans secured by mortgages.

8.5.8. Rating structure of the credit portfolio

RATING STRUCTURE OF THE TOTAL LENDING VOLUME

Fig. 24 shows the DZ BANK Group's lending volume by **rating class** according to the credit rating 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) was 74 percent as at December 31, 2013 (December 31, 2012: 76 percent). The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) remained unchanged at 22 percent between December 31, 2012 and December 31, 2013.

FIG. 22 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY SECTOR

€ million	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	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Financial sector	215	357	149	299	2	3	–	–	5	4	371	662
Public sector	107	52	–	1	1	1	–	1	–	–	109	56
Corporates	202	244	154	232	70	74	33	94	402	365	863	1.008
Retail	590	491	46	26	16	15	7	8	27	32	686	573
Industry conglomerates	–	–	1	–	–	–	–	–	–	–	1	–
Other	–	–	1	2	1	1	–	1	1	1	3	5
Total	1,114	1,144	352	561	90	93	42	104	436	403	2,034	2,304

FIG. 23 – 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, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Germany	979	1,095	235	341	81	82	31	46	142	125	1,467	1,688
Other industrialized nations	104	31	30	15	–	–	8	39	119	92	261	177
Advanced economies	–	–	–	70	4	–	–	–	83	130	91	200
Non-industrialized nations	28	18	88	134	5	11	2	19	91	56	215	239
Supranational institutions	–	–	–	–	–	–	–	–	–	–	–	–
Total	**1,114**	1,144	**352**	561	**90**	93	**42**	104	**436**	403	**2,034**	2,304

FIG. 24 – LENDING VOLUME BY RATING CLASS

		Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion		Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Investment grade	1A	4.8	10.2	34.8	33.8	4.0	4.6	43.7	48.5
	1B	2.4	0.7	4.2	5.0	0.2	0.5	6.9	6.2
	1C	67.9	65.8	11.0	11.4	3.7	4.8	82.6	81.9
	1D	1.4	1.2	2.1	3.4	0.2	0.7	3.8	5.3
	1E	1.7	1.1	2.1	0.9	0.3	0.1	4.1	2.1
	2A	6.8	6.7	1.3	1.9	1.3	1.2	9.4	9.7
	2B	6.0	11.3	5.7	8.2	0.9	0.9	12.6	20.3
	2C	11.8	6.8	6.2	6.8	1.1	1.5	19.2	15.1
	2D	9.8	9.8	2.7	3.0	1.0	0.6	13.5	13.4
	2E	12.5	12.3	3.7	3.1	0.5	0.7	16.7	16.1
	3A	11.2	11.7	1.9	2.4	0.2	0.3	13.4	14.4
Non-investment grade	3B	16.4	15.9	0.8	0.4	0.1	0.2	17.3	16.5
	3C	11.5	11.7	2.0	1.8	0.1	0.1	13.6	13.5
	3D	8.0	8.0	1.0	0.9	0.1	0.1	9.1	9.0
	3E	7.3	8.3	0.9	0.4	–	0.1	8.2	8.8
	4A	2.2	2.6	0.2	0.4	–	–	2.4	3.0
	4B	2.2	1.5	0.1	0.2	–	–	2.3	1.8
	4C	5.1	4.4	0.3	0.3	–	–	5.4	4.7
	4D	4.3	5.1	–	–	–	–	4.4	5.2
	4E	4.9	4.7	0.4	0.7	0.1	0.1	5.4	5.5
Default		5.6	5.4	0.2	0.1	–	0.1	5.8	5.5
Not rated		2.4	1.4	0.9	0.1	0.3	0.4	3.6	1.9
Total		**206.3**	206.5	**82.7**	85.1	**14.4**	16.9	**303.4**	308.5

Defaults in rating classes 5A to 5E as at December 31, 2013 accounted for 2 percent of the DZ BANK Group's total lending volume and thus remained at the low level of the previous year.

The increase in the 'Not rated' class was largely attributable to activities during 2013 in which credit risk management was harmonized throughout the DZ BANK Group. As a result of the changes, lending volume for which there is only an external rating is reported under 'Not rated'. This approach does not apply to securitizations.

RATING STRUCTURE OF INVESTMENTS HELD BY INSURANCE COMPANIES

The credit rating breakdown for **investments held by insurance companies** by borrower group is shown in s Fig. 25. As at December 31, 2013, the proportion of the total investment volume accounted for by investment-grade exposures was 89 percent (December 31, 2012: 88 percent). The proportion of non-investment-grade exposures continued to fall from 3 percent as at December 31, 2012 to 2 percent as at the reporting date and therefore remains of minor importance. Of the total non-investment-grade exposures, 92 percent were accounted for by borrowers in the financial and public sectors as at December 31, 2013 (December 31, 2012: 94 percent).

SINGLE-BORROWER CONCENTRATIONS

As at December 31, 2013, the ten counterparties associated with the largest lending volumes accounted for 9 percent of the DZ BANK Group's total lending exposure (December 31, 2012: 8 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 1E or better.

INVESTMENT-GRADE LENDING VOLUME

Figures 26 and 27 show the lending volume that is neither impaired nor past due, i.e. the investment-grade proportion of the total credit portfolio.

This portion of the portfolio accounted for 99 percent of the overall lending volume as at December 31, 2013, slightly higher than the figure of 98 percent as at December 31, 2012. The large proportion of investment-grade business is attributable to the risk-conscious lending policy that the group continued to pursue in 2013.

8.5.9. Volume of renegotiated loans

Where loans have been renegotiated, this has been done in order to restructure contractual conditions so as to avoid the loans becoming past due or impaired. Early intervention and the provision of intensified loan management in the case of non-performing loans and a systematic workout management system mean that the volume of renegotiated loans in the DZ BANK Group is, to all intents and purposes, of minor significance.

Shipping finance deserves special mention in this context. The persistently challenging economic climate, changes in the volume of global trade, and

FIG. 25 – INVESTMENTS HELD BY INSURANCE COMPANIES BY RATING CATEGORY AND BORROWER GROUP

	Investment grade		Non-investment grade		Default		Not rated[1]		Total	
€ billion	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Financial sector	27.1	26.6	0.5	0.8	–	–	1.6	2.3	29.2	29.8
Public sector	14.4	13.4	0.6	0.7	–	–	0.2	–	15.2	14.1
Corporates	5.7	4.8	0.1	0.1	–	–	3.1	2.4	8.9	7.3
Other	7.6	7.1	–	–	–	–	0.7	0.6	8.4	7.7
Total	**54.8**	**51.9**	**1.2**	**1.6**	**–**	**–**	**5.7**	**5.3**	**61.7**	**58.8**

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

FIG. 26 – LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY SECTOR

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Financial sector	122.7	125.1	122.2	124.1
Public sector	47.0	44.3	46.9	44.3
Corporates	82.2	85.7	79.9	81.8
Retail	45.4	45.8	43.8	44.1
Industry conglomerates	5.3	6.6	5.3	6.6
Other	0.8	0.9	0.8	0.9
Total	**303.4**	**308.5**	**298.9**	**301.8**

FIG. 27 – LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY COUNTRY GROUP

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Germany	229.3	225.2	226.7	221.2
Other industrialized nations	56.9	64.2	55.9	63.0
Advanced economies	4.3	5.7	4.0	5.1
Non-industrialized nations	10.4	11.1	12.4	10.3
Supranational institutions	2.4	2.2	–	2.2
Total	**303.4**	**308.5**	**298.9**	**301.8**

a surplus of available tonnage in some shipping segments have led to sustained pressure on charter rates and on borrowers' debt service capacity. These trends resulted in a number of loans having to be renegotiated in the reporting year.

As at December 31, 2013, the volume of renegotiated loans amounted to €529 million (December 31, 2012: €645 million) out of a total lending volume of €303.4 billion (December 31, 2012: €308.0 billion).

8.5.10. Allowances for losses on loans and advances, non-performing exposures

ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

Figures 28 to 35 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 2013 and 2012 for the entire credit portfolio of the entities in the DZ BANK Group. Except for the portfolio loan loss allowances, these figures are presented in separate breakdowns by sector 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 (note 48). 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 2013, the DZ BANK Group increased its **specific loan loss allowances** by €33 million. This compares with a net increase of €216 million in 2012. DZ BANK reported a net addition to its specific loan loss allowances of €186 million in the year under review, roughly at the same level as the net addition of €184 million in 2012. Despite individual allowances relating to corporate banking and long-term equity investments – but on the other hand also as a result of the reversal of allowances following successful turnarounds – specific loan loss allowances remained in line with budgets and therefore, overall, reflected DZ BANK's risk policy, which continued to be sustainable.

Portfolio loan loss allowances saw a net reversal of €2 million (2012: net reversal of €7 million).

The generally positive macroeconomic trends in 2013 meant that there was only a small net addition to **provisions** at DZ BANK Group level (2012: net reversal of €29 million). Most of this change was accounted for by DZ BANK.

FIG. 28 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY SECTOR – 2013

€ million	**Balance as at Jan. 1, 2013**	Additions	Utiliza-tions	Reversals	Interest income	Other changes	**Balance as at Dec. 31, 2013**	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	205	122	-5	-92	-3	18	245	–	-8
Public sector	–	–	–	–	–	–	–	–	–
Corporates	1,236	559	-295	-249	-23	-9	1,219	53	-36
Retail	501	205	-106	-100	-5	-5	490	49	-26
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	35	54	–	-2	–	-31	56	–	-5
Total specific loan loss allowances[1]	1,977	**940**	**-406**	**-443**	**-31**	**-27**	2,010	**102**	**-75**
Portfolio loan loss allowances	532	176	–	-155	–	-23	530	–	–
Total loan loss allowances	**2,509**	1,116	-406	-598	-31	-50	**2,540**	102	-75

1 Including specific loan loss allowances evaluated on a group basis

FIG. 29 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY SECTOR – 2012

€ million	**Balance as at Jan. 1, 2012**	Additions	Utiliza-tions	Reversals	Interest income	Other changes	**Balance as at Dec. 31, 2012**	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Financial sector	235	66	-37	-45	-1	-13	205	1	-3
Public sector	–	–	–	–	–	–	–	–	–
Corporates	1,083	591	-191	-278	-32	64	1,236	38	-46
Retail	429	231	-68	-83	-7	-2	501	55	-25
Industry conglomerates	–	–	–	–	–	–	–	–	–
Other	14	32	-1	-1	–	-9	35	–	-8
Total specific loan loss allowances[1]	1,761	**920**	**-297**	**-407**	**-40**	**40**	1,977	**94**	**-82**
Portfolio loan loss allowances	539	149	–	-156	–	–	532	–	–
Total loan loss allowances	**2,299**	1,069	-297	-563	-40	40	**2,509**	94	-82

1 Including specific loan loss allowances evaluated on a group basis

FIG. 30 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY SECTOR – 2013

€ million	**Balance as at Jan. 1, 2013**	Additions	Utilizations	Reversals	Other changes	**Balance as at Dec. 31, 2013**
Financial sector	7	2	–	-3	–	6
Public sector	–	–	–	–	–	–
Corporates	89	41	–	-42	3	91
Retail	3	2	–	–	-1	4
Industry conglomerates	–	–	–	–	–	–
Other	46	7	–	-8	–	45
Total	**145**	52	–	-53	2	**146**

FIG. 31 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY SECTOR – 2012

€ million	**Balance as at Jan. 1, 2012**	Additions	Utilizations	Reversals	Other changes	**Balance as at Dec. 31, 2012**
Financial sector	8	–	–	-2	–	7
Public sector	–	–	–	–	–	–
Corporates	94	28	–	-42	10	89
Retail	17	–	–	-14	–	3
Industry conglomerates	–	–	–	–	–	–
Other	56	–	-2	-8	–	46
Total	**174**	28	-2	-66	10	**145**

FIG. 32 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – 2013

€ million	**Balance as at Jan. 1, 2013**	Additions	Utiliza-tions	Reversals	Interest income	Other changes	**Balance as at Dec. 31, 2013**	Directly recog-nized impair-ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,164	542	-198	-217	-19	-29	1,242	87	-56
Other industrialized nations	358	179	-154	-118	-12	17	270	14	-10
Advanced economies	147	21	-6	-10	-1	–	151	–	–
Non-industrialized nations	309	198	-48	-98	1	-15	347	1	-9
Supranational institutions	–	–	–	–	–	–	–	–	–
Total specific loan loss allowances[1]	1,977	**940**	**-406**	**-443**	**-31**	**-27**	2,010	**102**	**-75**
Portfolio loan loss allowances	532	176	–	-155	–	-23	530	–	–
Total loan loss allowances	**2,509**	1,116	-406	-598	-31	-50	**2,540**	102	-75

1 Including specific loan loss allowances evaluated on a group basis

FIG. 33 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES, DIRECT IMPAIRMENT LOSSES, BY COUNTRY GROUP – 2012

€ million	Balance as at Jan. 1, 2012	Additions	Utiliza- tions	Reversals	Interest income	Other changes	Balance as at Dec. 31, 2012	Directly recog- nized impair- ment losses	Receipts from loans and advances previously impaired
Specific loan loss allowances[1]									
Germany	1,045	479	-175	-207	-23	45	1,164	63	-71
Other industrialized nations	587	264	-97	-103	-17	-276	358	14	-5
Advanced economies	–	20	-11	-35	–	173	147	–	–
Non-industrialized nations	128	157	-13	-62	–	99	309	17	-6
Supranational institutions	–	–	–	–	–	–	–	–	–
Total specific loan loss allowances[1]	1,760	920	-296	-408	-40	41	1,977	94	-82
Portfolio loan loss allowances	539	149	–	-156	–	–	532	–	–
Total loan loss allowances	**2,299**	1,069	-296	-564	-40	41	**2,509**	94	-82

1 Including specific loan loss allowances evaluated on a group basis

FIG. 34 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY COUNTRY GROUP – 2013

€ million	Balance as at Jan. 1, 2013	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2013
Germany	119	42	–	-39	2	125
Other industrialized nations	11	3	–	-5	–	9
Advanced economies	–	–	–	–	–	–
Non-industrialized nations	14	7	–	-9	–	12
Supranational institutions	–	–	–	–	–	–
Total	**145**	52	–	-53	2	**146**

FIG. 35 – PROVISIONS FOR LOAN COMMITMENTS AND LIABILITIES UNDER FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS, BY COUNTRY GROUP – 2012

€ million	Balance as at Jan. 1, 2012	Additions	Utilizations	Reversals	Other changes	Balance as at Dec. 31, 2012
Germany	139	22	–	-47	5	119
Other industrialized nations	33	3	-2	-4	-19	11
Advanced economies	–	–	–	–	–	–
Non-industrialized nations	2	3	–	-15	24	14
Supranational institutions	–	–	–	–	–	–
Total	**174**	28	-2	-67	10	**145**

FIG. 36 – 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, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Financial sector	590	284	245	205	345	79
Public sector	–	–	–	–	–	–
Corporates	3,129	2,885	1,219	1,236	1,910	1,649
Retail	1,024	1,121	490	501	534	620
Industry conglomerates	–	7	–	–	–	7
Other	59	40	56	35	3	5
Total	4,802	4,340	2,010	1,977	2,792	2,363

FIG. 37 – 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, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Germany	2,518	2,349	1,242	1,164	1,276	1,185
Other industrialized nations	1,107	986	270	358	837	628
Advanced economies	435	417	151	147	284	270
Non-industrialized nations	742	588	347	309	395	279
Supranational institutions	–	–	–	–	–	–
Total	4,802	4,340	2,010	1,977	2,792	2,363

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.

IMPAIRED LENDING VOLUME

Figures 36 and 37 show the impaired lending volume. The disclosures largely relate to traditional lending business. As at December 31, 2013, the lending volume after allowances and impairment losses had risen to €2,792 million (December 31, 2012: €2,363 million), which was mainly attributable to increases at DZ BANK in the financial sector.

VOLUME OF NON-PERFORMING LOANS N

Fig. 38 shows key figures relating to the volume of non-performing loans. The increase in the volume of non-performing loans in 2013 from €5.5 billion to €5.8 billion led to a slight year-on-year rise in the NPL ratio of 1.9 percent given the marginal contraction in the total lending volume from €308.5 billion to €303.4 billion. The greater volume of non-performing loans reflected the migration of individual exposures into the 'Default' rating category. This did not have any material adverse impact on the quality of the credit portfolio as a whole.

FIG. 38 – KEY FIGURES FOR THE VOLUME OF NON-PERFORMING LOANS

€ billion	Dec. 31, 2013	Dec. 31, 2012
Total lending volume	303.4	308.5
Volume of non-performing loans	5.8	5.5
Balance of allowances for losses on loans and advances	2.5	2.5
Loan loss allowance ratio	0.8%	0.8%
Risk cover ratio	43.7%	45.3%
NPL ratio	1.9%	1.8%

8.6. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

8.6.1. Targeted management action

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.

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.

8.6.2. Peripheral European countries

In 2013, the **DZ BANK Group** achieved further significant reductions in its exposure to counterparties in countries hit directly by the European sovereign debt crisis. Loans and advances in this subportfolio amounted to a total of €11,486 million as at December 31, 2013 (December 31, 2012: €12,649 million), which constituted a year-on-year decrease of 9 percent. Fig. 39 shows the borrower structure broken down by credit-risk-bearing instrument.

The **R+V** lending volume included in Fig. 39 exclusively comprises free assets. However, R+V is subject to further exposure in the form of cover assets in the European peripheral countries.

Cover assets comprise portfolios of collateral assets and other cover assets. All these cover assets are subject to particularly restrictive investment requirements as specified in VAG and the German Regulation on the Investment of the Cover Assets of Insurance Companies (AnlV). In insurance business, collateral assets refer to the portion of the assets of an insurance company intended to provide cover for liabilities to policyholders if the insurance company concerned were to become insolvent. Other portfolios that also meet the quality standards in the AnlV form part of other cover assets.

R+V's main exposures in the reporting year were through its securities portfolio in European peripheral countries. As at December 31, 2013, the carrying amount of its free and cover assets, comprising government bonds, public-sector bonds, corporate and bank bonds, Pfandbriefe, and securitizations came to €5,443 million (December 31, 2012: €5,312 million). As at the reporting date, government bonds accounted for €2,936 million (December 31, 2012: €2,568 million) and public-sector bonds €463 million (December 31, 2012: €463 million) of this total.

As at December 31, 2013, the lending volume extended to counterparties in Cyprus, Hungary, and Slovenia in total accounted for less than 1 percent of the DZ BANK Group's total lending volume, a low level similar to that at the end of 2012.

8.6.3. Shipping finance

The **DZ BANK Group** has particular exposures in shipping finance through its subsidiary DVB. DZ BANK also has this type of finance in its credit portfolio, but the proportion is significantly lower than at DVB.

DVB operates at an international level and offers finance for various means of transport, such as ships, aircraft, offshore service vessels, drilling platforms, and rail transport rolling stock. Criteria for granting shipping loans include the quality and recoverability of the shipping asset itself, the cash flow that the borrower can generate with the ship concerned to repay the debt, and the extent to which the ship involved can be remarketed. DVB generally only enters into asset finance arrangements for which the financed ship can be used as collateral.

DZ BANK offers shipping finance as part of its joint credit business with the local cooperative banks. Shipping finance in the narrow sense refers to capital investment in mobile assets involving projects that are separately defined, both legally and in substance, (in which the borrower is typically a special-purpose entity) and whose sole business purpose is the construction and operation of ships. In such arrangements, the debt is serviced from the cash flows generated by the ship. The assessment of the credit risk is therefore based not only on the recoverability of the asset, but also in particular on the capability of the

FIG. 39 – LOANS AND ADVANCES TO BORROWERS IN THE COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS[1]

	Traditional lending business[2]		Securities business		Derivatives and money market business		Total	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Portugal	129	140	883	848	3	3	1,015	992
of which: public sector	–	–	678	606	–	–	678	606
of which: non-public sector	129	140	205	242	3	3	337	385
of which: financial sector	–	–	96	127	3	3	99	130
Italy	246	327	3,110	3,388	54	87	3,410	3,802
of which: public sector	–	–	2,331	2,082	–	–	2,331	2,082
of which: non-public sector	246	327	779	1,306	54	87	1,079	1,719
of which: financial sector	36	42	426	820	49	78	512	940
Ireland	861	1,011	222	359	81	255	1,163	1,625
of which: public sector	–	–	–	52	–	–	–	52
of which: non-public sector	861	1,011	222	307	81	255	1,163	1,572
of which: financial sector	–	–	172	194	80	253	253	447
Greece	139	303	40	113	–	–	179	416
of which: public sector	–	–	–	62	–	–	–	62
of which: non-public sector	139	303	40	51	–	–	179	354
of which: financial sector	–	1	2	3	–	–	2	4
Spain	439	505	5,227	5,277	53	33	5,719	5,815
of which: public sector	53	62	2,537	2,376	–	–	2,590	2,438
of which: non-public sector	386	442	2,689	2,901	53	33	3,129	3,377
of which: financial sector	62	67	1,515	1,592	53	32	1,630	1,691
Total	**1,814**	**2,285**	**9,481**	**9,986**	**191**	**378**	**11,486**	**12,649**
of which: public sector	53	63	5,546	5,178	–	–	5,599	5,241
of which: non-public sector	1,761	2,223	3,936	4,807	191	378	5,888	7,408
of which: financial sector	99	110	2,212	2,736	185	365	2,496	3,212

1 R+V limited to exposures in free assets; exposures of special funds and of Assimoco are not included
2 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments

ship to generate earnings. To reduce the risk, the finance must normally be secured by a first mortgage on the vessel. A distinction is made between shipping finance in the narrow sense and finance provided for shipyards and shipping companies. The following disclosures for DZ BANK relate solely to shipping finance in the narrow sense.

In the **DZ BANK Group**, the lending volume associated with shipping finance comprises loans and advances to customers, guarantees and indemnities, irrevocable loan commitments, securities, and derivatives.

The global economic crisis and the sovereign debt crisis in Europe have in some cases led to falling asset values and a deterioration in credit quality in the shipping finance business. This has given rise to an increased credit risk for the DZ BANK Group.

As at December 31, 2013, the DZ BANK Group's shipping finance portfolio had a value of €10,119 million (December 31, 2012: €10,402 million). Fig. 40 shows the portfolio structure by country group and credit-risk-bearing instrument.

FIG. 40 – SHIPPING FINANCE LENDING VOLUME BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives business		Total	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Germany	1,309	1,240	–	–	20	33	1,328	1,274
Other industrialized nations	1,677	1,755	90	101	10	16	1,777	1,871
Advanced economies	1,920	2,610	–	–	–	5	1,923	2,615
Non-industrialized nations	5,063	4,594	–	–	27	48	5,091	4,642
Total	**9,969**	**10,199**	**90**	**101**	**60**	**103**	**10,119**	**10,402**

At DZ BANK Group level, allowances for losses on loans and advances as at December 31, 2013 stood at €307 million (December 31, 2012: €192 million).

As at December 31, 2013, **DVB**'s shipping finance portfolio comprised finance provided for 1,220 vessels and 1.4 million containers (December 31, 2012: 1,170 vessels and 2.2 million containers). The average exposure as at December 31, 2013 was €31 million (December 31, 2012: €34 million) and the largest single exposure €193 million (December 31, 2012: €218 million).

DVB's total exposure as at December 31, 2013 amounted to €9,203 million (December 31, 2012: €9,463 million). The shipping finance portfolio is broadly diversified in terms of geographical region, type of vessel, borrower, charterer, and shipping activity. As at December 31, 2013, the proportion accounted for by tankers had increased by 3 percentage points to 44 percent, which equated to a volume of €4,000 million. The growth was achieved in non-critical segments of the shipping market (product, chemicals, and gas tankers) whereas the proportion of the portfolio accounted for by crude tankers was reduced year on year in line with DVB's strategy to €1,187 million or 13 percent (December 31, 2012: €1,408 million, 15 percent). DVB stopped financing single-hull oil tankers a number of years ago because of the potential threat to the environment. The portfolio is almost fully collateralized in compliance with DVB strategy.

DZ BANK's shipping finance exposures amounted to €916 million as at December 31, 2013 (December 31, 2012: €939 million). Broken down by type of ship, the portfolio was focused mainly on multifunctional merchant vessels and, in terms of carrying capacity, comprised almost exclusively small- to medium-sized vessels. DZ BANK's shipping finance portfolio is mainly concentrated in Germany but broadly diversified by type of vessel, borrower, charterer, and shipping activity.

8.6.4. Securitizations

The changes in the securitization portfolio in 2013 were largely in line with expectations, whether in terms of redemptions, rating migrations, or the performance of the portfolio. One positive aspect worth highlighting was the continued rise in house prices in the United States. During the course of 2013, the entities in the DZ BANK Group made greater use of the more benign market environment accompanying this trend to focus on disposals with the objective of optimizing capital.

The **fair value** of the DZ BANK Group's securitization exposure as at December 31, 2013 amounted to €8.5 billion after having been as high as €10.8 billion as at December 31, 2012. This equates to a further reduction of 21 percent following the reduction of 14 percent achieved in 2012. The fall in the fair value of the portfolios held by the group was largely the result of redemptions and disposals. These changes offset the increases in value derived from the recovery in prices. Since December 31, 2008, the securitization exposure has been cut by a total of 65 percent.

As at December 31, 2013, 61 percent (December 31, 2012: 54 percent) of the loans and advances in the reference portfolios were to borrowers in European countries, in particular Germany, the United Kingdom, Spain, and the Netherlands. Of the total borrowers, 34 percent were domiciled in the United States as at the reporting date (December 31, 2012: 39 percent).

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, 2013, 26 percent (December 31, 2012: 29 percent) of the **securitization exposure on the balance sheet** consisted of AAA tranches rated by external credit agencies. A total of 81 percent (December 31, 2012: 75 percent) was rated as investment grade (up to BBB-).

Within the total exposure at the end of the financial year, €2.7 billion (December 31, 2012: €3.0 billion) was related to **exposures to conduits**. Of this amount, 71 percent was accounted for by undrawn conduit lines of credit, the same level as at December 31, 2012. As at December 31, 2013, 81 percent (December 31, 2012: 75 percent) of securitization exposure to conduits was in external rating class A or higher.

Securitization exposure rated as AAA or AA accounted for 19 percent of the total exposure to conduits as at December 31, 2013 (December 31, 2012: 17 percent). Rating classes BBB+ to B- also made up 19 percent (December 31, 2012: 24 percent) of the total exposure to conduits as at December 31, 2013.

Securitization exposures in the **collateralized debt obligations** (CDOs) product category amounted to €0.5 billion as at December 31, 2013 (December 31, 2012: €1.0 billion). The volume of the **subprime portfolio** totaled €0.4 billion as at the balance sheet date, below the level of €0.8 billion as at December 31, 2012. As at December 31, 2013, the volume of assets insured by **monoliners** remained negligible and therefore unchanged year on year.

Fig. 41 summarizes the changes in the securitization portfolio in 2013, broken down by **changes in portfolio composition and changes in fair value**. As at December 31, 2013, there had been an overall increase in fair value of €330 million, largely attributable to the recovery in prices (December 31, 2012: increase in fair value of €693 million).

FIG. 41 – CHANGES IN THE COMPOSITION AND VALUE OF THE SECURITIZATION PORTFOLIO

€ million	**Fair value as at Jan. 1, 2013 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, 2013 after changes in composition and value**
Receivables from retail loans	5,155	-1,455	267	3,967
of which: RMBSs	4,825	-1,386	266	3,704
of which: assets classified as subprime	785	-370	9	423
of which: assets classified as Alt-A	155	-81	10	84
Receivables from corporate loans	389	131	2	522
Receivables from CMBSs	1,308	-606	53	754
Receivables from CDOs	953	-413	8	548
Total exposure reported on the balance sheet	7,806	-2,343	330	5,792
Exposures to conduits[1]	2,959	-272	–	2,687
Total	**10,765**	**-2,616**	**330**	**8,479**

1 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits

8.6.5. Leveraged finance

The DZ BANK Group's lending business covers a number of areas, including the provision of finance in connection with mergers and acquisitions. If this finance is to support a transaction with above-average leverage, this leads to increased risk. Such leveraged finance transactions primarily include the types of acquisition finance listed below, especially for private equity companies whose credit ratings essentially depend on the cash flows expected to be generated by the acquired entity.

The DZ BANK Group distinguishes between the following types of transaction:

– leveraged buyouts by financial sponsors
– recapitalization and refinancing of acquisitions
– management buyouts and management buyins.

Of all the entities in the DZ BANK Group, only DZ BANK is involved in the leveraged finance product segment, and then only on a small scale.

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 €1,216 million as at December 31, 2013 (December 31, 2012: €1,508 million). Of this total, loans amounting to €968 million (December 31, 2012: €1,183 million) had already been drawn down and outstanding loan commitments came to €248 million (December 31, 2012: €325 million).

The leveraged finance portfolio was hedged by credit derivatives and guarantees in the amount of €5 million as at the balance sheet date (December 31, 2012: €2 million).

As at December 31, 2013, the exposures in the portfolio revealed a broad sectoral diversification, with over 80 percent relating to entities based in the European Union, as indeed had also been the case at the end of 2012.

As at December 31, 2013, specific loan loss allowances of €26 million (December 31, 2012: €47 million) had been recognized in the leveraged finance portfolio.

8.7. 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, 2013, the risk capital requirement in the DZ BANK Group amounted to €3,036 million (December 31, 2012: €2,891 million). The DZ BANK Group also set an upper loss limit of €3,845 million (December 31, 2012: €3,711 million). The risk capital requirement did not exceed the upper loss limit at any point during the course of 2013.

The risk capital requirement originally measured as at December 31, 2012 had amounted to €2,843 million. During the reporting year changes were made to the methodology and the value as at December 31, 2012 has thus been restated incorporating the new methodology in order to ensure that the change in the risk in the credit portfolio in 2013 is transparent. This retroactive adjustment only relates to the risk value

FIG. 42 – FACTORS DETERMINING THE CAPITAL REQUIREMENT FOR CREDIT RISK

	Average probability of default		Expected loss (€ million)		Risk capital requirement (€ million)	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Traditional credit risk	0.7%	0.6%	401	386	1,731	1,902
Issuer risk	0.4%	0.8%	115	218	1,119	836
Replacement risk	0.1%	0.1%	10	11	186	153
Total			526	615	3,036	2,891
Average	0.6%	0.6%				

shown here and not to the disclosures relating to risk-bearing capacity in section 7.2.2. of this opportunity and risk report.

Fig. 42 shows the risk capital requirement together with the average probability of default and expected loss.

8.8. SUMMARY AND OUTLOOK

In 2013, 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 ABCP programs (internal assessment approach), asset finance, acquisition finance, project finance, and major corporate customer segments were refined. In 2014, DZ BANK is planning to develop a rating system for insurance companies and, among other plans, is also intending to revise the rating system for project finance.

As in 2012, a key area of **collateral management** activity was the enhancement of data quality. Activities focused in particular on implementing reporting adjustments and improving data provision with technical enhancements and optimization measures. DZ BANK also continued to translate requirements for the refinement of the collateral management system into functional specifications. In 2014, further development of the collateral management system at DZ BANK will focus on implementing new regulatory requirements (CRR, CRD IV).

On October 21, 2013, the EBA published its reporting requirements for **non-performing and renegotiated loans** in the form of definitions of terms and new reporting forms. In the future, the relevant reports must be integrated into the existing financial reporting framework (FINREP) in the DZ BANK banking group and submitted to the regulator. The deadline for initial application is September 30, 2014. DZ BANK is undertaking a project to implement these requirements.

In addition, DZ BANK intends to initiate further measures in 2014 as part of its continuous optimization of the internal **credit risk measurement** system. These measures will include the gradual introduction of a portfolio-based approach for measuring the replacement risk in the bulk of the derivatives portfolio.

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 of further trends in the economic environment, both the DZ BANK Group and DZ BANK are currently of the opinion that the requirement for allowances for losses on loans and advances in 2014 will be at the same level as in 2013.

9. EQUITY RISK

9.1. DEFINITION AND CAUSES

In the DZ BANK Group, equity risk is understood to be the risk of losses arising from negative changes in the fair value of that portion of the long-term equity investments portfolio in which the risks are not included in other types of risk.

Within the DZ BANK Group, equity risk arises primarily at DZ BANK, BSH, DVB, and R+V.

The investments in the banking book are held largely for strategic reasons and normally cover markets, market segments or parts of the value chain in which the management units themselves 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.

9.2. RISK STRATEGY AND RESPONSIBILITY

Risk strategy requirements must be observed in the management of investments. Such management is subject to the principle that 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.

Decisions on whether to acquire or dispose of **equity investments** are made by the Board of Managing Directors at DZ BANK, BSH, DVB, or R+V respectively in consultation with the relevant committees.

At DZ BANK, the Strategy & Controlling 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 DVB, the investments are the responsibility of the Accounting and Legal Affairs departments. 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 division responsible for supporting the investments.

9.3. RISK MANAGEMENT

Goodwill relating to the investments is regularly tested for possible impairment in the last quarter of the financial year. If there are any indications during the course of the year of possible impairment, more frequent impairment tests are also carried out. In an impairment test, the carrying amount of the units to which the goodwill relates is compared with the market price that could be achieved at this point.

The risk capital requirement for equity risk is determined on the basis of a variance-covariance approach as a value-at-risk with a holding period of one year and a confidence level of 99.90 percent. Risk drivers are the market values of the investments, the volatility of the market values, and the correlations between the market values, with market price fluctuations mainly derived from reference prices listed on an exchange.

The measurement of equity risk takes into account both the equity-accounted investments and fully consolidated investees. As part of acquisition accounting and during the course of preparing the consolidated financial statements, the investment carrying amounts for consolidated subsidiaries are offset against the relevant share of net assets. Consequently, the investment carrying amounts disclosed in the notes to the consolidated financial statements are considerably lower than the carrying amounts used for determining risk.

9.4. RISK FACTORS AND RISK POSITION

If a future impairment test determines that the goodwill reported on the balance sheet is significantly **impaired**, this could have an adverse impact on the financial performance and financial position of the DZ BANK Group.

In the case of **non-controlling interests**, there is a risk that key information may not be available or cannot be obtained promptly by virtue of the fact that the investment is a minority stake; this would lead to an increase in the impairment risk.

The **investment carrying amounts** relevant for the measurement of the DZ BANK Group's equity risk amounted to €3,406 million as at December 31, 2013 (December 31, 2012: €3,437 million).

As at December 31, 2013, the **economic capital requirement** for the DZ BANK Group's equity risk was measured at €783 million, a decrease on the corresponding figure of €822 million as at December 31, 2012. The upper loss limit as at December 31, 2013 was €1,225 million (December 31, 2012: €1,186 million). The upper loss limit was not exceeded at any time during 2013.

10. MARKET RISK

10.1. 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 losses on financial instruments or other assets arising from changes in market prices or in the parameters that influence prices. Depending on the underlying influences, market risk can be broken down for the most part into interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk. These risks are caused by changes in the yield curve, credit spread, exchange rates, share prices, and commodity prices.

Market risk arises in the DZ BANK Group in particular from DZ BANK's customer-account trading activities, DZ BANK's cash-pooling function for the Volksbanken Raiffeisenbanken cooperative financial network, and from the lending business, real-estate finance business, building society operations, investments, and issuing activities of the various entities in the group. Spread risk is the most significant type of market risk for the DZ BANK Group.

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. The consequences are that assets can only be liquidated in markets if they are discounted and that it is only possible to carry out active risk management on a limited basis. Market liquidity risk arises primarily in connection with securities already held in the portfolio as well as funding and money market business.

10.2. RISK STRATEGY

The following principles for managing market risk apply for DZ BANK and its subsidiaries:

- market risk is only taken on to the extent that it is necessary to facilitate attainment of business policy objectives;
- the assumption of market risk is only permitted within the existing limits and only provided that it is considered together with the associated opportunities;
- statutory restrictions or provisions in the Articles of Association that prohibit the assumption of certain types of market risk for individual management units must be observed.

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 – on this basis – 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 ensuring 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.

Open market-risk positions, primarily involving spread risk, arise in connection with customer business and from holding securities portfolios in trading for customer account. 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. DZ BANK manages market risk in its lending business and own issues and also incurs market risk from holding issues from the primary banks and subsidiaries.

BSH is exposed to market risk in the form of interest-rate risk and spread risk. In the case of interest-rate risk, the risk arising from collective business is particularly significant because the business guarantees 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. Spread risk arises at BSH from investing available home savings deposits in the capital market.

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. 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 AnlV and the basic regulatory investment principles and rules for cover assets pursuant to section 54 VAG. 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.

10.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

10.3.1. 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. The risk in this case is generally determined by the spread risk arising on securities exposures in the liquidity reserve and in cover assets. Market risk arises from the **building society operations and insurance business** at BSH and R+V respectively.

At **DZ BANK**, as a trading book institution, market risk is generally managed on a decentralized basis using portfolios, with the trader who is responsible for the management of each portfolio 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 the level of the individual entity within the R+V Group.

10.3.2. Risk reporting

Key figures for market risk are submitted at **group level** to the Group Risk Committee within the overall risk report for the DZ BANK Group. If any limits are exceeded at group entity 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 entities 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.

10.4. RISK MANAGEMENT

10.4.1. Measurement of market risk

MEASURING MARKET RISK IN THE BANKING BUSINESS

The banks in the DZ BANK Group determine market risk from the short-term (operating) perspective using the **value-at-risk** method. 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 reflect the maximum potential loss that could be incurred in extreme market situations, but is based on observed historical market scenarios over periods of 250 trading days (DZ BANK), 1,500 trading days (BSH), or 175 trading days (DG HYP). DZ BANK and BSH generate market scenarios using a historical simulation, whereas DG HYP uses a variance-covariance approach.

For DZ BANK, BSH, and DG HYP, calculations are carried out to determine an **overall value-at-risk** and – where relevant – separate values-at-risk for interest-rate risk, spread risk, equity price risk, currency risk, and commodity risk, broken down into trading portfolios and non-trading portfolios. The values-at-risk are added together to give a total value-at-risk figure for the DZ BANK Group's combined trading portfolio and a figure for its combined non-trading portfolio. The risk in the banking book is included in the value-at-risk for both the trading and non-trading portfolios.

To quantify market risk from a longer-term (strategic) perspective, the banks in the DZ BANK Group regularly calculate the **risk capital requirement** for market risk and compare it with the associated upper loss limit.

The risk measurements from both the operating and strategic perspectives are linked to each other by a consistent **system of limits**.

MEASURING MARKET RISK IN THE INSURANCE BUSINESS

R+V carries out **sensitivity analyses** to measure the market risk arising on its investments. These sensitivity analyses demonstrate the effect of different potential changes. For equities, the effect of a change in market prices of 10 percent and 20 percent is determined. In the case of fixed-income securities and loans, the analysis shows the effect of an upward and downward shift in the interest-rate curve of 100 basis points on the fair value of these securities and loans. To determine currency risk, the analysis assumes a revaluation or devaluation of the euro by 10 percent in each case. In addition to the sensitivity analyses, a **duration analysis** is regularly carried out for the portfolio of fixed-income securities and loans.

In the case of all insurance products that comprise an insurance contract and an **embedded derivative**, an assessment is carried out to establish whether it is appropriate to separate the derivative from the host contract. The decision is based on an assessment as to whether the features and risks associated with the embedded component are closely associated with the features and risks of the host contract or whether the embedded component is already recognized at fair value as part of the host contract.

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 99.90 percent and a holding period of one year.

MEASUREMENT OF MARKET LIQUIDITY RISK

DZ BANK and **DG HYP** measure market liquidity risk using a special stress scenario when determining the risk capital requirement for market risk. The economic capital requirement necessary in this stress scenario is compared against the available cover assets in order to obtain an indication of capital adequacy during periods of adverse trends in market liquidity.

At **BSH**, market liquidity risk is of minor significance, given the business model in which funding is derived from the collective organization and securities are generally held to maturity.

10.4.2. Backtesting and stress tests

BACKTESTING ON BANKS

The internal market risk models of the banks are subject to backtesting. The purpose is to check the predictive quality of value-at-risk approaches used to measure the risk in trading portfolios. Changes in the value of portfolios on each trading day 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. 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.

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 also carries out stress simulations on an ongoing basis during the course of the year to illustrate the impact of adverse capital markets scenarios.

10.4.3. 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.

10.4.4. 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 using exchange-based and OTC 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.

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.

10.4.5. Managing the different types of market risk

MANAGEMENT OF INTEREST-RATE RISK

At **DZ BANK**, interest-rate risk arises from trading for customer account with interest-rate-sensitive products, from structuring its own issues in trading for customer account, and from exposures in connection with liquidity management. The risks from trading for customer account are dynamically hedged within the set limits and the risks from liquidity management are generally minimized.

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.

At **DG HYP**, interest-rate risk largely arises from Pfandbrief cover assets and funding transactions. These risks are mitigated by hedging on a regular basis.

Interest-rate risk arises at **R+V** because the guaranteed minimum growth agreed for certain products when the contract is signed cannot necessarily be obtained on capital markets over the long term. Interest-rate risk is managed as part of asset/liability management based on the outcome of stress tests and scenario analyses.

MANAGEMENT OF SPREAD RISK

At **DZ BANK**, spread risk arises from holding securities portfolios in trading for customer account, from own issues in trading for customer account, and from the liquidity management function that the bank carries out for the DZ BANK Group. The risk incurred in connection with trading for customer account is actively managed. In liquidity management, the risk tends to be limited to that which is absolutely necessary to allow DZ BANK to carry out its responsibilities as a central institution and in connection with the liquidity management function.

Spread risk arises at **BSH** from investing available home savings deposits in securities. The resulting risk is managed as part of a conservative investment policy.

Spread risk at **DG HYP** largely results from holding securities for the Pfandbrief cover assets. The risks are included in an active reporting system and are monitored on a daily basis. Since the switch in DG HYP's business model, the entity only takes on new spread risk if this is necessary as part of the management of the cover assets.

When creating an insurance protection product, **R+V** is subject to spread risk arising in connection with investments in fixed-income securities. Given that cash flows in connection with insurance liabilities can be readily forecast, there is only a reduced risk that bonds might have to be sold at a loss before the maturity date.

MANAGEMENT OF EQUITY PRICE RISK

Equity price risk is only of minor significance at **DZ BANK**. It arises mainly in connection with the issue of DZ BANK's own structured equity products and is managed by using equities, exchange-traded futures and options, and OTC derivatives. OTC derivatives are used particularly if such risk cannot be hedged using equities, futures, or simple options.

At **R+V**, equity price risk arises from existing equity exposures used as part of a long-term investment strategy to guarantee that obligations to policyholders can be satisfied.

Equity price risk does not arise at **BSH** or **DG HYP**.

MANAGEMENT OF CURRENCY RISK

Only a small amount of currency risk arises at **DZ BANK**, primarily in connection with interest-rate products denominated in foreign currency and in connection with customer business involving currency products and derivatives. The currency risk is eliminated for the most part. Generally speaking, DZ BANK does not hold any significant open currency positions.

At **BSH**, currency risk arises mainly as a result of capital transfers between BSH and subsidiaries in a non-euro-zone country. This risk is generally eliminated by hedging.

The currency risk resulting from customer business at **DG HYP** is not material and is normally eliminated in full.

At **R+V**, items denominated in foreign currency are held mainly for the purposes of diversification and for participation in high-yield global investments as part of an active portfolio management strategy, although currency positions may also be held in connection with reinsurance obligations. Appropriate risk models are used in which the resulting currency risk is subject to continuous monitoring and active currency overlay management with the aim of hedging against exchange-rate-related losses.

MANAGEMENT OF COMMODITY RISK

DZ BANK is exposed to a low level of commodity risk arising from customer business involving commodity derivatives. The exposure is hedged for the most part or passed on directly and in full to external counterparties in back-to-back transactions.

Commodity risk is not relevant at **BSH**. **DG HYP**'s treasury is not permitted to trade in commodity markets. **R+V** does not incur any commodity risk either.

10.4.6. 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.

10.4.7. Managing the risk arising from defined benefit obligations

The DZ BANK Group has various pension obligations (defined benefit obligations) to its current and former employees. By entering into such direct defined benefit obligations, the DZ BANK Group assumes a number of risks, including risks associated with the measurement of the amounts recognized n the balance sheet, in particular risk arising from a change in the discount rate, risk of longevity, inflation risk, and risk in connection with salary and pension increases. Assets recognized to satisfy the subsequent pension benefits (plan assets) are subject to the risks typically associated with an investment. These risks include, in particular, equity price risk, interest-rate risk, and credit spread risk. All the plan assets at R+V without exception are assets in reinsured support funds and are therefore subject to interest-rate risk.

A requirement may arise to adjust the existing provisions for pensions and other post employment benefits as a result of decisions by the courts, legislation, or accounting changes.

