Volksbanken Raiffeisenbanken
cooperative financial network

2014 ANNUAL REPORT
HELPING SHAPE THE FUTURE

DZ BANK Group

KEY FIGURES

DZ BANK GROUP

€ million	2014	2013
FINANCIAL PERFORMANCE[1]		
Operating profit[2]	3,058	2,761
Allowances for losses on loans and advances	-191	-540*
Profit before taxes	2,867	2,221
Net profit	2,157	1,467*
Cost/income ratio (percent)	50.2	51.5*

	Dec. 31, 2014	Dec. 31, 2013
FINANCIAL POSITION[1]		
Assets		
Loans and advances to banks	79,317	74,214*
Loans and advances to customers	122,437	120,158
Financial assets held for trading	54,449	52,857*
Investments	57,126	56,892
Investments held by insurance companies	79,632	70,237
Remaining assets	9,582	11,040
Equity and liabilities		
Deposits from banks	89,254	91,158
Deposits from customers	96,428	98,411
Debt certificates issued including bonds	55,609	52,754
Financial liabilities held for trading	51,702	45,768
Insurance liabilities	74,670	67,365
Remaining liabilities	16,774	15,754
Equity	18,106	14,188
Total assets/total equity and liabilities	**402,543**	**385,398**
Volume of business	**665,373**	**620,920**

	Dec. 31, 2014	Dec. 31, 2013
ECONOMIC CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY (DZ BANK GROUP)		
Economic capital adequacy (percent)	166.2	158.9
Stress scenario with the lowest minimum liquidity surplus (€ billion)	11.4	13.0
REGULATORY CAPITAL ADEQUACY		
DZ BANK financial conglomerate		
Financial conglomerate solvency[3] (percent)	171.1	180.4
DZ BANK banking group		
Total capital ratio (percent)	16.8	17.9
Tier 1 capital ratio (percent)	13.7	16.4
Core Tier 1 capital ratio (percent)	12.2	
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**29,596**	**28,962**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	A1	A1
Fitch Ratings	A+	A+

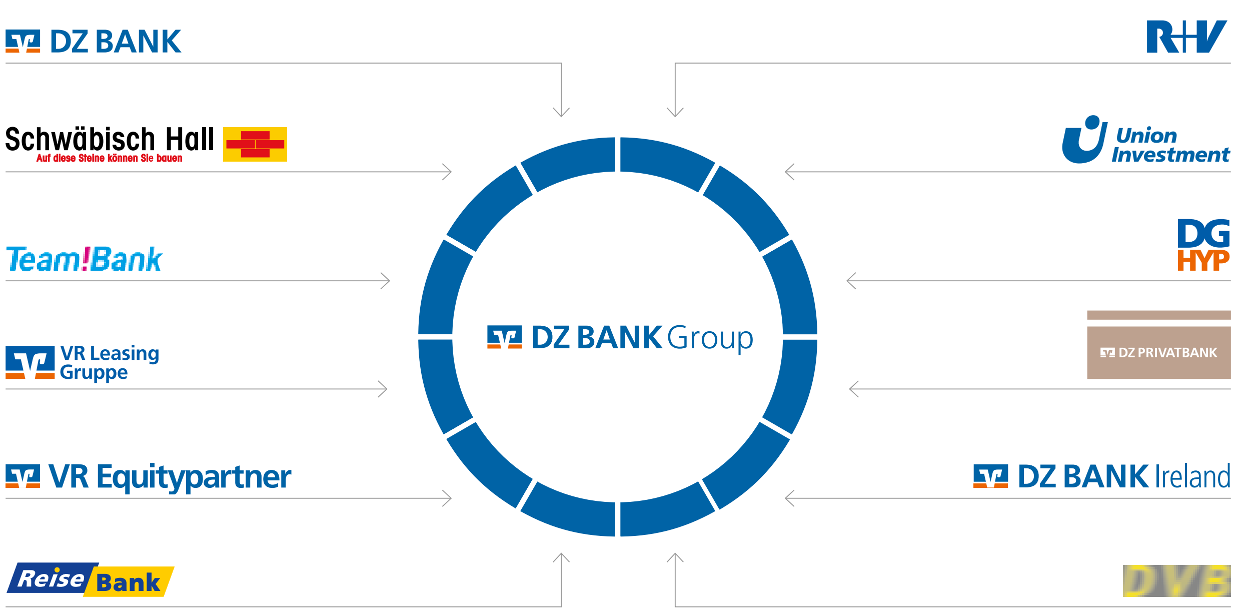
1 Prior-year figures restated, except for those marked *.
2 Operating income (total of net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income) less administrative expenses.
3 Dec. 31, 2014: provisional coverage ratio; Dec. 31, 2013: confirmed final coverage ratio.

DZ BANK GROUP
PARTNERS IN THE VOLKSBANKEN RAIFFEISENBANKEN COOPERATIVE FINANCIAL NETWORK

The DZ BANK Group forms part of the German cooperative financial network, which comprises more than 1,000 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 as a central institution for almost 900 cooperative banks and their 11,000 branch offices. It also operates as a corporate bank and acts as the holding company for the DZ BANK Group. The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DG HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment Group, VR LEASING Group, 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.

COMPANY BRANDS



PRODUCT BRANDS

AKZENT Invest

easyCredit®

THE MAGAZINE
FOR THE 2014 ANNUAL REPORT
OF THE DZ BANK GROUP

IF THE MAGAZINE ACCOMPANYING THE ANNUAL REPORT IS MISSING, YOU CAN FIND IT ONLINE AT WWW.ANNUALREPORT.DZBANK.COM

2014 ANNUAL REPORT
HELPING SHAPE THE FUTURE

'Helping shape the future' is the title of the magazine in which we provide you with information about current and future matters affecting us and our customers. Regulation, digitization, low interest rates, sustainability – these are just some of the buzzwords that we have attempted to convey in a more tangible form by way of examples and in interviews and articles.

Take a look inside the cover for yourself. If you would rather read a digital or mobile version, you can access the magazine and our latest annual report at www.annualreport.dzbank.com.

«
MAGAZINE
ACCOMPANYING THE
ANNUAL REPORT

CONTENTS

WOLFGANG KIRSCH (CHIEF EXECUTIVE OFFICER)

Dear Shareholders,

The DZ BANK Group can look back on a special year for three very important reasons. We earned a profit before taxes of €2.87 billion, which was the highest ever in our history. In addition, our successful capital increase with a volume of €1.5 billion was a record for our banking group. And, last but not least, we passed the extensive balance sheet review and stress test conducted by the European Central Bank (ECB) before it took over as banking regulator.

Factors such as the robust economy in our domestic German market and the comparably relaxed conditions on capital markets also favored our business. As a result, we were able to strengthen our capital base and achieve extraordinary net income that came in above our expectations. Your investment as a shareholder in DZ BANK therefore proves to be a strategically and commercially rewarding decision.

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

Nevertheless, Germany's continued sound economic growth and the easing of the European sovereign debt crisis last year must not distract from the risks that remain and which have increased again recently. Central bank policy, particularly that of the ECB, remains expansionary and continues to have a stimulating effect on the economy for now. But it also draws attention to the substantial risks of such monetary policy – especially the risks faced by the financial sector. The ECB's policy is no substitute for the structural reforms that are urgently required in the eurozone. Moreover, the assessment of the geopolitical situation, particularly in Europe, has deteriorated considerably in recent months.

Given this environment, the DZ BANK Group's good results are all the more pleasing. DZ BANK AG performed particularly well in corporate banking and gained new customers, thanks largely to effective joint marketing with the local cooperative banks. Capital markets business focused on the cooperative financial network performed satisfactorily, as did transaction banking, despite the challenging market conditions and low interest-rate environment. Moreover, we significantly increased sales of structured products in our securities business with retail customers.

Bausparkasse Schwäbisch Hall exceeded the record volume of home finance that it had achieved in the previous year, whereas there was an anticipated decline in new home savings business owing to the anticipatory effects of a change in the scale of rates and charges in 2013. R+V Versicherung saw its premiums earned rise by 10 percent and also benefited from a strong level of gains on investments. Union Investment generated an encouraging volume of net inflows from both institutional business and retail customer business. TeamBank can also look back on a successful year, with further growth in the number of customers and its lending volume. DZ PRIVATBANK's assets under management increased by 5.8 percent to €14.2 billion. This was due, in particular, to an encouraging rise in business arranged through the local cooperative banks. The volume of new business at DG HYP was stable, following a strong year in 2013. Changes to legislation in Hungary had a significant adverse effect for the VR Leasing Group, although it expanded its new business in its core German market and stepped up its strategic focus on the local cooperative banks. DVB Bank performed well despite difficult market conditions, achieving growth in selected areas of new business.

Net interest income in the DZ BANK Group totaled €3.05 billion, which was down by 2.2 percent compared with the previous year due to low interest rates. Allowances for losses on loans and advances decreased from €540 million to €191 million. There was another sharp rise in net fee and commission income, which advanced to €1.4 billion (2013: €1.1 billion). This increase was due to strong business performance by Union Investment, among other factors. Gains and losses on trading activities improved from a gain of €148 million to a gain of €471 million, largely because there were no longer any losses arising on the valuation of the bank's own issues. The level of gains and losses on investments improved to a gain of €109 million, primarily because of one-off items such as sale of the shares in Natixis and the disposal of asset-backed securities (2013: loss of €124 million). Other gains and losses on valuation of financial instruments decreased to a gain of €327 million compared with a figure of €1.1 billion in the previous year, which had been boosted by significant reversals of impairment losses in DG HYP's portfolio of government bonds. Net income from insurance business rose from €375 million in 2013 to €940 million in 2014. Administrative expenses grew by 5.1 percent to €3.1 billion, predominantly because of increased regulatory requirements and the associated rise in staff expenses and project costs.

Our success in 2014 reflects the commitment 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.

Besides this encouraging business performance, another highlight of 2014 for the DZ BANK Group was the strengthening of our capital base by our owners. With a volume of €1.5 billion, it was the largest capital increase in our history. We would like to thank you again, not only for subscribing to the new share capital but also for your support and encouragement throughout the process.

This corporate action ties in closely with the growth in regulatory requirements. In preparation for taking on the role of banking regulator, the ECB carried out an extensive balance sheet review and stress test of all large European banks. The review of our balance sheet confirmed that DZ BANK Group's conservative risk policy is the right approach. We even passed the stress test without taking account of our capital increase. This has provided us with a buffer for a further tightening of regulatory requirements. As at December 31, 2014, DZ BANK's preliminary common equity Tier 1 capital ratio stood at 12.2 percent or, taking full account of the Capital Requirements Regulation (CRR), 11.4 percent. This represents a year-on-year improvement of 4.3 percentage points, helped by the retention of profits and careful management of risk-weighted assets. We are therefore well equipped to deal with additional requirements. Nonetheless, we will continue to manage capital effectively as one of our primary tasks.

Our work on the consequences of regulation must not – and will not – distract us from focusing on enhancing our banking business, not least because we face a constant squeeze on profits as a result of low interest rates. In our corporate banking business, for example, we are working with the local cooperative banks to step up our marketing activities on the basis of a regional structure. In retail banking, our omnichannel sales activities constantly receive fresh momentum. Completion of the webErfolg and Beratungsqualität projects does not represent the end of a development process for the cooperative financial network. In fact, we are starting a follow-up project, Kundenfokus 2020. In payments processing business, which still generates more than 40 percent of the cooperative financial network's total fee and commission income, we repeatedly see the launch of new products by non-bank service providers. We need to defend our good market position in this business by devising innovative and customer-oriented approaches.

In addition to continuously enhancing our business operations, we need to keep a close eye on costs and improve our efficiency in order to counteract the increase in general, administrative, and staff expenses caused by regulatory requirements. This also applies to the cooperative financial network's overall cost structures. Our organization has taken a significant step in this direction by merging its two computing centers. In the medium term, a merger of the two central institutions is also on the cards. This is a subject that we will return to, and I quote the words of WGZ BANK's Chief Executive Officer Hans-Bernd Wolberg here, "at the right time."

Germany's sound economy is likely to provide further support for our business in 2015. Although geopolitical crises and political tensions within Europe are dampening the economic climate, low oil prices and the weak euro are having a positive impact. Overall, our economists predict gross domestic product to rise by 1.8 percent in Germany. The start of 2015 has been satisfactory for us. Following two years with excellent results, boosted by one-off items such as reversals of impairment losses and a low level of allowances for losses on loans and advances, we are likely to see earnings in 2015 of below the level of the two previous years. This is primarily a reflection of our intrinsic earnings power. We will propose a dividend of 15 cents at the Annual General Meeting, which equates to an increase of 2 cents. This means we can strike an appropriate balance between the interests of our owners and the reinforcement of our capital base through profit retention.

Phenomena such as persistently low interest rates, tighter regulation, and the consequences of digitization combine to create a tidal wave that no company in our sector can escape. Some bank business models seem to have been called into question from the ground up. And yet, in the cooperative financial network, we are better positioned than ever before to compete successfully in this market. Our solid levels of capital and liquidity provide stable foundations for our business. This can also be seen from the very good ratings issued to the cooperative financial network by the credit rating agencies. We have well-established brands and a portfolio of products and services that have proved themselves on the market. As a reliable partner for businesses and retail customers alike, we have gained a good reputation and earned the trust of more than 30 million customers. Over 18 million of these customers are in fact co-owners of their cooperative bank – a number that continues to rise. All of this is the result of a focused approach and of the tremendous effort we have put into our business. We can face the tasks that lie ahead of us with more confidence than ever before.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer

HIGHLIGHTS

Looking back at 2014, our encouraging performance and strong level of earnings are just some of the things we can report. There were also many other significant events for the DZ BANK Group last year. You can read about some of these special moments on the following pages, including an exclusive customer event, informative conferences, and new building projects. We also report on the latest accolades and awards that we have received for our products and services and for our reputation as an employer.

Significant Events 2014

(SELECTION)

DZ BANK: CAPITAL MARKETS CONFERENCE

DZ BANK held its fifth annual capital markets conference for institutional customers in Frankfurt am Main last year. Over a day and a half, experts from academia, politics and business spoke to and with 400 delegates about investment strategies for an environment of low interest rates. The conference also focused on covered bonds, one of the most important asset classes in institutional portfolios. With an overarching theme of 'What next for the euro and ECB policy?', the main topics were insufficient capital expenditure, the lack of structural reforms, low interest-rate policies and the risk of deflation. Professor Michael Huther, Director of the Cologne Institute for Economic Research, warned: "The crisis in Europe is not over yet. Going forward, it is vital that the ECB's transition from a policy of extremely low interest rates succeeds without too much economic fallout."

DZ BANK: WOLFGANG KIRSCH IS EUROPEAN BANKER OF THE YEAR

In May 2014, the Group of 20+1, an association of international business journalists in the financial hub of Frankfurt, voted Wolfgang Kirsch European Banker of the Year 2013. In their decision, the panel of judges said that they were also rewarding "the business model of decentralized cooperative banks that have shown themselves to be reliable partners for their customers throughout the financial crisis, a business model that is close to customers and geared toward the real economy."

DZ BANK: IMF BREAKFAST IN WASHINGTON

DZ BANK again held its traditional breakfast event to coincide with the annual meeting of the International Monetary Fund and World Bank. After the opening speech by Wolfgang Kirsch, which focused on the ability to finance economic programs, a distinguished panel of business and financial experts discussed how to provide the necessary stimulus to restart economic growth.

DZ BANK: 2014 INVESTMENT DIALOG

The theme of DZ BANK's 18th Investment Dialog, held on September 18, 2014, was 'On the road to the future – mobility as a driving force'. Numerous distinguished speakers spoke to an audience of almost 1,000 people. Edmund Stoiber, former Minister President of Bavaria, talked about why he believed mobility was a key issue for prosperity. The Chairman of the Executive Board of Fraport AG, Stefan Schulte, gave a presentation on the importance of Frankfurt Airport and the international connectivity that it provides for business. A panel discussion with Simone Menne (Lufthansa AG), Albert Speer (Albert Speer & Partner GmbH) and Hubert Rinklin (Alb-Elektrizitatswerk Geislingen-Steige eG) examined the outlook for mobility in 20 years' time. Lars Hille, member of the DZ BANK Board of Managing Directors, covered four key theories in his speech: That there is no mobility without infrastructure, that consumption of resources and environmental pollution impose limits, that digitization is eliminating the need for some aspects of mobility and that mobility is undergoing rapid changes. In the evening there were networking opportunities and a chance for attendees to discuss their impressions and ideas in greater depth.

DZ PRIVATBANK:
2014 MANAGEMENT FORUM

The 2014 Management Forum focused on how the years of banking crises will affect Europe in the future and the question of how much regulation there should be and, therefore, how much freedom and responsibility should be given to banks. What was probably the biggest test of endurance for the European Monetary Union to date has resulted in much stricter regulations for banks. This turn of events will present politicians and the financial sector with new challenges for a long time to come.

One aspect is particularly important: How much regulation is tolerable, and how can banks and the financial sector as a whole prepare for this situation? These topics were discussed by Professor Dr. Clemens Fuest, President and Director of Science and Research at ZEW, Wolfgang Kirsch, Chief Executive Officer of DZ BANK, and Dr. Edmund Stoiber, Bavaria's former Minister President. The discussion was expertly chaired by Theo Koll, journalist and editor in chief for politics and current affairs at ZDF.

BAUSPARKASSE SCHWÄBISCH HALL:
FUCHSBAU OFFERS 100 DAYCARE PLACES

Schwäbisch Hall makes every effort to be a family-friendly place of work and opened its new Fuchsbau daycare center in 2014. The new building at its headquarters in Schwäbisch Hall means it can now offer daycare for 100 instead of 50 children. Bausparkasse Schwäbisch Hall, Germany's largest building society, has had a kindergarten since as far back as 1969, making it one of the oldest of its kind in Germany. Numerous measures aimed at making it easier for employees to combine work with family life, such as the provision of daycare, were introduced decades ago and are now embedded in the corporate culture.

EASYCREDIT:
TEAMBANK MOVES INTO NEW HEADQUARTERS

On December 1, 2014, TeamBank moved into the easyCredit House. The new headquarters, with space for over 600 employees, is an architectural highlight for Nuremberg and the surrounding area. Its unique feature is that the workstations are arranged in a way that depicts the bank's customer process chain, bringing cooperative values such as closeness and transparency to life on a daily basis. The open-plan office layout, covering some 15,000 square meters, encourages integrated working and chance encounters as well as offering space for creativity, thereby making a lasting contribution to innovation and productivity. The new building is also designed to be appealing for customers and business partners and to provide a focal point for communication.

UNION INVESTMENT:
9TH RISK MANAGEMENT CONFERENCE

Institutional investors are becoming increasingly unsettled by the various crises around the world. At the risk management conference of Union Investment, academics and practitioners therefore talked about investment strategies for institutional investors against a backdrop of geopolitical risks. Among the topics discussed by the experts were investment opportunities available to institutional investors that have as little correlation as possible to the major asset classes. The highlight of the conference was a speech by Daron Acemoğlu, professor of applied economics at Massachusetts Institute of Technology (MIT), who examined the importance of institutions to a nation's prosperity. This analysis, he said, enabled forecasts regarding geopolitical hot spots and economic developments to be made.

Awards in 2014

(SELECTION)

DZ BANK GROUP:
EMPLOYER AWARDS

- » Top Employers Institute's Top German Employer award 2014 given to Bausparkasse Schwäbisch Hall, DZ BANK, R+V Versicherung, 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, Union Investment, and the VR Leasing Group; TeamBank wins its first Great Place to Work Germany award, while the IT divisions of Bausparkasse Schwäbisch Hall and Schwäbisch Hall Kreditservice AG are first-time winners in the Great Place to Work ITC category

DZ BANK:
AKZENT INVEST PRODUCT BRAND RECOGNIZED – QUALITY OF SERVICE CONFIRMED

- » DZ BANK wins Investment Certificates House of the Year award for twelfth time in a row for its AKZENT Invest product brand and comes third in the overall assessment, thereby consolidating its success from 2013
- » Study by the WELT Group and management consultancy Sapient Global Markets in 2014 confirms DZ BANK's position as a top investor service provider in all categories
- » In 2014, 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

DZ BANK RESEARCH:
PARTICULARLY SUCCESSFUL COMMODITIES FORECASTS

- » In the ZEW Forecast Survey, DZ BANK's commodities analysts came first in the Best Point Forecaster category for the price of Brent Crude oil (US dollars, all 3- and 6-month forecasts aggregated, September 2011 to June 2014); DZ BANK also took a top spot in every quarter in Bloomberg's ranking of the most successful commodities analysts in the energy sector
- » In the ZEW Forecast Survey's overall ranking for the best point forecasters in the period March 2012 to December 2014 (all 3- and 6-month forecasts for short-term and long-term interest rates, DAX, and exchange rates, aggregated) DZ BANK Research came fifth
- » DZ BANK's equities analysts took five first or second places in the Starmine Analyst Awards 2014 for their earnings estimates/equities recommendations in the automotive, IT equipment, and chemicals sectors

DZ PRIVATBANK:
SUCCESS STORY CONTINUES

- » Awarded summa cum laude in the Elite Report 2015 specialist magazine from Handelsblatt
- » Labeled 'very good' – the highest accolade – by €uro magazine
- » Second place in the All-time Best List of Asset Management on Test – the 'Europa League' of Asset Managers compiled by the publisher Fuchsbriefe and Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen GmbH (IQF)

BAUSPARKASSE SCHWÄBISCH HALL:
SUSTAINED 'VERY GOOD' RATING

- Bausparkasse Schwäbisch Hall again does very well in Euro am Sonntag magazine's 2014 ranking of building societies and is the only building society to be categorized as 'very good' in each of the past three years

EASYCREDIT:
INNOVATION AND QUALITY CONFIRMED

- TeamBank AG and its easyCredit product awarded the TOP 100 seal of approval for innovation for the fourth time; the consumer finance expert therefore remains one of the most innovative companies in the German Mittelstand
- DISQ and n-tv award the German Service Prize to easyCredit for excellent service; easyCredit among the top three of the 590-plus entities assessed in the financial institutions category and was chosen for the quality of customer service by telephone and email
- DQS GMBH reaffirms that easyCredit has successfully implemented the DIN SPEC 77224 specification 'Inspiring customers through service excellence'; easyCredit again achieved the highest rating (platinum) and increased its score
- easyCredit again successfully undergoes TÜV SÜD's monitoring audit for the DIN EN ISO 9001:2008 standard
- TÜV AUSTRIA renews TeamBank's certificate for the quality of service and advice for the 'fairer Credit' products following an audit of partner banks, the Vienna branch, and the headquarters in Nuremberg

R+V VERSICHERUNG:
EXCELLENT RATINGS AND TOP IMAGE

- Rating agencies confirm R+V's financial strength: Fitch again awards the rating AA- (very strong) with a stable outlook to R+V Lebensversicherung AG; Standard & Poor's also rates R+V Versicherung AG with AA- (very strong) and a stable outlook; Morgen & Morgen certifies that R+V Lebensversicherung AG has 'excellent' resilience in crisis situations
- R+V is the insurance company with the best image among farmers according to a study of leading farmers conducted by Deutsche Landwirtschaftsgesellschaft (DLG e.V.) [German Agricultural Society]
- For the eleventh time in a row, the insurance sector's map-report service awards R+V Krankenversicherung AG its top 'mmm' grade for its outstanding work over many years

UNION INVESTMENT:
OUTSTANDING PERFORMANCE AT BOTH COMPANY AND PRODUCT LEVELS

- Union Investment comes out top in the socially responsible investing category of the 2015 Feri EuroRating Management Awards: Analyst Feri EuroRating Services declares Union Investment to be the best asset manager for sustainable investments in the German-speaking countries
- Finanzen Verlag GmbH bestows the accolade Best Fund Management Company of the Year on Union Investment at the Golden Bull awards; the judges highlighted a number of its multi-asset funds
- Union Investment awarded the top five-star rating by Capital magazine in the Capital Fund Compass for the thirteenth time in succession

GROUP MANAGEMENT REPORT

NOTE

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 37v of the German Securities Trading Act (WpHG) and section 315 of the German Commercial Code (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.

All figures are rounded to the nearest whole number. This may result in minor discrepancies in the calculation of totals and percentages.

I. DZ BANK Group fundamentals

1. BUSINESS MODEL

With its core functions as a central institution, corporate bank, and holding company, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) focuses closely on the local cooperative banks, which are its customers and owners.

Based on close cooperation with the local cooperative banks in their end-customer business and the subsidiary provision of competitive products and services, DZ BANK Group makes significant contribution to strengthen market position of the cooperative banks. In addition, the local cooperative banks benefit from substantial financial support in form of fees, commissions, bonuses, profit distributions, and the transfer of cost benefits.

The focus on network-based business is always given priority, especially in times when resources are scarce. 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 terms DZ BANK Group and DZ BANK financial conglomerate are synonymous and refer to all the management units together. The context dictates the choice of term. For example, in the case of disclosures relating to economic management, the focus is on the DZ BANK Group, whereas in the case of regulatory issues relating to all the management units in the DZ BANK Group, the appropriate term is DZ BANK financial conglomerate.

The DZ BANK financial conglomerate mainly comprises the DZ BANK banking group and R+V Versicherung AG, Wiesbaden, (R+V). DZ BANK acts as the financial conglomerate's parent company.

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

The strategic focus in the DZ BANK Group follows the guiding principle of fulfilling the role of a network-oriented central institution and financial services group. Its objective is to consolidate the positioning of the Volksbanken Raiffeisenbanken cooperative financial network as one of the leading financial services providers in Germany on a long-term basis. To achieve this aim, the DZ BANK Group is steadfastly pursuing a strategy of network-oriented growth, consistent focus, and closer integration of the DZ BANK Group within the cooperative financial network.

The DZ BANK Group works in close cooperation with WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) and the special committees of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin, (BVR) [National Association of German Cooperative Banks] to address overarching future-related issues affecting the cooperative financial network. This cooperation includes, for example, the webErfolg (web success) project aimed at expanding online sales channels as part of the local cooperative banks' current omnichannel strategy and the Beratungsqualität (quality of advice) project, which is developing a uniform advisory standard for retail banking. From 2015, a follow-up project plans to focus on a number of areas, including interlinking throughout the depth and breadth of the online and offline sales channels.

Innovation and technical progress will also represent a considerable challenge for banks in the future. To improve innovation management, the DZ BANK Group is currently setting up a groupwide process that is integrating existing structures with each other and making them easier to use.

In 2014, the robust cohesion and strength of the cooperative financial network was once again amply demonstrated by DZ BANK's successful placement of its largest ever capital increase of approximately €1.5 billion. DZ BANK also made use of profits to strengthen its capital base as the operating business continued to perform well. As at December 31, 2014, the common equity Tier 1 (CET 1) capital ratio had increased to 12.2 percent. The buffer to cover further regulatory requirements has therefore been increased to an appropriate level based on current knowledge of likely requirements.

Following a reorganization of the operating segments in the DZ BANK Group in the reporting year, the sections below describe the strategic focus of the 9 new management units. The section on the DZ BANK operating segment also includes details on the strategic business lines Corporate Banking, Retail Banking, Transaction Banking, and Capital Markets.

2.1. DZ BANK

2.1.1. Corporate Banking

Corporate Banking is a core strategic business line for the local cooperative banks and DZ BANK. Based on the reorganization of this business line in 2013, DZ BANK is aiming for further growth, particularly in the large and medium-sized companies customer segment. To achieve this, DZ BANK has set up four regional corporate customer divisions, together with two competence centers covering international business and renewable energies.

DZ BANK also set up the 'FokusKunde!' (focus on customers) initiative in the reporting year to support the growth strategy. This initiative mainly addresses issues related to sales and management optimization and important matters of overarching concern. A large number of activities to improve sales have been and are being developed. The objective is to broaden the customer base and strengthen existing customer relationships by using products from the financial services group.

DZ BANK, WGZ BANK, and VR LEASING AG, Eschborn, (VR LEASING AG) have set up an innovative online sales channel for the cooperative financial network at *www.deutschland-made-by-mittelstand.de* aimed at small and medium-sized enterprises and self-employed customers. The website includes a structured customer inquiry option. As a result, the cooperative financial network is in a position to turn online activity by corporate customers into well-defined business inquiries for the lending, leasing, and investment product groups that can then be processed appropriately.

2.1.2. Retail Banking

DZ BANK offers the local cooperative banks and their customers a comprehensive range of retail banking securities services. According to the assessment criteria used by the panel of judges for the Investment Certificates Awards 2014, DZ BANK is one of the leading multi-award-winning providers of investment certificates in Germany and is a market leader in Germany in the capital protection investment certificates category.

As part of the omnichannel approach, DZ BANK provides the local cooperative banks with all the important tools they need to successfully position themselves in the online securities business. In particular, this includes the VR-ProfiBroker and VR-ProfiTrader trading platforms. The VR-ProfiTrader e-brokerage application combines cutting-edge user navigation with high-performance tools and is aimed at meeting the special needs of traders with substantial turnover volumes, a target group that generates significant returns.

DZ BANK plans to continue to secure its market position in Germany in the future and leverage the potential in its business with high-net-worth customers.

2.1.3. Transaction Banking

Based on the ProFi ZV payments processing market initiative in Transaction Banking, DZ BANK is helping the cooperative banks realign their advisory services for corporate customers in relation to payments and card processing, and supporting them in providing a holistic advisory service for their business customers. The cooperative financial network is also focusing increasingly on sales of credit cards with the objective of achieving a credit/debit card ratio of 30 percent in Germany by 2020. The 'KartenRegie' app for cellphones was launched in 2014 as an additional mobile service in connection with credit cards.

As the issue of digitization is also of strategic importance in Transaction Banking, the development of online and mobile payment solutions (e/m payments) represents another challenge for DZ BANK.

Together with other financial institutions in Germany, the cooperative financial network has therefore established Gesellschaft für Internet- und mobile Bezahlungen mbH, Eschborn, (GIMB) to launch a competitive e-commerce payments system in 2015. This system will enable the cooperative financial network to offer an innovative solution to the local cooperative banks. In addition, the changeover in transfer and direct debit systems to the single euro payments area (SEPA) was successfully completed as a joint operation in 2014.

As a central institution, DZ BANK provides the local cooperative banks with the services they need and helps them to implement new regulatory requirements such as the European Market Infrastructure Regulation (EMIR), which concerns activities in derivatives markets. DZ BANK also acts as a network-oriented depositary, and assets held in custody grew steadily to €117.0 billion as at December 31, 2014. DZ BANK is the only German bank among the top 5 depositaries in Germany, the other four being international competitors.

2.1.4. Capital Markets

DZ BANK's customer-oriented capital markets business is focused on serving diverse customer requirements for investment and risk management products involving the asset classes of interest rates, loans, equities, foreign exchange, and commodities. The range of products and services is based primarily on the needs of the cooperative banks, their retail and corporate customers, and the corporate customers and institutional customers in Germany and abroad supported directly by DZ BANK.

A fundamental part of capital market activities are the key functions carried out by Group Treasury within the cooperative financial network and within the management of both the group and DZ BANK. These functions include cash-pooling for the cooperative financial network, coordination of the DZ BANK Group's cash flows, and the management of interest-rate risk at DZ BANK.

Despite the persistently challenging market environment, which is heavily influenced by decisions of the European Central Bank (ECB) and regulatory changes among other factors, DZ BANK believes that it is well positioned in its capital markets business. Given the focus of the business and the available expertise, DZ BANK will continue to have the necessary capability to offer its customers and the customers of the local cooperative banks a wide variety of products.

2.2. BSH

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH) is the market leader in building society operations in Germany with a market share of 30 percent. Over the coming years, BSH will be aiming for a further expansion in customer numbers in Germany. Its key project is to develop the internet as a channel for attracting new home savings customers and the project is being carried out in close collaboration with the local cooperative banks under the umbrella of the BVR's webErfolg project. One facility already in place since April 2014 allows customers to take out home savings contracts online.

It is also planned to continue network-based growth in carefully selected countries to supplement the growth in Germany. For example, BSH is contemplating an expansion of its activities in the Chinese market.

Low interest rates, demographic change, and regulation are increasingly having an adverse impact in deteriorating market conditions. To counter these trends, BSH intends to implement a cost-cutting program in 2015 and 2016 with the aim of reducing its costs by a total of €50 million to €80 million. It is also planning to adapt its IT systems to the changed conditions.

2.3. DG HYP

Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) is a provider of commercial real-estate finance and its objective is to continue to consolidate its well-established position in the German market by generating a steady volume of new business over the long term. Its sales operations are decentralized, focusing on the cooperative financial network and on small and medium-sized enterprises.

In the future, DG HYP intends to achieve greater market penetration in the regions in collaboration with the local cooperative banks, thereby expanding their joint business. In addition, DG HYP is continuing to implement a systematic plan to scale back its non-core business portfolio as part of its ongoing strategic realignment.

2.4. DVB

DVB Bank SE, Frankfurt am Main, (DVB) is a highly specialized niche provider in the area of transport finance, focusing on the international transport market, which can be broken down into shipping, aviation, offshore finance, and land transport segments. To extend the customer base and diversify the portfolio from a regional perspective, the objective of DVB continues to be to generate a steady, sustainable volume of new business. To this end, DVB is taking active steps to further develop its advisory business and increase customer loyalty.

2.5. DZ PRIVATBANK

DZ PRIVATBANK S.A., Luxembourg-Strassen, Luxembourg, (DZ PRIVATBANK S.A.), with its headquarters in Luxembourg and its wholly owned subsidiaries DZ PRIVATBANK (Schweiz) AG, Zurich, Switzerland, DZ PRIVATBANK Singapore Ltd., Singapore, Singapore, Europäische Genossenschaftsbank S.A., Luxembourg-Strassen, Luxembourg, IPConcept (Luxemburg) S.A., Luxembourg-Strassen, Luxembourg, and IPConcept (Schweiz) AG, Zurich, Switzerland, is the cooperative center of excellence for the private banking business of the local cooperative banks in Germany.

During the reporting year, DZ PRIVATBANK continued to consolidate the market share of the cooperative financial network in this operating segment. It currently has cooperation agreements with around 1,000 partner banks. Half of these banks work together with DZ PRIVATBANK under the premium VR-PrivateBanking brand offering services specifically for particular target customers. Needs-based activities are being initiated within the network-wide webErfolg and Beratungsqualität projects to support this collaboration. As at December 31, 2014, the value of funds under management at DZ PRIVATBANK had grown by €9.1 billion to €85.9 billion, whereas the lending volume fell slightly during the reporting year to €6.2 billion.

The strategic focus continues to be on growth in Germany. The success of this joint focus was confirmed by the rise in gross new inflows in 2014 to a total of €2.9 billion, of which €1.9 billion was attributable to the entry into the German market. DZ PRIVATBANK therefore exceeded the growth of previous years despite high pressure on margins caused by the tough interest-rate environment and fierce competition.

2.6. R+V

R+V operates in all segments of life, health, and non-life insurance as well as in reinsurance. A gradual development of market position based on a sound portfolio forms the basis of its strategic focus.

R+V is aiming for organic, profitable growth and intends to gain market share through the effective use of network potential and the expansion of omnichannel sales. In the webErfolg project, it is working to this end in collaboration with the local cooperative banks to develop various products suitable for online sale.

In 2014, R+V produced a sustainability report, for the first time comprehensively describing the sustainability of its business model. The purpose of this detailed explanation of the key figures, projects, and plans related to this theme was, among other things, to increase customer retention and open up access to new groups of customers in the future.

2.7. TEAMBANK

TeamBank AG Nürnberg, Nuremberg, (TeamBank) has specified the development of omnichannel capability as a key forward-looking project to secure the positioning of the cooperative financial network in the consumer finance market. In 2014, it successfully launched an online transaction form compatible with the omnichannel approach. The launch was carried out in close cooperation with the BVR's webErfolg project.

In collaboration with the local cooperative banks, TeamBank is aiming to expand its customer base on the back of another newly introduced product, easyCredit-Finanzreserve, a credit facility (dependent on credit rating) that can be combined with credit cards issued by the bank. TeamBank is also continuing to step up its collaboration by transferring its easyCredit shops to the local cooperative banks.

2.8. UNION INVESTMENT GROUP

Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding) is the central asset manager in the cooperative financial network. In 2014, its assets under management reached a record level of €232.1 billion.

In terms of business with retail clients, the Union Investment Group is one of the two largest and most successful asset managers in Germany. The group is also positioned as an active risks/returns manager for institutional clients, for whom it offers a broad range of products. In addition, the Union Investment Group is Germany's leading manager for socially responsible investments and the market leader in capital preservation funds and Riester pension products. It plans to continue consolidating this positioning in the future by ensuring an even greater focus on the needs of the local cooperative banks.

2.9. VR LEASING

VR LEASING AG's core objective remains to sustain its strategic focus on providing financing solutions for corporate customers of the local cooperative banks. With this objective in mind, it carried out a further reduction of non-core business activities in the year under review.

VR LEASING AG is aiming to generate further growth based on advisory campaigns geared specifically to 6 target industries, together with a simplification of the current product portfolio. Within this framework, it has stepped up its collaboration with the local cooperative banks. Examples are the launch of a campaign targeted at corporate customers and the provision of financing solutions for the modernization of IT systems at local cooperative banks.

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 with regard to consistent management of opportunities and risks, capital allocation, strategic issues, and leveraging synergies. The committee's members comprises the entire Board of Managing Directors of DZ BANK and the chief executive officers of BSH, DZ PRIVATBANK, R+V, TeamBank, 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;
- IT, operations, and resources strategies;
- human resources management;
- finance and liquidity management/risk management.

The **Group Risk and Finance 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) of the German Banking Act (KWG) in conjunction with section 25a (1) KWG. It assists DZ BANK with groupwide financial and liquidity management and provides support for risk capital management throughout the group. The Group Risk and Finance 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, Group Strategy & Controlling, Risk Controlling, 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 DZ BANK Group. The Group Risk and Finance Committee has set up the following working groups to prepare proposals for decision-making and to implement management action plans.

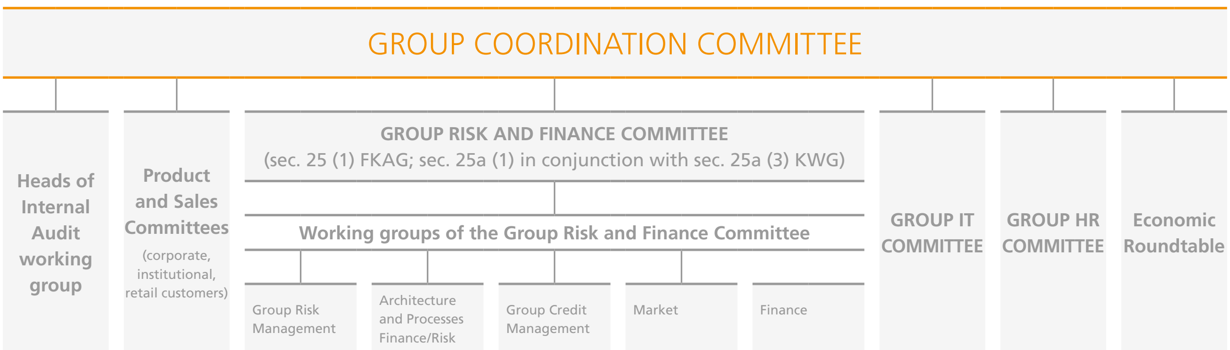
- The **Group Risk Management working group** supports the Group Risk and Finance Committee in all matters concerning risk and the management of risk capital and market risk in the DZ BANK Group, and in matters relating to external risk reporting. At DZ BANK level, the monitoring and control of the aggregate risks to the bank is coordinated by the Risk Committee. The Risk Committee makes recommendations to the entire Board of Managing Directors in matters relating to risk management, risk methodology, risk policies, risk processes, and the management of operational risk.

- The **Architecture and Processes Finance/Risk working group** assists the Group Risk and Finance Committee with the further development of the integrated finance and risk architecture in the DZ BANK Group.

- Credit risk management activities throughout the group are brought together under the **Group Credit Management working group** of the Group Risk and Finance Committee. 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 Group Risk and Finance Committee's **Market working group** is responsible for providing implementation support throughout the group in the following areas: liquidity management, funding activities, balance sheet structure management, and capital management. This body also focuses on coordinating and alignment funding strategies and liquidity reserve policies, as well as on funding planning within the DZ BANK Group. At DZ BANK level, the Treasury and Capital Committee is the central body responsible for the operational implementation of the strategic framework in the following areas: capital management, balance sheet and balance sheet structure management,

FIG. 1 – MANAGEMENT COMMITTEES IN THE DZ BANK GROUP



liquidity and liquidity risk management, and income statement and profitability management. This committee also discusses overarching issues and current regulatory matters with the aim of identifying those requiring management action.

– The **Finance working group** advises the Group Risk and Finance Committee on matters concerning the consolidated financial statements, tax law, and financial regulation. 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 entities in the DZ BANK Group. 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 within 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 evidence, 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, and the marketing activities of its members where there are overarching interests affecting the whole of the group. The common objective is to generate profitable growth in market share for the cooperative banks and the entities in the DZ BANK Group with a focus on customer retention and attracting new customers by providing needs-based solutions (products and processes) as part of a holistic advisory approach.

The **institutional clients** product and sales committee helps to strengthen the market position of the DZ BANK Group in the business with institutional clients.

The **corporate customers** product and sales committee is responsible for coordinating the strategies, planning, projects, and sales activities in the DZ BANK Group's corporate banking business if overarching interests are involved. The objective is closer integration in both the joint lending business with the cooperative banks and the direct corporate customer business of the entities in the DZ BANK Group.

The **Economic Roundtable**, the members of which comprise the economists from the main group companies, helps the Group Coordination Committee to assess economic and capital market trends, providing a uniform basis for consistent planning scenarios throughout the group, and to prepare risk scenarios required by regulators.

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

3.2. MANAGEMENT UNITS

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 exercises control, and other long-term equity investments that are not fully consolidated.

All the entities in the DZ BANK Group develope their business strategy. 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 its subsidiaries and second-tier subsidiaries.

The DZ BANK Group is managed through the following management units, each of which is treated as a separate operating segment:

- DZ BANK
- BSH (including subgroup)
- DG HYP
- DVB (including subgroup)
- DZ PRIVATBANK
- R+V (including subgroup)
- TeamBank
- Union Asset Management Holding (including subgroup)
- VR-LEASING AG (including 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.

3.3. KEY PERFORMANCE INDICATORS

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

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

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

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

- **Regulatory return on risk-adjusted capital (RORAC):**
  RORAC (regulatory) is a risk-adjusted performance measure and indicates the ratio of profit/loss before taxes to regulatory risk capital (capital/solvency requirement). It shows the return on the regulatory risk capital employed. This figure is described in chapter II., section 3. of this group management report.

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 dialogues with the subsidiaries and the DZ BANK divisions.

Groupwide initiatives are conducted in order to unlock identified marketing potential. These include the development of new, innovative products and sales methods for the strategic business lines – Corporate Banking, Retail Banking, Transaction Banking, and Capital Markets – 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 Group Strategy & Controlling, Risk Controlling, Group Finance, and Research and Economics. The planning coordinators in the market units and the subsidiaries are also incorporated into the process. The Group 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 1.6 percent year on year.

The first quarter of 2014 saw Germany continuing to benefit from growth in economic output, which was up by 0.8 percent compared with the previous quarter, driven primarily by the period of particularly mild weather. However, the economic upswing practically ground to a halt in the two subsequent quarters. There was even a contraction in the second quarter, with aggregate output down by 0.1 percent, although this was followed by growth of 0.1 percent in the third quarter. In the final quarter, the German economy then returned to the sharp uptrend from the beginning of the year, notching up growth of 0.7 percent.

In the **eurozone**, 2 years of recession came to an end as growth in overall economic output was restored with a slight year-on-year increase of 0.9 percent. The year began with output up by 0.3 percent in the first quarter compared with the previous quarter, but growth then slowed again slightly in the second quarter to 0.1 percent, followed in the third and fourth quarters by muted growth rates of 0.2 percent and 0.3 percent respectively.

Following the good start to the year, consumer and business sentiment in the eurozone then became markedly gloomy over the course of the year. Key factors are likely to have been the geopolitical crises and military conflicts in Ukraine and the Middle East, together with the Ebola crisis in West Africa. In particular, the Ukraine crisis and the associated economic sanctions imposed by western countries on Russia have resulted in a significant adverse impact on the economic climate in Europe since the spring of 2014.

The **United States** generated economic growth of 2.4 percent in the year under review. Despite a weak start to the year caused by bad weather, the US economy gathered pace noticeably as the year progressed. A significantly improved situation in both the labor market and the US real-estate market boosted consumer spending, a key driver of the US economy. The year under review saw a marked drop in the unemployment rate and a sharp upturn in residential construction.

In 2014, the majority of the **emerging markets** continued to experience a rather slack pace of growth. In some of these markets, such as Brazil and Russia, the weakness in commodities markets had an adverse impact on economic output. Nevertheless, demand from the emerging economies, primarily those in Asia, continued to provide strong stimulus for growth and a boost for exports in Germany.

Adjusted for inflation, consumer demand once again rose year on year in **Germany** in 2014 and, as in the two previous years, made a considerable contribution to the country's economic growth. The willingness of consumers to spend continued to be given a push in the year under review by the extremely healthy job market and the persistently low levels of interest available on savings. At the same time, however, businesses remained unenthusiastic about spending on capital equipment in view of the geopolitical uncertainties over the whole of 2014.

In Germany, the further additions to tax revenues generated on the back of an overall upturn in economic performance continued to bolster public finances in the year under review, enabling the federal government to post a small budget surplus equivalent to 0.4 percent of GDP.

2. EFFORTS TO STABILIZE THE FINANCIAL SECTOR CONTINUE IN THE SHADOW OF GEOPOLITICAL CRISES

In the reporting year, priority continued to be given to efforts to stabilize economic conditions in the eurozone.

Although a stabilization of economic growth was evident in the eurozone in 2014, this only resulted in low rates of expansion, given the backdrop of a slowdown in global growth. In the eurozone as a whole, only limited progress was made in reducing new and total borrowing. Even though a ratings outlook for 2015 published by rating agency Moody's stated that 80 percent of EU countries had a stable outlook (compared with 70 percent in January 2014), it is worth noting that, at the end of the third quarter of 2014, the total debt for the 18 countries in the eurozone was still at the considerable level of 92.1 percent of GDP.

Since the statement made in mid-2012 by the president of the European Central Bank (ECB) that he intended to do whatever it takes to support the euro, Portugal, Spain, Ireland, and Greece have been able to make initial progress as far as reforms are concerned. The rating agency Moody's upgraded Portugal's credit rating from Ba3 to Ba2 in early May 2014 and then from Ba2 to Ba1 at the end of July 2014. At the start of June 2014, Ireland's long-term credit rating from Standard & Poor's was increased from BBB+ to A-. The reforms implemented by Greece led Fitch to raise its long-term credit rating from B- to B in late May 2014.

While these countries were leading the growth table in the eurozone at the end of the second quarter, the German economy – normally the engine of the eurozone – stalled over the course of the year, not picking up again until the fourth quarter of 2014. France and Italy, countries that are also important in generating overall economic growth in Europe, together with Belgium, continued to suffer from a high level of indebtedness and unsatisfactory economic strength. At the end of November 2014, the European Commission urged these countries to make further efforts in the subsequent 3 months to bring their finances into line with the EU Stability and Growth Pact.

In view of Italy's persistently sluggish economic performance, Standard & Poor's lowered the country's credit rating on December 5, 2014 from BBB to BBB-. Italy, under new Prime Minister Matteo Renzi, was nevertheless able to take some steps toward improving its situation with the labor market reforms approved at the beginning of December 2014 by the Italian Senate.

In mid-December 2014, Fitch downgraded France's credit rating from AA+ to AA, pointing to the weak outlook for public finances and the unwillingness to implement reforms.

The year under review saw a decision at EU level to introduce a banking union, both a major milestone on the way to overcoming the European financial and sovereign debt crisis and probably the most ambitious project in Europe since the launch of the euro. There are 3 core components: a Single Supervisory Mechanism, a Single Resolution Mechanism, and a common system of deposit protection.

The aims of banking union are to counteract the problematic interdependence between banks and public-sector finance and to stop taxpayers having to bear the burden of failing banks.

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.

Prior to the transfer of the supervision of the banks in question on November 4, 2014 as intended, the ECB subjected each of these banks to an extensive review, referred to as a comprehensive assessment. This comprehensive assessment essentially comprised a balance sheet assessment, an asset quality review, and a stress test.

At the end of March 2014, the Council of Europe and European Parliament reached a fundamental agreement on the structure of the Single Resolution Mechanism (SRM), which came into effect on January 1, 2015. This agreement resulted in an EU directive on the recovery and resolution of credit institutions and investment firms, referred to as the Bank Recovery and Resolution Directive (BRRD), which was published in mid-June 2014, and in the SRM Regulation, which was published on July 30, 2014.

The directive and regulation not only set out the decision-making process, from identifying an imminent case of insolvency to developing a resolution plan, they also define the structure of the national resolution systems and the Single Resolution Fund (SRF) for the eurozone. As had already been decided in mid-December 2013 by the European Parliament and Council Presidency, a bank may only draw on the SRF in the event of insolvency if its shareholders, creditors, and wealthy savers with balances of more than €100,000 have already helped to rescue it.

The SRF is funded by contributions from all participating banks in the countries of the eurozone, the contribution in each case amounting to at least 1 percent of the relevant bank's protected deposits (known as the European bank levy). This currently equates to a total amount of €55 billion. The funds are to be accumulated within 8 years, starting from January 1, 2016.

In early December 2014, EU finance ministers reached agreement on the method to be used for calculating the contributions to be paid by each bank. The payments will be based on a size-related flat contribution supplemented by a risk-weighted adjustment.

Forming the third pillar of banking union, the harmonized rules on protecting savings deposits were published on June 12, 2014 in the form of the EU directive on deposit guarantee schemes. It does not include the communitization of protection for savers. The systems for protecting deposits, with a guarantee for bank deposits of up to €100,000, will continue to be organized at national level. In the future, the banks in every EU member state must each fill a protection fund with a target volume averaging 0.8 percent of the deposits covered.

In the reporting year, international capital markets were influenced by the expansionary monetary policies of the central banks, with interest rates at historically low levels. Equities markets were buoyant with further year-on-year gains in average prices, although the markets were impacted by the deteriorating geopolitical crises during the course of the year.

On June 5, 2014, the ECB initially cut its key lending rate by 10 basis points to 0.15 percent, thereby continuing its strategy of supporting economic growth through monetary policy and attempting to avoid deflationary tendencies in the eurozone. The ECB also decided to impose a negative deposit rate of minus 0.1 percent on money that banks have parked with the ECB and to stimulate the sluggish lending business in 2014, particularly in southern Europe, with an initial step involving 2 tenders totaling €400 billion tied to specific lending obligations on the banks.

In response, Germany's DAX share index briefly broke through the 10,000 mark before being sucked into a downward trend in the wake of the geopolitical crises and conflicts. In particular, there was a peak in late July 2014, marked by the Ukraine crisis when the western countries made the fundamental decision to impose economic sanctions on Russia. The sanctions were tightened again in mid-September 2014 following a further escalation of the conflict in Ukraine.

In early September 2014, the ECB decided to take action to stimulate lending, which was continuing to decline, and to counter the increasing risk of deflation in the eurozone. This action was to comprise the purchase of considerable volumes of covered bonds and asset-backed securities (ABSs) denominated in euros over the subsequent 2 years. The ECB started to purchase covered bonds on October 20, 2014, followed by ABSs from November 21, 2014. At a meeting on September 5, 2014, the ECB also cut the rate for its main refinancing operations by 10 basis points to 0.05 percent and the rate on the deposit facility for banks to minus 0.2 percent.

In the US, the Federal Reserve (Fed) under its new Chair Janet Yellen continued to maintain a target range for its federal funds rate near to 0 percent over the whole of the year under review and gradually reduced the volume of its monthly bond-buying from the beginning of 2014. At the end of October 2014, the Fed decided to discontinue its bond-buying program in view of the increasing stability of the US economy and also, in particular, because of the recovery in the labor market.

In contrast, in November 2014, ECB president Mario Draghi reaffirmed his intention of buying securities to markedly expand the ECB's balance sheet and counter the drop in inflation.

To achieve this latter aim of raising the rate of inflation, the ECB also made a decision on January 22, 2015 to begin with a monthly bond buying program in an amount of up to €60 billion per month in the period March 2015 to September 2016. This decision was also aimed at stimulating greater lending by the banks in the eurozone, thereby strengthening growth in these countries. It remains to be seen whether the ECB decision will have the desired impact on inflation and economic growth.

The sustained fall in the price of oil since mid-2014 – which has been maintained by the decision of the Organization of the Petroleum Exporting Countries (OPEC) at the end of November 2014 to retain the existing levels of oil production – is in the first instance likely to enhance the financial flexibility available to consumers and thereby give a boost to the economy.

Against the backdrop of challenging market conditions, the major German banks largely managed to sustain their operating income in the reporting year at the levels achieved in 2013. Allowances for losses on loans and advances recognized by banks were markedly lower than in 2013. Administrative expenses rose moderately.

3. FINANCIAL PERFORMANCE

3.1. FINANCIAL PERFORMANCE AT A GLANCE

In the opinion of the Board of Managing Directors of DZ BANK, the DZ BANK Group has successfully consolidated its position in challenging market conditions influenced primarily by the extremely low level of interest rates.

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 €6,146 million (2013: €5,698 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.

Net interest income (including income from long-term equity investments) in the DZ BANK Group decreased by 2.2 percent year on year to €3,049 million (2013: €3,118 million).

Net interest income (excluding income from long-term equity investments) rose by €73 million at DZ BANK, by €16 million at TeamBank, and by €12 million at DG HYP. In the VR LEASING subgroup (VR LEASING), net interest income decreased by €69 million, in the BSH subgroup by €36 million, and in the DVB subgroup by €26 million.

It also contracted at DZ PRIVATBANK – which includes the parent company DZ PRIVATBANK S.A. and its consolidated subsidiaries – by €19 million.

The DZ BANK Group's income from long-term equity investments came to €69 million, which was €65 million below the income of €134 million reported for 2013 and mostly related to the lower income from long-term equity investments at BSH and VR LEASING.

Allowances for losses on loans and advances in the reporting year amounted to €191 million (2013: €540 million).

The specific loan loss allowances recognized for the DZ BANK Group came to €210 million (2013: €524 million). Under portfolio loan loss allowances for the DZ BANK Group, there was a net reversal amounting to €47 million (2013: net addition of €21 million).

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

Net fee and commission income in the DZ BANK Group increased by 28.2 percent to €1,415 million (2013: €1,104 million).

In the BSH subgroup and the UMH subgroup, net fee and commission income improved by €157 million and €150 million respectively. At DZ BANK, the figure rose by €22 million and at DZ PRIVATBANK by €13 million. In the DVB subgroup and at

TeamBank, net fee and commission income declined by €21 million and €1 million respectively.

The DZ BANK Group's **gains and losses on trading activities** in 2014 came to a net gain of €471 million compared with a net gain of €148 million for 2013.

This was largely attributable to the gains and losses on trading activities at DZ BANK amounting to a net gain of €449 million (2013: €97 million).

Gains and losses on investments in the DZ BANK Group improved by €233 million to a net gain of €109 million (2013: net loss of €124 million).

In the reporting year, there was a gain of €42 million from ABSs, mainly as a consequence of disposals of ABSs impaired in previous periods. The factors specified in the details on the operating segments DZ BANK, DG HYP, and VR LEASING also had an impact in 2014.

The figures for 2013 included losses on disposals (to optimize capital) and impairment losses totaling €87 million in connection with ABSs.

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a net gain of €327 million in 2014 (2013: net gain of €1,100 million).

Of the figure reported for the group in 2014, a gain of €335 million was accounted for by DG HYP (2013: gain of €1,028 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. This figure rose in 2014 by €565 million to €940 million (2013: €375 million).

This increase in net income resulted specifically from a rise in premium income and a significantly higher gain under gains and losses on investments held by insurance companies, although some of the gains were offset by higher insurance benefit payments.

FIG. 2 – INCOME STATEMENT

€ million	2014	2013	Change (%)
Net interest income	**3,049**	3,118	-2.2
Allowances for losses on loans and advances	**-191**	-540	-64.6
Net fee and commission income	**1,415**	1,104	28.2
Gains and losses on trading activities	**471**	148	>100.0
Gains and losses on investments	**109**	-124[2]	>100.0
Other gains and losses on valuation of financial instruments	**327**	1,100	-70.3
Net income from insurance business	**940**	375[2]	>100.0
Administrative expenses	**-3,088**	-2,937	5.1
Staff expenses	-1,599	-1,513	5.7
Other administrative expenses[1]	-1,489	-1,424	4.6
Other net operating income	**-165**	-23	>100.0
Profit before taxes	2,867	2,221[2]	29.1
Income taxes	**-710**	-754[2]	-5.8
Net profit	**2,157**	1,467	47.0

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

Administrative expenses in the DZ BANK Group rose by €151 million or 5.1 percent year on year to €3,088 million (2013: €2,937 million), including an increase in staff expenses of €86 million (5.7 percent) to €1,599 million (2013: €1,513 million) and an increase in other administrative expenses of €65 million (4.6 percent) to €1,489 million (2013: €1,424 million).

The DZ BANK Group's **other net operating income** amounted to a net expense of €165 million (2013: net expense of €23 million).

The main reasons for the year-on-year change in other net operating income were the factors described in the details for the operating segments DZ BANK, DVB, TeamBank, and VR LEASING.

The DZ BANK Group's **cost/income ratio** (i.e. the ratio of administrative expenses to total operating income) for 2014 was 50.2 percent (2013: 51.5 percent).

RORAC (regulatory) was 27.9 percent (2013: 23.0 percent).

Profit before taxes in the reporting year amounted to €2,867 million compared with a figure of €2,221 million in 2013.

The DZ BANK Group's **income taxes** amounted to €710 million in the reporting year (2013: €754 million).

This included a deferred tax expense of €298 million (2013: €265 million) and a current tax expense of €412 million (2013: €489 million).

The DZ BANK Group generated a **net profit** of €2,157 million in 2014 compared with a net profit of €1,467 million in 2013.

The following provides an explanation of the above information concerning the financial performance of the DZ BANK Group in 2014 with reference to the corresponding presentation in the outlook for 2014 contained in the 2013 Annual Report. It should be noted that the segment information on page 43 et seq. of the 2013 group management report with the details for the 4 segments Bank, Retail, Real Estate Finance, and Insurance has been replaced in the 2014 group management report by the following details in section 3.2.

In 2014, the DZ BANK Group generated profit before taxes that was well in excess of the budget. One of the main contributing factors was the net income from insurance business at R+V, which exceeded forecasts by some way. This in turn was accounted for by a number of factors, including greater gains under gains and losses on investments held by insurance companies accompanied by higher net foreign exchange gains and a rise in realized and unrealized gains against the backdrop of a marked fall in long-term interest rates. Notably, net fee and commission income at UMH was also higher than forecast as the performance of both the market and the subgroup itself improved considerably. In addition, the stable economic environment in Germany meant that allowances for losses on loans and advances recognized in the year under review – mainly at DZ BANK but also at DG HYP – were noticeably lower than the budgeted allowances. The DZ BANK Group was able to keep administrative expenses close to the budgeted level.

3.2. FINANCIAL PERFORMANCE IN DETAIL

The tables on pp. 36 and 37 show a detailed breakdown of the earnings performance for the operating segments of the DZ BANK Group compared with 2013 as also shown in note 33 of the notes to the consolidated financial statements:

3.2.1. DZ BANK

Net operating interest income (excluding income from long-term equity investments) at DZ BANK rose by 14.4 percent to €581 million (2013: €508 million).

Net operating interest income from corporate banking declined by €8 million compared with 2013. There was also a year-on-year fall of €26 million in net interest income from money market business due to normalization of interest rates at the short end of the yield curve and the general low level of interest rates. By contrast, net interest income from hedges in lending and capital markets business was up by €56 million. Other net interest income also rose by a total of €40 million, in particular as a result of higher early redemption payments.

The Corporate Banking business segment comprises four regional corporate customer divisions and the Structured Finance division. Corporate banking is focused on supporting German companies plus foreign companies with links to Germany. These corporate customers are provided with comprehensive customer relationship management either in conjunction with the local cooperative banks or directly by DZ BANK, depending on the size of the company concerned.

Overall, net operating interest income in the Corporate Banking business segment came to €284.7 million, which was 2.7 percent down on the figure for 2013 of €292.4 million.

This change was attributable to growing competition in corporate banking, the resulting pressure on margins, and, above all, to the level of demand for corporate loans, which remained muted. In particular, the uncertainty arising from instability in some regions of the world, such as Ukraine and the Middle East, was one of the reasons why capital spending and therefore also the demand for borrowing in Germany was lower than anticipated in 2014 despite the stable domestic economy and historically low interest rates. A further factor was that many businesses were continuing to perform well in terms of income and liquidity and thus able to fund their capital spending from the own resources.

In the development lending/agribusiness product field, net operating interest income reached €51.1 million, equating to an increase of 3.9 percent compared with the 2013 figure of €49.2 million.

In the development lending business, the volume of new business in the reporting year did not match the level achieved in 2013. Both the contraction in demand for borrowing from corporate customers and the cutbacks in grants in certain development segments had an adverse impact. On the other hand, the residential construction business with retail customers processed by DZ BANK on behalf of the cooperative banks remained steady. The high volume of new business achieved in the last few years was maintained mainly by the construction of new energy-efficient housing and renovation work to improve the energy efficiency of older homes.

In the syndicated business/renewable energies product field, net operating interest income climbed significantly in the reporting year by 29.7 percent to €18.0 million (2013: €13.9 million). The first half of 2014 was influenced by the effect of spending brought forward because of the imminent amendment to the German Renewable Energy Sources Act (EEG) on August 1, 2014. As a consequence, performance in the second half of the year was more subdued than in the equivalent period in 2013.

The acquisition finance business arranges and structures debt finance to support the acquisition of large and medium-sized companies, primarily in the German-speaking countries. Large numbers of customers have made use of the high degree of liquidity in bond markets to redeem their loans. This and the selective granting of new lending, especially outside Germany, led to a reduction in the size of the portfolio. Net operating interest income amounted to €28.9 million, which was a slight decrease on the equivalent figure in 2013 of €31.2 million (down by 7.3 percent).

The emphasis in the international trade and export finance business was very much on providing support for German large and medium-sized corporate customers involved in international business. Net operating interest income advanced from €30.0 million in 2013 to €34.0 million in the reporting period, an increase of 13.3 percent.

Net operating interest income from project finance business amounted to €23.3 million, which was a slight increase on the equivalent figure in 2013 of €22.0 million (up by 5.7 percent).

The asset securitization product field comprises structured investments and receivables financing for a defined selection of asset types. This gives unlisted companies access to the capital markets and to finance based on their portfolio of receivables. The liquidity costs in the asset securitization product field for the provision of the backup lines in connection with the financing made available by the conduit came to €3.6 million in the reporting year, which was slightly below the equivalent figure in 2013 of €4.1 million.

Allowances for losses on loans and advances amounted to a reversal of €16 million (2013: addition of €227 million), including an addition to specific loan loss allowances of €11 million (2013: €177 million) and a net reversal of portfolio loan loss allowances of €41 million (2013: net addition of €36 million).

Net fee and commission income rose by 8.6 percent to €277 million (2013: €255 million).

The lending business accounted for a significant proportion of this change. The higher contribution to earnings from the securities business mainly resulted from lower reallowance expenses related to the issue and repurchase of DZ BANK's own securities. Payments processing also generated an increased contribution to earnings. The contribution to earnings from international business was marginally below the 2013 level.

In the Corporate Banking business segment, net fee and commission income of €151.1 million equated to an increase of 5.0 percent compared with the corresponding 2013 figure of €144.0 million.

In the development lending/agribusiness product field, net fee and commission income remained almost unchanged at €1.1 million (2013: €1.1 million).

FIG. 3 – SEGMENT INFORMATION

2014

€ million	DZ BANK	BSH	DG HYP
Net interest income	1,072	943	295
Allowances for losses on loans and advances	16	-20	35
Net fee and commission income	277	-94	37
Gains and losses on trading activities	449	–	-18
Gains and losses on investments	133	2	4
Other gains and losses on valuation of financial instruments	12	–	335
Premiums earned	–	–	–
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–
Insurance benefit payments	–	–	–
Insurance business operating expenses	–	–	–
Administrative expenses	-965	-490	-122
Other net operating income	-88	38	13
Profit/loss before taxes	**906**	**379**	**579**
Cost/income ratio (%)	52.0	55.1	18.3
RORAC (regulatory, %)	18.3	51.4	49.1

2013

€ million	DZ BANK	BSH	DG HYP
Net interest income	1,156	979	283
Allowances for losses on loans and advances	-227	-4	-27
Net fee and commission income	255	-251	35
Gains and losses on trading activities	97	3	6
Gains and losses on investments	7	1	-41
Other gains and losses on valuation of financial instruments	19	-1	1,028
Premiums earned	–	–	–
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–
Insurance benefit payments	–	–	–
Insurance business operating expenses	–	–	–
Administrative expenses	-925	-462	-122
Other net operating income	-28	42	10
Profit/loss before taxes	**354**	**307**	**1,172**
Cost/income ratio (%)	61.4	59.8	9.2
RORAC (regulatory, %)	2.6	44.5	96.6

In the syndicated business/renewable energies product field, net fee and commission income was up slightly from €5.9 million in 2013 to €6.4 million in 2014. This increase of 8.6 percent was attributable to higher fees and commissions in the renewable energies business.

A rising level of competition is apparent in the acquisition finance business, where foreign banks and debt funds are increasingly forcing their way into the German market. As a consequence, the net fee and commission income of €20.6 million in 2014 was

DVB	DZ PRIVATBANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
230	153	–	520	13	165	-342	**3,049**
-62	–	–	-89	–	-51	-20	**-191**
108	111	–	-97	1,101	28	-56	**1,415**
9	9	–	–	–	3	19	**471**
–	5	–	–	-2	23	-56	**109**
-52	4	–	-4	12	8	12	**327**
–	–	13,927	–	–	–	–	**13,927**
–	–	4,482	–	–	–	-50	**4,432**
–	–	-15,264	–	–	–	–	**-15,264**
–	–	-2,284	–	–	–	129	**-2,155**
-188	-214	–	-200	-656	-172	-81	**-3,088**
30	-14	-73	-62	18	-90	63	**-165**
75	**54**	**788**	**68**	**486**	**-86**	**-382**	**2,867**
57.8	79.9	–	56.0	57.4	>100.0	–	**50.2**
18.0	17.8	33.1	18.6	>100.0	-23.6	–	**27.9**

DVB	DZ PRIVATBANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
256	172	–	504	13	234	-479	**3,118**
-88	–	–	-103	–	-64	-27	**-540**
129	98	–	-96	951	31	-48	**1,104**
3	12	–	1	–	9	17	**148**
–	-2	–	–	-8	-21	-60	**-124**
2	16	–	-2	8	15	15	**1,100**
–	–	12,693	–	–	–	–	**12,693**
–	–	2,925	–	–	–	-55	**2,870**
–	–	-13,181	–	–	–	–	**-13,181**
–	–	-2,126	–	–	–	119	**-2,007**
-179	-195	–	-187	-584	-187	-96	**-2,937**
-11	-13	–	-1	19	13	-54	**-23**
112	**88**	**311**	**116**	**399**	**30**	**-668**	**2,221**
47.2	68.9	–	46.1	59.4	66.5	–	**51.5**
24.6	37.1	13.4	28.4	>100.0	8.2	–	**23.0**

only up marginally (5.1 percent) on the corresponding figure for 2013 of €19.6 million.

Net fee and commission income from international trade and export finance grew at a very encouraging rate, particularly in the first half of 2014, due to the expansion of business activities, increasing by 25.4 percent year on year to €13.9 million (2013: €11.1 million).

Performance in the international documentary business is affected by fierce competition in this area of activity. In the reporting year, DZ BANK managed to keep the number of transactions more or less stable and the net fee and commission income of €10.5 million thus almost reached the equivalent 2013 figure of €10.8 million (down by 2.2 percent).

In the project finance business, net fee and commission income rose by 6.7 percent to €11.4 million (2013: €10.6 million).

In the asset securitization product field, net fee and commission income in the year under review reached €37.5 million, equating to an increase of 16.5 percent compared with the 2013 figure of €32.2 million.

In 2014, the comprehensive range of shares and advice available in relation to equity products again proved popular with customers of the cooperative banks and direct customers of DZ BANK, and customers drew on these services frequently. DZ BANK's customers benefitted from the fact that it was able to use its broadly based expertise, especially in a constantly changing market, to design and implement product solutions and transactions in a targeted and professional manner. It again succeeded in maintaining its position against German and international competitors, despite the fiercely contested market. Cooperative banks and direct customers work together with DZ BANK to maintain the necessary reliability when transactions are implemented to cover their capital requirements.

The net gains under **gains and losses on trading activities** rose substantially by €352 million to €449 million (2013: €97 million).

Under liabilities recognized at fair value, there was a gain of €45 million in the year under review. The considerable narrowing of spreads that had led to a loss of €295 million in 2013 was not repeated to the same extent in 2014.

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 gain of €10 million (2013: loss of €81 million).

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 €10 million (2013: gain of €46 million).

As in previous years, the gains and losses on trading activities at DZ BANK in the reporting period stemmed mainly from 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 predominant features of the capital market environment in the year under review were the continuing expansionary monetary policy measures implemented by the ECB aimed at addressing the high level of indebtedness and the persistent downtrend in the demand for borrowing in the eurozone. These measures included the 2-stage reduction in interest rates, complemented by the cut in the deposit facility for banks to minus 0.2 percent. Other features included a further increase in the overall level of share prices on equities markets and continuing investor uncertainty, mainly caused by the crises and conflicts around the world.

DZ BANK's main focus of sales in the retail banking securities business in 2014 was on capital preservation products (capital guarantees and partial protection) and structured interest-rate products. Despite the tough market conditions, DZ BANK managed to push up sales by 5 percent to approximately €4.2 billion. In the reporting year, DZ BANK was able to use guarantee, opportunity, and security solutions to achieve further consolidation of its dominant position in the market for capital preservation certificates, increasing its market share by a further 5.0 percentage points to 58.5 percent, based on a strict quality strategy that places great emphasis on the priority customer need to invest while preserving capital in a time of low interest rates.

Various independent assessments honored DZ BANK for its product quality and service. For the 12th year running, DZ BANK was crowned Investment Certificates House of the Year, an award conferred by the specialist publication Der Zertifikateberater, the Welt Group, the two most important trading exchanges in Germany, Frankfurt Stock Exchange and Stuttgart Stock Exchange, and by financial software provider Bloomberg. Following an analysis carried out by the Welt Group and management consultants Sapient Global Markets, DZ BANK also received a top score in the investor service, product information, and web portal categories. In 2014, TÜV SÜD again thoroughly audited and issued certification for the quality management system in customer service and product development.

In order to stabilize their financial performance over the long term, the cooperative banks acquired investments with residual maturities of more than 5 years, particularly corporate bonds and simply structured credit-linked products, as part of their own-account investing activities. At the same time, they aimed for broad diversification in their securities portfolios.

In the capital markets business with institutional customers, investor demand was focused on the search for investments with risk premiums in the primary market. In the secondary market, both corporate bonds and bank bonds were particularly in demand. DZ BANK also continued to consolidate its leading market position in trading interest-rate derivatives. Given the intensifying geopolitical crises during the course of the year and the resulting market uncertainty combined with the rather subdued market expectations, investor interest in terms of equities structures was also focused on reverse products.

In the securities and deposit-taking business with corporate customers, investor attention was directed toward structured and securitization products to avoid negative investment rates for short-term liquidity investments. As business became more brisk in foreign exchange markets in the second half of 2014, customer turnover in the foreign exchange options business expanded, with customers applying hedging strategies and, increasingly, also optimization strategies. Given the historically low interest rates, corporate customers of the cooperative banks made use of interest-rate hedges based on variable euro loans with long maturities (preferably more than 10 years).

Income from new bond issuance business declined year on year as competition in this market continued to intensify. In the year under review, there was a downward trend in the volume of issues for finance issuers and German industrial customers. One of the factors was that industrial customers already had good liquidity buffers and/or strengthened equity. The financing needs of public-sector issuers, development banks, and supranational institutions also diminished slightly as a consequence of the slowdown in economic growth and greater efforts to cut costs. Activity was further dampened by the low interest rates and low spreads.

The net gains under **gains and losses on investments** improved by €126 million to €133 million (2013: €7 million).

This figure included a gain of €80 million from the disposal of NATIXIS shares, which had been classified as available-for-sale financial assets.

There was also an ABS-related gain of €26 million, largely from disposals of ABSs that had been impaired in previous periods. In contrast, losses of €23 million had been recognized in 2013 as a result of impairment losses on ABSs and disposals to optimize capital.

Administrative expenses increased by €40 million or 4.3 percent to €965 million (2013: €925 million).

Of this increase, an amount of €12 million related to the branch in Poland, for which the administrative expenses in 2014 totaled €15 million compared with €3 million in 2013 because the branch had only been included in this item under DZ BANK from November 2013. The operating activities of DZ BANK in Poland, which previously had been the responsibility of a subsidiary, were transferred in 2013 to a newly established branch of DZ BANK in Poland.

Other administrative expenses went up by €15 million to €448 million (2013: €433 million), mainly because of higher project costs as a result of the enhanced regulatory requirements.

The rise in staff expenses of €25 million to €517 million (2013: €492 million) was mostly attributable to growth in the number of employees and salary increases.

Other net operating income amounted to a net expense of €88 million (2013: net expense of €28 million) and included an expense from the transfer of losses of €130 million (2013: €20 million) to DZ BANK relating to DZ Beteiligungsgesellschaft mbH Nr. 11, Frankfurt am Main. Another significant item included in other net operating income was the proceeds of €30 million from the merger of AGAB Aktiengesellschaft für Anlagen und Beteiligungen, Frankfurt am Main, with DZ BANK.

The **cost/income ratio** for DZ BANK in 2014 was 52.0 percent (2013: 61.4 percent).

RORAC (regulatory) was 18.3 percent (2013: 2.6 percent).

Profit before taxes for the reporting year improved by €552 million to €906 million (2013: €354 million). This change was primarily attributable to an improvement of €352 million in gains and losses on trading activities and a year-on-year fall of €243 million in the net allowances for losses on loans and advances.

3.2.2. BSH

In the BSH subgroup, **net interest income** declined by 3.7 percent to €943 million (2013: €979 million).

The further fall in the investment interest rate was not entirely offset by the overall increase in the volume of the portfolio in the year under review. Of the total decrease in net interest income, an amount of €10 million was accounted for by the consolidated foreign building societies.

The marked rise in demand for advance and interim financing led to an increase in interest income in the non-collective home finance business and compensated for the lower average interest rates. In the home savings loans business, a smaller portfolio and the drop in average interest rates led to a fall in interest income.

The volume of home savings deposits at BSH grew by €3.6 billion in 2014 to €48.5 billion. This led to a greater interest cost. The considerable volume of home savings deposits is a reflection of the special advantages offered by home savings contracts, which not only guarantee the customer a low-interest home savings loan, but are also a stable form of investment and a crisis-resistant way of building up capital – something that is particularly important in view of the current economic environment.

BSH is the market leader and its 'Schwäbisch Hall Tarif Fuchs' scale of rates and charges offers a number of attractive product variants including particularly favorable home savings rates for customers wishing to carry out home improvements and other innovative financing products. In 2014, the sustained customer acceptance of the rates and charges offered by Schwäbisch Hall once again confirmed Schwäbisch Hall as the market leader in building society operations.

Allowances for losses on loans and advances increased by €16 million year on year to €20 million (2013: €4 million), largely as a function of the greater lending volume. It should also be noted that the allowances had been reduced by €8 million in 2013 as a result of an adjustment to the risk parameters.

Net fee and commission income in the BSH subgroup improved by €157 million to a net expense of €94 million (2013: net expense of €251 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. The decline in the volume of new business and a change in the way that accruals are recognized for fees and commissions boosted net fee and commission income in the BSH subgroup in the reporting year by €23 million and €132 million respectively.

In the home savings business, BSH maintained its position as market leader, signing approximately 809 thousand new home savings contracts in 2014, an impressive level of new home savings business, with a volume of €31.1 billion (down by 13.6 percent on 2013). This included a record level of 117 thousand new Fuchs WohnRente contracts.

In the home finance business, the volume of lending to clients jointly brokered with the cooperative banks grew to €13.4 billion in 2014, representing an increase of 6.2 percent. A further €6.3 billion was accounted for by home finance brokered by the cooperative banks and supported by a home savings contract from BSH.

The security and flexibility offered by home savings are the compelling features that homeowners are looking for when they choose to invest on the basis of a home savings contract. Great importance is also attached to home improvements, especially in view of the German government's targeted cuts to the energy used by homes as part of its efforts to reduce CO_2 emissions. Approximately two thirds of home savings funds paid out each year are now used to finance modernization and refurbishment.

Further potential demand for home savings and home finance is also being generated by the German Pensions Improvement Act (AltvVerbG), which came into force on January 1, 2014 and which brought the conversion of homes to make them accessible to the elderly and disabled within the scope of the existing Riester savings provisions. According to a study carried out by the German Federal Ministry of Transport, Building and Urban Development, the country will require around 3 million homes adapted for the elderly by 2020.

Greater demand for home finance in the year under review was also driven by a year-on-year increase of approximately 7 percent in new residential construction.

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

The increase of 6.1 percent in **administrative expenses** in the BSH subgroup to €490 million (2013: €462 million) was largely explained by the rise of €21 million in staff expenses to €251 million as a consequence of appointments, collectively negotiated pay increases, and the recognition of provisions in connection with the cost-savings program initiated by BSH.

The **cost/income ratio** in 2014 was 55.1 percent (2013: 59.8 percent).

RORAC (regulatory) was 51.4 percent (2013: 44.5 percent).

Profit before taxes for the reporting year reached €379 million (2013: €307 million). The increase was mainly attributable to the change in the method for recognizing net fee and commission accruals.

3.2.3. DG HYP

Net interest income at DG HYP of €295 million was up by 4.2 percent compared with the figure of €283 million for 2013.

Within this figure, an increase in net operating interest income in commercial real-estate finance to €239 million (2013: €209 million), a year-on-year increase of 14.1 percent, marginally offset the decline in net operating interest income in the non-strategic lending business (in particular, consumer home finance) to €41 million (2013: €52 million), a year-on-year decrease of 21.5 percent.

Against the backdrop of stable economic and political conditions, the transaction volume for commercial real estate in Germany reached a new record level of €39.8 billion in the reporting year.

The critical contributing factors were the fundamentally favorable environment and, above all, the period of historically low interest rates, which focused investor attention on the stability of a real-estate investment.

At the same time, German banks as well as institutional and foreign investors were becoming increasingly drawn to the highly attractive commercial real-estate market in Germany.

In 2014, increased demand was also particularly noticeable for real estate outside the traditional core locations, caused by a shortage of supply and sharper price increases in prime real estate areas.

It was in this regard that the local expertise of DG HYP in the regional centers proved to be especially advantageous. DG HYP believes that the long-standing cooperation with the well-established local cooperative banks based on trust is a key prerequisite for an impressive local market presence.

Based on this market strategy, which DG HYP again applied consistently in 2014, DG HYP successfully continued to consolidate its position as a leading provider of commercial real-estate finance in its core market of Germany, despite more intense competition. The volume of new business generated in the reporting year amounted to €4,941 million (2013: €5,378 million). Of this total, €4,709 million (2013: €5,328 million) was accounted for by the German market.

Based on effective mutual support and greater information-sharing with the local cooperative banks, jointly generated new business was sustained at a high level, the volume in 2014 amounting to €2,617 million (2013: €2,861 million).

DG HYP also works closely together with the local cooperative banks in the handling of public-sector funding inquiries, benefitting the cooperative financial network as a whole. Taking account of borrowers' credit ratings, DG HYP prepares finance offers that the cooperative banks then present to local authorities. In the year under review, DG HYP generated a financing volume of €359 million (2013: €438 million). Net interest income rose by €1 million to €5 million (2013: €4 million).

Allowances for losses on loans and advances amounted to a net reversal of €35 million (2013: addition of €27 million), including a net reversal of specific loan loss allowances of €11 million (2013: addition of €45 million) and a net reversal of portfolio loan loss allowances of €27 million (2013: reversal of €19 million).

Gains and losses on trading activities worsened by €24 million year on year to a net loss of €18 million (2013: net gain of €6 million) as a result of market conditions. The change was mainly attributable to the change in the exchange rate between the euro and US dollar.

Gains and losses on investments amounted to a net gain of €4 million (2013: net loss of 41 million) and included impairment losses of €5 million (2013: €21 million) on the mortgage-backed securities (MBS) portfolio and an addition of €1 million to loss allowances (2013: reversal of €20 million) relating to latent risk from loan securitizations. The figure for 2013 also included the effects of recoveries in the MBS portfolio. These effects amounted to a loss of €40 million and arose from the reduction in the volume of risk-weighted asset equivalents. In 2014, there was a contrasting gain of €4 million from disposals of MBSs that had been impaired in previous periods.

Other gains and losses on valuation of financial instruments amounting to a net gain of €335 million (2013: net gain of €1,028 million) reflected the weaker narrowing of credit spreads compared with 2013 on bonds from the peripheral countries of the eurozone. The 2013 figure also included an amount of €180 million 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.

Administrative expenses of €122 million were almost at the level of 2013.

The **cost/income ratio** for DG HYP in 2014 was 18.3 percent (2013: 9.2 percent).

RORAC (regulatory) was 49.1 percent (2013: 96.6 percent).

Profit before taxes was down sharply by 50.6 percent to €579 million (2013: €1,172 million). The primary reason behind this decrease was the negative 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. DVB

The **net interest income** generated by the DVB subgroup came to €230 million, which fell short of the equivalent 2013 figure of €256 million by 10.2 percent.

The decrease in net operating interest income (excluding income from long-term equity investments) of €34 million to €217 million (2013: €251 million) resulted from a drop of €16 million in leasing proceeds combined with higher special accelerated depreciation allowances. In addition, the liquid markets and very low interest rates, together with increasing competition in the sector, led to unexpectedly high redemptions of transport finance loans. The associated increase in liquid assets had an adverse impact on net interest income because the redemptions could only be partially offset by additional new business, and also only after a time lag.

Income from long-term equity investments rose by €8 million to €13 million (2013: €5 million). This change was mainly accounted for by the increase of €7 million in the pro rata share of profit or loss recognized using the equity method and related to the remeasurement of two container funds and an aviation fund.

Although global freight and passenger transport was bolstered in 2014 by the strong growth in the US economy, it was at the same time, however, also adversely impacted by the weak pace of economic growth in the emerging markets and in the eurozone resulting from the geopolitical crises and conflicts, which intensified during the course of the year. Furthermore, the international transport industry continued to suffer from overcapacity, particularly within individual market segments covering international maritime shipping.

In these challenging economic conditions, the DVB subgroup continued to focus its business activities in 2014 on stable new business and systematic risk management.

Using a highly diversified credit portfolio (based on a number of criteria, including mode of transport, region, and user), the DVB subgroup concluded 187 deals in transport finance business in the reporting year (2013: 173 deals) with a new business volume of €6.3 billion (2013: €4.7 billion).

The year-on-year reduction in **allowances for losses on loans and advances** of €26 million to €62 million (2013: €88 million) largely related to the maritime shipping business, in which the net addition to allowances for losses on loans and advances decreased by €32 million to €39 million (2013: €71 million).

Net fee and commission income declined by 16.3 percent to €108 million (2013: €129 million).

This decline was attributable to a decrease of €13 million in fee and commission income from new transport finance business to €64 million, a fall of €6 million in the fees and commissions from the current lending business to €22 million, and a drop of €3 million in consulting fees and commissions to €18 million. Fee and commission income from asset management remained almost at the level of 2013 at €6 million.

Within the transport finance business in the DVB subgroup, the core areas of lending – shipping, aviation, offshore finance, and land transport – were affected in the year under review by muted global growth and the associated impact on international freight and passenger transport markets.

The adverse change in **other gains and losses on valuation of financial instruments** of €54 million to a loss of €52 million (2013: gain of €2 million) was primarily attributable to a negative year-on-year change of €28 million in gains and losses on derivatives used for purposes other than trading and a negative change of €15 million in gains and losses on valuation of non-derivative financial instruments using the fair-value option. Other gains and losses on valuation of financial instruments also included measurement losses on cross-currency swaps amounting to €7 million (2013: losses of €15 million).

The increase in **administrative expenses** of €9 million to €188 million (2013: €179 million) was largely the consequence of a rise in consultancy costs, which increased by €2 million, and higher contributions and fees, which increased by €3 million. Contributions and fees in 2013 had included a one-off reimbursement of €3 million from the guarantee fund of the BVR relating to 2012. There was no equivalent reimbursement in 2014.

The main components of **other net operating income** amounting to €30 million (2013: net expense of €11 million) were disposal proceeds of €20 million from the sale of a loan and income of €9 million from the first-time consolidation of an aviation fund.

The **cost/income ratio** in 2014 was 57.8 percent (2013: 47.2 percent).

RORAC (regulatory) was 18.0 percent (2013: 24.6 percent).

Profit before taxes for the year under review amounted to €75 million, which equated to a decline of €37 million compared with the like-for-like 2013 figure of €112 million, mainly as a consequence of the changes specified above.

3.2.5. DZ PRIVATBANK

Net interest income at DZ PRIVATBANK contracted by 11.0 percent year on year to €153 million (2013: €172 million).

The main reasons behind this decline in net interest income were the historically low level of interest rates and the implementation of a risk-conscious investment strategy. A slightly reduced volume in LuxCredit foreign-currency lending also contributed to the 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 €5.4 billion as at December 31, 2014 (December 31, 2013: €5.8 billion).

Net interest income in 2014 no longer included dividends paid by IPConcept (Luxemburg) S.A., Luxembourg-Strassen, and Europäische Genossenschaftsbank S.A., Luxembourg-Strassen, which had been recognized in an amount of €3 million in 2013, because these companies have been consolidated for the purposes of commercial law since the start of 2014. The companies DZ PRIVATBANK Singapore Ltd., Singapore, and IPConcept (Schweiz) AG, Zurich, have also been consolidated since January 1, 2014.

Net fee and commission income rose by 13.3 percent to €111 million (2013: €98 million).

This growth in net fee and commission income largely arose from the first-time inclusion of the companies specified above in the consolidation. DZ PRIVATBANK continued to expand its business in services for investment funds in the reporting year. Between December 31, 2013 and December 31, 2014, the value of funds under management grew by €9.1 billion to €85.9 billion. As at December 31, 2014, the number of fund-related mandates had increased to 612 (December 31, 2013: 580).

At the end of the period under review, the funds managed on behalf of high-net-worth individuals had risen to €14.2 billion (December 31, 2013: €13.5 billion) despite outflows in connection with regulatory requirements.

Other gains and losses on valuation of financial instruments amounting to a net gain of €4 million (2013: net gain of €16 million) included measurement losses on cross-currency swaps of €2 million (2013: measurement gains of €7 million). DZ PRIVATBANK enters into cross-currency swaps to hedge long-term liquidity risks in foreign currency, particular risks in Swiss francs.

Administrative expenses at DZ PRIVATBANK rose by €19 million to €214 million (2013: €195 million), essentially as a consequence of the consolidation of additional companies since January 1, 2014.

Other net operating income remained close to the level of 2013 with a net expense of €14 million (2013: net expense of €13 million) and was largely determined by the recognition of an amortization expense of €16 million in respect of acquired customer relationships and restructuring provisions of €5 million.

The **cost/income ratio** for DZ PRIVATBANK in 2014 was 79.9 percent (2013: 68.9 percent).

RORAC (regulatory) was 17.8 percent (2013: 37.1 percent).

Against the background of the factors explained above, **profit before taxes** amounted to €54 million (2013: €88 million).

3.2.6. R+V

Premiums earned climbed by €1,234 million to €13,927 million (2013: €12,693 million), reflecting the tight integration of the R+V subgroup into the cooperative financial network. The already very high level of premiums earned in 2013, which had been boosted by significant growth stimulus, was therefore again exceeded by 9.7 percent. Gross premiums written increased to €14,040 million in 2014 (2013: €12,753 million), up by 10.1 percent on the impressive level of premiums generated in 2013.

Premium income in the life insurance and health insurance business grew appreciably year on year by 12.4 percent. This increase was mainly derived from unit-linked life insurance and the R+V-PrivatRente IndexInvest product.

In the non-life insurance business, the growth in premiums was 4.2 percent, with most of this growth being generated from vehicle business and corporate customers.

In the inward reinsurance business, premium income rose by 15.8 percent.

Gains and losses on investments held by insurance companies and other insurance company gains and losses improved by 53.2 percent to a net gain of €4,482 million (2013: net gain of €2,925 million).

The substantial fall in long-term interest rates in the year under review contrasted with a marked increase in corresponding interest rates in 2013. Equities markets relevant to R+V improved during the course of 2014, but the gains had been even greater in 2013. Changes in exchange rates in the reporting year were more favorable to R+V.

In the overall gains and losses on investments held by insurance companies, these market trends led to higher realized and unrealized gains and to higher foreign exchange gains, primarily as a result of the strengthening of the US dollar and pound sterling.

However, 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, the associated change in the level of gains on investments held by insurance companies only partially affected the level of net income from insurance business in the reporting year.

Insurance benefit payments rose by 15.8 percent to €15,264 million (2013: €13,181 million), primarily reflecting the higher premium income and the increase in gains on investments held by insurance companies compared with 2013.

In line with the growth in premium income and greater gains on investments held by insurance companies, higher additions were made to insurance liabilities at companies offering personal insurance.

In non-life insurance, claims expenses stabilized during the reporting period, whereas in 2013 the direct insurance business had been adversely affected by major claims resulting from storms and floods.

In inward reinsurance, losses caused by major claims – especially those resulting from natural disasters – were within expectations.

Insurance business operating expenses incurred in the course of ordinary business activities went up by 7.4 percent to €2,284 million (2013: €2,126 million).

Other net operating income in the reporting year amounted to a net expense of €73 million (2013: €0 million).

RORAC (regulatory) was 33.1 percent (2013: 13.4 percent).

Given the factors described above, **profit before taxes** for the reporting year improved by €477 million to €788 million (2013: €311 million).

3.2.7. TeamBank

The **net interest income** generated by TeamBank was up by 3.2 percent year on year to €520 million (2013: €504 million).

Growth in the consumer finance market again flatlined in the reporting year. At the same time, TeamBank – the consumer finance specialist in the cooperative financial network – continued to be faced not only with noticeably predatory pricing and cut-throat competition in the consumer finance business during the reporting period, but also in particular with historically low interest rates.

Despite this environment, TeamBank managed to generate robust growth in the volume of its easyCredit business (at nominal values) to €6,808 million (2013: €6,566 million), an increase of 3.7 percent, as well as successfully defend the market share of the cooperative financial network. As at December 31, 2014, this market share was 19.2 percent. In addition, the number of customers was expanded in 2014 by a further 5 thousand to 626 thousand.

This successful growth at TeamBank has been achieved by systematically focusing corporate strategy on the core cooperative principles of transparency and fairness. The proven business model received high-profile recognition in the reporting year when, following a comprehensive audit, TeamBank became the first company to be awarded the Fairness in Consumer Finance seal of approval.

In line with digitization-driven changes in customer needs, TeamBank decided in 2014 to move the services it offers in its easyCredit shops, of which there are currently 48 throughout Germany, to the cooperative financial network. TeamBank also stepped up the easyCredit product's omnichannel presence. Customers are offered identical product variants and services offline and online, i.e. regardless of whether they are receiving face-to-face advice at a cooperative bank or using the internet.

To continue pursuing its quality and growth strategy, TeamBank again expanded its market presence in 2014 to provide further channels for the product variants that have already been successfully established in its customer business.

In 2014, a total of 402 partner banks and around 73 thousand customers were using easyCredit-Finanzreserve, which is still the only credit card on the market incorporating a consumer finance function. The innovative advisory concept known as 'easyCredit-Liquiditätsberater' has been helping the cooperative idea to gain more prominence. Approximately 122 thousand members benefited from advice in 2014, and this included around 27 thousand new members for the cooperative financial network.

Allowances for losses on loans and advances were reduced year on year by €14 million to €89 million (2013: €103 million), one of the reasons being a refinement of the methodology used to determine these allowances.

The net expense reported under **net fee and commission income** rose by 1.0 percent to €97 million (2013: net expense of €96 million). The higher fee and commission expenses were attributable to the increased trailer fees paid by TeamBank to the partner banks as a consequence of the strong performance of its easyCredit business.

The increase in **administrative expenses** of 7.0 percent to €200 million (2013: €187 million) was attributable to a rise in staff expenses mainly caused by higher employee numbers to cope with enhanced regulatory requirements and also to a rise in other administrative expenses primarily as a result of additional IT and project costs.

Other net operating income, which amounted to a net expense of €62 million (2013: net expense of

€1 million), mainly comprised the recognition of provisions of €22 million for the transfer of the easyCredit shops to the partner banks and provisions of €39 million for claims for the reimbursement of administration fees.

At TeamBank, the **cost/income ratio** in 2014 was therefore 56.0 percent (2013: 46.1 percent).

RORAC (regulatory) was 18.6 percent (2013: 28.4 percent).

Profit before taxes for the reporting year declined by €48 million to €68 million (2013: €116 million), largely as a consequence of the factors described above.

3.2.8. UMH

Net fee and commission income in the UMH subgroup climbed by 15.8 percent to €1,101 million (2013: €951 million).

The average volume of assets under management in the Union Investment Group went up substantially by €18.8 billion in 2014 to €218.6 billion. This exceptional increase was essentially attributable to the net new business generated, the overall growth in the market, and the strong performance of the group in the reporting year. The contribution generated with the average assets under management in the reporting year accounted for 76.6 percent of the net fee and commission income.

Market conditions in 2014 were characterized by robust growth in the US economy and by an economic slowdown in the eurozone and in emerging markets against the backdrop of geopolitical crises and conflicts, which intensified as the year progressed. Combined with the fall in the price of oil since mid-2014, these trends prompted the ECB to initiate further monetary policy easing in the eurozone with the aim of countering another drop in inflation and the increasing risk of deflation.

In the reporting year, the Union Investment Group notched up significant sales successes, generating net inflows of €5.1 billion from its retail clients business, helped by the extensive sales network of the local cooperative banks and thanks to a range of services consistently focused on customer needs.

The multi-asset solutions offered by the Union Investment Group enjoyed rising demand in the reporting year. These solutions have proven themselves to be an investment instrument of choice in the present period of low interest rates. The innovative PrivatFonds investment concept is available in various versions to match different risk appetites and combines active asset management with the flexible use of a number of asset classes. It takes into account customer needs in terms of security with 6 different product variants. In 2014, net inflows amounted to €3.8 billion (up by 72.7 percent year on year), which meant that within a year the volume of the PrivatFonds portfolio had doubled to €8.4 billion as at December 31, 2014.

In periods of low interest rates, fund-linked savings plans represent an extremely rewarding type of investment. They exploit the opportunities presented by attractive markets, skirting the problem of finding the perfect entry timing, and facilitate flexible wealth accumulation. This applies particularly to the high-net-worth client segment. In this case, fund-linked savings plans can provide customized solutions, allowing clients to scale back liquidity and gradually structure capital accumulation. The net inflows and volumes relating to fund-linked savings plans are covered by the other investment focus topics or other topics. To measure the net inflows under the ‘Saving’ focus topic, the 12-month savings volume has been reported since 2014. By the end of the reporting year, this volume had risen by €0.3 billion to €1.4 billion, an increase of 27.3 percent.