In the DZ BANK Group, the strategy adopted for the pension assets is driven predominantly by the needs of the defined benefit obligation. The risks arising in connection with the assets and liabilities are regularly assessed by a DZ BANK investment committee; corrective action to eliminate risk is taken where necessary.

Risk arising in connection with the plan assets is implicitly taken into account when other key types of risk are measured.

Further disclosures regarding the measurement of the defined benefit obligation can be found in note 26 of the notes to the consolidated financial statements.

10.5. RISK FACTORS

CREDIT SPREADS

During the course of the European sovereign debt crisis, credit spreads on bonds from some European countries have widened significantly. This means that the yield differential between bonds from individual government issuers or from issuers backed by a government guarantee – particularly in southern Europe – and investments that market players largely consider to be of high credit quality and free of default risk has become much greater. Generally speaking, government bonds cannot therefore be classified as free of default risk. If there is a widening of credit spreads on government bonds or other market investments, this leads to a drop in market values. Present value losses of this nature could have a temporary or permanent adverse impact on the DZ BANK Group's operating profit.

MARKET LIQUIDITY

A marketwide liquidity squeeze could be detrimental to the business activities of the DZ BANK Group and therefore also to its financial position and financial performance. Tighter **market liquidity** arises particularly in stressed market conditions, for example during the financial crisis. If the European sovereign debt crisis deteriorates again, this could restrict market liquidity for individual European government bonds.

In the reporting year, there was an improvement in market liquidity, both in general terms and also in relation to European government bonds.

10.6. RISK POSITION

As at December 31, 2013, the **economic capital requirement** for market risk amounted to €2,136 million (December 31, 2012: €2,138 million) with an upper loss limit of €3,495 million (December 31, 2012: €3,679 million). Throughout the year under review, the risk capital requirement remained within the upper loss limits in both the group's banking business and in the group's building society and insurance businesses. Fig. 43 shows the figures for December 31, 2013 and December 31, 2012.

As at the reporting date, the risk capital requirement was once again at the level reported for December 31, 2012 following minor fluctuations during the course of the year caused by discontinuation of the use of certain risk-related scenarios in the historical simulation and by changes in interest rates and equity prices.

As at December 31, 2013, the **value-at-risk** used for managing short-term risk in the banking business in the DZ BANK Group amounted to €32 million (December 31, 2012: €45 million) for the trading portfolios and €23 million (December 31, 2012: €17 million) for the non-trading portfolios. The change in the value-at-risk over both 2013 and 2012 is shown in fig. 44.

FIG. 43 – UPPER LOSS LIMITS AND CAPITAL REQUIREMENT FOR MARKET RISK BY TYPE OF BUSINESS

	Upper loss limit		Risk capital requirement	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Banking	1,859	2,046	982	1,253
Building society operations and insurance business	1,636	1,633	1,154	885
Total	**3,495**	**3,679**	**2,136**	**2,138**

Fig. 45 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 during the course of 2013 was largely attributable to the fact that one market scenario was no longer included from May onward in the period relevant for the historical simulation.

In the first half of 2013, there were two trading days during which changes in the fair value of DZ BANK's trading portfolio led to the forecast risk values being exceeded. The limit overrun on June 11, 2013 was attributable to the non-synchronous updating of valuation parameters on both this day and the previous day (where this was manifested as an increase in fair value).

The limit overrun on June 21, 2013 was caused by a significant simultaneous increase in both interest rates for euros and US dollars and widening of credit spreads for banks and public-sector entities. For some of the risk factors involved, the extent of the change in market data relevant to this overrun considerably exceeded the movements in market data observed over the previous 250 trading days. This overrun was an exception as defined by section 318 (1) SolvV.

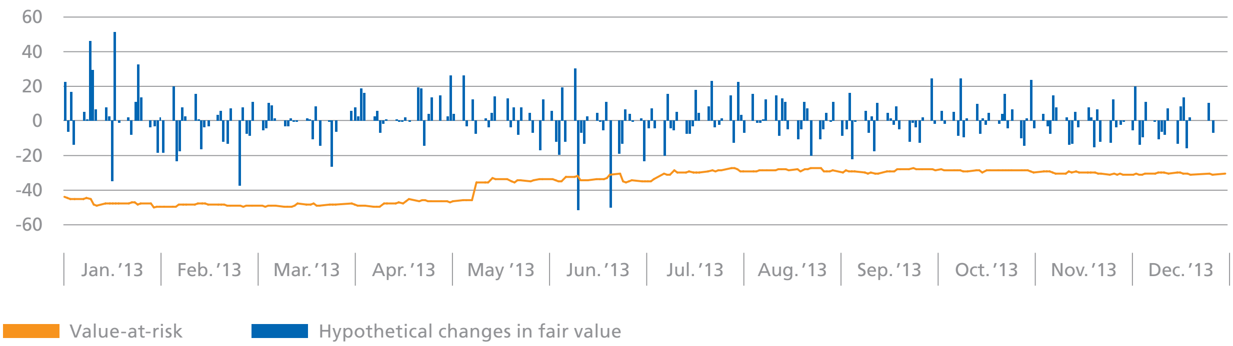
FIG. 44 – VALUE-AT-RISK IN THE BANKING BUSINESS BY TRADING AND NON-TRADING PORTFOLIOS[1]

€ million	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity risk	Diversification effect[2]	Total
Trading portfolios							
Dec. 31, 2013	7	34	1	1	–	-11	32
Average	7	39	2	2	–	-12	38
Maximum	12	50	3	3	–	-18	51
Minimum	4	30	1	1	–	-5	28
Dec. 31, 2012	7	43	2	3	–	-12	45
Non-trading portfolios							
Dec. 31, 2013	4	12	7	3	–	-5	23
Average	5	12	6	2	–	-4	21
Maximum	7	15	7	3	–	-5	25
Minimum	4	10	4	–	–	-2	16
Dec. 31, 2012	4	10	5	1	–	-3	17

1 Value-at-risk with 99.00% confidence level, 1-day holding period, 1-year observation period, based on entity-specific modeling. The banking business is an aggregation of the relevant management units.
2 Total effects of diversification between the types of market risk for all consolidated group entities

FIG. 45 – VALUE-AT-RISK FOR MARKET RISK AND HYPOTHETICAL CHANGES IN FAIR VALUE IN DZ BANK'S TRADING PORTFOLIOS

€ million, value-at-risk at 99.00% confidence level, 1-day holding period, 1-year observation period



10.7. SUMMARY AND OUTLOOK

As in previous years, the focus of DZ BANK's trading business in 2014 will be on customer business. In addition, securities will be managed as a liquidity buffer. The setting of limits will continue to be based on the risk-bearing capacity of the group.

11. LIQUIDITY RISK

11.1. DEFINITION AND CAUSES

11.1.1. Definition

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. In this way liquidity risk is equivalent to insolvency risk.

A **funding risk** arises from uncertainty about the availability of liquidity from funding providers. There is also a risk that, if the liquidity spread widens, it will only be possible to cover future liquidity requirements of the DZ BANK Group if additional costs are incurred.

11.1.2. Causes and risk factors

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 S.A., TeamBank, and VR-LEASING AG.

Liquidity risk arises from a mismatch in timing and amount between anticipated cash inflows and outflows. The following key factors affect the level of liquidity risk:

– the funding structure for lending business in each entity within the DZ BANK Group;
– uncertainty surrounding liquidity tied up in funding structured issues and certificates with termination rights and obligation acceleration;
– changes in the volume of deposits and loans, although the cash-pooling function in the cooperative financial network is a significant determining factor in this regard;
– funding potential in money markets and capital markets;
– fluctuations in fair value, marketability of securities, and the eligibility of such securities for use in collateralized funding arrangements, for example based on bilateral repos or transactions in the tri-party market;
– the potential exercise of liquidity options, such as drawing rights in irrevocable loan or liquidity commitments, and termination or currency option rights in lending business;
– the obligation on the DZ BANK Group to pledge its own collateral in the form of cash or securities (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.

11.2. 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.

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 liquid securities are held by the DZ BANK Group so that it can remain solvent, even in the event of a crisis. The DZ BANK Group ensures that it has potential sources of funding on the secured and unsecured money markets by maintaining a broadly diversified national and international customer base comprising, for example, corporate, institutional, and bank customers. This is achieved with active market and customer support, intensively maintained customer relationships, and an excellent reputation in the money markets. The local cooperative banks also provide a significant and stable source of funding.

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.

11.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

11.3.1. 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 entities is managed by the DZ BANK Group Treasury division and in the individual subsidiaries. The individual entities are provided with funding by DZ BANK (**group funding**) or the entities 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 on the basis of internal requirements in the Risk Control division at DZ BANK and in the subsidiaries independently of the units responsible for liquidity risk management. DZ BANK is responsible for aggregating the risk information from the individual entities 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.

11.3.2. Risk reporting

The DZ BANK Group's liquidity up to one year and structural liquidity are reported on a daily basis to the **members of the Board of Managing Directors** of

DZ BANK responsible for the Group Treasury and Risk Control 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 entities.

The **group entities** have their own corresponding reporting procedures to support the monitoring and control of liquidity at individual entity level.

The group's treasury department is informed on a daily basis of the largest providers of liquidity to DZ BANK in the unsecured money markets. This is reported to the **Board of Managing Directors** on a weekly basis. Reports make a distinction between customers and banks and refer 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.

11.4. RISK MANAGEMENT

11.4.1. Measurement of liquidity risk

INTRADAY LIQUIDITY

The units in group entities 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.

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 entities 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 sources of crises in both the market and the institution itself. A combination of market-specific and institution-specific sources is also taken into consid-eration. In crisis scenarios with institution-specific causes, such as a deterioration in the institution'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, for example, collateralized funding of securities in the repo market.

The internal liquidity risk model is constantly revised as part of an **adequacy review** and adjusted in line with changes in the market, products, and processes. This adequacy review is carried out by every entity integrated into the DZ BANK Group's liquidity risk management system.

11.4.2. 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. The DZ BANK Group 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.

The DZ BANK Group also analyzes '**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.

11.4.3. Liquidity risk mitigation

Measures to reduce liquidity risk are initiated by the treasuries of the group entities as part of their liquidity management function. Active liquidity risk management is made possible by holding a large number of instruments in the form of cash and liquid securities, and by managing the maturity profile of money-market and capital market transactions.

11.4.4. Liquidity costs

The DZ BANK Group aims to use liquidity – which is both a resource and a success factor – as efficiently as possible in terms of opportunities and risks. 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.

11.5. RISK POSITION

MINIMUM LIQUIDITY SURPLUS S

Fig. 46 shows the results from the measurement of liquidity risk in the risk scenario and in the stress scenarios on which the limits are based (limit scenarios). 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, 2013 is shown in fig. 47. The overviews take into account the effect on liquidity of the measures that can be implemented to generate liquidity in the individual scenarios.

The minimum liquidity surplus of the DZ BANK Group in the risk scenario measured as at December 31, 2013 amounted to €27.6 billion (December 31, 2012: €19.4 billion). The DZ BANK Group's liquidity did not fall below the observation threshold of €4.0 billion or the limit of €1.0 billion for the minimum liquidity surplus in any of the limit scenarios during the reporting period. The observation threshold and limit were unchanged compared with December 31, 2012.

FUNDING AND LIQUIDITY MATURITIES

The level of liquidity risk in the DZ BANK Group is largely determined by the short- and medium-term funding structure. Further details are described in the business report (section II.5 of this group management report).

The maturity analyses for the contractually agreed cash inflows and outflows are disclosed in notes 80 and 64 of the notes to the consolidated financial statements. The cash flows in these disclosures are not the same as the cash flows actually expected and used for internal management purposes.

POSSIBLE IMPACT FROM CRYSTALLIZED RISK

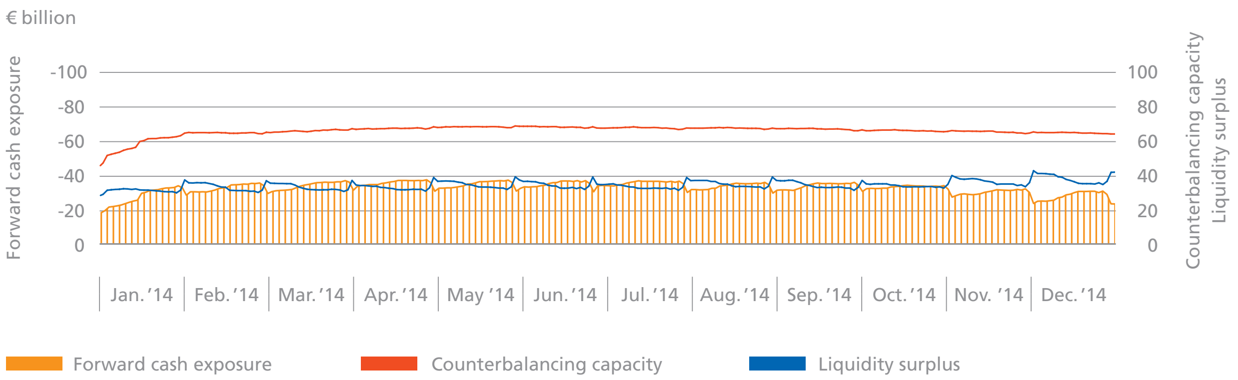
One of the main operating activities of the entities in the DZ BANK Group is to make available long-term liquidity, for example in the form of loans. These loans tie up liquidity and involve different maturities and currencies. The DZ BANK Group generally organizes its **funding** to match the transactions that tie up liquidity. Any funding needs that are not covered by the local cooperative banks are met by obtaining additional funding on the money and capital markets. The deposit base from the money market funding reduces the requirement for long-term funding.

The possibility cannot be ruled out that funding could expire, giving rise to the need for replacement funding to ensure that transactions with longer maturities continue to be funded. In such cases, there is a risk that the entities in the DZ BANK Group could fail to

FIG. 46 – LIQUIDITY UP TO 1 YEAR IN RISK SCENARIO AND IN THE STRESS SCENARIOS ON WHICH THE LIMITS ARE BASED (LIMIT SCENARIOS): FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ billion	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Risk scenario (base scenario)	-17.7	-58.9	45.3	78.4	27.6	19.4
Stress scenarios						
Downgrading	-39.4	-59.5	60.4	71.9	20.9	12.5
Corporate crisis	-37.3	-53.6	53.7	63.6	16.4	10.0
Market crisis	-37.3	-61.5	57.9	76.2	20.7	14.6
Combination crisis	-37.4	-40.0	50.4	48.7	13.0	8.7

FIG. 47 – LIQUIDITY FORECAST IN RISK SCENARIO



find the necessary funding or only obtain the funding on unfavorable terms. The uncertainty regarding the availability of liquidity is factored into the measurement of liquidity risk.

The DZ BANK Group is also exposed to a risk that the **minimum liquidity surplus** will fall below the observation threshold or the limit. If it repeatedly fell below the observation threshold, there is an increased risk that the group would not be able to keep within the limit. If the minimum liquidity surplus were to fall below the limit for an extended period, the possibility of reputational damage and a down-grade in DZ BANK's rating could not be ruled out.

If liquidity risk became more serious, this would lead to an unexpected fall in the liquidity surplus and have a negative impact on financial position. If a crisis were to occur in which the circumstances were more serious or the combination of factors signif-icantly different from those assumed in the stress scenarios, this could lead to a risk of insolvency.

11.6. SUMMARY AND OUTLOOK

In 2013, liquidity risk management in the DZ BANK Group formed part of standard daily processes. The solvency of the group and each management unit was never in jeopardy at any point in the year under review.

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 2014, even if a serious crisis should arise.

In the reporting year, maturing securities in the liquidity portfolio were invested in highly liquid issues to improve the resilience of the entities in the DZ BANK Group in stress situations. This approach is to be continued in 2014.

12. TECHNICAL RISK OF A HOME SAVINGS AND LOAN COMPANY

12.1. DEFINITION AND CAUSES

Technical risk of a home savings and loan company is subdivided into two components: new business risk and collective risk. **New business risk** is the risk of a negative impact from possible variances compared with the planned new business volume. **Collective risk** refers to the risk of a negative impact that could arise from variances between the actual and forecast performance of the collective building society business caused by significant long-term changes in customer behavior unrelated to changes in interest rates.

Technical risk of a home savings and loan company arises in the DZ BANK Group in connection with the business activities of BSH. This risk represents the entity-specific business risk of BSH. A home savings arrangement is a system in which the customer accumulates savings earmarked for a specific purpose. The customer enters into a home savings contract with fixed credit balance and loan interest rates so that at a later point – following a savings phase (around 7 to 10 years in a standard savings arrangement) – he/she can be granted a low-interest home savings loan (with a maturity of 6 to 14 years) when payout is approved. A home savings agreement is therefore a combined asset/liability product with a very long maturity.

12.2. RISK STRATEGY AND RESPONSIBILITY

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 risk is managed in particular through a forward-looking policy for products and scales of rates and charges, and through appropriate marketing activities and sales management.

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.

12.3. RISK MANAGEMENT

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 technical risk of a home savings and loan company**. 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 stress parameters are adjusted in line with current circumstances. An appropriate collective simulation is then generated on this basis and is analyzed using the same methodology used for the measurement of current risk. 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.

12.4. RISK FACTORS AND RISK POSITION

If there were to be a variance between the actual and planned new business volume (new business risk), this could lead to lower deposits from banks and customers over the short to medium term. Over the medium to long term, the lower level of new business could also lead to a decrease in loans and advances to banks and customers.

Variances between the actual and forecast performance of the collective building society business caused by significant long-term changes in customer behavior unrelated to changes in interest rates (collective risk) could also lead to lower deposits from banks and customers.

Over the medium to long term, there is a risk that a lower level of new business and change in customer behavior could cause net interest income to taper off with an adverse impact on the financial position and financial performance of the DZ BANK Group. There is also a risk that the liquidity position could deteriorate, in particular as a consequence of the drop in deposits from banks and customers.

As at December 31, 2013, the **capital requirement for technical risk of a home savings and loan company** amounted to €576 million (December 31, 2012: €593 million) with an upper loss limit of €600 million (December 31, 2012: €593 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2013. The level of technical risk of a home savings and loan company remained at roughly the same level determined as at December 31, 2012. Based on new business planning at BSH and the general conditions in the home savings market, no significant increase in this risk is forecast for 2014.

13. ACTUARIAL RISK

13.1. DEFINITION AND CAUSES

13.1.1. Definition

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. Actuarial risk comprises biometric risk, interest-rate guarantee risk, premium and claim risk, reserve risk, cost risk, and lapse risk.

Biometric risk in direct life insurance and pension insurance business includes death, longevity, invalidity, and long-term care risks. Mortality rates that are different from the assumed rates determine the death and longevity risk. Likewise, the number of persons dependent on care or unable to work because of invalidity may exceed the numbers assumed in the calculations.

Interest-rate guarantee risk may arise in direct life insurance and pension insurance business, and also in casualty insurance with premium refund, because the guaranteed minimum growth rates agreed for certain products when the contract is signed cannot necessarily be obtained on capital markets over the long term.

Premium and claim risk in direct non-life insurance business and in inward reinsurance business is the risk that future compensation in connection with insured losses that have not yet materialized will be higher than expected. Natural disaster risk is particularly important and forms part of premium and claim risk. It comprises cumulative risks arising from multiple claims caused by a single loss event.

Reserve risk in direct non-life insurance business and inward reinsurance business relates to situations in which loss reserves recognized for losses that have already materialized prove to be inadequate.

Cost risk arises if actual costs cannot be covered by the costs included in cost calculations.

Lapse risk in direct life insurance and pension insurance business arises in connection with a variance between the actual behavior of policyholders with regard to the surrender of policies prior to the agreed maturity date and the assumptions made in the cost calculations.

13.1.2. Causes

In the DZ BANK Group, actuarial risk arises from the business activities of the insurance subsidiary R+V and its subsidiaries. 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.

Actuarial risk in direct non-life insurance business and in inward reinsurance business arises from the uncertainty relating to the timing, frequency, and amount of claims.

13.2. 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 and business areas;
- regularly reviewing the adequacy of the indicators and threshold values for the individual risks in the segments and lines of business;
- issuing binding underwriting guidelines and limits together with clear rules on underwriting authority to limit individual and cumulative losses;
- reviewing the impact of new products and business areas on R+V's risk profile as part of the product management process.

13.3. 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 entities in the R+V group, 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 system. 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 must be initiated if the specified index value is exceeded. In addition, managers and employees are surveyed with the aim of ensuring 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.

The central **reporting of risk** at R+V is intended to ensure transparent reporting. A system of reports to the member of the Board of Managing Directors responsible for the business area concerned and to the member of the Board of Managing Directors responsible for risk management allows for the notification of material changes in risks. 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.

13.4. RISK MANAGEMENT

13.4.1. Risk management in the direct life insurance and pension insurance business

BIOMETRIC RISK

At R+V, the risk that changes over the course of time in the parameters underlying the calculations in the direct life insurance and pension insurance business will have an adverse impact unless prompt corrective action is taken is countered by careful product development and actuarial control systems. Comprehensive risk assessments before a contract is signed aim to prevent a concentration of undesirable risks in the portfolio. The relevant actuaries must monitor the situation to ensure that the assumptions used in calculations cover both the present risk position and the risk of any changes.

Diversification of insured risks within the R+V group has the effect of mitigating risk generally. For example, an increase in mortality has an adverse impact on earnings from endowment life and risk insurance policies. On the other hand however, the same trend results in an improvement in earnings from pension insurance. Generally, the earnings regularly derived from 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 normally allows R+V to identify changes in good time and initiate appropriate corrective action.

The geographical concentration of insured risk predominantly in the Federal Republic of Germany 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.

Continuous evaluation of the insurance portfolio shows that the mortality tables used to determine death risk include an appropriate safety margin in line with the recommendations issued by the Deutsche Aktuarvereinigung e.V. (DAV) [German Actuarial Association].

The use of the pension mortality tables is considered appropriate from a regulatory perspective. Given an anticipated increase in life expectancy and in accordance with DAV recommendations, an addition was made to the benefit reserve for the portfolio (as at December 31, 2013) of pension insurance with start dates up to and including 2004. Similar additions had been made in previous years. New information on mortality trends or a further increase in safety margins recommended by DAV could lead to yet more additions to the benefit reserve.

For new business purposes, each entity uses custom unisex tables. These tables are continually reviewed to ensure they are appropriate. The benefit reserve is subject to an additional increase for certain subportfolios, where required.

High levels of individual or cumulative risk are limited by an appropriate degree of reinsurance.

INTEREST-RATE GUARANTEE RISK

The persistently low level of interest rates is giving rise to an increase in interest-rate guarantee and reinvestment risk, particularly in portfolios that guarantee a high return.

R+V is countering this risk with a range of measures to strengthen risk-bearing capacity. This includes managing investment, risk, and cost results rigorously and obtaining 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.

Policyholder bonuses have already been declared for 2014 and included in the provision for premium refunds. 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 provision for premium refunds and the valuation reserves in investments allowing for estimated ongoing interest income. Interest-rate guarantee risk is being further mitigated by increased sales of risk products and the use of innovative products.

The recognition of a supplementary discount rate reserve as required by the German Benefit Reserve Regulation (DeckRV) likewise has the effect of mitigating risk. This mechanism facilitates a forward-looking increase in reserves to be implemented at an early stage as a precautionary measure during periods of low interest income.

The amount of the supplementary discount rate reserve is determined by a specified reference rate. This is defined as the average yield over 10 years on investment-grade bonds with a residual maturity of 10 years issued by countries in the European Monetary Union. The supplementary discount rate reserve is calculated on the basis of each individual contract. In 2013, R+V increased its supplementary discount rate reserve in this area of insurance business by €184 million to €472 million. R+V expects to make a further addition in 2014 and this addition has been included in the budget accounts.

The breakdown of benefit reserves by discount rate for the main insurance portfolios is shown in Special features of biometric risk and interest-rate guarantee risk in relation to pension funds 48.

FIG. 48 – BENEFIT RESERVES BY DISCOUNT RATE FOR THE MAIN INSURANCE PORTFOLIOS[1]

Discount rate	Total benefit reserve[1] € million		Proportion of total benefit reserve[2] (%)	
	2013	2012	2013	2012
0 percent	1,918.5	1,073.3	4.4	2.6
1.50 percent	15.0	2.1	0.0	0.0
1.75 percent	2,589.6	892.5	5.9	2.2
2.00 percent	84.2	95.8	0.2	0.2
2.25 percent	8,197.0	7,826.5	18.8	19.1
2.50 percent	134.1	221.4	0.3	0.5
2.75 percent	6,691.0	6,212.7	15.3	15.1
3.00 percent	5,019.4	5,600.7	11.5	13.6
3.20 percent	3,772.7	–	8.7	–
3.25 percent	6,965.2	7,418.1	16.0	18.1
3.40 percent	640.5	3,701.8	1.5	9.0
3.41 percent	410.6	–	0.9	–
3.50 percent	322.2	1,104.7	0.7	2.7
3.64 percent	–	399.8	–	1.0
3.75 percent	83.4	90.7	0.2	0.2
4.00 percent	6,770.2	6,403.8	15.5	15.6

1 The table covers the following insurance products that include an interest-rate guarantee:
– Casualty insurance policies with premium refund
– Casualty insurance policies with premium refund as pension insurance
– Pension insurance policies
– Endowment insurance policies, including capital accumulation, risk, and credit insurance policies
– Pension plans with guaranteed insurance-based benefits
– Capital deposit products
2 The share of the total benefit reserve attributable to supplementary insurance policies is listed under the relevant basis of calculation for the associated main insurance policy

SPECIAL FEATURES OF BIOMETRIC RISK AND INTEREST-RATE GUARANTEE RISK IN RELATION TO PENSION FUNDS

The risk situation in a pension fund is determined to a significant degree by the nature of the pension plans offered. In pension plans offered by R+V involving defined contributions with a minimum benefit, investments must be managed to ensure that at least the sum of the contributions paid into the plan (net of any contributions covering biometric risk assumed by R+V) is available on the agreed pension start date.

R+V also offers pension plans that include guaranteed insurance-based occupational incapacity cover as well as pension benefits and benefits for surviving dependants. Interest-rate risk and all the risk types covered by biometric risk are relevant as far as occupational pension provision is concerned. Longevity risk is also important in relation to pensions because of the guaranteed benefits involved. An annual review is carried out to check that the mortality tables used for pension purposes remain appropriate.

In the pension plans involving a benefit commitment without any insurance-based guarantees, R+V does not assume responsibility for any of the pension fund risk or investment risk because the first contributions paid in by the employer (thus initiating the contract) are subject to the proviso that the employer will also make up any difference required. This also applies to the period in which pensions are drawn. If an employer fails to make the payments of additional capital required, R+V reduces the commitment to insurance-based guaranteed benefits determined by the amount of capital still available. The ongoing pension plan contributions and the benefit reserve include sufficient amounts to cover the costs of managing pension fund contracts.

COST RISK

R+V ensures that regular premiums and the benefit reserve include sufficient amounts to cover the costs of managing insurance contracts such that the cost risk is covered.

LAPSE RISK

Lapse risk is factored into the calculation of the benefit reserve by ensuring that the minimum benefit reserve for each individual insurance contract is equivalent to the statutory or contractually guaranteed surrender value. From a regulatory perspective, the basis on which the benefit reserve is calculated is also subject to audit by BaFin.

13.4.2. Risk management in the direct health insurance business

In the health insurance business, actuarial risk is managed by means of a risk-conscious underwriting policy, the features of which are binding underwriting guidelines, careful selection of risk, and targeted management of benefits and costs. In many of the health insurance rate scales, deductibles are one of the specific mechanisms used to control the extent of claims. Provisions are recognized to ensure that all benefit obligations under insurance contracts can be met.

As stipulated by statutory provisions such as the German Calculation Regulation (KalV), R+V Krankenversicherung AG, Wiesbaden, regularly compares the required insurance benefit payments against the payments forecast in its calculations. If this comparison of claims for an observation unit within a particular scale of insurance rates reveals a variance that is other than temporary, the relevant premiums are adjusted. An independent trustee is consulted to ensure that the basis of the calculations is secure to the greatest possible extent. A safety margin factored into premiums also ensures that obligations can be met if claims are higher than the level provided for in cost calculations.

The discount rate is regularly checked using the procedure developed by DAV for calculating the company actuarial discount rate. The discount rate used in the existing portfolio with separate male and female rates is 3.5 percent. In the case of new business based on the unisex insurance rates, R+V Krankenversicherung AG has followed the recommendation issued by DAV and set a discount rate of 2.75 percent.

Decrement tables are another factor of critical importance in the basis of calculations in addition to claims expenses and the discount rate. In the health insurance business, the decrement tables include assumptions regarding mortality and the probability of other relevant withdrawal factors. Under the requirements set out in KalV, these assumptions must be specified and regularly reviewed from the perspective of prudent risk assessment. It is for this reason that a new mortality table is developed at regular intervals by the Verband der privaten Krankenversicherung e.V. (PKV) [Association of German private healthcare insurers] in consultation with BaFin. In accordance with statutory provisions, R+V Krankenversicherung AG regularly compares its calculations against the most recently published mortality tables.

When determining lapse probabilities for the purposes of its calculations, R+V Krankenversicherung AG uses both its own observations and the latest figures published by BaFin.

Where premiums were adjusted on January 1, 2013, R+V Krankenversicherung AG used the new PKV mortality table valid for 2013 to determine both new business premiums and those premium adjustments in existing business.

Unisex insurance rate scales are offered in R+V Krankenversicherung AG's new business. The cost calculation for these rates is not only based on the existing gender breakdown, but also takes into account the expected pattern of switching by existing policyholders to the new rates. The appropriateness of the new decrement tables is particularly dependent on the actual composition of the portfolio and is being reviewed by actuaries using comparisons with claims experience.

13.4.3. Risk management in the direct non-life insurance business

PREMIUM AND CLAIM RISK

Premium and claim risk is managed 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 with the aim of ensuring they are in a position at an early stage to identify unexpected or adverse portfolio or claim trends 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.

Market monitoring and ongoing checks on the action taken open up further options for managing the business at an early stage, taking into account the prevailing risk appetite.

R+V has a varied, broadly based range of customers as a result of its highly diversified products and its presence in different business segments. This structure is regularly reviewed as part of portfolio analyses, which focus among other things on identifying high levels of exposure in individual German states and concentrations of policyholders in certain professional groups. The largest customer relationships are also identified. In relation to natural hazard risk in direct insurance business, R+V takes out reinsurance to cover exposure to both individual and cumulative risk.

As part of the management of natural disaster risk, the risk from natural hazards is assessed by carrying out regular analyses of the insurance portfolio with a particular focus on concentrations in geographical areas exposed to risk, for example using the ZÜRS geoinformation system. Geographical diversification and underwriting limitations for certain risks and regions reduce the overall risk in this case.

The methodology for assessing natural hazard risk includes 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 the models are not yet sufficiently refined to achieve the necessary stability, R+V continues to use deterministic approaches to assess the possible risk situation until the planned replacement date for the methodology.

Conventional approaches for reducing underwriting risk include risk sharing (through obligatory or facultative reinsurance), risk exclusion, systematic review of the portfolio, and structuring of deductibles. Risk-bearing capacity is regularly reviewed as part of the reinsurance decision-making process. This is used as the basis for reinsurance structures and liability layers.

In order to prevent or limit losses, R+V provides a network of different subsidiaries that offer specialist services to help customers and sales partners with contract, risk prevention, or restructuring issues.

RESERVE RISK

Various uncertainties are involved in estimating obligations arising from loss events that have already occurred. Reserves for claims and claim settlement costs are determined in accordance with generally accepted principles of actuarial practice using assumptions. These assumptions are based on R+V's own experience, actuarial statistics, and analysis of other available information sources.

R+V recognizes provisions for both known and unknown claims. The use of these reserves is continuously tracked and any relevant information identified in this process is fed back into current assessments.

COST RISK

Cost risk in direct non-life insurance business arises from adverse changes in the performance of the business. This risk materializes if income falls but the corresponding expenses cannot be reduced by the same proportion. This also includes the risk arising if income is lower or costs are higher than in the budget. The budget is subject to continuous review as part of the planning and control processes.

INTEREST-RATE GUARANTEE RISK

Interest-rate guarantee risk in casualty insurance with premium refund is the risk that the guaranteed minimum interest agreed for certain products when the contract is signed cannot be obtained on capital markets over the long term. When measuring the interest-rate guarantee risk and the amount of the supplementary discount rate reserve, care must be taken to ensure that the casualty insurance (with premium refund) concerned only involves endowment insurance and that the average term of the contracts is relatively short.

13.4.4. Risk management in inward reinsurance

PREMIUM AND CLAIM RISK

R+V strives to counter premium and claim risk by continuously monitoring the market as well as the economic and political situation, by managing risk in accordance with its corporate strategy, and by setting insurance rates appropriate to the risk involved. 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 are intended to restrict potential liability arising from both individual and cumulative claims. When underwriting risk, R+V is guided by profit-driven targets taking into account the economic cost of capital. Compliance with these requirements is regularly monitored.

As far as cumulative losses are concerned, R+V makes a distinction between natural disaster risk, which arises from the events such as storms, earthquakes, or floods, and man-made risk.

The main actuarial risk for a reinsurer is primarily concentrated in a portfolio at risk from natural disasters. 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. The portfolio is continuously monitored for possible concentrations of natural disaster risk.

Limits are set to support central management and limitation of cumulative risks arising from individual natural hazards. One of the key mechanisms for managing risk is a systematic check on the cumulative authorized limits for natural disaster risks.

The core objective in managing natural disaster risk is to ensure that there is a broad balance of risk across all categories and that the risk is diversified geographically around the globe. The modeled exposures remained within the authorized limits.

Action that can be taken to mitigate the risk includes management of deductibles and retrocession taking into account risk-bearing capacity and the effective costs of retrocession. Minimum requirements apply in relation to the credit rating of retrocessionaires. Currently, R+V has sufficient equity and reserves providing the necessary risk-bearing capacity for its inward reinsurance business so there is no need to purchase further reinsurance (retrocession).

RESERVE RISK

R+V monitors the claims rate trend promptly and continuously, allowing it to initiate preventive measures so that it always has a sufficient level of reserves. The reserves position is monitored in a number of ways, including by means of an expert report, which is prepared once a year. R+V recognizes provisions for both known and unknown claims.

COST RISK

Cost risk in inward reinsurance business arises from adverse changes in the performance of the business. This risk materializes if income falls but the corresponding expenses cannot be reduced by the same proportion. This also includes budget deficit risk, which arises if income is lower or costs are higher than in the budget.

13.5. RISK FACTORS

13.5.1. Direct life insurance and pension insurance business

In terms of direct life insurance and pension insurance business, the entities in the R+V group with their broadly diversified product portfolios are some of the largest insurers in Germany.

In the case of products with long-term guarantees, which form the core of the product range, there is a risk of negative variances over the term of the contracts compared with calculation assumptions because of the length of time covered by the contracts concerned. Causes can include, for example, changes in life expectancy or trends in interest rates over the long term.

The R+V group counters these risks through the mechanism of policyholder bonuses and the recognition of appropriate provisions or reserves on the balance sheet, for example the supplementary discount rate reserve. The recognition of additional provisions or reserves, which involves topping up the benefit reserve, has the effect of increasing the insurance benefits reported in the income statement of the DZ BANK Group.

13.5.2. Direct non-life insurance business and inward reinsurance

The direct non-life insurance and inward reinsurance business of the entities in the R+V group focuses on the provision of cover for disasters. This includes both natural disasters, comprising events such as earthquakes, storms, and floods, and man-made disasters.

These events cannot be predicted. Generally speaking, there is both the risk of particularly significant individual loss events and also the risk of a large number of loss events that are each not necessarily significant in themselves. In any one year, the actual impact from the size and frequency of losses could therefore substantially exceed the forecast impact.

An unfavorable pattern of claims could result in an increase in the insurance benefits reported in the income statement because of the higher claims expenses, and this in turn could have a negative effect on the DZ BANK's Group's operating profit.

13.5.3. Claims rate trend

The claims rate and settlements (net of reinsurance) at R+V are shown in fig. 49.

FIG. 49 – CLAIMS RATE AND SETTLEMENTS (NET OF REINSURANCE)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Claims rate (net) as % of premiums earned										
Including major/natural disaster claims	78	76	78	77	73	73	74	71	72	72
Excluding major/natural disaster claims	69	73	71	75	73	71	70	70	70	71
Settlements (net) as % of provision for incoming claims										
Non-life	1	–	2	5	5	8	6	7	6	3

In 2013, the claims rate trend in **direct non-life insurance business** was influenced particularly by the extraordinarily high expenses in the natural disasters risk segment. Taking into account risk-bearing capacity, R+V has sufficient reinsurance to provide cover for this trend. The year under review saw five natural disaster loss events in the risk categories hail, storm, and flood, each involving an expense in excess of €25 million. Accordingly, there was a year-on-year increase in the expense for natural disaster and major losses. However, there were no high individual claims of more than €20 million. In line with the expansion in the volume of business and risk, reinsurance cover was increased from January 1, 2013 in order to minimize natural disaster risk exposure. The utilization of this protection option had the effect of improving the earnings position. Even though the average cost of claims has been rising, the trend in the underlying cost of claims (excluding natural disaster and major losses) is steady and is below the 5-year average.

The claims rate trend in direct business and inward reinsurance business is shown in fig. 50 and fig. 51.

One of the features of the claims in the **inward reinsurance business** in 2013 was the large number of small to moderate claims. Year on year, there was hardly any change in the number of major claims, although the absolute total amount of the claims declined.

13.6. RISK POSITION

As at December 31, 2013, the economic capital requirement for actuarial risk was measured at €1,904 million, a slight increase on the corresponding figure of €1,840 million as at December 31, 2012. The main reason for this increase was the higher natural disaster risk. As at December 31, 2013, the upper loss limit for the total actuarial risk was set at €2,200 million (December 31, 2012: €2,100 million).

13.7. SUMMARY AND OUTLOOK

R+V possesses a number of tools that enable it to effectively control the risks that have been identified. Different sources of capital, a well-diversified product portfolio, strong distribution channels, and cost-effective business operations generally enable R+V to manage the risks that have been identified and benefit from opportunities that arise.

The changes in actuarial risk in 2014 will be shaped by the strategy of focusing on operating profit and long-term growth in all segments.

FIG. 50 – GROSS CLAIMS PROVISIONS IN DIRECT BUSINESS AND PAYMENTS MADE AGAINST THE ORIGINAL PROVISIONS

€ million	**2013**	2012	2011	2010	2009	2008	2007	2006	2005	2004
At the end of the year	3,901	3,345	3,341	3,324	2,953	2,704	2,672	2,509	2,396	2,312
1 year later		3,336	3,359	3,135	2,901	2,623	2,601	2,414	2,253	2,258
2 years later			3,279	3,160	2,763	2,527	2,531	2,306	2,170	2,183
3 years later				3,139	2,756	2,533	2,472	2,268	2,127	2,142
4 years later					2,756	2,505	2,487	2,230	2,110	2,106
5 years later						2,513	2,478	2,245	2,088	2,090
6 years later							2,434	2,214	2,085	2,067
7 years later								2,210	2,056	2,069
8 years later									2,048	2,054
9 years later										2,055
Settlements		**9**	**62**	**185**	**197**	**191**	**238**	**299**	**348**	**257**

FIG. 51 – GROSS CLAIMS PROVISIONS IN INWARD REINSURANCE BUSINESS AND PAYMENTS MADE AGAINST THE ORIGINAL PROVISIONS

€ million	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Gross provisions for claims outstanding	1,710	1,506	1,409	1,190	892	712	596	524	504	464
Cumulative payments for the year concerned and prior years										
1 year later		385	463	437	282	232	127	138	134	163
2 years later			640	632	399	347	203	175	179	218
3 years later				739	468	410	250	212	208	246
4 years later					516	447	282	240	224	266
5 years later						475	307	252	246	278
6 years later							324	266	252	296
7 years later								283	265	301
8 years later									276	311
9 years later										307
Gross provisions for claims outstanding and payments made against the original provision										
At the end of the year	1,710	1,506	1,409	1,190	892	712	596	524	504	464
1 year later		1,593	1,536	1,401	1,026	779	583	541	497	486
2 years later			1,472	1,343	872	765	529	480	461	468
3 years later				1,338	826	696	518	432	420	442
4 years later					837	680	479	423	382	422
5 years later						691	470	396	381	403
6 years later							480	391	362	407
7 years later								399	360	389
8 years later									367	390
9 years later										384
Settlements		**-87**	**-63**	**-148**	**55**	**21**	**116**	**125**	**137**	**80**

In the direct non-life insurance business, the effect of the planned improvement in the combined ratio will be to reduce risk.

R+V is facing up to the challenges presented by a longer-term environment of low interest rates in the direct life insurance and pension insurance business by making further additions to the supplementary discount rate reserve at an early stage. Whereas there is an overall trend in the sector toward a new product focus involving lower guarantees, a narrower product range and even a cessation of new business, R+V is continuing to make a clear commitment to long-term guarantee products.

In its inward reinsurance business, R+V will be expanding its business (aligned with the level of risk involved) by continuing the earnings-driven underwriting policy it has pursued in previous years.

14. OPERATIONAL RISK

14.1. DEFINITION AND CAUSES

DZ BANK defines operational risk as the risk of 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 that in SolvV.

The activities of DZ BANK and those of BSH, DG HYP, DVB, DZ PRIVATBANK S.A., R+V, TeamBank, and Union Asset Management Holding have a particularly significant impact on operational risk.

14.2. RISK STRATEGY

The DZ BANK Group aims to manage operational risk efficiently. The following substrategies represent areas in which the DZ BANK Group 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 group. 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.
- Depending on the materiality of the operational risk identified, **action** to prevent, reduce, or transfer the risk, or alternatively a conscious decision to accept the risk.
- **Risk appetite** defined in the form of upper loss limits and materiality 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 material **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.
- **Management** of operational risk on a decentralized basis, but within the boundaries set by strategic requirements.
- Compliance with relevant **regulatory requirements** guaranteed at all times.

14.3. 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.

An appropriate **policy** is in place, the aim of which is to ensure that the organizational structures in the management units are harmonized throughout the group. The management of operational risk is the responsibility of each group entity. A groupwide coordinated approach to operational risk is managed by a **committee** assigned to the Group Risk Management working group and comprising representatives from the main management units.

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, facilitating effective management of operational risk on a timely basis.

14.4. RISK MANAGEMENT

14.4.1. Measurement of operational risk

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.

14.4.2. Identifying operational risk

LOSS DATABASE

The groupwide collection of loss data allows the DZ BANK Group to identify, analyze, and evaluate loss events, highlighting patterns, trends, and concentrations of operational risk. This data-gathering focuses particularly on loss data related to risks that have become critical, for example in connection with the risk factors specified in section 14.5. The assembled data history also forms the basis for the calculation of economic capital using a portfolio model (known as OpVaR). Losses are recorded if they are above a threshold value of €1,000.

RISK SELF-ASSESSMENT

In large parts of the DZ BANK Group, senior managers from all management units assess operational risk as part of a scenario-supported 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 are fed into the internal portfolio model. The scenarios also allow the group to identify risk concentrations.

RISK INDICATORS

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.

14.4.3. Mitigating and avoiding operational risk

Continuous improvement of business processes is one of the methods used with the aim of **mitigating** 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 that can be identified during the new product process as entailing too much risk.

In all relevant management units, 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.

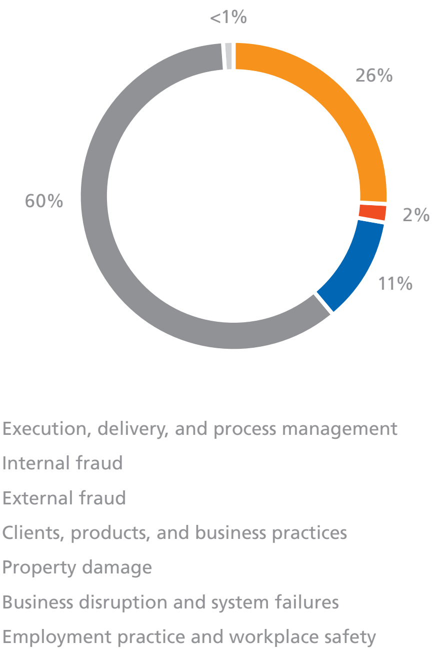
14.5. LOSS EVENTS

Fig. 52 shows the losses reported in 2013 classified by loss event category. Over the course of time, there are regular fluctuations in the pattern of losses as the frequency of relatively large losses in each individual case is very low. Losses did not reach a critical level relative to the upper loss limit at any point during 2013.

14.6. RISK FACTORS

The risk factors listed below primarily impact operational risk but also affect business risk and reputational risk. This also applies in particular to some aspects of HR risk, IT risk, outsourcing risk, and tax risk. The scope and level of detail for the risk management system described below varies between the group entities because of the different business and risk profiles.