In 2014, the RiesterRente solutions (UniProfiRente and UniProfiRente Select) – reliable cornerstones of long-term private capital preservation – once again made a significant contribution to net inflows in the private clients business. The Union Investment Group maintained its position as market leader with its fund-based Riester solutions and increased the volume of its RiesterRente solution portfolios in the reporting year by €2.3 billion to €11.9 billion.

Despite the statutory changes affecting the options to make use of open-ended real estate funds, this asset class (which offers an attractive risk/return profile) generated net inflows of €1.6 billion in the private clients business in the reporting year.

Institutional business accounted for the largest proportion of total net inflows in 2014 at €11.1 billion.

Given the further reduction in interest rates compared with 2013, institutional investors were switching their attention to solutions aimed at increased diversification of invested funds. This led to demand for the expertise of the Union Investment Group in products with greater potential returns, such as funds encompassing corporate, high-yield, or subordinated bonds.

In addition, client interest was focused on European and global equity strategies, and on real estate investments for institutional investors. Socially responsible investments are becoming increasingly important; as at December 31, 2014, the fund value for these investments amounted to €7.8 billion (December 31, 2013: €6.8 billion).

The high regard in which the Union Investment Group is held as a professional risk and portfolio manager is also reflected, above all, in the huge popularity of the IMMUNO capital preservation approach, which is supplemented by the KONVEXO strategy, allowing clients to make better use of opportunities with only a comparatively low increase in risk tolerance.

The increase in **administrative expenses** of 12.3 percent to €656 million (2013: €584 million) was attributable to a rise in staff expenses mainly caused by average salary increases, appointments to unfilled posts, and increased variable remuneration, and also to a rise in other administrative expenses primarily as a result of higher contributions and fees, IT costs and consultancy expenses.

The **cost/income ratio** in 2014 was 57.4 percent (2013: 59.4 percent).

RORAC (regulatory) was greater than 100.0 percent (2013: greater than 100.0 percent).

Profit before taxes improved by €87 million to €486 million (2013: €399 million), largely as a result of the changes in net fee and commission income and administrative expenses explained above.

3.2.9. VR LEASING

Net interest income in the VR LEASING subgroup declined by 29.5 percent to €165 million (2013: €234 million).

Net operating interest income (excluding income from long-term equity investments) in Germany fell by €24 million to €150 million (2013: €174 million), mostly because of the contraction in the real estate leasing, automotive trade, and vehicle fleet businesses, which, together with the international business at VR LEASING, have been defined as non-core business and are being scaled back. Net interest income in the international business was therefore also down by €16 million to €15 million (2013: €31 million), with €12 million of this decrease accounted for by the Hungarian subsidiary Lombard Lizing.

The decline in income from long-term equity investments of €29 million to €0 million (2013: €29 million) was predominantly attributable to lower income from the long-term equity investments in VB Leasing International Holding GmbH, Vienna, (VBLI), which operates in central and eastern Europe. The lower income from this company was caused by the disposal of the national companies in Poland, Romania, and the Czech Republic in 2014 and the associated deconsolidation effects at VBLI.

The net interest income trend reflected the entity's ongoing strategic repositioning efforts in the reporting year. Within the cooperative banking sector, VR LEASING sees itself as the expert in the provision of simple, perfectly tailored financing solutions for small and medium-sized enterprises with strong regional ties in Germany. The range of products includes leasing, factoring, rental, hire purchase, loans, and centralized settlement.

VR LEASING continued to act as a partner to regionally based SMEs during the reporting period, supporting corporate and other business customers with specific advisory campaigns geared to their target industries and with needs-based financing solutions.

In addition, the persistently low level of interest rates led to increasing competition and pressure on margins and therefore continued to be a significant factor impacting the operating activities of VR LEASING and its long-term equity investments in 2014. Economic growth in Germany was lower than anticipated in the reporting year, not least because of the geopolitical crises. These conditions increased the reluctance of businesses to invest. Furthermore, there was only a slight improvement in the pace of growth among SMEs. In many cases, capital spending requirements were also satisfied from companies' own resources.

Given this background, it is therefore all the more remarkable that the trend in lease originations in Germany over the whole of 2014 was encouraging across the industry, with the increase in new business exceeding the growth in spending on capital equipment in Germany. The further increase in the proportion of capital investment financed by leasing underlines the importance of the German leasing industry as a valued investment partner, particularly for SMEs.

In its core business, VR LEASING was another subgroup that managed to increase sales through the local cooperative banks across Germany, in this case by around 23 percent year on year.

The year-on-year decrease in the **allowances for losses on loans and advances** of €13 million to €51 million (2013: €64 million) was primarily attributable to the improved economic environment in Germany and to the lower requirement for allowances as a consequence of the reduction of the portfolio at Lombard Lizing.

Gains and losses on investments amounted to a net gain of €23 million (2013: net loss of €21 million) resulting from the reversal of an impairment loss of €24 million relating to VBLI (which is consolidated using the equity method) following the latest measurement at fair value. The 2013 figure included an impairment loss of €20 million on this long-term equity investment.

In the reporting year, **administrative expenses** were reduced by €15 million to €172 million (2013: €187 million), the result of the rigorous continuation of the cost savings program.

Other net operating income amounting to a net expense of €90 million (2013: net income of €13 million) included expenses for non-scheduled risks, which arose in particular due to changes to banking legislation in Hungary, which apply retroactively and affect the Lombard Lizing subsidiary.

The **cost/income ratio** in 2014 was more than 100.0 percent (2013: 66.5 percent).

RORAC (regulatory) was minus 23.6 percent (2013: 8.2 percent).

Despite growth in the core business of SME financing through the local cooperative banks, VR LEASING reported a **loss before taxes** of €86 million in 2014 (2013: profit of €30 million) because of the latest impact from the legislation in Hungary.

3.2.10. Other/Consolidation

The adjustments shown under Consolidation to reconcile operating segment profit/loss before taxes to consolidated profit/loss before taxes are attributable to the elimination of intragroup transactions and to the fact that investments 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 for net fee and commission income largely relates to the fee and commission business of TeamBank and BSH with R+V.

The remaining adjustments are mostly also attributable to the consolidation of income and expenses.

4. NET ASSETS

As at December 31, 2014, the DZ BANK Group's **total assets** had increased by €17.1 billion to €402.5 billion (December 31, 2013: €385.4 billion). The increase was largely attributable to the growth in total assets in the R+V Versicherung subgroup (up by €9.1 billion), DZ BANK (up by €5.1 billion), and the BSH subgroup (up by €3.9 billion).

FIG. 4 – TOTAL ASSETS

The DZ BANK Group's **loans and advances to banks** rose by €5.1 billion to €79.3 billion, an increase of 6.9 percent. Loans and advances to banks in Germany decreased by €0.4 billion to €68.3 billion, but loans and advances to foreign banks increased by €5.5 billion to €11.0 billion.

The DZ BANK Group's **loans and advances to customers** rose to €122.4 billion, an increase of €2.3 billion or 1.9 percent. The increase in loans and advances to customers in the BSH subgroup (up by €2.7 billion) and in the DVB subgroup (up by €1.7 billion) more than compensated for the fall in loans and advances to customers at DG HYP (down by €1.7 billion) and in the VR LEASING subgroup (down by €0.5 billion).

As at December 31, 2014, **financial assets held for trading** amounted to €54.4 billion, up by €1.6 billion, or 3.0 percent, compared with the figure as at December 31, 2013. Whereas the amount of derivatives (positive fair values) went up by €5.7 billion and the holdings of bonds and other fixed-income securities by €1.5 billion, money market placements fell by €6.0 billion.

Investments rose slightly, increasing by €0.2 billion or 0.4 percent to €57.1 billion. The volume of bonds and other fixed-income securities grew by €0.8 billion, whereas the carrying amount of investments in subsidiaries was down by €0.4 billion and that of shares and other variable-yield securities down by €0.2 billion.

The DZ BANK Group's **deposits from banks** as at December 31, 2014 amounted to €89.3 billion, which was €1.9 billion (2.1 percent) below the figure reported as at December 31, 2013. Deposits from domestic banks declined markedly by €1.9 billion to €80.4 billion, and promissory notes issued by DZ BANK also declined by €1.1 billion. Deposits from foreign banks remained almost unchanged at €8.8 billion.

Deposits from customers were €2.0 billion (2.0 percent) lower as at December 31, 2014 at €96.4 billion. Deposits from customers declined primarily at DZ BANK, where the year-on-year decrease was €5.7 billion. In contrast, the equivalent deposits in the BSH subgroup grew by €3.4 billion.

At the end of the reporting year, the carrying amount of **debt certificates issued including bonds** in the DZ BANK Group had reached €55.6 billion (December 31, 2013: €52.7 billion). The change amounting to an increase of €2.9 billion in the group was largely attributable to the increase in debt certificates issued including bonds at DZ BANK in an amount of €4.5 billion, although some of this increase was offset by a decrease at DG HYP in an amount of €2.1 billion. The rise in debt certificates issued including bonds at DZ BANK was largely explained by an increase in commercial paper, which by some way more than offset the reduction in the portfolio of capital markets securities.

Financial liabilities held for trading advanced by €5.9 billion, or 13.0 percent, to €51.7 billion. The amount of derivatives (negative fair values) grew by €6.5 billion. Money market deposits fell by €1.1 billion.

As at December 31, 2014, the **equity** reported by the DZ BANK Group was €18.1 billion (December 31, 2013: €14.2 billion). The changes in subscribed capital (up by €0.5 billion) and in the capital reserve (up by €1.0 billion) largely reflected the capital increase carried out during the reporting year. The rise in retained earnings of €1.2 billion reflected the year-on-year improvement in net profit, which permitted a higher level of profit retention in 2014. As at December 31, 2014, the revaluation reserve for available-for-sale financial assets had risen by €0.6 billion to €1.0 billion (December 31, 2013: €0.4 billion).

The **DZ BANK Group's capital and solvency situation** is described in this group management report in chapter VI. (Opportunity and risk report), section 7. (Risk capital management in the Bank sector).

5. FINANCIAL POSITION

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

The DZ BANK Group has a highly diversified funding base for **operational liquidity**. A considerable portion is accounted for by money market activities resulting from the cash-pooling function with the local cooperative banks. This enables local cooperative banks with available liquidity to invest it with DZ BANK, while primary banks requiring liquidity can obtain it from DZ BANK. Traditionally, this results in a liquidity surplus, which provides the main basis for short-term funding in the unsecured money markets. Corporate customers and institutional clients 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 money market products based on debt certificates 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 plc, Dublin, (DZ BANK Ireland) can draw on.

The DZ BANK Group's main **sources of funding** on the unsecured money markets as at December 31, 2014 were as follows:

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

%	Dec. 31, 2014	Dec. 31, 2013
Local cooperative banks	42	49
Other banks, central banks	14	12
Corporate customers, institutional customers	18	27
Commercial paper (institutional investors)	26	12

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 activities are used to manage and satisfy the long-term funding 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, 2014 was 91 percent (December 31, 2013: 102 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 to 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 companies. Liquidity planning is updated throughout the year.

Monthly **structural analyses** of the various resources available on the liabilities side of DZ BANK's balance sheet are 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 **liquidity risk** can be found in this group management report in chapter VI. (Opportunity and risk report), section 15. (Liquidity risk in the Bank sector). 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 84 of the notes to the consolidated financial statements.

III. Events after the balance sheet date

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

IV. Human resources report and sustainability

1. HUMAN RESOURCES REPORT

1.1. HR ACTIVITIES ACROSS THE GROUP

Activities in the year under review focused on drawing up the joint remuneration strategy, addressing regulatory requirements, initiating the employer branding campaign, and analyzing demographic change.

During the reporting year, 14 official meetings were also held across the six existing HR working groups with the aim of progressing joint HR activities. The Group HR Committee (GHRC) met twice, HR managers four times.

The Remuneration working group approved the 2014 joint remuneration strategy for the DZ BANK Group and assisted with the implementation of regulations in the individual entities. The discussions in the GHRC and adoption by the Board of Managing Directors of DZ BANK AG mean that the statutory requirements have been satisfied. The planned level of transparency regarding the remuneration systems within the entities was also achieved.

Besides establishing the DZ BANK Group's HR Key Performance Indicator Cockpit (HR KPI Cockpit) launched in 2013, the Planning and Control working group primarily concentrated on analyzing demographic trends in the entities. This analysis of the current position forms the basis for a detailed assessment of the demographic challenges faced by each entity.

Best-practice sharing in relation to individual employee surveys and the joint cross-mentoring program were the key issues covered by the Professional Development working group. Following the launch in 2013, the cross-mentoring program was run for a second year in 2014 with 16 mentor/mentee pairings from eight entities. The objectives of the program are to provide individual mentoring while at the same time expanding networking within the group and fostering the associated staff loyalty.

1.1.1. Launch of the DZ BANK Group's employer branding campaign

HR experts in the individual entities have developed an employer brand with the aim of safeguarding the competitiveness of the DZ BANK Group as an employer over the long term. The key phrases in the employer value proposition (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.

This strategy is being implemented in two stages. The initial internal cross-organizational activities began in the fourth quarter of 2014 under the leadership of DZ BANK and involved the introduction of an internal communications and work platform known as the 'WIR platform'. The purpose of the platform is to facilitate networking and collaboration between DZ BANK Group employees and thereby establish the employer brand. The external market launch will take place in 2015 and 2016.

1.1.2. Launch of 'Verbund First' career development program

The work carried out together in the TeamUp program (see TeamUp on the next page) gave rise to the idea of 'Verbund First', a new career development program for existing and prospective managers. The program began in the fourth quarter of 2014 with its first 10 participants. Networking among participants and exchanges with the local cooperative banks form the focus of the new program. This is one of the ways in which DZ BANK develops the capabilities of managerial talent in cooperative banks and directly helps to retain these managers in the cooperative financial network.

1.1.3. Trainees

As at December 31, 2014, 1,108 trainees (December 31, 2013: 1,081) were employed within the DZ BANK Group in Germany and abroad. The ratio of trainees to total employees was 3.6 percent (2013: 3.6 percent). Each year, a workshop is held for all the trainees in the group companies to encourage networking within the DZ BANK 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 2013.

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, 33 young people have signed up to start their careers via TeamUp. 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 2014, the DZ BANK Group Career Prize was awarded jointly by the entities in the DZ BANK Group for the sixth time, although it was the thirteenth time that the prize had been awarded overall. The Career Prize, which is worth €24,000, is awarded in recognition of outstanding academic dissertations in the area of banking and finance. A total of 210 dissertations were submitted, of which 95 were in the category of university master's degree dissertations, and 115 in the category of bachelor's degree dissertations (combined work/study degrees). The award-winning dissertations in both categories addressed the lessons to be drawn from the financial and sovereign debt crisis. First prize in the master's degree dissertation category was awarded to Nicolas Hälbig from Goethe University Frankfurt. In his dissertation 'A New Approach for Pricing Sovereign Debt in a Currency Union', Hälbig develops a method for calculating the value of government bonds, taking into account the economic situation of the country in question. The judges thought that the idea of using a new model for measuring the value of government bonds was very imaginative. Tim Obermeier from the University of Mannheim took first prize in the bachelor's degree category for his dissertation 'Verhalten von trunkierten Verteilungen in makroökonomischen Kreditportfoliostresstests bei stark korrelierten Risikofaktoren' [Truncated distribution behavior in macroeconomic lending portfolio stress tests with highly correlated risk factors]. In this dissertation, Obermeier assesses the effects from alternative distribution assumptions in Deutsche Bundesbank's macroeconomic lending portfolio stress test and analyzes whether there are certain weaknesses in the methodology that lead to seriously underestimated risk.

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 2014 was the fourth time that the DZ BANK Group had shared its stand with the BVR and WGZ BANK, and the first time that Fiducia IT AG had also been included, 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 potential offered by women is also one of the specific factors the group aims to take into account in its recruitment and development of management trainees. In the reporting year, 32 percent of advertised management positions were filled by women. Other measures taken in support of this objective include, for example, action to ensure all entities in the DZ BANK Group obtain auditberufundfamilie® certification or sign the diversity charter.

1.2. CORPORATE CAMPUS FOR MANAGEMENT & STRATEGY

The Corporate Campus for Management & Strategy was set up in 2010 as a think tank and as an information-sharing and strategy platform for senior managers in the DZ BANK Group. It has become successfully established and is now in its fifth year. More than 170 members of boards of managing directors and heads of divisions in the DZ BANK Group, together with members of boards of managing directors from local cooperative banks, took part in 19 different events during 2014. The feedback from participants at the individual events was universally very positive. 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 form a permanent part of HR policy in each entity.

FIG. 6 – EMPLOYEE DATA

Employees (average for the year, excluding trainees)	2014	2013
Total	29,596	28,962
Employees (as at December 31, including trainees)		
Total	30,781	30,144
Employees	29,673	29,063
Trainees	1,108	1,081
Proportion of trainees (%)	3.6	3.6
Germany	27,472	26,872
ROW	3,309	3,272
Male	16,549	16,183
Female	14,232	13,961
Proportion of women (%)	46.2	46.3
Total number of managers	2,594	2,555
Proportion of female managers (%)	23.3	22.1
Full-time	25,242	24,878
Part-time	5,539	5,266
Proportion of part-time (%)	18.0	17.5
Period of service (years)	12.7	12.4
Staff turnover (%)	5.9	4.7
Resignations (%)	2.2	2.1
Professional development days per employee (Germany)	3.1	3.2

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

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 currently provides lending of around €2 billion to fund the expansion of infrastructure and the development of new, more efficient technologies.

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. Since 2014, DZ BANK has also published its fundamental rejection criteria used in lending decisions.

Protection against climate change is also a key area of business for BSH, which helps its customers in many ways, including providing them with support for renovating buildings and installing photovoltaic equipment. Based on expertise in sustainable facilities management, BSH has also 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.

Union Investment is one of Germany's largest providers of socially responsible investment funds with some €8 billion of assets under management in this category. It offers a broad spectrum of mutual funds and special funds that are managed in compliance with sustainability requirements. Using a strategy referred to as UnionEngagement, it takes a proactive approach to its shareholdings on behalf of its clients. Union Investment specifically brings up social, environmental, and corporate governance issues at annual general meetings and in presentations to investors, and in many cases is thereby able to exercise some influence over corporate decision-making processes. The rating agency Feri has also recognized Union Investment's expertise in this area of investment, declaring Union Investment to be the best asset manager in the socially responsible investing category in its 2015 EuroRating Awards.

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 represented on the Group Corporate Responsibility Committee.

In 2014, R+V Versicherung published a sustainability report for the first time, providing a complete overview of all its sustainability activities. The core topics in the report are the ethical guidelines for R+V investments, corporate social responsibility, and the numerous activities undertaken in connection with environmental and climate protection.

2.3. GROUP CORPORATE RESPONSIBILITY COMMITTEE

Since 2010, the entities in the DZ BANK Group have been pooling their activities to a much greater extent, focused on the common objectives of exploiting market opportunities, avoiding risk, and at the same time enhancing corporate citizenship.

In the reporting year, the entities set up a standing committee, the Group Corporate Responsibility Committee. The committee is made up of the sustainability coordinators and communications managers from the various entities and meets regularly. The Group Corporate Responsibility Committee reports to the Group Coordination Committee.

Outcomes from these activities have included, for example, the introduction of groupwide supplier standards, a common database structure, an internal climate study, and a joint climate strategy.

In 2013, the commitment to the UN Global Compact had been extended to include the entities represented on the Group Corporate Responsibility Committee. DZ BANK, BSH, DG HYP, DZ PRIVATBANK, TeamBank, VR LEASING, R+V, and Union Investment all undertook to comply with the UN's sustainability principles and report on their compliance jointly.

2.4. Transparency in sustainability activities

The reporting year saw the publication of DZ BANK's sixth 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 becoming more transparent. Many of the entities are preparing their own separate reports or integrating the information into their annual reports.

DZ BANK is a member of the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. (VfU) [German Association for Environmental Management and Sustainability in Financial Institutions] and also hosted the annual conference in 2014. The conference theme was 'License to operate' and around 100 participants attended workshops and presentations at which they discussed the further development of sustainability in financial institutions.

INFORMATION PUBLISHED BY THE DZ BANK GROUP

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

Annual report and CSR report of Union Investment:
https://unternehmen.union-investment.de/startseite/wer-wir-sind/Kennzahlen/geschaeftsbericht.html

Information about Bausparkasse Schwäbisch Hall:
www.schwaebisch-hall.de/bsh/englisch/about-us.php

Sustainability report of R+V (in German):
www.ruv.de/de/ueber_uns/nachhaltigkeit-bei-ruv/nachhaltigkeitsbericht/index.jsp

Information on sustainability at VR-LEASING AG (in German):
www.vr-leasing.de/vr_leasing/unternehmen/verantwortung_engagement/

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

V. Outlook

1. ECONOMIC CONDITIONS

1.1. GLOBAL ECONOMIC TRENDS

Global economic growth has accelerated slightly but is still well behind the rate of expansion in the years before the financial crisis. However, the positive trend has not been reflected to date in international trade, which has fallen short of expectations.

The potential for growth in the industrialized nations has diminished and fiscal measures to consolidate public finances are still necessary, even against the background of an expansionary monetary policy. In the emerging markets, economic growth is being impeded by structural bottlenecks and by financial and macroeconomic imbalances.

Global growth is expected to be around 4 percent in both 2015 and 2016. Global trade in 2015 is likely to expand at a rate of approximately 4 percent. It is only in 2016 that a noticeably stronger rate of growth of more than 5 percent is anticipated.

1.2. TRENDS IN THE USA

Strong sentiment in the US reflects the faster pace of growth in the country's economy. The fall in fuel prices is also having a beneficial effect, particularly on consumer spending.

On the other hand, companies involved in the extraction of shale oil could find their growth arrested by this trend. Following the significant drop in the price of oil, it is likely to rise again in the second half of 2015. The US economy could expand by well over 3 percent in 2015, although a slight decline in this growth to 2.4 percent is forecast for 2016.

The rate of inflation for the whole of 2015 is likely to be around 0.5 percent, with a rise to approximately 2.4 percent again in 2016. Following the extended period of low interest rates, the US Federal Reserve (Fed) is expected to announce an initial upward movement in interest rates in the spring of 2016.

1.3. TRENDS IN THE EUROZONE

The latest indicators of economic growth in the European Monetary Union (EMU) point to a continuation of the modest economic uptrend in the eurozone. The economies of the industrialized nations are being particularly boosted by the lower price of oil, a key input factor in these economies.

The same trend is helping consumers who are having to spend a lower proportion of their disposable income on heating oil and fuel for cars. The effect is to stimulate economic growth in the same way as a tax cut.

An adverse impact could arise at an international level in the form of lower demand from oil-exporting countries. In the EMU however, this will be more than offset by the positive effect from the savings. Overall, the oil price effect is likely to lead to stronger growth in gross domestic product (GDP) in 2015, which is predicted to reach approximately 1.3 percent. As the price of oil is forecast to climb again in the next few years, this beneficial effect will disappear over time, with no great stimulus expected in 2016. GDP growth of approximately 1.5 percent is anticipated for 2016.

The economic boost from the lower oil price will also be reflected in consumer prices, resulting in a further fall in inflation. An average rate of inflation of approximately 0.1 percent is expected for 2015, with a likely rise to 0.9 percent in 2016.

1.4. TRENDS IN GERMANY

Economic growth in Germany will gradually gather pace again in the coming year. The German economy will benefit from 2 particular factors, namely the low price of oil and the weaker euro. Business profits will rise on the back of falling energy costs, and consumers will see growth in the real purchasing power of their income.

In the coming year, the total financial relief to the German economy from lower oil prices will equate to approximately one half of a percentage point of economic output. The bulk of this relief will result in additional demand, thereby delivering a boost to growth.

For its part, the weaker euro will improve the price competitiveness of EMU businesses in international trade but the benefits will only become apparent in the somewhat longer term. In the overall analysis, economic growth in the coming year will be approximately 1.5 percent, rising slightly to around 1.6 percent in 2016.

The sharp drop in the price of oil is also lowering energy prices in Germany, putting further downward pressure on the rate of inflation. However, Germany is not anticipating a deflationary trend with permanently falling prices. Significant wage hikes alone are ensuring that this will not occur. The average rate of inflation for 2015 is expected to rise just slightly to 0.4 percent. As oil prices then rise again, a further increase to approximately 1.6 percent in 2016 is forecast for the inflation rate.

The stimulus from the ECB decision to buy bonds from countries in the eurozone is only expected to have very limited impact on Germany, and even then only from the effect caused by the further weakening of the euro.

1.5. TRENDS IN THE FINANCIAL SECTOR

On November 4, 2014, a unified system of banking supervision became fully operational in Europe, representing a key pillar of banking union. Prior to the changeover date, all the banks involved were subject to a comprehensive assessment (comprising a balance sheet review and a stress test) with the aim of creating transparency and detecting any legacy issues or capital shortfalls.

The results of the comprehensive assessments carried out by the ECB demonstrated that the balance sheets of the 25 German banks involved were sound and that these banks were able to withstand a simulated economic shock.

Despite the positive findings from the balance sheet review, the banks will still have to improve their capital and profitability over the next few years.

2. CHANGES IN FINANCIAL POSITION AND FINANCIAL PERFORMANCE

2.1. FINANCIAL PERFORMANCE

The outlook for the business performance of the DZ BANK Group in 2015 and 2016 must be viewed against the background of the excellent earnings performance in 2013 and 2014. Compared with these exceptional years, **profit before taxes** in 2015 is likely to decline to a significantly lower level consistent with the intrinsic earnings power of the DZ BANK Group. The extremely low interest rates, the increase in costs driven by regulatory requirements, and notably the European bank levy will have an adverse impact on earnings performance.

Further risks to the future earnings performance of the DZ BANK Group could arise as a result of the general economic climate. Any deterioration in the European sovereign debt crisis and/or further escalation in the crisis in Ukraine could have a negative impact on the group.

Net interest income will decline significantly, mainly as a consequence of the persistently low interest rates. In particular, income from the interest-rate-dependent business models within the DZ BANK Group will come under increasing pressure in 2015 and 2016.

Net interest income could be negatively impacted in 2015 by a renewed deterioration in sentiment regarding the prospects for economic growth in the eurozone and by discussion of a possible Greek exit.

Allowances for losses on loans and advances will rise substantially compared with 2014. In 2014, the higher reversals of portfolio loan loss allowances had a positive impact on overall allowances for losses on loans and advances and such reversals are not planned for 2015 or 2016. Rather, the assumptions for 2015 and 2016 are that allowances for losses on loans and advances will largely return to normal levels and will change in line with the lending portfolio and the long-term standard risk costs.

Risks would arise if there were a sharp economic downturn in Europe and Germany were unable to escape the effects. An economic downturn of this nature would also have a detrimental impact on the level of allowances for losses on loans and advances.

Net fee and commission income is expected to decline substantially in 2015. The reason for this assessment is that, in the current market capital market environment, it is unlikely that the Union Investment Group will be able to generate income from performance fees at the level achieved in 2014.

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

In all probability, net gains under **gains and losses on trading activities** will increase slightly in 2015, boosted by the customer-driven capital markets business. Strategic measures are also planned for the capital markets business in 2016 with the aim of increasing the net gains.

The prerequisites for this improvement in gains and losses on trading activities are that there must be no further significant fall in interest rates and capital markets must remain stable.

Net gains under **gains and losses on investments** will decline significantly in 2015 solely because there will be no benefit from the positive one-off items recognized in 2014. On the other hand, a small improvement is expected for 2016 based on the very low starting point.

Other gains and losses on valuation of financial instruments, which in 2014 were primarily influenced by the positive effects from the DG HYP portfolio, are expected to show a significantly lower net gain or a net loss in 2015 and 2016. The forecast trend in this case reflects the reduced potential for reversing impairment losses.

The **net income from insurance business** is likely to deteriorate considerably in 2015, although premium income in 2015 is expected to be at the very good level achieved in the previous year. The reason is the increased supplementary discount rate reserve and the negative effect of the return to normal levels in 2015 following extraordinary gains under gains and losses on investments held by insurance companies in 2014.

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 will probably rise significantly again in 2015 and 2016, caused by the tighter regulatory and statutory provisions, and particularly the European bank levy. These regulatory-related increases are likely to be mainly reflected in rising staff expenses and increased project costs. The group plans to offset some of this increase by tighter management of costs.

One of the continued strategic aims is to improve the cost/income ratio, despite additional pressures, by rigorously managing costs and accelerating growth in the operating business. However, it is anticipated that the **cost/income ratio** will be up significantly in 2015. A decrease is only expected in 2016 as a consequence of the forecast income growth.

In 2015, **RORAC** (regulatory) will be down sharply following the excellent earnings performance in 2014. The decline will be caused by the significant reduction in expected earnings combined with a small rise in the regulatory base rate of return. In 2016, RORAC will rise again substantially compared with this lower level, based on the expected improvement in earnings.

Over the last few years, the DZ BANK Group has strengthened its capital base from its own resources. It will continue to make significant progress in this regard in 2015, mainly by retaining profits from the net profit generated in 2014 and by further reducing securitization exposures.

2.2. LIQUIDITY AND FINANCIAL POSITION

DZ BANK anticipates that the local cooperative banks will continue to hold stable levels of deposits in 2015, which will help with its management of operational liquidity. Corporate customers and institutional investors, both in Germany and abroad, will also continue to make a sustained contribution to the diversification of funding.

The structural funding of DZ BANK is expected to continue to be underpinned by stable sales of a wide variety of funding products as a result of the broad, well-established customer base.

The DZ BANK Group's economic capital adequacy is assured for 2014. This is also expected to be the case for 2015 and 2016.

3. SEGMENT TRENDS

3.1. DZ BANK

The market environment will deteriorate over the next 2 years. In addition to the economic situation, the persistently low interest rates and the rise in costs caused by regulatory requirements will have a particular negative impact on the banking sector.

Given the prevailing economic conditions, fiercer competition will be reflected in a fall in margins; DZ BANK's **profit before taxes** is likely to decline significantly overall.

Net interest income will probably decline substantially in 2015, mainly because of the positive one-off items recognized in 2014. The contraction in money market business and the effects from the reduction in the size of the balance sheet will also have an adverse effect. In 2016, net interest income will be boosted by the expansion in corporate banking and transaction banking.

Given the forecast economic trends, the impact from developments in Russia, and the effect from the fall in the price of oil, **specific loan loss allowances** in 2015 and 2016 are likely to be within expectations, but higher than the net figure recognized in 2014.

Gains and losses on investments are expected to show significantly lower net gains or a net loss in 2015 and 2016, mainly because of the one-off gains recognized in 2014.

In all probability, net gains under **gains and losses on trading activities** will increase slightly in 2015, boosted by the customer-driven capital markets business. The implementation of strategic measures aims to generate a further upturn in net gains in 2016.

Despite a reduction in capital requirements, **RORAC** (regulatory) will probably fall sharply in 2015 because of lower earnings and will only show a significant improvement again from this level in 2016. From today's perspective, the **cost/income ratio** will rise substantially as a consequence of the European bank levy and the higher costs resulting from regulatory requirements.

Following the significant rise in **administrative expenses** forecast for 2015, DZ BANK plans to cut these expenses back again in 2016 and restrict them overall by implementing a rigorous cost management program.

3.2. DVB

In 2015 and 2016, DVB expects to see its markets stabilize, although at a low level initially. The business model has proven to be sufficiently robust in the face of the various crises. Regardless of the economic cycle, DVB will continue to offer secured asset finance and thereby aim for an appropriate ratio between risk and reward.

Given this backdrop, DVB expects its **profit before taxes** in 2015 to be roughly at the level achieved in the previous year before rising significantly in 2016. The results will be shaped largely by net interest income and net fee and commission income.

The critical factor will be new business. The bank is planning a slow but steady expansion in the volume of new business. A continued high level of net margins on new business will lead to a slight improvement in the average net margin for the portfolio. **Net fee and commission income** is predicted to improve significantly in 2015.

DVB expects the risk position to continue to stabilize in 2015 and 2016, leading to a slight downward trend in **loan loss allowances and impairment losses**.

There is likely to be a positive impact on **administrative expenses** from efficiency enhancement measures that have already been initiated and partly implemented. However, this benefit will probably be offset in 2015 and 2016 by the European bank levy and substantial cost increases caused by regulatory requirements, the net result of which will be a modest rise in administrative expenses.

Profit before taxes in 2014 was impacted by the negative net figure for fair value gains and losses. No fair value gains or losses are expected in 2015 or 2016, and profit before taxes is therefore expected to climb significantly as a result.

In 2015, **RORAC** (regulatory) is likely to fall slightly as a consequence of increasing regulatory requirements. For 2016 on the other hand, DVB is forecasting a substantial rise in both absolute profit before taxes and RORAC (regulatory). The anticipated earnings performance is likely to be reflected in a considerable fall in the **cost/income ratio** in 2015 and 2016.

3.3. VR LEASING GROUP

The prolonged period of low interest rates, uncertainty in some international markets, and comprehensive regulatory requirements will remain the key challenges over the next few years.

Since 2011, the group has been undergoing a radical reorganization. The VR LEASING Group's business model is being systematically tailored to the needs of the local cooperative banks and their customers. The group will continue to focus on the German market and operate its business on a decentralized basis through the cooperative banks.

The stimulus generated from initiatives that the group has introduced in its sales and product strategy and in its production processes is expected to result in rising income in 2015 and 2016.

However, the intense pressure maintained by competitors and the further development of the pricing structure will lead to a cut in margins.

Based on the gradual expansion of core business, **net interest income** is predicted to be up substantially in 2015 and 2016.

The **cost/income ratio** is expected to be much lower, especially in 2016. The group plans to offset the additional expenses resulting from regulatory requirements by introducing cost saving measures and rigorously managing its costs.

Overall, **profit before taxes** will see a considerable improvement in 2015 and 2016 in spite of regulatory requirements.

Given the anticipated improvement in earnings and a simultaneous reduction in risk-weighted assets (RWAs) as the group scales back its non-core business, a sharp rise in **RORAC** (regulatory) is expected for 2015 and 2016.

3.4. DZ PRIVATBANK

The tough market conditions will not get any better over the next few years. In addition to the economic situation, the persistently low interest rates and the rise in costs caused by regulatory requirements will have an adverse impact on the banking sector.

Overall, in view of the economic conditions, operating income in 2015 is likely to remain stable at the level of the previous year. Growth is only expected to resume in 2016.

Net interest income is expected to show a significant fall in 2015, largely because of maturing interest-bearing assets. The contraction in money market business and direct margin effects will also have an adverse impact.

Net fee and commission income is expected to rise substantially again in 2015. The main value driver is fund volume, which is likely to continue growing significantly. The assets under management in private banking will also increase. At the same time, the fierce competition will continue to be reflected in persistent downward pressure on margins.

Gains and losses on trading activities are determined by the customer-driven foreign exchange business. The net gains under gains and losses on trading activities are forecast to improve in 2015 and 2016 in view of the significant volatility predicted for the markets, which will result in greater transaction volumes.

Overall earnings performance in 2015 will depend on the conditions in money and capital markets. **Profit before taxes** is expected to be at the 2014 level. The prerequisites are no further significant fall in interest rates and steady market demand with the required margins.

Viewed from today's perspective, the cost/income ratio will come under further pressure as a consequence of the cost increases driven by regulatory requirements. Based on rigorous management of costs, DZ PRIVATBANK aims to limit any further increase in administrative expenses in 2015 and 2016. Given that the one-off charges in 2014 will not recur, the **cost/income ratio** will be held at a constant level over the period covered by this outlook.

RORAC (regulatory) is likely to remain unchanged in 2015 because of the anticipated fall in profit before taxes. An improvement is only expected in 2016.

3.5. TEAMBANK

TeamBank predicts fierce competition in the consumer finance market in 2015, a situation that will be exacerbated by the entry of non- and near-banks into the market. The increasing regulatory requirements will also place a high demand on resources.

Against this backdrop, TeamBank is nevertheless aiming for strong portfolio growth in 2015. It plans to achieve this growth mainly through the partner banks sales channel in Germany and Austria.

TeamBank is forecasting a significant rise in **profit before taxes** in 2015 because it will no longer incur the one-off charges recognized in 2014. Further portfolio growth with a substantial increase in profit before taxes is also predicted for 2016.

The portfolio growth will lead to a marked rise in **net interest income**. Fee and commission payments to partner banks will also continue to increase both in 2015 and in 2016 as a consequence of the portfolio growth. This is therefore expected to result in a substantial rise in the net expense under **net fee and commission income**.

The conservative risk provisioning policy will also be sustained in 2015 and 2016 with a significant increase in **allowances for losses on loans and advances** in line with the growth in the portfolio.

The rigorous management of costs will be maintained in 2015 and 2016. Following a marginal increase in **administrative expenses** in 2015, TeamBank expects to hold these expenses at a constant level in 2016. Despite higher capital investment in forward-looking projects and action to meet regulatory requirements, the bank forecasts that the **cost/income ratio** will be much lower and will continue to be below the sector average.

As a consequence of one-off items in 2014 and despite tighter regulatory requirements, particularly the rising minimum capital requirements, TeamBank forecasts that **RORAC** (regulatory) will increase in both 2015 and 2016.

3.6. UNION INVESTMENT GROUP

The Union Investment Group has continued to set itself ambitious targets for 2015 and 2016, even though it has just completed a financial year in which it generated the highest net profit in the history of the group and achieved a record level of assets under management.

Against the background of a persistently challenging operating environment – significant volatility in capital markets combined with the prolonged period of low returns, moves toward tighter regulation, sustained sovereign debt crisis in Europe, and international conflict – the Union Investment Group intends to systematically exploit opportunities to deliver a sound business performance.

In 2015 and 2016, the Union Investment Group is again aiming to generate new business at the very high level achieved in previous years. It is expecting to perform well across all asset classes, in all cases exceeding prior-year performance. It is also expecting to sustain the growth in assets under management, passing the previous record levels.

Net fee and commission income is forecast to contract significantly in 2015. Although volume-related income will rise substantially because of the higher average level of assets under management, it is unlikely, in the current market capital market environment, that the Union Investment Group will be able to generate income from performance fees at the level achieved in 2014. In 2016, net fee and commission income is expected to be up substantially on the back of the anticipated year-on-year increase in assets under management, but this net income is still likely to be well below the level of 2014.

Administrative expenses will probably show a small rise in 2015 and 2016, specifically as a result of regulatory requirements, infrastructure investment, and the subsequent associated operating expenses. A specific increase in employee numbers in regulatory activities as well as in areas of core expertise and growth will cause a marginal rise in staff expenses.

Based on the factors described above, the Union Investment Group is again forecasting a significant **profit before taxes** for 2015 and 2016, even though the projected figure represents a considerable decline compared with 2014. In line with this forecast, there is also likely to be a corresponding deterioration in the **cost/income ratio** and a fall in **RORAC** (regulatory).

3.7. BSH

Positive economic trends with a favorable job market and good income prospects combined with low interest rates will continue to create good conditions for investing in home ownership in 2015 and 2016. BSH, a specialist in fully integrated real estate finance services, will also continue to benefit from these conditions.

However, the persistently low interest rates remain a challenge for building societies. For this reason, BSH has announced for 2015 and 2016 a comprehensive range of cost-cutting measures together with additional capital investment in projects to secure its future. **Profit before taxes** will therefore be down only slightly in 2015.

Net interest income is likely to fall significantly in 2015. The volume impact from the high level of new business in previous years together with the substantial growth in the portfolio of non-collective loans will not fully offset the adverse effect from the fall in market interest rates. A good level of additional new business and changes to the scale of rates and charges are intended to limit the decline in net interest income.

With regard to **allowances for losses on loans and advances**, BSH continues to benefit from Germany's good economic performance and low unemployment rate. The good quality of the loans is an additional positive factor in this respect. As a consequence, there will only be a modest increase in allowances for losses on loans and advances despite the marked expansion in the non-collective lending business in previous years.

Net fee and commission income is likely to be at the prior-year level in 2015 in line with anticipated business performance.

Administrative expenses will be substantially lower in 2015, the result of the cost-cutting program already announced. This program provides for numerous efficiency enhancement measures in addition to cutting costs.

Given a slight increase in capital and lower profit before taxes, **RORAC** (regulatory) is likely to decline slightly in 2015 and 2016.

As matters stand, and taking into account the planned cost reduction measures, the **cost/income ratio** will remain more or less stable in 2015 and 2016.

3.8. DG HYP

Despite the tough conditions, the German commercial real estate market will remain resilient and stable in 2015 and 2016.

The sustained period of low interest rates and the associated search for investment alternatives will keep the demand for commercial real estate at a high level. These conditions are also likely to push up the prices of desirable properties still further. The robust labor market will ensure that demand for office space is maintained at a good level. Rising wages will give a boost to retailers and help consumers pay housing rents, which continue to increase.

In 2015 and 2016, **net interest income** is expected to just about reach the level achieved in 2014. The non-strategic real-estate lending business for retail customers will continue to be gradually replaced by higher-margin commercial real-estate lending business.

Although **net fee and commission income** in 2015 and 2016 is expected to be slightly below the level of 2014 (depending on new business), this net income will nevertheless continue contributing to DG HYP's income over the long term.

The impact from the narrowing of spreads on public-sector finance is likely to diminish significantly in 2015 and 2016. As a result, DG HYP expects to see a sharp fall in the net gains under other gains and losses on valuation of financial instruments, and, in association with this, in **profit before taxes**.

RORAC (regulatory) is likely to decline sharply in 2015 and 2016 as a consequence of the lower profit before taxes.

From today's perspective, the **cost/income ratio** will show a significant year-on-year increase, caused by the European bank levy and the fall in net gains under gains and losses on valuation of financial instruments.

3.9. R+V

R+V believes that 2015 and 2016 will continue to be characterized by challenging conditions, in particular persistently low interest rates and uncertainty about further trends in financial and capital markets.

From a regulatory perspective, the implementation of all the pillars of Solvency II and the further implementation of the German Life Insurance Reform Act (LVRG) will add to the challenges.

The cooperative financial network and R+V, its insurance specialist, can score highly with customers based on values such as financial strength, resilience, fair advice, good service, and tailored solutions. It is on this basis that, in 2015, R+V will continue its strategy of generating profitable growth in all divisions and further consolidating its market shares.

R+V forecasts that **premiums earned** will be slightly below the very good level achieved in 2014. Based on a profit-focused growth trajectory, **profit before taxes** is expected to return to the 2013 level following the boost in 2014 from one-off items.

In the non-life insurance business, strong growth is predicted for 2015 and 2016, accompanied by a further improvement in productivity. The budgeted increase in profit before taxes is to be generated on the basis of an improved combined ratio. Action plans already initiated will increase profitability. Potential savings are to be derived from the management of fraudulent claims. Programs already launched aim to improve the effectiveness of processes.

In the life insurance business, R+V aims to back up the successes achieved in previous years with a long-term diversification strategy. The gross premiums anticipated in this business in 2015 will be marginally below the value achieved in 2014, but an increase is forecast for 2016.

The growth in occupational pension provision is expected to be derived from opting-out, the driver of the core volume business. R+V is also planning the expansion of industry-specific pension schemes.

The success of the private health insurance business will continue to be very heavily dependent on future decisions in social policy. Supplementary insurance will become increasingly important for growth in the future.

R+V expects the fierce competition in the reinsurance sector to continue. The reasonable level of losses in 2014 and high capacity available in the market will tend to depress prices. However, the significance of this soft market is assessed differently, depending on sector and region. The inward reinsurance division of R+V will continue pursuing its strategy of profitable growth, in particular by targeted risk underwriting in regions and sectors that are less affected by the soft market.

Against the background of the divisional strategies explained above, **insurance benefit payment expenses** in 2015 and 2016 are expected to be significantly lower than in 2014.

The long-term investment strategy based on asset protection combined with a state-of-the-art approach to risk management will also be decisive factors in 2015.

It is anticipated that net gains under **gains and losses on investments held by insurance companies** in 2015 and 2016 will return to the 2013 level and will therefore continue to make a significant contribution to overall profit before taxes in the future, even if the figure is substantially lower than that achieved in 2014.

On the expenses side, the focus throughout the group will continue to be on cost discipline and the associated compliance with primary cost targets. Accordingly, there will be a modest rise in **insurance business operating expenses** compared with 2014.

RORAC (regulatory) will decline sharply compared with the 2014 figure (which was significantly impacted by one-off items), returning to the 2013 level.

VI. Opportunity and risk report

1. DISCLOSURE PRINCIPLES

The opportunity and risk report of the DZ BANK Group includes disclosures relating to DZ BANK. A separate opportunity and risk report is not prepared for DZ BANK. Unless presented elsewhere, the disclosures relating to the DZ BANK Group and the Bank sector also apply to DZ BANK.

By publishing the opportunity and risk report, DZ BANK, as the parent company in the DZ BANK Group, is implementing the transparency requirements for opportunities and risks applicable to the DZ BANK Group as specified in sections 37v and 37y WpHG and section 315 HGB in conjunction with DRS 20. Furthermore, the opportunity and risk report meets the transparency requirements regarding opportunities and risks applicable to DZ BANK as a separate entity that are specified in section 289 HGB in accordance with DRS 20.

This report also satisfies the 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 analysis under IFRS 7.39(a) and (b) is disclosed in the notes to the consolidated financial statements (note 84).

The requirements set out in IFRS 7 are generally limited to financial instruments, shifting the focus of reporting to credit risk, equity investment 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 by Part 8 of the Capital Requirements Regulation (CRR) 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 (FSB), the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) that extend beyond the statutory requirements and that are intended to improve the usefulness of the disclosures in the decision-making process.

In the year under review, the risk management of the DZ BANK Group switched to the sectoral approach. Details about the sectoral approach can be found in section 2.3.3.

Information about the general opportunity and risk management system is disclosed in the main section about the **DZ BANK Group**. Specific types of risk are reported separately in the main sections about the **Bank sector** and the **Insurance sector**. Within the sectors, the **risk types backed by capital** are presented as the first main category. They are divided into financial-sector risks and business-performance risks. **Risk types not backed by capital** form the second main category within the sectors. This only applies to the Bank sector and the liquidity risk within it.

DZ BANK Group

2. SUMMARY

2.1. STATEMENTS FROM THE BOARD OF MANAGING DIRECTORS

In accordance with article 535 (1e) CRR, the Board of Managing Directors of DZ BANK considers that the risk management system in place is adequate with regard to the risk profile and risk strategy of the DZ BANK Group. The ECB and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [Federal Financial Supervisory Authority] have identified some elements of the risk management system that require further development. DZ BANK has introduced the necessary measures for the further development of the risk management system and has put mechanisms in place to ensure that these measures are implemented systematically and without delay.

Section 2. of the opportunity and risk report forms the **risk statement** by the Board of Managing Directors specified in article 435 (1f) CRR.

2.2. OPPORTUNITY AND RISK MANAGEMENT SYSTEM

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

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

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.

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.

The DZ BANK Group has a comprehensive **risk management system** that in general meets its own business management needs and statutory requirements. Furthermore, 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 that are derived from the business strategy and approved 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 continual 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 and 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 significant market movements. Changes in risk factors, such as a deterioration in credit ratings 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 its main subsidiaries – also referred to as **management units** in this opportunity and risk report – represent the core of the financial services group. The group entities are assigned to the sectors as follows:

Bank sector:
– DZ BANK
– BSH
– DG HYP
– DVB
– DZ PRIVATBANK
– TeamBank
– Union Asset Management Holding
– VR-LEASING AG

Insurance sector:
– R+V

The risks relating to DZ BANK Ireland are managed by DZ BANK and are therefore included in the disclosures for DZ BANK.

The management units represent the operating segments of the DZ BANK Group. They 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 included in the system indirectly as part of equity investment 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.