FIG. 52 – NET LOSSES BY EVENT CATEGORY IN 2013[1]



1 In accordance with SolvV, losses caused by operational risks that are associated with risks such as credit risk are also shown.

14.6.1. HR risk

RISK MANAGEMENT

The entities in the DZ BANK Group have developed a mechanism known as an **HR KPI cockpit** with standardized key performance indicators. The HR KPI cockpit is intended to integrate HR strategies between the group entities, generate enhanced transparency, and ensure comparability between the HR management systems in the DZ BANK Group as well as enable the entities to measure and manage their HR activities. To this end, the cockpit specifies 21 KPIs across the following four categories: value added/finance, employer appeal, organization/efficiency, and innovation/learning.

The entities in the DZ BANK Group pursue the objective of preventing or minimizing HR risk by identifying negative trends and abnormalities, and then initiating suitable corrective action. HR risk is managed and monitored using the following four risk factors embedded in the HR KPI cockpit:

– **Exit risk**: Exit risk is measured and assessed using the employee turnover rate and the employee resignation rate.

– **Availability risk**: Quantitative and qualitative staffing requirements are managed on an annual basis as part of the strategic and operational planning in the group entities. Data on sickness and absenteeism, appointment ratios for key positions, and information on numbers in trainee development help to minimize this risk.

– **Skills and qualifications risk**: The suitability, skills, and qualifications of employees are recorded, for example, with data on the ratios of employees undertaking professional development or managerial qualifications.

– **Motivational risk**: The entities in the DZ BANK Group use standardized employee surveys to regularly update the Organizational Commitment Index (OCI) and the results are presented transparently in the cockpit. Remuneration is also a key management and motivational tool.

Compliance functions and a comprehensive internal control system are used to counter fraud. Examples include internal rules on the minimum absence for employees with responsibility for trading positions.

RISK CHARACTERISTICS

The majority of employees at the German offices of the entities in the DZ BANK Group fall within the scope of collective pay agreements or other collective arrangements, such as company agreements. The entities in the DZ BANK Group could be hit by strikes called by labor unions. Because the collective pay agreement was terminated by employers in November 2012, there is currently no obligation not to engage in industrial action at DZ BANK.

Other HR measures, such as job cuts in response to a permanent fall in demand or to achieve efficiency enhancements, could lead to industrial disputes between the employees or their labor unions and the DZ BANK Group.

As part of contingency and crisis management systems, the entities in the DZ BANK Group have initiated a range of measures to counter **strikes and other business interruptions**. However, the possibility cannot be ruled out that simultaneous industrial action at all sites over several days could cause lasting disruption to processes and workflows. Moreover, sensitive internal and external interfaces could be jeopardized by long-term business interruptions.

Similar concerns would also apply in the event of business interruptions, strikes or similar action at DZ BANK Group partners on whom the operating activities of the entities in the DZ BANK Group are reliant.

The future success of the DZ BANK Group is dependent upon **capable managers and employees with the necessary skills and qualifications**. Given the current challenges presented by the regulatory environment, this particularly applies in the areas of regulatory reporting, external financial reporting, and risk control. In the labor market, there is fierce competition for managers and employees in these areas of activity driven by high demand and insufficient numbers of suitable individuals.

Unless the necessary number of suitable managers and employees can be attracted to the DZ BANK Group within the required timeframe, and/or existing managers and employees can be retained by the entities in the group, there will be a heightened risk that the group will be unable or insufficiently able to satisfy the statutory requirements regarding regulatory reporting, external financial reporting, and risk control as a result of inadequate expertise in terms of either quality or quantity.

This could lead to sanctions from the banking or insurance regulators and a qualified audit opinion in the consolidated and separate financial statements and group management reports and management reports prepared by the entities in the DZ BANK Group, which would impact negatively on the reputation of the DZ BANK Group overall and of the individual group entities.

14.6.2. IT risk

RISK MANAGEMENT

The entities in the DZ BANK Group use computers and data processing systems to carry out their operating activities. Practically all business transactions and activities are processed electronically using appropriate IT systems. Some of these systems are networked with each other and are operationally interdependent.

Processes in the IT units of the entities in the DZ BANK Group are designed with risk issues in mind and are monitored using a variety of control activities in order to ensure that IT risk is appropriately managed. The starting point is to determine which risks are unavoidable in certain aspects of IT. Detailed requirements can then be specified. These requirements determine the extent to which checks need to be carried out and are intended to ensure that all activities are conducted in compliance with the previously defined risk appetite.

IT units apply comprehensive physical and logical precautionary measures to guarantee the security of data and applications and to ensure that day-to-day operations are maintained. A particular risk would be a partial or total breakdown in data processing systems. The DZ BANK Group counters this risk by using segregated data processing centers in which the data and systems are mirrored, special access security, fire control systems, and an uninterruptible power supply supported by emergency power generators. Regular exercises are carried out to test defined restart procedures to be used in disaster situations with the aim of ensuring these procedures are effective. Data is backed up and held within highly secure environments in different buildings.

RISK CHARACTERISTICS

Malfunctions or breakdowns in data processing systems or in the programs used on these systems, including attacks from third parties – such as hackers or malware –, could have an adverse impact on the ability of the DZ BANK Group to efficiently maintain the processes necessary to carry out operating activities, protect saved data, ensure sufficient control, or continue to develop products and services. Furthermore, such malfunctions or breakdowns could lead to temporary or permanent loss of data, or cause additional costs because the original capability would need to be restored and/or preventive measures introduced to provide protection against similar events in the future.

Events outside the control of the entities in the DZ BANK Group could also disrupt operational procedures. For example, when executing forward, currency, or commodities trades a risk arises in that, for example, a system breakdown at the clearing agent, exchange, clearing house, or other financial intermediary could prevent the transactions in question from being settled at the agreed time and thus could also prevent the entities in the DZ BANK Group from meeting their obligations. This could result in the withdrawal of counterparties from agreements entered into with entities in the DZ BANK Group or lead to claims for damages against group entities.

14.6.3. Outsourcing risk

RISK MANAGEMENT

The entities in the DZ BANK Group have outsourced activities and processes to third-party service providers to a considerable extent.

The process of assessing the risk and determining the degree to which an outsourcing arrangement is material is mostly carried out as part of the risk analysis for the outsourcing arrangement by the unit responsible for the outsourcing with the involvement of a number of corporate and functional units, including internal audit, legal affairs, business continuity management, and compliance, and in consultation with the local coordinators for operational risk.

DZ BANK's main IT outsourcing partners are the two cooperative computing centers FIDUCIA IT AG, Karlsruhe, (FIDUCIA) and GAD eG, Münster, (GAD) which are responsible for running key IT applications. In addition, the entire operation of DZ BANK's network has been outsourced to VR Netze GmbH, Münster, (VR Netze). Investment services and custody business services are processed by Deutsche WertpapierService Bank AG, Frankfurt am Main. The service provider Equens SE is contracted to process payments. CardProcess GmbH, Karlsruhe, is responsible for credit card processing and acquiring processes on behalf of DZ BANK. DZ BANK's development loans are processed by Schwäbisch Hall Kreditservice AG, Schwäbisch Hall, (SHK), a subsidiary of BSH.

BSH has also outsourced application development, IT operations, and the processing of lending and building society operations to SHK.

DG HYP has transferred the operation of its IT systems and network to T-Systems International GmbH, Frankfurt am Main, (T-Systems). Retail real estate loans are processed by Hypotheken Management GmbH, Mannheim, an indirect subsidiary of BSH.

The operation of the **DVB** network has likewise been outsourced to T-Systems, whereas DVB's IT systems are operated by itelligence Outsourcing & Services GmbH, Bautzen.

In the case of **DZ PRIVATBANK S.A.**, EBRC, Luxembourg, is its outsourcing partner for data center infrastructure. Further IT services are provided by VR Netze. Fund accounting has been transferred to Union Investment Financial Services S.A., Luxembourg.

The main IT service providers for **Union Asset Management Holding** are T-Systems, Fiducia, VR Netze, and Computacenter AG & Co. oHG, Kerpen. Other activities, including activities within custody business and portfolio management, have also been outsourced.

In the DZ BANK Group, outsourcing partners are managed in accordance with the currently applicable guidelines for insourcing and outsourcing. Service meetings are regularly held with IT service providers to facilitate communication and coordinate the IT services to be provided by the third parties concerned. Compliance with contractually agreed service level agreements is monitored by means of status reports and availability statistics. The outsourcing partners submit annual audit reports in which they evaluate and confirm the effectiveness of the general IT controls and procedures.

RISK CHARACTERISTICS

The entities in the DZ BANK Group have limited the risk arising in connection with the outsourcing of business activities to the extent required by the regulator. Nevertheless, there is a risk that a service provider could fail or cease to be available as a result of insurmountable technical or financial difficulties. There is also a risk that the services performed by the service provider might not meet the contractually agreed requirements. The consequences could be that only some of the outsourced processes or services can be provided, or even that the outsourced processes or services cannot be provided at all. This could lead to a loss of business and to claims for damages from customers. Contingency plans and exit strategies, including action to reduce this risk, have been prepared for this eventuality.

14.6.4. Risks in connection with the consolidated financial reporting process

RISK MANAGEMENT

In order to limit operational risk in this area of activity, the entities in the DZ BANK Group have set up an internal control system for the consolidated financial reporting process as an integral component of the control system put in place for the general risk management process. The control system is described in section 4.2.5 of this opportunity and risk report.

RISK CHARACTERISTICS

A control system of this kind can only offer reasonable rather than categoric assurance that the financial statements are free from misstatements. In particular, there is a risk, as a result of unintended misstatement or deliberate action, that the consolidated financial statements and group management report might not provide a true and fair view of the financial position and financial performance of the group and/or that publication might be delayed. These risks could then have an adverse impact on the confidence of investors or on the reputation of the bank. Furthermore, sanctions could be imposed, for example by banking regulators.

Financial statements do not provide a true and fair view of financial position and financial performance if the figures and disclosures in the statements are materially inaccurate. Differences are classified as material if, individually or as a whole, they could influence economic decisions made by the users of the financial statements on the basis of the financial statements.

14.6.5. Legal risk

RISK MANAGEMENT

Legal risk could arise, in particular, from changes in the legal environment (legislation and decisions by the courts), changes in official interpretations, and changes in the business environment. Tax risk with legal risk implications is not included at this point; it is described in the next section 14.6.6.

The DZ BANK Group has a well-established, locally organized legal risk management system. Within the group entities, responsibility for managing legal disputes normally lies in each case with the organizational units responsible for dealing with legal issues.

The entities in the DZ BANK Group pursue a strategy of avoiding legal risk. The starting point for managing legal risk is the ongoing process of identifying, recording, and monitoring risk.

If any legal risk is identified, the risk parameters are assessed in terms of their probability of occurrence and the possible impact is evaluated quantitatively and qualitatively. Identified risks are limited and mitigated by organizational measures, either legal or procedural, or are recognized by means of provisions or similar allowances.

The legal affairs units in the group entities submit reports on risk-related aspects of pending or actual imminent lawsuits to the member of the Board of Managing Directors with relevant responsibility. Separately, and depending on materiality thresholds, ad hoc risk reports are also submitted to the member of the Board of Managing Directors with relevant responsibility.

RISK CHARACTERISTICS

In the recent past, wide-ranging investigations and audits have been carried out, particularly in Germany, the United Kingdom, the United States, and Asia in connection with **manipulation** of interest rates, foreign exchange, and precious metals markets, as well as in connection with possible fraudulent accounting. The outcome of these investigations and proceedings to date has been significant financial penalties for the banks involved. It is not possible to predict the impact of the ongoing and completed market manipulation proceedings on the markets concerned.

It is difficult to predict the financial implications of such investigations and proceedings or to assess when they will come to an end. The provisions recognized to cover the potential liabilities could be exceeded. Investigations and proceedings that uncover a serious breach of duty could result in substantial regulatory sanctions for the banks concerned.

14.6.6. Tax risk

RISK MANAGEMENT

Tax risk could arise, in particular, from changes in tax circumstances (tax legislation, decisions by the courts), changes in interpretation by tax authorities, changes in non-tax regulations, and from changes in the business environment.

The DZ BANK Group has a well-established, locally organized tax risk management system. Within the group entities, responsibility for managing tax risk normally lies in each case with the organizational units responsible for dealing with tax issues.

The entities in the DZ BANK Group pursue a strategy of avoiding tax risk. The starting point for managing tax risk is the ongoing process of identifying, recording, and monitoring risk. If any tax risk is identified, the risk parameters are assessed in terms of their probability of occurrence and the possible impact is evaluated quantitatively and qualitatively. Identified risks are limited and mitigated by means of tax organizational measures.

The tax department at DZ BANK reports the groupwide data relevant to risk to the head of the Group Finance division and to the member of the Board of Managing Directors with relevant responsibility. Separately, and depending on materiality thresholds, ad hoc risk reports are also submitted to the above individuals.

RISK CHARACTERISTICS

The DZ BANK Group is subject to regular **audits by the tax authorities**. Currently, audits are being carried out by the tax authorities at **DZ BANK** (including the tax group) in relation to corporation tax, trade tax, value added tax, and payroll tax for the tax-assessment periods from 2006 up to and including 2009. These audits are expected to be completed in the first half of 2014. The tax authorities are also currently carrying out audits in other group entities covering the years 2010 and 2011.

In the context of these tax audits, an alternative assessment of the tax risk or, in some cases, other information could give rise to retrospective tax liabilities or retrospective liabilities in relation to social security contributions for periods that have already been assessed. If the retrospective liabilities exceed the provisions recognized for tax risk, this could have a negative effect on the financial performance of the DZ BANK Group.

As there are still outstanding audits by the tax authorities relating to a number of years, there is a risk that retrospective tax payments could be required and these payments would be subject to interest charges.

The business transactions of the DZ BANK Group are assessed for tax purposes on the basis of current tax legislation, taking into account the latest decisions by the courts and interpretations by the authorities. The outcome is factored into the measurement of the provision for the risk. Further risks could arise as a result of **changes in tax law or in decisions by the courts**, which could also have retroactive implications.

14.6.7. Compliance risk

RISK MANAGEMENT

In the context of its operating activities, the DZ BANK Group must comply with various legal requirements in a large number of countries. These include prohibitions on accepting or granting benefits in connection with efforts to attract business, and prohibitions on other unfair business practices.

The management of risk arising from non-compliance with applicable laws, regulatory requirements, and internal rules and regulations is described in section 4.2.6 of this opportunity and risk report.

RISK CHARACTERISTICS

The compliance and risk management systems within the DZ BANK Group are generally appropriate. Nevertheless, there is a risk that these systems could be inadequate for completely preventing or uncovering violations of legal provisions, for identifying and assessing all relevant risks for the entities in the DZ BANK Group, or for initiating appropriate corrective measures.

The DZ BANK Group cannot rule out the possibility of the existing compliance system proving to be inadequate, or of employees of the DZ BANK Group violating domestic or foreign legal provisions regardless of the existing legal requirements, internal compliance guidelines and organizational requirements, and despite appropriate training and reviews, or of such activities remaining undiscovered.

A violation of legal provisions may have legal implications for the group entity concerned, for the members of its decision-making bodies, or for its employees. It may give rise, for example, to fines, penalties, retrospective tax payments, or claims for damages by third parties. The reputation of the DZ BANK Group may also suffer as a result.

14.7. RISK POSITION

As at December 31, 2013, the DZ BANK Group's capital requirement for operational risk was calculated in accordance with the Standardized Approach as specified by SolvV at €731 million (December 31, 2012: €720 million). The DZ BANK Group also set an upper loss limit of €806 million (December 31, 2012: €765 million). The year-on-year increase in the risk capital requirement and upper loss limit was attributable to a rise in gross margin, particularly at DG HYP, TeamBank, and Union Asset Management Holding. The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2013.

14.8. SUMMARY AND OUTLOOK

In 2013, two projects were undertaken to continue the implementation of the internal portfolio model at DZ BANK Group level. Initial calculations are available for DZ BANK but they are still to be validated. In this regard, the main activity was to put in place the prerequisites for the IT infrastructure necessary throughout the group. In addition, the guidelines and the technical documentation relating to operational risk were brought into force throughout the group.

It is planned to use an appropriate project to implement and validate the economic model for quantifying operational risk at the level of the DZ BANK Group by mid-2014.

15. BUSINESS RISK

15.1. DEFINITION AND CAUSES

Business risk denotes the risk of losses arising from earnings volatility for a given business strategy and not covered by other types of risk. In particular, this comprises the risk that, as a result of changes in material circumstances (for example, the regulatory environment, economic conditions, product environment, customer behavior, market competitors) corrective action cannot be taken at an operational level to prevent the losses.

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.

The key entities incurring business risk in the DZ BANK Group are DZ BANK and the management units DVB, DZ PRIVATBANK S.A., and R+V.

15.2. ORGANIZATION AND RISK MANAGEMENT

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 Strategy & Controlling 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.

15.3. RISK FACTORS AND RISK POSITION

COMPETITION BASED ON PRICING AND TERMS

One of the features of the German banking sector is the fierce competition, frequently centered on pricing and terms. This can lead to margins that are not attractive from an economic perspective or are inadequate given the risk involved. The earnings situation is under particular pressure in the retail banking business. As a consequence of the financial crisis, many competitors are giving greater focus to retail banking as a core business, so this situation could become even tougher in the future.

Corporate banking is also subject to competition that is becoming increasingly international in nature. A number of foreign providers have already expanded their presence in the German market. The intensity of the competition could therefore continue to increase in the future, with the result that it could be difficult to generate attractive margins, fees and commissions in individual segments or subsegments of the market.

In the event of a renewed economic downturn, this trend could become even worse. The resulting increased pressure on prices and lower business volume would notch up the competitive pressure still further. Again, this could give rise to margins that are economically unattractive or that do not adequately cover the risk arising from the corresponding transactions.

CHANGES IN THE MARKET RESULTING FROM ELECTRONIC TRADING PLATFORMS

DZ BANK increasingly offers its customers the option of conducting transactions in selected financial instruments using electronic trading platforms. Depending also on product demand from market players, European regulation relating to the trading and settlement of financial instruments is expected to lead to a transfer of the trading volume in certain products to electronic trading platforms. It is predicted that this will lead to a change in competitor structure, with competition becoming fiercer in trading certain financial instruments for customer account, resulting in the future in the risk of a reduction in margins and revenue.

RISK CAPITAL REQUIREMENT

As at December 31, 2013, the economic capital requirement for business risk in the DZ BANK Group amounted to €416 million (December 31, 2012: €311 million). The main reasons for this increase were adjustments to the measurement method used at DZ BANK, lower budgeted costs, and the introduction of the earnings-at-risk approach in other group entities. The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2013. The upper loss limit for business risk as at December 31, 2013 was €489 million (December 31, 2012: €379 million).

16. REPUTATIONAL RISK

Reputational risk refers to the risk of losses from events that damage the confidence mainly of customers, investors, the labor market, or the general public in DZ BANK Group entities or in the products and services they offer.

The reputational risk in the DZ BANK Group is determined by DZ BANK and the management units DVB, DZ PRIVATBANK S.A., R+V, Union Asset Management Holding, and VR-LEASING AG.

Reputational risk may be **caused** by the crystallization of other risks, but also by other, publicly available negative information about DZ BANK Group entities.

If the DZ BANK Group as a whole or the individual entities in the DZ BANK Group acquire a negative reputation there is a risk that existing or potential customers, lenders and investors will be unsettled with the result that it might not be possible to carry out forecast transactions. There is also a risk that it will no longer be possible to guarantee the backing of shareholders and employees necessary to conduct business operations.

Reputational risk forms part of the **risk strategy**, in that the risk of a loss of confidence in the entities within the DZ BANK Group, in particular among customers, shareholders, the labor market, and the general public, is taken into account. 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.

Reputational risk is generally taken into account within business risk and is therefore implicitly included in the measurement of risk and capital adequacy in the DZ BANK Group. At BSH, reputational risk is measured and the capital requirement determined as part of the technical risk of a home savings and loan company. In addition, 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.

The financial crisis and the European sovereign debt crisis, together with the resulting perception of banks currently prevailing among the general public and politicians, have to a considerable extent led to negative reporting in the media and negative statements by the supervisory authorities and policymakers.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement
for the period January 1 to December 31, 2013

€ million	(Note)	2013	2012
Net interest income	(30)	3,118	3,260
Interest income and current income and expense		7,481	8,544
Interest expense		-4,363	-5,284
Allowances for losses on loans and advances	(31)	-540	-527
Net fee and commission income	(32)	1,104	1,024
Fee and commission income		2,866	2,643
Fee and commission expenses		-1,762	-1,619
Gains and losses on trading activities	(33)	148	659
Gains and losses on investments	(34)	-121	-442
Other gains and losses on valuation of financial instruments	(35)	1,100	-276
Premiums earned	(36)	12,693	11,787
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(37)	2,868	3,286
Insurance benefit payments	(38)	-13,181	-12,509
Insurance business operating expenses	(39)	-2,007	-2,032
Administrative expenses	(40)	-2,937	-2,855
Other net operating income	(41)	-23	-56
Profit before taxes		2,222	1,319
Income taxes	(42)	-755	-350
Net profit		**1,467**	**969**
Attributable to:			
Shareholders of DZ BANK		1,169	691
Non-controlling interests		298	278

APPROPRIATION OF PROFITS

€ million	2013	2012
Net profit	1,467	969
Non-controlling interests	-298	-278
Appropriation to retained earnings	-1,011	-569
Unappropriated earnings	**158**	**122**

Statement of comprehensive income for the period January 1 to December 31, 2013

€ million	(Note)	2013	2012
Net profit		1,467	969
Other comprehensive income		342	1,096
Amounts reclassified to the income statement		**320**	1,441
Gains and losses on available-for-sale financial assets	(43)	414	1,873
Gains and losses on cash flow hedges	(43)	–	42
Exchange differences on currency translation of foreign operations		-10	13
Gains and losses on hedges of net investments in foreign operations		5	-2
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	(43)	-19	89
Income taxes	(44)	-70	-574
Amounts not reclassified to the income statement		**22**	-345
Gains and losses arising from remeasurements of defined benefit plans		26	-492
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method		-1	–
Income taxes	(44)	-3	147
Total comprehensive income		**1,809**	**2,065**
Attributable to:			
Shareholders of DZ BANK		1,506	1,574
Non-controlling interests		303	491

Balance sheet as at December 31, 2013

ASSETS

€ million	(Note)	Dec. 31, 2013	Dec. 31, 2012
Cash and cash equivalents	(14, 45)	3,812	2,497
Loans and advances to banks	(15, 46)	74,214	79,429
Loans and advances to customers	(15, 47)	121,726	123,811
Allowances for losses on loans and advances	(16, 48)	-2,540	-2,509
Derivatives used for hedging (positive fair values)	(17, 49)	887	820
Financial assets held for trading	(18, 50)	52,857	66,709
Investments	(19, 51)	56,875	59,792
Investments held by insurance companies	(52, 56)	70,255	66,296
Property, plant and equipment, and investment property	(20, 53, 56)	1,770	1,841
Income tax assets	(21, 54)	1,543	2,056
Other assets	(22, 55, 56)	5,241	5,780
Non-current assets and disposal groups classified as held for sale	(23, 57)	11	199
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		327	515
Total assets		**386,978**	**407,236**

EQUITY AND LIABILITIES

€ million	(Note)	Dec. 31, 2013	Dec. 31, 2012
Deposits from banks	(24, 58)	91,361	100,596
Deposits from customers	(24, 59)	98,548	92,169
Debt certificates issued including bonds	(25, 60)	53,953	63,290
Derivatives used for hedging (negative fair values)	(17, 61)	2,387	3,013
Financial liabilities held for trading	(18, 62)	45,770	58,715
Provisions	(26, 63)	2,382	2,408
Insurance liabilities	(11, 64)	67,386	63,260
Income tax liabilities	(21, 54)	575	641
Other liabilities	(65)	5,987	5,856
Subordinated capital	(27, 66)	4,226	4,302
Liabilities included in disposal groups classified as held for sale	(23, 57)	–	14
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		249	331
Equity	(67)	14,154	12,641
Subscribed capital		3,160	3,160
Capital reserve		1,111	1,111
Retained earnings		4,501	3,488
Revaluation reserve		376	36
Cash flow hedge reserve		5	5
Currency translation reserve		7	29
Non-controlling interests		4,836	4,690
Unappropriated earnings		158	122
Total equity and liabilities		**386,978**	**407,236**

Statement of changes in equity

€ million	Subscribed capital	Capital reserve	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, 2012	3,160	1,111	3,249	-1,101	-25	-3	6,391	4,384	10,775
Net profit	–	–	691	–	–	–	691	278	969
Other comprehensive income/loss	–	–	-316	1,137	30	32	883	213	1,096
Total comprehensive income	**–**	**–**	**375**	**1,137**	**30**	**32**	**1,574**	**491**	**2,065**
Capital increase	–	–	–	–	–	–	–	93	93
Changes in scope of consolidation	–	–	55	–	–	–	55	17	72
Acquisition/disposal of non-controlling interests	–	–	-8	–	–	–	-8	-2	-10
Dividends paid	–	–	-61	–	–	–	-61	-293	-354
Equity as at Dec. 31, 2012	3,160	1,111	3,610	36	5	29	7,951	4,690	12,641
Net profit	–	–	1,169	–	–	–	1,169	298	1,467
Other comprehensive income/loss	–	–	18	341	–	-22	337	5	342
Total comprehensive income/loss	**–**	**–**	**1,187**	**341**	**–**	**-22**	**1,506**	**303**	**1,809**
Capital repaid	–	–	–	–	–	–	–	-8	-8
Changes in scope of consolidation	–	–	-15	–	–	–	-15	-2	-17
Acquisition/disposal of non-controlling interests	–	–	-1	-1	–	–	-2	3	1
Dividends paid	–	–	-122	–	–	–	-122	-150	-272
Equity as at Dec. 31, 2013	**3,160**	**1,111**	**4,659**	**376**	**5**	**7**	**9,318**	**4,836**	**14,154**

Statement of cash flows

€ million	2013	2012
Net profit	**1,467**	**969**
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	-157	816
Non-cash changes in provisions	137	746
Changes in insurance liabilities	3,709	4,451
Other non-cash income and expenses	1,572	1,151
Gains and losses on the disposal of assets and liabilities	-43	-251
Other adjustments (net)	-4,057	-3,239
Subtotal	2,628	4,643
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks	4,967	644
Loans and advances to customers	632	-2,672
Other assets from operating activities	317	864
Derivatives used for hedging (positive and negative fair values)	-257	-388
Financial assets and financial liabilities held for trading	1,023	-2,656
Deposits from banks	-8,309	-6,957
Deposits from customers	6,825	-1,999
Debt certificates issued including bonds	-8,928	7,794
Other liabilities from operating activities	352	837
Interest, dividends, and operating lease payments received	8,155	8,930
Interest paid	-4,609	-5,427
Income taxes paid	-209	-401
Cash flows from operating activities	**2,587**	**3,212**
Proceeds from the sale of investments	20,351	13,692
Proceeds from the sale of investments held by insurance companies	27,353	25,158
Proceeds from the sale of property, plant and equipment, and investment property (excluding assets subject to operating leases)	7	299
Payments for the acquisition of investments	-17,852	-11,047
Payments for the acquisition of investments held by insurance companies	-31,102	-31,067
Payments for the acquisition of property, plant and equipment, and investment property (excluding assets subject to operating leases)	-85	-147
Changes in scope of consolidation	28	70
of which: Proceeds from the sale of investments in consolidated subsidiaries net of cash divested	33	37
Payments for the acquisition of investments in consolidated subsidiaries net of cash acquired	–	-20
Net change in cash and cash equivalents from other investing activities	-83	-51
Cash flows from investing activities	**-1,383**	**-3,093**
Proceeds from capital increases	–	93
Dividends paid to shareholders of DZ BANK and non-controlling interests	-272	-354
Other payments to shareholders of DZ BANK and non-controlling interests	-8	–
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	391	83
Cash flows from financing activities	**111**	**-178**

€ million	2013	2012
Cash and cash equivalents as at January 1	2,497	2,556
Cash flows from operating activities	2,587	3,212
Cash flows from investing activities	-1,383	-3,093
Cash flows from financing activities	111	-178
Cash and cash equivalents as at December 31	**3,812**	**2,497**

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.

Disposals of investments in consolidated subsidiaries did not result in any cash outflow in 2013 (2012: €9 million).

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, Frankfurt am Main, (DZ BANK) for the 2013 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 Deutsches Rechnungslegungs Standards Committee e.V. [German Accounting Standards Committee] 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 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 April 2, 2014.

CHANGES IN ACCOUNTING POLICIES

» 02
ACCOUNTING POLICIES AND ESTIMATES

The financial statements of the entities consolidated in the DZ BANK Group have been prepared using uniform accounting policies.

FIRST-TIME APPLICATION IN 2013 OF CHANGES IN IFRS

The following new, amended, and revised versions of financial reporting standards, the new interpretation below, and the specified improvements to IFRS are applied for the first time in DZ BANK's consolidated financial statements for the 2013 financial year:
– IFRS 13 *Fair Value Measurement*,
– Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*,
– Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Government Loans*,

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*,
- Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*,
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*,
- Amendments to IAS 19 *Employee Benefits*,
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*,
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, and
- Annual Improvements to International Financial Reporting Standards, 2009-2011 Cycle.

IFRS 13 *Fair Value Measurement* standardizes the IFRS provisions relating to fair value measurement. The fair value is now 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 on the measurement date. IFRS 13 also harmonizes and expands the disclosures in the notes relating to fair values. The scope of the disclosure requirements differentiates between disclosures about assets and liabilities measured at fair value on the balance sheet and disclosures about assets and liabilities not measured at fair value on the balance sheet. The adoption of IFRS 13 has no material quantitative impact on DZ BANK's consolidated financial statements. There were no assets and liabilities measured at fair value on a non-recurring basis on the balance sheet in the reporting year. Consequently, the enhanced disclosure requirements in IFRS 13 concerning the assignment of these non-recurring fair value measurements to the levels of the fair value hierarchy do not impact on DZ BANK's consolidated financial statements at present. A description of the valuation processes used for recurring and non-recurring fair value measurements categorized within Level 3 is also provided. From now on, disclosures concerning transfers between Level 1 and Level 2 of the fair value hierarchy will be made for all transfers (rather than only for material transfers), but only in respect of assets and liabilities that are still held at the end of the reporting period. Furthermore, IFRS 13 has resulted in an additional disclosure relating to the fair value hierarchy for the fair value of assets and liabilities not measured at fair value on the balance sheet. The consolidated financial statements now contain disclosures in respect of all assets and liabilities relating to quantitative information about significant unobservable inputs for fair values that are measured on a recurring or non-recurring basis and are assigned to Level 3. With regard to recurring and non-recurring measurements of fair value that are assigned to Levels 2 and 3 of the fair value hierarchy, a description is also provided of the valuation techniques and the inputs used in the measurement of fair value. The DZ BANK Group is applying IFRS 13 prospectively. Where comparative values are provided in the consolidated financial statements, they are presented in accordance with IFRS 7.

DZ BANK's consolidated financial statements contain enhanced disclosures in the notes as a result of the amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*. These disclosures contain information on the effects and potential effects of netting arrangements on the financial position of the group and information about the nature of these arrangements. In particular, these changes have led to the disclosure of gross amounts for financial assets and financial liabilities, net amounts shown on the balance sheet, and amounts that are subject to enforceable master netting arrangements or similar agreements. The amendments to IFRS 7 have been applied retrospectively.

The amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* have led to a change in the breakdown of other comprehensive income reported by the DZ BANK Group in DZ BANK's consolidated financial statements. Disclosures about other comprehensive income are split into amounts of other comprehensive income that will be reclassified to the income statement and amounts that will not be reclassified. The amendments to IAS 1 have been applied retrospectively.

The amendments to IAS 19 *Employee Benefits* have no material quantitative impact on DZ BANK's consolidated financial statements. As a result of the change in the definition of termination benefits, top-up amounts committed as part of preretirement part-time employment agreements are reported as provisions for other long-term or short-term employee benefits and no longer as provisions for termination benefits. The amendments to IAS 19 have resulted in an increase in the disclosures in DZ BANK's consolidated financial statements, in particular relating to the key characteristics of defined benefit plans, including the associated risks and the management of these risks. Defined benefit obligations are broken down into plan groups with risks that differ significantly from each other; the plan characteristics and the risks are also described. In addition, the impact of pension plans on future cash flows are presented by disclosing material actuarial assumptions, the associated sensitivity analysis, and the weighted average duration of the defined benefit obligations. Some of the asset classes for the plan assets have been redefined. In the process the assets have been broken down further into those assets for which market prices are quoted in an active market and those assets for which this is not the case. There is also a description of the strategy for offsetting risk arising from pension plans within the scope of asset/liability management.

The amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* reverse the requirement introduced in IAS 36 as a result of IFRS 13 *Fair Value Measurement* whereby the recoverable amount must be disclosed for each cash-generating unit (or group of units) to which significant goodwill or significant intangible assets with an unlimited useful life are assigned. In addition, the amendments to IAS 36 introduce new disclosures in respect of assets and cash-generating units for which an impairment loss or the reversal of an impairment loss was recognized in the reporting period and the recoverable amount was determined on the basis of fair value less costs of disposal. The amendments to IAS 36 have no material impact on DZ BANK's consolidated financial statements because, as had been the case in 2012, the value in use was calculated as the recoverable amount of a cash-generating unit in the impairment test. Consequently, there are currently no assets or cash-generating units in the DZ BANK Group for which the recoverable amount was determined on the basis of fair value less costs of disposal. The amendments to IAS 36 have been adopted early by the DZ BANK Group on a voluntary basis from the 2013 financial year. They have been applied retrospectively.

The other aforementioned amended financial reporting standards, improvements to International Financial Reporting Standards and the new interpretation referred to above have 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 following new, revised, or amended financial reporting standards that have been endorsed by the EU:
– IFRS 10 *Consolidated Financial Statements*,
– IFRS 11 *Joint Arrangements*,
– IFRS 12 *Disclosure of Interests in Other Entities*,
– IAS 27 *Separate Financial Statements*,
– IAS 28 *Investments in Associates and Joint Ventures*,
– Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities – Transition Guidance*,
– Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, and IAS 27 *Separate Financial Statements – Investment Entities*,
– Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, and
– Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* supersede the provisions for consolidated financial statements in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures*, SIC-12 *Consolidation – Special Purpose Entities*, and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Henceforward, IAS 27 *Separate Financial Statements* only includes provisions governing single-entity financial statements in accordance with IFRS.

The amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities – Transition Guidance* provide clarification and more details about the transitional arrangements and simplify first-time adoption.

IFRS 10 is the core standard for preparing consolidated financial statements and establishes a uniform principle of control applicable to all investees. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether control exists, all facts and circumstances must be considered and, in the event of changes, must be reviewed. The implementation of IFRS 10 is unlikely to have a material impact on the DZ BANK Group's scope of consolidation.

IFRS 11 contains amended rules about the accounting treatment of joint arrangements, which are classified as either a joint operation or a joint venture, depending on their nature. The previous option in IAS 31 to apply proportionate consolidation for joint ventures no longer exists in IFRS 11. Accordingly, interests in joint ventures continue to be accounted for under the equity method in the DZ BANK Group. The implementation of IFRS 11 is unlikely to have a material impact on the DZ BANK Group's scope of consolidation.

IFRS 12 governs all disclosure requirements for interests in subsidiaries, joint operations, joint ventures, and associates and in unconsolidated structured entities. The type of interests, the associated risks and their changes, and the financial impact must be disclosed, along with information about significant judgments and assumptions. The disclosure requirements in IFRS 12 will lead to enhanced disclosures in DZ BANK's consolidated financial statements about the nature of the interests and risks, both for consolidated structured entities and unconsolidated structured entities. Furthermore, disclosures about support arrangements for unconsolidated structured entities will be required. The implementation of IFRS 12 is unlikely to have a material impact on the DZ BANK Group's scope of consolidation.

In the EU, IFRS 10, IFRS 11, and IFRS 12 along with the revised IAS 27 and IAS 28 must be applied for the first time in financial years beginning on or after January 1, 2014. The DZ BANK Group will apply them for the first time for the 2014 financial year.

The amendments to IAS 32 *Financial Instruments: Presentation – 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. The amendments will be applied by the DZ BANK Group retrospectively from the 2014 financial year. The amendments to IAS 32 are unlikely to have a material impact on the DZ BANK Group's presentation of financial instruments.

The amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* include an exemption that means it is not necessary to discontinue a designated hedge if novation of a hedging instrument to a central counterparty meets certain requirements. In particular, the exemption stipulates that the novation must be taking place because of laws or regulations. The amendments have no material impact on DZ BANK's consolidated financial statements. The amendments will be applied retrospectively from the 2014 financial year.

The DZ BANK Group will apply the aforementioned IFRS amendments from the 2014 financial year in compliance with the relevant transitional provisions.

The other aforementioned amended financial reporting standards have no material impact on DZ BANK's consolidated financial statements.

CHANGES IN IFRS THAT HAVE NOT BEEN ENDORSED BY THE EU

The following new accounting standards, amended accounting standards, and IFRS improvements, as well as the new interpretation, that have been issued by the International Accounting Standards Board (IASB) have not yet been endorsed by the EU:

– IFRS 9 *Financial Instruments*,
– IFRS 14 *Regulatory Deferral Accounts*,
– Amendments to IFRS 9 and IFRS 7 – *Mandatory Effective Date and Transition Disclosures*,
– *Hedge Accounting* and amendments to IFRS 9, IFRS 7, and IAS 39,
– Amendments to IAS 19 – *Employee Contributions*,
– Annual Improvements to IFRSs *2010-2012 Cycle*,
– Annual Improvements to IFRSs *2011-2013 Cycle*, and
– IFRIC 21 *Levies*.

IFRS 9 *Financial Instruments* constitutes part (phase I *Classification and Measurement* and phase III *Hedge Accounting*) of a wide-ranging project to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. As a result of the rules introduced by IFRS 9 in phase I *Classification and Measurement*, 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.

Hedge Accounting and amendments to IFRS 9, IFRS 7, and IAS 39 mark the completion of phase III *Hedge Accounting*. The *Hedge Accounting* rules in IAS 39 have been replaced by the new rules in IFRS 9, which take the form of a general hedge accounting model. This new model helps to improve presentation of internal risk management and entails numerous disclosure requirements. An option has also been introduced whereby rating-related changes in the fair value of financial liabilities designated as at fair value through profit or loss can be recognized as other comprehensive income early without having to apply all of the rules in IFRS 9.

The amendments to IFRS 9 and IFRS 7 – *Mandatory Effective Date and Transition Disclosures* contain the amended transitional provisions for IFRS 9. They are required to be adopted retrospectively. Earlier adoption is permitted. For entities that apply IFRS 9 for financial years beginning on or after January 1, 2013, there is 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 impact of IFRS 9 on future consolidated financial statements can only be investigated once the revisions to phase I *Classification and Measurement* and phase II *Impairment Methodology* have been completed and the finalized standard has been published. The exposure draft *ED/2013/3 Financial Instruments: Expected Credit Losses* has been available for phase II *Impairment Methodology* since March 2013.

The initial application date was postponed when the finalized rules on hedge accounting were published in *Hedge Accounting* and amendments to IFRS 9, IFRS 7, and IAS 39 were introduced. At its meeting on February 20, 2014, the IASB decided on January 1, 2018 as the mandatory initial application date. The DZ BANK Group will adopt IFRS 9 from that date, subject to it being incorporated into EU law.

The amendments to IFRS 3 *Business Combinations* as part of the Annual Improvements to IFRSs *2010-2012 Cycle* clarify that contingent considerations classified as assets or liabilities must be measured at fair value at every reporting date. The amendments to IFRS 3 result in a consequential amendment that requires a change to the definitions of the four categories of financial instruments pursuant to IAS 39 *Financial Instruments: Recognition and Measurement*. In the future, financial instruments will be designated as at fair value through profit or loss if they are categorized as held for trading, constitute a contingent consideration of an acquirer in the context of a business combination, or are designated as at fair value through profit or loss upon initial recognition. The amendments to IFRS 3 have no material quantitative impact on DZ BANK's consolidated financial statements. Disclosures in the notes referring to the IAS 39 categories will be amended to reflect the new definition in IAS 39. The amendments must be applied to financial years beginning on or after July 1, 2014.

The other aforementioned new standard, the amendments and improvements, and the new interpretation 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 incorporated into EU law.

RESTATEMENTS

The fair values, disclosed in the notes, of certain loans measured at amortized cost have been restated in accordance with IAS 8.41 et seq. The amounts reported in DZ BANK's 2012 consolidated financial statements were too high. The restatement of fair value arises from the amendment of the underlying valuation methods and the valuation parameters used in these methods. Only the fair values of the loans reported under loans and advances to banks and customers and deposits from banks and customers at the end of 2012 have been restated.

The restated fair values of the loans measured at amortized cost reported in note 68 'Classes, categories, and fair values of financial instruments' as at December 31, 2012 are shown in the table below.

€ million	Dec. 31, 2012 Carrying amount	Fair value Before restatement	Amount of restatement	After restatement
(…)				
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**226,371**	**232,112**	**-295**	**231,817**
Loans and receivables	**225,902**	**231,643**	**-295**	**231,348**
(…)				
Loans and advances to banks	77,604	79,329	-37	79,292
Loans and advances to customers	109,522	113,595	-258	113,337
(…)				

€ million	Dec. 31, 2012 Carrying amount	Fair value Before restatement	Amount of restatement	After restatement
(…)				
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**231,057**	**235,698**	**-10**	**235,688**
Deposits from banks	94,024	95,385	-9	95,376
Deposits from customers	82,693	85,276	-1	85,275
(…)				

SOURCES OF ESTIMATION UNCERTAINTY

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 impairment 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, provisions for share-based payments, 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 measurement parameter assumptions and measurement methods used to determine fair values are described in the financial instruments disclosures in notes 69 and 70.

IMPAIRMENT OF FINANCIAL ASSETS

When an impairment test (as described in note 5) is carried out for financial assets in the categories of 'loans and receivables' and 'available-for-sale financial assets' or 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 recovery of collateral. This requires estimates and assumptions regarding the amount and timing of future cash flows, in turn giving rise to some uncertainty. The factors influencing impairment that are defined on a discretionary basis include economic conditions, the financial performance of the counterparty, and the value of the collateral held. When an impairment test for portfolios is carried out, parameters such as probability of default, which are calculated with the help of statistical models, are used in the estimates and assumptions.

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 are described in note 86.

INSURANCE LIABILITIES

The measurement of insurance liabilities involves the exercise of discretion, estimates, and assumptions, especially in relation to mortality, rates of return on investment, cancellations, and costs. Actuarial calculation methods, statistical estimates, blanket estimates, and measurements based on past experience are used. The basic approaches used in the measurement of insurance liabilities are described in the insurance business disclosures in note 11.

PROVISIONS FOR EMPLOYEE BENEFITS, PROVISIONS FOR SHARE-BASED PAYMENTS, 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.

In the case of provisions for share-based payments, estimation uncertainty arises from the way in which fair value is determined. This fair value is based on assumptions regarding the payout amount, which in turn depends on the performance of the variables specified in the underlying agreements.

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.

The basis for measurement and the assumptions and estimates underlying the calculation of provisions are described in note 26.

INCOME TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities described in note 54 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, 2013 include 27 subsidiaries (2012: 27) and 5 subgroups (2012: 6) comprising a total of 743 subsidiaries (2012: 831). 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 concerned. 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.

There were changes to the scope of consolidation in 2013, notably as a result of the subsidiaries DZ Vierte Beteiligungsgesellschaft mbH, Frankfurt am Main, and DZ Immobilien GmbH & Co. KG WH10, Frankfurt am Main, being consolidated for the first time with effect from January 1, 2013. The subsidiaries AGIMA Aktiengesellschaft für Immobilien-Anlage, Frankfurt am Main, and Immobilien-Gesellschaft ‘DG BANK-Turm Frankfurt am Main, Westend’ mbH & Co. KG des genossenschaftlichen Verbundes, Frankfurt am Main, were consolidated for the first time with effect from December 31, 2013.

In addition, DZ BANK Polska S.A., Warsaw, was renamed DZ Polska S.A., Warsaw, (DZ Polska) and was deconsolidated with effect from December 31, 2013 because its banking operations had been transferred to DZ BANK AG’s branch in Poland and its banking license handed back. As a result, DZ Polska is not material to the group and will therefore be accounted for and measured as an unconsolidated subsidiary from the time of its deconsolidation.