2.3. MATERIAL DEVELOPMENTS

2.3.1. Capital increase

In July 2014, DZ BANK completed a capital increase of almost €1.5 billion. The capital increase supports measures to strengthen the capital base from the group's own resources in order to meet the stricter capital requirements imposed by the regulators in Capital Requirements Directive IV (CRD IV) and the CRR.

The capital increase is helping to strengthen the available internal capital and thereby to improve the ability of the DZ BANK Group to absorb economic losses.

Further information on the capital increase can be found in note 71 of the consolidated financial statements.

2.3.2. ECB comprehensive assessment

DZ BANK is one of the institutions included in the comprehensive assessment of banks conducted by BaFin as part of the implementation of the Single Supervisory Mechanism (SSM). The objective of this comprehensive assessment was to use a largely standardized assessment procedure throughout Europe to uncover risks on the balance sheets of the banks subject to the assessment and, on the basis of the assessment, to draw up any necessary action plans to strengthen capital adequacy.

The assessment consisted of a balance sheet assessment, an asset quality review, and a stress test. The balance sheet assessment was completed in the first half of 2014, while the asset quality review and the stress test were completed in October. The results were published on October 26, 2014, before the ECB took over as the banking regulator.

The DZ BANK banking group passed the balance sheet assessment and also met the minimum capital ratios as at December 31, 2013 required as part of the stress test.

Further detailed disclosures about the comprehensive assessment can be found in section 7.3.2.

2.3.3. Sectoral approach

OBJECTIVE AND IMPLEMENTATION CONCEPT

To further standardize management in the DZ BANK Group, the sectoral approach was introduced at the start of the year. This approach builds on the enhanced version of R+V's risk management system, which was also implemented at the beginning of the year in view of the new regulatory requirements in **Solvency II**.

The sectoral approach fulfills the specific requirements imposed by the regulator on banks and insurers and takes appropriate account of the business models of R+V and the banks in the DZ BANK Group. It enables R+V to be properly integrated into the DZ BANK Group, including in terms of risk management, and helps to ensure that management direction is consistent in the group and internally within R+V. This also ensures that risk concentrations are monitored at all times. Material risk concentrations are reported to the Board of Managing Directors of DZ BANK on a quarterly basis.

Implementation of the sectoral approach included removing R+V from the key risk indicators for the Bank sector. The risks relating to R+V are now reported entirely within the Insurance sector. For this reason, the prior-year figures given in this report are not directly comparable with the figures as at December 31, 2013 disclosed in the 2013 opportunity and risk report.

The **Bank sector** consists of all of the management units listed in section 2.2 except R+V. The R+V management unit forms the **Insurance sector**. Risk measurement and risk management in this sector model the modules of the standard formula in Solvency II as this approach adequately reflects the features of R+V's business model.

RISK MEASUREMENT

The risk capital requirement in the Insurance sector is customarily referred to as the **overall solvency requirement** and is determined as the value-at-risk from the change in the economic capital of R+V with a confidence level of 99.50 percent over a one-year period. As a rule, it is quantified in accordance with the risk types of the standard formula in Solvency II. Risk diversification, which constitutes a significant aspect of an insurer's business model, is taken into consideration to an appropriate extent.

In general, policyholder participation is adequately taken into account in the risk models for determining the overall solvency requirement for the Insurance sector and in the profit calculations. This procedure is relevant to life, health, and casualty insurance products with a bonus, provided that a discretionary profit participation is granted for these products.

Within the Insurance sector, steps to mitigate risk, e.g. through reinsurance, are recognized. In addition, intragroup transactions between the Bank and Insurance sectors are incorporated into risk measurement in the Insurance sector.

The results of sector-specific measurement of risk are aggregated to determine the total risk capital requirement at the level of the **DZ BANK Group**. Available internal capital is calculated in the same way. This provides the basis for ensuring the DZ BANK Group's risk-bearing capacity to assume risk across all sectors.

2.3.4. Spread risk and migration risk

As part of the economic capital management of the DZ BANK Group and of DZ BANK, the capital buffer serves to cover the lack of some precision in risk measurement as well as account for risks that are not calculated as part of the risk capital requirement and not managed using risk limits (upper loss limits). Until December 31, 2013, the bulk of the capital buffer was made up of spread risk and migration risk on securities.

At the start of the year, spread risk and migration risk on securities for the Bank sector was separated from the capital buffer and integrated into risk capital management. Identified spread and migration risks are recorded centrally for the whole of the group. An upper loss limit and operational limits were introduced in the Bank sector in order to ensure that the associated risk capital for these two forms of market risk is managed effectively. This change resulted in an increase in the available internal capital (after deduction of the capital buffer). Because this increase corresponds to the risk capital requirement for spread risk and migration risk on securities, the DZ BANK Group's risk-bearing capacity is essentially unaffected by this change, in the sense that there is excess risk cover in absolute terms.

2.4. RISK FACTORS, RISKS, AND OPPORTUNITIES

RISK FACTORS

The DZ BANK Group and DZ BANK are 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 and developments in other trouble spots around the world could have a negative impact on credit risk, equity investment risk, market risk, actuarial risk, business risk, and reputational risk.

The protracted period of low interest rates may reduce profits.

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

RISKS

The main **features of the directly managed risks** and their significance for the operating segments in the Bank and Insurance sectors are shown in figures 7 and 8.

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 figure 7 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 figure 7 by a dot on a light gray background).

The subcategories shown under credit risk and market risk in figure 7 are those with general relevance for the Bank sector. 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 year 2014 and also complied with regulatory requirements for capital adequacy 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 ensures that it is able to protect its liquidity against any potential crisis-related threats. There are no indications that the continued existence of the DZ BANK Group or individual group entities including DZ BANK as **going concerns** might be at risk.

OPPORTUNITIES

The opportunities presented by the forecast developments are reasonable in relation to the risks that will be incurred.

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 and at DZ BANK. The activities resulting from the 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 to 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 their activities, the DZ BANK Group and DZ BANK therefore abide by the principle of only taking on risk to the extent absolutely necessary to achieve their 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 risk strategies 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 strategies 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 of the German Banking Act (KWG) and the German Minimum Requirements for Risk Management for Banks and Financial Services Institutions (MaRisk BA). It also observes the requirements specified in section 64a of the Act on the Supervision of Insurance Undertakings (VAG) and section 28 of the German Capital Investment Code (KAGB) in conjunction with the Minimum Requirements for Risk Management in Insurance Undertakings (MaRisk VA) and the Minimum Requirements for Risk Management for Investment Companies (InvMaRisk).

When DZ BANK designed the risk management system of the DZ BANK Group and DZ BANK, it followed the guidance provided by the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the pronouncements of the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB) on risk management issues.

In 2013, BaFin identified the DZ BANK Group as systemically important to Germany as a financial center and requested the group to prepare a **recovery plan** in accordance with the German Minimum Requirements for the Design of Recovery Plans (MaSan). DZ BANK drew up the required recovery plan and submitted it to BaFin in 2013. It had largely finished updating the recovery plan in 2014.

It is anticipated that from 2015 onwards, the Act on Ringfencing and Recovery and Resolution Planning for Credit Institutions and Financial Groups (Trennbankengesetz) will also require BaFin to continually assess the **resolvability** of the DZ BANK Group in accordance with section 47(1) KWG and to take any action required to ensure that it is resolvable. In order to meet this requirement for providing comprehensive information, DZ BANK has responded to a Bundesbank questionnaire and completed a data request from the regulator.

FIG. 7 – RISKS AND OPERATING SEGMENTS IN THE BANK SECTOR[1]

Risks

	Risk type	Definition	Risk factors
	RISK COVERED BY CAPITAL		
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
Financial-sector risks	**Equity investment 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
Financial-sector risks	**Market risk** – Interest-rate risk – Spread risk – Equity risk – Fund price risk – Currency risk – Commodity risk – Asset management 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)	– Fall in the general level of interest rates – Widening of credit spreads on European government bonds – Shortages of market liquidity
Business-performance risk	**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)
Business-performance risk	**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
Business-performance risk	**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
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
	RISK NOT COVERED BY CAPITAL		
	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

1 Apart from 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, largely covered by the risk capital requirement for the technical risk of a home savings and loan company.

Risk management KPIs disclosed		DZ BANK	BSH	DG HYP	DVB	DZ PRIVATBANK	TeamBank	Union Asset Management Holding	VR-Leasing AG
		Operating segments							
– Lending volume – Allowances for losses on loans and advances – Risk capital requirement	Sections 8.5., 8.6., and 8.7. Section 8.8. Section 8.9.	●	●	●	●	●	●		●
– Investment volume – Risk capital requirement	Section 9.4.	●	●	●	●	●	●	●	●
– Risk capital requirement – Value-at-risk	Section 10.6.1. Section 10.6.2.	●	●	●	●	●	●	●	●
Risk capital requirement	Section 11.5.		●						
Risk capital requirement	Section 12.3.	●		●	●	●	●	●	●
Risk capital requirement[3]	Section 13.	●	●	●	●	●	●	●	●
– Loss events and losses – Risk capital requirement	Section 14.6. Section 14.7.	●	●	●	●	●	●	●	●
– Liquid securities – Additional contractual obligations – Minimum liquidity surplus – LCR and NSFR	Section 15.5.1. Section 15.5.2. Section 15.6.1. Section 15.6.2.	●	●	●	●	●	●		●

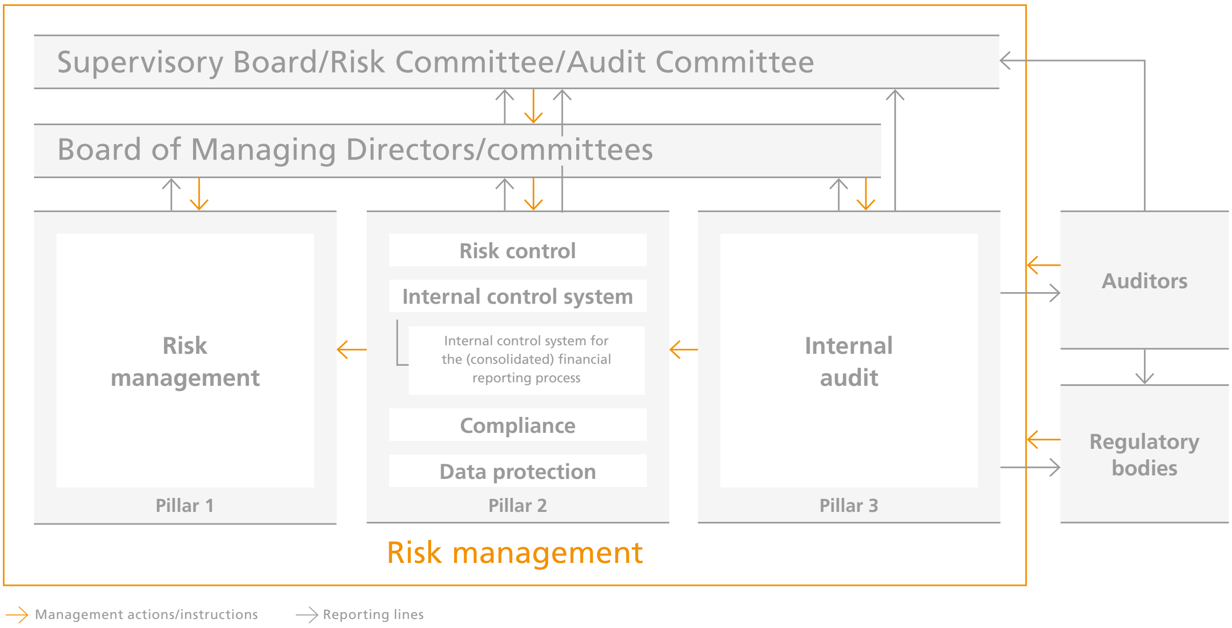
Disclosures about the management units in the opportunity and risk report:

● Quantitative and qualitative disclosures ● Quantitative disclosures Not relevant

FIG. 8 – RISKS IN THE INSURANCE OPERATING SEGMENT AND SECTOR

	Risk type	Definition	Risk factors	Risk management KPIs disclosed	
	RISK COVERED BY CAPITAL PURSUANT TO SOLVENCY II				
Core financial sector risks	**Actuarial risk** – Life actuarial risk – Health actuarial risk – Non-life actuarial risk	– Life actuarial risk: Risk arising from the assumption of life insurance obligations, in relation to the risks covered and the processes used in the conduct of this business – Health actuarial risk: Risk arising from the assumption of health and casualty insurance obligations, in relation to the risks covered and the processes used in the conduct of this business – Non-life actuarial risk: Risk arising from the assumption of non-life insurance obligations, in relation to the risks covered and the processes used in the conduct of this business	– 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 because of the contracts' long duration – The level of claims resulting from policyholders' and service providers' behavior causes a larger rise in claims expenses than the one in the calculation assumptions – The actual impact of losses, particularly from catastrophe risk, exceeds the forecast impact	– Claims rate trend in non-life insurance – Overall solvency requirement	Section 17.7.
Core financial sector risks	**Market risk** – Interest-rate risk – Spread risk – Equity risk – Currency risk – Real-estate risk	Risk arising from fluctuation in the level or volatility of market prices of financial instruments that have an impact on the value of the assets and liabilities of the entity	– The guaranteed minimum growth rates agreed for certain products when the contract is signed cannot be obtained on capital markets over the long term – Widening of credit spreads on government bonds or other bonds leads to a fall in fair values, resulting in a temporary or permanent adverse impact on operating profit – A possible worsening of the financial circumstances of issuers and/or debtors results in partial or complete default on receivables or write-offs as a result of rating downgrades	– Lending volume – Overall solvency requirement	Sections 18.4. and 18.5. Section 18.6.
Core financial sector risks	**Counterparty default risk**	Risk of possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors of insurance and reinsurance companies over the following 12 months	– Unexpected default or deterioration in the credit standing for counterparties of derivatives, reinsurance counterparties, and receivables from policyholders and insurance brokers	– Lending volume – Overall solvency requirement	Sections 18.4. and 18.5. Section 19.3.
Business-performance risk	**Operational risk**	Risk of loss arising from inadequate or failed internal processes, personnel, or systems, or from external events (including legal risk)	– Business interruptions – Insufficient availability of employees – Malfunctions or breakdowns in data processing systems	Overall solvency requirement	Section 20.4.
	RISK COVERED BY CAPITAL PURSUANT TO SOLVENCY I				
	Entities in other financial sectors	The entities in other financial sectors mainly consist of pension funds and occupational pension schemes.	Generally corresponding to the risk factors for risks backed by capital pursuant to Solvency II	Overall solvency requirement	Section 21.

FIG. 9 – GOVERNANCE STRUCTURE OF RISK MANAGEMENT IN THE DZ BANK GROUP



4.2. OPPORTUNITY AND 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 and DZ BANK thereby have 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. Figure 9 shows the governance structure for risk management in the DZ BANK Group.

The role of the risk management **committees** in the corporate governance structure is explained in section I.3.1.2. of the (group) management report.

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 Controlling at DZ BANK is responsible for identifying, measuring, and assessing risk in the DZ BANK Group and at DZ BANK. 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 Controlling also reports risks to the Supervisory Board, the Board of Managing Directors, and the management units.

Risk Controlling at DZ BANK lays down the fundamental requirements for the risk measurement methods to be used throughout the group and coordinates implementation with the risk control units in the other management units. The aim of this structure is to ensure that the management of risk capital is consistent throughout the group.

In cooperation with the other management units, Risk Controlling 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 other management units, Risk Controlling 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 management units also monitor compliance with the entity-related limits that the management units have set themselves based on the risk capital allocated by DZ BANK. Risk Controlling at DZ BANK is also responsible for risk reporting at group level. In addition to this, the management units are responsible for their own risk reporting.

4.2.4. Internal control system

DZ BANK uses the groupwide internal control system to implement the relevant regulatory requirements specified in MaRisk. The internal control systems of the DZ BANK Group and DZ BANK also take 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 systems is to ensure the effectiveness and efficiency of the risk management activities within the DZ BANK Group and at DZ BANK by means of suitable basic principles, action plans, and procedures.

Organizational structures and controls 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 as well as separate financial statements and a management report. The primary objective of external (consolidated) financial reporting in the DZ BANK Group and at DZ BANK is to provide appropriate, timely information for the users of the reports. 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 of 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 objectives associated with (consolidated) financial reporting are achieved.

Overall responsibility for external (consolidated) financial reporting lies in the first instance with Group Finance and Group Risk Controlling 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 a group manual. The methods to be applied within DZ BANK in the preparation of the separate financial statements are set out in writing in organization manuals. Both internal manuals are updated on an ongoing basis. The basis for external risk reporting is the disclosure policy approved by the Board of Managing Directors. This policy sets out the principles and fundamental decisions for the methods, organizational structure, and IT systems to be used in risk disclosure, for the integration of risk disclosure into general financial disclosure, and for the interconnection between risk disclosure and internal risk reporting in the DZ BANK Group and at DZ BANK. 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 at DZ BANK and its subsidiaries (using suitable IT systems) permit efficient risk management in respect of financial reporting, based on the guidelines set by the Finance working group and taking into account the rules in the risk manual and the policy on risk disclosure.

The group's financial reporting process is decentralized, with the organizational units of the DZ BANK Group taking responsibility for preparing and checking the quantitative and qualitative information required for the consolidated financial statements. The group accounting and risk control departments at DZ BANK implement the relevant controls and checks in respect of data quality and compliance with the DZ BANK Group rules.

The 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.

Financial reporting, including consolidated financial reporting, is chiefly the responsibility of employees of DZ BANK and the other organizational units in the DZ BANK Group. If required, external experts are brought in for certain accounting-related calculations as part of the financial reporting process, such as determining the defined benefit obligation and valuing collateral.

Consolidated financial reporting is subject to mandatory workflow plans agreed between DZ BANK's group accounting department and the individual accounting departments of the organizational units within the DZ BANK Group. These plans set out the procedures for collating and generating the quantitative and qualitative information required for the preparation of statutory company reports and which are 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 the separate financial statements and the 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 checks.

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 (consolidated) accounting systems is subject to the security controls implemented as part of the general IT security principles at DZ BANK and the other entities in the DZ BANK Group.

The information technology used for (consolidated) 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 (consolidated) accounting processes are audited as an integral part of the internal audit work carried out at DZ BANK and the other entities 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 (consolidated) accounting at DZ BANK and the other entities 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 department 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, the financing of terrorism, and other criminal offenses. The purpose of these activities is to protect customers, employees, and the DZ BANK Group itself.

Most of the requirements for the compliance function specified by MaRisk BA were implemented by the relevant subsidiaries in consultation with DZ BANK in 2014. The DZ BANK compliance office lays down the fundamental requirements with respect to the methods for identifying relevant compliance risks to be used across the group. It liaises with the group entities to ensure that consistent procedures are used throughout the group.

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

The **internal audit** departments of DZ BANK and all the main subsidiaries are responsible for control and monitoring tasks that are not specific to individual processes. They carry out systematic, regular risk-based audits focusing on compliance with statutory and regulatory requirements. The internal audit departments also review and assess the risk management and internal control systems to ensure that they are fully operational, effective, and that processing is properly carried out, and monitor the action taken in response to audit findings to ensure that identified problems have been rectified.

The internal audit departments at DZ BANK and the other group entities report 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 department is responsible for internal audit tasks at group level. These tasks include, in particular, the coordination of audits involving multiple entities, 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 group as a whole. Cooperation between internal audit departments in the DZ BANK Group is governed by a separate set of rules and arrangements.

SUPERVISORY BOARD

The following information meets the disclosure requirements specified in article 435 (2d) and (2e) CRR. The disclosures also include the flow of risk-related information to the Supervisory Board in accordance with article 435 (2e) CRR.

The Board of Managing Directors provides the Supervisory Board of DZ BANK with regular and timely reports about the risk situation, the risk strategies and the status and further development of the risk management system of the DZ BANK Group and DZ BANK. Furthermore, the Board of Managing Directors provides the Supervisory Board with regular reports about significant loan and investment exposures and the associated risks. The Supervisory Board discusses these issues with the Board of Managing Directors, advises it, and monitors its management activities. The Supervisory Board is always involved in decisions of fundamental importance.

The Supervisory Board has set up a Risk Committee that pays close attention to risk-related corporate management. The chairman of the Risk Committee provides the full Supervisory Board with regular and timely reports on the material findings of the committee's work. The Risk Committee held 5 meetings in the year under review.

As part of the quarterly written information about the risk situation in the DZ BANK Group, the Board of Managing Directors provides the members of the Risk Committee and the other members of the Supervisory Board with a quarterly overall risk report. The Risk Committee also receives the credit risk report and the report on the economic stress tests on a quarterly basis. The chairman of the Risk Committee informs the entire Supervisory Board about these matters no later than at its next meeting. The minutes of Risk Committee meetings are sent to all members of the Supervisory Board on a regular basis.

EXTERNAL CONTROL FUNCTIONS

During the audit of the annual financial statements, independent **auditors** carry out an assessment pursuant to section 29 (1) sentence 2 no. 2a) KWG in conjunction with section 25a (1) sentence 3 KWG to establish whether the Company's risk management processes for the Bank sector, including its internal control functions, are fit for purpose. For the Insurance sector, an assessment of the suitability of the early-warning system for risk, including the internal monitoring system of R+V, is carried out during the audit of the annual financial statements pursuant to section 57 (1) sentence 3 VAG in conjunction with section 317 (4) HGB and section 91 (2) of the German Stock Corporation Act (AktG).

The **banking and insurance regulatory authorities** also conduct audits focusing on risk.

4.3. RISK MANAGEMENT TOOLS

4.3.1. Accounting basis for risk measurement

The transaction data that is used to prepare the DZ BANK consolidated financial statements forms the basis for the measurement of risk

FIG. 10 – RISK-BEARING EXPOSURES IN THE CONSOLIDATED FINANCIAL STATEMENTS[1]

		BANK SECTOR												INSURANCE SECTOR								
		Credit risk				Market risk								Actuarial risk			Market risk					
											Portfolio assignment[2]											
	Consolidated financial statements	Traditional credit risk	Issuer risk	Replacement risk	**Equity investment risk**	Interest-rate risk	Spread risk	Equity risk	Currency risk	Commodity risk	Trading portfolios	Non-trading portfolios	**Technical risk of a home savings and loan company**	Life	Health	Non-life	Interest-rate risk	Spread risk	Equity risk	Currency risk	Real-estate risk	**Counterparty default 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.

throughout the group. The same applies to the separate financial statements of DZ BANK. 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 figure 10. The information presented is also applicable to the measurement of risk for the separate financial statements of DZ BANK and the measurement of its risk, which does not include the technical risk of a home savings and loan company or the risks incurred by the Insurance sector.

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 8.5.3.

The investments used for the purposes of measuring **equity investment risk** are the following items reported in note 55 of the notes to the consolidated financial statements: shares and other shareholdings, investments in subsidiaries, investments in associates, and investments in joint ventures.

In the **Bank sector**, 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 (home savings loans) and also the savings deposits (deposits from customers) described in note 63 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 line item Investments held by insurance companies is also used to determine all types of **market risk** and **counterparty default risk**. The line item Other assets is included in the computation of actuarial risk and counterparty default risk.

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 in the Bank sector

FRAMEWORK

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

The capital requirement for the individual risk types is aggregated into the total risk capital requirement for the Bank sector taking into account various diversification effects. The diversified risk capital requirement reflects the inter-dependency of individual types of risk. The risks relating to the Bank and Insurance sectors are aggregated.

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 during credit-portfolio analysis for transactions incurring 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 transaction-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 INVESTMENT RISK

Equity investment risk is determined as value-at-risk on the basis of a variance-covariance approach. Concentrations of equity investment 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 10 trading days) and a unilateral 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 in accordance with 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. Stress tests are carried out for market liquidity risk.

In 2014, further improvements were introduced in the methods used to record market risk, particularly the spread and migration risks 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 are most likely to arise from new business risks.

OPERATIONAL RISK

The capital requirement for operational risk is determined 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.

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 following year. 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. Measurement of risk and risk concentrations in the Insurance sector

FRAMEWORK

Risk measurement is based on the method specified in Solvency II with the aim of determining value-at-risk.

ACTUARIAL RISK

To determine actuarial risk, negative scenarios are examined that have been taken from Solvency II and, in some cases, supplemented by the group's own parameterization or internal risk assessment.

Modeling and risk quantification, including on the basis of historical claims data, is carried out for parts of the premium and reserve risk and non-life catastrophe risk. These are based on the group's own portfolio and, in the case of natural catastrophes, on data from third-party providers. Possible risk concentrations are also analyzed, monitored, and managed as part of the risk management system.

Risk management includes the analysis, monitoring and management of risk concentrations. Potential risk concentrations arise when different types of risk are combined with the concentration dimension (e.g. individual exposure, sector, country group). The same risk concentrations are analyzed at DZ BANK level.

MARKET RISK

When measuring market risk, shock scenarios are examined that have been taken from Solvency II and, in some cases, supplemented by the group's own parameterization.

COUNTERPARTY DEFAULT RISK

The capital requirements for counterparty default risk are determined on the basis of the relevant exposure and the expected losses per counterparty.

OPERATIONAL RISK AND REPUTATIONAL RISK

The risk capital requirement for operational risk is calculated as a factor of the volume measures of premiums and provisions and, in the case of unit-linked business, as a factor of costs. In addition, operational risk is identified and quantified using a scenario-based risk self-assessment. R+V uses suitable quality standards and communications strategies to limit its reputational risk.

ENTITIES IN OTHER FINANCIAL SECTORS

Risk for entities in other financial sectors is quantified in accordance with the requirements currently specified by the insurance regulator. This means applying the capital requirements according to Solvency I, which are essentially calculated as a factor of the volume measures of benefit reserves and capital at risk.

4.3.4. Non-material risks

Strategic risk is classified as non-material for both the Bank sector and the Insurance sector. In the Bank sector, this risk is examined in the context of business risk.

Liquidity risk in the Insurance sector is not material at DZ BANK Group level. Firstly, this is because long-term liquidity is typically tied up in liabilities and assets in insurance business. Secondly, R+V is only exposed to a low level of liquidity risk because of its wide range of products and customers and the high quality and liquidity of its investments. Consequently, R+V is not taken into account in the liquidity risk management of the DZ BANK Group.

The **funding risk** attributable to liquidity risk consists of the risk of incurring losses because of higher liquidity spreads on funding operations. Funding risk is not material for the Bank sector or the Insurance sector and is therefore not backed by capital.

4.3.5. 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.

4.3.6. 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 transaction and type 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.

Risks that are incurred are compared with the limits allocated to them (upper loss limits) and monitored using a traffic-light system. Any limit overruns are captured during ad-hoc reporting and are referred to management.

4.3.7. Hedging objectives and hedging transactions

Hedging activities are undertaken in order to transfer credit risk, market risk in the Bank sector, market risk in the Insurance sector, 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 mismatches are either eliminated or reduced by designating the hedging transaction as a hedge in accordance with the hedge accounting requirements of IAS 39, or the fair value option is exercised. Hedge accounting in the DZ BANK Group includes hedging interest-rate risk and currency risk and therefore affects market risk in both the Bank and Insurance sectors. Hedging information is disclosed in note 82 of the notes to the consolidated financial statements.

DZ BANK has exercised the option provided for in section 254 HGB and has generally not recognized hedges on the balance sheet, although economic hedges do exist. However, one hedge is reported in note 41 of the notes to DZ BANK's separate financial statements.

4.3.8. Risk reporting and risk manual

The quarterly **overall risk report** includes the risks throughout the group identified by DZ BANK. Together with the **stress test report,** which is also compiled on a quarterly basis, it is the main channel by which risks incurred by the DZ BANK Group and the management units are communicated to the Board of Managing Directors and the Group Risk and Finance Committee. In addition, the Board of Managing Directors receives portfolio and exposure-related management information as part of the quarterly **credit risk report**. The Board of Managing Directors also receives daily and monthly information on **liquidity risk** in the DZ BANK Group and in the management units. This information meets the disclosure requirements regarding the flow of risk-related information to the Board of Managing Directors specified in article 435 (2e) CRR.

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.

4.3.9. Risk inventory and appropriateness test

Every year, DZ BANK draws up a **risk inventory**, the objective of which is to identify the types of risk that are relevant for 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. The next step is to assess the extent to which there are concentrations of risk types classified as material in the Bank sector, the Insurance sector, and across sectors.

DZ BANK also conducts an annual **appropriateness test** at DZ BANK Group level. The objective is to review the latest groupwide specifications for the analysis of risk-bearing capacity. In addition, the appropriateness test 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 appropriateness test are coordinated in terms of content and timing. All management units in the DZ BANK Group are included in both processes. The findings of the risk inventory and the appropriateness test are incorporated into risk management.

Risk inventory checks and appropriateness test are generally conducted in a similar way in the main subsidiaries.

5. OPPORTUNITIES

5.1. MANAGEMENT OF OPPORTUNITIES

The management of opportunities in the DZ BANK Group and at DZ BANK 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 about the strategic planning process are presented in section I.3.4. of this (group) management report.

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 is focused on customers.

DZ BANK's **focus on the cooperative banks** is vital in view of the need to manage scarce resources and to meet new regulatory requirements. By focusing more closely on the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK's aim is to exploit the potential of its core activities more fully, particularly with regard to 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 the satisfaction levels of customers of 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 to 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 DZ BANK's business strategy and the implications for the earnings performance forecast for 2015. These are crucial factors in DZ BANK's strategic positioning and the resulting opportunities for increasing revenue and cutting costs during 2015.

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, and Fitch were reconfirmed. Figure 11 provides an overview of DZ BANK's credit ratings.

FIG. 11 – DZ BANK RATINGS

	Standard & Poor's		Moody's		Fitch	
	Dec. 31, 2014	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
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+

As at December 31, 2014, Standard & Poor's and Fitch had issued long-term credit ratings for the cooperative financial network of AA- and A+ respectively. These credit ratings were unchanged compared with December 31, 2013.

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 CRD IV and the CRR. This legislation is imposing much tighter regulatory standards, including process and reporting requirements, and in particular more stringent capital adequacy requirements. German banks had 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 and DZ BANK 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 and/or DZ BANK to cease activities that tie up a disproportionately high amount of capital or liquidity and that can no longer be operated profitably.

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 generally included in the KPI without any weighting at all. All banks became subject to an obligation to report the leverage ratio in 2014. The disclosure requirement applies from 2015.

Initially, there is no mandatory minimum value for the leverage ratio at European level 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 and/or DZ BANK based on the current volume of business. Implications for the DZ BANK 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 also have an adverse impact on the external assessment of the bank's capital position and on DZ BANK's funding costs.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES

At European level, EU Directive 2014/59, introduced in 2014, provided the legal basis for the new 'minimum requirement for own funds and eligible liabilities' (MREL) regulatory ratio. The MREL is intended to ensure that banks hold a sufficiently large volume of capital and liabilities that can be 'bailed-in' to make it possible to carry out an orderly resolution in the event of a crisis or if it has to be liquidated. 'Bail-in-able' liabilities are those that provide for creditors taking an equity interest if a bank gets into financial difficulties, enabling resolution to take place without recourse to aid from taxpayers and without jeopardizing the stability of the financial system.

The MREL ratio is the ratio of own funds and bail-in-able liabilities to the bank's total liabilities and own funds. The MREL ratio will be set individually for each institution by the resolution authorities on the basis of certain statutory criteria.

The EBA published a consultation paper in late 2014, which among other things detailed the specific assessment criteria for setting the MREL. The resolution authority has not yet formally set a specific MREL ratio for DZ BANK, so the impact of the MREL on the DZ BANK Group and DZ BANK cannot be gaged at present.

TOTAL LOSS-ABSORBING CAPACITY

Global systemically important banks are to be subject to additional requirements for their total loss-absorbing capacity. The total loss-absorbing capacity (TLAC) proposed in the new consultation paper issued by the FSB in November 2014 is intended to ensure that internationally important banks meet a minimum standard relating to their risk-weighted assets, guaranteeing an orderly resolution regardless of their systemic importance. Its scope of application may be extended in the future to banks of domestic systemic importance.

The final level for TLAC is to be set by the banking regulator in 2015 following an impact analysis and market survey. The minimum TLAC requirement is scheduled to come into force on January 1, 2019. The impact of the TLAC on the DZ BANK Group and DZ BANK cannot be gaged at present.

SUPERVISORY REVIEW AND EVALUATION PROCESS

The EBA published the Supervisory Review and Evaluation Process (SREP) in December 2014. Among other things, the guidelines set out the harmonization in the EU of the regulatory supervision process enshrined in Pillar 2 of Basel III. Harmonization is intended to create the same competitive conditions in the jurisdictions involved.

The EBA guidelines suggest that there will be fundamental changes to the supervisory review and evaluation process, which may also affect the methods that banks use for calculating the adequacy of their economic capital and liquidity. A core element of the future regulatory supervision process will be the linking of parts of regulatory reporting with economic risk management. The sustainability of banks' business models will also assessed by regulators. A further new aspect is the inclusion of governance and control mechanisms in the supervisory review. Unlike current practice, regulators will form their own quantitative impression of whether an institution's capital and liquidity are adequate.

The implementation of the SREP guidelines could mean that the DZ BANK Group and DZ BANK are subject to additional capital and liquidity requirements. 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.

CAPITAL REQUIREMENTS FOR MARKET RISK

Based on the experience of the financial crisis, the BCBS published its second consultative document entitled 'Fundamental review of the trading book' in October 2013. It sets out plans for a fundamental review of the existing rules for capital requirements in relation to 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 and DZ BANK are subject to an additional capital requirement. Similarly, the possibility of a negative impact on cost structures or implications for internal organizational structures, the risk management system, the business model, or competitive position cannot be ruled out.

RISK DATA MANAGEMENT

In January 2013, the BCBS 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. For domestic systemically important banks, the principles come into force three years after classification as a domestic systemically important bank (D-SIB). BaFin is also planning to incorporate some of the regulations on risk data management into MaRisk BA for the 2015 financial year.

The implementation of the new requirements, and possibly also inadequate implementation, could involve changes to the DZ BANK Group's business model (and that of DZ BANK), have a negative effect on their competitive position, or result in the need for additional capital. Moreover, it is impossible to gage 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

Solvency II defines requirements for capital adequacy, risk management, and a standardized reporting system for insurance companies that will be applicable throughout the EU from January 1, 2016. The new system of supervision is intended to facilitate more flexible regulation using a stronger principles-based 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.

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

6.1.2. Macroeconomic risk factors

ECONOMIC TRENDS

The business performance of the DZ BANK Group and of DZ BANK 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 continues to be 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.

In addition to general economic factors, domestic economic performance is also dependent on national political decision-making, such as the introduction of a minimum wage across Germany on January 1, 2015. 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.

EUROPEAN SOVEREIGN DEBT CRISIS

During the year under review, trends in international financial markets continued to be shaped by the fallout from the global financial crisis. The capital markets and the real economy remain very unsettled. 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 a restrictive fiscal policy and the high level of unemployment in some of the countries of the European Union.

Substantial, albeit declining, 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.

Against the backdrop of persistently slow growth, reducing government debt in the eurozone is proving to be an extremely difficult and protracted process. Nevertheless, it is evident that all of the countries in the eurozone affected by the crisis have made substantial progress 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. After completing its bailout program in May 2014, **Portugal** was able to place long-term issues in the capital markets once more. However, because they have high levels of government debt, both countries remain vulnerable to investors changing their risk assessment.

The financial positions of Greece and Cyprus are still considered to be precarious. Despite a partial debt write-off by foreign creditors in 2012, **Greek**

government debt remained at around 171 percent of gross domestic product in 2014, still one of the highest levels in the world. Although Greece has made progress on consolidating its public finances, financial difficulties cannot be ruled out. **Cyprus** is making headway with the consolidation of its public finances and the stabilization of its banking sector. However, risks regarding the sustainability of its borrowing remain, given that its government debt is around 119 percent of GDP, economic growth continues to falter and the high level of non-performing loans in the banking sector is continuing to climb.

OTHER GLOBAL TROUBLE SPOTS

The situations in Russia and Hungary are currently also problematic. In **Russia,** the economic downturn that started in 2013 became more pronounced in 2014. The main factors behind this trend were the conflict in Ukraine and the resultant international sanctions, the steady fall in world market prices for oil and the collapse in the value of the rouble. Because their access to the capital markets is severely restricted, banks and companies are increasingly calling on the government for funding. However, the low oil price is slashing revenue, because two thirds of Russian exports are based on oil and gas. The support buying undertaken by the Russian Federation's central bank to slow the fall in the rouble has significantly depleted foreign currency reserves, which until then had been at a satisfactory level. If sanctions remain in place and oil prices remain low, the economic downturn is likely to become more pronounced in 2015 and possibly develop into a recession.

In **Hungary,** the economic situation continues to be difficult and economic policy remains unpredictable. Investors and the international capital markets have lost long-term confidence in the country. Its relationships with the EU and the IMF also remain strained. Hungary is having to rely on access to foreign currency from abroad to fund its high level of external debt. Should there be another resurgence in the sovereign debt crisis in Europe, the country could have payment problems.

RISK IMPACT

The European sovereign debt crisis and developments in other global trouble spots have an impact on various risks to which the DZ BANK Group and DZ BANK are exposed. In the Bank sector, this affects credit risk (deterioration in the credit quality of public-sector bonds, increase in the allowances for losses on loans and advances), equity investment 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), reputational risk (standing of the banking industry), and liquidity risk (a combination of the effects mentioned above).

In the Insurance sector, market risk is most affected by the European sovereign debt crisis. A widening of credit spreads on government bonds or other market investments would lead to a drop in fair values. Present value losses of this nature could have a temporary or permanent adverse impact on operating profit.

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 and DZ BANK.

If there is a long period of low interest rates, the DZ BANK Group could face the risk of lower earnings, including lower earnings from the extensive BSH **building society operations**. When interest rates are very low, home savings loans lose their appeal for customers, while high-interest home savings deposits become more attractive. Consequently, interest income on home savings loans would fall and the interest cost for home savings deposits would rise. Furthermore, the liquidity they provide could only be invested at low rates of return, an additional factor depressing 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.

The entire **insurance industry** is affected by the historically low interest rates in the capital markets which may even be reduced further by the risk of deflationary trends. This environment of persistently low interest rates is adversely affecting personal insurance providers in the short and medium term because they have to recognize supplementary discount rate reserves. However, recognizing these additional provisions puts in place key, long-term prerequisites for limiting risk in life insurance and pension insurance business. The German Life Insurance Reform Act (LVRG) was passed to further strengthen the ability of life insurance companies to sustain risk in a long period of low interest rates. One of the provisions of this law is the reduction in the technical interest rate for new business which will be cut from 1.75 percent to 1.25 percent from 2015 onwards. This also mitigates interest-rate guarantee risk.

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. Guarantee funds are products for which Union Asset Management Holding guarantees that a minimum percentage of capital is preserved, depending on the precise product specification. 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 bank'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 and at DZ BANK, 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 calculated 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 models and parameters and their validation. 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 raising equity and of 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 or DZ BANK could face a situation in which it had to furnish additional collateral in connection with rating-linked collateral agreements for derivatives (regulated by the Credit Support Annex or Collateralization Annex) 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 the future, the ratings will increasingly disregard any potential German government bailout if there were a crisis that could affect the continued existence of DZ BANK as a going concern. This could lead to a downgrade in the rating of DZ BANK. However, this will be offset by the positive influence on ratings exerted by the mutual support within the cooperative financial network.

6.2.3. Hedge ineffectiveness

The DZ BANK Group and DZ BANK are exposed to the risk that a counterparty in a hedge could become insolvent and therefore no longer be in a position to meet its obligations. Consequently, the hedge could prove to be ineffective and the DZ BANK Group or DZ BANK would then be exposed to risks that it believed it had hedged.

Unforeseen market trends could undermine the effectiveness of action taken to hedge market risk. One example is the risk in connection with the financial crisis and sovereign debt crisis. In this case, the DZ BANK Group or DZ BANK 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 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 do not forecast certain potential losses correctly, 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 and/or DZ BANK 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 and at DZ BANK. 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 and at DZ BANK 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 available internal capital. 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 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 results 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 and Capital 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 business strategies.

7.2. MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

Owing to the close ties between risk capital management at DZ BANK and that of the DZ BANK Group, the information below also applies to DZ BANK.

7.2.1. Measurement methods

Economic capital management 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 is determined by aggregating the relevant risk types of all management units. The methods selected serve to meet the statutory requirements for a groupwide integrated risk capital management.

As part of **risk-bearing-capacity analysis**, the risk capital requirement is compared with the available internal capital (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 available internal capital and bearing in mind the necessary capital buffer. These limits then restrict the risk capital requirement.

Available internal capital comprises equity and hidden reserves. It is reviewed on a quarterly basis. In line with the sectoral approach, the available internal capital is determined on a modular basis as follows:

– The available internal capital from the **Bank sector** is calculated on the basis of IFRS data (as was the case before the sectoral approach was introduced), but now excludes R+V.
– The available internal capital from the **Insurance sector** is based on the capital of the R+V Versicherung AG insurance group in accordance with Solvency II.

The available internal capital from the two sectors is combined to produce the available internal capital of the DZ BANK Group. During this process, the effects of consolidation between the Bank and Insurance sectors are taken into account, resulting in a reduction in the available internal capital available at group level.

7.2.2. Capital buffer

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 to **migration risk on traditional loans**, for example. The individual components of the capital buffer are quantified using a method based on scenarios and models with input from experts.

The capital buffer also includes the **risk arising from defined benefit obligations** incurred by the entities allocated to the Bank sector. This risk comprises the interest-rate risk and longevity risk that arise from direct pension obligations to current or former employees. The interest-rate risk arising from the defined benefit obligations of BSH is not covered by the capital buffer; it is managed as part of market risk.

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. Changes in decisions by the courts, in legislation, or in accounting standards may make it necessary to adjust existing provisions for pensions and other post-employment benefits.

Disclosures regarding the accounting policies for defined benefit obligations can be found in note 26 of the notes to the consolidated financial statements.

7.2.3. Risk-bearing capacity

The **available internal capital** available to the DZ BANK Group as at December 31, 2014 was measured at €19,569 million (December 31, 2013: €17,293 million). The available internal capital originally calculated as at December 31, 2013 had amounted to €16,652 million.

Implementation of the sectoral approach led to changes in the available internal capital as at December 31, 2013 compared with the original figure. This change is essentially attributable to the recognition of parts of the bonus reserve. The bonus reserve contains accumulated profits that have not yet been declared as available for distribution to policyholders. The bonus reserve mainly consists of non-designated parts of the provision for premium refunds and is therefore allocated to the life insurance business.

As at December 31, 2014, the capital buffer amounted to €2,644 million (December 31, 2013: €1,123 million). The **capital buffer** originally determined at December 31, 2013 had stood at €3,001 million. This figure changed owing to the separation of spread risk and migration risk on securities from the capital buffer in the Bank sector and to the introduction of the sectoral approach.

Derived from the available internal capital minus the capital buffer, the total **upper loss limit** for the DZ BANK Group amounted to €15,284 million as at December 31, 2014 (December 31, 2013: €15,277 million). As at December 31, 2013, the original figure had been €10,302 million. As at December 31, 2014, the **risk capital requirement** was calculated at €10,181 million (December 31, 2013: €10,177 million). As at December 31, 2013, the original figure had been €7,753 million. The upper loss limit and the risk capital requirement did not change significantly during the year.

As at December 31, 2014, the **economic capital adequacy ratio** for the DZ BANK Group was calculated at 166.2 percent (December 31, 2013: 158.9 percent). The sharp rise in this ratio was attributable to the DZ BANK Group's strong earnings performance and the boost to capital provided by

FIG. 12 – ECONOMIC CAPITAL ADEQUACY OF THE DZ BANK GROUP

€ million	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
Available internal capital	19,569	20,313	18,704	17,826	17,293
Capital buffer	-2,644	-2,500	-1,051	-1,151	-1,123
Available internal capital after deduction of capital buffer	16,925	17,813	17,653	16,675	16,170
Upper loss limit	15,284	15,234	15,234	15,234	15,277
Risk capital requirement (after diversification)	10,181	9,722	9,895	10,118	10,177
Economic capital adequacy	**166.2%**	**183.2%**	**178.4%**	**164.8%**	**158.9%**

FIG. 13 – UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT IN THE BANK SECTOR

	Upper loss limits					Risk capital requirement				
€ million	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
Credit risk	3,942	3,887	3,887	3,887	3,710	3,056	3,103	3,059	3,092	2,941
Equity investment risk	974	958	958	958	1,115	788	706	695	703	750
Market risk[1]	6,422	6,428	6,428	6,428	6,620	2,769	2,729	2,909	3,134	3,289
Technical risk of a home savings and loan company[2]	500	500	500	500	600	496	496	496	496	576
Operational risk	689	693	693	693	706	628	628	628	628	650
Business risk[3]	436	451	451	451	349	361	360	356	353	308
Diversification effect	-1,179	-1,184	-1,184	-1,184	-1,323	-1,177	-1,150	-1,168	-1,190	-1,310
Total (after diversification)	**11,784**	**11,734**	**11,734**	**11,734**	**11,777**	**6,922**	**6,873**	**6,976**	**7,217**	**7,204**

1 Market risk contains spread risk and migration risk.
2 Including business risk and reputational risk of BSH.
3 Apart from that of BSH, reputational risk is contained in the risk capital requirement for business risk.

FIG. 14 – UPPER LOSS LIMITS AND OVERALL SOLVENCY REQUIREMENT IN THE INSURANCE SECTOR

	Upper loss limits					Overall solvency requirement				
€ million	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013
Life actuarial risk	450	450	450	450	410	387	395	397	388	417
Health actuarial risk	80	80	80	80	90	57	52	52	57	59
Non-life actuarial risk	2,300	2,300	2,300	2,300	2,170	2,177	2,071	2,067	2,024	2,034
Market risk	2,350	2,350	2,350	2,350	2,520	2,329	1,795	1,919	1,896	2,048
Counterparty default risk	80	80	80	80	50	42	42	53	69	35
Operational risk	510	510	510	510	490	436	446	443	440	408
Entities in other financial sectors	80	80	80	80	80	73	73	68	68	68
Ability to offset deferred taxes against losses	-920	-920	-920	-920	-920	-928	-846	-866	-836	-852
Diversification effect						-1,313	-1,181	-1,215	-1,206	-1,245
Total (after diversification)	**3,500**	**3,500**	**3,500**	**3,500**	**3,500**	**3,260**	**2,848**	**2,919**	**2,901**	**2,973**

the capital increase carried out during the year. The discrepancy between the prior-year figure and the figure originally measured as at December 31, 2013 (176.1 percent) is explained by the total transition effects.

Figure 12 provides an overview of the DZ BANK Group's economic capital adequacy.

The upper loss limits and risk capital requirements for the Bank sector, broken down by risk type, are shown in figure 13.

Figure 14 sets out the upper loss limits and overall solvency requirements for the Insurance sector broken down by risk type and includes policyholder participation. The definition of the upper loss limits and determination of overall solvency requirements take into account a favorable effect arising from the ability to offset deferred taxes resulting from the elimination of deferred tax liabilities in the loss scenario against losses. Diversification effects between the risk types are also taken into consideration. Owing to these effects of correlation, the overall solvency requirement and upper loss limits for each risk type are not cumulative.

7.2.4. Economic stress tests

ECONOMIC STRESS TESTS AT DZ BANK GROUP LEVEL

Economic stress tests are used by DZ BANK to establish whether the DZ BANK Group would retain its risk-bearing capacity in extreme but plausible scenarios. The economic stress test framework includes several **cross-risk economic scenarios** and **specific stress tests for individual risk types** incurred by the DZ BANK Group

The stress tests are designed for a 1 to 2-year scenario horizon. They take into account both macroeconomic scenarios and historical situations that are particularly relevant for the DZ BANK Group's business model and portfolios. The risk-type-specific stress tests are hypothetical scenarios based on expert assessments and historical time series for the relevant risk drivers.