Owing to changes in the transaction structure, the following companies no longer fulfill the criteria for full consolidation and were deconsolidated with effect from December 31, 2013: CORAL Capital Limited, Dublin, CORAL Purchasing (Ireland) Limited, Dublin, CORAL Purchasing (Ireland) 2 Limited, Dublin, and CORAL Purchasing (Jersey) Limited, St. Helier.

During 2013, Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd., Tianjin, was added to the group of joint ventures accounted for under the equity method.

Further changes in the scope of consolidation resulted from business combinations and are presented in note 86.

The consolidated financial statements include 22 joint ventures with at least one other entity outside the group (2012: 24) and 19 associates (2012: 25) over which DZ BANK has significant influence. These entities are accounted for using the equity method.

The shareholdings of the DZ BANK Group are listed in full in note 99.

» 04 PROCEDURES OF CONSOLIDATION

When a subsidiary is consolidated, the carrying amount of the investment in the subsidiary is offset against the proportion of equity attributable to the subsidiary. Any share of a subsidiary's equity not attributable to the parent company is reported under equity as non-controlling interests.

Any positive excess resulting from offsetting the acquisition cost of a subsidiary against the equity remeasured at fair value on the acquisition date is recognized as goodwill when the acquisition method is applied. It is recognized under other assets. Goodwill is tested for impairment at least once a year. Any negative excess is recognized in profit or loss on the acquisition date.

Interests in joint ventures and investments in associates are accounted for using the equity method and reported on the balance sheet under investments or investments held by insurance companies.

The consolidated subsidiaries have generally prepared their financial statements on the basis of a financial year ended December 31, 2013. There is one company (2012: 2 companies) included in the consolidated financial statements with a different reporting date for its annual financial statements. With 16 (2012: 16) 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 recognized 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 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 that are not designated as fund-linked insurance products. 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

DERIVATIVES USED FOR HEDGING

The designation of derivatives in hedges is governed by the provisions of IAS 39. The recognition and measurement of derivatives used for hedging is described in note 17.

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 12.

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 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

Under the provisions of IAS 39, the fair value option can be exercised in 3 different scenarios. The DZ BANK Group applies the fair value option in all 3 scenarios.

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. For the purposes of preventing accounting mismatches, the fair value option is exercised in the case of financial assets for loans and advances to banks and customers and for bearer bonds. In the case of financial liabilities, the fair value option is exercised to avoid accounting mismatches for loan liabilities to banks and customers, issued registered or bearer Pfandbriefe, other bonds and commercial paper, and for registered or bearer subordinated liabilities. Some of the promissory notes and bonds are structured financial instruments containing derivatives (in the form of caps, floors, collars, or call options) 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 primarily guarantee certificates, discount certificates, profit-participation certificates, variable-rate bonds, inflation-linked notes, 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 and the issue of certain securities, the 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 remain. If the criteria for derecognizing financial assets are not satisfied, the transfer to third parties is recognized as a secured loan. 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 recovery 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 residual unsettled receivables even after collateral has been recovered, 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 recoveries on 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 with embedded derivatives are largely classified as financial instruments at fair value through profit or loss if bifurcation would otherwise be required.

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
- 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.

Finance leases

In the DZ BANK Group, the class 'finance leases' 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.

Finance leases

In the DZ BANK Group, the class 'finance leases' comprises solely finance lease liabilities.

Financial guarantee contracts and loan commitments

Liabilities under financial guarantee contracts and provisions for loan commitments within the scope of IAS 37 are aggregated in the class 'financial guarantee contracts and loan commitments'.

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.

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 attributable to the hedged risk and changes in the fair value of the hedging instrument 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 liabilities measured 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. 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 risks on a portfolio basis, the cumulative changes in fair value attributable to the hedged risk are reported on 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 NET INVESTMENTS IN FOREIGN OPERATIONS

The purpose of hedges of net investments in foreign operations is to offset exchange differences resulting from net investments denominated in foreign currency.

Hedges of net investments in foreign operations are accounted for in the same way as cash flow hedges.

» 07 CURRENCY TRANSLATION

All monetary assets and liabilities, together with unsettled spot transactions, are translated at the closing rate 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 on the date 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 entities included in the consolidated financial statements is the euro, i.e. the group reporting currency.

» 08 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and reported as a net amount on the balance sheet if the group currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

» 09 SALE AND REPURCHASE AGREEMENTS, SECURITIES LENDING

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.

Securities lent as part of securities lending transactions remain on the balance sheet. Where collateral is received in this regard, and this collateral is in cash, a liability is recognized. Borrowed securities do not meet the recognition criteria set out in IAS 39 and must therefore not be recognized on the balance sheet. Any cash collateral furnished in connection with borrowed securities is reported as a receivable.

Sale and repurchase agreements and securities lending transactions result in transfers in which the transferred assets remain on the balance sheet in their entirety. The DZ BANK Group is not involved in any transfers in which the transferred assets are recognized according to the extent of continuing involvement or transfers of financial assets with a continuing involvement that are fully derecognized.

» 10 COLLATERAL

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 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 recovery of collateral or a purchase of real estate that was previously held as collateral.

GENERAL INFORMATION ON THE ACCOUNTING TREATMENT OF INSURANCE BUSINESS

» 11 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 within the scope of 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 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 for which no material insurance risk is assumed when the policy is concluded. They are 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. Non-interest-bearing, low-interest or forgivable loans are recognized in the same way as government grants. The amount of financial assistance or any government grant is deducted when the carrying amount of the asset is identified and is then recognized in profit or loss over the period covered by the assistance or grant by means of a reduced depreciation charge.

Real estate is generally subject to impairment tests for the disclosures required in the notes to the financial statements in accordance with the provisions of IFRS 13. For this purpose, standard valuation methods are generally used that are 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 or results in a significant improvement in the fabric of a building is capitalized. Maintenance and repair costs are expensed as incurred.

INSURANCE LIABILITIES

Insurance companies are permitted to continue applying existing accounting policies to certain insurance-specific items during a transition period. 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 and maturity 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 generally 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 account management arrangements) 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 generally recognized with an amount of zero.

The assumptions used in calculations are determined in accordance with current recommendations issued by Deutsche Aktuarvereinigung e.V., Cologne, (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 0.00 percent and 4.00 percent (2012: between 1.75 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, cancellations, and costs. The discount rate is 3.50 percent (unisex insurance scales: 2.75 percent). The group uses mortality tables issued by the Verband der privaten Krankenversicherung (PKV) [Association of German private healthcare insurers], entity-specific probability rates for policy cancellations, 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.

As a result of the provisions of the German Benefit Reserve Regulation (DeckRV), new requirements have applied since 2011; a supplementary discount rate reserve must be recognized for policies with a discount rate in excess of the reference rate specified in the DeckRV. With the approval of the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [Federal Financial Supervisory Authority], the supplementary discount rate reserve is increased for old policies.

An additional benefit reserve is recognized for entitlements arising from the benefit obligation resulting from the judgment of the Bundesgerichtshof (BGH) [German Federal Court of Justice] dated July 25, 2012 (IV ZR 201/10).

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. Furthermore, it contains a general claims provision corresponding to the amount of capital at risk based on updated empirical values for claims that have occurred but have not yet been reported and for entitlements arising from the benefit obligation resulting from the BGH's judgment dated July 25, 2012 (IV ZR 201/10). 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.

PROVISION FOR PREMIUM REFUNDS

The provision for premium refunds 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 provision for premium refunds is recognized in other comprehensive income; otherwise, changes in the provision are recognized in profit or loss.

The provision for premium refunds 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 provision for premium refunds 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 provision for premium refunds, a distinction is made between provisions attributable to bonuses already declared but not yet allocated (including participation in valuation reserves in accordance with HGB), the funding used to finance future terminal bonuses, and the free provision for premium refunds. Under section 56b of the Supervision of German Insurance Companies Act (VAG), that element of the provision for premium refunds 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 provision for premium refunds 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 provision for premium refunds related to health insurance includes amounts allocated to policyholders under statutory or contractual arrangements for bonuses and rebates. A provision for premium refunds 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 cancellation 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.

Other health insurance liabilities contain a cancellation provision. The cancellation provision covers possible losses arising from early terminations above the level provided for in cost calculations and includes, for example, expected losses from the cancellation of negative benefit reserves above the level provided for in cost calculations. It is calculated on the basis of past experience as a percentage of the negative benefit reserve for the financial year.

REINSURANCE BUSINESS

In the case of reinsurance business, the insurance liabilities are recognized in accordance with the requirements specified 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 a further item corresponding to assets related to unit-linked contracts. Policyholders' entitlements to their individual investment fund units are reported where the related investments arise out of contracts to be reported in accordance with IFRS 4. The reserve is measured at fair value on the basis of the underlying investments. Gains and losses on the fund assets result in corresponding changes on the equity and liabilities side of the balance sheet.

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.

» 12 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.

» 13
INCOME

INTEREST AND DIVIDENDS RECEIVED

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 calculation of 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.

» 14 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.

» 15 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.

» 16 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 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.

» 17 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. Changes in the fair value of hedging instruments in fair value hedges 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 from hedge accounting.

If the derivative hedging instruments are being used as cash flow hedges or hedges of net investments in foreign operations, changes in fair value attributable to the effective portion of the hedges must be recognized in other comprehensive income. These changes are shown in the cash flow hedge reserve or in the currency translation reserve as part of equity. Changes in fair value attributable to the ineffective portion of hedges are included in other gains and losses on valuation of financial instruments under gains and losses from hedge accounting.

» 18 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 short positions, bonds and other debt certificates issued, 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.

» 19 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 entities 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, interests in joint ventures and investments in 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.

» 20
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 year 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 financial years. 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.

» 21
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 entity-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.

» 22
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 financial year.

» 23 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 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'.

» 24 DEPOSITS FROM BANKS AND CUSTOMERS

All liabilities attributable to registered creditors not classified as 'financial instruments held for trading' are recognized as deposits from banks and customers. 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 customers are measured at amortized cost using the effective interest method. Where deposits from banks and customers 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 customers, the liabilities are measured at fair value as at the balance sheet date.

Interest expense on deposits from banks and customers 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.

Debt certificates issued including bonds cover 'Pfandbriefe', other bonds, and commercial paper for which transferable bearer certificates have been issued.

» 25
DEBT CERTIFICATES ISSUED INCLUDING BONDS

Debt certificates issued including bonds and gains and losses thereon are measured and recognized in the same way as deposits from banks and customers.

PROVISIONS FOR EMPLOYEE BENEFITS

» 26
PROVISIONS

Pension plans agreed with the employees of the entities 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.

Defined benefit obligations are measured on the basis of the projected unit credit method. The measurement 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 discount rate depends on the obligation structure (duration) and is determined using a portfolio of high-quality corporate bonds that must satisfy certain criteria in terms of quality and volume (outstanding face value). One of the notable quality criteria is an average AA rating from Moody's Investors Service, New York, Standard & Poor's, New York, Fitch Ratings, New York/London, and DBRS, Toronto. Bonds with existing call options in the form of embedded derivatives are not included in this process.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding the defined benefit obligations, and gains and losses arising from the remeasurement of plan assets and reimbursement rights are recognized as other comprehensive income 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.

In addition to the provisions for defined benefit pension plans, 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 preretirement part-time employment schemes and long-service bonuses. Provisions for early retirement are included under the provisions for termination benefits.

PROVISIONS FOR SHARE-BASED PAYMENTS

The entities in the DZ BANK Group have entered into various agreements covering variable remuneration components to be paid to members of the Board of Managing Directors and certain other executives. The amount and timing of such remuneration depends on a number of factors, not least the performance of the entity concerned. These agreements are classified as cash-settled share-based payment transactions.

Provisions for share-based payment transactions are recognized (at fair value) if it is sufficiently probable that the remuneration will be paid out in the future. The timing of initial recognition is therefore before the grant date and before any payout in subsequent years. This results in discrepancies compared with the nominal amounts disclosed in note 93 for share-based payments granted but not yet paid out.

Provisions for share-based payment transactions are also subsequently measured at fair value. Any changes in fair value are recognized in profit or loss.

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.

» 27 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 Tier 1 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 entities 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 customers.

» 28 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 as provisions 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

» 29
SEGMENT INFORMATION

2013

€ million	Bank	Retail	Real Estate Finance	Insurance	Consoli-dation/ reconciliation	Total
Net interest income	1,778	689	1,263	–	-612	3,118
Allowances for losses on loans and advances	-406	-103	-31	–	–	-540
Net fee and commission income	467	954	-215	–	-102	1,104
Gains and losses on trading activities	127	12	9	–	–	148
Gains and losses on investments	-60	-9	-40	–	-12	-121
Other gains and losses on valuation of financial instruments	57	21	1,026	–	-4	1,100
Premiums earned	–	–	–	12,693	–	12,693
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	2,923	-55	2,868
Insurance benefit payments	–	–	–	-13,181	–	-13,181
Insurance business operating expenses	–	–	–	-2,126	119	-2,007
Administrative expenses	-1,400	-965	-584	–	12	-2,937
Other net operating income	-15	4	51	-57	-6	-23
Profit before taxes	**548**	**603**	**1,479**	**252**	**-660**	**2,222**
Cost/income ratio (%)	59.5	57.7	27.9	–	–	51.5

2012

€ million	Bank	Retail	Real Estate Finance	Insurance	Consoli-dation/ reconciliation	**Total**
Net interest income	1,607	709	1,251	–	-307	3,260
Allowances for losses on loans and advances	-396	-89	-42	–	–	-527
Net fee and commission income	470	855	-206	–	-95	1,024
Gains and losses on trading activities	640	7	7	–	5	659
Gains and losses on investments	-260	-38	-45	–	-99	-442
Other gains and losses on valuation of financial instruments	-46	12	-249	–	7	-276
Premiums earned	–	–	–	11,787	–	11,787
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	3,353	-67	3,286
Insurance benefit payments	–	–	–	-12,509	–	-12,509
Insurance business operating expenses	–	–	–	-2,145	113	-2,032
Administrative expenses	-1,342	-950	-569	–	6	-2,855
Other net operating income	-60	-24	45	4	-21	-56
Profit before taxes	**613**	**482**	**192**	**490**	**-458**	**1,319**
Cost/income ratio (%)	57.1	62.5	70.9	–	–	60.7

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 entity 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 entities 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, (DZ PRIVATBANK), 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, (VR LEASING), 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 sub-groups VR LEASING and DVB Bank (DVB) and the following entities 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 retail customers 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 entities 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 entities 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	2013	2012
Germany	4,604	3,862
Rest of Europe	873	831
Rest of World	345	288
Consolidation/reconciliation	-123	-280
Total	**5,699**	**4,701**

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.

» 30 NET INTEREST INCOME

€ million	2013	2012
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**7,481**	**8,544**
Interest income from	**7,277**	**8,309**
Lending and money market business	6,826	7,515
of which relating to: local authority loans	746	838
mortgage loans	780	848
home savings loans	181	221
advance and interim financing	732	705
other building loans	78	72
finance leases	325	394
Fixed-income securities	956	1,242
Portfolio hedges of interest-rate risk	-505	-448
Current income from	**118**	**129**
Shares and other variable-yield securities	55	42
Investments in subsidiaries	27	10
Investments in associates	1	–
Operating leases	35	77
Income/loss from using the equity method for	**81**	**84**
Interests in joint ventures	68	66
Investments in associates	13	18
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**5**	**22**
INTEREST EXPENSE ON	**-4,363**	**-5,284**
Deposits from banks and customers	-3,171	-3,868
of which: relating to home savings deposits	-742	-727
Debt certificates issued including bonds	-1,030	-1,260
Subordinated capital	-201	-202
Portfolio hedges of interest-rate risk	52	59
Provisions and other liabilities	-13	-13
Total	**3,118**	**3,260**

Own-account investments in the form of Pfandbriefe were reported in 2013 in accordance with their cover. This resulted in interest on local authority loans being reported (2012 before restatement: €723 million). The prior-year figures have been restated in line with the procedure described in note 46.

» 31 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	2013	2012
Allowances for losses on loans and advances to banks	**-19**	**28**
Additions	-26	-13
Reversals	6	41
Recoveries on loans and advances previously impaired	1	–
Allowances for losses on loans and advances to customers	**-526**	**-544**
Additions	-1,090	-1,054
Reversals	592	522
Directly recognized impairment losses	-102	-94
Recoveries on loans and advances previously impaired	74	82
Changes in provisions for loan commitments, in other provisions for loans and advances, in liabilities from financial guarantee contracts, and in impairment losses on available-for-sale loans and advances	**5**	**-11**
Total	**-540**	**-527**

» 32 NET FEE AND COMMISSION INCOME

€ million	2013	2012
Fee and commission income	**2,866**	**2,643**
Securities business	1,816	1,637
Asset management	49	31
Payments processing including card processing	179	160
Lending business and trust activities	249	270
Financial guarantee contracts and loan commitments	40	40
International business	7	14
Building society operations	355	325
Other	171	166
Fee and commission expenses	**-1,762**	**-1,619**
Securities business	-662	-562
Asset management	-18	-20
Payments processing including card processing	-101	-85
Lending business	-220	-227
Financial guarantee contracts and loan commitments	-4	-3
Building society operations	-626	-584
Other	-131	-138
Total	**1,104**	**1,024**

» 33 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	2013	2012
Gains and losses on non-derivative financial instruments and embedded derivatives	179	800
Gains and losses on derivatives	-65	-244
Gains and losses on exchange differences	34	103
Total	**148**	**659**

» 34 GAINS AND LOSSES ON INVESTMENTS

€ million	2013	2012
Gains and losses on bonds and other fixed-income securities	**-58**	**-270**
Disposals	-125	-194
Impairment losses	-32	-120
Reversals of impairment losses	99	44
Gains and losses on shares and other variable-yield securities	**7**	**-14**
Disposals	12	–
Impairment losses	-5	-14
Gains and losses on investments in subsidiaries	**-43**	**-6**
Disposals	14	–
Impairment losses	-57	-6
Gains and losses on interests in joint ventures	**-20**	**-59**
Impairment losses	-20	-59
Gains and losses on investments in associates	**-7**	**-93**
Transitional accounting	–	-71
Impairment losses	-7	-22
Total	**-121**	**-442**

As DZ BANK ceased to have significant influence over Österreichische Volksbanken-Aktiengesellschaft, Vienna, (ÖVAG) in 2012, the investment in this company is no longer accounted for using the equity method; instead, it is recognized in accordance with the requirements of IAS 39. The share of cumulative other comprehensive loss for the ÖVAG Group amounting to €71 million was reclassified to gains and losses on investments in 2012 as part of transitional accounting arrangements.

» 35 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	2013	2012
Gains and losses from hedge accounting	**15**	**-7**
Gains and losses on derivatives used for purposes other than trading	**66**	**-21**
Gains and losses on financial instruments designated as at fair value through profit or loss	**1,019**	**-248**
Gains and losses on non-derivative financial instruments and embedded derivatives	954	-714
Gains and losses on derivatives	65	466
Total	**1,100**	**-276**

Gains and losses on derivatives used for purposes other than trading result from gains and losses on valuation of derivatives that are used for economic hedging but are not included in hedge accounting.

» 36 PREMIUMS EARNED

€ million	2013	2012
Net premiums written	**12,666**	**11,828**
Gross premiums written	12,753	11,875
Reinsurance premiums ceded	-87	-47
Change in provision for unearned premiums	**27**	**-41**
Gross premiums	28	-14
Reinsurers' share	-1	-27
Total	**12,693**	**11,787**

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

€ million	2013	2012
Income from investments held by insurance companies	**3,915**	**4,269**
Interest income and current income	2,601	2,579
Income from reversals of impairment losses and unrealized gains	82	130
Gains on valuation through profit or loss of investments held by insurance companies	521	788
Gains on disposals	711	772
Expenses in connection with investments held by insurance companies	**-1,178**	**-1,139**
Administrative expenses	-113	-121
Depreciation/amortization expense, impairment losses, and unrealized losses	-380	-289
Losses on valuation through profit or loss of investments held by insurance companies	-192	-89
Losses on disposals	-493	-640
Other gains and losses of insurance companies	**131**	**156**
Other insurance gains and losses	198	215
Other non-insurance gains and losses	-67	-59
Total	**2,868**	**3,286**

The income and expenses relating to investments and other gains and losses include losses of €190 million on currency translation (2012: losses of €9 million).

» 38 INSURANCE BENEFIT PAYMENTS

€ million	2013	2012
EXPENSES FOR CLAIMS	**-8,765**	**-8,301**
Payments for claims	**-8,082**	**-7,878**
Gross payments for claims	-8,184	-7,935
Reinsurers' share	102	57
Change in the provision for claims outstanding	**-683**	**-423**
Gross change in the provision for claims outstanding	-871	-407
Reinsurers' share	188	-16
CHANGES IN THE BENEFIT RESERVE AND IN OTHER INSURANCE LIABILITIES	**-3,673**	**-3,286**
Change in the benefit reserve	**-3,674**	**-3,281**
Gross changes in the benefit reserve	-3,666	-3,254
Reinsurers' share	-8	-27
Change in other insurance liabilities	**1**	**-5**
EXPENSES FOR PREMIUM REFUNDS	**-743**	**-922**
Gross expenses for premium refunds	-778	-643
Provisions for deferred premium refunds	35	-279
Total	**-13,181**	**-12,509**

The net reinsurance income amounted to €217 million (2012: net expense of €40 million).

» 39 INSURANCE BUSINESS OPERATING EXPENSES

€ million	2013	2012
Gross expenses	-2,028	-2,051
Reinsurers' share	21	19
Total	**-2,007**	**-2,032**

» 40 ADMINISTRATIVE EXPENSES

€ million	2013	2012
Staff expenses	**-1,513**	**-1,478**
Wages and salaries	-1,247	-1,211
Social security contributions	-151	-149
Pension and other post-employment benefit expenses	-111	-112
Expenses for share-based payments	-4	-6
General and administrative expenses	**-1,308**	**-1,266**
Expenses for temporary staff	-21	-16
Contributions and fees	-94	-96
of which: contributions to the German restructuring fund for banks	-18	-15
Consultancy	-273	-252
Office expenses	-186	-187
IT expenses	-291	-278
Property and occupancy costs	-160	-153
Information procurement	-49	-50
Public relations/marketing	-134	-139
Other general and administrative expenses	-95	-90
Expenses for administrative bodies	-5	-5
Depreciation and amortization	**-116**	**-111**
Property, plant and equipment, and investment property	-48	-46
Other assets	-68	-65
Total	**-2,937**	**-2,855**

» 41 OTHER NET OPERATING INCOME

€ million	2013	2012
Other income from leasing business	10	9
Expenses for other taxes	-16	-11
Gains and losses on non-current assets and disposal groups classified as held for sale	10	-2
Restructuring expenses	-21	-36
Gains and losses on deconsolidation of subsidiaries	35	31
Impairment losses on goodwill	-57	–
Residual other net operating income	16	-47
Total	**-23**	**-56**

Gains and losses on non-current assets and disposal groups classified as held for sale include realized gains of €11 million on disposals (2012: gains of €1 million), reversals of impairment losses amounting to €1 million, and impairment losses of €2 million (2012: losses of €3 million). No reversals of impairment losses had been included in 2012. The impairment losses in 2013 relate to disposal groups classified as held for sale whose measurement falls within the scope of IFRS 5. In 2012, the impairment losses largely related to non-current assets and disposal groups classified as held for sale whose measurement did not fall within the scope of IFRS 5.

Gains and losses on deconsolidation of subsidiaries include gains from the deconsolidation of DZ Polska and FB-Leasing OOO, Moscow, of €18 million and €10 million respectively. In 2012, there had been a gain amounting to €37 million arising from the disposal of shares in TES Holding Ltd., Bridgend, as a result of which DZ BANK lost control over this entity.

Residual other net operating income includes rental income from investment property of €8 million (2012: €6 million) and, as in the previous year, directly assignable expenses of €1 million.

» 42 INCOME TAXES

€ million	2013	2012
Current tax expense	-490	-478
Deferred tax expense/income	-265	128
Total	**-755**	**-350**

The total for current taxes includes expenses of €75 million (2012: expenses of €28 million) attributable to previous years. Deferred taxes include expenses of €93 million (2012: income of €499 million) arising from the appearance and disappearance of temporary differences.

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 2013 was unchanged from the rate used in 2012. The effective rate for trade tax is 15.085 percent (2012: 15.027 percent) for DZ BANK and subsidiaries that are members of the tax group. The slight increase 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 to reported income taxes based on application of the current tax law in Germany:

€ million	2013	2012
Profit before taxes	**2,222**	**1,319**
Group income tax rate	30.910%	30.852%
Expected income taxes	**-687**	**-407**
Income tax effects	**-68**	**57**
Impact of tax-exempt income and non-deductible expenses	-46	-56
Adjustments resulting from other types of income tax, other trade tax multipliers, and changes in tax rates	71	40
Tax rate differences on income subject to taxation in other countries	-8	20
Current and deferred taxes relating to prior years	-79	-17
Change in impairment losses on deferred tax assets	-5	73
Other effects	-1	-3
Recognized income taxes	**-755**	**-350**

» 43
AMOUNTS RECLASSIFIED TO THE INCOME STATEMENT

The following amounts were reclassified from other comprehensive income/loss to the income statement in 2013:

€ million	2013	2012
Gains and losses on available-for-sale financial assets	**414**	**1,873**
Gains (+)/losses (-) arising during the reporting period	431	1,708
Gains (-)/losses (+) reclassified to the income statement	-17	165
Gains and losses on cash flow hedges	**–**	**42**
Gains (+)/losses (-) arising during the reporting period	10	9
Gains (-)/losses (+) reclassified to the income statement	-10	33
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	**-19**	**89**
Gains (+)/losses (-) arising during the reporting period	-18	18
Gains (-)/losses (+) reclassified to the income statement	-1	71

» 44 INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

	2013			2012		
€ million	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Amounts reclassified to the income statement	**390**	**-70**	**320**	2,015	-574	1,441
Gains and losses on available-for-sale financial assets	414	-69	345	1,873	-563	1,310
Gains and losses on cash flow hedges	–	–	–	42	-12	30
Exchange differences on currency translation of foreign operations	-10	–	-10	13	–	13
Gains and losses on hedges of net investments in foreign operations	5	-1	4	-2	1	-1
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-19	–	-19	89	–	89
Amounts not reclassified to the income statement	**25**	**-3**	**22**	-492	147	-345
Gains and losses arising from remeasurement of defined benefit plans	26	-3	23	-492	147	-345
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-1	–	-1	–	–	–
Total	**415**	**-73**	**342**	1,523	-427	1,096

C Balance sheet disclosures

» 45 CASH AND CASH EQUIVALENTS

€ million	Dec. 31, 2013	Dec. 31, 2012
Cash on hand	288	237
Balances with central banks and other government institutions	3,454	2,138
of which: with Deutsche Bundesbank	2,663	1,377
Treasury bills and non-interest-bearing treasury notes	70	122
Total	**3,812**	**2,497**

The average target minimum reserve for 2013 was €1,156 million (2012: €590 million).

» 46 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Domestic banks	**6,558**	**6,562**	**62,185**	**61,417**	**68,743**	**67,979**
Affiliated banks	3,989	2,345	49,565	49,392	53,554	51,737
Other banks	2,569	4,217	12,620	12,025	15,189	16,242
Foreign banks	**3,988**	**6,385**	**1,483**	**5,065**	**5,471**	**11,450**
Total	**10,546**	**12,947**	**63,668**	**66,482**	**74,214**	**79,429**

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

€ million	Dec. 31, 2013	Dec. 31, 2012
Local authority loans	8,497	8,496
Mortgage loans and other loans secured by mortgages on real estate	650	707
Home savings loans	1	3
Money market placements	13,010	15,567
Other loans and advances	52,056	54,656
Total	**74,214**	**79,429**

Own-account investments in the form of Pfandbriefe were reported in 2013 in accordance with their cover. They are reported under local authority loans (December 31, 2012 before restatement: €5,404 million) and under mortgage loans and other loans secured by mortgages on real estate (December 31, 2012 before restatement: €73 million). Other loans and advances have fallen accordingly (December 31, 2012 before restatement: €58,382 million). The amounts reported in 2012 have been restated in line with the provisions of IAS 8.41 et seq.

» 47 LOANS AND ADVANCES TO CUSTOMERS

€ million	Dec. 31, 2013	Dec. 31, 2012
Loans and advances to domestic customers	88,928	88,428
Loans and advances to foreign customers	32,798	35,383
Total	**121,726**	**123,811**

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

€ million	Dec. 31, 2013	Dec. 31, 2012
Local authority loans	14,190	14,553
Mortgage loans and other loans secured by mortgages on real estate	21,461	21,852
Other loans secured by ship mortgages	2,053	1,445
Home savings loans advanced by building society	27,259	25,447
of which: from allotment (home savings loans)	4,897	5,640
for advance and interim financing	20,264	17,860
other building loans	2,098	1,947
Finance leases	4,872	5,518
Money market placements	473	197
Other loans and advances	51,418	54,799
Total	**121,726**	**123,811**

The 'other loans secured by mortgages on real estate' line item has been reclassified for 2013 and 2012 and has been aggregated with the 'mortgage loans' line item.

» 48 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, 2012	163	37	1,576	502	2,278
Additions	12	1	908	146	1,067
Utilizations	-16	–	-281	–	-297
Reversals	-31	-10	-376	-146	-563
Interest income	–	–	-40	–	-40
Changes in scope of consolidation	–	–	60	2	62
Other changes	-9	–	11	–	2
Balance as at Dec. 31, 2012	119	28	1,858	504	2,509
Additions	26	–	914	176	1,116
Utilizations	-5	–	-401	–	-406
Reversals	–	-6	-443	-149	-598
Interest income	–	–	-31	–	-31
Changes in scope of consolidation	–	–	-9	-21	-30
Other changes	-1	–	-17	-2	-20
Balance as at Dec. 31, 2013	**139**	**22**	**1,871**	**508**	**2,540**

The interest income arises from unwinding the discount on impaired loans and advances as specified in IAS 39.AG93.

» 49 DERIVATIVES USED FOR HEDGING (POSITIVE FAIR VALUES)

€ million	Dec. 31, 2013	Dec. 31, 2012
Derivatives used as fair value hedges	**875**	**809**
Interest-linked contracts	875	809
Derivatives used as cash flow hedges	**11**	**11**
Currency-linked contracts	11	11
Derivatives used for hedges of net investments in foreign operations	**1**	–
Currency-linked contracts	1	–
Total	887	820

» 50 FINANCIAL ASSETS HELD FOR TRADING

€ million	Dec. 31, 2013	Dec. 31, 2012
DERIVATIVES (POSITIVE FAIR VALUES)	**22,097**	**36,710**
Interest-linked contracts	19,526	34,090
Currency-linked contracts	590	543
Share-/index-linked contracts	492	538
Other contracts	1,075	878
Credit derivatives	414	661
BONDS AND OTHER FIXED-INCOME SECURITIES	**11,127**	**11,690**
Money market instruments	**305**	**489**
from public-sector issuers	40	175
from other issuers	265	314
Bonds	**10,822**	**11,201**
from public-sector issuers	1,627	2,182
from other issuers	9,195	9,019
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**585**	**507**
Shares	492	381
Investment fund units	33	55
Other variable-yield securities	60	71
RECEIVABLES	**19,048**	**17,802**
Money market placements	**18,305**	**17,267**
with banks	14,802	14,921
of which: with affiliated banks	1,703	3,050
with other banks	13,099	11,871
with customers	3,503	2,346
Promissory notes, registered bonds, and other loans and advances	**743**	**535**
with banks	601	395
of which: with affiliated banks	–	25
with other banks	601	370
with customers	142	140
Total	**52,857**	**66,709**

In 2013, the fair values of over-the-counter (OTC) interest-rate derivatives that are traded through a central counterparty were netted for the first time with the financial liabilities from variation margin payments arising from these transactions. The variation margin payments are settled on a daily basis. In 2012, the assets resulting from variation margin payments that were settled on a daily net basis were recognized under other assets. As at December 31, 2013, this netting reduced the carrying amount of financial assets held for trading by €2,082 million.

» 51 INVESTMENTS

€ million	Dec. 31, 2013	Dec. 31, 2012
BONDS AND OTHER FIXED-INCOME SECURITIES	**53,800**	**56,399**
Money market instruments	**374**	**343**
from public-sector issuers	65	163
from other issuers	309	180
Bonds	**53,426**	**56,056**
from public-sector issuers	25,175	21,434
from other issuers	28,251	34,622
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,485**	**1,195**
Shares and other shareholdings	253	251
Investment fund units	946	668
Other variable-yield securities	286	276
INVESTMENTS IN SUBSIDIARIES	**577**	**1,227**
of which: in banks	19	19
in financial services institutions	11	12
INTERESTS IN JOINT VENTURES	**659**	**637**
of which: in banks	433	436
INVESTMENTS IN ASSOCIATES	**354**	**334**
of which: in banks	30	34
Total	**56,875**	**59,792**

The carrying amount of interests in joint ventures accounted for using the equity method totaled €656 million (December 31, 2012: €586 million). €340 million of the investments in associates has been accounted for using the equity method (December 31, 2012: €324 million).

» 52 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Dec. 31, 2013	Dec. 31, 2012
Investment property	1,595	1,530
Investments in subsidiaries	590	377
Interests in joint ventures	38	20
Investments in associates	21	40
Mortgage loans	7,257	6,494
Promissory notes and loans	9,213	9,838
Registered bonds	10,031	9,859
Other loans	1,337	1,573
Variable-yield securities	5,156	4,479
Fixed-income securities	28,414	26,101
Derivatives (positive fair values)	161	301
Deposits with ceding insurers	174	182
Assets related to unit-linked contracts	6,268	5,502
Total	**70,255**	**66,296**

The fair value of investment property was €1,906 million as at the balance sheet date (December 31, 2012: €1,768 million). This includes shares to which policyholders have a statutory entitlement. As in 2012, 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 €609 million (December 31, 2012: €368 million). The group also has capital expenditure commitments amounting to €200 million (December 31, 2012: €141 million). A total of €35 million was spent on the repair and maintenance of investment property in 2013 (2012: €29 million). Vacant property resulted in repair and maintenance expenses of €2 million (2012: €1 million).

The carrying amount of interests in joint ventures accounted for using the equity method totaled €21 million (December 31, 2012: €20 million).

» 53 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Dec. 31, 2013	Dec. 31, 2012
Land and buildings	906	424
Office furniture and equipment	137	110
Assets subject to operating leases	639	1,218
Investment property	88	89
Total	**1,770**	**1,841**

The fair value of investment property was €183 million as at the balance sheet date (December 31, 2012: €133 million). This includes the fair value of investment property reported as assets subject to operating leases, which has a carrying amount of €13 million (December 31, 2012: €24 million).

Payments in advance are allocated to the relevant property, plant and equipment. The prior-year figures have been restated accordingly.

» 54 INCOME TAX ASSETS AND LIABILITIES

€ million	Dec. 31, 2013	Dec. 31, 2012
Income tax assets	**1,543**	**2,056**
Current income tax assets	451	576
Deferred tax assets	1,092	1,480
Income tax liabilities	**575**	**641**
Current income tax liabilities	328	376
Deferred tax liabilities	247	265

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, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Tax loss carryforwards	137	309		
Loans and advances to banks and customers (net)	89	154	238	356
Financial assets and liabilities held for trading, derivatives used for hedging (positive and negative fair values)	465	711	21	–
Investments	219	359	348	586
Investments held by insurance companies	15	24	206	305
Property, plant and equipment, and investment property	35	16	50	18
Deposits from banks and customers	571	697	67	21
Debt certificates issued including bonds	83	153	23	27
Provisions for employee benefits and for share-based payment transactions	347	350	21	20
Other provisions	99	109	14	9
Insurance liabilities	88	80	232	249
Other balance sheet items	50	58	133	214
Total (gross)	**2,198**	**3,020**	**1,353**	**1,805**
Netting of deferred tax assets and deferred tax liabilities	-1,106	-1,540	-1,106	-1,540
Total (net)	**1,092**	**1,480**	**247**	**265**

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 have been recognized for corporation tax loss carryforwards amounting to €166 million (December 31, 2012: €161 million), which can be carried forward indefinitely, or for trade tax loss carryforwards amounting to €110 million (December 31, 2012: €92 million). There remained foreign loss carryforwards of €701 million (December 31, 2012: €830 million) that mostly expire in no more than 16 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 2013 or 2012 in their tax jurisdiction, it will be possible to utilize deferred tax assets amounting to €5 million (December 31, 2012: €2 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 liability surplus of €25 million recognized in other comprehensive income. As at December 31, 2012, there had been a deferred tax asset surplus of €42 million. The deferred tax liability surplus primarily relates to investments, investments held by insurance companies, and provisions for employee benefits.

Deferred tax assets of €704 million (December 31, 2012: €864 million) and deferred tax liabilities of €125 million (December 31, 2012: €136 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 €298 million (December 31, 2012: €226 million) that do not give rise to permanent differences because profits are unlikely to be distributed in the foreseeable future.

» 55 OTHER ASSETS

€ million	Dec. 31, 2013	Dec. 31, 2012
Other assets held by insurance companies	4,096	3,553
Goodwill	216	275
Other intangible assets	349	348
of which: software	216	173
acquired customer relationships	123	137
Other loans and advances	165	144
Residual other assets	415	1,460
Total	**5,241**	**5,780**

Other intangible assets include internally generated intangible assets amounting to €32 million (December 31, 2012: €28 million).

Since 2013, the variation margin payments of all OTC interest-rate derivatives traded through a central counterparty – which in 2012 were reported under other assets and settled daily on a netted basis – have been netted with the carrying amounts of the derivatives positions traded through the central counterparty, which are reported under financial assets held for trading, financial liabilities held for trading, derivatives used for hedging (positive fair values), and derivatives used for hedging (negative fair values). As at December 31, 2013, this netting reduced the carrying amount of other assets by €892 million.

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

€ million	Dec. 31, 2013	Dec. 31, 2012
Intangible assets	**180**	**180**
Reinsurance assets	**469**	**290**
Provision for unearned premiums	8	10
Benefit reserve	83	91
Provision for claims outstanding	378	189
Receivables	**779**	**814**
Receivables arising out of direct insurance operations	563	622
Receivables arising out of reinsurance operations	155	144
Other receivables	61	48
Credit balances with banks, checks and cash on hand	**588**	**298**
Residual other assets	**2,080**	**1,971**
Property, plant and equipment	446	437
Prepaid expenses	26	32
Remaining assets held by insurance companies	1,608	1,502
Total	**4,096**	**3,553**

The intangible assets in the other assets held by insurance companies include internally generated intangible assets amounting to €27 million (December 31, 2012: €29 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	2013	2012
Balance as at Jan. 1	10	37
Additions	30	39
Utilizations/reversals	-32	-66
Balance as at Dec. 31	**8**	**10**

REINSURERS' SHARE OF THE CHANGES IN THE BENEFIT RESERVE

€ million	2013	2012
Balance as at Jan. 1	91	118
Additions	4	5
Utilizations/reversals	-12	-32
Balance as at Dec. 31	**83**	**91**

REINSURERS' SHARE OF THE CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2013	2012
Balance as at Jan. 1	189	214
Claims expenses	238	38
less payments	-49	-63
Balance as at Dec. 31	**378**	**189**

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:

» 56
CHANGES IN NON-CURRENT ASSETS

	Investments held by insurance companies
€ million	Investment property
Carrying amounts as at Jan. 1, 2012	1,402
Cost as at Jan. 1, 2012	1,635
Additions	180
Additions in respect of borrowing costs eligible for capitalization	1
Reclassifications	–
Disposals	-10
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Cost as at Dec. 31, 2012	**1,806**
Reversals of impairment losses as at Jan. 1, 2012	19
Additions	1
Reversals of impairment losses as at Dec. 31, 2012	**20**
Depreciation/amortization and impairment losses as at Jan. 1, 2012	-252
Depreciation/amortization expense for the year	-40
Impairment losses for the year	-4
Reclassifications	–
Disposals	–
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Depreciation/amortization and impairment losses as at Dec. 31, 2012	**-296**
Carrying amounts as at Dec. 31, 2012	1,530
Cost as at Jan. 1, 2013	1,806
Additions	303
Additions in respect of borrowing costs eligible for capitalization	1
Reclassifications	-20
Reclassifications to non-current assets and disposal groups classified as held for sale	20
Disposals	-61
Changes attributable to currency translation	–
Changes in scope of consolidation	-145
Cost as at Dec. 31, 2013	**1,904**
Reversals of impairment losses as at Jan. 1, 2013	20
Additions	3
Disposals	-15
Changes in scope of consolidation	-1
Reversals of impairment losses as at Dec. 31, 2013	**7**
Depreciation/amortization and impairment losses as at Jan. 1, 2013	-296
Depreciation/amortization expense for the year	-43
Impairment losses for the year	-2
Reclassifications	11
Reclassifications to non-current assets and disposal groups classified as held for sale	-11
Disposals	8
Changes attributable to currency translation	–
Changes in scope of consolidation	17
Depreciation/amortization and impairment losses as at Dec. 31, 2013	**-316**
Carrying amounts as at Dec. 31, 2013	**1,595**

Property, plant and equipment, and investment property				Other assets	
Land and buildings	Office furniture and equipment	Assets subject to operating leases	Investment property	Goodwill	Other intangible assets
462	109	1,531	117	280	365
713	489	1,869	142	280	934
5	37	583	–	3	81
–	–	7	–	–	–
6	7	-12	-41	–	7
-3	-31	-749	–	-8	-22
1	1	-19	–	–	1
-8	4	-130	2	–	8
714	**507**	**1,549**	**103**	**275**	**1,009**
6	–	1	–	–	–
–	–	19	–	–	–
6	**–**	**20**	**–**	**–**	**–**
-257	-380	-339	-25	–	-569
-13	-32	-131	-1	–	-82
-24	–	-20	–	–	-4
-5	-7	-2	12	–	-3
3	28	115	–	–	5
–	-1	6	–	–	-1
–	-5	20	–	–	-7
-296	**-397**	**-351**	**-14**	**–**	**-661**
424	110	1,218	89	275	348
714	507	1,549	103	275	1,009
20	65	163	–	–	86
–	–	–	–	–	–
-4	1	-160	3	–	11
-1	–	–	–	–	–
-2	-33	-503	–	–	-11
–	-1	-24	-2	–	-1
482	-1	-115	–	-2	-8
1,209	**538**	**910**	**104**	**273**	**1,086**
6	–	20	–	–	–
–	–	1	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
6	**–**	**21**	**–**	**–**	**–**
-296	-397	-351	-14	–	-661
-15	-32	-94	-1	–	-86
–	–	-17	-1	-57	–
–	-3	–	–	–	-7
1	–	–	–	–	–
1	27	124	–	–	9
–	–	1	–	–	1
–	4	45	–	–	7
-309	**-401**	**-292**	**-16**	**-57**	**-737**
906	**137**	**639**	**88**	**216**	**349**

In 2013, the useful life of the assets varied from 6 to 65 years for buildings (as in 2012), from 1 to 25 years for office furniture and equipment (2012: 1 to 25 years), and from 6 months to 25 years for assets subject to an operating lease (2012: 1 to 25 years); the useful life for investment property was 3 to 77 years (as in 2012). As in prior years, software included in other intangible assets was amortized over a useful life of 1 to 15 years.

Payments in advance are allocated to the relevant property, plant and equipment. The prior-year figures have been restated accordingly.

As in 2012, borrowing costs of €1 million were capitalized for investment property held by insurance companies. No borrowing costs were capitalized for assets subject to operating leases in 2013 (2012: €7 million). The capitalization rate used for borrowing costs was 0.77 percent for investment property held by insurance companies (2012: 3.58 percent).

Disclosures regarding the changes in goodwill are included in note 86.

» 57 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The non-current assets and disposal groups classified as held for sale largely comprise investment fund units in various funds and items of real estate.