DZ BANK also carries out a quarterly groupwide **inverse stress test** to illustrate the extreme changes in market prices that could also impair its risk-bearing capacity in the short term.

The economic stress test framework applies to all of the DZ BANK Group's material **downside risks,** including risks that are only critical for individual group entities because of their particular business model. The stress tests are based on the methods and procedures used for calculating risk-bearing capacity.

The scenarios for the economic stress test translate potential trends in macroeconomic indicators and market prices during a **crisis** into changes in available internal capital and the risk capital requirement. This enables the impact of external economic developments on the risk-bearing capacity of the DZ BANK Group to be addressed comprehensively and consistently.

For the economic stress tests, DZ BANK has put in place a system of threshold values as an **early warning mechanism.** A continuous reporting system monitors whether values are within these thresholds in the cross-risk scenarios and the stress tests for specific risk types. Different early-warning signals trigger different **risk management processes** in response to the potential risks highlighted by the stress tests.

In the year under review, the stress test framework in the DZ BANK Group was switched to the **sectoral approach** to calculating risk-bearing capacity. The stress testing methods were expanded so that the specific features of R+V's business model and its risk and capital management systems are taken into account comprehensively and in an appropriate manner when determining the results of stress testing in the DZ BANK Group.

The stress tests are updated every quarter and approved by the **Risk Committee** or the entire Board of Managing Directors of DZ BANK.

ECONOMIC STRESS TESTS IN THE BANK SECTOR

The method used for stress testing in the Bank sector includes potential **reductions in available internal capital** resulting from the scenarios. These reductions may be caused by losses on the measurement of tradable financial instruments, write-downs on the carrying amounts of investments due to changes in market prices, losses due to defaults and changes in fair value due to deteriorations in credit quality and loss rates, as well as by changes in sources of return resulting from changing macroeconomic conditions or competitive situations.

In the stress scenarios, the measurement of market risk, equity investment risk, credit risk, the technical risk of a home savings and loan company, business risk and operational risk in the Bank sector is also adapted so as to adequately reflect the simulated change triggered by a crisis. The initial parameters for measuring risk are scaled in such a way as to make them suitable for reflecting extremely negative hypothetical or historical situations. The procedure for aggregating risk types into a stress test result covering all group entities and risk types is similar to the regular procedure used for risk measurement.

In the **inverse stress test**, a scenario is used to simulate impairment of risk-bearing capacity such that it is no longer possible to maintain the business model as a going concern merely because the available internal capital has been depleted by fair value losses resulting from a combination of extreme changes in market prices and price volatility.

DZ BANK is integrated into the standard risk capital requirement stress tests conducted in the DZ BANK Group. 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.

ECONOMIC STRESS TESTS IN THE INSURANCE SECTOR

Like the other management units in the DZ BANK Group, R+V regularly conducts the economic stress tests applicable to the group but they are based on a separate stress testing method for the Insurance sector. This means that appropriate account is taken of the specific features of R+V's business model and its risk and capital management systems. In addition to R+V's exposure to market risk, its actuarial risk in particular is put under stress in the **risk-type-specific hypothetical stress tests** by changing the parameters for lapse and mortality in its life insurance business and the expected number of claims for natural disasters in its non-life insurance business to extreme but plausible values.

Market and credit risk are covered in the **cross-risk economic scenarios,** while actuarial risk is addressed using the stressed yield curve. The parameters for the yield curve, exchange rates, share prices, interest-rate-volatility and credit spreads are changed.

In the **inverse stress test** for the Insurance sector, simulated changes in market prices are used to determine the changes in available own funds. By simultaneously taking into account the impact of changes in market prices on the available internal capital and overall solvency requirement, it is possible for policyholder participation to be incorporated into the inverse stress test in an appropriate manner.

R+V also uses annual stress tests prescribed 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.

7.2.5. 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 remove 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 available internal capital, for example because its components have expired or are no longer eligible, could mean that the risk capital requirement exceeds the available internal capital. 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 also strictly observed.

7.3.1. DZ BANK financial conglomerate

The Supervision of Financial Conglomerates Act (FKAG) essentially forms the legal basis for the supervision of the DZ BANK financial conglomerate.

Financial conglomerate solvency is the amount equating to the difference between the total of eligible capital in the financial conglomerate and the total of solvency requirements for the conglomerate. The coverage ratio is calculated by dividing capital by the solvency requirement. The resulting ratio must be at least 100 percent. With effect from January 1, 2014, calculation of the financial conglomerate's solvency was switched from a consolidated calculation in accordance with section 5 of the German Regulation Governing the Capital Adequacy of Financial Conglomerates (FkSolV) to an accounting consolidation method based on article 14 of the aforementioned regulatory technical standard.

On the basis of a provisional calculation, the DZ BANK financial conglomerate's eligible capital as at December 31, 2014 amounted to €18,836 million (December 31, 2013: €16,344 million). On the other side of the ratio, the provisional solvency requirement amounted to €11,011 million (December 31, 2013: €9,060 million), producing a provisional coverage ratio of 171.1 percent (December 31, 2013: confirmed final coverage ratio of 180.4 percent), significantly in excess of the regulatory minimum requirement.

7.3.2. DZ BANK banking group

REGULATORY FRAMEWORK

The DZ BANK banking group uses the following methods to calculate the regulatory capital requirement in accordance with the CRR:

– 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 article 7 CRR, which states that – provided certain conditions are met – the regulatory supervision of individual Germany-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 2014 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 IN ACCORDANCE WITH THE CRR

Since January 1, 2014, the solvency ratios of the DZ BANK banking group have been calculated in accordance with the CRR. The main basis for calculating regulatory capital is therefore the capital reported in the IFRS consolidated financial statements. The CRR also defines an additional category of capital, core Tier 1 capital, which is also used to calculate a new, additional capital ratio. Owing to these changes, the values as at December 31, 2013 given below are not directly comparable with the values shown as at December 31, 2014.

Based on IFRS reporting and the initial application of the new CRR rules, the DZ BANK banking group's regulatory **capital** as at December 31, 2014 amounted to a total of €16,508 million. Based on HGB financial reporting and before adoption of the CRR rules, this figure was €15,270 million as at December 31, 2013.

The initial application of the CRR and the associated new provisions on capital deductions, together with the transition to accounting in accordance with IFRS, caused **Tier 1 capital** to decrease significantly. However, there were significant positive countervailing effects from the increase in capital achieved by retaining profits reported in the 2013 annual financial statements of €997 million and from the interim profit of €1,262 million that was eligible for inclusion under regulatory provisions. This substantial boost to capital adequacy from the group's own resources, achieved by retaining profits from 2013 and interim profits for the period ended September 30, 2014, underlines the DZ BANK Group's healthy level of profitability. Furthermore, the capital increase carried out in July 2014 resulted in Tier 1 capital rising by a further €1,477 million. As at December 31, 2014, Tier 1 capital comprised core Tier 1 capital of €11,913 million plus additional Tier 1 capital of €1,494 million.

The year-on year increase of €1,819 million in **Tier 2 capital** to €3,101 million at December 31, 2014 was also mainly due to application of the new rules on capital deductions pursuant to the CRR. DVB issued new Tier 2 capital amounting to €115 million.

As at December 31, 2014, regulatory **capital adequacy requirements** were calculated at €7,846 million (December 31, 2013: €6,828 million). The increase is primarily attributable to the introduction of the CRR.

The **total capital ratio** of the **DZ BANK banking group** declined from 17.9 percent as at December 31, 2013 to 16.8 percent as at the balance sheet date. As at December 31, 2014, the **Tier 1 capital ratio** was 13.7 percent, a sharp decrease on the ratio of 16.4 percent as at December 31, 2013. Calculated in accordance with the new CRR provisions, the **core**

Tier 1 capital ratio stood at 12.2 percent as at the balance sheet date; according to internal calculations, the figure at December 31, 2013 would have been 9.2 percent.

In terms of the **total capital ratio** of **DZ BANK,** a sharp fall was reported from 31.5 percent as at December 31, 2013 to 24.9 percent on the balance sheet date. The **Tier 1 capital ratio** was also down, from 20.5 percent as at December 31, 2013 to 17.8 percent as at December 31, 2014, which was the same percentage as the **core Tier 1 capital ratio** on the balance sheet date.

The ratios at both DZ BANK banking group level and DZ BANK level were well above the regulatory minimum values at all times during 2014.

Figure 15 provides an overview of the DZ BANK banking group's regulatory capital ratios in accordance with the regulations in force in 2014.

FUTURE BASEL III REGULATORY CAPITAL RATIOS

According to the regulations that will apply from 2019 (also known as 'fully loaded' Basel III), the DZ BANK banking group and DZ BANK would have the following solvency ratios as at December 31, 2014:

DZ BANK banking group:
– Total capital ratio: 12.8 percent (minimum ratio: 10.5 percent)
– Tier 1 capital ratio: 11.2 percent (minimum ratio: 8.5 percent)
– Core Tier 1 capital ratio: 11.1 percent, or 11.4 percent if temporary differences in the annual financial statements are included (minimum ratio: 7.0 percent, December 31, 2013: 7.1 percent)

DZ BANK:
– Total capital ratio: 19.6 percent
– Tier 1 capital ratio: 17.6 percent
– Core Tier 1 capital ratio: 17.6 percent

During 2014, the ratios were in excess of the regulatory minimum values at all times.

FIG. 15 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP IN ACCORDANCE WITH CRR

€ million	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014[1]	Mar. 31, 2014	Dec. 31, 2013
Capital					
Core Tier 1 capital	11,913	11,626	10,262	9,184	
Additional Tier 1 capital	1,494	1,457	1,396	1,358	
Tier 1 capital	**13,407**	**13,083**	**11,658**	**10,542**	**13,988**
Total Tier 2 capital after capital deductions	3,101	3,219	3,158	3,421	1,282
Total capital	**16,508**	**16,302**	**14,816**	**13,963**	**15,270**
Capital requirements					
Credit risk (including long-term equity investments)	6,309	6,448	6,414	6,664	5,451
Market risk	873	836	813	754	692
Operational risk	664	664	642	642	685
Total	**7,846**	**7,948**	**7,869**	**8,060**	**6,828**
Capital ratios					
Total capital ratio (minimum ratio: 8.0 percent)	16.8%	16.4%	15.1%	13.8%	17.9%
Tier 1 capital ratio (minimum ratio: 5.5 percent)	13.7%	13.2%	11.9%	10.4%	16.4%
Core Tier 1 capital ratio (minimum ratio: 4.0 percent)	12.2%	11.7%	10.4%	9.1%	

1 Owing to a subsequent adjustment, the figures for the capital components and the core Tier 1 capital ratio as at June 30, 2014 differ from the disclosures on page 43 of the opportunity and risk report in the 2014 half-year financial report.

STRESS TESTS

At banking group level, DZ BANK conducts the quarterly regulatory stress tests that are required to verify the group's capital adequacy on a regular basis, including 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 simulated. As at December 31, 2014, the solvency requirements were satisfied without qualification in both stress scenarios, as had also been the case twelve months earlier.

RESULTS OF THE ECB COMPREHENSIVE ASSESSMENT

During the balance sheet assessment, around 50 percent of the customer lending business of the DZ BANK banking group was examined. As a result, using a more stringent supervisory approach, DZ BANK's core Tier 1 capital ratio as at December 31, 2013 was reduced by 0.2 percentage points. This adjustment is entirely due to the fact that the methods used by the ECB differ from those in the IFRSs. The DZ BANK Group used the discretion it is permitted by law and recognized the findings of the asset quality review in 2014.

During the asset quality review, the ECB identified that the DZ BANK Group's risk management system requires further development. DZ BANK has introduced the necessary measures for the further development of the risk management system and has put mechanisms in place to ensure that these measures are implemented systematically and without delay.

Even though the capital increase was not taken into account, the DZ BANK banking group passed the stress test. The ECB based the stress test on the scenario of an economic slump with corresponding turmoil in the financial and capital markets. Among other things, it assumed a heightened level of defaults and rising interest rates that could not be passed on in full. The further capital consumptions arising from the CRR ramp-up were also taken into account over an observation period of 3 years. In total, the adverse-scenario stress test, including the results of the balance sheet assessment, resulted in DZ BANK's core Tier 1 capital ratio falling from 9.0 percent as at January 1, 2014 to 6.0 percent as at December 31, 2016. The latter ratio was in excess of the minimum of 5.5 percent specified by the ECB. No capital deficiency was identified.

If the capital increase of €1.5 million completed in July 2014 were included, the relevant stress test ratio would be 7.2 percent.

The detailed results of the comprehensive assessment published by the ECB can be viewed online at: *https://www.bankingsupervision.europa.eu/banking/comprehensive/html/index.en.html*

In accordance with the regulatory supervision process for Basel III Pillar 2 (article 16 of EU regulation no. 1024/2013) the ECB adopted a resolution that the DZ BANK banking group's total capital ratio and core Tier 1 capital ratio must at all times be above the statutory requirements currently in force. According to current projections, the DZ BANK banking group is expected to meet these requirements in 2015.

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 2014, all of the supervised insurance companies together with the R+V Versicherung AG insurance group, which is the higher-level entity for regulatory purposes, satisfied the minimum solvency requirements currently in force.

As at December 31, 2014, preliminary figures show that the R+V Versicherung AG insurance group's risk-bearing capacity for regulatory purposes (adjusted solvency) amounted to 189.8 percent compared with a confirmed final ratio of 154.7 percent as at December 31, 2013. The group had eligible capital of €6,310 million at its disposal on December 31, 2014 (confirmed final figure as at December 31, 2013: €4,842 million) to cover a solvency requirement of €3,325 million (confirmed final figure as at December 31, 2013: €3,130 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, 2015.

7.4. OUTLOOK

BASEL III

Measures to implement the new regulatory capital adequacy requirements in the group's operations have already been initiated and will continue in 2015. 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.

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. Further activities are being planned for early preparation of a concept study on 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. An as-is analysis was carried out in 2013 and an action plan drawn up. In 2014 this work was further developed, with the involvement of the management units, to create a target scenario for the DZ BANK Group which was used to derive a step-by-step implementation plan that will enable the group to satisfy the requirements by the end of 2017. Implementation will take place as part of a groupwide program of projects.

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 is preparing itself for the future regulatory challenges and thereby laying the foundations for successful implementation of the Solvency II requirements. In this context, R+V is taking part in impact studies for Solvency II (quantitative impact studies, long-term guarantees assessment by the European insurance regulator, comprehensive BaFin survey) and is analyzing the results. The specifications for the preparatory phase are being analyzed and specific supervisory requirements are being implemented.

Bank sector

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 transaction involved.

Issuer risk is the risk 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 a counterparty defaulting during the term of a trading transaction where entities in the DZ BANK Group can only enter into an equivalent transaction with another counterparty by incurring an additional expense in the amount of the positive fair value at the time of 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, and TeamBank. 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 relating to trading transactions arises from issuer risk, particularly in connection with the trading activities and investment business of DZ BANK, BSH and DG HYP. Replacement risk arises for the most part in DZ BANK, DVB, and DZ PRIVATBANK. 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 updating of the credit risk strategy, the following substantial adjustments were made in 2014:

– DZ BANK: Integration of the new structure in Corporate Banking with four new corporate banking divisions
– DZ BANK: Broadening of credit rating requirements for acquisition finance and in the export finance segment
– DZ BANK: Adjustment of requirements for the Group Treasury securities portfolio in view of future regulatory requirements for liquidity management (CRR and MaRisk BA)
– BSH: Broadening of minimum credit-rating requirements for own-account investing in Pfandbriefe
– DVB: Restriction of minimum rating requirements and loan terms. The risk rating takes account of the default probability and collateralization of a transaction.

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 decision-makers with information about changes in the risk structure of credit portfolios and form the basis for the active management of credit risk.

As part of the **credit risk report**, the Group Risk and Finance Committee is kept informed of the economic capital required to cover credit risk. In addition to providing management with recommendations for action, internal reporting also includes an in-depth analysis of the portfolio structure in regard to risk concentrations based on key risk characteristics such as country, industry, credit rating class, and the lending volume to single borrowers. In addition, the reports include details on specific exposures and specific loan loss allowances. The credit value-at-risk in the context of the risk mitigation provided by the upper loss limit is also part of the credit risk report.

8.4. RISK MANAGEMENT

8.4.1. Rating systems

CHARACTERISTICS OF THE RATING SYSTEMS

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.

Most of the other entities in the Bank sector also use the DZ BANK rating systems for banks, countries and major corporate customers. Rating systems for specific business segments are also used by individual subsidiaries.

DEVELOPMENT OF RATING SYSTEMS

The rating systems used by DZ BANK for project finance, large and medium-sized companies in Germany, large and medium-sized companies abroad, and major corporate customers were overhauled in 2014. The methodology for developing a rating system for insurance was also completed in 2014. The rating system is currently at the testing stage. 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 companies in the DZ BANK Group as a result of differences in their business priorities. It thereby provides all group companies with a uniform view of counterparties' credit ratings.

Figure 16 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. The ratings for securitization exposures are matched to various different external ratings depending on the asset class and region. 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. Consequently, the scale can only be used as a starting point for 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.

FIG. 16 – BANK SECTOR: DZ BANK CREDIT RATING MASTER SCALE AND EXTERNAL CREDIT RATINGS

Internal rating class	Average default probability	External rating classes: Moody's	External rating classes: Standard & Poor's	External rating classes: Fitch	Rating category
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 or lower	CCC+ or lower	CCC+ or lower	
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				

8.4.2. 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. This enables DZ BANK to obtain 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.

8.4.3. Management of exposure in traditional lending business

MEASURING EXPOSURES IN TRADITIONAL LENDING BUSINESS

Individual lending exposures are managed on the basis of an analysis of gross lending exposure. The period taken into account in this case is equivalent to the monitoring cycle of one year. Together with risk-related credit-portfolio management, volume-oriented credit risk management is one of the components in the management of risk concentrations 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 on loans and advances. In the leasing 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 entities in the Bank sector for individual borrowers and groups of connected clients. Group limits are also set at Bank sector 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 Bank sector's credit risk. In this context, financial covenants are often incorporated into loan agreements to act as early warning indicators for changes in credit standing and as a tool for the proactive risk management of lending exposures. 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 **country limits** for industrialized countries and emerging markets at the Bank sector 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 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 over-the-counter (OTC) derivatives is calculated 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. Unsecured money market transactions are measured at fair value.

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 default 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, in certain circumstances, a general limit is determined for each issuer as the basis for managing issuer risk. Pfandbriefe are subject to separate limits. The main 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 concentrations and correlation risks

RISK CONCENTRATIONS 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 a group of connected clients or a similar economic entity with the borrower or counterparty.

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 prevent 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 the DZ BANK's own internal minimum requirements and the generally accepted master agreements, although the range of collateral is somewhat broader here than in the case of OTC derivatives.

In addition, the '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.

Collateral in line with the level of risk in medium-term or long-term financing arrangements is generally sought. 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 entities in the Bank sector use all forms of **traditional loan collateral**. Specifically, these include mortgages on residential and commercial real estate, registered ship and aircraft mortgages, guarantees (including sureties, 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 the CRR. 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 realization of collateral. In the case of non-performing loans, the collateral is measured on the basis of its likely recoverable value and time of recovery, rather than on the basis of the general measurement guidelines. In another departure from the general collateralization criteria, collateral involved in restructuring exposures can be measured using market values or the estimated liquidation proceeds.

COLLATERAL MANAGEMENT

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

DZ BANK's policy on collateral regulates the content of collateral agreements and the responsibilities and authorities for implementing the rights and obligations they confer within the bank. This policy specifies contractual 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 triggers based on long-term ratings. In these agreements, for example, the unsecured part of an exposure is reduced in the event of a ratings downgrade or the borrower is required to make additional payments (for example, payments known as 'independent amounts').

CENTRAL COUNTERPARTY (CCP)

The EU's EMIR regulation is permanently changing the environment in which banks, insurance companies, and investment funds conduct OTC derivative transactions. Under this regulation, market players must report all exchange-traded and OTC derivatives to central trade repositories and in future they will have to trade certain standardized OTC derivatives via central counterparties (known as clearing houses). Furthermore, risk mitigation methods have to be used for OTC derivatives that are not settled 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.

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

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 by means of regular reports.

POLICIES AND PROCEDURES FOR THE RECOGNITION OF 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.

The entire 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 in '**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 CRR 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 actually be incurred.

If no specific allowances are recognized for losses on payments due under loans or if there are no provisions for loan commitments or liabilities under financial guarantee contracts, then these transactions are recognized in the **portfolio loan loss allowance**. As soon as an impairment becomes apparent or a transaction is identified as requiring a provision or liability, it is derecognized from the portfolio and recognized as a specific loan loss allowance. The calculation of the portfolio loan loss allowance is based on the method for the 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 on loans and advances. 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 and TeamBank recognize **specific loan loss allowances evaluated on a group basis** for their retail business in addition to specific loan loss allowances. These specific loan loss allowances evaluated on a group basis are based on cash flows from credit portfolios with the same risk characteristics analyzed using migration scenarios and probabilities of default.

FORBORNE AND RENEGOTIATED LOANS

Loans that have been renegotiated or forborne are exposures in which contractual terms have been restructured in favor of a borrower who is in financial difficulties. Exposures of this type can be in the performing or non-performing portfolios. When calculating forborne exposure, the entities in the Bank sector comply with the requirements for probation periods and recovery specified by the EBA for regulatory reporting purposes.

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 the CRR. 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.

The credit portfolio in the Bank sector is managed by restricting the credit value-at-risk to the upper loss limit set for credit risk.

8.4.9. Managing credit risk arising from securitizations

OBJECTIVES AND SCOPE OF SECURITIZATION

During the course of the financial crisis, the Bank sector 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.

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

In addition, as a **sponsor**, DZ BANK 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

FIG. 17 – BANK SECTOR: SECURITIZATION EXPOSURES AS ORIGINATOR AND SPONSOR

Entity/ transaction	Type of transaction	Role	Purpose of transaction	Type of assets	Volume		Retained exposures		Comments (Dec. 31, 2014)
					Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	
DZ BANK									
CORAL	ABCP conduit	Sponsor	Generation of commission income	Loans and advances to European corporates and one ABS exposure	€1.1 billion	€0.7 billion	Commitments of €1.1 billion, €0.98 billion of which has been utilized	Commitments of €0.7 billion, €0.57 billion of which has been utilized	Provision of liquidity lines
AUTOBAHN				Loans and advances to North American customers	€2.1 billion	€1.7 billion	Commitments of €2.1 billion, €0.01 billion of which has been utilized	Unutilized commitments of €1.7 billion	
DG HYP									
PROVIDE VR	Synthetic RMBSs[1]	Originator	Optimization of capital employed; reduction of credit risk	Mortgage-backed real-estate loans in German retail business	€0.02 billion	€0.01 billion	Exposure of €5 million	Exposure of €5 million	Including first-loss pieces for which adequate impairment losses have been recognized

1 RMBSs = residential mortgage-backed securities.

by the issuance of ABCP. There are plans to expand the ABCP-based funding still further.

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.

Figure 17 shows the main exposures held by DZ BANK and DG HYP as **originator** and **sponsor**. 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 entities in the Bank sector and the Volksbanken Raiffeisenbanken cooperative financial network. The local cooperative banks have participated in one multi-seller transaction issued by the entities in the Bank sector.

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 constitute investor-related exposures within the meaning of CRR, are **managed** by the relevant group entities and are subject to the groupwide risk management standards. These standards require that securitization exposures be analyzed individually and have separate limits.

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.

At sectoral level, **portfolio risk exposures are reported** to the credit risk management function and to DZ BANK's Board of Managing Directors on a quarterly basis; this reporting process covers the group's aggregate risk exposure. This enables the group to manage the risks it incurs from structured products.

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 regular due diligence in the form of 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 Bank sector's entire securitization exposure.

RISK MITIGATION

In a small number of individual cases, **DZ BANK** uses credit derivatives 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

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

Bank sector, 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 materialize, causing losses with a considerable negative impact on the financial performance and financial position of the DZ BANK Group.

8.5.2. Changes in presentation

Until 2013, the disclosures in the opportunity and risk report regarding the lending volume and allowances for losses on loans and advances also met the corresponding requirements specified by the Solvency Regulation (SolvV) that was in force until December 31, 2013. Because SolvV was replaced by the CRR on January 1, 2014, it is no longer possible to use the carrying amounts used for internal management for the disclosures on lending volume. This means that there is no longer a regulatory requirement to disclose the average lending volume. For the same reason, the previous breakdown of allowances for losses on loans and advances by sector and country group has been replaced by a simplified table.

Since January 1, 2014, the lending volume and risk capital requirement have been included in the calculation of credit risk without loans and advances to central banks in the European Union, Switzerland and the United States in line with enhancements to the policy of risk-oriented corporate management and in accordance with regulatory reporting requirements (article 114 CRR). As a result, these loans and advances are not included in the figures as at December 31, 2014. For better comparability, the values as at December 31, 2013 have been restated to reflect the changes to the calculation basis. As at December 31, 2014, loans and advances made by entities in the Bank sector to these central banks amounted to €4,649 million (December 31, 2013: €4,838 million), of which €3,090 million was attributable to DZ BANK as at December 31 2014. (December 31, 2013: €2,678 million).

The headings ‘Other industrialized nations’ and ‘Non-industrialized nations’ that were previously used for country groups have been changed to ‘Other industrialized countries’ and ‘Emerging markets’ respectively.

8.5.3. Reconciliation of lending volume to the consolidated financial statements

Figure 18 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 scope of consolidation and differences in recognition and measurement methods.

Differences in the **scope of consolidation** result from the fact that, in internal credit risk management, only the entities in the Bank sector that contribute significantly to the overall risk of the sector are included.

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.

FIG. 18 – BANK SECTOR: RECONCILIATION OF THE LENDING VOLUME

€ billion

	Lending volume for internal management accounts		Reconciliation			
			Scope of consolidation		Carrying amount and measurement	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Traditional lending business	206.8	203.7	1.8	3.6	4.5	-2.3
Securities business	84.1	82.3	–	–	-16.7	-17.3
Derivatives business	9.8	9.1	–	–	-9.6	-8.8
Money market business	2.9	3.1	–	–	26.0	29.4
Total	303.7	298.2	1.8	3.6	4.3	0.9

1 New item resulting from retrospective adoption of IFRS 10.

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

Lending volume for the consolidated financial statements

Dec. 31, 2014		Dec. 31, 2013			Note
	64.0		**61.0**	**Loans and advances to banks**	
	64.1		61.2	of which: loans and advances to banks excluding money market placements	50
	-0.1		-0.2	of which: allowances for losses on loans and advances to banks	52
213.2	**119.7**	205.3	**118.9**	**Loans and advances to customers**	
	121.9		121.3	Loans and advances to customers excluding money market placements	51
	-2.2		-2.4	of which: allowances for losses on loans and advances to customers	52
	29.5		**25.0**	**Financial guarantee contracts and loan commitments**	**87**
	–		**0.4**	**Restatement of amount owing to IFRS changes**[1]	
	67.4		**65.0**	**Bonds and other securities**	
	12.2		10.8	of which: financial assets held for trading/bonds excluding money market placements	54
67.4		65.0			
	0.9		0.7	of which: financial assets held for trading/promissory notes, registered bonds, and loans and advances	54
	54.4		53.4	of which: investments/bonds excluding money market placements	55
	0.2		**0.3**	**Derivatives**	
	0.4		0.9	of which: derivatives used for hedging (positive fair values)	53
0.2	24.9	0.3	22.1	of which: financial assets held for trading/derivatives (positive fair values)	54
	-2.6		-2.4	of which: derivatives used for hedging (negative fair values)	65
	-22.4		-20.3	of which: financial liabilities held for trading/derivatives (negative fair values)	66
	28.9		**32.5**	**Money market placements**	
	15.2		13.0	of which: loans and advances to banks/money market placements	50
28.9	0.5	32.5	0.5	of which: loans and advances to customers/money market placements	51
	0.5		0.3	of which: financial assets held for trading/money market instruments	54
	12.3		18.3	of which: financial assets held for trading/money market placements	54
	0.3		0.4	of which: investments/money market instruments	55
309.7		303.1		**Total**	
	Balance as at Dec. 31, 2014	**6.1**	**2.0%**		
	Balance as at Dec. 31, 2013	4.9	1.6%		

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, securities provided or received as collateral are offset against the corresponding assets or liabilities for the purposes of the internal management accounts.

8.5.4. Change in lending volume

As at December 31, 2014, the total lending volume of the **Bank sector** increased by 2 percent to €303.7 billion (December 31, 2013: €298.2 billion).

There was an increase in the volume of **traditional lending business**, which had risen from €203.7 billion as at December 31, 2013 to €206.8 billion at the end of 2014. The credit quality breakdown within this type of business was unchanged year on year.

The lending volume in the **securities business** was up by 2 percent, from €82.3 billion as at December 31, 2013 to €84.1 billion as at December 31, 2014. This increase is largely due to a rise in the volume of public-sector bonds held by DZ BANK.

The lending volume in the **derivatives and money-market business** as at December 31, 2014 stood at €12.7 billion, which was virtually unchanged on the end of 2013.

At **DZ BANK**, the total lending volume had risen by 3 percent, from €156.0 billion as at December 31, 2013 to €160.6 billion as at December 31, 2014. The increase largely related to securities business (December 31, 2014: €43.8 billion; December 31, 2013: €41.2 billion) and traditional lending business (December 31, 2014: €105.5 billion; December 31, 2013: €104.4 billion).

8.5.5. Collateral called in

Given the efficiency of the workout process in the Bank sector, the role played by calling in collateral during the course of workout procedures for non-performing borrowers was as negligible in 2014 as in 2013. The collateral called in by the entities in the Bank sector amounted to €37 million as at December 31, 2014 (December 31, 2013: €53 million).

8.5.6. Sector structure of the credit portfolio

Figure 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, 2014, a significant proportion (38 percent) of the lending volume in the **Bank sector** continued to be concentrated in the financial sector (December 31, 2013: 39 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.

As at December 31, 2014, a significant proportion (57 percent) of **DZ BANK**'s lending volume continued to be concentrated in the financial sector (December 31, 2013: 59 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. Loans and advances to public-sector borrowers rose

FIG. 19 – BANK SECTOR: LENDING VOLUME, BY SECTOR

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Financial sector	73.3	73.9	34.5	34.6	8.6	9.0	116.3	117.5
Public sector	6.7	7.3	41.9	38.8	1.0	0.9	49.7	47.0
Corporates	80.0	77.4	2.6	3.3	2.2	1.7	84.8	82.4
Retail	42.6	41.4	3.9	4.0	–	–	46.5	45.4
Industry conglomerates	3.6	2.8	1.3	1.7	0.9	0.6	5.7	5.1
Other	0.6	0.8	–	–	–	–	0.6	0.8
Total	**206.8**	**203.7**	**84.1**	**82.3**	**12.7**	**12.2**	**303.7**	**298.2**

by €2.7 billion year on year due to an increase in the exposure, in particular to investment-grade counterparties in Germany.

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 cooperative banks. For this reason, the cooperative banks account for one of the largest receivables items in the DZ BANK Group's credit portfolio. DZ BANK also supports the cooperative banks in the provision of larger-scale funding to corporate customers.

The resulting syndicated business, DZ BANK, DG HYP and DVB's direct business with corporate customers in Germany and abroad, the retail real-estate business under the umbrella of BSH, and TeamBank's consumer finance business determine the sectoral breakdown of the remainder of the portfolio.

8.5.7. Geographical structure of the credit portfolio

Figure 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, 2014, 94 percent of the lending in the **Bank sector** (unchanged on December 31, 2013) and 95 percent of the total lending by **DZ BANK** (December 31, 2013: 94 percent) was concentrated in Germany and other industrialized countries.

8.5.8. 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 figure 21 for the **Bank sector** as at December 31, 2014 shows that the lending volume had decreased by €0.2 billion in the short-maturity band compared with December 31, 2013, which was largely attributable to maturities of securities held by DG HYP. The €4.7 billion decrease in lending volumes in the medium-maturity band stemmed mainly from the contractions in traditional lending business at DZ BANK and in the securities portfolios held by DG HYP. The €10.3 billion increase in lending volume in the longer-term maturity band primarily arose because of the larger volume of securities business at DZ BANK and the steady rise in customer lending at BSH.

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 disclosures largely relate to traditional lending business. The prior-year figures have been restated retrospectively to reflect adjustments for technical overdrafts at DZ BANK and DG HYP.

FIG. 20 – LENDING VOLUME, BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Germany	167.4	166.1	54.5	52.7	8.7	7.9	230.6	226.8
Other industrialized countries	26.6	24.5	26.2	26.4	3.4	3.5	56.2	54.4
Advanced economies	4.1	3.7	0.4	0.5	–	0.1	4.5	4.3
Emerging markets	8.7	9.3	0.8	0.8	0.2	0.3	9.7	10.3
Supranational institutions	–	–	2.2	1.9	0.3	0.6	2.6	2.4
Total	**206.8**	203.7	**84.1**	82.3	**12.7**	12.2	**303.7**	298.2

FIG. 21 – BANK SECTOR: LENDING VOLUME, BY RESIDUAL MATURITY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
≤ 1 year	47.5	47.5	14.9	15.6	7.6	7.1	70.0	70.2
> 1 year to ≤ 5 years	49.5	50.8	30.1	33.0	1.7	2.2	81.3	86.0
> 5 years	109.9	105.4	39.1	33.8	3.3	2.9	152.3	142.0
Total	206.8	203.7	84.1	82.3	12.7	12.2	303.7	298.2

FIG. 22 – BANK SECTOR: LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY SECTOR

	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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Financial sector	2	38	–	5	1	2	–	1	2	4	6	49
Public sector	–	107	–	–	1	1	–	–	–	–	1	109
Corporates	36	45	34	133	75	70	43	33	381	389	571	670
Retail	730	588	10	45	11	16	3	6	25	21	778	675
Industry conglomerates	1	–	–	1	–	–	–	–	–	–	1	1
Other	–	–	–	1	1	1	–	–	1	1	2	4
Total	770	778	45	185	88	89	47	40	410	415	1,360	1,508

FIG. 23 – BANK SECTOR: LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY COUNTRY GROUP

	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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Germany	761	735	39	76	77	80	16	30	141	127	1,033	1,048
Other industrialized countries	8	39	5	24	3	–	13	8	132	114	161	184
Advanced economies	1	2	–	–	–	4	9	–	58	83	69	89
Emerging markets	–	2	–	86	8	5	10	2	79	91	97	186
Supranational institutions	–	–	–	–	–	–	–	–	–	–	–	–
Total	770	778	45	185	88	89	47	40	410	415	1,360	1,508

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

FIG. 24 – BANK SECTOR: LENDING VOLUME, BY RATING CLASS

		Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion		Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Investment grade	1A	2.3	2.2	37.1	33.6	1.4	1.9	40.7	37.7
	1B	2.3	2.4	4.2	4.0	1.2	0.2	7.7	6.7
	1C	65.6	67.9	11.9	11.0	4.0	3.7	81.5	82.6
	1D	1.8	1.4	1.8	2.1	0.1	0.2	3.7	3.8
	1E	2.1	1.7	1.0	2.1	0.1	0.3	3.2	4.1
	2A	8.1	6.8	0.9	1.2	1.2	1.3	10.3	9.3
	2B	6.2	6.0	7.1	5.5	0.7	0.9	13.9	12.4
	2C	11.6	11.8	5.1	6.1	1.3	1.1	17.9	19.0
	2D	8.3	9.8	2.4	2.6	0.9	1.0	11.6	13.4
	2E	14.1	12.5	4.2	3.7	0.7	0.5	19.0	16.7
	3A	13.7	11.2	1.3	1.9	0.2	0.2	15.3	13.3
Non-investment grade	3B	15.4	16.4	1.1	0.8	0.1	0.1	16.6	17.2
	3C	11.2	11.5	1.6	2.0	0.1	0.1	12.9	13.6
	3D	8.8	8.0	1.0	1.0	0.1	0.1	9.8	9.1
	3E	8.6	7.2	0.7	0.8	0.1	–	9.4	8.1
	4A	2.1	2.2	0.1	0.1	–	–	2.2	2.3
	4B	1.7	2.2	0.2	0.1	–	–	1.9	2.3
	4C	5.4	5.1	0.2	0.3	–	–	5.6	5.4
	4D	5.4	4.3	–	0.1	–	–	5.5	4.4
	4E	4.2	4.9	0.2	0.4	0.1	0.1	4.5	5.4
Default		5.7	5.6	0.2	0.2	–	–	5.9	5.8
Not rated		2.5	2.5	1.9	2.8	0.4	0.3	4.8	5.7
Total		**206.8**	203.7	**84.1**	82.3	**12.7**	12.2	**303.7**	298.2

provisioning policy of the entities in the Bank sector, past-due loans only account for a relatively small proportion of the overall credit portfolio.

The contraction in the volume of loans in the **Bank sector** that were past due but not impaired was partly attributable to decreases in past-due loans in arrears by more than 5 days but less than 1 one month among corporate customers of DVB. The past-due loans in arrears by more than 3 months amounting to €410 million (December 31, 2013: €415 million) were predominantly loans secured by mortgages.

At DZ **BANK**, the volume of loans that were past due but not impaired fell from €174 million as at December 31, 2013 to €102 million as at December 31, 2014.

8.5.9. Rating structure of the credit portfolio

RATING STRUCTURE OF THE TOTAL LENDING VOLUME

Figure 24 shows the Bank sector's consolidated lending volume by rating class according to the credit rating master scale. 'Not rated' comprises counterparties for which a rating classification is not required.

In the **Bank sector** the proportion of the total lending volume accounted for by rating classes 1A to 3A (investment grade) was 74 percent as at December 31, 2014 (December 31, 2013: 73 percent). The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) was 22 percent as at December 31, 2014 (December 31, 2013: 23 percent). Defaults in rating classes 5A to 5E as at December 31, 2014 accounted for 2 percent of the Bank sector's total lending volume and thus remained at the low level of the previous year.

Rating classes 1A to 3A (investment grade) also dominated lending at **DZ BANK** where they accounted for 89 percent of the total lending volume (December 31, 2013: 88 percent). The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) remained unchanged at 9 percent between December 31, 2013 and December 31, 2014. Defaults (rating classes 5A to 5E) accounted for less than 2 percent of the total lending volume as at December 31, 2014, which was again largely unchanged year on year.

SINGLE BORROWER CONCENTRATIONS

As at December 31, 2014, the ten counterparties associated with the largest lending volumes accounted for 9 percent of total lending in the **Bank sector** and 11 percent of **DZ BANK**'s total lending exposure – as they had at December 31, 2013.

These counterparties largely comprised 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 25 and 26 show the lending volume that is neither past due nor impaired, i.e. the investment-grade proportion of the total credit portfolio.

In the **Bank sector** the proportion of the total lending volume represented by this portfolio as at December 31, 2014 was 99 percent, unchanged on December 31, 2013.

The situation was similar in **DZ BANK**, where the proportion of the total lending volume with an investment-grade rating was 99 percent as at December 31, 2014 (December 31, 2013: 98 percent).

As in previous years, the large proportion of investment-grade business is attributable to the risk-conscious lending policy pursued by the entities in the Bank sector.

FIG. 25 – BANK SECTOR: LENDING VOLUME NEITHER PAST DUE NOR IMPAIRED, BY SECTOR

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Financial sector	116.3	117.5	113.6	114.9
Public sector	49.7	47.0	48.7	45.8
Corporates	84.8	82.4	83.8	81.3
Retail	46.5	45.4	45.1	44.0
Industry conglomerates	5.7	5.1	5.7	5.1
Other	0.6	0.8	0.6	0.8
Total	**303.7**	**298.2**	**297.6**	**291.9**

FIG. 26 – BANK SECTOR: LENDING VOLUME NEITHER PAST DUE NOR IMPAIRED, BY COUNTRY GROUP

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Germany	230.6	226.8	226.9	223.2
Other industrialized countries	56.2	54.4	55.1	53.1
Advanced economies	4.6	4.3	4.1	3.8
Emerging markets	9.7	10.3	9.0	9.4
Supranational institutions	2.6	2.4	2.6	2.4
Total	**303.7**	**298.2**	**297.6**	**291.9**

8.5.10. Collateralized lending volume

Figure 27 shows the breakdown of the collateralized lending volume at overall portfolio level 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.

As at December 31, 2014, the collateralized lending volume in the **Bank sector** had risen to €88.9 billion

FIG. 27 – BANK SECTOR: COLLATERALIZED LENDING VOLUME, BY TYPE OF COLLATERAL

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
Guarantees, indemnities, risk subparticipation	13.0	14.0	–	–	0.4	0.3	13.3	14.2
Credit insurance	1.9	1.5	–	–	–	–	1.9	1.5
Land charges, mortgages, ship mortgages	65.6	61.9	–	–	0.1	0.1	65.6	61.9
Pledged loans and advances, assignments, other pledged assets	5.2	5.0	–	–	–	–	5.2	5.0
Financial collateral	1.3	1.0	–	–	0.4	0.1	1.6	1.1
Other collateral	1.3	1.4	–	–	–	–	1.3	1.4
Collateralized lending volume	**88.1**	**84.7**		–	**0.8**	**0.5**	**88.9**	**85.2**
Gross lending volume	206.8	203.7	84.1	82.3	12.7	12.2	303.7	298.2
Uncollateralized lending volume	**118.8**	**119.0**	**84.1**	**82.3**	**11.9**	**11.8**	**214.8**	**213.0**
Collateralization rate	**42.6%**	**41.6%**	**–**	–	**6.4%**	**3.8%**	**29.3%**	**28.6%**

from €85.2 billion as at December 31, 2013. The collateralization rate remained unchanged at 29 percent.

The largest proportion of the collateralized lending volume (74 percent as at December 31, 2014) in the Bank sector's **traditional lending business** continued to be 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.

In **securities business**, there is generally no further collateralization to supplement the hedging activities already taken into account. Equally, in the **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.

At €7.2 billion, **DZ BANK**'s collateralized lending volume at December 31, 2014 was up year on year (December 31, 2013: €6.3 billion). The collateralization rate of 4 percent at the reporting date was the same as it had been a year earlier.

In terms of traditional collateral, **securities transactions** are generally conducted on an unsecured basis. A low level of personal collateral (guarantees and indemnity agreements) and financial collateral is used to mitigate risk in **derivatives and money market business**.

8.6. PORTFOLIOS WITH INCREASED RISK CONTENT

The following disclosures relating to exposures in subportfolios also form part of the above analyses of the entire credit portfolio. However, these subportfolios have been analyzed separately because of their significance for the risk position.

8.6.1. Eurozone periphery countries and other global trouble spots

CHANGE IN LENDING VOLUME

As at December 31, 2014, loans and advances to borrowers in the countries directly affected by the **European sovereign debt crisis** attributable to the **Bank sector** and to **DZ BANK** amounted to €11,609 million (December 31, 2013: €11,486 million) and €3,316 million (December 31, 2013: €3,096 million) respectively. The rise was mainly attributable to higher fair values for Italian borrowers and the increase in money market transactions with one counterparty.

In 2014, negative political and macroeconomic developments resulted in a deterioration in the credit quality of **Russia** and **Hungary**. The lending exposures of the **Bank sector** and of **DZ BANK** to Russian and Hungarian counterparties were reduced from €1,384 million and €1,151 million respectively as at December 31, 2013 to €1,017 million and €852 million respectively as at December 31, 2014.

Figures 28 and 29 show the borrower structures in the Bank sector by credit-risk-bearing instrument.

8.6.2. Shipping finance

BACKGROUND

The entities in the Bank sector largely engage in shipping finance via the group's DVB subsidiary. 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 ship to generate earnings. To reduce risk, the finance must normally be secured by a first mortgage on the vessel and the assignment of insurance claims and proceeds. 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 **Bank sector**, 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 Bank sector.

CHANGE IN LENDING VOLUME

As at December 31, 2014, the Bank sector's shipping finance portfolio had a value of €11,124 million (December 31, 2013: €10,119 million). Figure 30 shows the portfolio structure by country group and credit-risk-bearing instrument.

As at December 31, 2014, **DVB**'s shipping finance portfolio comprised finance provided for 1,208 vessels and 0.6 million containers (December 31, 2013: 1,220 vessels and 1.4 million containers). The average exposure as at December 31, 2014 was €36 million (December 31, 2013: €31 million) and the largest single exposure was €213 million (December 31, 2013: €193 million).

DVB's total exposure as at December 31, 2014 amounted to €10,122 million compared with €9,203 million as at December 31, 2013. The increase was attributable to exchange rate fluctuations (appreciation of the US dollar). The shipping finance portfolio was broadly diversified in terms of geographical region, type of vessel, borrower, charterer, and shipping activity. The largest proportion of the volume lent was attributable to the financing of tankers. As at December 31, 2014, this proportion had fallen by 1 percentage point to 43 percent of DVB's total

FIG. 28 – BANK SECTOR: LOANS AND ADVANCES TO BORROWERS IN EUROZONE PERIPHERY COUNTRIES

€ million	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Portugal	**123**	129	**806**	883	**1**	3	**930**	1,015
of which: public sector	–	–	664	678	–	–	664	678
of which: non-public sector	123	129	142	205	1	3	266	337
of which: financial sector	–	–	23	96	1	3	24	99
Italy	**215**	246	**3,465**	3,110	**20**	54	**3,700**	3,410
of which: public sector	–	–	2,787	2,331	–	–	2,787	2,331
of which: non-public sector	215	246	678	779	20	54	913	1,079
of which: financial sector	36	36	275	426	17	49	327	512
Ireland	**897**	861	**201**	222	**294**	81	**1,392**	1,163
of which: public sector	–	–	–	–	–	–	–	–
of which: non-public sector	897	861	201	222	294	81	1,392	1,163
of which: financial sector	5	–	172	172	294	80	471	253
Greece	**156**	139	**4**	40	**–**	–	**160**	179
of which: public sector	–	–	–	–	–	–	–	–
of which: non-public sector	156	139	4	40	–	–	160	179
of which: financial sector	–	–	1	2	–	–	1	2
Spain	**372**	439	**5,042**	5,227	**12**	53	**5,426**	5,719
of which: public sector	43	53	2,427	2,537	–	–	2,470	2,590
of which: non-public sector	329	386	2,616	2,689	12	53	2,956	3,129
of which: financial sector	26	62	1,553	1,515	11	53	1,590	1,630
Total	**1,763**	1,814	**9,518**	9,481	**327**	191	**11,609**	11,486
of which: public sector	43	53	5,878	5,546	–	–	5,921	5,599
of which: non-public sector	1,720	1,761	3,640	3,936	327	191	5,687	5,888
of which: financial sector	67	99	2,024	2,212	323	185	2,414	2,496

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments.

FIG. 29 – BANK SECTOR: LOANS AND ADVANCES TO BORROWERS IN OTHER GLOBAL TROUBLE SPOTS

€ million	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Russia	**737**	905	**24**	16	**3**	5	**764**	927
of which: public sector	–	–	16	16	–	–	16	16
of which: non-public sector	737	905	8	–	3	5	748	911
of which: financial sector	215	219	–	–	3	5	218	224
Hungary	**184**	379	**42**	48	**27**	30	**253**	457
of which: public sector	–	–	42	48	–	–	42	48
of which: non-public sector	184	379	–	–	27	30	211	409
of which: financial sector	67	85	–	–	5	10	72	95
Total	**921**	1,284	**66**	64	**30**	35	**1,017**	1,384
of which: public sector	–	–	58	64	–	–	58	64
of which: non-public sector	921	1,284	8	–	30	35	959	1,320
of which: financial sector	282	304	–	–	8	15	290	320

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments.