» 58 DEPOSITS FROM BANKS

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Domestic banks	**23,067**	26,966	**59,480**	61,697	**82,547**	88,663
Affiliated banks	17,610	19,070	24,316	24,878	41,926	43,948
Other banks	5,457	7,896	35,164	36,819	40,621	44,715
Foreign banks	**1,999**	2,389	**6,815**	9,544	**8,814**	11,933
Total	**25,066**	29,355	**66,295**	71,241	**91,361**	100,596

The following table shows the breakdown of deposits from banks by type of business:

€ million	Dec. 31, 2013	Dec. 31, 2012
Home savings deposits	1,015	900
Money market deposits	22,563	21,644
Other deposits	67,783	78,052
Total	**91,361**	100,596

» 59 DEPOSITS FROM CUSTOMERS

€ million	Dec. 31, 2013	Dec. 31, 2012
DEPOSITS FROM DOMESTIC CUSTOMERS	**87,343**	**82,510**
Home savings deposits	**43,353**	**39,482**
Other deposits	**43,990**	**43,028**
Repayable on demand	7,682	7,144
With agreed maturity or notice period	36,308	35,884
DEPOSITS FROM FOREIGN CUSTOMERS	**11,205**	**9,659**
Home savings deposits	**1,631**	**1,453**
Other deposits	**9,574**	**8,206**
Repayable on demand	5,264	3,824
With agreed maturity or notice period	4,310	4,382
Total	**98,548**	**92,169**

The following table shows the breakdown of deposits from customers by type of business:

€ million	Dec. 31, 2013	Dec. 31, 2012
Home savings deposits	44,984	40,935
Money market deposits	2,221	3,210
Other deposits	51,343	48,024
Total	**98,548**	**92,169**

The other deposits from customers are broken down by customer group as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Germany	**43,990**	**43,028**
Retail customers	1,832	1,835
Corporate customers	40,245	40,981
Public sector	1,913	212
International	**9,574**	**8,206**
Retail customers	379	427
Corporate customers	9,114	7,560
Public sector	81	219
Total	**53,564**	**51,234**

» 60 DEBT CERTIFICATES ISSUED INCLUDING BONDS

€ million	Dec. 31, 2013	Dec. 31, 2012
Bonds issued	**46,105**	**51,564**
Mortgage Pfandbriefe	6,485	7,546
Public-sector Pfandbriefe	6,766	9,240
Other bonds	32,854	34,778
Other debt certificates issued	**7,848**	**11,726**
Total	**53,953**	**63,290**

All other debt certificates issued are commercial paper.

» 61 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Dec. 31, 2013	Dec. 31, 2012
Derivatives used as fair value hedges	**2,385**	**3,011**
Interest-linked contracts	2,385	3,011
Derivatives used as cash flow hedges	**2**	**1**
Currency-linked contracts	2	1
Derivatives used for hedges of net investments in foreign operations	**–**	**1**
Currency-linked contracts	–	1
Total	**2,387**	**3,013**

» 62 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Dec. 31, 2013	Dec. 31, 2012
DERIVATIVES (NEGATIVE FAIR VALUES)	**20,338**	**36,935**
Interest-linked contracts	18,122	33,703
Currency-linked contracts	546	617
Share-/index-linked contracts	718	928
Other contracts	664	1,088
Credit derivatives	288	599
SHORT POSITIONS	**749**	**828**
BONDS ISSUED	**13,564**	**13,086**
DEPOSITS	**11,119**	**7,866**
Money market deposits	**10,917**	**7,714**
from banks	9,854	5,809
of which: from affiliated banks	1,560	2,390
from other banks	8,294	3,419
from customers	1,063	1,905
Promissory notes and registered bonds issued	**202**	**152**
to banks	174	129
of which: to affiliated banks	174	129
to customers	28	23
Total	**45,770**	**58,715**

Bonds issued mainly comprise share- and index-linked certificates.

In 2013, the fair values of over-the-counter (OTC) interest-rate derivatives that are traded through a central counterparty were netted for the first time with the financial assets from variation margin payments arising from these transactions. The variation margin payments are settled on a daily basis. In 2012, the assets resulting from variation margin payments that were settled on a daily net basis were recognized under other assets. As at December 31, 2013, this netting reduced the carrying amount of financial liabilities held for trading by €2,742 million.

» 63 PROVISIONS

€ million	Dec. 31, 2013	Dec. 31, 2012
Provisions for employee benefits	**1,484**	**1,550**
Provisions for defined benefit plans	1,267	1,310
Provisions for other long-term employee benefits	99	110[1]
of which: for preretirement part-time employment schemes	25	34
Provisions for termination benefits	76	87[1]
of which: for early retirement schemes	13	14
for restructuring	45	55
Provisions for short-term employee benefits	42	43
Provisions for share-based payments	**10**	**10**
Other provisions	**888**	**848**
Provisions for onerous contracts	14	15
Provisions for restructuring	11	7
Provisions for loan commitments	47	58
Other provisions for loans and advances	42	47
Provisions relating to building society operations	515	459
Residual provisions	259	262
Total	**2,382**	**2,408**

1 Amount restated owing to the retrospective adoption of the amendments to IAS 19 *Employee Benefits*

PROVISIONS FOR DEFINED BENEFIT PLANS

The provisions for defined benefit plans predominantly result from pension plans that employees can no longer join (closed plans). There are also defined benefit pension plans for members of boards of managing directors. New employees in Germany are almost always only offered defined contribution pension plans, for which it is not generally necessary to recognize a provision. The picture outside Germany is more varied because there are both defined contribution and defined benefit plans that are open to new employees. However, the proportion of defined benefit obligations outside Germany to the groups total obligations is not material. The expense for defined contribution pension plans came to €14 million in 2013 (2012: €10 million) and is reported as pension and other post-employment benefit expenses under administrative expenses.

The present value of the defined benefit obligations is broken down by risk category as follows:

	Germany		Other countries		Total	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Final-salary-dependent plans	1,925	1,935	81	79	2,006	2,014
Defined benefit contributory plans	185	172	144	149	329	321
Accessorial plans	5	4	3	3	8	7
Total	**2,115**	**2,111**	**228**	**231**	**2,343**	**2,342**

A significant risk factor for all plans is the level of market interest rates for investment-grade fixed-income corporate bonds because the resulting interest affects both the amount of the obligations and the measurement of the plan assets.

The final-salary-dependent plans are pension obligations to employees, the amount of which depends on the employee's final salary before the retirement begins and that, for the most part, can be assumed to constitute a life-long payment obligation. In Germany, section 16 (1) of the Occupational Pensions Act (BetrAVG) requires the amount of the pension to be adjusted every three years to reflect the change in consumer prices or net wages. The main risk factors for final-salary-dependent pension plans are longevity, changes in salary, inflation risk, and the discount rate.

The majority of defined benefit contributory plans comprise obligations to pay fixed capital amounts or amounts at fixed interest rates. An annuitization option exists for around half of the obligations. As a result, there may be lifelong payment obligations as well as lump-sum payments and installments. For most obligations, the contributions are linked to remuneration. Most of these plans are closed.

Accessorial plans are when the employer commits to a benefit that essentially corresponds to the benefit that is provided when an insured event occurs if the contributions are invested in a financial product of a third-party pension provider or insurer. The amount of the pension benefits therefore depends on the pension plan of the third-party pension provider, which is directly exposed to the risk factors longevity, changes in salary, and market interest risk. Accessorial plans are almost risk free for the employer.

The pension plans agreed in Germany are not subject to minimum funding requirements. Minimum funding is required for some pension plans outside Germany owing to local regulations.

The changes in the present value of the defined benefit obligations were as follows:

€ million	2013	2012
Present value of defined benefit obligations as at Jan. 1	2,342	1,808
Current service cost	48	34
Interest expense	74	86
Employee contributions	5	6
Pension benefits paid including plan settlements	-90	-81
of which: relating to plan settlements	-4	-2
Unrecognized past service cost	1	–
Actuarial gains (-)/losses (+)	-36	488
of which: due to changes in demographic assumptions	-2	–
due to changes in financial assumptions	-45	477
experience-based	11	11
Plan takeovers	2	1
Changes attributable to currency translation	-3	-2
Changes in scope of consolidation	–	2
Present value of defined benefit obligations as at Dec. 31	**2,343**	**2,342**

The following actuarial assumptions were used in the measurement of the defined benefit obligations:

%	Dec. 31, 2013	Dec. 31, 2012
Discount rate	3.25	3.25
Salary increases	0.02–3.50	1.50–3.50
Pension increases	0.00–3.00	0.00–3.50

Based on the present value of the defined benefit obligations of the fully consolidated entities, the weighted absolute percentages for the salary increase parameter and pension increase parameter are 2.14 percent and 1.91 percent respectively (2012: 2.34 percent and 1.99 percent respectively).

SENSITIVITY ANALYSIS

The following table shows the sensitivity of the present value of the defined benefit obligations to changes in the actuarial parameters. The effects shown are based on an isolated change to one parameter, with the other parameters remaining constant. Correlation effects between individual parameters are not considered.

	€ million	%
Change in the present value of defined benefit obligations as at Dec. 31, 2013 if		
the discount rate were 100 basis points higher	-309	-13.19
the discount rate were 100 basis points lower	389	16.60
the future salary increase were 50 basis points higher	39	1.66
the future salary increase were 50 basis points lower	-37	-1.58
the future pension increase were 25 basis points higher	52	2.22
the future pension increase were 25 basis points lower	-50	-2.13

The duration of the defined benefit obligations as at December 31, 2013 was 15.41 years (December 31, 2012: 15.71 years).

PLAN ASSETS

Defined benefit obligations are offset by plan assets. €757 million of the plan assets are attributable to DZ BANK's contractual trust arrangement (CTA), and are managed as trust assets by DZ BANK Pension Trust e.V., Frankfurt am Main. The CTA investment committee defines the investment policy and strategy for the asset management company. Plan assets relating to obligations in the United States and United Kingdom have also been transferred to independent trusts. In Luxembourg, the assets were transferred to a pension fund and, in Switzerland, to a foundation. Trustees/administrators are responsible for the administration and management of the pension plans and for compliance with regulatory requirements.

The funding status of the defined benefit obligations is shown in the following table:

€ million	Dec. 31, 2013	Dec. 31, 2012
Present value of defined benefit obligations not funded by plan assets	1,332	1,080
Present value of defined benefit obligations funded by plan assets	1,011	1,262
Present value of defined benefit obligations	**2,343**	**2,342**
less fair value of plan assets	-1,081	-1,034
Defined benefit obligations (net)	1,262	1,308
Recognized surplus	5	2
Provisions for defined benefit plans	**1,267**	**1,310**
Reimbursement rights recognized as assets	1	4

The following table shows the changes in plan assets:

€ million	2013	2012
Fair value of plan assets as at Jan. 1	1,034	985
Interest income	33	32
Return on plan assets (excluding interest income)	-7	47
Contributions to plan assets	74	14
of which: contributions by employer	73	13
employee contributions	1	1
Pension benefits paid	-50	-45
of which: relating to plan settlements	-1	–
Changes attributable to currency translation	-3	1
Fair value of plan assets as at Dec. 31	**1,081**	**1,034**

Additional contributions to plan assets of €17 million are expected in 2014.

Approximately 62 percent of the plan assets (2012: approximately 68 percent) are invested in fixed-income assets, thereby allowing for the defined benefit obligations' sensitivity to interest rates. The defined benefit obligations and the plan assets are largely in the euro, US dollar, and pound sterling currency areas. If the defined benefit obligations and the plan assets are in different currencies, derivative hedges are entered into in order to hedge the currency risk. The minimum quality of the fixed-income investments – in the form of Pfandbriefe, government bonds, and corporate bonds – is investment grade (AAA to BBB). The bulk of the investments (particularly Pfandbriefe and government bonds) are of prime quality (AAA to AA).

The other investments are predominantly floating-rate securities (equities and investment fund units) from around the world, plus entitlements arising from the insurance policies, short-term investments, and real estate assets.

The fair value of the plan assets is broken down by asset class as follows:

	Dec. 31, 2013			Dec. 31, 2012		
€ million	With quoted market price in an active market	Without quoted market price in an active market	Total	With quoted market price in an active market	Without quoted market price in an active market	Total
Cash and money market investments	–	31	31	–	33	33
Bonds and other fixed-income securities	668	–	668	703	–	703
Shares	69	19	88	61	15	76
Investment fund units	50	80	130	50	13	63
Other shareholdings	–	2	2	–	2	2
Land and buildings	–	5	5	–	6	6
Entitlements arising from insurance policies	–	97	97	–	91	91
Other assets	–	60	60	–	60	60
Total	**787**	**294**	**1,081**	**814**	**220**	**1,034**

As at December 31, 2013, the plan assets included €42 million of the group's own financial instruments (December 31, 2012: €51 million). The real estate and other assets contained in the plan assets are not used by the company itself.

In Luxembourg, there exists a multi-employer plan. Provisions and contributions are allocated to the contributors as stipulated in the regulations. The gains or losses on investments are distributed to the contributors on the basis of the proportion of the net assets attributable to them at the start of the year.

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, 2013	15	7	58	47	459	262	848
Additions	1	7	20	7	106	105	246
Utilizations	-2	-2	–	-1	-50	-68	-123
Reversals	–	-2	-29	-11	–	-33	-75
Interest expense/changes in discount rate	–	–	–	1	–	2	3
Changes in scope of consolidation	–	–	–	–	–	-7	-7
Other changes	–	1	-2	-1	–	-2	-4
Balance as at Dec. 31, 2013	**14**	**11**	**47**	**42**	**515**	**259**	**888**

The expected maturities of other provisions are shown in the tables below.

AS AT DECEMBER 31, 2013

€ million	≤ 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provisions for onerous contracts	–	–	–	14	–
Provisions for restructuring	–	1	8	2	–
Provisions for loan commitments	10	3	31	–	3
Other provisions for loans and advances	10	5	24	2	1
Provisions relating to building society operations	5	262	208	40	–
Residual provisions	17	131	52	42	17
Total	**42**	**402**	**323**	**100**	**21**

AS AT DECEMBER 31, 2012

€ million	≤ 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provisions for onerous contracts	–	–	–	15	–
Provisions for restructuring	–	2	2	3	–
Provisions for loan commitments	41	2	6	–	9
Other provisions for loans and advances	27	3	2	2	13
Provisions relating to building society operations	5	233	185	36	–
Residual provisions	12	175	42	22	11
Total	**85**	**415**	**237**	**78**	**33**

» 64 INSURANCE LIABILITIES

€ million	Dec. 31, 2013	Dec. 31, 2012
Provision for unearned premiums	1,035	1,069
Benefit reserve	46,431	43,440
Provision for claims outstanding	7,798	6,967
Provision for premium refunds	6,240	6,601
Other insurance liabilities	37	39
Reserve for unit-linked insurance contracts	5,845	5,144
Total	**67,386**	**63,260**

CHANGES IN THE PROVISION FOR UNEARNED PREMIUMS

€ million	2013	2012
Balance as at Jan. 1	1,069	1,053
Additions	1,048	1,071
Utilizations/reversals	-1,076	-1,055
Changes attributable to currency translation	-6	-2
Changes in scope of consolidation	–	2
Balance as at Dec. 31	**1,035**	**1,069**

CHANGES IN THE BENEFIT RESERVE

€ million	2013	2012
Balance as at Jan. 1	43,440	40,344
Additions	5,503	5,217
Interest component	1,207	1,109
Utilizations/reversals	-3,716	-3,389
Other changes in measurement	-3	–
Changes in scope of consolidation	–	159
Balance as at Dec. 31	**46,431**	**43,440**

CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2013	2012
Balance as at Jan. 1	6,967	6,510
Claims expenses	5,167	5,136
Less payments	-4,295	-4,673
Changes attributable to currency translation	-41	-6
Balance as at Dec. 31	**7,798**	**6,967**

CHANGES IN THE PROVISION FOR PREMIUM REFUNDS

€ million	2013	2012
Balance as at Jan. 1	6,601	4,871
Additions	735	612
Utilizations/reversals	-863	-749
Changes resulting from unrealized gains and losses on investments (through other comprehensive income)	-215	1,580
Changes resulting from other remeasurements (through profit or loss)	-35	278
Changes attributable to currency translation	6	–
Changes in scope of consolidation	11	9
Balance as at Dec. 31	**6,240**	**6,601**

The breakdown of maturities for insurance liabilities is shown in the following tables:

AS AT DECEMBER 31, 2013

€ million	≤ 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provision for unearned premiums	929	93	13	–
Benefit reserve	2,177	6,428	11,987	25,839
Provision for claims outstanding	3,187	2,985	1,626	–
Provision for premium refunds	722	582	873	4,063
Other insurance liabilities	32	2	1	2
Total	**7,047**	**10,090**	**14,500**	**29,904**

AS AT DECEMBER 31, 2012

€ million	≤ 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provision for unearned premiums	986	68	15	–
Benefit reserve	1,728	6,866	11,978	22,868
Provision for claims outstanding	2,965	2,449	1,553	–
Provision for premium refunds	674	546	848	4,533
Other insurance liabilities	30	6	1	2
Total	**6,383**	**9,935**	**14,395**	**27,403**

» 65 OTHER LIABILITIES

€ million	Dec. 31, 2013	Dec. 31, 2012
Other liabilities of insurance companies	4,059	4,149
Liabilities from financial guarantee contracts	99	87
Accruals	862	775
Other payables	610	470
Residual other liabilities	357	375
Total	**5,987**	**5,856**

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

€ million	Dec. 31, 2013	Dec. 31, 2012
Other provisions	**301**	**307**
Provisions for employee benefits	258	274
Provisions for share-based payments	1	1
Other provisions	42	32
Payables and residual other liabilities	**3,758**	**3,842**
Subordinated capital	35	37
Deposits received from reinsurers	104	115
Payables arising out of direct insurance operations	1,726	1,848
Payables arising out of reinsurance operations	210	269
Debt certificates issued including bonds	27	26
Deposits from banks	392	321
Derivatives (negative fair values)	35	41
Liabilities from capitalization transactions	610	662
Other payables	161	150
Residual other liabilities	458	373
Total	**4,059**	**4,149**

» 66 SUBORDINATED CAPITAL

€ million	Dec. 31, 2013	Dec. 31, 2012
Subordinated liabilities	3,465	3,251
Profit-sharing rights	314	615
Other hybrid capital	363	379
Share capital repayable on demand	84	57
Total	**4,226**	**4,302**

SUBSCRIBED CAPITAL

» 67
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 2012 financial year DZ BANK paid a dividend of €0.10 per share in 2013 (paid in 2012: €0.05 per share).

AUTHORIZED CAPITAL

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by May 31, 2017 on one or more occasions by up to a total of €100 million by way of issuing new registered no-par-value shares in return for cash or non-cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of shareholders both in the case of capital increases in return for non-cash contributions and in the case of capital increases in return for cash contributions if the capital is increased for the purpose of
- issuing new shares to employees of the company (employee shares),
- issuing new shares to one or more cooperative banks which, measured in terms of their total assets, directly and indirectly have a below-average stake in the corporation's share capital, i. e. less than 0.5 percent of their total assets (using the nominal value of €2.60 per DZ BANK share),
- acquiring companies, equity investments in companies or for granting equity investments in the corporation in order to back strategic partnerships.

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

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by May 31, 2017 on one or more occasions by up to a total of €400 million by issuing new registered no-par-value shares in return for cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription right of shareholders ('Authorized Capital II').

The Board of Managing Directors did not make use of any of this authorized action in 2013.

DISCLOSURES ON SHAREHOLDERS

At the end of 2013, 95.9 percent of shares were held by cooperative enterprises, as was also the case at December 31, 2012. 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 RESERVE

The capital reserve comprises 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 gains and losses arising from remeasurement of defined benefit plans after taking into account deferred taxes. Cumulative gains and losses arising from remeasurement of defined benefit plans amounted to a loss of €221 million (December 31, 2012: loss of €240 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, 2013, non-current assets classified as held for sale accounted for none of the revaluation reserve (December 31, 2012: €10 million).

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.

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). It also includes the gains and losses on hedges of net investments in foreign operations and the change in the currency translation reserve for entities accounted for using the equity method.

NON-CONTROLLING INTERESTS

Non-controlling interests comprise the equity of subsidiaries not attributable to DZ BANK. Of the total for non-controlling interests, €3 million was attributable as at December 31, 2012 to 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

2013

€ 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	–	340	–	–	5
Gains and losses on cash flow hedges	–	–	–	–	–
Exchange differences on currency translation of foreign operations	–	–	–	-10	–
Gains and losses on hedges of net investments in foreign operations	–	–	–	4	–
Gains and losses arising from remeasurement of defined benefit plans	19	–	–	–	4
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-1	1	–	-16	-4
Other comprehensive income/loss	**18**	**341**	**–**	**-22**	**5**

2012

€ 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	–	1,061	–	–	249
Gains and losses on cash flow hedges	–	–	27	–	3
Exchange differences on currency translation of foreign operations	–	–	–	10	3
Gains and losses on hedges of net investments in foreign operations	–	–	–	-1	–
Gains and losses arising from remeasurement of defined benefit plans	-302	–	–	–	-43
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-14	76	3	23	1
Other comprehensive income/loss	**-316**	**1,137**	**30**	**32**	**213**

D Financial instruments and fair value disclosures

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class (in accordance with IFRS 7) and by category of financial instruments (in accordance with IAS 39):

» 68
CLASSES, CATEGORIES, AND FAIR VALUES OF FINANCIAL INSTRUMENTS

€ million	Dec. 31, 2013 Carrying amount	Dec. 31, 2013 Fair value	Dec. 31, 2012 Carrying amount	Dec. 31, 2012 Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**144,827**	**144,827**	**157,672**	**157,672**
Financial instruments held for trading	**53,018**	**53,018**	**67,010**	**67,010**
Financial assets held for trading	52,857	52,857	66,709	66,709
Investments held by insurance companies	161	161	301	301
Fair value option	**18,969**	**18,969**	**21,027**	**21,027**
Loans and advances to banks	1,513	1,513	1,678	1,678
Loans and advances to customers	6,207	6,207	6,441	6,441
Investments	10,462	10,462	11,774	11,774
Investments held by insurance companies	787	787	1,134	1,134
Derivatives used for hedging	**887**	**887**	**820**	**820**
Derivatives used for hedging (positive fair values)	887	887	820	820
Available-for-sale financial assets	**71,953**	**71,953**	**68,815**	**68,815**
Loans and advances to customers	29	29	60	60
Investments	38,137	38,137	38,130	38,130
Investments held by insurance companies	33,787	33,787	30,625	30,625
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**220,249**	**224,179**	**226,371**	**231,817**[1]
Loans and receivables	**219,839**	**223,769**	**225,902**	**231,348**[1]
Cash and cash equivalents	3,524	3,524	2,260	2,260
Loans and advances to banks	72,540	73,787	77,604	79,292[1]
Loans and advances to customers	108,302	110,646	109,522	113,337[1]
Investments	6,870	6,652	8,509	7,812
Investments held by insurance companies	27,462	28,346	27,002	28,157
Other assets	814	814	490	490
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	327		515	
Available-for-sale financial assets	**410**	**410**	**469**	**469**
Investments	410	410	469	469
FINANCE LEASES	**4,809**	**5,104**	**5,426**	**5,931**
Loans and advances to customers	4,809	5,104	5,426	5,931

1 Amount restated, see note 2 in the notes to the financial statements

€ million	Dec. 31, 2013 Carrying amount	Dec. 31, 2013 Fair value	Dec. 31, 2012 Carrying amount	Dec. 31, 2012 Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**74,756**	**74,756**	**93,035**	**93,035**
Financial instruments held for trading	**45,805**	**45,805**	**58,756**	**58,756**
Financial liabilities held for trading	45,770	45,770	58,715	58,715
Other liabilities	35	35	41	41
Fair value option	**26,564**	**26,564**	**31,266**	**31,266**
Deposits from banks	5,042	5,042	6,572	6,572
Deposits from customers	7,575	7,575	9,476	9,476
Debt certificates issued including bonds	12,612	12,612	13,816	13,816
Subordinated capital	1,335	1,335	1,402	1,402
Derivatives used for hedging	**2,387**	**2,387**	**3,013**	**3,013**
Derivatives used for hedging (negative fair values)	2,387	2,387	3,013	3,013
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**223,245**	**226,538**	**231,057**	**235,688**[1]
Deposits from banks	86,319	87,505	94,024	95,376[1]
Deposits from customers	90,973	92,797	82,693	85,275[1]
Debt certificates issued including bonds	41,341	41,984	49,474	50,359
Other liabilities	1,472	1,472	1,635	1,635
Subordinated capital	2,891	2,780	2,900	3,043
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	249		331	
FINANCE LEASES	**30**	**34**	**31**	**35**
Other liabilities	30	34	31	35
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**146**	**146**	**145**	**145**
Financial guarantee contracts	**99**	**99**	**87**	**87**
Other liabilities	99	99	87	87
Loan commitments	**47**	**47**	**58**	**58**
Provisions	47	47	58	58

1 Amount restated, see note 2 in the notes to the financial statements

Given the complex structure of home savings contracts and the multitude of scales of rates and charges, there is currently no suitable method for calculating the fair value of an individual contract as at the balance sheet date. Consequently, the fair value cannot be determined using either comparable market prices or suitable option pricing models. The fair values of financial assets and financial liabilities resulting from building society operations are therefore shown in simplified form at their carrying amounts. On the basis of the models used for building society management, which comprise both collective and non-collective business including deposits, the overall performance of building society operations during the reporting year was positive.

The carrying amounts and fair values reported under investments held by insurance companies relate to receivables and 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. The fair value of investments held by insurance companies is only recognized in the proportion attributable to the shareholders of the DZ BANK Group.

FINANCIAL INSTRUMENTS MEASURED AT COST

Investments 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 €410 million (December 31, 2012: €469 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 financial instruments. The purpose of these investments is largely to support the business operations of the DZ BANK Group on a permanent basis.

In the year under review, the DZ BANK Group sold a small volume of investments in non-consolidated subsidiaries and other shareholdings in entities in which the group had no significant influence, these investments being measured at cost. This resulted in only negligible losses on disposal.

In 2012, the DZ BANK Group had 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 €21 million measured at cost. This resulted in gains on disposal of €1 million.

FAIR VALUE HIERARCHY

» 69
ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON THE BALANCE SHEET

RECURRING FAIR VALUE MEASUREMENTS

The recurring fair value measurements are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2		Level 3	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Assets	**76,537**	75,949	**70,027**	81,073	**4,540**	650
Loans and advances to banks	–	–	1,513	1,678	–	–
Loans and advances to customers	–	–	5,591	6,441	645	60
Derivatives used for hedging (positive fair values)	–	–	887	820	–	–
Financial assets held for trading	7,854	9,318	44,454	57,288	549	103
Investments	33,688	38,276	12,988	11,386	1,923	242
Investments held by insurance companies	34,995	28,355	4,588	3,460	1,420	245
Non-current assets and disposal groups classified as held for sale	–		6		3	
Liabilities	**7,358**	3,879	**66,932**	88,160	**6,645**	996
Deposits from banks	–	–	5,023	6,520	19	52
Deposits from customers	–	–	7,567	9,457	8	19
Debt certificates issued including bonds	2,215	2,290	10,050	10,827	347	699
Derivatives used for hedging (negative fair values)	–	–	2,387	3,013	–	–
Financial liabilities held for trading	968	1,587	38,532	56,902	6,270	226
Financial liabilities arising from fund-linked insurance products	4,174		2,005		–	
Other liabilities	1	2	33	39	1	–
Subordinated capital	–	–	1,335	1,402	–	–

The investments held by insurance companies measured at fair value include assets related to unit-linked contracts. These are offset on the equity and liabilities side of the balance sheet by financial liabilities measured at fair value arising from fund-linked insurance products, which are included in insurance liabilities and other liabilities of insurance companies.

The rise in recurring fair value measurements assigned to Level 3 is attributable to a revised estimate of the market observability of valuation parameters.

TRANSFERS

Assets and liabilities held at the balance sheet date and measured at fair value on a recurring basis were transferred as follows between Levels 1 and 2 of the fair value hierarchy:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	2013	2012	2013	2012
Assets measured at fair value	**6,115**	832	**669**	2,384
Financial assets held for trading	524	96	39	529
Investments	4,799	597	313	1,659
Investments held by insurance companies	777	139	317	196
Non-current assets and disposal groups classified as held for sale	15	–	–	–
Liabilities measured at fair value	**79**	–	–	–
Financial liabilities held for trading	79	–	–	–

Transfers from Level 1 to Level 2 were due to quoted prices no longer being obtainable in active markets for identical assets. Transfers from Level 2 to Level 1 were due to the availability of quoted prices in active markets that had previously not existed.

In the DZ BANK Group, transfers between Levels 1 and 2 take place when there is a change in the inputs that is relevant to categorization in the fair value hierarchy.

FAIR VALUE MEASUREMENTS WITHIN LEVELS 2 AND 3

Fair value measurements within Level 2 of the fair value hierarchy either use prices available in active markets for similar, but not identical, financial instruments or use valuation techniques largely based on observable market data. If valuation techniques are used that include a significant valuation parameter that is not observable in the market, the relevant fair value measurements are categorized within Level 3 of the fair value hierarchy.

The DZ BANK Group predominantly uses discounted cash flow methods for the fair value measurement of loans and advances as well as of bonds and other fixed-income securities. Instrument-specific and issuer-specific interest rates are used to discount the expected cash flows. The interest rates are determined by selecting appropriate yield curves, most of which are subject to further adjustment. As far as loans are concerned, the focus is on secured and unsecured treasury yield curves; for bonds and other fixed-income securities, the focus is on currency-specific swap curves. These are adjusted using issuer-specific spreads (resulting from the issuer's internal and external credit rating, sector, and risk category), basis swap spreads, unobservable liquidity spreads, and other spreads. In exceptional cases, the notional amount of the debt instrument in question provides the best evidence of fair value.

The fair value measurements of liabilities attributable to registered creditors, debt certificates issued including bonds, and subordinated capital are determined in the same way as for the debt instruments held by using discounted cash flow methods. The modeling of instrument-specific and issuer-specific interest rates for the discounting is based on secured and unsecured funding caps for liabilities and on the relevant subordinated spreads respectively. Basis swap spreads are also used in some cases.

The fair value measurements of shares and other variable-yield securities and of long-term equity investments accounted for in accordance with IAS 39 are determined by applying income capitalization approaches and observing transaction prices. The best indicator of fair value is deemed to be the transaction prices for recent transactions involving the relevant financial instruments, provided there have been any such transactions. Essentially, the fair value is measured using income capitalization approaches in which future income and dividends – calculated on the basis of forecasts and estimates – are discounted, taking risk parameters into account.

The fair value measurements of investment fund units are determined using the pro rata net asset value. This is adjusted for any outstanding performance-related remuneration entitlements of fund managers; risk adjustments are also taken into account. Some long-term equity investments in real-estate companies are also measured at net asset value. In this case, the liabilities are subtracted from the fair values of the real estate tied up in the company and the result is multiplied by the percentage of shareholding. The prices of units in real-estate funds that are not managed by the DZ BANK Group are provided by the fund management company that manages these funds. These units are measured regularly at net asset value. Fair value measurements are also based on valuations, current values, and prices in recent transactions.

The fair value measurement of OTC derivatives applies the option in IFRS 13.48, which enables the total net amount to be measured. In the first step, credit risk is not taken into account. The fair values of OTC option derivatives are measured using generally accepted option pricing models such as the Black-Scholes and Black 76 models or the one-factor and two-factor Hull-White models. Share/index options are measured on the basis of the local volatility model with constant forward skew using a Monte Carlo simulation. Non-option, interest-rate-based OTC derivatives are generally measured in accordance with the multiple-curve approach. Variable cash flows are projected using tenor-specific fixing curves. When future cash flows are discounted, liquidity-related adjustments are made to the relevant yield curves – similarly to the method applied to non-derivative interest-bearing financial instruments. In order to determine the fair value of forward forex transactions, the differences between translation at the spot rate and the agreed forward rate are calculated. In the second step, credit risk arising from derivatives is recognized after the total net amount has been determined. Credit valuation adjustments (CVA) are recognized to account for counterparty credit risk and debt valuation adjustments (DVA) are recognized to account for the group's own credit risk. Their measurement also takes account of collateral and uses market-implied parameters with matching maturities or internal parameters with matching maturities for the probability of default and loss given default.

The fair values of structured products are measured by breaking them down into their constituent parts. The fair values of the non-derivative and derivative components are determined in accordance with the methods described above.

The following table shows the valuation techniques, the unobservable inputs, and their spread used for the fair value measurements at Level 3 of the fair value hierarchy.

Class according to IFRS 13	Assets/ liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)
Loans and advances to customers	Loans	396	DCF method	Credit spread	–
	Loans	220	DCF method	Internal spread	–
	Silent partnerships	29	DCF method	Internal credit ratings	8.1 to 15.5
Financial assets held for trading	RMBSs/CMBSs	236	DCF method	Liquidity spread	2
	Bearer securities	153	DCF method	Credit spread	–
	Equity/commodity basket products	105	DCF method	Correlation of the risk factors considered	-59 to 98
	Collateralized loan obligations	24	DCF method	Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Asset-backed securities	14	DCF method	Credit spread	0.6 to 2.2
	Syndicated loans	10	DCF method	Credit spread	1.7
	Issuers in default	7	DCF method	Recovery rate	10

Class according to IFRS 13	Assets/ liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs	Range of unobservable inputs (%)
Investments	Bearer securities	1,296	DCF method	Internal spread	-2.1 to 1.3
	VR Circle	428	DCF method	Multiple-year default probabilities	0 to 100
	Bearer securities	80	DCF method	Credit spread	–
	Profit-participation certificates, long-term equity investments	50	DCF method	Assumptions for measurement of risk parameters	9.5 to 10.1
	Collateralized loan obligations	14	DCF method	Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Investment fund units	44	Net asset value	–	–
		2	DCF method	Liquidity spread	25
	Investments in subsidiaries	6	Income capitalization approach	Future income	–
	ABSs	3	DCF method	Credit spread	0.6 to 2.2
Investments held by insurance companies	Investments in subsidiaries and associates, variable-yield securities, other long-term equity investments, investment fund units	1,136	Net asset value method	Net asset value	–
		246	Income capitalization approach	Future income	–
	Registered profit-participation certificates	34	Notional amount	–	–
	Variable-yield securities	3	Prices offered by issuers	–	–
	Derivatives (positive fair values)	1	Indicative valuation	Forward exchange rates	–
Non-current assets and disposal groups classified as held for sale	Real estate	3	Standard valuation methods	Future rent, reference prices	–
Deposits from banks and customers	Nth-to-default credit-linked notes	27	DCF method	Credit correlation	55 to 80
Debt certificates issued including bonds	Nth-to-default credit-linked notes	200	DCF method	Credit correlation	55 to 80
	VR Circle	147	DCF method	Multiple-year default probabilities	0 to 100
Financial liabilities held for trading	Equity/commodity basket products	5,762	DCF method	Correlation of the risk factors considered	-59 to 98
	VR Circle	282	DCF method	Multiple-year default probabilities	0 to 100
	Nth-to-default credit-linked notes	226	DCF method	Credit correlation	55 to 80
Other liabilities	Derivatives (negative fair values)	1	Hull-White, Black 76	Credit spread, volatilities	–

FAIR VALUE MEASUREMENTS WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY

The table below shows the changes in the recurring fair value measurements of assets within Level 3 of the fair value hierarchy during the year under review:

€ million	Loans and advances to customers	Financial assets held for trading	Investments	Investments held by insurance companies	Non-current assets and disposal groups classified as held for sale
Balance as at Jan. 1, 2012	–	177	16	269	
Additions (purchases)	–	1	–	14	
Transfers	–	14	131	-8	
from Level 3 to Levels 1 and 2	–	–	–	-9	
from Levels 1 and 2 to Level 3	–	14	131	1	
Disposals (sales)	–	-82	-9	-29	
Changes resulting from measurement at fair value	–	-7	-35	-1	
through profit or loss	–	-7	-35	12	
through other comprehensive income	–	–	–	-13	
Other changes	60	–	139	–	
Balance as at Dec. 31, 2012	60	103	242	245	–
Additions (purchases)	1	48	94	302	–
Transfers	817	474	1,719	831	–
from Level 3 to Levels 1 and 2	-57	–	–	-78	–
from Levels 1 and 2 to Level 3	874	474	1,719	909	–
Disposals (sales)	-221	-72	-124	-77	-13
Changes resulting from measurement at fair value	-12	-4	-6	18	-1
through profit or loss	-13	-4	-8	-24	-1
through other comprehensive income	1	–	2	42	–
Other changes	–	–	-2	101	17
Balance as at Dec. 31, 2013	**645**	**549**	**1,923**	**1,420**	**3**

The table below shows the changes in fair values of Level 3 financial liabilities during the year under review.

€ million	Deposits from banks	Deposits from customers	Debt certificates issued including bonds	Financial liabilities held for trading	Other liabilities
Balance as at Jan. 1, 2012	67	21	845	175	–
Additions (issues)	–	–	–	79	–
Disposals (settlements)	-12	-1	-181	–	–
Changes resulting from measurement at fair value through profit or loss	-2	-1	39	-28	–
Other changes	-1	–	-4	–	–
Balance as at Dec. 31, 2012	52	19	699	226	–
Additions (issues)	–	–	–	544	–
Transfers	–	–	148	5,502	–
from Levels 1 and 2 to Level 3	–	–	148	5,502	–
Disposals (settlements)	-33	-10	-497	-3	–
Changes resulting from measurement at fair value through profit or loss	–	–	2	–	1
through profit or loss	–	–	2	–	1
Other changes	–	-1	-5	1	–
Balance as at Dec. 31, 2013	**19**	**8**	**347**	**6,270**	**1**

The other changes relate to accrued interest, currency translation, changes in the scope of consolidation, and reclassifications.

As part of the processes for fair value measurement, the DZ BANK Group reviews whether the valuation methods used for the measurement are typical and whether the valuation parameters used in the valuation methods are observable in the market. This review takes place at every balance sheet date, i.e. at least every six months. On the basis of this review, the fair value measurements are assigned to the levels of the fair value hierarchy. In the DZ BANK Group, transfers between the levels generally take place as soon as there is a change in the inputs that is relevant to categorization in the fair value hierarchy. In each step of this process, both the distinctive features of the particular product type and the distinctive features of the business models of the group entities are taken into consideration.

In 2013, transfers of fair values from Levels 1 and 2 to Level 3 of the fair value hierarchy were largely attributable to a revised estimate of the market observability of the valuation parameters used in the valuation methods. Transfers from Level 3 to Levels 1 and 2 were due to the availability of a price listed in an active market and to the inclusion in the valuation method of material valuation parameters observable in the market.

The amount recognized in profit or loss resulting from the recurring fair value measurements within Level 3 of assets and liabilities held at the balance sheet date constituted a loss of €48 million during the year under review (2012: loss of €1 million). The profit or loss is contained in the line items gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, and gains and losses on investments held by insurance companies and other insurance company gains and losses.

A worsening in the credit rating of 1 percent would lead to a decrease of €16.4 million in the fair values of the loans and advances to customers reported within Level 3. In the case of investments, the same change would lead to a decrease of €0.1 million in the amount recognized in profit or loss.

Alternative assumptions about the liquidity spreads used could lead to significant changes in respect of unsecured collateralized loan obligations reported under investments and financial assets held for trading. All other things being equal, a rise of 1 percent in liquidity spread assumptions would lead to a decrease recognized in profit or loss in the fair value of these financial assets of €0.5 million and a decrease recognized in other comprehensive income in their fair value of €0.2 million. The credit spread used for a very small proportion of the ABS portfolio is derived from research reports produced by third-party banks. Alternative assumptions about the credit spreads used could lead to significant changes in respect of this portfolio. All other things being equal, a rise of 1 percent in credit spread assumptions would lead to a decrease recognized in profit or loss in the fair value of these financial assets of €0.5 million and a decrease recognized in other comprehensive income in their fair value of €0.2 million.

Alternative assumptions about the correlations used could lead to significant changes in respect of the equity/commodity basket products reported under financial liabilities held for trading. All other things being equal, a rise of 1 percent in correlation assumptions would lead to a decrease recognized in profit or loss in the fair value of these financial liabilities of €2.5 million. Alternative assumptions about the default correlations used could lead to significant changes in the fair values of nth-to-default credit-linked notes reported under financial assets held for trading, financial liabilities held for trading, deposits from banks and customers, and debt certificates issued including bonds. 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 €0.1 million (December 31, 2012: €0.4 million).

Sensitivity analysis is used to calculate the aforementioned changes in the fair value measurements. Non-performing exposures and strategically held investments in subsidiaries and other shareholdings whose fair values are calculated using an income capitalization approach are not included in the sensitivity analysis.

EXERCISE OF OPTION PURSUANT TO IFRS 13.48

The option offered by IFRS 13.48 of measuring a net risk position for financial assets and financial liabilities is used for portfolios whose components are recognized under the balance sheet items financial assets held for trading, investments, loans and advances to banks, loans and advances to customers, and financial liabilities held for trading.

FAIR VALUE HIERARCHY

» 70
ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE ON THE BALANCE SHEET

RECURRING FAIR VALUE MEASUREMENTS

Recurring fair value measurements of assets and liabilities that are not recognized at fair value on the balance sheet, but whose fair value must be disclosed, are assigned to the levels of the fair value hierarchy as follows:

AS AT DECEMBER 31, 2013

€ million	Level 1	Level 2	Level 3
Assets	**670**	**128,578**	**96,916**
Cash and cash equivalents	–	3,524	–
Loans and advances to banks	–	72,148	1,639
Loans and advances to customers	–	19,937	90,709
Investments	564	4,768	1,730
Investments held by insurance companies	106	27,855	2,187
Property, plant and equipment, and investment property	–	183	–
Other assets	–	163	651
Liabilities	**3,355**	**175,492**	**47,790**
Deposits from banks	–	86,486	1,019
Deposits from customers	–	48,272	44,525
Debt certificates issued including bonds	3,327	37,458	1,199
Other liabilities	28	906	637
Subordinated capital	–	2,370	410

FAIR VALUE MEASUREMENTS WITHIN LEVELS 2 AND 3

The fair value measurements of assets and liabilities that are not recognized at fair value on the balance sheet largely correspond to the fair value measurements of assets and liabilities that are recognized at fair value on the balance sheet.

The following table shows the valuation techniques and the unobservable inputs used in these techniques for the fair value measurements at Level 3 of the fair value hierarchy.

Class according to IFRS 13	Assets/ liabilities	Fair value € million	Valuation technique	Unobservable inputs
Loans and advances to banks	Loans	1,638	DCF method	Credit spread, recovery rate
	Building loans	1	Amortized cost	–
Loans and advances to customers	Loans	62,248	DCF method	Credit spread, recovery rate, internal spread
	Building loans	27,130	Amortized cost	–
	Secured loans	1,199	Amortized cost	–
	Shareholders' loans, profit-sharing rights, silent partnerships, other loans and advances	132	DCF method	Internal credit ratings
Investments	Shares and other variable-yield securities and investments in subsidiaries, interests in joint ventures, and investments in associates	410	Cost	–
	RMBSs/CMBSs	426	DCF method	Liquidity spread
	Collateralized loan obligations	408	DCF method	Liquidity spread
	Bearer securities	229	DCF method	Credit spread
	Mortgage-backed securities	199	DCF method	Duration
	Bonds	48	DCF method	Credit spread
	Profit-participation certificates	7	DCF method	Estimated cash flows
	ABSs	3	DCF method	Liquidity spread
Investments held by insurance companies	Investment property	1,717	Standard valuation methods	Future rent, reference prices in the market
	Loans	198	Standard valuation methods	Credit spread, volatilities
	Loans and bank accounts	187	Cost	–
	Investment property	85	Cost	–
Other assets	Credit balances with banks	588	Cost	–
	Other loans and advances	61	Cost	–
	Other loans and advances	2	Amortized cost	–
Deposits from banks	Home savings deposits	1,015	Amortized cost	–
	Nth-to-default credit-linked notes	4	DCF method	Credit correlation

Class according to IFRS 13	Assets/ liabilities	Fair value € million	Valuation technique	Unobservable inputs
Deposits from customers	Home savings deposits	44,486	Amortized cost	–
	Loans	23	DCF method	Credit spread
	Overpayments on consumer finance loans	9	Cost	–
	Nth-to-default credit-linked notes	7	DCF method	Credit correlation
Debt certificates issued including bonds	Commercial paper	1,199	Amortized cost	–
Other liabilities	Loans	455	Amortized cost	–
	Trade payables, payables from land ownership	74	Cost	–
	Non-controlling interests in special funds	57	Cost	–
	Bonds	27	Amortized cost	–
	Subordinated loans	17	Amortized cost	–
	Share capital repayable on demand	5	Amount repayable	–
	Other payables	2	Amortized cost	–
Subordinated capital	Share capital repayable on demand	410	Amount repayable	–

LOANS AND RECEIVABLES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

» 71
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, 2013	Dec. 31, 2012
Loans and advances to banks	1,513	1,678
Loans and advances to customers	6,249	6,492
Investments	479	506
Investments held by insurance companies	376	763
Total	**8,617**	9,439

Financial guarantee contracts with a value of €3,759 million (December 31, 2012: €4,333 million) furnished by affiliated banks mitigate this credit risk.

As a result of changes in the credit risk, the fair value of loans and receivables designated as at fair value through profit or loss increased by €2 million during the reporting year (2012: increase of €56 million). As at the balance sheet date, the cumulative amount by which the fair value had decreased owing to changes in the credit risk was €48 million (December 31, 2012: decrease of €49 million). Any changes in fair value attributable to changes in the credit risk are determined as a residual amount. They take into account all changes to market conditions that do not affect market risk.

FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

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, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Deposits from banks	5,042	6,572	4,915	6,327
Deposits from customers	7,575	9,476	5,907	8,017
Debt certificates issued including bonds	12,612	13,816	12,163	13,229
Subordinated capital	1,335	1,402	1,283	1,326
Total	**26,564**	**31,266**	**24,268**	**28,899**

No financial assets were reclassified from one measurement category to another in the year under review. In 2012, financial assets with a carrying amount of €117 million had been reclassified from the category 'financial instruments held for trading' to the category 'loans and receivables'.

» 72
RECLASSIFICATIONS

The table below shows the carrying amounts and the fair values of all reclassified financial assets that were held at the balance sheet date:

€ million	Dec. 31, 2013	Dec. 31, 2012
Carrying amounts	1,227	2,096
Fair values	1,168	1,852

If all the reclassifications in previous financial years had not taken place, an additional gain of €62 million before taxes would have been recognized in the income statement in 2013 as a result of the fair value measurement (2012: gain of €114 million). In addition, gains before taxes of €18 million in respect of the fair value measurement would have been recognized in other comprehensive income in the reporting year (2012: gains before taxes of €308 million).

In 2013, profit before taxes included a loss of €1 million from gains, losses, income, and expenses in connection with all the reclassified financial assets held (2012: loss of €23 million).

The range of effective interest rates for the financial assets reclassified in 2012 was, at the time of reclassification, 2.2 percent to 5.8 percent. At the date of reclassification, cash flows amounting to €137 million were expected to be recovered for the financial assets reclassified in 2012.

» 73 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities reference standard master agreements, such as ISDA Master Agreements and German Master Agreements for Financial Futures. The standard master agreements contain a global netting agreement that only gives rise to a legally enforceable right to set off the amounts after a future event has occurred (in particular, insolvency).

The following tables show financial assets that were offset as at the balance sheet date, that are subject to a legally enforceable global netting agreement, or that are subject to a similar arrangement:

AS AT DECEMBER 31, 2013

€ million	Gross amount of financial assets before offsetting	Gross amount of offset financial liabilities	Net amount of financial assets (carrying amount)	Associated amounts not offset on the balance sheet		Net amount
				Financial instru-ments	Cash collateral received	
Derivatives	22,225	–	22,225	15,918	2,747	3,560
Reverse repos/securities borrowing	15,748	–	15,748	15,608	–	140
Total	**37,973**	**–**	**37,973**	**31,526**	**2,747**	**3,700**

AS AT DECEMBER 31, 2012

€ million	Gross amount of financial assets before offsetting	Gross amount of offset financial liabilities	Net amount of financial assets (carrying amount)	Associated amounts not offset on the balance sheet		Net amount
				Financial instru-ments	Cash collateral received	
Derivatives	35,404	–	35,404	27,404	2,936	5,064
Reverse repos/securities borrowing	14,543	–	14,543	14,489	–	54
Other financial instruments	76	–	76	2	10	64
Total	**50,023**	**–**	**50,023**	**41,895**	**2,946**	**5,182**

The following tables show financial liabilities that were offset as at the balance sheet date, that are subject to a legally enforceable global netting agreement, or that are subject to a similar arrangement:

AS AT DECEMBER 31, 2013

€ million	Gross amount of financial liabilities before offsetting	Gross amount of offset financial assets	Net amount of financial liabilities (carrying amount)	Associated amounts not offset on the balance sheet		Net amount
				Financial instru-ments	Cash collateral received	
Derivatives	21,535	–	21,535	15,733	4,556	1,246
Repos/ securities lending	9,460	–	9,460	9,348	2	110
Total	**30,995**	**–**	**30,995**	**25,081**	**4,558**	**1,356**

AS AT DECEMBER 31, 2012

€ million	Gross amount of financial liabilities before offsetting	Gross amount of offset financial assets	Net amount of financial liabilities (carrying amount)	Associated amounts not offset on the balance sheet		Net amount
				Financial instru-ments	Cash collateral received	
Derivatives	37,867	–	37,867	27,236	7,659	2,972
Repos/ securities lending	5,402	–	5,402	5,384	7	11
Other financial instruments	10	–	10	10	–	–
Total	**43,279**	**–**	**43,279**	**32,630**	**7,666**	**2,983**

TRANSFERS OF FINANCIAL ASSETS

» 74
SALE AND REPURCHASE AGREEMENTS, SECURITIES LENDING

In 2013, the only transfers carried out by the DZ BANK Group in which the transferred assets remained on the balance sheet in their entirety were transfers under sale and repurchase agreements (repos), in which the DZ BANK Group was the original seller, and transfers as part of securities lending transactions.

SALE AND REPURCHASE AGREEMENTS

The entities in the DZ BANK Group enter into sale and repurchase agreements using standard banking industry master agreements, notably the Global Master Repurchase Agreement (GMRA) and the master agreement provided by the International Securities Market Association (ISMA). Under these agreements, the buyer 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. If the fair value of the securities received or transferred in such transactions increases or decreases, the entity concerned may be required to furnish additional collateral or may demand additional collateral.

As at the balance sheet date, the sale and repurchase agreements entered into by companies in the DZ BANK Group were exclusively genuine sale and repurchase agreements.

SALE AND REPURCHASE AGREEMENTS IN WHICH DZ BANK ACTS AS A SELLER (REPOS)

Under sale and repurchase agreements, bonds and other fixed-income securities classified as financial assets measured at fair value and financial assets measured at amortized cost are temporarily transferred to another party. As at the balance sheet date, the carrying amounts of securities subject to such sale and repurchase agreements were:

€ million	Dec. 31, 2013	Dec. 31, 2012
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**10,325**	6,426
Financial instruments held for trading	**8,843**	4,988
Financial assets held for trading	8,843	4,988
Fair value option	**24**	175
Investments	24	175
Available-for-sale financial assets	**1,458**	1,263
Investments	1,458	1,263
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**61**	–
Loans and receivables	**61**	–
Investments	61	–
Total	**10,386**	6,426

As at December 31, 2013, cash collateral amounting to €2 million (December 31, 2012: €10 million) had also been furnished in connection with sale and repurchase agreements.

The carrying amounts of liabilities arising from sale and repurchase agreements were as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
LIABILITIES ASSOCIATED WITH FINANCIAL ASSETS MEASURED AT FAIR VALUE	**10,225**	**6,321**
Liabilities associated with financial assets classified as held for trading	**8,842**	**4,988**
Liabilities associated with financial assets held for trading	8,842	4,988
Liabilities associated with financial assets classified as fair value option	**21**	**160**
Liabilities associated with investments	21	160
Liabilities associated with available-for-sale financial assets	**1,362**	**1,173**
Liabilities associated with investments	1,362	1,173
LIABILITIES ASSOCIATED WITH FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**49**	**–**
Liabilities associated with loans and receivables	**49**	**–**
Liabilities associated with investments	49	–
Total	**10,274**	**6,321**

SALE AND REPURCHASE AGREEMENTS IN WHICH DZ BANK ACTS AS THE BUYER (REVERSE REPOS)

In reverse repo transactions, bonds and other fixed-income securities are bought on a temporary basis. As at December 31, 2013, the fair value of securities involved in such transactions was €15,592 million (December 31, 2012: €14,104 million).

The receivables arising from these reverse repo transactions and reported under financial assets held for trading amounted to €15,715 million as at the balance sheet date (December 31, 2012: €14,117 million). As part of the collateral management requirements, the original seller provides the DZ BANK Group with additional collateral for reverse repo transactions in which the fair value of the securities purchased is less than the amounts receivable from the seller.

SECURITIES LENDING

Securities lending transactions are undertaken on the basis of the Global Master Securities Lending Agreement (GMSLA) or on the basis of individual contractual arrangements. Under these agreements, 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. If the fair value of the securities received or transferred in such transactions increases or decreases, the entity concerned may be required to furnish additional collateral or may demand additional collateral.

SECURITIES LENDING

In securities lending transactions, shares and other variable-yield securities reported under financial assets held for trading are temporarily transferred to another party. All securities lent by the DZ BANK Group are classified as financial assets at fair value. As at the balance sheet date, the carrying amounts of securities lent under securities lending arrangements were as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Financial instruments held for trading	**16**	**6**
Financial assets held for trading	16	6
Available-for-sale financial assets	**–**	**578**
Investments held by insurance companies	–	578
Total	**16**	**584**

Collateral is provided or received as part of collateral management arrangements in connection with financial assets held for trading that are lent under securities lending agreements. In this process, all positions with the counterparty concerned are netted to determine the collateral to be provided or received.

SECURITIES BORROWING

The fair value of borrowed securities as at the balance sheet date was as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Bonds and other fixed-income securities	377	113
Shares and other variable-yield securities	76	211
Total	**453**	**324**

Collateral is furnished for borrowed securities as described in the collateral management arrangements above.

SECURITIES SUBJECT TO A SALE AND REPURCHASE OR LENDING AGREEMENT THAT THE RECIPIENT MAY SELL OR PLEDGE ELSEWHERE AS COLLATERAL WITH NO REQUIREMENT FOR A PRIOR COUNTERPARTY DEFAULT

All securities transferred to another party by entities in the DZ BANK Group under sale and repurchase agreements or securities lending agreements may be sold or pledged elsewhere as collateral by the recipient without restriction.

The carrying amounts of the individual balance sheet items concerned are as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Financial assets held for trading	8,859	4,994
Investments	1,543	1,438
Investments held by insurance companies	–	578
Total	**10,402**	**7,010**

COLLATERAL PLEDGED

» 75
COLLATERAL

The breakdown of the carrying amount of financial assets pledged as collateral for liabilities is as follows:

€ million	Dec. 31, 2013	Dec. 31, 2012
Loans and advances to banks	32,704	31,845
Loans and advances to customers	486	498
Financial assets held for trading	7,588	10,800
Investments	2	13
Investments held by insurance companies	391	382
Total	**41,171**	**43,538**

Loans and advances to banks with a carrying amount of €10 million are pledged as collateral for contingent liabilities. No collateral was pledged for contingent liabilities in 2012.

Of the total financial assets pledged as collateral for liabilities, financial assets held for trading and investments with a carrying amount of €1,885 million (2012: €1,320 million) may be sold or pledged elsewhere as collateral by the recipient, even if the relevant entity in the DZ BANK Group is not in default.

Funds received from Germany's KfW development 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 development bank are secured by assigning to KfW 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.

The investments pledged as collateral comprise securities furnished as collateral to cover a facility for short-term drawdown of funding in the event of a financial squeeze.

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 €37 million (December 31, 2012: €100 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

» 76
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	2013	2012
Financial instruments at fair value through profit or loss	**1,112**	659
Financial instruments held for trading	328	1,475
Financial instruments designated as at fair value through profit or loss	784	-816
Available-for-sale financial assets	**1,923**	1,709
Loans and receivables	**6,605**	7,129
Financial liabilities measured at amortized cost	**-3,782**	-4,546

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 at fair value through profit or loss:

€ million	2013	2012
Interest income	9,022	9,715
Interest expense	-3,781	-4,556

FEE AND COMMISSION INCOME AND EXPENSES

€ million	2013	2012
Fee and commission income		
from financial instruments not at fair value through profit or loss	600	593
from trust and other fiduciary activities	1,869	1,669
Fee and commission expenses		
for financial instruments not at fair value through profit or loss	-808	-734
for trust and other fiduciary activities	-665	-571

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.A93 amounted to €39 million (2012: €67 million).

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows impairment losses on financial assets broken down by class of financial instrument.

€ million	2013	2012
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-100**	**-160**
Available-for-sale financial assets	**-100**	**-160**
Loans and advances to customers	-13	–
Investments	-9	-2
Investments held by insurance companies	-78	-158
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**-1,254**	**-1,200**
Loans and receivables	**-1,202**	**-1,181**
Loans and advances to banks	-26	-13
Loans and advances to customers	-1,141	-1,047
Investments	-33	-119
Investments held by insurance companies	-2	-2
Available-for-sale financial assets	**-52**	**-19**
Investments	-52	-19
FINANCE LEASES	**-35**	**-82**
Loans and advances to customers	-35	-82

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	Finance leases
Balance as at Jan. 1, 2012	2,163	49
Additions	973	82
Utilizations	-281	-7
Reversals	-513	-35
Interest income	-37	-1
Changes in scope of consolidation	59	–
Other changes	2	4
Balance as at Dec. 31, 2012	2,366	92
Additions	1,072	34
Utilizations	-398	–
Reversals	-558	-28
Interest income	-27	-3
Changes in scope of consolidation	–	-31
Other changes	-19	-1
Balance as at Dec. 31, 2013	**2,436**	**63**

The financial assets measured at amortized cost are loans and advances to banks and customers in the category ‘loans and receivables’.

» 77
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:

€ million	Notional amount					Fair value			
	Time to maturity			Total amount		Positive		Negative	
	≤ 1 year	> 1 year – 5 years	> 5 years	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
INTEREST-LINKED CONTRACTS	**147,424**	**338,866**	**273,714**	**760,004**	**754,432**	**20,500**	**35,154**	**20,533**	**36,718**
OTC products									
Forward rate agreements	5,753	–	–	5,753	5,773	–	–	–	–
Interest-rate swaps	106,704	275,522	238,070	620,296	613,360	18,471	32,375	17,139	31,992
Interest-rate options – call	14,372	27,483	12,172	54,027	53,955	1,870	2,535	45	33
Interest-rate options – put	11,127	34,855	23,472	69,454	69,981	115	74	3,326	4,693
Other interest-rate contracts	1,527	160	–	1,687	1,726	43	170	22	–
Exchange-traded products									
Interest-rate futures	7,941	846	–	8,787	9,637	1	–	1	–
CURRENCY-LINKED CONTRACTS	**55,915**	**6,165**	**251**	**62,331**	**64,447**	**612**	**576**	**549**	**634**
OTC products									
Forward forex transactions	47,592	3,654	216	51,462	53,676	582	517	500	555
Forex options – call	4,051	1,224	–	5,275	5,492	14	38	21	22
Forex options – put	4,021	1,224	–	5,245	4,969	16	20	18	51
Exchange-traded products									
Forex futures	72	–	–	72	42	–	–	–	–
Forex options	179	63	35	277	268	–	1	10	6
SHARE-/INDEX-LINKED CONTRACTS	**11,162**	**7,451**	**1,155**	**19,768**	**23,344**	**535**	**552**	**718**	**928**
OTC products									
Share/index options – call	423	207	27	657	604	80	62	–	–
Share/index options – put	58	182	–	240	136	2	–	33	25
Other share/index contracts	1,163	3,143	859	5,165	5,316	106	86	126	141
Exchange-traded products									
Share/index futures	640	6	–	646	483	4	–	–	–
Share/index options	8,878	3,913	269	13,060	16,805	343	404	559	762
OTHER CONTRACTS	**13,465**	**30,514**	**17,124**	**61,103**	**65,717**	**1,084**	**888**	**672**	**1,110**
OTC products									
Cross-currency swaps	10,329	22,561	6,903	39,793	44,252	1,057	825	640	1,056
Precious metal contracts	–	8	–	8	24	–	2	1	1
Commodities contracts	430	660	20	1,110	1,591	19	58	7	19
Other contracts	2,247	7,263	10,179	19,689	19,269	–	–	8	6
Exchange-traded products									
Futures	99	9	–	108	129	–	–	–	–
Options	360	13	22	395	452	8	3	16	28
CREDIT DERIVATIVES	**8,943**	**30,855**	**2,902**	**42,700**	**60,793**	**414**	**661**	**288**	**599**
Protection buyer									
Credit default swaps	4,209	13,985	947	19,141	27,918	131	390	169	192
Protection seller									
Credit default swaps	4,734	16,870	1,730	23,334	32,510	272	249	115	387
Total return swaps	–	–	225	225	365	11	22	4	20
Total	**236,909**	**413,851**	**295,146**	**945,906**	**968,733**	**23,145**	**37,831**	**22,760**	**39,989**

The derivatives held at the balance sheet date involved the following counterparties:

€ million	Fair value			
	Positive		Negative	
	Dec. 31, 2013	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
OECD central governments	195	331	285	475
OECD banks	20,245	30,673	20,085	32,822
OECD financial services institutions	54	57	96	108
Other companies, private individuals	2,551	6,711	2,070	6,259
Non-OECD banks	100	59	224	324
Non-OECD financial services institutions	–	–	–	1
Total	**23,145**	37,831	**22,760**	39,989

The Union Investment Group has capital preservation commitments under section 1 (1) no. 3 German Personal Pension Plan Certification Act (AltZertG) amounting to €8,063 million (December 31, 2012: €6,957 million). These commitments are the total amount of the pension contributions paid by investors into the individual variants of the *UniProfiRente* and *UniProfiRente Select* products. 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 minimum payment commitments of €11,626 million (December 31, 2012: €12,312 million) in connection with genuine guarantee funds launched by fund management companies in the group.

TYPES OF HEDGES

» 78
HEDGE ACCOUNTING

The DZ BANK Group designates three types of hedges: fair value hedges, cash flow hedges, and hedges of net investments in foreign operations.

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 arise 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 customers, mortgage Pfandbriefe, 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 currency risk. Hedged items are expected receipt of interest payments and fee and commission income, together with payments made for administrative expenses, in each case in a foreign currency different from the reporting currency (euros).

Hedges of net investments in foreign operations are designated in connection with hedging exposure to currency risk. The hedged items are interests in joint ventures and investments in associates accounted for using the equity method and denominated in foreign currency.

HEDGING INSTRUMENTS

Interest-rate swaps and swaptions are designated as hedging instruments in fair value hedges of financial assets and financial liabilities.

Forward forex transactions are used as hedging instruments in cash flow hedges and hedges of net investments in foreign operations.

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 assessed by using sensitivity analyses (based on the basis point value method), the dollar offset method, a noise threshold value, and linear regression analysis. Retrospective effectiveness is assessed primarily by using the dollar offset method, a noise threshold value, and linear regression analysis. 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, the changes in the present value of the expected or actual cash flows for the hedged item are compared against the change in the fair value of the hedging instrument.

The prospective effectiveness of hedges of net investments in foreign operations is assessed by means of sensitivity analyses. The dollar offset method is used for the retrospective assessment of effectiveness.

CASH FLOW HEDGES

Cash flows hedged by cash flow hedges comprise cash inflows and cash outflows that will take place in the 2014 financial year and that will be recognized in profit or loss in this period.

In 2013, gains of €10 million in connection with cash flow hedges were recognized in other comprehensive income (2012: gains of €9 million); these were fully offset by reclassifications of minus €10 million to the income statement (2012: reclassification of €33 million). Overall, no gains or losses were recognized in other comprehensive income in connection with cash flow hedges in 2013 (2012: gains of €42 million).

Of the gains and losses reclassified to the income statement, €9 million was recognized under net interest income, minus €3 million as an increase in administrative expenses, and €4 million under net fee and commission income. Of the gains and losses reclassified in 2012, minus €35 million was recognized under net interest income and €2 million as a reduction of administrative expenses.

HEDGE ACCOUNTING GAINS AND LOSSES RECOGNIZED IN PROFIT OR LOSS

Gains and losses arising on hedging instruments and hedged items that need to be recognized in profit or loss are reported in the gains and losses from hedge accounting under other gains and losses on valuation of financial instruments. The breakdown of gains and losses from hedge accounting, by type of hedge, is as follows:

€ million	2013	2012
Gains and losses on fair value hedges	**-4**	-2
Gains and losses on hedging instruments	-30	182
Gains and losses on hedged items	26	-184
Gains and losses on portfolio fair value hedges	**19**	-5
Gains and losses on hedging instruments	380	-968
Gains and losses on hedged items	-361	963
Total	**15**	-7

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 opportunity and risk report within the group management report. The maturity analyses can be found in notes 64 and 80.

» 79
NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS

» 80
MATURITY
ANALYSIS

AS AT DECEMBER 31, 2013

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Financial assets	**39,927**	**19,888**	**37,931**	**152,885**	**158,831**	**13,384**
Cash and cash equivalents	3,520	4	–	–	–	–
Loans and advances to banks	11,275	2,973	7,717	31,941	27,178	30
Loans and advances to customers	16,250	5,953	15,372	56,953	44,980	47
Derivatives used for hedging (positive fair values)	18	20	116	445	269	–
Financial assets held for trading	5,289	8,561	7,137	15,080	17,776	975
of which: non-derivative financial assets held for trading	4,864	8,009	5,119	4,834	6,928	975
derivatives (positive fair values)	425	552	2,018	10,246	10,848	–
Investments	1,260	1,253	4,586	27,243	25,191	1,518
Investments held by insurance companies	1,150	1,112	2,947	20,618	43,437	10,813
of which: non-derivative investments held by insurance companies	1,136	1,085	2,939	20,539	43,367	10,813
derivatives (positive fair values)	14	27	8	79	70	–
Other assets	1,165	12	56	605	–	1
Financial liabilities	**-67,458**	**-15,708**	**-23,196**	**-87,652**	**-75,342**	**-47,603**
Deposits from banks	-28,576	-6,608	-10,125	-26,473	-22,488	-1,013
Deposits from customers	-23,072	-3,167	-2,835	-9,152	-23,571	-45,010
Debt certificates issued including bonds	-6,969	-3,404	-4,919	-28,660	-13,427	–
Derivatives used for hedging (negative fair values)	-25	-18	-84	-1,262	-943	–
Financial liabilities held for trading	-8,264	-2,143	-4,920	-18,357	-11,863	-589
of which: non-derivative financial liabilities held for trading	-7,758	-1,521	-2,678	-9,661	-3,240	-586
derivatives (negative fair values)	-506	-622	-2,242	-8,696	-8,623	-3
Other liabilities	-535	-335	-311	-1,104	-1,152	-580
of which: non-derivative other liabilities	-533	-330	-311	-1,090	-1,137	-580
derivatives (negative fair values)	-2	-5	–	-14	-15	–
Subordinated capital	-17	-33	-2	-2,644	-1,898	-411
Financial guarantee contracts and loan commitments	**-23,061**	**-109**	**-197**	**-612**	**-955**	**-61**
Financial guarantee contracts	-4,816	-40	-2	-147	-91	-61
Loan commitments	-18,245	-69	-195	-465	-864	–

AS AT DECEMBER 31, 2012

€ million	≤ 1 month	> 1 month– 3 months	> 3 months– 1 year	> 1 year– 5 years	> 5 years	Indefinite
Financial assets	**44,963**	**17,520**	**37,757**	**163,077**	**165,049**	**13,457**
Cash and cash equivalents	2,219	41	–	–	–	–
Loans and advances to banks	15,758	2,164	7,831	33,890	27,698	4
Loans and advances to customers	17,151	6,388	16,307	59,322	42,505	257
Derivatives used for hedging (positive fair values)	17	22	115	378	188	–
Financial assets held for trading	6,826	6,552	6,300	18,506	28,661	429
of which: non-derivative financial assets held for trading	6,282	5,964	4,141	5,173	8,010	429
derivatives (positive fair values)	544	588	2,159	13,333	20,651	–
Investments	1,385	1,353	4,147	31,326	25,353	1,099
Investments held by insurance companies	847	948	2,958	19,135	40,644	11,668
of which: non-derivative investments held by insurance companies	818	942	2,961	19,093	40,606	11,668
derivatives (positive fair values)	29	6	-3	42	38	–
Other assets	760	52	99	520	–	–
Financial liabilities	**-65,039**	**-17,217**	**-28,676**	**-98,294**	**-93,878**	**-42,820**
Deposits from banks	-34,423	-7,379	-10,897	-27,800	-23,944	-900
Deposits from customers	-17,593	-3,028	-3,206	-9,655	-26,972	-40,935
Debt certificates issued including bonds	-6,593	-4,825	-8,850	-32,412	-15,308	–
Derivatives used for hedging (negative fair values)	-35	-21	-82	-1,151	-1,686	–
Financial liabilities held for trading	-5,637	-1,611	-5,086	-23,964	-23,062	-1
of which: non-derivative financial liabilities held for trading	-5,003	-976	-2,388	-9,723	-3,706	–
derivatives (negative fair values)	-634	-635	-2,698	-14,241	-19,356	-1
Other liabilities	-723	-293	-332	-796	-1,097	-582
of which: non-derivative other liabilities	-707	-292	-330	-785	-1,083	-582
derivatives (negative fair values)	-16	-1	-2	-11	-14	–
Subordinated capital	-35	-60	-223	-2,516	-1,809	-402
Financial guarantee contracts and loan commitments	**-23,564**	**-131**	**-351**	**-645**	**-1,074**	**-77**
Financial guarantee contracts	-5,026	-28	-31	-85	-133	-77
Loan commitments	-18,538	-103	-320	-560	-941	–

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 opportunity and risk report within the group management report.

The table below shows the carrying amounts of the DZ BANK Group's exposures to bonds issued by governments and public authorities in countries particularly affected by the sovereign debt crisis, broken down into the categories applied to financial instruments under IAS 39.

» 81
EXPOSURES TO COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

€ million	Dec. 31, 2013	Dec. 31, 2012
Portugal	**332**	**347**
Financial instruments held for trading	5	3
Fair value option	266	262
Available-for-sale financial assets	11	33
Loans and receivables	50	49
Italy	**4,301**	**3,797**
Financial instruments held for trading	52	–
Fair value option	1,321	1,290
Available-for-sale financial assets	2,928	2,507
Ireland	**21**	**79**
Fair value option	–	52
Available-for-sale financial assets	21	27
Spain	**2,365**	**2,136**
Financial instruments held for trading	–	11
Fair value option	1,949	1,717
Available-for-sale financial assets	416	408
Total	**7,019**	**6,359**

The fair value of Portuguese government bonds categorized as 'loans and receivables' amounts to €41 million (December 31, 2012: €36 million).

Bonds issued by countries particularly affected by the sovereign debt crisis and held as part of the insurance business are only recognized in the proportion attributable to the shareholders of the DZ BANK Group.

FAIR VALUE HIERARCHY

The recurring fair value measurements as measured and recognized on the balance sheet are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2		Level 3	
€ million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Portugal	**277**	**298**	**5**	–	**–**	–
Financial instruments held for trading	–	3	5	–	–	–
Fair value option	266	262	–	–	–	–
Available-for-sale financial assets	11	33	–	–	–	–
Italy	**3,082**	**2,970**	**1,185**	**827**	**34**	–
Financial instruments held for trading	–	–	52	–	–	–
Fair value option	931	897	390	393	–	–
Available-for-sale financial assets	2,151	2,073	743	434	34	–
Ireland	**21**	**79**	**–**	–	**–**	–
Fair value option	–	52	–	–	–	–
Available-for-sale financial assets	21	27	–	–	–	–
Spain	**806**	**731**	**1,520**	**1,405**	**39**	–
Financial instruments held for trading	–	–	–	11	–	–
Fair value option	753	670	1,196	1,047	–	–
Available-for-sale financial assets	53	61	324	347	39	–
Total	**4,186**	**4,078**	**2,710**	**2,232**	**73**	–

IMPAIRMENT

No impairment losses were recognized to cover exposures in respect of the bonds from other countries particularly affected by the sovereign debt crisis (Portugal, Italy, Ireland, and Spain) because there was insufficient objective evidence of impairment.

MATURITY ANALYSIS

AS AT DECEMBER 31, 2013

€ million	≤ 1 month	> 1 month –3 months	> 3 months –1 year	> 1 year –5 years	> 5 years
Portugal	–	–	195	71	173
Italy	56	113	264	1,332	4,108
Ireland	–	–	1	5	19
Spain	2	12	599	1,186	1,578
Total	**58**	**125**	**1,059**	**2,594**	**5,878**

AS AT DECEMBER 31, 2012

€ million	≤ 1 month	> 1 month –3 months	> 3 months –1 year	> 1 year –5 years	> 5 years
Portugal	–	–	13	264	170
Italy	23	28	255	1,362	3,844
Ireland	–	–	59	7	20
Spain	2	33	150	1,644	1,810
Total	**25**	**61**	**477**	**3,277**	**5,844**

The maturity analysis shows the contractually agreed cash inflows.

E Other disclosures

» 82 CONTINGENT LIABILITIES

€ million	Dec. 31, 2013	Dec. 31, 2012
Contingent liabilities in respect of litigation risk	–	45
Other contingent liabilities	7	10
Total	**7**	**55**

» 83 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Dec. 31, 2013	Dec. 31, 2012
Financial guarantee contracts	**5,157**	**5,380**
Loan guarantees	2,877	2,680
Letters of credit	330	321
Other guarantees and warranties	1,950	2,379
Loan commitments	**19,838**	**20,462**
Credit facilities to banks	2,663	3,109
Credit facilities to customers	8,045	8,202
Guarantee credits	3	127
Letters of credit	35	46
Global limits	9,092	8,978
Total	**24,995**	**25,842**

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

» 84 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, 2013	Dec. 31, 2012
Trust assets	**3,167**	**3,799**
Loans and advances to banks	170	290
Loans and advances to customers	2,015	2,390
Investments	982	1,119
Trust liabilities	**3,167**	**3,799**
Deposits from banks	2,111	2,509
Deposits from customers	1,056	1,290

Trust assets and trust liabilities each include trust loans amounting to €2,150 million (December 31, 2012: €2,545 million).

» 85 ASSET MANAGEMENT BY THE UNION INVESTMENT GROUP

€ million	Dec. 31, 2013	Dec. 31, 2012
Fund assets	**182,121**	173,663
Other types of asset management	**30,007**	26,023
Unit-linked asset management	330	315
Institutional asset management	6,221	5,561
Advisory and outsourcing	23,456	20,147
Accounts managed by third parties	**-5,967**	-9,151
Total	**206,161**	190,535

As at the balance sheet date, Union Investment Group (through Union Asset Management Holding) had total assets under management of €206,161 million (December 31, 2012: €190,535 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 unit-linked asset management, 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 Bundesverband Investment und Asset Management e.V. (BVI) [Federal Association of German Fund Management Companies], Frankfurt am Main.

Assets managed on behalf of group entities 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 (Luxembourg) S.A., Luxembourg-Strassen, and IPConcept (Schweiz) AG, Zurich, have also been included in the figures presented above.

» 86 BUSINESS COMBINATIONS

With effect from March 30, 2013, the retail customer portfolio of Hauck & Aufhäuser Banquiers Luxembourg S.A., Luxembourg, was transferred to DZ PRIVATBANK, thereby strengthening the cooperative financial network's position in the private banking market. The transaction took the form of an asset deal and represented a business combination as defined by IFRS 3. The consideration transferred amounted to €4 million and was paid in cash. Essentially, the account volume (including securities accounts) and lending volume transferred amounted to €0.4 billion on the date of acquisition. Customer relationships valued at €3 million were acquired.

Because the business combination took the form of an asset deal, 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.

In the previous year, the private banking division of WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf had been acquired with effect from 1 January 2012. The transaction represented a business combination implemented by means of an asset deal. The consideration transferred amounted to €7 million. The transferred net assets largely comprised intangible assets with a fair value of €7 million. These assets are recognized under other assets.

Also in 2012, all the shares in Volksfürsorge Pensionskasse AG, Hamburg, were acquired in return for a purchase price of €20 million, all of which was paid in cash. The company was subsequently merged with R+V Pensionskasse AG, Wiesbaden. Measurement of the assets and liabilities of the acquired company as at the acquisition date revealed total net assets amounting to €17 million. The acquired assets, remeasured at a total of €195 million, largely comprised investments held by insurance companies and other assets. The acquired liabilities of €178 million were accounted for mainly by insurance liabilities and other liabilities. The business combination gave rise to goodwill of €3 million, mainly justified by the expected synergies.

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: €47 million to the Bank operating segment (December 31, 2012: €47 million) and €169 million to the Retail operating segment (December 31, 2012: €169 million). No goodwill was allocated to the Insurance operating segment (December 31, 2012: €59 million).

In the reporting year, the annual testing of goodwill for impairment revealed an impairment loss of €57 million, which was fully attributable to the Insurance operating segment and was recognized in other net operating income. There had been no impairment losses in the previous year. In the impairment test, the carrying amount of the Insurance operating segment was compared with the recoverable amount. A value in use of €3.7 billion was determined as the recoverable amount. The calculation was based on a discount rate (before taxes) of 12.9 percent in 2013 (2012: 13.3 percent).

An above-average proportion of the Insurance operating segment's assets are held as available-for-sale financial assets. Low interest rates coupled with a sharp rise in share prices have resulted in a significant increase in segment assets, and while discounted earnings have remained broadly unchanged, this has led to the recognition of impairment losses on goodwill. The impairment testing took into consideration that the comparatively high carrying amounts resulting from the long-term investment strategy will not necessarily lead to correspondingly high payment inflows and that purely short-term fluctuations in market value – particularly in the case of financial instruments categorized as available for sale – do not always accurately reflect the long-term value of the operating segment.

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 DZ BANK Group's 4-year plan, from which estimated future cash flows can be derived.

The macroeconomic scenario used as the basis for the 4-year plan assumes that growth in gross domestic product in Germany and the other countries of the European Monetary Union will remain muted. It also assumes that both the euro and the US dollar will be hit by rising inflation from 2014. Central banks are expected to adjust key interest rates accordingly after some delay. The scenario anticipates a gradual narrowing of spreads on government bonds issued by the peripheral countries of the euro zone.

Cash flows beyond the end of the 4-year planning period were estimated using the following constant rates of growth: 1.2 percent for the Bank operating segment (2012: 1.2 percent), 1.15 percent for the Retail operating segment (2012: 1.15 percent), and 1.0 percent for the Insurance operating segment (2012: 1.1 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. The following discount rates (before taxes) used in the calculation were determined on the basis of the capital asset pricing model: 15.3 percent for the Bank operating segment (2012: 16.6 percent), 13.4 percent for the Retail operating segment (2012: 14.6 percent), and 12.9 percent for the Insurance operating segment (2012: 13.3 percent).

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 operating segment in any of the scenarios. In the Bank operating segment, the recoverable amount is €107 million higher than the carrying amount relevant for the impairment test. A reduction of 5 percent in the forecast cash flows would result in the need to recognize an impairment loss of €44 million on the goodwill attributable to this operating segment.

FINANCIAL DATA ON INTERESTS IN JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

» 87
SUMMARY FINANCIAL DATA ON JOINT VENTURES AND ASSOCIATES

€ million	Dec. 31, 2013	Dec. 31, 2012
Assets	5,908	5,637
Liabilities	5,224	5,014

€ million	2013	2012
Income recognized in profit or loss	758	851
Expenses recognized in profit or loss	-682	-770

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, 2013	Dec. 31, 2012
Assets	10,497	6,875
Liabilities	9,507	6,058

€ million	2013	2012
Income recognized in profit or loss	1,109	882
Net profit	46	56

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.

FINANCE LEASES

» 88
LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2013	Dec. 31, 2012
Gross investment	**5,587**	**6,452**
Up to 1 year	1,500	1,745
More than 1 year and up to 5 years	2,957	3,445
More than 5 years	1,130	1,262
less unearned finance income	**-716**	**-934**
Net investment	4,871	5,518
less present value of unguaranteed residual values	**-113**	**-114**
Present value of minimum lease payment receivables	**4,758**	**5,404**
Up to 1 year	1,271	1,464
More than 1 year and up to 5 years	2,523	2,902
More than 5 years	964	1,038

As at the balance sheet date, the accumulated allowance for uncollectible minimum lease payments at lessor companies amounted to €63 million (December 31, 2012: €92 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. The total term of these leases runs for up to 12 years (December 31, 2012: up to 13 years). The companies in the VR LEASING subgroup predominantly enter into leases with customers for equipment.

DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2013	Dec. 31, 2012
Total future minimum lease payments	**44**	**51**
Up to 1 year	3	4
More than 1 year and up to 5 years	13	14
More than 5 years	28	33
less discount	**-14**	**-19**
Present value of future minimum lease payments	30	32
Up to 1 year	2	2
More than 1 year and up to 5 years	9	9
More than 5 years	19	21

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 €26 million (December 31, 2012: €27 million). Other payables of insurance companies included finance lease liabilities of €30 million (December 31, 2012: €31 million).

OPERATING LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2013	Dec. 31, 2012
Total future minimum lease payments under non-cancelable leases	**798**	**1,255**
Up to 1 year	143	222
More than 1 year and up to 5 years	455	647
More than 5 years	200	386

In 2013, contingent minimum lease payments of €6 million (2012: €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, 2012); for rail freight cars, lease terms were up to 5 years (also unchanged year on year). The companies in VR LEASING predominantly enter into leases with customers for equipment. Leases are also entered into for residential property and business premises. Some of these leases have price adjustment clauses or renewal options.

DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2013	Dec. 31, 2012
Total future minimum lease payments under non-cancelable leases	**590**	**749**
Up to 1 year	113	134
More than 1 year and up to 5 years	318	355
More than 5 years	159	260

As at the balance sheet date, the total future minimum lease payments expected to be received under non-cancelable subleases amounted to €23 million (December 31, 2012: €28 million).

In 2013, minimum lease payments of €121 million (2012: €123 million) and contingent rents of €20 million (2012: €21 million) were recognized as expenses.

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 smaller number of 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.

» 89 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, for VR Equitypartner and in total for DZ BANK Ireland, for DG HYP, 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 99) 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. In addition, DZ BANK has issued 8 subordinated letters of comfort in respect of DZ BANK Perpetual Funding (Jersey) Limited, St. Helier, Jersey, each relating to different classes of preferred shares.

» 90 EMPLOYEES

Average number of employees by employee group:

	2013	2012
Female employees	**13,403**	**13,049**
Full-time employees	8,857	8,790
Part-time employees	4,546	4,259
Male employees	**15,559**	**15,178**
Full-time employees	14,923	14,630
Part-time employees	636	548
Total	**28,962**	**28,227**

» 91 AUDITOR FEES

The total fees charged for 2013 by the independent auditors of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, broken down by type of service are as follows:

€ million	2013	2012
Auditing services	9.5	9.3
Other attestation services	5.5	4.3
Tax consultancy services	–	0.7
Other services	4.4	2.9
Total	**19.4**	**17.2**

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 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 must or can be applied. Tax consultancy fees in 2012 related to fees paid by domestic group entities 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.

» 92 REMUNERATION PAID TO THE BOARD OF MANAGING DIRECTORS AND SUPERVISORY BOARD OF DZ BANK

In 2013, the overall remuneration paid by the group to DZ BANK's Board of Managing Directors in accordance with IAS 24.17 amounted to €11.1 million (2012: €9.4 million). This total is broken down into short-term employee benefits of €7.6 million (2012: €6.6 million), post-employment benefits of €2.2 million (2012: €1.7 million), and share-based payments of €1.3 million (2012: €1.1 million). The remuneration paid to the Board of Managing Directors in 2013 and 2012 included the total bonus awarded to the Board of Managing Directors for the year in question. Supervisory Board remuneration amounted to €0.7 million (2012: €0.8 million) and consisted of payments due in the short term.

The remuneration paid to the Board of Managing Directors included contributions of €0.1 million (2012: €0.2 million) to defined contribution pension plans. DZ BANK has defined benefit obligations for the members of the Board of Managing Directors amounting to €18.1 million (December 31, 2012: €16.8 million).

In 2013, the total remuneration 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 €9.0 million (2012: €7.8 million), while the total remuneration paid to the Supervisory Board for the performance of these duties amounted to €0.7 million (2012: €0.8 million).

The total remuneration paid to former members of the Board of Managing Directors or their surviving dependants pursuant to section 314 (1) no. 6b HGB amounted to €8.7 million in

2013 (2012: €8.2 million). DZ BANK has defined benefit obligations for former Board of Managing Directors or their surviving dependants amounting to €112.0 million (2012: €118.6 million).

» 93 SHARE-BASED PAYMENTS

The entities 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 paid over several years with the members of the Board of Managing Directors and a group of selected salaried employees (risk takers). The amount of variable remuneration depends on the achievement of agreed targets. 80 percent of the variable remuneration is deferred over a period of up to 4 years from when the amount of variable remuneration is determined (grant date). Payment is spread out over a period of up to 4 years in total, taking into account deferral and retention periods. Up to a quarter of the deferred remuneration is paid in each subsequent year. The deferred portion of the variable remuneration may be reduced or even fully withdrawn if there is an adverse change in the value of DZ BANK shares or if there are negative contributions to profits from DZ BANK, individual divisions, or individual activities. A rise in the value of DZ BANK shares does not lead to an increase in the deferred remuneration. The deferred portion of the variable remuneration of members of the Board of Managing Directors is reduced by a half if the value of DZ BANK shares falls by between 10 percent and 15 percent. If the value drops by more than 15 percent, the deferred portion of the variable remuneration is canceled. The deferred portion of the variable remuneration of risk takers is reduced by a quarter if the value of DZ BANK shares falls by between 15 percent and 20 percent. If the value of DZ BANK shares drops by between 20 percent and 25 percent, the deferred portion of the variable remuneration is reduced by a half. If the value drops by more than 25 percent, the deferred portion of the variable remuneration is canceled entirely. In the event that the value of DZ BANK shares decreases by less than the aforementioned thresholds, the deferred portion of the variable remuneration is not reduced. The value of DZ BANK shares is determined each year by means of an independent business valuation. Based on a value per DZ BANK share of €9.10 from the business valuation as at December 31, 2010, a value per share of €8.80 as at December 31, 2011, a value per share of €8.90 as at December 31, 2012, and a value per share of €8.90 as at December 31, 2013, it can currently be assumed that the deferred remuneration will be paid in full.

The following summary shows the change in unpaid share-based remuneration components at DZ BANK:

€ million	Board of Managing Directors	Risk takers
Unpaid share-based payments as at Jan. 1, 2012	1.1	–
Remuneration granted	0.7	1.4
Payment of remuneration granted in 2011	-0.3	–
Unpaid share-based payments as at Dec. 31, 2012	1.5	1.4
Remuneration granted	1.1	1.8
Payment of remuneration granted in 2012	-0.2	-0.3
Payment of remuneration granted in previous years	-0.3	–
Unpaid share-based payments as at Dec. 31, 2013	**2.1**	**2.9**

Share-based remuneration is granted in the year after it has been earned.

DZ PRIVATBANK has entered into an agreement on variable remuneration components with the members of its Board of Managing Directors, the structure of which is generally similar to that of the agreement with the members of the Board of Managing Directors at DZ BANK. The variable remuneration components are measured on the basis of the enterprise value of DZ PRIVATBANK.

The following summary shows the change in unpaid share-based remuneration components at DZ PRIVATBANK:

€ million	Board of Managing Directors
Unpaid share-based payments as at Jan. 1, 2012	1.4
Remuneration granted	1.2
Payment of remuneration granted in 2011	-0.2
Reduction of share-based payments	-0.5
Unpaid share-based payments as at Dec. 31, 2012	1.9
Remuneration granted	1.1
Payment of remuneration granted in 2012	-0.2
Payment of remuneration granted in previous years	-0.2
Reduction of share-based payments	-0.3
Unpaid share-based payments as at Dec. 31, 2013	**2.3**

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 this portion of the variable remuneration will be paid, depending on the extent of the negative performance.

The following table shows the changes in unpaid remuneration components at R+V:

€ million	Board of Managing Directors
Unpaid share-based payments as at Jan. 1, 2012	2.0
Remuneration granted	1.0
Payment of remuneration granted in 2011	-2.0
Unpaid share-based payments as at Dec. 31, 2012	1.0
Remuneration granted	1.0
Payment of remuneration granted in 2012	-1.0
Unpaid share-based payments as at Dec. 31, 2013	**1.0**

At DVB, the variable salary payments to the Board of Managing Directors include a bonus. As was the case in 2012, the bonus for 2013 is to be paid out in 4 tranches: 50 percent in 2014 and 16.66 percent in each of the 3 subsequent years (2015 through 2017). 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 paid 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 therefore does not involve the creation of any genuine shares, just phantom shares used for computational purposes. In 2013, 18,676.00 phantom shares (2012: 18,171.19 phantom shares) were granted as a bonus for previous financial years. Their payout amount is based on the DVB share price. The fair value at the grant date was €0.4 million (grant date in 2012: €0.4 million) based on the share price on December 31, 2011, which was €23.95. The fair value at the balance sheet date was €0.5 million based on the share price on December 31, 2013, which was €24.60. The phantom shares granted will be paid out in full in 2014.

In 2013, the agreements described above gave rise to expenses for share-based payments in the DZ BANK Group of €4.3 million (2012: €12 million). As at December 31, 2013, the provisions recognized for share-based payments in the DZ BANK Group amounted to €11 million (December 31, 2012: €11 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.