FIG. 30 – BANK SECTOR: SHIPPING FINANCE LENDING VOLUME, BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives business		Total	
€ million	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Germany	1,594	1,309	–	–	34	20	1,628	1,328
Other industrialized countries	5,741	5,063	–	–	23	27	5,764	5,091
Advanced economies	2,191	1,920	–	–	2	3	2,193	1,923
Emerging markets	1,512	1,677	20	90	8	10	1,539	1,777
Total	11,037	9,969	20	90	66	60	11,124	10,119

volume of shipping finance. The decrease related to the product tanker, chemicals tanker, and gas tanker segments of the shipping market, while the proportion of the portfolio attributable to oil tankers as at December 31, 2014 remained at 13 percent, unchanged on 2013. The portfolio was almost fully collateralized in compliance with DVB strategy.

DZ BANK's shipping finance exposures amounted to €1,002 million as at December 31, 2014 (December 31, 2013: €916 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. As in 2013, DZ BANK's shipping finance portfolio in 2014 was mainly concentrated in Germany but broadly diversified by type of vessel, borrower, charterer, and shipping activity.

8.6.3. Leveraged finance

A small volume of lending in connection with mergers and acquisitions is carried out in the Bank sector where it is undertaken exclusively by **DZ BANK**. If the structure of these loans involves above-average leverage, there is a higher level of 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.

DZ BANK distinguishes between the following types of transaction:

- leveraged buyouts by financial sponsors
- recapitalization and refinancing of acquisitions
- management buyouts and management buyins.

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 €1,993 million as at December 31, 2014 (December 31, 2013: €1,216 million). Of this total, loans amounting to €935 million (December 31, 2013: €968 million) had already been drawn down and undrawn loan commitments came to €1,058 million (December 31, 2013: €248 million).

The leveraged finance portfolio was hedged by credit derivatives and guarantees in the amount of €4 million as at the balance sheet date (December 31, 2013: €5 million).

As at December 31, 2014, 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 2013.

8.6.4. Securitizations

CHANGES IN THE SECURITIZATION PORTFOLIO

The changes in the Bank sector's securitization portfolio in 2014 were largely in line with expectations, whether in terms of redemptions, rating migrations, or the performance of the portfolio. DZ BANK made use of the continuing benign market environment to focus on disposals with the objective of optimizing capital.

The **fair value** of the **Bank sector**'s securitization exposure as at December 31, 2014 amounted to €8,349 million compared with €8,479 million as at December 31, 2013. This equates to a further reduction of 2 percent following the reduction of 21 percent achieved in 2013.

A similar trend was evident at **DZ BANK**, with the fair value of its securitization exposure as at December 31, 2014 having risen to €6, 412 million from €6,277 million as at December 31, 2013. This was an increase of 2 percent compared with a fall of 21 percent in 2013.

The fall in the fair value of the portfolios was largely the result of redemptions and disposals and it was offset by increases in fair value due to recovering prices, exchange rate fluctuations and new business using ABCP conduits.

ORIGIN OF RECEIVABLES

As at December 31, 2014, 62 percent (December 31, 2013: 61 percent) of the receivables in the **Bank sector**'s reference portfolios originated from European countries, in particular Germany, the United Kingdom, Spain, and the Netherlands. A further 35 percent of the underlying borrowers were domiciled in the United States as at the reporting date (December 31, 2013: 34 percent).

As at December 31, 2014, 53 percent (December 31, 2013: 50 percent) of the receivables in **DZ BANK's** reference portfolios originated from European countries, in particular Germany, the Netherlands, the UK and Spain. A further 43 percent of borrowers were domiciled in the US, as had also been the case as at December 31, 2013.

SECURITIZATION EXPOSURE REPORTED ON THE BALANCE SHEET

The credit rating awarded to each securitization was based on the lowest available rating issued by the rating agencies Standard & Poor's, Moody's, and Fitch.

As at December 31, 2014, 27 percent (December 31, 2013: 26 percent) of the **Bank sector**'s securitization exposure on the balance sheet consisted of AAA tranches as rated by external credit agencies, while 85 percent (December 31, 2013: 81 percent) of this exposure was rated as investment grade (BBB- or higher).

As at December 31, 2014, 41 percent (December 31, 2013: 39 percent) of **DZ BANK**'s securitization exposure on the balance sheet consisted of AAA tranches, while 90 percent (December 31, 2013: 86 percent) of this exposure was rated as investment grade (BBB- or higher).

SECURITIZATION EXPOSURE NOT REPORTED ON THE BALANCE SHEET

Only **DZ BANK** had **exposures to special-purpose entities**, which amounted to €3,473 million at the end of 2014 (December 31, 2013: €2,687 million). Of this amount, 68 percent (December 31, 2013: 71 percent) related to undrawn liquidity lines for conduits. As at December 31, 2014, 87 percent (December 31, 2013: 81 percent) of securitization exposure to special-purpose entities was in external rating class A or higher.

Securitization exposure rated as AAA or AA accounted for 20 percent of the total exposure to SPEs as at December 31, 2014 (December 31, 2013: 19 percent). Rating classes BBB+ to B- made up 13 percent (December 31, 2013: 19 percent) of the total exposure to SPEs as at December 31, 2014.

CDOS, SUBPRIME PORTFOLIO AND MONOLINERS

In the **Bank sector,** the securitization exposures in the **collateralized debt obligation** (CDO) product class amounted to €248 million as at December 31, 2014

(December 31, 2013: €548 million) and at **DZ BANK** they amounted to €180 million (December 31, 2013: €444 million).

The volume in the **subprime portfolio** at the level of both the **Bank sector** and **DZ BANK** was down as at December 31, 2014, amounting to €344 million and €313 million respectively, compared with €423 million and €343 million respectively at the end of the previous year.

As at December 31, 2014, the volume of assets insured by **monoliners** in both the Bank sector and at **DZ BANK** remained negligible and therefore unchanged year on year.

CHANGES IN FAIR VALUE

In the **Bank sector** and at **DZ BANK**, there were overall increases in fair value of €274 million and €76 million respectively as at December 31, 2014, largely attributable to the recovery in prices. In 2013, the increases in fair value had been €330 million in the Bank sector and €120 million at DZ BANK.

Figure 31 shows a summary of the changes in the composition and fair value of the Bank sector's securitization portfolio.

8.7. NON-PERFORMING LENDING VOLUME

8.7.1. Volume of forborne and renegotiated loans

As at December 31, 2014, the total volume of forborne and renegotiated loans in the Bank sector was €3,902 million. Of this amount, €1,004 million was attributable to the performing exposure in the **Bank sector**, €174 million to **DZ BANK's** performing exposure and €473 million to **DVB's** performing exposure. The **non-performing exposure** amounted to €2,898 million in the Bank sector, €1,346 million at DZ BANK and €977 million at DVB. This information is taken from regulatory reporting (FinRep financial reporting framework). Because these reporting requirements came into effect for the first time in 2014, comparative prior-year figures are not available. FinRep figures are not used for internal management.

In 2014, the bulk of the forborne and renegotiated lending volume related to DZ BANK and DVB.

The forborne exposure of **DZ BANK** as at December 31, 2014 related almost exclusively to non-financial limited companies, largely German borrowers. DZ BANK does not usually make concessions in the form of modifications to existing agreements or customized refinancing until the restructuring phase.

FIG. 31 – BANK SECTOR: CHANGES IN THE COMPOSITION AND VALUE OF THE SECURITIZATION PORTFOLIO

€ million	Fair value as at Jan. 1, 2014 before changes in composition and value	Changes in composition due to purchases, sales, redemptions, and exchange-rate fluctuations	Changes in value[1]	Fair value as at Dec. 31, 2014 after changes in composition and value
Receivables from retail loans	3,967	-387	260	3,840
of which: RMBSs	3,704	-473	258	3,489
of which: assets classified as subprime	423	-103	24	344
Receivables from corporate loans	522	-190	-1	331
Receivables from CMBSs[2]	754	-312	15	457
Receivables from CDOs	548	-301	1	248
Total exposure reported on the balance sheet	5,792	-1,190	274	4,876
Exposures to special-purpose entities[3]	2,687	786	–	3,473
Total	8,479	-404	274	8,349

1 The changes in value reported here relate to fair value. By contrast, section 8.8.2. shows changes in carrying amounts resulting from impairment losses, so the two sets of figures presented are not directly comparable with each other.
2 CMBSs = commercial mortgage-backed securities.
3 Including reported receivables from special-purpose entities, especially ABCP conduits, and liquidity facilities provided for ABCP conduits.

Consequently the lion's share of its forborne and renegotiated lending volume was classified as non-performing exposure.

The persistently challenging economic climate, changes in the volume of global trade, and 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 **DVB** having to forego and renegotiate a number of loans in the reporting year.

8.7.2. Impaired lending volume

Figures 32 and 33 show the impaired lending volume. The disclosures largely relate to traditional lending business.

As at December 31, 2014, the **Bank sector**'s lending volume after loan loss allowances stood at €2,755 million (December 31, 2013: €2,792 million), a decline that was mainly attributable to a lower level of impairment losses at DZ BANK.

At **DZ BANK** the impaired lending volume fell from €1,246 million as at December 31, 2013 to €974 million as at December 31, 2014. This decrease was almost entirely the result of a fall in the impaired lending volume in the financial sector.

8.7.3. Volume of non-performing loans

Because the volume of non-performing loans reported for the **Bank sector** rose from €5.8 billion to €5.9 billion during 2014, while the total lending volume increased from €298.2 billion to €303.7 billion, the NPL ratio remained unchanged at 1.9 percent.

At **DZ BANK**, there was a fall in the volume of impaired loans, which declined from €3.0 billion as at

FIG. 32 – BANK SECTOR: IMPAIRED LENDING VOLUME AND COLLATERAL, BY SECTOR

	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances		Collateral	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Financial sector	217	590	121	245	96	345	69	79
Public sector	–	–	–	–	–	–	–	–
Corporates	3,238	3,129	1,236	1,219	2,002	1,910	1,141	697
Retail	1,146	1,024	490	490	656	534	595	770
Industry conglomerates	–	–	–	–	–	–	–	–
Other	61	59	61	56	–	3	–	5
Total	**4,663**	4,802	**1,908**	2,010	**2,755**	2,792	**1,805**	1,551

FIG. 33 – BANK SECTOR: IMPAIRED LENDING VOLUME AND COLLATERAL, BY COUNTRY GROUP

	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances		Collateral	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Germany	2,698	2,518	1,298	1,242	1,400	1,276	969	859
Other industrialized countries	934	1,107	258	270	676	837	324	390
Advanced economies	401	435	119	151	282	284	180	188
Emerging markets	631	742	233	347	398	395	332	114
Supranational institutions	–	–	–	–	–	–	–	–
Total	**4,663**	4,802	**1,908**	2,010	**2,755**	2,792	**1,805**	1,551

December 31, 2013 to €2.6 billion as at the 2014 balance sheet date. As a result of this decrease, and because the total lending volume had increased from €156.0 billion to €160.6 billion, there was also a year-on-year fall in the NPL ratio, which stood at 1.6 percent.

Figure 34 shows key figures relating to the volume of non-performing loans.

FIG. 34 – BANK SECTOR: KEY FIGURES FOR THE VOLUME OF NON-PERFORMING LOANS

	Bank sector		DZ BANK	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Total lending volume	303.7	298.2	160.6	156.0
Volume of non-performing loans	5.9	5.8	2.6	3.0
Balance of allowances for losses on loans and advances	2.4	2.5	1.1	1.4
Loan loss allowance ratio	0.8%	0.9%	0.7%	0.9%
Risk cover ratio	40.7%	43.7%	41.3%	45.6%
NPL ratio	1.9%	1.9%	1.6%	1.9%

8.8. ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

8.8.1. Allowances for losses on loans and advances in the total portfolio

Figures 35 and 36 show the change in the volume of 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 2014 and 2013 for the entire credit portfolio of the entities in the Bank sector. Provisions for loan commitments are a component of the 'Provisions' line item on the balance sheet. Liabilities from financial guarantee contracts are reported as other liabilities on the balance sheet. The components of the allowances for losses on loans and advances shown in figure 35 are also disclosed in the notes to the consolidated financial statements (note 52).

Over the course of 2014, there was a decline in the **volume of specific loan loss allowances,** which fell by €102 million in the **Bank sector** and by €48 million at **DZ BANK**, compared with increases of €33 million (Bank sector) and €10 million (DZ BANK) in 2013.

A reduction in **portfolio loan loss allowances** was also reported in 2014, with a fall of €50 million in the **Bank sector** (December 31, 2013: fall of €2 million) and of €42 million at **DZ BANK** (December 31, 2013: increase of €38 million).

By contrast, the volume of **provisions for loan commitments and liabilities under financial guarantee contracts** increased in 2014. This applied to both the **Bank sector** (increase of €21 million; December 31, 2013: increase of €1 million) and **DZ BANK** (increase of €14 million; December 31, 2013: increase of €3 million).

This generally positive trend in allowances for losses on loans and advances shows that efforts to aid the recovery of non-performing loans continues to be successful and reflects the stability of the credit portfolio and the sustainable, rigorous risk policy adopted by the entities in the Bank sector, including DZ BANK.

8.8.2. Allowances for losses on loans and advances in portfolios with increased risk content

The small increase in specific loan loss recognized in 2014 for the Bank sector's exposure to **eurozone periphery countries** was due to various minor factors. The loans and advances in question are fully collateralized. DG HYP made the largest contribution to the net reversal of portfolio loan loss allowances.

The net addition to portfolio loan loss allowances for the **other global crisis portfolios** (Russia and Hungary) largely relate to DZ BANK. The specific loan loss allowances, provisions for loan commitments and liabilities from financial guarantee contracts for the Bank sector's **shipping finance portfolios** were increased in 2014. These changes essentially related to DVB, but the specific loan loss allowances for DZ BANK's shipping finance transactions were also increased. The reasons for the increase were weaker charter rates in the major shipping segments and further restrictions on financial opportunities for

FIG. 35 – BANK SECTOR: ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES IN THE TOTAL PORTFOLIO

	Specific loan loss allowances[1]		Portfolio loan loss allowances		Total loan loss allowances		Provisions for loan commitments and liabilities under financial guarantee contracts	
€ million	2014	2013	2014	2013	2014	2013	2014	2013
Balance as at Jan. 1	2,010	1,977	530	532	2,540	2,509	146	145
Additions	791	940	170	176	961	1,116	51	52
Utilizations	-372	-406	–	–	-372	-406	–	–
Reversals	-524	-443	-217	-155	-741	-598	-39	-53
Interest income	-33	-31	–	–	-33	-31	2	2
Other changes	36	-27	-3	-23	33	-50	7	–
Balance as at Dec. 31	1,908	2,010	480	530	2,388	2,540	167	146
Directly recognized impairment losses	82	102	–	–	82	102		
Receipts from loans and advances previously impaired	-138	-75	–	–	-138	-75		

1 Including specific loan loss allowances evaluated on a group basis.

FIG. 36 – BANK SECTOR: ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES IN DZ BANK'S TOTAL PORTFOLIO

	Specific loan loss allowances[1]		Portfolio loan loss allowances		Total loan loss allowances		Provisions for loan commitments and liabilities under financial guarantee contracts	
€ million	2014	2013	2014	2013	2014	2013	2014	2013
Balance as at Jan. 1	1,006	996	171	133	1,177	1,129	143	140
Additions	428	427	2	46	430	473	45	48
Utilizations	-152	-223	–	–	-152	-223	–	–
Reversals	-320	-238	-44	-9	-364	-247	-38	-49
Interest income	-20	-18	–	–	-20	-18	2	2
Other changes	16	62	–	1	16	63	5	2
Balance as at Dec. 31	958	1,006	129	171	1,087	1,177	157	143
Directly recognized impairment losses	1	29	–	–	1	29		
Receipts from loans and advances previously impaired	-99	-41	–	–	-99	-41		

1 Including specific loan loss allowances evaluated on a group basis.

initiators to support single ship companies. The increase in specific loan loss allowances was offset by a reduction in the volume of portfolio loan loss allowances at DZ BANK.

The volume of specific loan loss allowances for the credit exposure in DZ BANK's **leveraged finance portfolio** declined in 2014. As in 2013, this decrease largely resulted from disposals to reduce exposure.

The year-on-year decrease in the volume of specific loan loss allowances for **securitizations** in the Bank sector and at DZ BANK was also mainly attributable to disposals. The reduction in the volume of portfolio

FIG. 37 – BANK SECTOR: ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES FOR PORTFOLIOS WITH INCREASED RISK CONTENT

	Specific loan loss allowances[1]		Portfolio loan loss allowances		Total loan loss allowances		Provisions for loan commitments and liabilities under financial guarantee contracts	
€ million	2014	2013	2014	2013	2014	2013	2014	2013
Eurozone periphery countries								
Balance as at Jan. 1	31	37	38	36	69	73	1	1
Balance as at Dec. 31	36	31	22	38	58	69	1	1
Other global trouble spots								
Balance as at Jan. 1	–	–	4	2	4	2	1	–
Balance as at Dec. 31	–	–	7	4	7	4	–	1
Shipping finance								
Balance as at Jan. 1	280	166	63	50	343	215	4	2
Balance as at Dec. 31	349	280	39	63	388	343	4	4
Leveraged finance								
Balance as at Jan. 1	24	30	4	13	28	43	–	1
Balance as at Dec. 31	19	24	6	4	25	28	–	–
Securitizations								
Balance as at Jan. 1	341	581	53	103	394	683		
Balance as at Dec. 31	181	341	46	53	227	394		

1 Including specific loan loss allowances evaluated on a group basis.

loan loss allowances in the Bank sector stemmed largely from sales and repayments and, at DZ BANK from credit rating upgrades. The loan loss allowances reported here relate to carrying amounts. In accordance with IFRS, both specific loan loss allowances (impairments) and portfolio loan loss allowances are only specified for certain holding categories.

Changes in fair value are shown in section 8.6.4., so the figures presented are not directly comparable with each other.

Changes in the individual components of the allowances for losses on loans and advances for portfolios with increased risk content for 2014 and 2013 are shown in figure 37 (Bank sector) and in figure 38 (DZ BANK).

8.9. 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, 2014, the **Bank sector**'s risk capital requirement amounted to €3,065 million (December 31, 2013: €2,914 million), with an upper loss limit of €3,942 million (December 31, 2013: €3,710 million). R+V has been eliminated from the original prior-year figures for the DZ BANK Group (risk capital requirement of €3,036 million; upper loss limit of €3,845 million) owing to the switch to the sectoral approach.

As at December 31, 2014, the risk capital requirement for **DZ BANK** was calculated at €932 million (December 31, 2013: €934 million), with an upper loss limit of €1,237 million (December 31, 2013: €1,237 million). The risk capital requirements for the Bank sector and for DZ BANK were within the applicable upper loss limits at all times during the course of 2014.

Figure 39 shows the credit value-at-risk together with the average probability of default and expected loss.

FIG. 38 – BANK SECTOR: ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES FOR PORTFOLIOS WITH INCREASED RISK CONTENT, DZ BANK

	Specific loan loss allowances[1]		Portfolio loan loss allowances		Total loan loss allowances		Provisions for loan commitments and liabilities under financial guarantee contracts	
€ million	2014	2013	2014	2013	2014	2013	2014	2013
Eurozone periphery countries								
Balance as at Jan. 1	6	6	7	4	13	10	1	1
Balance as at Dec. 31	5	6	2	7	7	13	1	1
Other global trouble spots								
Balance as at Jan. 1	–	–	3	2	3	2	1	–
Balance as at Dec. 31	–	–	7	3	7	3	–	1
Shipping finance								
Balance as at Jan. 1	178	108	34	23	212	131	4	2
Balance as at Dec. 31	247	178	19	34	266	212	4	4
Leveraged finance								
Balance as at Jan. 1	24	30	4	13	28	43	–	1
Balance as at Dec. 31	19	24	6	4	25	28	–	–
Securitizations								
Balance as at Jan. 1	130	284	14	37	144	321		
Balance as at Dec. 31	63	130	9	14	72	144		

1 Including specific loan loss allowances evaluated on a group basis.

FIG. 39 – BANK SECTOR: FACTORS DETERMINING THE CREDIT VALUE-AT-RISK

	Average probability of default				Expected loss (€ million)				Risk capital requirement (€ million)			
	Bank sector		DZ BANK		Bank sector		DZ BANK		Bank sector		DZ BANK	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Traditional credit risk	0.7%	0.7%	0.2%	0.2%	401	401	98	98	1,587	1,718	521	617
Issuer risk	0.4%	0.4%	0.3%	0.4%	99	115	39	59	1,228	1,038	247	240
Replacement risk	0.1%	0.1%	0.1%	0.1%	10	10	8	8	242	185	164	78
Total					510	526	144	165	3,056	2,941	932	934
Average	0.5%	0.6%	0.2%	0.3%								

The risk capital required in the **Bank sector** and at **DZ BANK** for credit portfolios exposed to increased credit risk is shown in figure 40.

The year-on-year increase of 32 percent in the risk capital requirement for exposures held by entities in the Bank sector to **European periphery countries** related to an increase in the volume lent to these countries and was also attributable to higher fair values at DG HYP. The risk capital requirement for **shipping finance** stemmed primarily from DVB where the scheduled restatement of collateral values resulted in DVB

FIG. 40 – BANK SECTOR: CREDIT VALUE-AT-RISK FOR CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

	Bank sector		DZ BANK	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Eurozone periphery countries	741	559	58	40
Other global trouble spots	4	4	3	3
Shipping finance	106	197	21	20
Securitizations	34	41	20	24
NPL ratio	11	10	11	10

requiring 46 percent less capital. The risk capital required by DZ BANK and DG HYP for **securitization exposure** had fallen by 17 percent year on year. The slight increase in the risk capital requirement for DZ BANK's **leveraged finance portfolio** followed the same upward trend as the lending volume in this portfolio.

8.10. SUMMARY AND OUTLOOK

In 2014, all internal rating systems approved by the banking regulators for solvency reporting were validated in detail. In 2015, DZ BANK is planning to introduce a rating system for insurance companies and also to roll out the revised rating system for project finance.

DZ BANK intends to initiate further measures in 2015 as part of its continuous optimization of the internal **credit risk measurement** system. These measures will include the creation of the conceptual and technical conditions required for the gradual introduction of a portfolio-based approach to the measurement of replacement risk in the bulk of the derivatives portfolio, the incorporation of exchange-traded futures contracts traded on behalf of customers into the measurement of replacement risk for trading transactions, and a more granular measurement of country risk concentrations.

In the current year, the entities in the Bank sector will continue to implement the **risk-strategy approach** to lending that they have already initiated. At DZ BANK this will involve further stepping up structured business with the cooperative financial network and selected customers. The Bank sector also plans to significantly increase its market share in business with small and medium-sized enterprises (SMEs) and strengthen its positioning in this segment in Germany, especially in the medium-sized company subsegment.

Given the predictions for economic growth and the expected impact of events in Russia and lower oil prices, the **specific loan loss allowances** recognized for 2015 at Bank sector level and DZ BANK level are likely to be higher than they were in 2014, but will remain within anticipated levels.

9. EQUITY INVESTMENT RISK

9.1. DEFINITION AND CAUSES

Equity investment risk is the risk of losses arising from negative changes in the fair value of the portion of the long-term equity investments portfolio for which the risks are not included in other types of risk.

In the Bank sector of the DZ BANK Group, equity investment risk arises primarily at DZ BANK, BSH and DVB.

The long-term equity 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 entities of the Bank sector 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.

9.2. RISK STRATEGY AND RESPONSIBILITY

Risk strategy requirements must be observed in the management of long-term equity investments. Such management is subject to the principle that equity investment risk (measured as risk capital requirement) may only be taken on 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 **long-term equity investments** are made by the Board of

Managing Directors of the entities in the Bank sector in consultation with the relevant committees.

At DZ BANK, the Group 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.

The **monitoring and measurement** of equity investment 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 long-term equity 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 investment risk is measured as value-at-risk with a holding period of 1 year on the basis of a variance-covariance approach. Risk drivers are the market values of the long-term equity 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 investment 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 of long-term equity investments 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 **carrying amounts of long-term equity investments in the Bank sector** relevant for the measurement of equity investment risk amounted to €3,270 million as at December 31, 2014 (December 31, 2013: €3,171 million). Owing to the switch to the sectoral approach, R+V has been eliminated from the prior-year figure of €3,406 million that was originally applicable to the DZ BANK Group. The relevant risks arising on the long-term equity investments of R+V are now included in the market risk module of Solvency II (equity sub-module).

As at December 31, 2014, the **carrying amount of the long-term equity investments of DZ BANK** was €1,408 million (December 31, 2013: €1,773).

As at December 31, 2014, the **economic capital requirement** for equity investment risk in the **Bank sector** was measured at €788 million, a minor increase on the corresponding figure of €750 million as at December 31, 2013. The upper loss limit as at December 31, 2014 was €974 million (December 31, 2013: €1,115 million). R+V has been eliminated from the original prior-year figures for the DZ BANK Group (risk capital requirement of €783 million; upper loss limit of €1,225 million) owing to the switch to the sectoral approach.

As at December 31, 2014, the **economic capital requirement** for equity investment risk at **DZ BANK** amounted to €379 million (December 31, 2013: €407 million) compared with an upper loss limit of €490 million (December 31, 2013: 520 million).

The upper loss limits for the entities in the Bank sector, including DZ BANK, were not exceeded at any time during 2014.

10. MARKET RISK

10.1. DEFINITION AND CAUSES

Market risk in the Bank sector 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 including migration risk, equity risk, fund price risk, currency risk, commodity risk and asset-management risk. These risks are caused by changes in the yield curve, credit spreads, exchange rates, share prices, and commodity prices.

Market risks arise 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 companies in the group. Spread risk is the most significant type of market risk for the Bank sector.

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 of 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 to DZ BANK and its subsidiaries in the Bank sector:

– 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 are observed.

Within the Bank sector, trading business is conducted primarily by DZ BANK.

For regulatory purposes, **DZ BANK** is classed as a trading book institution. It 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.

Unmatched market-risk positions, primarily involving spread risk, arise in connection with customer business and from holding securities portfolios for trading on behalf of customers. 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.

As an institution with a banking book for regulatory purposes, **BSH** is exposed to market risks, primarily in the form of interest-rate risk, spread risk and migration 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 surplus home savings deposits in securities.

For regulatory purposes, **DG HYP** is also classed as a non-trading book institution. 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.

For regulatory purposes, **DVB** has the characteristics of a trading book institution, although its trading positions are minimal. Given its business model, it is particularly exposed to interest-rate risk and currency risk, as well as a small degree of equity risk. These forms of market risk primarily arise from customer business and funding activities. DVB is also exposed to a low level of spread risk that mainly results from holding securities for the purpose of liquidity management. DVB does not trade on its own account to generate profits from temporary fluctuations in prices and exchange rates.

Both **Union Asset Management Holding** itself and its subsidiaries invest their own resources in purchasing Union Investment mutual funds. Union Asset Management Holding and its subsidiaries also acquire units in newly launched funds in order to provide initial funding for investment funds, but not with the intention of generating short-term trading profits. Fund price risk is not broken down into other subtypes of market risk for management purposes.

Union Asset Management Holding is also exposed to asset-management risk. This risk arises from its obligation to pay additional capital for guarantee products. Any shortfall in a contractually agreed minimum capital value on a maturity date triggers a payment obligation on the part of the fund provider, giving rise to these obligations to pay additional capital.

10.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

10.3.1. Organization and responsibility

At **DZ BANK**, as a trading book institution, market risk is generally managed decentrally on a portfolio basis, with the traders 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 arising at **DG HYP**, **DVB** and **Union Asset Management Holding** is managed centrally by specialist committees at each institution. The committees provide guidance for treasury activities based on market risk reporting. Committee decisions are implemented operationally by the portfolio mangers and treasury departments at each entity.

10.3.2. Risk reporting

Key figures for market risk are submitted at **group level** to the Group Risk and Finance Committee within the overall risk report for the DZ BANK Group. DZ BANK is informed of any limit overruns at group entity level using an ad-hoc reporting system.

As part of management reporting at DZ BANK, BSH, DG HYP and **DVB**, Risk Controlling provides the portfolio managers and the senior managers responsible for risk management and risk control with daily, weekly, or monthly market risk updates.

Twice a month, **Union Asset Management Holding** calculates the risk attaching to its own-account investing activities and reports to its Board of Managing Directors and the committee responsible for managing own-account investing on the same basis.

10.4. RISK MANAGEMENT

10.4.1. Measurement of market risk

MEASUREMENT OF MARKET RISK IN THE NARROW SENSE

DZ BANK, BSH, DG HYP, DVB and Union Asset Management Holding 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), 175 trading days (DG HYP), 256 trading days (DVB) and 1 year (Union Asset Management own-account investments).

DZ BANK, **BSH** and **DVB** generate market scenarios using a **historical simulation**, whereas DG HYP uses a **variance-covariance approach**. Respective holding periods of 1 day and 10 days are used.

Union Asset Management Holding uses **Monte Carlo simulation** to determine the market risk arising from its own-account investing. This measurement method provides a 'look through' to the individual securities in the funds and it is also used when quantifying the asset-management risk for most product types. The measurement of risk in each case is based on a unilateral confidence level of 99.9 percent and a holding period of 1 year.

For **DZ BANK**, **BSH**, **DG HYP** and **DVB**, 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 risk, currency risk, and commodity risk, broken down into trading portfolios and non-trading portfolios. The risk in the banking book is included in the value-at-risk for both the trading and non-trading portfolios. An overall value-at-risk is calculated for the own-account investing activities carried out by **Union Asset Management Holding**. A risk model for the whole sector that takes into account concentration and diversification effects has been used to calculate the values-at risk for the entities in the Bank sector since the beginning of 2014. Separate values-at-risk are calculated for trading and non-trading portfolios. In this case, the risk applicable to the entities that are included is calculated centrally by DZ BANK.

To quantify market risk from a longer-term (strategic) perspective, the credit institutions in the Bank sector regularly calculate the **capital requirement for market risk** and compare it with the associated upper loss limit.

The risk measurements from both the operating and strategic perspectives for the credit institutions in the Bank sector are linked to each other by a consistent **system of limits**, whereas the market risk incurred by Union Asset Management Holding is managed directly at the level of its risk capital requirement. Consequently, it does not require a limit system for linking the operating and strategic perspectives.

MEASUREMENT OF MARKET LIQUIDITY RISK

DZ BANK and **DG HYP** measure market liquidity risk using a special stress scenario for 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 largely arises from investing surplus home savings deposits in securities. BSH uses stress tests to incorporate the resulting risk in liquidity risk. The risk is then mitigated by focusing on highly liquid assets.

Market liquidity risk at **DVB** largely arises from the securities held in its liquidity portfolio that are implicitly included in the stress scenarios for liquidity risk. Its investments are therefore restricted to highly liquid securities.

Market liquidity risk may arise at **Union Asset Management Holding** due to its own-account investing activities. However, this risk is only relevant in extreme market situations because it focuses on investing in its own, open-ended mutual funds.

10.4.2. Backtesting and stress tests

The internal market risk models of the entities in the Bank sector are subjected to **backtesting,** the purpose of which is to check the predictive quality of the 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.

Risks arising 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 are based on 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 in this case 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, migration risk, equity risk, currency risk, and commodity risk.

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. At DG HYP, the treasury's system of limits is based on value-at-risk and sensitivities.

The limit system used at both **DVB** and **Union Asset Management Holding** is based on the value-at-risk or risk capital required at the highest portfolio level.

10.4.4. Mitigating market risk

MARKET RISK HEDGING

As part of the decentralized management of portfolios, market risk at DZ BANK is hedged by 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.

DVB's treasury uses OTC interest-rate and currency derivatives to hedge market risk.

As soon as action is required to reduce the market risk arising from own-account investing at **Union Asset Management Holding**, changes are made to the composition of the fund positions in its own-account investments. For this reason, Union Asset Management Holding is only exposed to fund price risk.

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.

Interest rate risk incurred by **DVB** is eliminated by the use of interest-rate swaps. Currency risk is hedged by the use of currency swaps and cross-currency swaps with the aim of closing out all currency exposure.

10.4.5. Managing the different types of market risk

MANAGEMENT OF INTEREST-RATE RISK

At **DZ BANK**, interest-rate risk arises from trading in interest-rate-sensitive products on behalf of customers, from structuring its own issues for trading on behalf of customers, and from exposures in connection with liquidity management. The risks arising from trading on behalf of customers 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 at DVB largely arises from customer business, purchasing securities for the liquidity portfolio and from funding transactions. This risk is generally eliminated.

MANAGEMENT OF SPREAD RISK AND MIGRATION RISK

As at January 1, 2014 spread risk and migration risk in the Bank sector were removed from the capital buffer and integrated into risk capital management. An upper loss limit and operational limits together with a process for monitoring them were introduced in order to ensure that the risk capital for these two forms of market risk is managed effectively.

At **DZ BANK**, spread risk arises from holding securities portfolios for trading on behalf of customers, from trading in its own issues on behalf of customers, and from the liquidity management function that the bank carries out for the DZ BANK Group. The risk incurred in connection with trading on behalf of customers 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 and migration risk arise at **BSH** from investing surplus 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 as 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 it is necessary as part of the management of cover assets.

Spread risk arises at **DVB** from holding securities in its liquidity portfolio.

MANAGEMENT OF EQUITY RISK

Equity risk is only of minor significance at **DZ BANK**. It essentially arises from transactions on behalf of customers involving equities, equity and equity-index derivatives, investment funds and alternative investments, warrants and investment certificates. It is managed by using equities, exchange-traded futures and options, and OTC derivatives.

Equity risk is primarily incurred by **DVB** in relation to its holding of treasury shares. The risk is not material.

MANAGEMENT OF FUND PRICE RISK

Fund price risk largely arises at **DZ BANK** in connection with business conducted on behalf of customers. Market price risk attaching to fund positions also arises in connection with covering defined benefit obligations. The risk is actively managed within existing limits

Union Asset Management Holding is exposed to fund price risk when investing its own resources in funds. While market risk arising from the funds it holds is measured by 'looking through' to individual-security level, the risk incurred by own-account investing is measured at fund level. For this reason, Union Asset Management Holding is only exposed to fund price risk. The management of fund price risk focuses on the liquidity requirements of Union Asset Management Holding's subsidiaries and the need to acquire fund units when providing initial funding for investment funds. The requirements for a conservative investment policy are also observed.

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. 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 non-euro-zone countries. 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.

Currency risk is largely incurred by **DVB** as a result of currency transactions on behalf of customers and funding transactions in foreign currencies. This risk is generally eliminated.

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.

MANAGEMENT OF ASSET-MANAGEMENT RISK

Asset-management risk arises from minimum payment commitments given by **Union Asset Management Holding** and/or its subsidiaries for guarantee products. The risks arising from these guarantee products are managed conservatively.

The launch of new guarantee products is governed by the guidelines for medium-term planning that apply to Union Asset Management Holding and takes into account the risk capital required and the available internal capital available. Before new products are launched, the risks associated with them are analyzed and assessed. Management mechanisms embedded in the products aim to prevent the value of an individual product from falling below its guaranteed level during its lifetime.

Asset-management risk is reported separately and is monitored regularly at individual product level and at Union Asset Management Holding level.

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 and DG HYP's **internal market risk models**, 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 DZ BANK's trading book using the internal model.

At **DZ BANK**, 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 used for the weekly stress scenario calculations for market risk. In the case of securitizations, extreme scenarios are also simulated for the weighted average lifetime and recovery assumptions. **DG HYP** holds all securitizations in its banking book. They are included in the daily measurement of market risk and in reporting.

10.5. RISK FACTORS

GENERAL LEVEL OF INTEREST RATES

Because the majority of the financial instruments held in the **Bank sector** are sensitive to changes in the interest-rate curve, the sharp fall in the general level of interest rates in recent months has affected their fair value. The first time that negative nominal interest rates were seen for different currency zones and sectors was a key event. **DZ BANK** has taken precautions to ensure that negative interest rates are taken into account in risk management.

CREDIT SPREADS

In the past two years, credit spreads on bonds have narrowed significantly. Spreads on government bonds in particular – with some special exceptions – are much lower. The yield differential between corporate bonds/covered bonds and government bonds is considerably smaller. In parallel with the sharp fall in the general level of interest rates, bond prices have risen significantly.

As was the case during the eurozone sovereign debt crisis, any renewed widening of credit spreads on government bonds or other market investments would lead to a drop in fair values. Present value losses of this nature could have a temporary or permanent adverse impact on the profits generated by the entities in the Bank sector.

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.

10.6. RISK POSITION

10.6.1. Risk capital requirement

As at December 31, 2014, the total economic capital requirement for market risk used to determine the risk-bearing capacity of the **Bank sector** amounted to €2,769 million (December 31, 2013: €3,289 million) with an upper loss limit of €6,422 million (December 31, 2013: €6,620). The falls in the risk capital requirement and upper loss limit were mainly due to the narrowing of spreads and lower spread volatility. Owing to the switch to the sectoral approach, R+V has been eliminated from the original prior-year figures for the DZ BANK Group (risk capital requirement of €2,136 million; upper loss limit of €3,495 million), while spread and migration risks relating to securities have been added.

The Bank sector's economic capital requirement includes **asset-management risk**. The asset-management risk for guarantee funds as at December 31, 2014 amounted to €42 million (December 31, 2013: €49 million). The decrease stemmed from a reduction in the volume of guarantee funds.

The asset-management risk for UniProfiRente as at December 31, 2014 amounted to €33 million (December 31, 2013: €9 million). The main reason for the increase in risk was because the model was changed in order to better reflect yield curves in a low interest-rate environment.

As at December 31, 2014, **DZ BANK**'s economic capital requirement for market risk amounted to €750 million (December 31, 2013: €809 million) with an upper loss limit of €1,337 million (December 31, 2013: €1,550 million). The fall in the risk capital requirement was attributable to the removal of certain risk-related scenarios from the historical simulation. DZ BANK is not exposed to any asset-management risk.

Throughout the year under review, the economic capital requirements remained within the upper loss limits at the levels of both the Bank sector and DZ BANK.

10.6.2. Value-at-risk

Value-at-risk is used for short-term risk management in the Bank sector. Figure 41 shows changes in value-at-risk in 2014. The figures are broken down by trading portfolio, non-trading portfolio, and type of market risk. For better comparability, the values as at December 31, 2013 shown in figure 41 have been restated to reflect the new methodology used by the central risk model that has been applied throughout the sector since the beginning of 2014. This has given rise to variances compared with the corresponding disclosures in the 2013 opportunity and risk report for the DZ BANK Group (page 143) and the opportunity and risk report for DZ BANK (page 73).

Figure 42 also shows the daily changes in risk and the results of daily backtesting of trading portfolios.

As the Bank sector's trading portfolios consist exclusively of the trading portfolios of DZ BANK, the figures for the Bank sector are the same as those for DZ BANK.

The value-at-risk for the **trading portfolios** as at December 31, 2014 was €21 million (December 31, 2013: €31 million). The level of risk was generally stable during 2014. Any decreases were largely attributable to the fact that previously relevant historical market scenarios had now dropped out of the value-at-risk calculation.

The decreases in the first half of June and at the end of August were attributable to the fact that previously relevant historical market scenarios had now dropped out of the value-at-risk calculation. In early August, the change in the fair value of trading portfolios exceeded the forecast value-at-risk. This was primarily due to a sharp widening of credit spreads, particularly those on government bonds, covered bonds and corporate bonds. A fall in euro interest rates on the same day also contributed to the overrun. From the following day, this market scenario was used as a new, relevant historical scenario for calculating risk, which resulted in an increase in the value-at-risk.

As at December 31, 2014, the value-at-risk for the Bank sector's **non-trading portfolios** was calculated at €68 million (December 31, 2013: €60 million). At **DZ BANK** level, this figure was €3 million as at December 31, 2014 (December 31, 2013: €12 million). The significant fall in the level of risk in DZ BANK's non-trading portfolios was attributable to a gradual decrease in exposure relating to its own issues, a fall in interest rates and because some historical scenarios had dropped out of the observation period for calculating risk.

FIG. 41 – BANK SECTOR: VALUE-AT-RISK FOR MARKET RISK IN THE TRADING AND NON-TRADING PORTFOLIOS[1]

€ million	Interest-rate risk	Spread risk	Equity risk[2]	Currency risk	Commodity risk	Diversification effect[3]	Total
Trading portfolios	**Bank sector**	**Bank sector**	**Bank sector**	**Bank sector**	**Bank sector**	**Bank sector**	**Bank sector**
Dec. 31, 2014	3	24	–	–	–	-7	21
Average	5	26	1	–	–	-6	26
Maximum	8	37	1	1	–	-15	32
Minimum	3	21	–	–	–	-4	21
Dec. 31, 2013	7	34	1	–	–	-12	31

€ million	Interest-rate risk		Spread risk		Equity risk[2]		Currency risk		Commodity risk		Diversification effect[3]		Total	
Non-trading portfolios	**Bank sector**	**DZ BANK**	**Bank sector**	**DZ BANK**	**Bank sector**	**DZ BANK**	**Bank sector**	**DZ BANK**	**Bank sector**	**DZ BANK**	**Bank sector**	**DZ BANK**	**Bank sector**	**DZ BANK**
Dec. 31, 2014	17	1	53	2	5	3	2	1	1	–	-8	-3	68	3
Average	14	1	50	6	6	3	2	1	1	–	-17	-4	56	7
Maximum	20	2	54	11	7	4	6	1	1	–	-20	-7	68	12
Minimum	10	1	41	1	4	2	1	–	–	–	-13	-2	42	3
Dec. 31, 2013	18	1	54	12	7	4	3	1	–	–	-23	-4	60	14

1 Value-at-risk with 99.00% confidence level, 1-day holding period, 1-year observation period, based on a central market risk model for the DZ BANK Group. Concentrations and effects of diversification were taken fully into account when calculating the risks.
2 Including funds.
3 Total effects of diversification between the types of market risk for all consolidated group entities.

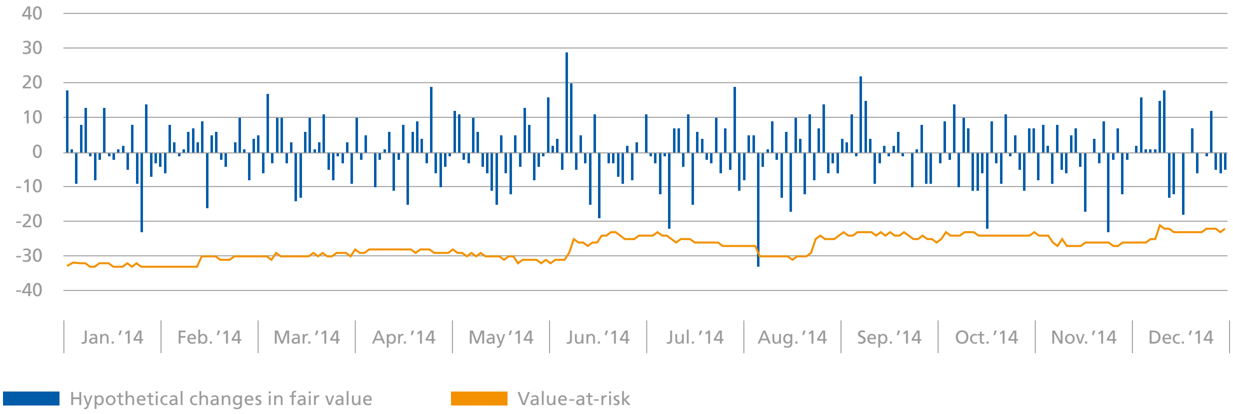
10.7. SUMMARY AND OUTLOOK

In 2014, DZ BANK significantly improved the measurement and management of market risk in the Bank sector. Specifically, it developed a central model for capturing the spread risk and migration risk associated with securities throughout the group, and integrated it into risk management. In this context, the existing capital buffer for these two risk types was reversed and reclassified as a risk capital requirement.

As in previous years, the focus of DZ BANK's trading business in 2015 will be on customer business. DZ BANK will also refine the measurement and management of market risk throughout the sector with

FIG. 42 – BANK SECTOR: VALUE-AT-RISK FOR MARKET RISK AND HYPOTHETICAL CHANGES IN FAIR VALUE IN TRADING PORTFOLIOS

€ million, value-at-risk at 99.00% confidence level, 1-day holding period, 1-year observation period



the aim of further improving the process for measuring the Bank sector's capacity to bear market risk.

11. TECHNICAL RISK OF A HOME SAVINGS AND LOAN COMPANY

11.1. 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 operations caused by significant long-term changes in customer behavior unrelated to changes in interest rates. It can be distinguished from interest-rate risk by incorporating a change in customer behavior unrelated to interest rates in the collective simulation. Conversely, only changes in customer behavior induced by changes in interest rates are relevant to interest-rate risk.

Technical risk of a home savings and loan company arises in the DZ BANK Group's Bank sector 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.

11.2. 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.

11.3. 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 present value of the 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, particularly the assumptions about customer behavior, are severely impaired. 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 backed by risk capital.

11.4. RISK FACTORS

A variance between the actual and planned new business volume (new business risk) 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.

11.5. RISK POSITION

As at December 31, 2014, the capital requirement for technical risk of a home savings and loan company amounted to €496 million (December 31, 2013: €576 million) with an upper loss limit of €500 million (December 31, 2013: €600 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2014. The reduction in technical risk of a home savings and loan company in the Bank sector was attributable to more benign general conditions.

12. BUSINESS RISK

12.1. 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 Bank sector in addition to DZ BANK are the management units DVB, DZ PRIVATBANK, and Union Asset Management Holding.

12.2. 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 Group 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** increases 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 setting targets for the subsidiaries involved in active management and for the divisions of DZ BANK. **Risk is quantified** using a risk model based on an earnings-at-risk approach.

12.3. 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 risk of a reduction in margins and revenue going forward.

OTHER DEVELOPMENTS

In the coming years, the entities in the Bank sector will also face challenges relating to the digitization of business, demographic change and the resulting alterations in customer behavior, while becoming subject to increased regulation. Banks are also confronted by new, often unregulated competitors that frequently originate from the non-banking sector and only offer single specialist products or services – particularly at the interface between customers and merchants. One of the ways in which the entities in the Bank sector are responding to these new challenges is by developing new services with a greater customer focus, such as offering contactless or mobile payment methods and participating in the multibank e-commerce payments project.

RISK CAPITAL REQUIREMENT

As at December 31, 2014, the economic capital requirement for the business risk incurred by the Bank sector amounted to €361 million (December 31, 2013: €308 million). The rise was largely the result of a recalculation based on DZ BANK's updated business forecasts. The upper loss limit for business risk as at December 31, 2014 was €436 million (December 31, 2013: €349 million).

R+V has been eliminated from the original prior-year figures (risk capital requirement of €416 million; upper loss limit of €489 million) owing to the switch to the sectoral approach.

As at December 31, 2014, the economic capital requirement for **DZ BANK** was calculated at €271 million (December 31, 2013: €215 million). The upper loss limit as at December 31, 2014 was €300 million (December 31, 2013: €230 million). The main reasons for this increase were adjustments to the measurement methodology. The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2014.

13. REPUTATIONAL RISK

Reputational risk refers to the risk of losses from events that damage confidence, mainly among customers, investors, the labor market, or the general public, in the entities in the Bank sector or in the products and services they offer.

The reputational risk incurred by the Bank sector is largely determined by DZ BANK and the other management units BSH, DVB, DZ PRIVATBANK, and Union Asset Management Holding.

Reputational risk may be **caused** by the crystallization of other risks, but also by other, publicly available negative information about group entities.

If the DZ BANK Group as a whole or the individual entities in the Bank sector 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 planned 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 Bank sector, 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 risk capital adequacy in the Bank sector. 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.

In the past, the transgressions of the banking industry and of individual financial institutions during the financial crisis and the eurozone sovereign debt crisis led to negative reporting in the media and critical comments by regulatory authorities and politicians. This has had an adverse impact on the reputation of the banking industry as a whole and also on the entities in the DZ BANK Group's Bank sector.

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 activities of DZ BANK and those of BSH, DG HYP, DVB, DZ PRIVATBANK, TeamBank, and Union Asset Management Holding have a particularly significant impact on operational risk for the Bank sector.

14.2. RISK STRATEGY

The Bank sector entities aim to manage operational risk efficiently. The following principles represent areas in which DZ BANK has taken action, or is planning to take action, to ensure this core objective is achieved:

- Continuous enhancement of **risk awareness**, so that it is reflected in an appropriate risk culture focusing not only on individual areas of responsibility but also on the overarching interests of the 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 alert thresholds for contributions to operational risk that is 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.
- **Management** of operational risk on a decentralized basis, but within the strategically defined limits set out in the framework for operational risk.

14.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

The management of operational risk is the responsibility of each group entity. The principle of **decentralized** responsibility applies equally to all the group entities, including DZ BANK.

One of the purposes of the **framework for operational risk** is to harmonize organizational structures throughout the sector. The sectorwide coordinated approach to operational risk is also managed by a **committee** assigned to the Group Risk Management working group and comprising representatives from DZ BANK and its main subsidiaries.

The **DZ BANK** unit responsible for controlling operational risk located within the Group Risk Controlling function develops the management and control methods based on regulatory requirements and business needs applicable to the Bank sector. The unit ensures that operational risk is monitored independently and it is responsible for central reporting. Corresponding organizational units are also in place at the other main entities in the **Bank sector**.

In the **Bank sector**, which includes **DZ BANK**, specialist divisions with central risk management functions also manage operational risk. As part of their overarching responsibility, these specialist divisions in each entity also perform an advisory and guiding function for the matters within their remit, such as IT risk.

Because operational risk can affect all divisions, local operational risk coordinators are located in each division of the main **group entities** and they act as interfaces with Central Risk Controlling. This also applies to **DZ BANK**.

Regular **reports** on loss data, risk self-assessments, risk indicators and risk capital are submitted to the Board of Managing Directors, the Group Risk and Finance Committee, the Risk Committee, and operational management, facilitating effective management of operational risk on a timely basis.

14.4. CENTRAL RISK MANAGEMENT

14.4.1. Measurement of operational risk

For the purposes of determining regulatory capital requirements, the risk capital requirement for operational risk is estimated using the Standardized Approach specified by the CRR. In this approach, the risk is largely determined on the basis of the gross margin for the year.

The economic capital for operational risk is determined for the purpose of managing risk within a portfolio model and incorporated into internal management.

14.4.2. Identifying operational risk

LOSS DATABASE

The groupwide collection of loss data allows the Bank sector 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 been incurred, 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. Losses are recorded if they are above a threshold value of €1,000.

RISK SELF-ASSESSMENT

In large parts of the Bank sector, 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 the CRR are calculated and described using risk scenarios. The findings are fed into the internal portfolio model for operational risk that is used to calculate any capital buffer requirement. The scenarios also enable risk concentrations to be identified.

RISK INDICATORS

In addition to the loss database and risk self-assessment, risk indicators help the Bank sector to 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 within the Bank sector are collected systematically and regularly on a wide scale.

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.

14.5. MANAGEMENT OF SPECIAL RISKS

Risks that affect specific matters or areas are called special risks. Special risks primarily impact operational risk but also affect business risk and reputational risk. This particularly applies to 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 their different business and risk profiles.

Special risks are mostly, but not always, managed and monitored by the generally eponymous specialist divisions.

14.5.1. HR risk

RISK MANAGEMENT

The entities in the Bank sector have developed a mechanism known as a **Human Resources KPI cockpit** with standardized key performance indicators. The Human Resources 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 Bank sector as well as enable the entities to measure and manage their HR activities. To this end, the cockpit specifies 21 key performance indicators across the following four categories: value added/finance, employer appeal, organization/efficiency, and innovation/learning.

The entities in the Bank sector 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 Human Resources 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 and qualifications of employees are recorded using specific key figures for CPD.

- **Motivational risk**: The entities in the Bank sector use standardized employee surveys to regularly update the Organizational Commitment Index (OCI) and the results are presented transparently in the cockpit.

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.

As part of risk control at DZ BANK, relevant KPIs for HR management were defined as risk indicators. The key figures are collated on a monthly basis as part of the risk indicator process and include training days per employee, resignation rate, total staff turnover rate, and the percentage of vacant positions.

The HR division of DZ BANK is involved in designing the standard scenarios relating to HR risk and validates the scenario assessment of the other entities in the Bank sector, particularly with regard to basis of calculation, frequency of occurrence and loss level.

RISK FACTORS

The majority of employees at the German offices of the entities in the Bank sector fall within the scope of collective pay agreements or other collective arrangements, such as company agreements. The entities in the Bank sector 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 workforce (or the employee representatives/labor unions) and the entities in the Bank sector.

As part of contingency and crisis management systems, the entities in the Bank sector 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 partners on which the operating activities of the entities in the Bank sector are reliant.

The future success of the entities in the Bank sector 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 entities in the Bank sector within the required timeframe, and/or existing managers and employees can be retained by the entities in the sector, there will be a heightened risk that the sector 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 regulator 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 Bank sector, which would impact negatively on the reputation of the DZ BANK Group overall and of individual entities in the Bank sector.

14.5.2. IT risk

RISK MANAGEMENT

The entities in the Bank sector 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 Bank sector 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 Bank sector 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 checking the efficacy of this procedure. Data is backed up and held within highly secure environments in different buildings.

The central risk assessment method used by the IT division at DZ BANK is the assessment of risk events in the IT risk profile report. Risk events are deemed to be specific scenarios for which the level of loss and the probability of occurrence is assessed. The assessment carried out by IT division managers takes into account the results of the self-assessment report on the internal control system, the report on control points, and the report on findings and incidents.

The results of the assessment of IT risk events are used to prepare the risk self-assessment scenarios for the IT division. The IT risk groups, comprising IT operating risk, IT outsourcing risk, IT security risk and IT project risk, are each allocated a scenario in the risk self-assessment. When the risk self assessment is completed, the results of the decentralized risk assessment are compared with internal IT estimates and then analyzed. The results of the risk self-assessment process are also used as parameters for assessing IT risk events in the following year.

RISK FACTORS

Malfunctions or breakdowns in data processing systems or in the programs used on these systems, including attacks from external sources – such as hackers or malware –, could have an adverse impact on the ability of the entities in the Bank sector 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 of the Bank sector could also disrupt operational procedures. For example, when executing forward, currency, or commodities trades a risk arises that a system breakdown at a 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 of the Bank sector from meeting their obligations. This could result in the withdrawal of counterparties from agreements entered into with entities in the Bank sector or lead to claims for damages against those entities.

14.5.3. Outsourcing risk

RISK MANAGEMENT

The entities in the Bank sector 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 responsible for running key IT applications are T-Systems International GmbH (T-Systems) and the two cooperative computing centers FIDUCIA IT AG, Karlsruhe, (FIDUCIA) and GAD eG, Münster, (GAD). In addition, the entire operation of DZ BANK's network has been outsourced to Ratiodata IT Lösungen & Services GmbH, Münster (Ratiodata) – known as VR Netze GmbH, Münster until August 2104. Investment services and custody business services are processed by Deutsche WertpapierService Bank AG, Frankfurt am Main. The service provider Equens SE, Utrecht, 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 its IT and network operations to T-Systems. Retail real estate loans are processed by Hypotheken Management GmbH, Mannheim, an indirect subsidiary of BSH.

T-Systems also provides and monitors **DVB**'s wide area network. The hosting and operation of its SAP systems is outsourced to itelligence Outsourcing & Services GmbH. Hosting and operation of its online customer portal providing real-time account information is outsourced to intelliNet Beratung & Technologie GmbH.

EBRC, Luxembourg, is the outsourcing partner of **DZ PRIVATBANK**, for its data center infrastructure. Further IT services are provided by Ratiodata. 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, Ratiodata, and Computacenter AG & Co. oHG. Other activities, including activities within custody business and portfolio management, have also been outsourced.

In the entities of the Bank sector, 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 specified service level agreements is monitored by means of status reports and uptime statistics. The outsourcing partners submit annual audit reports in which they evaluate and confirm the effectiveness of the general IT controls and procedures.

RISK FACTORS

The risk arising in connection with the outsourcing of business activities is limited 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. There are contingency plans and exit strategies for this eventuality, including action to reduce this risk.

14.5.4. Risks in connection with the (consolidated) financial reporting process

RISK MANAGEMENT

In order to limit operational risk in this area of activity, DZ BANK and the other entities in the Bank sector have set up internal control systems for the (consolidated) financial reporting process as an integral component of the control systems put in place for the general risk management process. The functionality of these control systems is described in section 4.2.5. of this opportunity and risk report.

RISK FACTORS

An internal control system relating to the (consolidated) financial reporting process 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 misstatements or deliberate action, that the DZ BANK Group's consolidated financial statements and group management report and the separate financial statements and management reports for DZ BANK and the other entities in the Bank sector 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 investors' confidence in the DZ BANK Group and the individual entities in the Bank sector or on their reputation. 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 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.

14.5.5. 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, government interventions, legal or arbitration proceedings, and changes in the business environment. Tax risk with legal risk implications is not included at this point; it is described in section 14.5.6. below.

Decentralized systems for managing legal risk have been established in the entities in the Bank sector. Within the group entities, responsibility for managing legal disputes normally lies with their organizational units responsible for dealing with legal issues.

The entities in the Bank sector 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 possible impact in quantitative and qualitative terms. Identified risks are limited and mitigated by organizational measures, either legal or procedural, or are recognized by means of provisions or similar allowances for losses on loans and advances.

The legal affairs units in the Bank sector entities submit reports on risk-related aspects of lawsuits that are pending or actually imminent 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.

PROVISIONS RECOGNIZED ON THE BALANCE SHEET

In accordance with the relevant financial reporting standards, the entities in the Bank sector, including DZ BANK, recognize provisions for potential losses arising from contingent liabilities resulting from legal risk, provided a potential loss is extremely probable and can be reliably estimated. The ultimate liability may vary from such provisions recognized for the probable outcome forecast for legal proceedings.

Based on the information available at the time, provisions for risks arising from ongoing legal disputes are recognized on the balance sheet in an amount sufficient to cover potential losses. Any concentration risk owing to similarities between individual cases is taken into consideration. Comparable cases are aggregated to form a group for this purpose.

The amount in which provisions are recognized for risks arising from ongoing legal disputes is based on the information available at the time and is subject to assumptions and to scope for discretion in how a dispute is assessed. For example, this may be because the entity in the Bank sector does not yet have at its disposal all the information required to make a final assessment of the legal risk attaching to the lawsuits in question, particularly during the early stages of proceedings. Moreover, predictions made by entities in the Bank sector in relation to changes to legal circumstances, changes to official interpretations, or – in the case of court cases – to procedural orders, decisions by the courts, or the arguments expected to be put forward by the opponent in the case may later turn out to be unfounded. Nor are estimates of potential losses arising from these proceedings, that could act as benchmarks or reliable assessments for other cases, generally suitable for statistical or quantitative analysis.

It is therefore difficult to predict the financial implications of such investigations and legal disputes or to assess when they will come to an end. The provisions recognized to cover the potential liabilities could be exceeded.

RISK FACTORS

The entities involved have recognized provisions on their balance sheets for the material legal risks listed below, so that all losses that appear conceivable on the basis of current information are covered.

A judgment reached by the German Federal Court of Justice on October 28, 2014 prohibited the administration fee for consumer finance that is charged by many banks. In the Bank sector, this verdict largely affects **TeamBank**.

As the result of changes in the law in Hungary that came into effect in 2014, a subsidiary of **VR-LEASING AG**, Lombard Pénzügyi és Lízing Zártkörûen Mûködo Részvénytársaság, Szeged, Hungary, (Lombard Lizing), has retrospective obligations to reimburse customers under existing contracts. This may lead to Lombard Lizing incurring significant losses. Additionally, if the scope of new Hungarian banking legislation is extended in 2015, there could be further costs for Lombard Lizing.

The entities in the Bank sector have also recognized provisions for legal risk in connection with **capital market products** and for risks that exist because of the current legal developments relating to incorrect **cancellation right notices for consumer loans**.

14.5.6. Tax risk

RISK MANAGEMENT

Tax risk can 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 entities in the Bank sector have decentralized systems for managing tax risk. Within the group entities, responsibility for managing tax risk normally lies with the organizational units responsible for dealing with tax issues.

The entities in the Bank sector 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 possible impact in quantitative and qualitative terms. 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 FACTORS

The entities in the Bank sector are subject to regular **audits by the tax authorities**. Currently, audits for the tax-assessment periods in 2010 and 2011 are being carried out by the tax authorities at **DZ BANK** (including the tax group) in relation to corporation tax, trade tax, and value added tax. Audits by the tax authorities for the same period are also currently under way at **other entities in the Bank sector**. The audit for payroll tax purposes for the period 2007 to 2010 inclusive is also due to start at **DZ BANK**.

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 and the individual entities in the Bank sector.

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.

Business transactions 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 allowances for losses on loans and advances. Further risks could arise as a result of **changes in tax law or in decisions by the courts**, which could also have retroactive implications.

14.5.7. Compliance risk

RISK MANAGEMENT

In the context of their operating activities, the entities in the Bank sector 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.

RISK FACTORS

The compliance and risk management systems in the Bank sector 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 Bank sector, or for initiating appropriate corrective measures.

The entities in the Bank sector cannot rule out the possibility of the existing compliance system proving to be inadequate, or of their employees 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 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 as a whole and of the individual entities in the Bank sector may also suffer as a result.

14.6. LOSS EVENTS

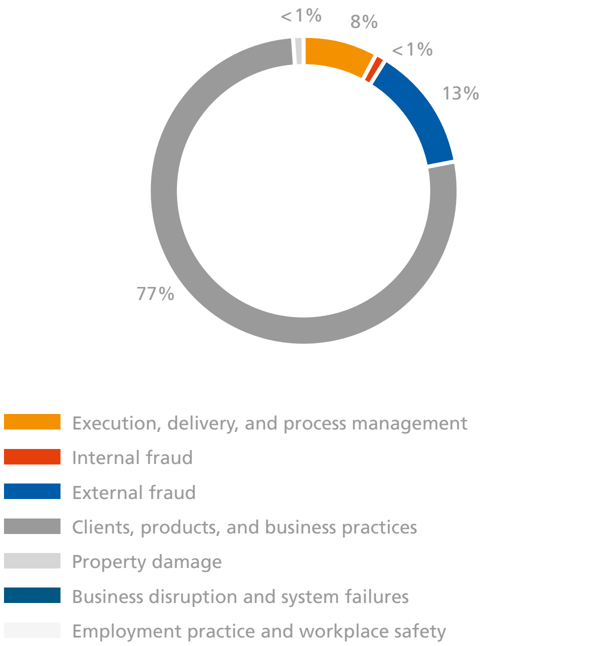
Figure 43 shows the losses for the Bank sector reported in 2014 classified by loss event category. Over the course of time, there are regular fluctuations in the pattern of losses as the frequency of relatively large losses in each individual case is very low.

The majority (77 percent) of the net losses in the **Bank sector** were in the 'Clients, products, and business practices' event category. This high proportion was attributable to losses resulting from changes in legal precedent and in how the law is interpreted.

At **DZ BANK,** the 'Clients, products, and business practices' and 'External fraud' event categories accounted for the largest shares of net losses (48 percent and 36 percent respectively). The net loss in the 'Clients, products, and business practices' event category is largely attributable to one loss event resulting from changes in legal precedent and in how the lawis interpreted. The net loss in the 'External fraud' category is attributable to a number of different loss events.

Losses did not reach a critical level relative to the upper loss limit at any point during 2014 in either the Bank sector or DZ BANK.

FIG. 43 – BANK SECTOR: NET LOSSES BY EVENT CATEGORY IN 2014[1]



1 In accordance with the CRR, losses caused by operational risks that are associated with risks such as credit risk are also shown.

RISK POSITION

As at December 31, 2014, the Bank sector's capital requirement for operational risk calculated in accordance with the Standardized Approach as specified by the CRR was €628 million (December 31, 2013: €650 million), with an upper loss limit of €689 million (December 31, 2013: €706 million). R+V has been eliminated from the original prior-year figures for the DZ BANK Group (risk capital requirement of €731 million; upper loss limit of €806 million) owing to the switch to the sectoral approach.

As at December 31, 2014, **DZ BANK**'s capital requirement for operational risk calculated in accordance with the Standardized Approach as specified by the CRR stood at €178 million (December 31, 2013: €219 million). The upper loss limit as at December 31, 2014 was €203 million (December 31, 2013: €219 million).

The risk capital requirements for both the Bank sector and for DZ BANK were within the applicable upper loss limits at all times during the course of 2014.

14.7. SUMMARY AND OUTLOOK

The reporting system for operational risk was restructured in 2014 and a validation of the model used to calculate economic risk capital throughout the sector was carried out. Furthermore, implementation of the framework for operational risk, which had been revised in 2013, was completed in all management units in the Bank sector in 2014.

In 2015, the risk capital requirement for operational risk will be calculated using an economic portfolio model for the whole sector, and an upper loss limit will be used to monitor the risk capital required. There are also plans to roll out an activities management system, an incentive system, and the revised reporting system across the sector.

15. LIQUIDITY RISK

15.1. DEFINITION, CAUSES AND RISK FACTORS

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.

The level of liquidity risk incurred by the entities in the Bank sector is determined by the activities of DZ BANK and the following management units: BSH, DG HYP, DVB, DZ PRIVATBANK, TeamBank, and VR-LEASING AG.

Liquidity risk arises from a mismatch in the timing and amount of cash inflows and outflows. The following key factors affect the level of liquidity risk:

– the funding structure of lending transactions
– the uncertainty surrounding liquidity tied up in the funding of structured issues and investment certificates with termination rights and obligation acceleration;
– changes in the volume of deposits and loans, in which the cash-pooling function in the cooperative financial network is a significant determining factor;
– the funding potential in money markets and capital markets;
– the fluctuations in fair value and marketability of securities, and the eligibility of such securities for use in collateralized funding arrangements, such as 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 to pledge collateral in the form of cash or securities (for example, for derivative transactions or to guarantee payments as part of intraday liquidity).

Liquidity risk also arises from changes to an entity's own rating if contractual requirements to provide collateral depend on the rating.

15.2. RISK STRATEGY

The entities in the Bank sector operate 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 MaRisk BA requirements for the structure of stress scenarios at capital-market-oriented banks.

However, 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 corporate customers, institutional customers, and customer banks with close ties to the entities in the Bank sector. On the other hand, the risk of a temporary interruption in unsecured funding provided by institutional investors 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 entities so that they can remain solvent, even in the event of a crisis. Potential sources of funding in the secured and unsecured money markets are safeguarded by maintaining a broadly diversified national and international customer base comprising customers such as corporates, institutions and banks. 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 Bank sector'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.

15.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

15.3.1. Organization and responsibility

The strategic guidelines for the management of liquidity risk by the entities in the Bank sector are established by the **Group and Risk and Finance Committee**. At the level of DZ BANK, this is the responsibility of the Treasury and the Capital Committee. With these guidelines as a basis, **liquidity risk management** for the Bank sector is coordinated by the Market working group.

Liquidity risk incurred by the entities in the Bank sector is managed by the Group Treasury division at DZ BANK and 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**). Liquidity risk is managed within DZ BANK by head office treasury in Frankfurt and by treasuries in its foreign branches, although Frankfurt has primary responsibility.

Liquidity risk control in the Bank sector is coordinated by the Group Risk Management working group and carried out independently of the units in Risk Controlling at DZ BANK that are responsible for liquidity risk management. The risk data calculated by the subsidiaries on the basis of intragroup guidelines is aggregated to provide a sectoral perspective.

The liquidity variables reported for regulatory purposes resulting from the CRR are calculated for DZ BANK by the Group Finance division and they are aggregated at Bank sector level with the corresponding values for the subsidiaries.

15.3.2. Risk reporting

Liquidity up to 1 year and structural liquidity are reported on a daily basis to the **member of the Board of Managing Directors** of DZ BANK responsible for liquidity risk management and liquidity risk control. The **entire Board of Managing Directors** receives a monthly report on the current liquidity-risk situation, the variables reported for regulatory purposes and the changes over the previous month.

The DZ BANK **treasury** unit and the 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 and Finance Committee** receives a quarterly report on the liquidity risk for the Bank sector and the individual group entities.

The **entities in the Bank sector** have their own corresponding reporting procedures that help to manage and monitor liquidity risk at individual entity level.

Group Treasury is informed on a daily basis of the largest providers of liquidity to DZ BANK in the unsecured money markets. This is reported to the **Treasury and Capital Committee** and the **entire Board of Managing Directors** on a monthly basis. The reports make a distinction between customers and banks and relate to DZ BANK in Frankfurt and to each foreign branch. These reports ensure that any possible concentration risk as regards sources of liquidity can be clearly identified at an early stage.

15.4. RISK MANAGEMENT

15.4.1. Measurement of liquidity risk

INTRADAY LIQUIDITY

The units responsible for liquidity risk management at the entities in the Bank sector ensure and monitor intraday liquidity by constantly managing accounts held with central banks 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 required for intraday liquidity as part of the overall measurement of liquidity risk.

Within the Bank sector, the biggest intraday cash flows are at DZ BANK.

LIQUIDITY UP TO 1 YEAR

To determine liquidity risk for a 1-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 Bank sector level. All entities in the Bank sector with a significant impact on liquidity risk are integrated into the model, which is used to simulate one risk scenario and four stress scenarios a day. 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 suddenly 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, liquid securities, and unsecured funding capacity with customers and banks. By including the counterbalancing capacity, the calculation of the minimum liquidity surplus already takes into account the effect on liquidity of the measures that could be implemented to generate liquidity in each scenario. These measures include collateralized funding of securities in the repo market.

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 on which the limits are based: 'downgrading', 'corporate crisis', 'market crisis', and 'combination crisis'. 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 consideration. 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 in the 1-year forecast period. The simulated event in each stress scenario represents a serious deterioration in conditions.

Further stress scenarios in addition to the four scenarios on which the limits are based are analyzed, and an **inverse stress test** is carried out and reported on a monthly basis.

The internal liquidity risk model is constantly revised as part of an **appropriateness test** and adjusted in line with changes in the market, products, and processes.

The appropriateness test is conducted for each entity in the Bank sector and aggregated at sector level.

15.4.2. Management of limits for liquidity risk

Liquidity risk limits in the Bank sector are based on the minimum liquidity surplus calculated for the four stress scenarios on which the limits are based. The Board of Managing Directors of DZ BANK has set a **limit** for liquidity risk and an **observation threshold** that is higher than the limit. At the level of the entities in the Bank sector, the Board of Managing Directors of DZ BANK has set a limit only for each entity in the Bank sector. The liquidity risk control function at DZ BANK monitors the limits and observation threshold.

The limit system ensures that the Bank sector remains solvent even in serious stress scenarios. **Emergency liquidity plans** are in place so that the sector is able to respond to crisis events rapidly and in a coordinated manner. The emergency plans are revised annually.

Until June 30, 2014, '**introductory scenarios**' were analyzed alongside stress scenarios. They differ from the stress scenarios on which the limits are based 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 month of the forecast period. 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 forecast periods of up to one week. Since June 30, 2014, the introductory scenarios have replaced the scenarios on which the limits had until then been based.

15.4.3. 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.

15.4.4. Liquidity transfer pricing system

The entities in the Bank sector aim to use liquidity – which is both a resource and a success factor – in line with opportunities and risks. Based on the liquidity transfer pricing system using internal prices charged by the units generating liquidity and paid by those consuming liquidity, costs relating to liquidity are allocated among the entities in the Bank sector. Care is taken to ensure that the transfer prices are consistent with risk measurement and risk management.

Transfer prices are generally set at DZ BANK for the liquidity costs of loans, loan commitments, securities, own issues, investment certificates and collateral for derivatives business. The transfer pricing system takes into account the maturity period and market liquidity of the products and has a significant impact on risk/return management. Major refinements to the transfer pricing system were carried out in 2014.

15.4.5. Regulatory liquidity ratios

The new liquidity coverage ratio (LCR) introduced as the result of Basel III requirements supplements internal liquidity management. DZ BANK has submitted reports on the LCR calculated in accordance with the CRR for itself and for the DZ BANK banking group to the regulators on a monthly basis since March 31, 2014.

Going forward, the LCR is to be supplemented by the NSFR, but as things stand, a binding minimum standard for a compulsory NSFR will not come into force until 2018 at the earliest.

As part of its implementation of the new regulatory liquidity requirements, DZ BANK is participating in Basel III monitoring, which involves submitting both ratios to the regulators. The LCR is submitted quarterly and the NSFR is submitted half-yearly.

15.5. QUANTITATIVE VARIABLES IN LIQUIDITY RISK

15.5.1. Liquid securities

Liquid securities, together with balances on nostro accounts and non-collaterallized funding capacity, form the **counterbalancing capacity**. Liquid securities are largely held in the portfolios of the treasury units at the entities in the Bank sector or in the portfolios held by DZ BANK's capital markets trading units. Only bearer bonds are eligible as liquid securities.

Liquid securities comprise highly liquid securities that are suitable for collateralizing funding in private markets, securities eligible as collateral for central bank loans and other securities that can be liquidated in the 1-year forecast period that is relevant for liquidity risk.

Securities are only eligible provided they are not pledged as collateral, e.g. for secured funding. Securities that have been borrowed or taken as collateral for derivatives business or in connection with secured funding, only become eligible when they are freely transferable. Eligibility is recognized on a daily basis and also takes into account factors such as restrictions on the period in which they are freely available.

Figure 44 shows the liquidity value of the liquid securities held by the **Bank sector** that would result from secured funding or if the securities were sold.

As at December 31, 2014, the total liquidity value at **Bank sector** level amounted to €49.5 billion (December 31, 2013: €51.9 billion). The total liquidity value attributable to **DZ BANK** as at December 31, 2014 was €38.2 billion (December 31, 2013: €41.5 billion).

Consequently, liquid securities represent the largest proportion of the counterbalancing capacity for both the Bank sector and DZ BANK, and make a major contribution to ensuring that the Bank sector remains solvent in the stress scenarios underlying the limits at all times during the relevant forecast period. In the first month, which is a particularly critical period in a crisis, liquid securities are almost exclusively responsible for maintaining solvency in the stress scenarios underlying the limits.

FIG. 44 – BANK SECTOR: LIQUID SECURITIES

€ billion	Dec. 31, 2014	Dec. 31, 2013
Liquid securities eligible for GC Pooling (ECB Basket)[1]	**34.7**	**35.0**
Securities in own portfolio	33.8	31.9
Securities received as collateral	43.3	43.8
Securities provided as collateral	-42.3	-40.7
Liquid securities eligible as collateral for central bank loans	**10.7**	**10.5**
Securities in own portfolio	10.2	10.3
Securities received as collateral	7.5	6.6
Securities provided as collateral	-7.0	-6.4
Other liquid securities	**4.1**	**6.4**
Securities in own portfolio	3.9	3.8
Securities received as collateral	1.7	3.7
Securities provided as collateral	-1.5	-1.2
Total	**49.5**	**51.9**
Securities in own portfolio	47.8	46.0
Securities received as collateral	52.6	54.2
Securities provided as collateral	-50.8	-48.3

1 GC = general collateral, ECB Basket = eligible collateral for ECB funding

15.5.2. Additional contractual obligations

Some OTC collateral agreements that entities in the Bank sector have concluded contain rating-based triggers. A downgrade in an entity's own credit rating would trigger collateral calls by counterparties. Because this collateral would no longer be available to generate liquidity if it were called in, the stress scenarios also include deductions arising from these additional contractual obligations.

Figure 45 shows the additional collateral across all currencies that would have to be provided to counterparties should **DZ BANK's** credit rating be downgraded. The table reflects the situation in virtually the entire **Bank sector**, because the additional contractual obligations of the other entities in the Bank sector to provide further collateral are negligible.

FIG. 45 – BANK SECTOR: ADDITIONAL CONTRACTUAL OBLIGATIONS

	One-notch deterioration in credit rating		Two-notch deterioration in credit rating		Three-notch deterioration in credit rating	
€ million	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Additional contractual obligations based on collateral agreements	11	6	155	187	576	724

Additional contractual obligation represent a minimal liquidity risk that is already covered by the stress scenarios on which the limits are based.

15.5.3. Funding and liquidity maturities

The level of liquidity risk in the Bank sector is largely determined by the short- and medium-term funding structure. Further details are provided in the business report (section II.5 of the (group) management report).

The maturity analysis of contractual cash inflows and cash outflows is set out in note 84 of the notes to the consolidated financial statements. The cash flows in these disclosures are not the same as the expected and unexpected cash flows used for internal management purposes in the Bank sector.

15.6. RISK POSITION

15.6.1. Minimum liquidity surplus

Fig. 46 shows the results of measuring the Bank sector's liquidity risk as at December 31, 2014 in the risk scenario and in the four stress scenarios on which the limits are based. The results are based on a daily calculation and comparison of forward cash exposure and counterbalancing capacity. The values reported are the values that occur on the day on which the liquidity surplus calculated over the forecast period of 1 year is at its lowest point.

In the risk scenario, the minimum liquidity surplus for the Bank sector measured as at December 31, 2014 on the basis of a forecast period of 1 year amounted to €29.2 billion (December 31, 2013: €27.6 billion). The value calculated for the stress scenario on which the limit is based that had the lowest minimum liquidity surplus was €11.4 billion (December 31, 2013: €13.0 billion). During the year under review, the Bank sector'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 scenarios on which the limits are based. The observation threshold and limit were unchanged compared with December 31, 2013.

FIG. 46 – BANK SECTOR: LIQUIDITY UP TO 1 YEAR IN RISK SCENARIO AND IN THE STRESS SCENARIOS ON WHICH THE LIMITS ARE BASED – FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ billion	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Risk scenario (base scenario)	-16.4	-17.7	45.6	45.3	29.2	27.6
Stress scenarios						
Downgrading	-40.4	-39.4	63.4	60.4	23.0	20.9
Corporate crisis	-48.3	-37.3	60.7	53.7	12.4	16.4
Market crisis	-30.9	-37.3	51.0	57.9	20.1	20.7
Combination crisis	-30.1	-37.4	41.5	50.4	11.4	13.0

In the risk scenario, the minimum liquidity surplus for DZ BANK measured as at December 31, 2014 on the basis of a forecast period of 1 year amounted to €14.5 billion (December 31, 2013: €11.4 billion). The value calculated for the stress scenario on which the limit is based that had the lowest minimum liquidity surplus in the forecast period of 1 month set for the limit was €1.9 billion (December 31, 2013: €1.6 billion). The minimum liquidity surplus did not fall below the limit at any time in the year under review. The impact of the stress scenarios for DZ BANK over the period of 1 month to 1 year that is used to set the limit is measured and analyzed on a daily basis.

The results show that the minimum liquidity surplus as at December 31, 2014 was positive in all of the stress scenarios underlying the limits that are based on the risk tolerance. This is due to the fact that the counterbalancing capacity was greater than the cumulative cash outflows on each day of the defined forecast period for each scenario, which indicates that the cash outflows assumed to take place in a crisis can be comfortably covered.

15.6.2. Regulatory liquidity ratios

DZ BANK has submitted the LCR calculation forms specified by the EBA for the DZ BANK banking group and DZ BANK to the regulator on a monthly basis since March 31, 2014. This report does not show the resulting ratio because it is subsequently calculated by the regulatory body on the basis of the data reported by DZ BANK. However, for internal purposes, DZ BANK calculates the liquidity ratio in accordance with the Basel framework and the CRR independently of the regulator. The liquidity coverage ratios for the DZ BANK banking group and DZ BANK calculated in this way as at December 31, 2014 were 161 percent (December 31, 2013: 120 percent) and 122 percent (December 2013: 95 percent) respectively. As at June 30, 2014, the NSFR as defined by Basel III for the DZ BANK banking group was 102 percent (December 31, 2013: 100 percent). The NSFR as at December 31, 2014 was not available by the publishing deadline for this opportunity and risk report.

The ratios calculated for DZ BANK banking group and DZ BANK in accordance with the provisions of Basel III and the CRR are already above the minimum ratio of 100 percent that will apply from 2018 for the LCR and from 2019 at the earliest for the NSFR.

15.6.3. Possible impact from crystallized risk

One of the main operating activities of the entities in the Bank sector is to make available long-term liquidity for different maturity periods and in different currencies, for example in the form of loans. The entities generally organize their **funding** to match these transactions that tie up liquidity. Any funding needs that are not covered by the local cooperative banks are met by obtaining additional funding in the money and capital markets, with the deposit base from money-market funding reducing the need for long-term funding. When funding matures, it is therefore possible that the replacement funding required to fund transactions with longer maturities has to be obtained at unfavorable terms and conditions.

The entities in the Bank sector are also exposed to the 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 bank 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 ratings downgrade could not be ruled out.

Failure to comply with the regulatory liquidity ratios, such as the **LCR** or the **NSFR**, that banks will be required to meet in the future also incurs the risk of reputational damage and ratings downgrades.

Crystallization of liquidity risk causes an unexpected reduction in the liquidity surplus, with negative consequences for an institution's financial position. If a crisis were to occur in which the circumstances were more serious or the combination of factors were significantly different from those assumed in the stress scenarios, there would be a risk of insolvency.

15.7. SUMMARY AND OUTLOOK

In 2014, liquidity risk management in the Bank sector formed part of standard daily processes. The solvency of the Bank sector was never in jeopardy at any point during the year.

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 four scenarios on which limits are based, neither DZ BANK nor the Bank sector will experience a liquidity squeeze in 2015, 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 Bank sector in stress situations.

There are plans for a further extension of the liquidity transfer pricing system among the entities in the Bank sector in 2015. Furthermore, the extension of the measurement of intraday liquidity that is currently under way will continue beyond 2015. The new regulatory reporting variables will also continue to be integrated into liquidity risk management in 2015.

Insurance sector

16. BASIC PRINCIPLES OF RISK MANAGEMENT IN THE INSURANCE SECTOR

16.1. RISK STRATEGY

The principles of risk management are based on R+V's approved risk strategy which is updated every year. The risk strategy is derived from the corporate strategy taking into account the strategic 4-year plan approved by the Board of Managing Directors at its spring meeting.

Life actuarial risk is managed with the objectives of holding a broadly diversified product portfolio guaranteeing a consistent performance across all areas of life and pension insurance and of developing existing products while structuring new, innovative products. The actuarial assumptions must be designed so as to build in adequate safety margins and address changes in the latest findings in order to withstand potential deviation risk as well as the current risk situation. Appropriaty policyholder participation is set. Underwriting guidelines and risk audits are used to prevent anti-selection.

The objectives of managing **health actuarial risk** are a risk-conscious underwriting policy – achieved by means of binding underwriting guidelines and careful risk selection – rigorous cost/benefit management, the development of existing products, and the structuring of new, innovative products. Again, the actuarial assumptions must be designed so as to build in adequate safety margins and address changes in the latest findings in order to withstand potential deviation risk as well as the current risk situation.

The objective of managing the **non-life actuarial risk** in direct business is to achieve a portfolio with an optimum risk/reward ratio. A balance of risk across geographical regions and types of business achieves the best possible risk diversification. Depending on its risk-bearing capacity and level of reserves, R+V reviews whether to purchase reinsurance cover to reduce earnings volatility, insure against major and maximum claims, and protect and boost existing financial strength and earnings power. In **inward non-life reinsurance business the objective is to** limit premiums and the portfolio to a defined proportion of the group.

R+V's investments are the main source of interest-rate risk, spread risk and equity risk. R+V's market risk strategy is determined by the provisions of the Regulation on the Investment of the Tied Assets of Insurance Companies (AnlV) and the basic regulatory investment principles and rules for tied assets specified in section 54 of the VAG. Insurance companies are under an obligation to invest coverage 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 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 risk** assumed by R+V reflects 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. The risk is managed within the framework of the overall risk management system and in compliance with the upper loss limits specified at DZ BANK Group level.

The management of market risk is connected with the following fundamental objectives of risk policy: ensuring competitive returns on investments taking into account individual risk-bearing capacities, achieving defined minimum investment returns in stress scenarios, and securing a hidden reserve level sufficient to ensure consistent earnings. The aim is also to guarantee that there is a sufficient proportion of fungible investments. The methods used to limit interest-rate guarantee risk include setting an appropriate discount rate, and recognizing a supplementary change-in-discount-rate reserve as well as additional reserves.

In line with the risk strategy for **counterparty default risk**, R+V aims to maintain a high average credit rating for its portfolios, to avoid concentrations of issuers at portfolio level and to comply with the limits that have been set for counterparties and debtors of insurance and reinsurance companies.

The strategy for **operational risk** focuses on achieving a balance between cost and benefit when dealing with risk.

16.2. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

The risk management process, which is implemented across all entities in the R+V group, defines rules for the way in which risks are identified, analyzed, assessed, managed and monitored, and the way in which they are reported and communicated. These rules form the basis for a central **early-warning system**.

Participations are also included in the R+V group's risk management system. The group's risk-bearing capacity is reviewed and measured at least once a quarter and the process includes a qualitative review of binding key performance indicators and threshold values. Corrective action must be initiated if a 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. Risk-bearing capacity and all material risks are subsequently evaluated at the Risk Conference, which is held every quarter.

The central **reporting of risk** at R+V is intended to provide transparent reporting. A system of reports to the member of R+V's Board of Managing Directors responsible for the business area concerned and to the member of R+V's 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 at R+V on a regular basis.

17. ACTUARIAL RISK

17.1. DEFINITION AND CAUSES

17.1.1. 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. It is broken down into the following categories defined by Solvency II:

- life actuarial risk
- health actuarial risk
- non-life actuarial risk

LIFE ACTUARIAL RISK

Life actuarial risk refers to the risk arising from the assumption of life insurance obligations, in relation to the risks covered and the processes used in the conduct of this business. Life actuarial risk is calculated as the combination of capital requirements for, as a minimum, the following sub-modules:

- **Mortality risk** describes the risk of loss or an adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.

- **Longevity risk** describes the risk of loss or an adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.

- **Disability-morbidity risk** describes the risk of loss or an adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of disability, sickness, or morbidity rates.

- **Life catastrophe risk** describes the risk of loss or an adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and assumptions when recognizing provisions related to extreme or unusual events.

- **Lapse risk** describes the risk of loss or an adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, cancellations, renewals, and surrenders.

- **Life expense risk** describes the risk of loss or an adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts.

HEALTH ACTUARIAL RISK

Health actuarial risk refers to the risk arising from the assumption of health and casualty insurance obligations, in relation to the risks covered and the processes used in the conduct of this business.

NON-LIFE ACTUARIAL RISK

Non-life actuarial risk refers to the risk arising from the assumption of non-life insurance obligations, in relation to the risks covered and the processes used in the conduct of this business. It is calculated as the combination of capital requirements for the following submodules:

- **Premium and reserve risk** describes the risk of loss or an adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency, and severity of insured events, and in the timing and amount of claim settlements.

- **Non-life catastrophe risk** describes the risk of loss or adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and assumptions when recognizing provisions related to extreme or unusual events.

- **Lapse risk** describes uncertainty about the continuation of the direct insurance and reinsurance contracts. It results from the fact that the lapse of contracts that are profitable for the insurance company will lead to a reduction in capital.

17.1.2. 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 and health insurance business, the direct non-life insurance, and the inward reinsurance business.

Actuarial risk arises in the form of variances from the expected level of losses resulting from the uncertainty relating to the timing, frequency, and amount of claims. The risk may also arise from unpredictable changes in insured risks, claim distributions, expected values and mean variations due, for example, to changes in climatic and geological conditions or by technological, economic or social changes. Incomplete information about the genuine legitimacy of claims due to incorrect statistical analysis, or incomplete information about the future validity of claims identified as legitimate in the past could be other causes.

The actuarial risk situation in life insurance companies is also characterized to a large extent by fixed premiums and the long-term nature of the guaranteed benefits in the event of a claim.

The actuarial risk situation of a health insurance company is characterized to a large extent by a rise in the cost of claims, caused both by the performance of its portfolio and by the behavior of policyholders and service providers.

17.2. MANAGEMENT OF LIFE ACTUARIAL RISK

17.2.1. Risk measurement

The risk for insurance contracts subject to **mortality risk** is described as a 15 percent increase in mortality.

The risk for insurance contracts subject to **longevity risk** is described as a 20 percent increase in longevity.

The overall solvency requirement for **disability-morbidity risk** is analyzed on the basis of a permanent 35 percent rise in the disability rates expected for the next 12 months, a permanent 25 percent rise in the disability rates expected for the period after those 12 months, and a permanent 20 percent decrease in all expected likely cases of policyholders being able to return to work.

The risk for insurance contracts affected by **life catastrophe risk** is described as an immediate increase of 0.15 percentage points in mortality rates in the next 12 months.

The risk for insurance contracts subject to **lapse risk** is described for the following scenarios: for an increase in lapses, a 50 percent rise in the lapse rate; for a decrease in lapses, a 50 percent reduction in the lapse rate; for a mass lapse event, lapse of 40 percent of the contracts.

The overall solvency requirement for **life expense risk** is based on the following stress scenarios: a permanent 10 percent rise in the measurement of the costs reflected in the insurance liabilities; an increase in the cost inflation rate by one percentage point.

17.2.2. Risk management in direct life insurance business

Actuarial risk is minimized by carrying out a careful, prudent cost calculation while products are still in development. This applies to the development of existing products as well as the design of innovative new types of insurance and is carried out by incorporating adequate safety margins into actuarial assumptions in compliance with legislation. These assumptions are structured in such a way that they not only withstand the current risk situation, but also accommodate potential changes in the risk position. Actuarial control systems are used on a regular basis to decide whether the cost calculation needs to be changed. The calculation is also adjusted on an ongoing basis in line with the latest actuarial findings.

A number of measures are taken to prevent a concentration of adverse risks in the portfolio. Before contracts are signed, extensive risk reviews are carried out to limit **mortality and disability-morbidity risks**. In general, risk is only assumed in compliance with fixed underwriting guidelines. High levels of individual or cumulative risk are limited by an appropriate degree of reinsurance.

In principle, the broad diversification of insured risks within the group has the effect of mitigating risk. For example, an increase in mortality has an adverse impact on endowment life and risk insurance policies, but at the same time has a positive impact on the longevity risk associated with pension insurance.

Life expense risk is mitigated by cutting costs as far as possible and operating sustainably.

Lapse risk is mitigated by structuring life insurance contracts to provide maximum flexibility should policyholders' circumstances change. A range of different options therefore enables customers to maintain their contract instead of canceling it. Designing policyholder participation with an attractive final bonus also counteracts lapse risk.

Setting appropriate policyholder participation also indirectly mitigates the actuarial risk relating to life insurance.

17.3. MANAGEMENT OF HEALTH ACTUARIAL RISK

17.3.1. Risk measurement

Health actuarial risk is calculated by combining the capital requirements for the subcategories 'non-life health insurance', 'life health insurance', and 'health catastrophe risk'.

The methods described in the sections on life actuarial risk and non-life actuarial risk are used to measure risk in the subcategories.

Health actuarial risk also includes significant parts of the group's casualty insurance business as well as its health insurance business.

17.3.2. Risk management in health and casualty insurance

RISK MANAGEMENT IN 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.

In accordance with VAG provisions, R+V regularly compares its calculations with the insurance benefits it is required to pay. 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 sufficiently secure. 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.

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 the Calculation Regulation (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 regularly compares its calculations against the most recently published mortality tables.

When determining **lapse probabilities** for the purposes of its calculations, R+V uses both its own observations and the latest figures published by BaFin.

Where premiums were adjusted on January 1, 2014, R+V used the new PKV mortality table valid for 2014 to determine both new business premiums and those **premium adjustments** in existing business.

Unisex insurance rate scales are offered in R+V'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 composition of the portfolio resulting from the calculations is reviewed by actuaries using comparable calculations.

RISK MANAGEMENT IN CASUALTY INSURANCE BUSINESS

The risk situation in the casualty insurance division is characterized by the fact that it is fixed-sum insurance and not indemnity insurance. Consequently, the maximum benefit per insured person is restricted to the sum insured.

A risk-conscious underwriting policy is adopted for casualty insurance. Premiums are reviewed on an ongoing basis to ensure that they remain appropriate. Claims are assessed on a case-by-case basis. Experts and assessors are selected very carefully in order to obtain assessments that are realistic and appropriate.

17.4. MANAGEMENT OF NON-LIFE ACTUARIAL RISK

17.4.1. Risk measurement

The capital requirements for **premium and reserve risk** are calculated on the basis of risk factors and volume measures for all branches of insurance in which business is conducted. The volume measures take account of geographical diversification. The risk factors (e.g. the standard deviation as a percentage of the volume measure) describe the degree of threat posed by the risk. The volume measures for the **premium risk** are essentially the net premium income earned in the financial year and in the first and second years after that. The volume measure for the **reserve risk** constitutes the claims provisions in the form of a best-estimate valuation.

To determine the overall solvency requirement as part of internal risk assessment, empirical distributions are generated for the relevant parameters for parts of the portfolio, such as the claim amount and the number of claims per sector and claim type (e.g. basic claims, major claims, catastrophe claims). The value-at-risk can then be determined with the required confidence level directly from the loss function generated. In non-life insurance, an example of such a loss function would be the underwriting result. The parameterization of the distributions taken into account uses historical portfolio data and their planning data and reflects the entity's actual risk position.

The overall solvency requirement is determined for **non-life catastrophe risk** (broken down into the following natural hazards: storm, earthquake, flood, hail, and subsidence), the catastrophe risk of non-proportional reinsurance in non-life insurance, risk of man-made catastrophe, and other catastrophe risk in non-life insurance.

In large parts of R+V's direct insurance business, the risk modeling for calculating basic claims and minor cumulative events relating to the natural hazards hail, storm, and flood is based on mathematical/statistical methods. Only basic claims are modeled for the risk of earthquake. The minimum and maximum claim amounts for minor cumulative events are selected on the basis of the group's own claims history. Modeling is based on the group's own claims data.

In R+V's direct insurance business, the risk modeling for calculating major cumulative events relating to the natural hazards hail, storm, flood, and earthquake uses probability-based natural hazard models. To this end, catastrophe claims are used that have been modeled by external providers for each natural hazard and take account of the entity-specific risk profile of R+V.

In its **inward reinsurance business**, R+V deploys a simulation tool for stochastic risk modeling. To model the natural catastrophe risk on an individual contract basis, event catalogs from external providers containing predefined scenarios based on historical observations are used. The event catalogs cover the material countries and natural hazards of the risk written for the risks in inward reinsurance. Modeling based on the group's own claims history is also used. This involves generating scenarios for the current portfolio on the basis of historical major claims.

In inward reinsurance, modeling based on the group's own claims history is used to determine the overall solvency requirement for the risk of **man-made catastrophe**. This involves generating scenarios for the current portfolio on the basis of the historical major claims.

The overall solvency requirement for **lapse risk** is determined on the basis of a stress scenario involving the lapse of 40 percent of those insurance contracts whose lapse would lead to an increase in the best-estimate valuation for the premium provision.

17.4.2. Risk management in direct non-life insurance business

Premium and reserve 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 to ensure 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 provide further options for managing the business at an early stage, taking into account the prevailing risk appetite.

The measurement of the overall solvency required for **natural catastrophe risk** is supplemented by regular analysis of the policy portfolio. This analysis carried out with the aid of tools such as the ZÜRS Geo information system (zoning system for flooding, backwater flooding and heavy rainfall) investigates regional concentrations and changes in regional concentrations over time. The use of geographical diversification and the deployment of underwriting guidelines form the basis for managing risks arising from natural disasters.

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.

Estimating obligations arising from loss events that have occurred is subject to uncertainty. In compliance with Solvency II requirements, mathematical/statistical methods are used to calculate future payment obligations for the purpose of measuring insurance liabilities. Insurance liabilities are measured separately for premium and claims provisions. R+V's own experience, actuarial statistics, and additional sources of information are used for the calculations. The methods deployed are based on generally accepted principles of actuarial practice and R+V's own risk profile.