TRANSACTIONS WITH RELATED PARTIES (ENTITIES)

€ million	Dec. 31, 2013	Dec. 31, 2012
Loans and advances to banks	**163**	**134**
to subsidiaries	151	79
joint ventures	12	55
Loans and advances to customers	**115**	**133**
to subsidiaries	39	63
joint ventures	28	28
associates	48	42
Investments	**2**	**2**
of subsidiaries	2	2
Investments held by insurance companies	**214**	**210**
of subsidiaries	120	114
joint ventures	94	96
Other assets	**32**	**29**
of subsidiaries	30	14
joint ventures	–	1
other entities and pension plans for the benefit of employees	2	14
Deposits from banks	**648**	**312**
owed to subsidiaries	181	196
joint ventures	467	116
Deposits from customers	**370**	**214**
owed to subsidiaries	356	202
joint ventures	2	–
associates	9	11
other entities	3	1
Other liabilities	**66**	**66**
of subsidiaries	41	38
joint ventures	6	12
associates	7	4
other entities and pension plans for the benefit of employees	12	12

€ million	Dec. 31, 2013	Dec. 31, 2012
Financial guarantee contracts	**6**	**19**
for associates	6	19
Loan commitments	**11**	**11**
to subsidiaries	10	10
joint ventures	1	1

Income of €16 million (2012: €5 million) in the total reported net interest income, income of €6 million (2012: €7 million) in the total reported net fee and commission income, and a loss of €7 million (2012: loss of €12 million) in the 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, 2013, the DZ BANK Group's loans and loan commitments to related parties (persons) amounted to €2.1 million (December 31, 2012: €1.6 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.

» 95
CORPORATE GOVERNANCE

WOLFGANG KIRSCH
(Chief Executive Officer)

» 96
BOARD OF MANAGING DIRECTORS

LARS HILLE

WOLFGANG KÖHLER

HANS-THEO MACKE
(Member of the Board of Managing Directors until December 31, 2013)

ALBRECHT MERZ

DR. CORNELIUS RIESE
(Deputy Member of the Board of Managing Directors since April 1, 2013)

THOMAS ULLRICH

FRANK WESTHOFF

STEFAN ZEIDLER
(Member of the Board of Managing Directors since October 1, 2013)

» 97
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

HEINER BECKMANN
Senior Manager
R+V Allgemeine Versicherung AG

RÜDIGER BEINS
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

ULRICH BIRKENSTOCK
Employee
R+V Allgemeine Versicherung AG

WERNER BÖHNKE
Member of the Supervisory Board
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

HERMANN BUERSTEDDE
Employee
Union Asset Management Holding AG

KARL EICHELE
Employee
Schwäbisch Hall Kreditservice AG

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

DR. ROMAN GLASER
(Member of the Supervisory Board
until May 29, 2013)
President
Baden-Württembergischer
Genossenschaftsverband e.V.

BERND HÜHN
Chief Executive Officer
Volksbank Alzey-Worms eG

SIGMAR KLEINERT
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

RAINER MANGELS
Employee
R+V Rechtsschutzversicherung AG

WALTER MÜLLER
Chief Executive Officer
Volksbank Raiffeisenbank
Fürstenfeldbruck eG

GERHARD J. RASTETTER
Bank Director (ret.)

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

STEPHAN SCHACK
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

DR. WOLFGANG THOMASBERGER
(Member of the Supervisory Board
since May 29, 2013)
Chief Executive Officer
VR Bank Rhein-Neckar eG

WITHIN DZ BANK

» 98
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

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	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*) (since January 13, 2014)
	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 PRIVATBANK S.A., Luxembourg-Strassen, 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 (*) (until December 31, 2013)
	EDEKABANK AG, Hamburg, Member of the Supervisory Board
	VR-LEASING AG, Eschborn, Chairman of the Supervisory Board (*) (until December 31, 2013)

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 (*) (until March 7, 2014)
DR. CORNELIUS RIESE	DZ Polska S.A., Warsaw, Chairman of the Supervisory Board VR-LEASING AG, Eschborn, Member of the Supervisory Board (*) (since March 7, 2014 subject to the consent of the Annual General Meeting of VR-LEASING AG on March 7, 2014)
THOMAS ULLRICH	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*) (until December 31, 2013) Deutsche WertpapierService Bank AG, Frankfurt am Main, Deputy 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 (*)
STEFAN ZEIDLER	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, Member of the Supervisory Board (*) (since January 1, 2014)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*) (Chairman of the Supervisory Board since January 1, 2014)

DZ BANK EMPLOYEES

ROLF BÜSCHER	Volksbank Romania S.A., Bucharest, Member of the Supervisory Board
DR. LUIS-ESTEBAN CHALMOVSKY	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors
DIETMAR ILG	DZ Polska S.A., Warsaw, Deputy Chairman of the Supervisory Board
THOMAS KALTWASSER	DZ BANK Ireland plc, Dublin, Member of the Board of Managing Directors (*)
DR. THOMAS KETTERN	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board
BERNHARD KUHN	DZ Polska S.A., Warsaw, Member of the Supervisory Board
WINFRIED MÜNCH	AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main, Member of the Supervisory Board
CLAUDIO RAMSPERGER	Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Member of the Board of Directors
JOCHEN RIECKE	Equens SE, Utrecht, Member of the Supervisory Board
GREGOR ROTH	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 (*)
DAGMAR WERNER	Banco Cooperativo Español S.A., Madrid, Member of the Board of Directors

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	Schwäbisch Hall Kreditservice AG, Schwäbisch Hall, Chairman of the Supervisory Board (*)
GERHARD HINTERBERGER Member of the Board of Managing Directors Bausparkasse Schwäbisch Hall AG	Schwäbisch Hall Kreditservice AG, Schwäbisch Hall, Member of the Supervisory Board (*)
EHRHARD STEFFEN Spokesman of the Board of Managing Directors Schwäbisch Hall Kreditservice AG (until December 31, 2013)	BSQ Bauspar AG, Nuremberg, Deputy Chairman of the Supervisory Board Schwäbisch Hall Facility Management GmbH, Schwäbisch Hall Member of the Supervisory Board
CLAUDIA KLUG Employee Bausparkasse Schwäbisch Hall AG	Schwäbisch Hall Facility Management GmbH, Schwäbisch Hall, Member of the Supervisory Board (since January 1, 2014)

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 (*)

Protektor Lebensversicherungs-AG, Berlin,
Member 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 Direktversicherung AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*) R+V Krankenversicherung AG, 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 (*) R+V Pensionskasse AG, Wiesbaden, Deputy Chairman 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 (*) Sprint Sanierung GmbH, Cologne, Deputy Chairman of the Supervisory Board

DR. NORBERT ROLLINGER Member of the Board of Managing Directors R+V Versicherung AG	R+V Direktversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Service Center GmbH, Wiesbaden, Chairman of the Supervisory Board (*) Sprint Sanierung GmbH, Cologne, 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 Direktversicherung AG, Wiesbaden, Member of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Chairman of the Supervisory Board (*)
ALEXANDER BOLDYREFF Chief Executive Officer TeamBank AG Nürnberg	SCHUFA Holding 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, 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 (*)
DR. ANDREAS ZUBROD Employee Union Asset Management Holding AG	Union Investment Service Bank AG, Frankfurt am Main, Member of the Supervisory Board (*)

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
ABO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	94.80		26	0
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	0.00		0	0
AER Holding N.V. [1]	Willemstad, Netherlands Antilles	100.00		0	0
AFK Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
AFK Grundstücksverwaltungsgesellschaft mbH & Co. Objekt-Betreuung KG [1]	Eschborn	94.00	66.67	6	-3
AFU Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		112	0
AGAB Aktiengesellschaft für Anlagen und Beteiligungen	Frankfurt am Main	100.00		91,645	17,336
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
American Flirtation N.V. [1]	Curaçao, Netherlands Antilles	100.00		0	0
AMORFOS Grundstücksgesellschaft mbH & Co. KG [1]	Eschborn	6.00	55.00	-764	-238
Aquila Aircraft Leasing Ltd. [1]	Dublin, Ireland	0.00		0	0
Aran Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	-3
ARATOS GmbH [1]	Eschborn	100.00		82	57
ARATOS GmbH & Co. Immobilien KG [1] [6]	Eschborn	6.00	76.00	69	89
ARGINUS GmbH [1]	Eschborn	100.00		153	24
ARGINUS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	-1,854	126
ARMIDA GmbH [1]	Eschborn	100.00		44	19
ARMIDA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	24	23
ASPASIA GmbH [1]	Eschborn	100.00		51	26
ASPASIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	736	32
Assimoco S.p.A. [1]	Segrate (Mi), Italy	78.20		76,991	5,972
Assimoco Vita S.p.A. [1]	Segrate (Mi), Italy	80.80		81,949	2,465
Assimocopartner S.r.l. Unipersonale [1]	Segrate (Mi), Italy	100.00		260	4
attrax S.A. [1]	Luxembourg, Luxembourg	100.00		26,092	14,733
Aufbau und Handelsgesellschaft mbH [1]	Stuttgart	94.90		525	0
AURIGA GmbH [1]	Eschborn	100.00		-559	-51
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
Bathgate Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Bausparkasse Schwäbisch Hall Aktiengesellschaft – Bausparkasse der Volksbanken und Raiffeisenbanken [5]	Schwäbisch Hall	81.80		1,812,302	0
Best Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
Beteiligungsgesellschaft Westend 1 mbH & Co. KG [1]	Frankfurt am Main	94.90		17,496	-4
BFL Gesellschaft des Bürofachhandels mbH & Co. KG [1]	Eschborn	73.92	74.00	11,990	0
BFL Gesellschaft des Bürofachhandels Verwaltungsgesellschaft mbH [1]	Eschborn	100.00		32	0
BFL Leasing GmbH [1]	Eschborn	100.00		11,853	5,569
BIG-Immobilien Gesellschaft mit beschränkter Haftung [1]	Frankfurt am Main	100.00		740	-8
BIG-Immobilien GmbH & Co. Betriebs KG [1]	Frankfurt am Main	100.00		4,187	681
Bischoff GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
Blasket Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	-3
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
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
Bulls Aircraft Leasing (Malta) Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Buzzard Aircraft Leasing Limited i.L. [1]	Dublin, Ireland	100.00	0.00	0	0
BWG Baugesellschaft Württembergischer Genossenschaften mbH [1]	Stuttgart	94.78		9,965	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Calidris Shipping LLC [1]	Majuro, Marshall Islands	100.00		0	0
CALYPSO GmbH [1]	Eschborn	100.00		-250	-120
CANOPOS GmbH [1]	Eschborn	100.00		46	21
CANOPOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		26	25
Capital Lease Limited [1]	Hong Kong, Hong Kong	0.00		0	0
carexpert Kfz-Sachverständigen GmbH [1]	Walluf	60.00		3,638	578
Cash Express Gesellschaft für Finanz- und Reisedienstleistungen mbH [1, 5]	Frankfurt am Main	100.00		1,543	0
CATHENA GmbH [1]	Eschborn	100.00		52	27
CEBIR Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		26	0
CELES Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		312	-6
Centra Leasing Anlagen GmbH [1, 5]	Eschborn	100.00		5,899	0
Centra Leasing Anlagen GmbH & Co. Objektbeteiligungs KG [1]	Eschborn	100.00		69	61
CHEMIE Pensionsfonds AG [1]	Munich	100.00		16,318	150
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	35	34
CI CONDOR Immobilien GmbH [1, 5]	Hamburg	100.00		28,500	0
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH [1]	Wiesbaden	100.00		3,093	283
Condor Allgemeine Versicherungs-Aktiengesellschaft [1, 5]	Hamburg	100.00		41,762	0
Condor Beteiligungsgesellschaft mbH [1]	Hamburg	100.00		27	-1
Condor Dienstleistungs GmbH [1]	Hamburg	100.00		195	8
Condor Lebensversicherungs-Aktiengesellschaft [1, 5]	Hamburg	94.99		38,588	0
Condor-Fonds-Union [1]	Frankfurt am Main	0.00		0	0
Container Investment Fund I LLC [1]	Majuro, Marshall Islands	0.00		0	0
Container Investment Fund II LLC [1]	Majuro, Marshall Islands	0.00		0	0
CORAL Capital Limited [1]	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) 2 Limited [1]	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Ireland) Limited [1]	Dublin, Ireland	0.00		0	0
CORAL Purchasing (Jersey) Limited [1]	St. Helier, Jersey	0.00		0	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		0	0
DAC Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		57	31
DAC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lüneburg KG [1]	Eschborn	99.00	83.67	39	38
Dalian Deepwater Developer Ltd. [1]	St. Helier, Jersey	0.00		0	0
DEGEACTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEACTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		10	-49
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	15
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	17	19
DEGEALBUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		24	0
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamm-Heessen KG [1]	Eschborn	90.00	66.67	3	0
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		74	49
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		60	58
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		51	26
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		33	31
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		59	33
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-973	35
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-9	-120
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		69	43
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.90	75.00	61	55
DEGECALAN Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		78	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.99	85.71	-2,530	279
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		49	23
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	11	26
DEGECASTELL GmbH [1]	Eschborn	100.00		21	-1
DEGECEBER Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		41	16
DEGECEBER Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		20	19
DEGECEDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		703	55
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		43	17
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		22	87
DEGECENUM Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		26	0
DEGECIVO Grundstücksverwaltungsgesellschaft mbH Berlin [1]	Berlin	100.00		29	4
DEGECOMO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		31	3
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berenbostel KG [1]	Eschborn	100.00		5	51
DEGECOPAX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
DEGECULA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		81	56
DEGECULA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Sindelfingen KG [1]	Eschborn	6.00	75.50	91	70
DEGEDELTA Vermietungsgesellschaft für Betriebsvorrichtungen mbH [1]	Eschborn	100.00		26	0
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		60	35
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	43	43
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	69	80
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		42	17
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Nord KG [1]	Eschborn	100.00		20	343
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Süd KG [1]	Eschborn	100.00		3	15
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	-135	124
DEGEFILA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEFILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	-518	14
DEGEFULVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		35	10
DEGEGAMMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	0
DEGEGRAVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	-2
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	53
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		358	333
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		397	481
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekt Hattingen mbH [1]	Eschborn	100.00		9	-12
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekte West mbH [1]	Eschborn	100.00		736	374
DEGEIMPULS Objekt Düsseldorf Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		201	32
DEGEKONKRET Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		23	0
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Worms KG [1]	Eschborn	100.00		3	15
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	38
DEGEMARCA Grundstücksverwaltungsgesellschaft mbH [1, 5]	Eschborn	100.00		26	0
DEGEMARO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEMARO Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Volksbank Pforzheim KG [1]	Eschborn	0.00	66.67	-812	196
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Voerde KG [1]	Eschborn	90.00	66.67	3	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lauingen KG [1]	Eschborn	2.00	66.67	-599	79
DEGEMILA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		43	18
DEGEMILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-855	254
DEGEMINAX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		47	22
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-2,579	488
DEGEMOBIL Vermietungsgesellschaft für Betriebsvorrichtungen mbH [1]	Eschborn	100.00		-9	-38
DEGEMODUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	-1
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-559	149
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		55	30
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	37	263
DEGEMONDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		32	0
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		168	142
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	95.00	75.00	-1,316	697
DEGEMOX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEMOX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	30
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-1,737	529
DEGENASUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGENASUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-2,434	443
DEGENATUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGENATUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-182	19
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-5,220	1,098
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	-91	12
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		138	113
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	135	134
DEGENAVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGENAVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-459	90
DEGENIMIS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
DEGENITOR Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0
DEGENOVUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		1,663	256
DEGEPACTO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		75	50
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	-2,253	104
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	40

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		46	1
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	66.67	-6	0
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	26	3
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		52	27
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	34	32
DEGEPROJEKT Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		119	-189
DEGEPROLOG Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		30	1
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-17	-1
DEGEREAL Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		65	39
DEGEREAL Grundstücksverwaltungsgesellschaft mbH & Co. Objekte Pfalz KG [1]	Eschborn	95.00	83.67	44	37
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		47	22
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-331	58
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-316	-144
DEGEREX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		53	28
DEGEREX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	35	33
DEGERIA Beteiligungsgesellschaft mbH [1]	Eschborn	100.00		26	0
DEGERIMA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	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	-516	-30
DEGERISOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGERISOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	25	3
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	2.00	66.67	-2,216	87
DEGERODO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	-1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.00	75.50	-12	1
DEGERUDENS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		21	-1
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		70	45
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-242	98
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		27	-1
DEGESALTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		22	1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESALUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	66.67	3	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neuss KG [1]	Eschborn	90.00	66.67	3	0
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	36
DEGESERA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESERA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	0.00	51.00	773	95
DEGESERVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGESERVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-738	62
DEGESIDO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		175	149
DEGESIDO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	181	180
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		61	35
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	94.91	75.00	610	212
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		52	26
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	33	32
DEGESILEX Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		71	45
DEGESILEX Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Karlsfeld KG [1]	Eschborn	5.00	75.50	-2,013	235
DEGESILVA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		36	11
DEGESISTO Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		114	0
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		45	19
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	75.50	-1,423	39
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1] [6]	Eschborn	1.18	6.67	-1,976	609
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	1
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	66.67	-4	2,153
DEGESTRENA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		65	39
DEGESUR Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		634	0
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		49	23
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	10.00	75.50	2,443	77
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		43	17
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [2]	Eschborn	100.00		-371	27
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	1
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	21
DEGETERRA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		40	15
DEGETERRA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	75.50	-764	30
DEGETEXTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		24	1
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		49	24
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	67.34	31	40
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		59	34
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	5.00	66.67	42	41
DEGETRAPUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		243	217
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		48	23
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	75.50	23	28
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	1
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		3	12
DEGEVIA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		26	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		48	23
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	100.00		-195	114
DEGEZONA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		28	0
DESPINA GmbH [1]	Eschborn	100.00		60	9
DESTRA Grundstücksverwaltungsgesellschaft mbH [1] [5]	Eschborn	100.00		26	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Deucalion Capital I (UK) Ltd. [1]	London, UK	0.00		0	0
Deucalion Capital II (MALTA) Limited [1]	Valletta, Malta	0.00		0	0
Deucalion Capital II (UK) Ltd. [1]	London, UK	0.00		0	0
Deucalion Capital II Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital V Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VI Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VII Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital VIII Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Capital XI Limited [1]	George Town, Cayman Islands	0.00		0	0
Deucalion Engine Leasing (Ireland) Ltd. [1]	Dublin, Ireland	0.00		0	0
Deucalion Engine Leasing France [1]	Paris, France	0.00		0	0
Deucalion Ltd. [1]	George Town, Cayman Islands	0.00		0	0
Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft [3, 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
DG Betriebsservice Verwaltungs-Gesellschaft mbH	Frankfurt am Main	100.00		7	0
DG Funding LLC	New York, USA	0.89	100.00	690,078	10,472
DG Holding Trust	New York, USA	100.00		654,604	5,425
DG LEASING GmbH [1]	Eschborn	100.00		26	0
DG Participacoes Ltda. [1]	São Paulo, Brazil	100.00		0	0
DINO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		29	3
DIVUS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		132	106
DOBAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		60	35
DOSA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		60	28
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
DuoPlast Holding GmbH [1]	Münster	100.00		25	0
DURO Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		52	26
DV01 Szarazfoldi Jarmukolcsonzo rt [1]	Áporka, Hungary	0.00		0	0
DVB Aviation Finance Asia Pte Ltd. [1]	Singapore, Singapore	100.00		-2,442	8,234
DVB Bank America N.V. [1]	Willemstad, Netherlands Antilles	100.00		204,231	13,075
DVB Bank SE	Frankfurt am Main	95.45		539,382	27,880
DVB Capital Markets LLC [1]	Wilmington, USA	100.00		1,054	572
DVB Container Finance America LLC [1]	Ajeltake Island, Marshall Islands	100.00		0	0
DVB Container Finance Asia Pte Ltd. [1]	Singapore, Singapore	100.00		2	-4
DVB Group Merchant Bank (Asia) Ltd. [1]	Singapore, Singapore	100.00		350,561	51,764
DVB Holding (US) Inc. [1]	Greenwich, USA	100.00		1,566	-445
DVB Holding GmbH [1, 5]	Frankfurt am Main	100.00		13,000	0
DVB Invest (Suisse) AG [1]	Zurich, Switzerland	99.90		217	-9
DVB Investment Management N.V. [1]	Willemstad, Netherlands Antilles	100.00		0	0
DVB Objektgesellschaft Geschäftsführungs GmbH [1]	Frankfurt am Main	100.00		25	0
DVB Service (US) LLC [1]	Delaware, USA	100.00		0	0
DVB Transport (US) LLC [1]	New York, USA	100.00		4,450	1,202
DVB Transport Finance Limited [1]	London, UK	100.00		27,573	6,990
DVG Deutsche Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung [5]	Frankfurt am Main	100.00		82	0
DVL Deutsche Verkehrs-Leasing GmbH [1]	Eschborn	74.90		2,557	1
DZ BANK Capital Funding LLC I [2, 4]	Wilmington, USA	100.00		301,162	8,269
DZ BANK Capital Funding LLC II [2, 4]	Wilmington, USA	100.00		501,014	9,181
DZ BANK Capital Funding LLC III [2, 4]	Wilmington, USA	100.00		350,443	6,060
DZ BANK Capital Funding Trust I	Wilmington, USA	0.00	100.00	300,001	8,232
DZ BANK Capital Funding Trust II	Wilmington, USA	0.00	100.00	500,001	9,165
DZ BANK Capital Funding Trust III	Wilmington, USA	0.00	100.00	350,001	6,048
DZ BANK Ireland public limited company [3]	Dublin, Ireland	100.00		212,220	2,290
DZ BANK Mitarbeiter-Unterstützungseinrichtung GmbH i.L.	Frankfurt am Main	100.00		11	-3
DZ BANK Perpetual Funding (Jersey) Limited [4]	St. Helier, Jersey	0.00	100.00	230,690	2,696

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DZ BANK Perpetual Funding Issuer (Jersey) Limited	St. Helier, Jersey	0.00		2	0
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	St. Helier, Jersey	0.00		2	0
DZ BANK Sao Paulo Representacao Ltda. [2]	São Paulo, Brazil	100.00		141	24
DZ Beteiligungsgesellschaft mbH Nr. 11 [5]	Frankfurt am Main	100.00		6,620	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		160	0
DZ Beteiligungsgesellschaft mbH Nr. 18 [5]	Frankfurt am Main	100.00		124,726	0
DZ Beteiligungsgesellschaft mbH Nr. 20 [5]	Frankfurt am Main	100.00		26	0
DZ Beteiligungsgesellschaft mbH Nr. 3 [5]	Frankfurt am Main	100.00		18,881	0
DZ Capital Management GmbH	Frankfurt am Main	100.00		283	-39
DZ FINANCIAL MARKETS LLC	New York, USA	100.00		2,168	-592
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		46,226	1,752
DZ Polska Spolka Akcyjna	Warsaw, Poland	100.00		88,665	0
DZ PRIVATBANK (Schweiz) AG [1]	Zurich, Switzerland	100.00		171,905	2,122
DZ PRIVATBANK S.A. [3]	Luxembourg-Strassen, Luxembourg	70.04		739,184	45,529
DZ PRIVATBANK Singapore Ltd. [1 3]	Singapore, Singapore	100.00		9,341	-932
DZ Vermögensverwaltung I GmbH	Frankfurt am Main	100.00		31	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		20	0
Eagle Aircraft Leasing Limited [1]	George Town, Cayman Islands	0.00		0	0
EC Verwertungsgesellschaft 2 GmbH i.L. [1]	Eschenbach i.d.Opf.	100.00		2,196	8
ENDES Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Englische Strasse 5 GmbH [1]	Berlin	90.00		1,495	-132
EPI Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Europäische Genossenschaftsbank S. A. [1]	Luxembourg-Strassen, Luxembourg	100.00		12,505	70
European Food Erste GmbH [1]	Frankfurt am Main	52.13		0	0
EXERT Grundstücksverwaltungsgesellschaft mbH [1 5]	Eschborn	100.00		26	0
Falcon Aircraft Leasing Limited i.L. [1]	Dublin, Ireland	0.00		0	0
Finassimoco S.p.A. [1]	Segrate (Mi), Italy	56.95		93,756	44
Finch Aircraft Leasing Limited [1]	Dublin, Ireland	0.00		0	0
FLORIN GmbH [1]	Eschborn	100.00		48	23
FLORIN GmbH & Co. Immobilien KG [1 6]	Eschborn	6.00	76.00	-26	28
France Maritime LLC [1]	Majuro, Marshall Islands	100.00		0	0
Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt. [1]	Budapest, Hungary	51.25		125,352	22,230
Fundamenta-Lakáskassza Pénzügyi Közvetítő Kft. [1]	Budapest, Hungary	100.00		159,933	1,086
GAF Active Life 1 Renditebeteiligungs-GmbH & Co. KG [1]	Nidderau	64.32		69,006	-6,695
GAF Active Life 2 Renditebeteiligungs-GmbH & Co. KG [1]	Nidderau	63.36		67,572	-1,579
Gandari Shipping Pte. Ltd. [1]	Singapore, Singapore	0.00		0	0
GbR Dortmund Westenhellweg 39 – 41 [1]	Wiesbaden	100.00		40,902	2,717
GENO-Haus Stuttgart GmbH & Co. KG Verwaltungsgesellschaft [2]	Stuttgart	55.20		13	0
Genossenschaftlicher Informations Service GIS GmbH	Frankfurt am Main	100.00		3,243	21
Glen Campbell Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen More Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Shee Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glen Shiel Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Glencoe Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
GMS Management und Service GmbH [1]	Nidderau	66.67		93	43
Gola Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	0
Goldberg Zweite Grundstücksverwaltungsgesellschaft Sütex mbH & Co. KG [1]	Eschborn	94.50	88.00	142	275
Great Glen Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Green Eagle Investments N.V. [1]	Willemstad, Netherlands Antilles	0.00		0	0
Green Mountain Shipping Ltd. [1]	Willemstad, Netherlands Antilles	0.00		0	0
Grundstücksverwaltungsgesellschaft Sütex mbH [1]	Eschborn	100.00		24	-1
GTIS Brazil II S-Feeder LP [1]	Edinburgh, UK	100.00	0.00	4,649	-154
GWG 1. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		2,000	0
GWG 2. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		3,000	0
GWG 3. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		7,000	1,163
GWG 4. Wohn GmbH & Co. KG [1]	Stuttgart	100.00		0	0
GWG Beteiligungsgesellschaft mbH [1]	Stuttgart	100.00		203,457	20,378

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG [1]	Stuttgart	91.33		185,929	14,007
GWG ImmoInvest GmbH [1]	Stuttgart	94.90		5,633	615
GZ-Immobilien-Management GmbH & Co. Objekt KG	Frankfurt am Main	100.00		-706	-3
GZ-Trust Consult GmbH i.L.	Stuttgart	100.00		497	-8
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG [1]	Berlin	100.00		1,000	756
Havel Nordost Zweite Grossmobilien GmbH [1]	Liebenwalde-Kreuzbruch	100.00		32	7
Havel Nordost Zweite Grossmobilien GmbH & Co. Vermietungs KG [1]	Zehdenick	0.00	52.00	2	319
Hawk Aircraft Leasing Limited [1]	Dublin, Ireland	0.00		0	0
Henderson Global Investors Real Estate (No. 2) LP [1]	London, UK	100.00		20,399	2,289
HGI Immobilien GmbH & Co. GB I KG [1]	Frankfurt am Main	73.91	73.21	24,500	-69
HGI Real Estate LP [1]	London, UK	100.00		617	-26
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		707	-4
HumanProtect Consulting GmbH [1]	Cologne	100.00		204	87
Hypotheken-Management GmbH [1] [5]	Mannheim	100.00		6,647	0
Ibon Leasing Limited [1]	George Town, Cayman Islands	100.00		0	0
Immobilien-Gesellschaft 'DG Bank-Turm, Frankfurt am Main, Westend' mbH & Co. KG des genossenschaftlichen Verbundes [1]	Frankfurt am Main	95.88		194,113	-6,140
Immobilien-Verwaltungsgesellschaft 'DG BANK-Turm, Frankfurt am Main, Westend' mbH	Frankfurt am Main	100.00		115	14
Indexfinal Limited [1]	London, UK	100.00		1	0
Infifon XI B. V. [1]	Rotterdam, Netherlands	100.00		26	0
Intermodal Investment Fund VI LLC [1]	Majuro, Marshall Islands	100.00		0	0
IPConcept (Luxemburg) S.A. [1]	Luxembourg-Strassen, Luxembourg	100.00		6,747	3,167
IPConcept (Schweiz) AG [1]	Zurich, Switzerland	100.00		3,572	241
ITF Suisse AG [1]	Zurich, Switzerland	100.00		47,019	537
Ivanhoe Shipping Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
IZD-Beteiligung S.à.r.l. [1]	Luxembourg, Luxembourg	99.50		19,877	1
JASPIS GmbH [1]	Eschborn	100.00		39	14
JASPIS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		4	18
KALAMOS GmbH [1]	Eschborn	100.00		54	29
KALAMOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	-1,130	-101
KBIH Beteiligungsgesellschaft für Industrie und Handel mbH [1]	Frankfurt am Main	100.00		1,337	-525
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	0.00		0	0
KERKIS IV LLC [1]	Majuro, Marshall Islands	0.00		0	0
KISSELBERG Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		14	-2
KISSELBERG Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG [1]	Eschborn	6.00	66.67	12,289	2,667
KRAVAG Umweltschutz und Sicherheitstechnik GmbH [1]	Hamburg	100.00		186	9
KRAVAG-ALLGEMEINE Versicherungs-Aktiengesellschaft [1]	Hamburg	100.00		69,515	6,615
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft [1]	Hamburg	51.00		129,987	11,894
Landes Canada Inc. [1]	Granby, Quebec, Canada	100.00		2,968	-235
Landes Holding GmbH [1]	Isny im Allgäu	72.35	74.90	12,300	112
Landes Hong Kong Limited [1]	Kwun Tong, Kowloon, Hong Kong	100.00		567	158
Landes Lederwarenfabrik GmbH [1]	Isny im Allgäu	100.00		6,691	0
Lantana Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
LEKANIS GmbH [1]	Eschborn	100.00		40	15
LEKANIS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		19	30
LEPORIS GmbH [1]	Eschborn	100.00		21	-1
Lexi Limited [1]	George Town, Cayman Islands	100.00		0	0
LISENE GmbH [1]	Eschborn	100.00		41	16
LISENE GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	20	19
LITOS GmbH [1]	Eschborn	100.00		39	14
LITOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	-37	16
LogPay Financial Services GmbH [1] [5]	Eschborn	100.00		3,750	0
LogPay Fuel Spain S.L.U. [1]	Barcelona, Spain	100.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
LogPay Transport Services GmbH [1] [5]	Eschborn	75.12		201	0
Lombard Bérlet Gépjármüpark-kezelö és Kereskedelmi Korlátolt Felelösségû Társaság [1]	Szeged, Hungary	100.00		7,459	1,245
Lombard Ingatlan Lízing Zártkörûen Mûködõ Részvénytársaság [1]	Szeged, Hungary	100.00		701	-6,610
Lombard Pénzügyi és Lizing Zártkörûen Mûködõ Részvénytársaság [1]	Szeged, Hungary	96.76		0	0
Longspur Limited [1]	Grand Cayman, Cayman Islands	100.00		0	0
Maple Leaf Cement Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Maple Leaf Shipping Holdco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Maple Leaf Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Medico 12 GmbH & Co. KG [1]	Frankfurt am Main	99.8		9,286	-2,790
Mediterra LLC [1]	Ajeltake Island, Marshall Islands	0.00		0	0
Mertus einhundertsiebte GmbH [1]	Frankfurt am Main	100.00		24	-1
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
MI-Fonds J01 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
MI-Fonds J03 Metzler Investment GmbH [1]	Frankfurt am Main	0.00		0	0
Mile Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
MINTAKA GmbH [1]	Eschborn	100.00		44	19
MINTAKA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		25	-36
MODULUS GmbH [1]	Eschborn	100.00		49	24
MODULUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	30	29
MoRe Mobile Ressourcen GmbH [1] [5]	Mannheim	100.00		25	0
Morgenstern Miet + Leasing GmbH [1]	Eschborn	95.00		26	0
Mount Bintang LLC [1]	Majuro, Marshall Islands	100.00	0.00	0	0
Mount Bubu LLC [1]	Majuro, Marshall Islands	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	0.00		0	0
Mount Mulu LLC [1]	Majuro, Marshall Islands	0.00		0	0
Mount Pleasant Shipping Pte. Ltd. [1]	Singapore, Singapore	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
MS 'GEORG SCHULTE' Schifffahrtsgesellschaft mbH & Co. KG [1]	Hamburg	78.77		12,499	0
MSU Management-, Service- und Unternehmensberatung GmbH [1]	Landau in der Pfalz	74.00		498	168
NALINUS GmbH [1]	Frankfurt am Main	83.00		16,551	-6,383
Nedship Participation (Norway) B.V. [1]	Rotterdam, Netherlands	100.00		2,685	444
Nedship Scheepvaarthuis B.V. [1]	Rotterdam, Netherlands	100.00		-238	-53
Nedship Shipping B.V. [1]	Rotterdam, Netherlands	100.00		3,516	-54
NELO Dritte GmbH [1]	Eschborn	100.00		45	20
NELO Dritte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	95	25
NELO Erste GmbH [1]	Eschborn	100.00		52	27
NELO Fünfte GmbH [1]	Eschborn	100.00		42	17
NELO Fünfte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	22	21
NELO Zweite GmbH [1]	Eschborn	100.00		39	14
NELO Zweite GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	17
Netherlands Shipmortgage Corporation Ltd. [1]	Hamilton, Bermuda	100.00		0	0
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG [1]	Norderfriedrichskoog	94.00	49.00	0	-130
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG [1]	Norderfriedrichskoog	94.00	49.00	0	-85
NFC Labuan Shipleasing I Ltd. [1]	Labuan, Malaysia	0.00		0	0
NFC Shipping Fund B LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund C LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund II LLC [1]	Majuro, Marshall Islands	0.00		0	0
NFC Shipping Fund VII LLC [1]	Majuro, Marshall Islands	0.00		0	0
NOMAC AIRCRAFT LEASING (IRL) Ltd. i.L. [1]	Dublin, Ireland	0.00		0	0
NOVA Achte GmbH [1]	Eschborn	100.00		44	19
NOVA Elfte GmbH [1]	Eschborn	100.00		18	-1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
NOVA Neunte GmbH [1]	Eschborn	100.00		39	14
NOVA Siebte GmbH [1]	Eschborn	100.00		40	15
NOVA Siebte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
NTK Immobilien GmbH [1]	Hamburg	100.00		41	0
NTK Immobilien GmbH & Co. Management KG [2]	Hamburg	100.00		82	-525
Ocean Container II [1]	Oslo, Norway	0.00		0	0
Old Winterport Corp. [1]	Portland, USA	100.00		0	0
Optima Pensionskasse Aktiengesellschaft [1]	Hamburg	100.00		4,166	150
PARLA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		25	0
Pascon GmbH [1]	Wiesbaden	100.00		25	0
Paul Ernst Versicherungsvermittlungs mbH [1]	Hamburg	51.00		10	-29
PAVONIS GmbH [1]	Eschborn	100.00		71	49
PDZ Personaldienste & Zeitarbeit GmbH [5]	Darmstadt	100.00		60	0
Pension Consult-Beratungsgesellschaft für Altersvorsorge mbH [1]	Munich	100.00		1,008	135
Philip Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
POHACONO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	6	40
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	87.00	100.00	18,091	8,250
R+V Allgemeine Versicherung Aktiengesellschaft [1] [5]	Wiesbaden	95.00		694,220	0
R+V Deutschland Real (RDR) [1]	Hamburg	0.00		0	0
R+V Direktversicherung AG [1] [5]	Wiesbaden	100.00		9,500	0
R+V Erste Anlage GmbH [1]	Wiesbaden	100.00		1,080	61
R+V Gruppenpensionsfonds AG [1]	Munich	100.00		12,531	300
R+V Gruppenpensionsfonds Service GmbH [1]	Munich	100.00		63	38
R+V Immobilienfonds OIK Nr. 4 [1]	Frankfurt am Main	0.00		0	0
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin [1]	Dublin, Ireland	100.00		585	-2,311
R+V KOMPOSIT Holding GmbH [1] [5]	Wiesbaden	100.00		1,704,036	0
R+V Krankenversicherung AG [1]	Wiesbaden	100.00		53,485	5,000
R+V Kureck Immobilien GmbH [1]	Wiesbaden	100.00		78	1
R+V Leben Wohn GmbH & Co. KG [1]	Wiesbaden	100.00		91,246	2,839
R+V Lebensversicherung Aktiengesellschaft [1] [5]	Wiesbaden	100.00		314,981	0
R+V Luxembourg Lebensversicherung S.A. [1]	Luxembourg-Strassen, Luxembourg	100.00		200,721	34,856
R+V Mannheim P2 GmbH [1]	Wiesbaden	94.00		-1,533	-270
R+V Pensionsfonds AG [1]	Wiesbaden	100.00		10,885	213
R+V Pensionskasse AG [1]	Wiesbaden	100.00		55,306	500
R+V Personen Holding GmbH [1] [5]	Wiesbaden	100.00		582,089	0
R+V Real Estate Belgium N.V./S.A. [1]	Brussels, Belgium	100.00		10,737	159
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		34	2
R+V Versicherung AG [5]	Wiesbaden	74.95		1,911,693	0
RAS Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		89	1
RAS Grundstücksverwaltungsgesellschaft mbH & Co. Objektbeteiligungs KG [1]	Eschborn	100.00		-26	2
Rathlin Airfinance Ltd. [1]	Tokyo, Japan	100.00		4	0
RC II S.a.r.l. [1]	Luxembourg, Luxembourg	90.00		8,969	-403
ReiseBank Aktiengesellschaft [1] [5]	Frankfurt am Main	100.00		17,724	0
RISALIS GmbH [1]	Eschborn	100.00		38	13
RISALIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	17	16
RUBINOS GmbH [1]	Eschborn	100.00		143	118
Rushmore Shipping LLC [1]	Majuro, Marshall Islands	0.00		0	0
RUV Agenturberatungs GmbH [1]	Wiesbaden	100.00		324	57
S1 Offshore Pte. Ltd. [1]	Singapore, Singapore	100.00		0	0
SAG Unternehmensbeteiligungsgesellschaft MT Cape Tampa mbH & Co. KG [1]	Dortmund	99.32		16,677	-617
SAREMA GmbH [1]	Eschborn	100.00		49	24
SAREMA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	52.00	30	311
Scheepvaartschappij Ewout B.V. [1]	Rotterdam, Netherlands	0.00		0	0
Schuster Assekuradeur GmbH [1]	Hamburg	100.00		118	0
Schuster Finanzdienstleistungs-GmbH [1]	Bielefeld	100.00		26	0
Schuster Versicherungsmakler GmbH [1]	Bielefeld	51.00		89	63

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Schwäbisch Hall Facility Management GmbH [1]	Schwäbisch Hall	51.00		4,020	166
Schwäbisch Hall Kreditservice AG [1 5]	Schwäbisch Hall	100.00		27,775	0
Schwäbisch Hall Wohnen GmbH Gesellschaft für wohnwirtschaftliche Dienstleistungen [1]	Schwäbisch Hall	100.00		518	28
SECURON Hanse Versicherungsmakler GmbH [1]	Hamburg	51.00		33	-10
SECURON Versicherungsmakler GmbH [1]	Munich	51.00		647	392
Shamrock Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
Shark Aircraft Leasing (Ireland) Limited i.L. [1]	Dublin, Ireland	0.00		0	0
Shipping Capital Antilles N.V. [1]	Willemstad, Netherlands Antilles	100.00		14,527	377
Shipping Capital B.V. [1]	The Hague, Netherlands	100.00		6,845	-12
SHT Schwäbisch Hall Training GmbH [1]	Schwäbisch Hall	100.00		4,614	629
SIIM Fund I (Shipping and Intermodal Investment Management Fund) [1]	Majuro, Marshall Islands	0.00		0	0
SIKINOS GmbH [1]	Eschborn	100.00		49	24
SIKINOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-65	22
SINALOA Aircraft Leasing Limited [1]	Floriana, Malta	0.00		0	0
Sprint Sanierung GmbH [1]	Cologne	100.00		30,252	3,493
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		0	0
Stormers Aircraft Leasing (Malta) Ltd. [1]	Floriana, Malta	100.00	0.00	0	0
Taigetos Funding LLC [1]	Majuro, Marshall Islands	0.00		0	0
Taigetos II LLC [1]	Majuro, Marshall Islands	0.00		0	0
Taigetos III LLC [1]	Majuro, Marshall Islands	0.00		0	0
TBS I Trading Opco LLC [1]	Majuro, Marshall Islands	0.00		0	0
TeamBank AG Nürnberg [2 5]	Nuremberg	92.14		519,725	0
Technology DZ Venture Capital Fund I GmbH & Co. KG [1]	Munich	68.29		11,531	82
TEGANON GmbH [1]	Eschborn	100.00		35	9
TEGANON GmbH & Co. Immobilien KG [1]	Eschborn	100.00		5	11
Teide LLC [1]	Majuro, Marshall Islands	0.00		0	0
Terra Maris I LLC [1]	Majuro, Marshall Islands	0.00		0	0
TEU Asset Company N.V. [1]	Willemstad, Netherlands Antilles	100.00	0.00	0	0
TEU Management Company N.V. [1]	Willemstad, Netherlands Antilles	100.00	0.00	0	0
Tiger Aircraft Leasing (UK) Limited [1]	London, UK	0.00		0	0
TILIAS GmbH [1]	Eschborn	100.00		44	19
TILIAS GmbH & Co. Immobilien KG [1]	Eschborn	50.00	76.00	24	23
Tishman Speyer Brazil Feeder (Scots/D), L.P. [1]	Edinburgh, UK	100.00		35,869	5,567
Tishman Speyer European Strategic Office Fund Feeder, L.P. [1]	New York, USA	97.18		14,951	-729
TOPAS GmbH [1]	Eschborn	100.00		48	23
TOPAS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	28	27
Tubbataha Aviation Ltd. [1]	George Town, Cayman Islands	100.00		0	0
TUKANA GmbH [1]	Eschborn	100.00		41	16
TUKANA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	21	20
TURMALI GmbH [1]	Eschborn	100.00		23	-1
UI Vario: 2 issued by Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 2 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 3 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 4 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Miteigentumsfonds Nr. 5 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 10 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 11 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 12 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
UII Immobilien Treuhandfonds Nr. 3 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 4 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 5 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 6 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 7 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 8 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Immobilien Treuhandfonds Nr. 9 issued by Union Investment Institutional Property GmbH [1]	Hamburg	0.00		0	0
UII Issy 3 Moulins SCI [1]	Paris, France	100.00		0	0
UIN Fonds Nr. 776 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 779 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 780 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 781 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 782 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 783 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 784 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 785 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 786 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 787 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 788 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 789 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 790 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 791 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 792 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 793 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 794 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 795 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 796 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 797 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 800 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 802 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN Fonds Nr. 803 issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UIN MultiAssetFonds issued by Union Investment Institutional GmbH [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. 578 [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
UIR FRANCE 1 S.a.r.l. [1]	Paris, France	100.00		29	2
UIR FRANCE 2 S.a.r.l. [1]	Paris, France	100.00		32	2
UIR Verwaltungsgesellschaft mbH [1]	Hamburg	100.00		79	-13
UMB Unternehmens-Managementberatungs GmbH [1 5]	Wiesbaden	100.00		488	0
Uni Euro Anleihen issued by Union Investment Institutional GmbH [1]	Frankfurt am Main	0.00		0	0
UniImmo: Flexibel issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
UniImmo: Metropolon issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
UniInstitutional Residential Real Estate issued by Union Investment Real Estate GmbH [1]	Hamburg	0.00		0	0
Union Asset Management Holding AG [2]	Frankfurt am Main	78.69		569,335	252,706
Union Investment Financial Services S.A. [1]	Luxembourg, Luxembourg	100.00		17,506	3,603
Union Investment Institutional GmbH [1 5]	Frankfurt am Main	100.00		41,770	0
Union Investment Institutional Property GmbH [1]	Hamburg	90.00		12,129	1,052
Union Investment Luxembourg S.A. [1]	Luxembourg, Luxembourg	100.00		240,780	101,180
Union Investment Privatfonds GmbH [1 5]	Frankfurt am Main	100.00		100,442	0
Union Investment Real Estate Asia Pacific Pte. Ltd. [1]	Singapore, Singapore	100.00		1,130	589

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Union Investment Real Estate France S.A.S. [1]	Paris, France	100.00		2,232	1,036
Union Investment Real Estate GmbH [2]	Hamburg	94.50		72,229	43,153
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		20,495	4,738
Union IT-Services GmbH [1] [5]	Frankfurt am Main	100.00		2,374	0
Union Service-Gesellschaft mbH [1] [5]	Frankfurt am Main	100.00		5,749	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	66.67		26	0
VAUTID (SHANGHAI) Wear Resistant Material Trading Co. Ltd. [1]	Shanghai, China	100.00		775	354
VAUTID Austria GmbH [1]	Marchtrenk, Austria	100.00		578	228
VAUTID GmbH [1]	Ostfildern	82.51		3,172	304
Vautid North America, Inc. [1]	Pittsburgh, USA	0.00	100.00	-177	-2
Vautid-Belgium PGmbH [1]	Raeren-Eynatten, Belgium	100.00		249	-144
VMB Vorsorgemanagement für Banken GmbH [1]	Overath	90.00		68	41
VR BKE Beratungsgesellschaft für Klima & Energie GmbH [1]	Wiesbaden	66.67		0	0
VR DISKONTBANK GmbH [1] [5]	Eschborn	100.00		71,147	0
VR Equitypartner Beteiligungskapital GmbH & Co. KG UBG [2]	Frankfurt am Main	100.00		8,783	4,844
VR Equitypartner GmbH [3]	Frankfurt am Main	78.00		70,546	11,340
VR Equitypartner Management GmbH [1]	Frankfurt am Main	100.00		548	48
VR FACTOREM GmbH [1] [5]	Eschborn	100.00		23,285	0
VR GbR [2]	Frankfurt am Main	88.75		243,840	49,436
VR Hausbau AG [1]	Stuttgart	94.48		2,750	0
VR HYP GmbH [1]	Hamburg	100.00		25	0
VR Kreditservice GmbH [1] [5]	Hamburg	100.00		25	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]	Eschborn	100.00		4,961	4,357
VR-IMMOBILIEN-LEASING GmbH [1] [5]	Eschborn	100.00		14,123	0
VRL-Beteiligungs GmbH [1]	Eschborn	100.00		29	2
VR-LEASING ABYDOS GmbH [1]	Eschborn	100.00		49	24
VR-LEASING ABYDOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-39	22
VR-LEASING AKANTHUS GmbH [1]	Eschborn	100.00		41	16
VR-LEASING AKANTHUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		21	19
VR-LEASING Aktiengesellschaft [5]	Eschborn	83.46		211,070	0
VR-LEASING ALDEBARA GmbH [1]	Eschborn	100.00		41	16
VR-LEASING ALDEBARA GmbH & Co. Immobilien KG [1] [6]	Eschborn	6.00	76.00	-298	-40
VR-LEASING AMETRIN GmbH [1]	Eschborn	100.00		43	17
VR-LEASING AMETRIN GmbH & Co. Immobilien KG [1]	Eschborn	100.00		22	21
VR-LEASING ANDROS GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ANDROS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		26	205
VR-LEASING ARINA GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ARINA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	27	26
VR-LEASING ARKI GmbH [1]	Eschborn	100.00		45	20
VR-LEASING ARKI GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	26	25
VR-LEASING ARRIANUS GmbH [1]	Eschborn	100.00		42	17
VR-LEASING ARRIANUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	2	19
VR-LEASING ASARO GmbH [1]	Eschborn	100.00		46	1
VR-LEASING ASARO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	2	0
VR-LEASING ASINE GmbH [1]	Eschborn	100.00		46	21
VR-LEASING ASINE GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-76	-27
VR-LEASING ASOPOS GmbH [1]	Eschborn	100.00		29	2
VR-LEASING ASOPOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		3	15
VR-LEASING ATRIA GmbH [1]	Eschborn	100.00		38	13
VR-LEASING ATRIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	55.00	17	16
VR-LEASING AVENTURIN GmbH [1]	Eschborn	100.00		40	14

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING AVENTURIN GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
VR-LEASING BETA GmbH [1]	Eschborn	100.00		44	19
VR-LEASING BETA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		24	23
VR-LEASING Beteiligungs GmbH & Co. KG [1]	Eschborn	100.00		0	0
VR-LEASING DELOS GmbH [1]	Eschborn	100.00		44	19
VR-LEASING DELOS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		24	23
VR-LEASING DIVO GmbH [1]	Eschborn	100.00		52	27
VR-LEASING DIVO GmbH & Co. Immobilien KG [1, 6]	Eschborn	6.00	76.00	34	33
VR-LEASING DOBAS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		43	42
VR-LEASING EINKAUFS-GmbH [1, 5]	Eschborn	100.00		80,008	0
VR-LEASING ERIDA GmbH [1]	Eschborn	100.00		47	18
VR-LEASING ERIDA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	23	26
VR-LEASING FABIO GmbH [1]	Eschborn	100.00		36	11
VR-LEASING FABIO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	15	14
VR-LEASING FACTA GmbH [1]	Eschborn	100.00		25	-1
VR-LEASING FAGURA GmbH [1]	Eschborn	100.00		234	209
VR-LEASING FAGURA GmbH & Co. Erste Immobilien KG [1]	Eschborn	100.00		15	13
VR-LEASING FAGURA GmbH & Co. Sechste Immobilien KG [1]	Eschborn	6.00	76.00	24	16
VR-LEASING FAGURA GmbH & Co. Siebte Immobilien KG [1]	Eschborn	6.00	68.00	25	23
VR-LEASING FAGUS GmbH [1]	Eschborn	100.00		29	3
VR-LEASING FAGUS GmbH & Co. Immobilien KG [1]	Eschborn	2.00	81.00	6	9
VR-LEASING FARINA GmbH [1]	Eschborn	100.00		38	12
VR-LEASING FARINA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	0	0
VR-LEASING FERRIT GmbH [1]	Eschborn	100.00		25	0
VR-LEASING FERRIT GmbH & Co. Erste Immobilien KG [1]	Eschborn	6.00	76.00	639	91
VR-LEASING FERRIT GmbH & Co. Fünfte Immobilien KG [1]	Eschborn	6.00	76.00	18	17
VR-LEASING FERRIT GmbH & Co. Zweite Immobilien KG [1]	Eschborn	0.00	52.00	-426	6
VR-LEASING FIXUM GmbH [1]	Eschborn	100.00		36	11
VR-LEASING FLAVUS GmbH [1]	Eschborn	100.00		38	13
VR-LEASING FLAVUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-396	-24
VR-LEASING FOLIO GmbH [1]	Eschborn	100.00		42	17
VR-LEASING FOLIO GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	13	32
VR-LEASING FORTUNA GmbH [1]	Eschborn	100.00		25	-1
VR-LEASING FRONTANIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	26	98
VR-LEASING FULVIUS GmbH [1]	Eschborn	100.00		47	22
VR-LEASING IKANA GmbH [1]	Eschborn	100.00		52	27
VR-LEASING IKANA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	21	60
VR-LEASING Immobilien-Holding GmbH & Co. KG [1]	Eschborn	94.80	95.91	151	68
VR-LEASING IRIS GmbH [1]	Eschborn	100.00		38	12
VR-LEASING IRIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	16	15
VR-LEASING ISORA GmbH [1]	Eschborn	100.00		37	12
VR-LEASING ISORA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	6	103
VR-LEASING KOSMOS GmbH [1, 5]	Eschborn	100.00		89	0
VR-LEASING LEROS GmbH [1]	Eschborn	100.00		38	13
VR-LEASING LEROS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	18	116
VR-LEASING LIMNOS GmbH [1]	Eschborn	100.00		40	15
VR-LEASING LIMNOS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	20	19
VR-LEASING LOTIS GmbH [1]	Eschborn	100.00		55	30
VR-LEASING LOTIS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	38	37
VR-LEASING LYRA GmbH [1]	Eschborn	100.00		51	26
VR-LEASING LYRA GmbH & Co. Immobilien KG [1, 6]	Eschborn	6.00	76.00	33	31
VR-LEASING MADIUM GmbH [1]	Eschborn	100.00		46	21
VR-LEASING MADIUM GmbH & Co. Immobilien KG [1]	Eschborn	100.00		19	27
VR-LEASING MADRAS GmbH [1]	Eschborn	100.00		314	20
VR-LEASING MADRAS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-160	102
VR-LEASING MADURA GmbH [1]	Eschborn	100.00		36	11
VR-LEASING MADURA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	15	13
VR-LEASING MAGADIS GmbH [1]	Eschborn	100.00		67	42
VR-LEASING MAGADIS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	28	53
VR-LEASING MAGARO GmbH [1]	Eschborn	100.00		33	8
VR-LEASING MAGARO-FONDS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	68.00	11	373

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING MAGO GmbH [1]	Eschborn	100.00		26	-1
VR-LEASING MALAKON GmbH [1]	Eschborn	100.00		53	26
VR-LEASING MALAKON GmbH & Co. Immobilien KG [1]	Eschborn	15.00	75.50	2,661	211
VR-LEASING MANEGA GmbH [1]	Eschborn	100.00		38	12
VR-LEASING MANEGA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	-35	22
VR-LEASING MANIOLA GmbH [1]	Eschborn	100.00		39	13
VR-LEASING MANIOLA GmbH & Co. Immobilien KG [1]	Eschborn	11.20	51.00	2,075	145
VR-LEASING MARKASIT GmbH [1]	Eschborn	100.00		58	33
VR-LEASING MARKASIT GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-66	50
VR-LEASING MAROS GmbH [1]	Eschborn	100.00		41	16
VR-LEASING MAROS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	21	19
VR-LEASING MARTES GmbH [1]	Eschborn	100.00		39	13
VR-LEASING MARTES GmbH & Co. Immobilien KG [1]	Eschborn	14.50	51.00	1,544	111
VR-LEASING MAXIMA GmbH [1]	Eschborn	100.00		25	0
VR-LEASING MAXIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-102	8
VR-LEASING MEDIO GmbH [1]	Eschborn	100.00		24	-1
VR-LEASING MELES GmbH [1]	Eschborn	100.00		39	14
VR-LEASING MELES GmbH & Co. Immobilien KG [1]	Eschborn	22.80	51.00	930	74
VR-LEASING MENTHA GmbH [1]	Eschborn	100.00		35	9
VR-LEASING MENTHA GmbH & Co. Immobilien KG [1]	Eschborn	22.00	51.00	665	52
VR-LEASING MENTUM GmbH [1]	Eschborn	100.00		46	21
VR-LEASING MENTUM GmbH & Co. Immobilien KG [1]	Eschborn	7.80	51.00	3,361	384
VR-LEASING MERGUS GmbH [1]	Eschborn	100.00		43	18
VR-LEASING MERGUS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	21	21
VR-LEASING METIS GmbH [1]	Eschborn	100.00		41	16
VR-LEASING METIS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	24	41
VR-LEASING METRO GmbH & Co. Objekte Rhein-Neckar KG [1]	Eschborn	100.00		-1,000	98
VR-LEASING MILETOS GmbH [1]	Eschborn	100.00		44	18
VR-LEASING MILETOS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	24	23
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		25	-3
VR-LEASING MILVUS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-8	1
VR-LEASING MORIO GmbH [1]	Eschborn	100.00		44	18
VR-LEASING MORIO GmbH & Co. Immobilien KG [1]	Eschborn	94.00	75.50	-483	38
VR-LEASING MUNDA GmbH [1]	Eschborn	100.00		69	43
VR-LEASING MUNDA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-29	109
VR-LEASING MUSCAN GmbH [1]	Eschborn	100.00		35	9
VR-LEASING MUSCAN GmbH & Co. Immobilien KG [1]	Eschborn	19.10	51.00	794	60
VR-LEASING MUSCARI GmbH [1]	Eschborn	100.00		72	47
VR-LEASING MUSCARI GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	-356	98
VR-LEASING MUSTELA GmbH [1]	Eschborn	100.00		53	28
VR-LEASING NALANDA GmbH [1]	Eschborn	100.00		42	16
VR-LEASING NALANDA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	16	20
VR-LEASING NAPO GmbH [1]	Eschborn	100.00		25	-1
VR-LEASING NAPOCA GmbH [1]	Eschborn	100.00		39	13
VR-LEASING NAPOCA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	51.00	56	142
VR-LEASING NARUGO GmbH [1]	Eschborn	100.00		37	25
VR-LEASING NATANTIA GmbH [1]	Eschborn	100.00		27	2
VR-LEASING NAVARINO GmbH [1]	Eschborn	100.00		61	36
VR-LEASING NAVARINO GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-728	86
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		27	-1
VR-LEASING NESTOR GmbH [1]	Eschborn	100.00		46	21
VR-LEASING NESTOR GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	15	25
VR-LEASING NETTA GmbH [1]	Eschborn	100.00		54	22
VR-LEASING NETTA GmbH & Co. Immobilien KG [1]	Eschborn	94.00	51.00	5	29
VR-LEASING NOVA Fünfte GmbH [1]	Eschborn	100.00		53	28
VR-LEASING NOVA Vierte GmbH [1]	Eschborn	100.00		53	28
VR-LEASING OBLONGA GmbH [1]	Eschborn	100.00		325	-32

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING ONDATRA GmbH [1]	Eschborn	100.00		52	26
VR-LEASING ONDATRA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	33	32
VR-LEASING ONYX GmbH [1]	Eschborn	100.00		38	13
VR-LEASING ONYX GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-1,882	153
VR-LEASING OPAL GmbH [1]	Eschborn	100.00		26	0
VR-LEASING OPAVA GmbH [1]	Eschborn	100.00		29	1
VR-LEASING OPAVA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		-3,016	19
VR-LEASING OPHIR GmbH [1]	Eschborn	100.00		39	13
VR-LEASING OPHIR GmbH & Co. Immobilien KG [1]	Eschborn	100.00	75.50	-9,191	547
VR-LEASING OPTIMA GmbH [1]	Eschborn	100.00		71	46
VR-LEASING OPTIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	-165	80
VR-LEASING ORDO GmbH [1]	Eschborn	100.00		41	15
VR-LEASING ORION GmbH [1]	Eschborn	100.00		370	344
VR-LEASING ORION GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	411	410
VR-LEASING OSMERUS GmbH [1]	Eschborn	100.00		40	15
VR-LEASING OSMERUS GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	5	49
VR-LEASING PAROS GmbH [1]	Eschborn	100.00		34	9
VR-LEASING PAROS GmbH & Co. Immobilien KG [1] [6]	Eschborn	6.00	76.00	-141	17
VR-LEASING POCO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	52.00	0	33
VR-LEASING REGELSCHULE GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	19	18
VR-LEASING RUSSLAND Holding GmbH [1]	Eschborn	100.00		537	98
VR-LEASING SALA GmbH [1]	Eschborn	100.00		11	0
VR-LEASING SALIX GmbH [1]	Eschborn	100.00		72	46
VR-LEASING SALIX GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	57	56
VR-LEASING SALMO GmbH [1]	Eschborn	100.00		47	22
VR-LEASING SALMO GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	28	26
VR-LEASING SALONA GmbH [1]	Eschborn	100.00		34	9
VR-LEASING SALONA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	-123	61
VR-LEASING SALTA GmbH [1]	Eschborn	100.00		46	21
VR-LEASING SALTA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	18	26
VR-LEASING SALVIA GmbH [1]	Eschborn	100.00		45	19
VR-LEASING SALVIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	25	23
VR-LEASING SALVIS GmbH [1]	Eschborn	100.00		23	0
VR-LEASING SAMARA GmbH [1]	Eschborn	100.00		131	105
VR-LEASING SAMARA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	125	130
VR-LEASING SANAGA GmbH [1]	Eschborn	100.00		42	17
VR-LEASING SANAGA GmbH & Co. Immobilien KG [1]	Eschborn	100.00		22	21
VR-LEASING SANIDOS GmbH [1]	Eschborn	100.00		36	11
VR-LEASING SANIDOS GmbH & Co. Immobilien KG [1]	Eschborn	4.00	52.00	16	27
VR-LEASING SARITA GmbH [1]	Eschborn	100.00		41	16
VR-LEASING SARITA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	21	19
VR-LEASING SASKIA GmbH [1]	Eschborn	100.00		41	16
VR-LEASING SASKIA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	20	19
VR-LEASING SEGUSIO GmbH [1]	Eschborn	100.00		25	2
VR-LEASING SEPIA GmbH [1]	Eschborn	100.00		31	6
VR-LEASING SEPIA GmbH & Co. Immobilien KG [1] [6]	Eschborn	4.00	52.00	9	8
VR-LEASING SIGUNE GmbH [1]	Eschborn	100.00		41	15
VR-LEASING SIGUNE GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	20	19
VR-LEASING SIMA GmbH [1]	Eschborn	100.00		52	26
VR-LEASING SIMA GmbH & Co. Immobilien KG [1]	Eschborn	0.00	51.00	28	27
VR-LEASING SINABIS GmbH [1]	Eschborn	100.00		34	8
VR-LEASING SINABIS GmbH & Co. Immobilien KG [1]	Eschborn	6.00	75.50	14	10
VR-LEASING SIRIUS GmbH [1]	Eschborn	100.00		48	23
VR-LEASING SIRIUS GmbH & Co. Immobilien KG [1]	Eschborn	100.00		29	28
VR-LEASING SOLIDUS Achtzehnte GmbH [1]	Eschborn	100.00		68	43
VR-LEASING SOLIDUS Achtzehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	52	51
VR-LEASING SOLIDUS Dreizehnte GmbH [1]	Eschborn	100.00		44	19
VR-LEASING SOLIDUS Dreizehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	24	23
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	10
VR-LEASING SOLIDUS Elfte GmbH [1]	Eschborn	100.00		44	19

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING SOLIDUS Elfte GmbH & Co. Immobilien KG [1]	Eschborn	94.00	76.00	25	23
VR-LEASING SOLIDUS Erste GmbH [1]	Eschborn	100.00		41	16
VR-LEASING SOLIDUS Erste GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	20	19
VR-LEASING SOLIDUS Fünfte GmbH [1]	Eschborn	100.00		29	4
VR-LEASING SOLIDUS Neunte GmbH [1]	Eschborn	100.00		35	10
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		43	18
VR-LEASING SOLIDUS Neunzehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	22	21
VR-LEASING SOLIDUS Objekt Karben GmbH [1]	Eschborn	94.00		-1,806	43
VR-LEASING SOLIDUS Sechzehnte GmbH [1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Sechzehnte GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	19	18
VR-LEASING SOLIDUS Siebte GmbH [1]	Eschborn	100.00		56	31
VR-LEASING SOLIDUS Siebte GmbH & Co. Immobilien KG [1]	Eschborn	0.00	66.67	39	500
VR-LEASING SOLIDUS Vierzehnte GmbH [1]	Eschborn	100.00		40	14
VR-LEASING SOLIDUS Zehnte GmbH [1]	Eschborn	100.00		25	0
VR-LEASING SOLIDUS Zweite GmbH [1]	Eschborn	100.00		49	24
VR-LEASING SOLIDUS Zweite GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	30	27
VR-LEASING SOLIDUS Zwölfte GmbH [1]	Eschborn	100.00		45	20
VR-LEASING SOREX GmbH [1]	Eschborn	100.00		20	0
VR-LEASING TELLUR GmbH [1]	Eschborn	100.00		47	22
VR-LEASING TELLUR GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	0	0
VR-LEASING ZAWISLA GmbH & Co. Immobilien KG [1]	Eschborn	6.00	76.00	15	14
Wadi Funding LLC [1]	Majuro, Marshall Islands	0.00		0	0
Wadi Woraya I LLC [1]	Majuro, Marshall Islands	0.00		0	0
Wadi Woraya III LLC [1]	Majuro, Marshall Islands	0.00		0	0
Waldhof Verwaltungsgesellschaft mbH [1]	Hamburg	100.00		30	0
Wasps Aircraft Leasing (Ireland) Limited [1]	Dublin, Ireland	0.00		0	0
Waverley Shipping Opco LLC [1]	George Town, Cayman Islands	0.00		0	0
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH [1]	Stuttgart	94.90		13,379	1,521
Weinmann GmbH & Co. Objekt Eichwald KG [1]	Eschborn	100.00		-124	-125
Yellow Moon Shipping Limited [1]	St. John's, Antigua and Barbuda	0.00		0	0
ZBA Grundstücksverwaltungsgesellschaft mbH [1]	Eschborn	100.00		31	4
ZBA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Eintausend KG [1]	Eschborn	94.00	75.50	10	80
ZPF Asia Pacific Pte. Ltd. [1]	Singapore, Singapore	100.00		0	0
ZPF Foundry4 GmbH [1]	Hochheim am Main	74.87		552	13
ZPF Holding GmtbH i.L. [1]	Siegelsbach	95.58		21	-680
ZPF Industrial Furnaces (Taicang) Co. Ltd. [1]	Taicang, China	100.00		0	0
ZPF Services GmbH [1]	Heilbronn	100.00		61	36
ZPF Therm Maschinenbau GmbH i.L. [1]	Siegelsbach	100.00		5,371	-338

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	0	0
AerCap Partners II Ltd.[1]	Shannon, Ireland	0.00		0	0
BAU + HAUS Management GmbH[1]	Wiesbaden	50.00		12,324	814
BEA Union Investment Management Limited[1]	Hong Kong, Hong Kong	49.00		44,693	5,252
Capital Equipment Management Holding GmbH[1]	Hamburg	50.00		18	-3
Ceskomoravska stavebni sporitelna a.s.[1]	Prague, Czech Republic	45.00		381,200	66,949
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		0	0
Deutsche WertpapierService Bank AG	Frankfurt am Main	50.00		210,971	411
DGVR Alpha Mobilien-Verwaltungsgesellschaft mbH[1]	Eschborn	50.00		26	1
DZ BANK Galerie im Städel Kunstverwaltungsgesellschaft mbH	Frankfurt am Main	50.00		20	-1
First BD Feederships Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
Herakleitos 3050 LLC[1]	Majuro, Marshall Islands	50.00		0	0
Intermodal Investment Fund II LLC[1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund IV LLC[1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund VII LLC[1]	Majuro, Marshall Islands	50.00		0	0
IZD-Holding S.à.r.l.[1]	Luxembourg, Luxembourg	50.30	50.00	39,312	-71
MD Aviation Capital Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
Modex Energy Rental LLC[1]	Majuro, Marshall Islands	50.00		0	0
Prvá stavebná sporitel'na, a.s.[1]	Bratislava, Slovakia	32.50		252,942	29,054
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig[1]	Wiesbaden	50.00		8,860	554
Raiffeisen Banca Pentru Locuinte S.A.[1]	Bucharest, Romania	33.32		44,626	393
TAG ASSET Management LLC[1]	Majuro, Marshall Islands	0.00		0	0
VB-Leasing International Holding GmbH[1]	Vienna, Austria	50.00		75,325	-693
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH[1]	Dresden	50.00		144	21
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V. (VVB)[1]	Neubrandenburg	50.00		134	8
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Brandenburg (VVB)[1]	Teltow	50.00		33	3
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V. (VVB)[1]	Magdeburg	50.00		47	14
VR Consultingpartner GmbH[2]	Frankfurt am Main	90.00		26	2
VR Unternehmerberatung GmbH (from Jan. 2014: VR Corporate Finance GmbH)	Düsseldorf	50.00		1,461	154
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd.[1]	Tianjin, China	24.90		258,243	12,229

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		1,410	312
bbv-service Versicherungsmakler GmbH [1]	Munich	25.20		1,361	195
Cassa Centrale Banca – Credito Cooperativo del Nord Est Società per Azioni	Trento, Italy	25.00	26.47	214,598	14,316
Clean Car AG [1]	Meerbusch	29.33		64,149	5,828
DEGECIVIS Grundstücksverwaltungsgesellschaft mbH i.L. [1]	Eschborn	49.00		151	-4
Equens SE	Utrecht, Netherlands	31.05		341,362	22,551
European Property Beteiligungs-GmbH [1]	Frankfurt am Main	38.90	33.20	1,103	4,502
GHM Holding GmbH [1]	Regenstauf	40.00		14,289	-64
GHM MPP Reserve GmbH [1]	Regenstauf	50.00		372	-3
GHM MPP Verwaltungs GmbH [1]	Regenstauf	50.00		24	-1
Global Asic GmbH [1]	Dresden	30.80		20,835	421
Goldeck Zetti Beteiligungsgesellschaft mbH [1]	Leipzig	39.23		33,603	5,029
Haneda Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0
HEIMAG München GmbH [1]	Munich	30.00		247,278	-3,664
Intermodal Investment Fund V LLC [1]	Majuro, Marshall Islands	50.00		0	0
ismet Holding GmbH [1]	Villingen-Schwenningen	57.50	49.00	7,427	2,255
Janz IT AG [1]	Paderborn	40.12		3,236	-358
KMT MedTec Holding GmbH [1]	Düsseldorf	44.10		4,681	-99
KTP Holding GmbH [1]	Bous	49.82		18,225	5,259
MK Metallfolien GmbH [1]	Hagen	37.23		-13,386	1,134
MON A300 Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0
MON Engine Parts Inc. [1]	City of Newark, County of New Castle, UK	20.00		0	0
MSN 223 Leasing Ltd. [1]	George Town, Cayman Islands	0.00		0	0
Neida Holding AG [1]	Appenzell, Switzerland	35.00		3,141	381
NFC AHTS Limited [1]	Limassol, Cyprus	0.00		0	0
SCL GmbH [1]	Butzbach	49.00		5,696	2,783
Tertianum Besitzgesellschaft Berlin Passauer Straße 5–7 mbH [1]	Munich	25.00		24,103	-129
Tertianum Besitzgesellschaft Konstanz Markstätte 2–6 Sigismundstraße 5–9 mbH [1]	Munich	25.00		31,022	834
Tertianum Seniorenresidenzen Betriebsgesellschaft mbH [1]	Constance	25.00		262	4
TES Holding Ltd. [1]	Bridgend, UK	40.00		25,409	1,493
TREVA Entertainment GmbH [1]	Hamburg	32.70		2,805	2
UTT Beteiligungsgesellschaft mbH [1]	Krumbach	26.00	49.00	14,296	1,891
VR Netze GmbH	Münster	25.15		8,023	740
Wessel-Werk Beteiligungsverwaltung GmbH i.L. [1]	Karlsruhe	45.00		-2,088	-1,527
West Supply III A/S [1]	Haugesund, Norway	22.22		558	137
West Supply III KS [1]	Haugesund, Norway	20.00		5,555	1,457
WÜRTT. GENO-HAUS GmbH & Co. KG [2]	Stuttgart	37.16		40,890	1,518

SHAREHOLDINGS OF 20% OR MORE

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
1-2-3. TV GmbH 1	Unterföhring	20.93		4,527	701
Assical S.r.l. 1	Rende (CS), Italy	30.00		160	-6
Assiconf S.r.l. 1	Turin, Italy	20.00		53	1
ASSICRA Servizi Assisurativi Banche di Credito Cooperativo Abruzzo e Molise S.r.l. 1	Pescara, Italy	25.00		309	26
ATRION Immobilien GmbH & Co. KG 1	Grünwald	31.63		33,128	7,070
AUREO GESTIONI S.G.R.p.A. 1	Milan, Italy	25.00		26,094	1,498
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH 1	Munich	20.00		520	-173
BRASIL FLOWERS S.A. 1	Barbacena, Brazil	45.00		0	0
Burghofspiele GmbH 1	Eltville	20.00		61	-14
Bürgschaftsbank Brandenburg GmbH	Potsdam	25.31		18,955	1,995
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	30.38		15,488	192
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	29.73		12,625	760
Bürgschaftsbank Thüringen GmbH	Erfurt	22.13		21,239	1,762
CardProcess GmbH	Karlsruhe	29.70		28,171	1,981
Credit Suisse Global Infrastructure SCA SICAR 1	Luxembourg, Luxembourg	30.09		326,967	24,677
Dacos Software GmbH 1	Saarbrücken	29.96		0	0
DZ BANK Mikrofinanzfonds eG	Frankfurt	88.78	0.02	6	0
Elbank S.A. 1	Warsaw, Poland	30.36	24.49	-19	-11
Finatem II GmbH & Co. KG 1	Frankfurt am Main	20.20		45,051	-2,625
FREUNDE DER EINTRACHT FRANKFURT Aktiengesellschaft 1	Frankfurt am Main	32.05		2,890	35
GbR Ottmann GmbH & Co. Südhausbau KG, München VR Hausbau AG, Stuttgart (GbR 'Ackermannbogen.de-Wohnen am Olympiapark') 1	Munich	50.00		62	-4
GENO-Haus Stuttgart Beteiligungs GmbH	Stuttgart	33.33		25	2
German Equity Partners III GmbH & Co. KG 1	Frankfurt am Main	24.19		25,567	788
Gesellschaft für ernährungswirtschaftliche Beteiligungen mbH	Ochsenfurt	49.90		231	745
Golding Mezzanine SICAV IV 1	Munsbach, Luxembourg	49.98		97,386	4,542
HGI Immobilien GmbH 1	Frankfurt am Main	50.00		54	12
Hör Technologie GmbH 1	Weiden i.d.Opf.	61.54	49.99	1,137	-171
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
Laetitia Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG	Pullach	39.00		0	-58
Locanis AG 1	Unterföhring	41.28		-4,863	-4,863
MB Asia Real Estate Feeder (Scot.) L.P. 1	Edinburgh, UK	39.20	0.00	47,028	-5,307
Mercateo Beteiligungsholding AG 1	Taufkirchen	32.83		4,535	32
P 21 GmbH - Power of the 21st Century i.L. 1	Brunnthal	27.00	22.23	0	0
PWR Holding GmbH 1	Munich	33.33		1,872	1,842
Schroder Italien Fonds GmbH & Co. KG 1	Frankfurt am Main	23.08	19.74	12,254	-10,197
Schroder Property Services B.V. 1	Amsterdam, Netherlands	30.00		951	834
Seguros Generales Rural S.A. de Seguros y Reaseguros 1	Madrid, Spain	30.00		160,255	15,423
TFH Technologie-Finanzierungsfonds Hessen GmbH	Frankfurt am Main	33.33		2,353	566
TXS GmbH 1	Ellerau	24.50		206	477
VAUTID Arabia Coating and Treatment of Metals L.L.C. 1	Ras Al Khaimah, United Arab Emirates	24.50	0.00	198	-38
VAUTID HUIFENG (WUHU) Wear Resistant Material Co. Ltd. 1	Wuhu, China	50.00		1,512	496
VAUTID-SHAH HARDFACE Pvt. Ltd. 1	Navi Mumbai, India	37.49		0	135
vohtec Rissprüfung GmbH 1	Aalen	49.15		0	0
VR FinanzDienstLeistung GmbH	Berlin	24.50		1,658	200
VR-NetWorld GmbH 2	Bonn	39.05		3,575	408
VV Immobilien GmbH & Co. United States KG 1	Munich	25.00		21,683	4,625
Zarges Tubesca Finance GmbH 1	Weilheim	26.67		0	0

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		31,311	2,614
Banco Cooperativo Español S.A.	Madrid, Spain	12.02		282,504	20,544
ConCardis Gesellschaft mit beschränkter Haftung	Eschborn	19.60		42,397	10,958
DEPFA BeteiligungsHolding II Gesellschaft mit beschränkter Haftung [1]	Düsseldorf	10.00		242,315	136,877
EDEKABANK Aktiengesellschaft	Hamburg	8.35		85,475	3,686
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt am Main	19.60		10,397	-434
Karlsruher Lebensversicherung AG	Karlsruhe	10.00		7,439	1,750
PANELLINIA BANK SOCIETE ANONYME	Athens, Greece	8.42	5.28	65,800	-20,000
Protektor Lebensversicherungs-AG [1]	Berlin	5.27		85,572	3,456
Raiffeisendruckerei GmbH [1]	Neuwied	7.88		32,984	1,304
SCHUFA Holding AG [1]	Wiesbaden	17.94		25,892	11,969

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
6 The company makes use of the exemptions provided for under section 264b HGB.

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, March 4, 2014

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch	Hille	Köhler	Merz
Dr. Riese	Ullrich	Westhoff	Zeidler

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 fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] 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 Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the 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 those entities included in consolidation, the determination of entities to be included in consolidation, 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 Sec. 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 10, 2014

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 year under review was characterized by a further easing of the situation in the capital markets. With low interest rates in the money and capital markets and liquidity at a comfortable level, the German DAX index reached record highs. Credit spreads for bond issuers in southern Europe and Ireland continued to narrow, maintaining the trajectory that they began in the second half of 2013. This trend was underpinned by the bailout mechanisms set up at European level for crisis-hit countries in the European Monetary Union and the support provided by the European Central Bank (ECB). Moreover, the first indications of an economic upturn emerged, becoming stronger in the second half of the year. Germany led the way with slight growth for the full year in 2013, whereas the eurozone as a whole remained firmly in recession. But here too, the leading indicators point to an economic recovery in 2014.

The ECB published a press release on October 23, 2013 to mark the start of the comprehensive assessment that had previously been announced: Since the European regulations on implementing banking union came into effect in late October and early November 2013, the ECB has been authorized to collect detailed data in preparation for its central supervisory role. The regulator has never collected and analyzed data on such a scale before. DZ BANK is one of the 130 or so banks from 18 EU member states affected by this process, which comprises three phases and is due to be completed by November 2014. The outcome of the comprehensive assessment could be far reaching, and may lead to a requirement for a stronger capital base. Since November 2013, the group has been working flat out on the ECB's requests, which are submitted through the national regulator. The Supervisory Board was heavily involved in the start of these activities and the work that has gone on since.

As part of its remit in 2013, the Supervisory Board again discussed the capital situation of DZ BANK and the associated regulatory environment in detail on several occasions. In particular, it looked at the impact of the upcoming implementation of Basel III in Europe and other regulatory changes. It also thoroughly discussed the general parameters for the capital increase planned by DZ BANK AG for 2014 in view of increased regulatory capital requirements.

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. The main points examined in this regard were the further development of corporate banking, the continued scaling back of the portfolio of international long-term equity investments, and the strategic planning of the group companies. As in previous years, the Supervisory Board held a special meeting, at which it discussed the strategy and its ongoing implementation in detail and unanimously lent its support to the strategy.

DZ BANK's success in pursuing its strategy was again reflected in its strong business performance last year. It was able to use the encouraging net profit generated in 2013 to further strengthen its capital base. The Supervisory Board believes that DZ BANK's successful strategy of profit retention, combined with the capital increase planned for 2014, will lay the foundations for complying with regulatory capital requirements.

SUPERVISORY BOARD AND COMMITTEES

In 2013, 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. The Supervisory Board was assisted in discharging its responsibilities in 2013 through its Personnel Committee, Audit Committee, Risk and Investment Committee, and Mediation Committee pursuant to section 27 (3) German Codetermination Act (MitbestG). In line with section 25d German Banking Act (KWG), the new version of which came into force on January 1, 2014, the Risk and Investment Committee was renamed the Risk Committee and the Personnel Committee was renamed the Remuneration Control Committee by means of Supervisory Board resolutions dated December 5, 2013. The Supervisory Board also resolved to form a Nominations Committee as another personnel-related committee alongside the Remuneration Control Committee. At the same time, the Supervisory Board's rules of procedure were amended in order to explicitly assign the tasks set forth in section 25d (9) to (12) KWG (new version) to the committees in addition to their existing tasks as defined by law and the Articles of Association. All changes to the structure and tasks of the committees, and the requirements placed on them, took effect on January 1, 2014.

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. In particular, the Supervisory Board focused on the strategy and capital situation of DZ BANK, including with regard to current regulatory challenges and the ECB's comprehensive assessment. It also 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 always involved in decisions of fundamental importance.

CHANGES TO THE BOARD OF MANAGING DIRECTORS

In 2013, the Supervisory Board adopted resolutions regarding a number of members of the Board of Managing Directors. By means of a resolution dated March 21, 2013, the Supervisory Board appointed Mr. Stefan Zeidler as the successor to Mr. Hans-Theo Macke on the Board of Managing Directors of DZ BANK AG with effect from October 1, 2013. Mr. Macke retired when his contract expired on December 31, 2013, having spent 23 successful years in various managerial positions in companies at different levels of the cooperative financial network. He significantly enhanced corporate banking during his almost five-year tenure on the Board of Managing Directors of DZ BANK. In a resolution dated December 5, 2013, the Supervisory Board decided to appoint Dr. Cornelius Riese as chief financial officer with effect from May 20, 2014. He succeeds Mr. Albrecht Merz, who will retire when his contract expires after the Annual General Meeting on May 20, 2014. Having been a member of the Board of Managing Directors of DZ BANK AG and its predecessor for some 16 years, Mr. Merz has played a significant role in a number of central institution mergers and successfully adapted DZ BANK's accounting and financial control functions to the ever increasing regulatory requirements. The Supervisory Board would like to thank Mr. Macke and Mr. Merz for their many years of outstanding service on the Board of Managing Directors of DZ BANK AG.

SUPERVISORY BOARD MEETINGS

The Supervisory Board held five meetings in 2013. The Personnel Committee, the Audit Committee, and the Risk and Investment Committee each met on several occasions in 2013. Their Chairs regularly reported to the Supervisory Board on the committees' work. The Mediation Committee did not need to meet in 2013.

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 AG, 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. Members of the Supervisory Board and its committees regularly attended the meetings held and participated in the written resolutions adopted by the Supervisory Board and committees in 2013.

COOPERATION WITH THE AUDITORS

The auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), 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 2013 financial year complied with the applicable legal provisions. EY 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. In addition, the Chairman of the Supervisory Board and the Chairs of the Supervisory Board committees maintained a well-established, intensive dialog with the auditors. 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 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, 2013 at its meeting on April 2, 2014. 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 29, 2013, Dr. Roman Glaser stepped down from the Supervisory Board of DZ BANK. The Supervisory Board would like to thank Dr. Glaser for his many years of service. Dr. Wolfgang Thomasberger was newly elected to the Supervisory Board with effect from the end of the Annual General Meeting on May 29, 2013.

The Supervisory Board wishes to thank the Board of Managing Directors and all employees of DZ BANK for their valuable contribution in 2013.

Frankfurt am Main, April 2, 2014

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)
(until August 2013)

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

RICHARD ERHARDSBERGER
Chief Executive Officer
VR-Bank Vilsbiburg eG
Vilsbiburg

UWE GUTZMANN
Chief Executive Officer
Volks- und Raiffeisenbank eG
Wismar

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

KLAUS HOLDERBACH
Chief Executive Officer
Volksbank Franken eG
Buchen

THOMAS JANSSEN
Member of the Board of Managing Directors
Volksbank Braunlage eG
Braunlage

FRANZ-JOSEF JAUMANN
Chief Executive Officer
Volksbank Trossingen eG
Trossingen
(since March 2014)

KLAUS KRÖMER
Member of the Board of Managing Directors
Emsländische Volksbank eG
Meppen
(since September 2013)

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
(until December 2013)

(HON.) SENATOR DR. H.C. THOMAS RENNER
Chief Executive Officer
Sparda-Bank Baden-Württemberg
Stuttgart
(until December 2013)

MANFRED ROTH
Chief Executive Officer
VR Bank Weimar eG
Weimar
(since January 2014)

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

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

JÜRGEN WEBER
Chief Executive Officer
Sparda-Bank Hessen eG
Frankfurt am Main
(since January 2014)

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

MANFRED WÜNSCHE
Member of the Board of Managing Directors
Volksbank Stuttgart eG
Stuttgart
(until December 2013)

REPRESENTATIVES OF THE BVR AND ITS SPECIAL COMMITTEES:

DR. WOLFGANG BAECKER
Chief Executive Officer
VR-Bank Westmünsterland eG
Borken

JÜRGEN BRINKMANN
Chief Executive Officer
Volksbank eG
Braunschweig Wolfsburg
Wolfsburg

UWE FRÖHLICH
President of Federal Association of German Cooperative Banks (BVR)
Berlin

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

CARSTEN GRAAF
(member coopted as Chairman of the BVR Association Council)
Chief Executive Officer
Volksbank Meerbusch eG
Meerbusch

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

ANTON SPROLL
Member of the Board of Managing Directors
Leutkircher Bank – Raiffeisen- und Volksbank – eG
Leutkirch im Allgäu

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

CHAIRMAN (UNTIL SEPTEMBER 2013):

REINHARD KRUMM
Chief Executive Officer
Volksbank Lahr eG
Lahr
(until September 2013)

CHAIRMAN (SINCE SEPTEMBER 2013):

ANDREAS BÖHLER
Spokesman of the Board of Managing Directors
Volksbank Kraichgau Wiesloch-Sinsheim eG
Wiesloch

DEPUTY CHAIRMAN:

HERMANN SONNENSCHEIN
Member of the Board of Managing Directors
Volksbank Göppingen eG
Göppingen

UWE BARTH
Spokesman of the Board of Managing Directors
Volksbank Freiburg eG
Freiburg (since February 2014)

MICHAEL BAUMANN
Member of the Board of Managing Directors
BBBank eG
Karlsruhe

JÜRGEN BEERKIRCHER
Member of the Board of Managing Directors
Volksbank Backnang eG
Backnang

THOMAS BIERFREUND
Member of the Board of Managing Directors
VR Bank eG
Steinlach-Wiesaz-Härten
Mössingen

ULF BLECKMANN
Member of the Board of Managing Directors
Volksbank Dreiländereck eG
Lörrach

OLIVER CONRADI
Chief Executive Officer
Heidenheimer Volksbank eG
Heidenheim an der Brenz

CLAUS EDELMANN
Member of the Board of Managing Directors
Volksbank Strohgäu eG
Korntal-Münchingen

CLEMENS FRITZ
Chief Executive Officer
Volksbank Achern eG
Achern

HELMUT HABERSTROH
Spokesman of the Board of Managing Directors
Raiffeisenbank Aichhalden-Hardt-Sulgen eG
Hardt

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

ANDREAS HOFFMANN
Chief Executive Officer
Volksbank Bruhrain-Kraich-Hardt eG
Oberhausen-Rheinhausen

KLAUS HOFMANN
Member of the Board of Managing Directors
Raiffeisenbank Ehingen-Hochsträß eG
Ehingen

JÜRGEN HORNUNG
Spokesman of the Board of Managing Directors
VR-Bank Ellwangen eG
Ellwangen

GOTTFRIED JOOS
Chief Executive Officer
Volksbank Dornstetten eG
Dornstetten

EBERHARD KEYSERS
Member of the Board of
Managing Directors
Raiffeisenbank Aidlingen eG
Aidlingen

GEORG KIBELE
Member of the Board of
Managing Directors
Leutkircher Bank –
Raiffeisen- und Volksbank – eG
Leutkirch im Allgäu

ROBERT KLING
Member of the Board of
Managing Directors
Volksbank Ebingen eG
Albstadt

HERBERT LEICHT
Spokesman of the Board of
Managing Directors
Raiffeisenbank Bühlertal eG
Vellberg

WOLFGANG MAUCH
Member of the Board of
Managing Directors
Volksbank Kirchheim-Nürtingen eG
Nürtingen

WERNER MAYER
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Dillingen · Dudweiler ·
Sulzbach/Saar
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PRINCIPAL SHAREHOLDINGS OF DZ BANK

BANKS

Name & registered office	Group company[1]	Shareholding (%)
Bausparkasse Schwäbisch Hall Aktiengesellschaft – Bausparkasse der Volksbanken und Raiffeisenbanken -, Schwäbisch Hall	•	81.8
Ceskomoravska stavebni sporitelna a.s., Prague		45.0
Fundamenta-Lakáskassza Zrt., Budapest	•	51.2
Prvá stavebná sporitel'na a.s., Bratislava		32.5
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd., Tianjin		24.9
Schwäbisch Hall Kreditservice AG, Schwäbisch Hall	•	100.0
Banco Cooperativo Español S.A., Madrid		12.0
Deutsche Genossenschafts-Hypothekenbank AG, Hamburg[2]	•	100.0
Deutsche WertpapierService Bank AG, Frankfurt am Main		50.0
DVB Bank SE, Frankfurt am Main	•	95.4
DZ BANK Ireland public limited company, Dublin[2]	•	100.0
DZ PRIVATBANK S.A., Luxembourg-Strassen[2]	•	70.0
DZ PRIVATBANK (Schweiz) AG, Zürich	•	100.0
ReiseBank AG, Frankfurt am Main (indirect)	•	100.0
TeamBank AG Nürnberg, Nuremberg	•	92.1

1 Consolidated in accordance with IAS 27 and total shareholding held by DZ BANK or relevant parent
2 Letter of comfort from DZ BANK

Percentages from the perspective of the relevant subgroup parent company
Percentages in accordance with IFRS

OTHER SPECIALIZED SERVICE PROVIDERS

Name & registered office	Group company[1]	Shareholding (%)
VR Equitypartner GmbH, Frankfurt am Main[2]	•	78.0
Equens SE, Utrecht		31.1
VR-LEASING Aktiengesellschaft, Eschborn	•	83.5
BFL LEASING GmbH, Eschborn	•	73.6
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 or relevant parent
2 Letter of comfort from DZ BANK

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, Hamburg	•	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 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 or relevant parent

Percentages from the perspective of the relevant subgroup parent company
Percentages in accordance with IFRS

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This annual report is available in
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