17.4.3. Risk management in inward non-life reinsurance business

R+V counters **premium and reserve 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 earnings-driven underwriting policy. The assumption of risk is circumscribed by mandatory underwriting guidelines and limits that restrict potential liability arising from both individual and cumulative claims. R+V takes account of economic capital costs when underwriting risk. Compliance with these requirements is regularly monitored.

The material actuarial risks in the inward reinsurance portfolio are **catastrophe risk**, long tail risk, reserve risk and also far-reaching changes in the trends underlying the main markets. The actual and potential losses arising from the level and frequency of claims under natural disaster insurance are recorded and assessed using industry-standard software and R+V's own additional verification systems. The portfolio is continuously monitored for possible concentrations of natural disaster risk.

The 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.

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 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. R+V has sufficient equity and reserves providing the necessary risk-bearing capacity so there is currently no need to purchase further reinsurance (retrocession).

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.

17.5. RISK FACTORS

In the case of products with long-term guarantees that constitute the bulk of the **direct life insurance business**, 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. The relevant risk factors include changes in life expectancy, increasing rates of disability-morbidity, and disproportionately strong cost increases.

In its **direct non-life insurance and inward non-life reinsurance business**, R+V focuses on the provision of cover for disasters. This includes both natural disasters, 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 Group's operating profit.

17.6. CLAIMS RATE TREND IN NON-LIFE INSURANCE

Compared with the claims made in 2013, there was a sharp fall in claims under **direct non-life insurance** in 2014. Claims relating to natural disasters were dominated by heavy losses of approximately €41.5 billion relating to summer storm Ela in June 2014. The underlying cost of claims (excluding those for natural catastrophes and major losses) was below the comparative figures for previous years with a slight fall in the average cost of claims. The expenses for major claims were above the 5-year average, due to a higher level of losses in the fire sectors and in indemnity insurance. The number of high-volume minor claims continued to decline, primarily due to changes in the motor insurance sector. Overall, this resulted in an annual claims rate for the reporting year that was lower than rates in the past.

Changes in claims rates and settlements (net of reinsurance) in R+V's direct non-life insurance and inward non-life reinsurance business are shown in figure 47.

17.7. RISK POSITION

As at December 31, 2014, the overall solvency requirement for **life actuarial risk** amounted to €387 million (December 31, 2013: €417 million). The upper loss limit was set at €450 million as at the balance sheet date (December 31, 2013: €410 million). The upper loss limit was not exceeded at any time during 2014.

As at December 31, 2014, the overall solvency requirement for **health actuarial risk** was measured at €57 million (December 31, 2013: €59 million), with an upper loss limit of €80 million (December 31, 2013: €90 million). Again, the risk capital requirement was below the upper loss limit at all times during the course of 2014.

As at December 31, 2014, the overall solvency requirement for **non-life actuarial risk** amounted to

FIG. 47 – INSURANCE SECTOR: CLAIMS RATE AND SETTLEMENTS (NET OF REINSURANCE)[1]

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Claims rate (net) as % of premiums earned										
Including major/natural disaster claims	75.5	78.2	75.6	77.7	77.3	73.0	72.6	73.7	71.0	71.5
Excluding major/natural disaster claims	73.8	69.1	72.7	71.4	75.0	73.0	70.6	70.1	69.8	70.4
Settlements (net) as % of provision for incoming claims										
Non-life	2.1	0.5	0.3	1.9	4.8	4.8	8.4	6.1	7.1	5.7

1 Direct non-life insurance business and inward non-life reinsurance.

€2,177 million (December 31, 2013: €2,034 million). The upper loss limit was set at €2,300 million as at the balance sheet date (December 31, 2013: €2,170 million). It was not exceeded at any time in the year under review.

The changes in the key figures for the various types of non-life actuarial risk are shown in figure 48.

FIG. 48 – INSURANCE SECTOR: OVERALL SOLVENCY REQUIREMENT FOR NON-LIFE ACTUARIAL RISK

€ million	Dec. 31, 2014	Dec. 31, 2013
Premium and reserve risk	1,129	1,063
Non-life catastrophe risk	1,600	1,489
Lapse risk	51	23
Diversification effect	-603	-540
Total	**2,177**	**2,034**

17.8. SUMMARY AND OUTLOOK

R+V possesses a number of tools for effectively controlling actuarial risks that have been identified and for identifying new risks at an early stage. The capital it holds, its well-diversified product portfolio, strong distribution channels, and cost-conscious business operations generally enable R+V to manage these risks and benefit from opportunities that arise.

The changes in actuarial risk in direct non-life insurance in 2015 will be shaped by the strategy of achieving long-term profitable growth in all segments of R+V.

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.

18. MARKET RISK

18.1. DEFINITION AND CAUSES

Market risk describes the risk arising from fluctuation in the level or volatility of market prices of assets, liabilities and financial instruments that have an impact on the value of the assets and liabilities of the entity. It suitably reflects the structural mismatch between assets and liabilities, in particular with respect to their duration.

Market risk is broken down into the following subcategories:

- **Interest-rate risk** describes the sensitivity of the values of assets, liabilities, and financial instruments to changes in the term structure of interest rates or in the volatility of interest rates. The persistently low level of interest rates has resulted in an increased level of interest-rate guarantee risk, particularly for portfolios of life-insurance contracts with a high guaranteed return.

- **Spread risk** describes the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or volatility of credit spreads above the risk-free interest rate term structure. Default risk and migration risk are also examined in this subcategory. The credit spread is the difference in interest rates between a fixed-income investment and a risk-free fixed-income investment. Changes in the credit spread lead to changes in the market value of the corresponding securities.

- **Equity risk** describes the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or volatility of the market prices of equities. Equity investment risk is also a part of equity risk. Equity risk arises from existing equity exposures as a result of market volatility.

- **Currency risk** describes the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or volatility of exchange rates. Currency risk arises as a result of exchange rate volatility either from investments held in a foreign currency or the existence of a currency imbalance between insurance liabilities and investments.

- **Real-estate risk** describes the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or volatility of the market prices of real estate. Real-estate risk can arise as a result of negative changes in the fair value of real estate held directly or indirectly. This may be the result of a deterioration in the specific characteristics of the real estate or a general decline in market prices (for example in connection with a real-estate crash).

- **Concentration risk** represents the additional risk for an insurance or reinsurance company stemming either from lack of diversification in the asset portfolio or from a large exposure to the risk of default by a single issuer of securities or a group of related issuers.

According to the Solvency II definition, the bulk of credit risk within market risk is assigned to spread risk. The other parts of credit risk are measured within counterparty default risk and other risk types.

18.2. RISK MANAGEMENT

18.2.1. Market risk measurement

When measuring market risk, shock scenarios are examined that have been taken from **Solvency II** and, in some cases, supplemented by the group's own parameterization.

The capital requirements for **interest-rate risk** are determined on the basis of shock scenarios calculated for an increase in interest rates and a decrease in interest rates. For maturities for which the market is sufficiently liquid, the overall solvency requirement for interest-rate risk is calculated using the group's own stress factors derived from market data.

The capital requirements for **spread risk** are calculated using a factor approach based on the relevant lending volume. The level of the stress factor is determined by the security's rating and the modified duration of the investment. With loan securitizations, a distinction is made between single, double, and multiple securitization structures. Depending on which is applicable, different rating-dependent stress factors are used. R+V uses its own stress factors, based on a portfolio model and with particular regard to concentration risk, to calculate the overall solvency requirement.

The capital requirements for **equity risk** are determined on the basis of stress scenarios calculated for a decrease in market value. The stress amounts depend on the equity type, e.g. whether it is listed on a regulated market in a member state of the European Economic Area or Organisation for Economic Co-operation and Development (OECD). The capital requirement for equity risk is based on the relevant equity exposure. It is determined using modeling and risk quantification based on observable data. The parameters are increased in order to take account of default risk and concentration risk. Default risk describes the risk of loss resulting from issuer insolvency.

Currency risk is calculated using a scenario approach that reflects the impact of a decrease or increase in the exchange rate for a foreign currency. The stress factor for determining the overall solvency requirement is based on the individual currency portfolio of R+V. Lower factors are applied for currencies that are pegged to the euro than those that are not pegged to the euro.

The calculation of **real-estate risk** looks at both property held directly (e.g. land and buildings) and real-estate funds. The stress factor for determining the overall solvency requirement for real-estate risk is a stress scenario adapted from the standard formula and reflects the fact that direct holdings consist overwhelmingly of investments in German real estate and fund holdings consist primarily of European real estate.

The overall solvency requirement for **concentration risk** is not calculated separately because this risk is taken into account as part of the calculations for equity risk, spread risk and counterparty default risk.

18.2.2. Principles of market risk management

The management of market risk is a significant element in the management of overall risk at R+V. Market risk at R+V is limited in part by the upper loss limits applicable throughout the group that are set at the level of the DZ BANK Group.

The risk attaching to investment is managed within the framework provided by the provisions of the VAG and of the AnlV, circulars from the regulator and internal investment guidelines. Compliance with AnlV and with other regulatory investment principles and regulations at R+V is ensured by means of highly skilled investment management, appropriate internal investment guidelines and control procedures, a forward looking investment policy and other organizational measures. The management of risk encompasses both economic and accounting aspects.

R+V continuously expands and refines the range of instruments used to assess and evaluate the risk attaching to new investments and to monitor risk in the investment portfolio, in order to be able to respond to any changes in the capital markets and to recognize, limit or avoid risk at an early stage.

R+V counters investment risk by observing the general principle of achieving the greatest possible security and profitability while ensuring liquidity at all times. By maintaining an appropriate mix and diversification of investments, the investment policy of R+V takes particular account of the objective of risk reduction.

R+V monitors changes in all types of market risk through constant measurement and a process of reporting to the relevant bodies. Risk in all subcategories is quantified in the context of group-specific economic calculations. Stress tests represent an important early warning system. In addition to natural diversification via maturity dates, issuers, countries, counterparties and asset classes, limits are also applied in order to mitigate risk.

Regular asset-liability management investigations are carried out at R+V. The necessary capital requirement to maintain solvency is reviewed on an ongoing basis with the support of stress tests and scenario analyses. Specifically, a systematic review is carried out to assess the effects of a long period of low interest rates and volatile capital markets. R+V uses derivatives to manage market risk.

18.2.3. Management of individual market risk categories

In the management of **interest-rate risk** R+V adheres to the principle of a broad mixture and diversification of investments, combined with balanced risk-taking in all selected asset classes and duration management that takes account of the structure of obligations. In addition, the use of pre-emptive purchases helps to provide a constant return from investments and to manage changes in interest rates and duration.

In the management of **spread risk** R+V pays particular attention to very high credit ratings for investments, with the overwhelming majority of its fixed-income portfolio being held in investment-grade paper (see figure 54 in section 18.4.2.). A significant proportion of the portfolio is also backed by further collateral. The use of R+V's own credit risk evaluations, which are often more rigorous than the credit ratings available in the market, serves to further reduce risk.

Mortgage lending is also subject to strict internal rules that help to limit credit risk. Analysis has shown that accounting considerations do not require any loan loss allowances to be recognized at portfolio level.

The management of **equity risk** is based on a core-satellite approach in which the core comprises shares in large, stable companies in indices that can be hedged to which satellite equities are added to improve the risk/return profile. Asymmetric strategies are also used to reduce or increase the rules-based equity exposure.

Currency risk is controlled by systematic foreign-exchange management. Virtually all reinsurance assets and liabilities are denominated in the same currency.

Real-estate risk is mitigated by diversifying holdings across different locations and types of use. Because real estate forms a small proportion of the overall portfolio and R+V adopts a prudent investment policy, this risk is not material for R+V.

Concentration risk is of minor relevance to R+V and is reduced by maintaining an appropriate mixture and diversification of investments. This is particularly apparent from the granular structure of the issuers in the portfolio.

18.2.4. Distinctive features of managing market risk in personal insurance business

Due to the persistently low level of interest rates, there is a heightened risk that the guaranteed minimum interest agreed for certain products when contracts are signed cannot be generated on the capital markets over the long term. This particularly applies to life insurance contracts and casualty insurance contracts with premium refund clauses that guarantee minimum returns. In the case of products with long-term guarantees, 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. The main reasons for variances are the change in the capital market environment and maturity mismatches between investments and insurance contracts. A protracted period of low interest rates increases the market risk arising from investments.

Market risk can be countered by underwriting new business that takes into account the current capital market situation and by taking the following action to boost the portfolio's risk-bearing capacity. It is crucial to ensure that there is enough free capital that can be made available even in adverse capital market scenarios. The necessary capital requirement to maintain solvency is reviewed on an ongoing basis with the aid of stress tests and scenario analyses as part of asset/liability management.

Risk is mitigated by setting up a supplementary discount rate reserve as specified in the Regulation on the Principles Underlying the Calculation of Benefit Reserves (DeckRV) and adding this to benefit reserves for existing contracts, thereby reducing the average interest rate return required on liabilities. In 2014, R+V added a total of €385 million to these supplementary reserves in its life insurance business, bringing the overall amount to €955 million. In its direct non-life business, it increased the reserves to €9 million. R+V expects to make further additions in 2015 and these additions have been included in the budget accounts. Setting the level of policyholder participation also offers the opportunity for indirect mitigation of market risk arising from life insurance.

The breakdown of benefit reserves by discount rate for the main life and casualty insurance portfolios is shown in figure 49.

A summary of the actuarial assumptions for calculating the benefit reserves for the main life and casualty insurance portfolios is presented in section 11 of the notes to the consolidated financial statements. It forms part of the notes on the accounting policies applicable to the ‘Benefit reserve’ line item on the balance sheet.

The discount rate for health insurance is regularly checked in accordance with the procedure developed by the Deutsche Aktuarvereinigung e.V. (DAV) [German Actuarial Association] for calculating the company actuarial discount rate. When unisex insurance rates were introduced, R+V Krankenversicherung AG set a discount rate of 2.75 percent for new business based on them. This was also in line with a recommendation made by the DAV. The discount rate used in the existing portfolio with separate male and female

FIG. 49 – INSURANCE SECTOR: BENEFIT RESERVES BY DISCOUNT RATE FOR THE MAIN INSURANCE PORTFOLIOS[1]

Discount rate	Proportion of total benefit reserve in 2014[2]		Proportion of total benefit reserve in 2013[2]	
	(€ million)	(%)	(€ million)	(%)
0.00%	3,096	6.2	1,918	4.1
1.25%	–	–	–	–
1.50%	43	0.1	11	–
1.75%	3,909	7.9	2,460	5.3
2.00%	76	0.2	87	0.2
2.25%	8,530	17.2	8,127	17.5
2.50%	127	0.3	176	0.4
2.75%	6,798	13.7	6,289	13.5
3.00%	4,496	9.0	5,027	10.8
3.25%	6,687	13.4	6,871	14.8
3.50%	4,654	9.4	4,772	10.3
3.75%	563	1.1	692	1.5
4.00%	7,278	14.6	7,183	15.5

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.

rates remained unchanged at 3.5 percent in 2014. Due to the current level of interest rates, the adjustment of premiums on January 1, 2015 will make it necessary to reduce the discount rate used for the separate male and female rates.

18.2.5. Managing risk arising from defined benefit pension obligations

R+V has various pension obligations (defined benefit obligations) to its current and former employees. By entering into such direct defined benefit obligations, it assumes a number of risks, including risks associated with the measurement of the amounts recognized on 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. 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. All the plan assets at R+V without exception are assets in reinsured support funds and are subject to interest-rate risk. The strategy adopted for the pension assets is predominantly driven by the defined benefit obligations.

18.3. RISK FACTORS

Generating the guaranteed return required in its life insurance business may present R+V with additional challenges if interest rates remain low and **credit spreads** remain narrow. Compared with actuarial risk, interest-rate risk plays a fairly minor role in non-life insurance business.

A widening of credit spreads on bonds in the market would lead to a drop in fair values. Falls in fair value of this nature could have a temporary impact on operating profit, or a permanent impact if bonds have to be sold. Given that cash flows in connection with insurance liabilities in the area of life insurance can be readily forecast and the fact that R+V's investments are well diversified, there is only a reduced risk that bonds might have to be sold at a loss before their maturity date.

Credit risk arises if there is a deterioration in the financial circumstances of issuers or borrowers, resulting in the risk of partial or complete default on receivables or in ratings-related impairment losses. The credit quality of R+V's investments is generally very high with a sound collateralization structure. In the dominant public and financial sectors, they are largely loans and advances in the form of Government Bonds and German and European Pfandbriefe with collateral backed by statute.

At R+V, equities are used as part of a long-term investment strategy to guarantee that **obligations to policyholders** can be satisfied; generating profits by exploiting short-term fluctuations to sell shares is not its objective. The risk of having to sell equities at an inopportune moment is mitigated by its broadly diversified portfolio of investments.

18.4. LENDING VOLUME

18.4.1. Reconciliation of the lending volume

The amount and structure of the lending volume are key factors for the aspects of credit risk reflected in market risk and counterparty default risk. To identify possible risk concentrations, the volume liable to credit risk is broken down by sector, country group, and rating class.

In the Insurance sector, counterparty default risk is of secondary importance compared with market risk and actuarial risk.

Risk management and risk measurement do not include R+V's existing investment exposure to the assets held by its Italian subsidiaries Assimoco S.p.A., Segrate, (Assimoco) and Assimoco Vita S.p.A., Segrate, (Assimoco Vita). Figure 50 shows a reconciliation of the 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 portfolios 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 scope of consolidation, differences in the definition of lending volume, and various differences in recognition and measurement methods.

FIG. 50 – INSURANCE SECTOR: RECONCILIATION OF THE LENDING VOLUME

€ billion

Lending volume for internal management accounts		Reconciliation: Scope of consolidation		Reconciliation: Definition of the lending volume		Reconciliation: Carrying amount and measurement		Lending volume for the consolidated financial statements		
Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Investments held by insurance companies
								8.0	7.3	of which: mortgage loans
								9.0	9.2	of which: promissory notes and loans
								10.3	10.0	of which: registered bonds
								1.0	1.3	of which: other loans
								6.2	5.2	of which: variable-yield securities
								34.6	28.4	of which: fixed-income securities
								0.5	0.2	of which: derivatives (positive fair values)
								0.2	0.2	of which: deposits with ceding insurers
71.4	62.1	3.1	2.4	-0.2	-0.1	-4.1	-2.7	70.2	61.7	Total
				Balance as at Dec. 31, 2014				-1.2	-1.7%	
				Balance as at Dec. 31, 2013				-0.4	-0.6%	

18.4.2. Change in lending volume

As at December 31, 2014, the total lending volume of R+V had increased by 15 percent to €71.4 billion (December 31, 2013: €62.1 billion). The expansion of the investment portfolios was driven by the growth in insurance business.

The lending volume in the home finance totaled €8.6 billion as at December 31, 2014 (December 31, 2013: €8.1 billion). Of this amount, 92 percent was accounted for by loans for less than 60 percent of the value of the property, a situation that was unchanged on the end of 2013. The volume of home finance was broken down by finance type as at December 31, 2014 as follows:

– consumer home finance: €8.1 billion (December 31, 2013: €7.7 billion)
– commercial home finance: €0.2 billion (December 31, 2013: €0.2 billion)
– commercial finance: €0.4 billion (December 31, 2013: €0.2 billion).

R+V held **loan collateral** primarily in respect of home finance (consumer and commercial home finance and commercial finance). In this type of business, the entire volume disbursed is usually backed by collateral.

The financial sector and the public sector, which are the dominant sectors, together accounted for 73 percent of the total lending volume at the balance sheet date (December 31, 2013: 74 percent). This lending mainly comprised loans and advances in the form of German and European Pfandbriefe with collateral backed by statute. Loans and advances to the public sector and consumer home finance (retail) highlight the safety of this investment. Fig. 51 shows the sectoral breakdown of the lending volume in the Insurance sector.

R+V has examined its credit portfolio with regard to those banks that failed the ECB stress test. This revealed that R+V's portfolio of lending to such banks was not of material significance and was almost entirely collateralized.

An analysis of the **geographical breakdown** of lending volume in figure 52 reveals that Germany and other industrialized countries accounted for the lion's share – 91 percent – of the lending volume as at the balance sheet date (December 31, 2013: 92 percent). European countries dominated within the broadly diversified exposure in industrialized countries.

The high proportion of obligations in connection with the life insurance business requires investments with longer maturities. This is reflected in the breakdown of **residual maturities** shown in figure 53. As at December 31, 2014, 77 percent (December 31, 2013: 75 percent) of the total lending volume had a residual maturity of more than 5 years. By contrast, just 4 percent of the total lending volume was due to mature within a year as at December 31, 2014, which was unchanged on the previous year. The increase in long residual maturities was mainly the result of investments in bonds.

The **rating structure** of the lending volume in the Insurance sector is shown in figure 54. Of the total lending volume as at December 31, 2014, 81 percent continued to be attributable to investment-grade borrowers (December 31, 2013: 80 percent). This reflects the regulatory requirements and the safety-oriented risk strategy of R+V. The lending volume that is not rated, which made up 17 percent of the total volume (December 31, 2013: 18 percent), essentially comprised low-risk consumer home finance for which external ratings were not available.

To rate the creditworthiness of its lending exposures, R+V uses the external ratings permitted by the AnlV. R+V generally also applies its own credit rating judgment. The external ratings are matched to the DZ BANK credit rating master scale using the methodology shown in figure 16 (section 8.4.1.).

As at December 31, 2014, the ten counterparties associated with the largest lending volumes accounted for 23 percent of R+V's total lending volume.

18.5. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

R+V continuously reviews its credit portfolio for countries where crises are developing (e.g. Russia and Ukraine). As a result of these reviews, portfolios are

FIG. 51 – INSURANCE SECTOR: LENDING VOLUME, BY SECTOR

€ billion	Dec. 31, 2014	Dec. 31, 2013
Financial sector	35.5	32.0
Public sector	16.8	13.9
Corporates	10.4	8.0
Retail	8.1	7.7
Industry conglomerates	0.6	0.6
Other	–	–
Total	71.4	62.1

FIG. 52 – INSURANCE SECTOR: LENDING VOLUME, BY COUNTRY GROUP[1]

€ billion	Dec. 31, 2014	Dec. 31, 2013
Germany	32.8	30.1
Other industrialized countries	32.2	27.2
Advanced economies	1.0	0.7
Emerging markets	3.4	2.8
Supranational institutions	1.9	1.3
Total	71.4	62.1

1 The headings 'Other industrialized nations' and 'Non-industrialized nations' that were previously used for country groups have been changed to 'Other industrialized countries' and 'Emerging markets' respectively.

FIG. 53 – INSURANCE SECTOR: LENDING VOLUME, BY RESIDUAL MATURITY

€ billion	Dec. 31, 2014	Dec. 31, 2013
≤ 1 year	2.6	2.3
> 1 year to ≤ 5 years	13.6	13.4
> 5 years	55.2	46.5
Total	71.4	62.1

FIG. 54 – INSURANCE SECTOR: LENDING VOLUME, BY RATING CLASS

€ billion		Dec. 31, 2014	Dec. 31, 2013
Investment grade	1A	20.3	17.0
	1B	4.7	3.7
	1C	–	–
	1D	6.3	5.2
	1E	–	–
	2A	8.2	7.0
	2B	6.6	5.1
	2C	3.5	3.6
	2D	5.5	4.2
	2E	–	–
	3A	2.4	3.7
Non-investment grade	3B	0.5	0.5
	3C	0.6	0.3
	3D	–	–
	3E	0.1	0.4
	4A	0.2	0.2
	4B	0.1	–
	4C	0.1	0.1
	4D	–	–
	4E	–	0.1
Default		0.1	–
Not rated		12.2	11.2
Total		71.4	62.1

adjusted as required. In the year under review, no notable country risks were identified other than exposures to eurozone periphery states.

The following disclosures form part of the above analyses of the entire credit portfolio. However, a separate analysis of R+V's exposure in eurozone periphery countries and in securitizations has been included because of their significance for the risk position in the Insurance sector.

18.5.1. Eurozone periphery countries

Since the start of the financial crisis, R+V has stepped up the monitoring of its credit portfolio, with attention focused on exposure to the countries directly affected by the **European sovereign debt crisis**. The risks in subportfolios are observed, analyzed, and managed with the aid of a regular reporting system and discussions in the operational decision-making committees.

The investments in this subportfolio totaled €4,859 million as at December 31, 2014 (December 31, 2013: €4,229 million), a rise of 15 percent. This increase was essentially the result of higher market values because there have been sharp declines in interest rates and in the risk premiums for bonds originating in eurozone periphery countries owing to the economic recovery in those countries and the interest rate policy of the ECB. There were also adjustments to the portfolio of government bonds during the course of the year. Figure 55 shows the country breakdown of the exposure.

In addition to the portfolios shown in figure 55, R+V held additional exposures through its investments in the Italian subsidiaries Assimoco and Assimoco Vita. As at December 31, 2014, €2,446 million of these companies' total investments of €2,716 million were invested in Italian government bonds, corresponding to their liabilities.

In the 2013 opportunity and risk report, R+V's exposures to eurozone periphery countries were reported as having a carrying amount of €5,443 million. In accordance with the sectoral approach, exposure has been determined on a fair value basis since January 1, 2014. Furthermore, the Assimoco and Assimoco Vita subsidiaries have been recognized as long-term equity investments. This has resulted in a change to the way that exposure to eurozone periphery countries is reported in the 2014 opportunity and risk report.

18.5.2. Securitizations

R+V's **securitization portfolio** consisted entirely of CDOs as at December 31, 2014, as it had on December 31, 2013. The fair value of the portfolio was €586 million (December 31, 2013: €579 million). 89 percent (December 31, 2013: 83 percent) of the underlying loans and receivables originated from Europe and 11 percent (December 31, 2013: 17 percent) from the United States. As at the balance sheet date, a total of 74 percent (December 31, 2013: 67 percent) of exposures were classified as investment grade (BBB- or higher). 41 percent (December 31, 2013: 25 percent) of the portfolio was in the two highest rating categories (AAA and AA). The credit rating awarded was based on the lowest available rating issued by the external rating agencies used by R+V.

FIG. 55 – INSURANCE SECTOR: LOANS AND ADVANCES TO BORROWERS IN THE COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

€ million	Dec. 31, 2014	Dec. 31, 2013
Portugal	**25**	**95**
of which: public sector	–	74
of which: non-public sector	25	22
of which: financial sector	15	15
Italy	**2,060**	**1,720**
of which: public sector	1,308	1,030
of which: non-public sector	752	689
of which: financial sector	342	491
Ireland	**845**	**746**
of which: public sector	92	73
of which: non-public sector	753	673
of which: financial sector	675	663
Greece	**1**	**3**
of which: public sector	–	–
of which: non-public sector	1	3
of which: financial sector	1	–
Spain	**1,929**	**1,665**
of which: public sector	1,204	625
of which: non-public sector	724	1,041
of which: financial sector	478	846
Total	**4,859**	**4,229**
of which: public sector	2,604	1,802
of which: non-public sector	2,255	2,427
of which: financial sector	1,512	2,015

18.6. RISK POSITION

As at December 31, 2014, the overall solvency requirement for market risk amounted to €2,329 million (December 31, 2013: €2,048 million). The Insurance sector also set an upper loss limit of €2,350 million (December 31, 2013: €2,520 million). The higher overall solvency requirement is attributable to an increase in the interest-rate risk because the prevailing level of low interest rates has increased the insurance liabilities resulting from guarantees. The upper loss limit was not exceeded at any time in the reporting period.

Figure 56 shows the changes in the key figures for the various types of market risk.

FIG. 56 – INSURANCE SECTOR: OVERALL SOLVENCY REQUIREMENT FOR MARKET RISK

€ million	Dec. 31, 2014	Dec. 31, 2013
Interest-rate risk	663	465
Spread risk	743	597
Equity risk	1,195	1,058
Currency risk	249	197
Real-estate risk	99	91
Diversification effect	-620	-359
Total	2,329	2,048

18.7. SUMMARY AND OUTLOOK

As in prior years, market risks were manageable in 2014 and did not have any detrimental impact on the risk position or financial performance of the DZ BANK Group.

However, the persistently low level of interest rates, combined with a possible resurgence of the sovereign debt crisis, does represent a potential risk. This is being countered, particularly with regard to interest-rate risk, by proactive and rigorous management of assets and liabilities and by careful management of risks and investments.

19. COUNTERPARTY DEFAULT RISK

19.1. DEFINITION AND CAUSES

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors of insurance and reinsurance companies over the following 12 months. It covers risk-mitigating contracts, such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit risk that is not otherwise covered by risk measurement.

Counterparty default risk takes account of collateral or other security that is held by or for the insurance or reinsurance company and any associated risks.

At R+V, risks of this nature particularly relate to counterparties in derivatives transactions, reinsurance counterparties and defaults on receivables from policyholders and insurance brokers.

19.2. RISK MANAGEMENT

The capital requirements for counterparty default risk are determined on the basis of the relevant exposure and the expected losses per counterparty.

R+V manages counterparty default risk at the level of the individual entities within the R+V Group.

Transactions involving derivatives are subject to explicit internal guidelines, particularly those regarding volume and counterparty limits. A comprehensive, real-time reporting system enables the various risks to be monitored regularly and presented transparently. Only economic hedges are used and they are not reported on a net basis in the consolidated financial statements.

R+V uses the views expressed by the international rating agencies in conjunction with its own credit ratings to help it to assess counterparty and issuer risk. Compliance with the limits for major counterparties is reviewed on an ongoing basis, with regular checks on limit utilization and compliance with investment guidelines.

Effective default management mitigates the risks arising from defaults on receivables relating to direct insurance operations with policyholders and insurance brokers. The risk of default on receivables is also addressed by recognizing appropriate portfolio loan loss allowances that are deemed to be adequate on the basis of past experience. The average ratio of defaults to gross premiums written in recent years was 0.2 percent (December 31, 2013: 0.1 percent).

The credit risk for receivables arising from inward and ceded reinsurance business is limited by constantly monitoring credit ratings and making use of other sources of information in the market. As was the case at the end of 2013, virtually all receivables arising from ceded reinsurance, which amounted to €190 million as at December 31, 2014 (December 31, 2013: €66 million), were due from entities with a rating of A or higher. In 2014, receivables arising from reinsurance did not represent a material risk due to the excellent credit quality of the reinsurers. There were no material defaults in 2014 or in previous years.

Receivables that were due for payment more than 90 days after the balance sheet date amounted to €35 million as at December 31, 2014 (December 31, 2013: €36 million).

19.3. RISK POSITION

As at December 31, 2014, the overall solvency requirement for counterparty default risk amounted to €42 million (December 31, 2013: €35 million) with an upper loss limit of €80 million (December 31, 2013: €50 million). The increase in the overall solvency requirement was largely attributable to the rise in receivables from intermediaries owing to seasonal effects.

The upper loss limit was not exceeded at any point during 2014.

20. OPERATIONAL RISK

20.1. DEFINITION AND CAUSES

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel, or systems, or from external events. It includes legal risk.

20.2. RISK MANAGEMENT

The risk capital requirement for operational risk in the Insurance sector is determined in accordance with the standard formula in Solvency II. Risk is calculated as a factor of premiums and provisions and, in the case of unit-linked business, as a factor of costs.

R+V's internal control system is the key instrument it uses to limit operational risk. Rules and controls in each specialist division and reviews of the use and effectiveness of the internal control system carried out by Group Internal Audit avert the risk of errors and fraud. Payments are largely automated.

Powers of attorney and authorizations stored in user profiles, as well as automated submissions for approval based on a random generator, provide additional security. Manual payments are always approved by a second member of staff.

In addition, operational risk is identified and quantified using a scenario-based risk self-assessment. The focus is on scenarios that, if they were to occur, would cause material financial risks. Particular attention is paid to operational risks with a low frequency of occurrence that would have a major impact.

In addition to the internal control system and risk self-assessment, risk indicators help the Insurance sector to identify risk trends and concentrations at an early stage and to 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.

To ensure that it is operational at all times, R+V has a fully integrated business continuity management system with a central coordination function. A committee of the crisis managers responsible for IT, premises, and human resources provides specialist support, ensures that emergency business continuity management activities are coordinated within the R+V group and reports to the Risk Conference on any major findings and any business continuity exercises that have been carried out.

Business continuity management ensures that R+V's operating activities can be maintained in the event of a crisis. Contingency planning also includes time-critical business processes and the resources needed to maintain them.

20.3. RISK FACTORS

20.3.1. HR risk

The future success of R+V is dependent upon capable managers and employees with the necessary skills and qualifications. There is fierce competition for managerial and administrative staff in the labor market, driven by high demand and insufficient numbers of suitable individuals. Unless the necessary number of suitable managerial and administrative staff can be attracted within the required timeframe, and/or existing managers and employees can be retained, there will be a heightened risk that tasks will not be performed or will not be performed satisfactorily as a result of inadequate expertise in terms of either quality or quantity. R+V provides long-term professional development and enhanced talent-management activities to ensure that staff members undergo the continuous development and training that will also make it possible to meet future staffing requirements from within the organization. The tools it uses for this purpose include a system for assessing high-potential employees, systematic succession planning, and skills upgrading programs. In the interest of long-term staff retention, R+V runs programs to establish and enhance its appeal as a place to work, such as corporate health management, support for achieving a work-life balance and regular staff surveys.

R+V counters operational risk in sales and distribution by providing continuous professional development courses for field sales staff in accordance with the general guidelines of the German Insurance Association (GDV). In 2013, R+V signed up to the new, revised version of the GDV's code of conduct for sales and distribution. This voluntary undertaking focuses on a relationship between customers, insurance companies and brokers that is defined by fairness and trust. The requirements set out in the code of conduct are reflected in the principles, policies and processes of each company.

20.3.2. IT risk

Malfunctions or breakdowns in data processing systems or in the programs used on these systems, including attacks from external sources – such as hackers or malware –, could have an adverse impact on the ability 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.

Quality assurance in IT is based on well-established processes that follow best practice. A daily meeting is held to discuss current topics and assign people to work on them. In addition, appropriate measures relating to adherence to service level agreements (e.g. system availability and system response times) are decided upon at monthly meetings attended by the IT divisional managers.

Comprehensive physical and logical precautionary measures guarantee the security of data and applications and ensure that day-to-day operations are maintained. A particular risk would be a partial or total breakdown in data processing systems.

R+V counters this risk by using two 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 a defined restart procedure to be used in disaster situations with the aim of checking the efficacy of this procedure. Data is backed up and held within highly secure environments in various buildings. Furthermore, data is mirrored to a tape library at a remote, off-site location. This means that data will still be available, even if all of the data processing centers in Wiesbaden are completely destroyed.

As part of contingency and crisis management systems, R+V has initiated a range of measures to cope with business interruptions. However, the possibility cannot be ruled out that disruption to processes and workflows could be sustained over several days. Moreover, sensitive internal and external interfaces could be jeopardized by long-term business interruptions.

20.3.3. Legal risk

The matters mentioned in section 14.5.5. under 'Provisions recognized on the balance sheet' for the Bank sector essentially relate equally to the Insurance sector.

The legal disputes referred to below are predominantly legal proceedings being taken against other insurance companies that are of fundamental significance to the insurance industry and thus potentially to R+V as well:

On July 25, 2012, the German Federal Court of Justice (BGH) ruled against a German insurance company, deciding that the clauses it used in life insurance and pension insurance policies in relation to **surrender values, cancellation fees, and allocation of acquisition costs** were ineffective. A decision was not reached on the resulting legal consequences for the calculation of surrender values. The BGH ruled on this issue in two judgments on September 11, 2013. According to these judgments, a minimum of 50 percent of the non-zillmerized benefit reserves must be paid to policyholders who terminate their contract prematurely. This applies uniformly to all life insurance and pension insurance contracts concluded between 1995 and 2007. Following these judgments, R+V amended its process for winding up insurance contracts and recognized additional benefit reserves. Proceedings brought by the consumer protection organization Verbraucherzentrale Hamburg e.V. against R+V Lebensversicherung AG are currently pending at the Frankfurt am Main regional court. The case is aimed at prohibiting R+V Lebensversicherung AG from invoking certain clauses in its insurance terms and conditions relating to the calculation of surrender values and paid-up sums insured and to cancellation fees when winding up insurance contracts. The court is expected to reach a judgment in early 2015.

On May 7, 2014 and July 16, 2014, the BGH reached important decisions in relation to the **policy model** used by insurance companies, including R+V, for insurance contracts from 1994 to 2007. According to the decision dated May 7, 2014, the customers of life insurance companies who were not, or not adequately, notified of their cancellation rights and/or who did not receive their consumer information or insurance terms and conditions continue to have a right of cancellation, even years after taking out the policy. The legal consequences – particularly the type of recession – are not yet clear because no decision has yet been reached by the highest court. During the aforementioned pertinent timeframe, R+V notified its life insurance customers about their cancellation rights in a different form than that on which the BGH's decision was based. Regional appeal courts have not found fault with these notifications to date, but the proceedings are still pending with the BGH. In its judgment on July 16, 2014, BGH also clarified that, in its opinion, the policy model's solution of cancellation by opt-out was in compliance with European law. However, the BGH explained that this was not relevant because the policyholder invoked his right of cancellation after having performed his contract in good faith for many years. The policyholder brought a complaint of unconstitutionality against the judgment.

In judgments on March 10, 2009 and August 15, 2012, the BGH decided that consumers taking out **real-estate loans** who had not been, or had not been adequately, notified of their cancellation rights continued to have a right of cancellation, even years after signing the real-estate loan contract. Accordingly, customers can exercise the right of cancellation and pay back the loan. Exercise of the cancellation right results in loss of interest because of the deterioration in reinvestment conditions. It is not necessary to recognize provisions for this matter.

20.4. RISK POSITION

As at December 31, 2014, the overall solvency requirement for operational risk amounted to €436 million (December 31, 2013: €408 million).

The upper loss limit applicable at the balance sheet date was set at €510 million (December 31, 2013: €490 million). The upper loss limit was not exceeded at any time during 2014.

21. ENTITIES IN OTHER FINANCIAL SECTORS

At R+V, the entities in other financial sectors mainly consist of pension funds and occupational pension schemes.

Risk is quantified in accordance with the requirements currently specified by the insurance regulator. This means applying the capital requirements in Solvency I, which are essentially calculated as a factor of the volume measures of benefit reserves and capital at risk.

The risk situation of R+V Pensionskasse is comparable with the risk situation of the life insurance companies in the R+V Group. In particular, the relevant activities within risk management apply as described in the sections on life actuarial risk, market risk, counterparty default risk, and operational risk.

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, it must be ensured 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. Market risk and all the risk types covered by actuarial 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. Here too, the relevant activities within risk management apply as described in the sections on life actuarial risk, market risk, counterparty default risk, and operational risk.

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's commitment to insurance-based guaranteed benefits determined by the amount of capital still available is reduced. The ongoing pension plan contributions and the benefit reserve include sufficient amounts to cover the costs of managing pension fund contracts.

As at December 31, 2014, the overall solvency requirement for entities in other financial sectors amounted to €73 million (December 31, 2013: €68 million). The upper loss limit was unchanged year on year at €80 million. The upper loss limit was not exceeded at any point during 2014.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement
for the period January 1 to December 31, 2014

€ million	(Note)	2014	2013
Net interest income	(34)	3,049	3,118
Interest income and current income and expense		7,302	7,459[1]
Interest expense		-4,253	-4,341[1]
Allowances for losses on loans and advances	(35)	-191	-540
Net fee and commission income	(36)	1,415	1,104
Fee and commission income		2,841	2,864[1]
Fee and commission expenses		-1,426	-1,760[1]
Gains and losses on trading activities	(37)	471	148
Gains and losses on investments	(38)	109	-124[1]
Other gains and losses on valuation of financial instruments	(39)	327	1,100
Premiums earned	(40)	13,927	12,693
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(41)	4,432	2,870[1]
Insurance benefit payments	(42)	-15,264	-13,181
Insurance business operating expenses	(43)	-2,155	-2,007
Administrative expenses	(44)	-3,088	-2,937
Other net operating income	(45)	-165	-23
Profit before taxes		2,867	2,221
Income taxes	(46)	-710	-754[1]
Net profit		**2,157**	**1,467**
Attributable to:			
Shareholders of DZ BANK		1,730	1,169
Non-controlling interests		427	298

APPROPRIATION OF PROFITS

€ million	2014	2013
Net profit	2,157	1,467
Non-controlling interests	-427	-298
Appropriation to retained earnings	-1,517	-1,011
Unappropriated earnings	**213**	**158**

1 Amount restated

Statement of comprehensive income for the period January 1 to December 31, 2014

€ million	(Note)	2014	2013
Net profit		2,157	1,467
Other comprehensive income		566	344
Amounts reclassified to the income statement		**915**	322
Gains and losses on available-for-sale financial assets	(47)	1,344	413[1]
Gains and losses on cash flow hedges	(47)	-31	–
Exchange differences on currency translation of foreign operations		12	-10
Gains and losses on hedges of net investments in foreign operations		-15	5
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	(47)	24	-16[1]
Income taxes	(48)	-419	-70
Amounts not reclassified to the income statement		**-349**	22
Gains and losses arising from remeasurement of defined benefit plans		-496	26
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method		-3	-1
Income taxes	(48)	150	-3
Total comprehensive income		**2,723**	**1,811**
Attributable to:			
Shareholders of DZ BANK		2,097	1,506
Non-controlling interests		626	305[1]

1 Amount restated

Balance sheet as at December 31, 2014

ASSETS

€ million	(Note)	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Cash and cash equivalents	(14, 49)	3,033	3,812	2,497
Loans and advances to banks	(15, 50)	79,317	74,214	79,429
Loans and advances to customers	(15, 51)	122,437	120,158[1]	121,978[1]
Allowances for losses on loans and advances	(16, 52)	-2,388	-2,540	-2,509
Derivatives used for hedging (positive fair values)	(17, 53)	383	887	820
Financial assets held for trading	(18, 54)	54,449	52,857	66,709
Investments	(19, 55)	57,126	56,892[1]	59,809[1]
Investments held by insurance companies	(56, 60)	79,632	70,237[1]	66,277[1]
Property, plant and equipment, and investment property	(20, 57, 60)	2,292	1,762[1]	1,839[1]
Income tax assets	(21, 58)	1,038	1,544[1]	2,056
Other assets	(22, 59, 60)	4,838	5,237[1]	5,775[1]
Non-current assets and disposal groups classified as held for sale	(23, 61)	33	11	199
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		353	327	515
Total assets		**402,543**	**385,398**	**405,394**

EQUITY AND LIABILITIES

€ million	(Note)	Dec. 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Deposits from banks	(24, 62)	89,254	91,158[1]	100,367[1]
Deposits from customers	(24, 63)	96,428	98,411[1]	92,028[1]
Debt certificates issued including bonds	(25, 64)	55,609	52,754[1]	61,869[1]
Derivatives used for hedging (negative fair values)	(17, 65)	2,556	2,387	3,013
Financial liabilities held for trading	(18, 66)	51,702	45,768[1]	58,713[1]
Provisions	(26, 67)	3,172	2,382	2,408
Insurance liabilities	(11, 68)	74,670	67,365[1]	63,238[1]
Income tax liabilities	(21, 58)	723	575	641
Other liabilities	(69)	6,244	5,960[1]	5,828[1]
Subordinated capital	(27, 70)	3,784	4,201[1]	4,269[1]
Liabilities included in disposal groups classified as held for sale	(23, 61)	–	–	14
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		295	249	331
Equity	(71)	18,106	14,188	12,675
Subscribed capital		3,646	3,160	3,160
Capital reserve		2,101	1,111	1,111
Retained earnings		5,755	4,527[1]	3,516[1]
Revaluation reserve		1,045	379[1]	38[1]
Cash flow hedge reserve		-16	5	5
Currency translation reserve		24	7	29
Non-controlling interests		5,338	4,841[1]	4,694[1]
Unappropriated earnings		213	158	122
Total equity and liabilities		**402,543**	**385,398**	**405,394**

1 Amount restated

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, 2013	3,160	1,111	3,610	36	5	29	7,951	4,690	12,641
Restatements according to IAS 8	–	–	28	2	–	–	30	4	34
Equity restated as at Jan. 1, 2013	3,160	1,111	3,638	38	5	29	7,981	4,694	12,675
Net profit	–	–	1,169	–	–	–	1,169	298	1,467
Other comprehensive income/loss	–	–	18	341	–	-22	337	7	344
Total comprehensive income/loss	**–**	**–**	**1,187**	**341**	**–**	**-22**	**1,506**	**305**	**1,811**
Capital repaid	–	–	–	–	–	–	–	-8	-8
Changes in scope of consolidation	–	–	-15	–	–	–	-15	-2	-17
Acquisition/disposal of non-controlling interests	–	–	-3	–	–	–	-3	2	-1
Dividends paid	–	–	-122	–	–	–	-122	-150	-272
Equity as at Dec. 31, 2013	3,160	1,111	4,685	379	5	7	9,347	4,841	14,188
Net profit	–	–	1,730	–	–	–	1,730	427	2,157
Other comprehensive income/loss	–	–	-305	676	-21	17	367	199	566
Total comprehensive income/loss	**–**	**–**	**1,425**	**676**	**-21**	**17**	**2,097**	**626**	**2,723**
Capital increase	486	990	–	–	–	–	1,476	29	1,505
Changes in scope of consolidation	–	–	13	-10	–	–	3	1	4
Acquisition/disposal of non-controlling interests	–	–	3	–	–	–	3	-2	1
Dividends paid	–	–	-158	–	–	–	-158	-157	-315
Equity as at Dec. 31, 2014	**3,646**	**2,101**	**5,968**	**1,045**	**-16**	**24**	**12,768**	**5,338**	**18,106**

Statement of cash flows

€ million	2014	2013
Net profit	**2,157**	**1,467**
Non-cash items included in net profit and reconciliation to cash flows from operating activities		
Depreciation, amortization, impairment losses, reversals of impairment losses on assets, and other non-cash changes in financial assets and liabilities	-1,787	-158[1]
Non-cash changes in provisions	1,006	137
Changes in insurance liabilities	9,998	3,687[1]
Other non-cash income and expenses	971	1,572
Gains and losses on the disposal of assets and liabilities	8	-43
Other adjustments (net)	-3,869	-4,056[1]
Subtotal	8,484	2,606
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks	-4,955	4,967
Loans and advances to customers	-2,570	2,206[1]
Other assets from operating activities	1,145	329[1]
Derivatives used for hedging (positive and negative fair values)	-335	-257
Financial assets and financial liabilities held for trading	4,412	1,021[1]
Deposits from banks	-2,147	-8,512[1]
Deposits from customers	-3,031	6,682[1]
Debt certificates issued including bonds	2,733	-10,127[1]
Other liabilities from operating activities	-2,618	325[1]
Interest, dividends, and operating lease payments received	8,736	8,134[1]
Interest paid	-4,429	-4,589[1]
Income taxes paid	-271	-208[1]
Cash flows from operating activities	**5,154**	**2,577**
Proceeds from the sale of investments	11,813	20,334[1]
Proceeds from the sale of investments held by insurance companies	25,177	27,303[1]
Proceeds from the sale of property, plant and equipment, and investment property (excluding assets subject to operating leases)	53	7
Payments for the acquisition of investments	-10,436	-17,852
Payments for the acquisition of investments held by insurance companies	-32,442	-31,033[1]
Payments for the acquisition of property, plant and equipment, and investment property (excluding assets subject to operating leases)	-81	-85
Changes in scope of consolidation	-21	28
of which: Proceeds from the sale of investments in consolidated subsidiaries net of cash divested	8	33
Payments for the acquisition of investments in consolidated subsidiaries net of cash acquired	-30	–
Net change in cash and cash equivalents from other investing activities	-74	-83
Cash flows from investing activities	**-6,011**	**-1,381**
Proceeds from capital increases	1,505	–
Dividends paid to shareholders of DZ BANK and non-controlling interests	-315	-272
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)	-1,112	399[1]
Cash flows from financing activities	**78**	**119**

1 Amount restated

€ million	2014	2013
Cash and cash equivalents as at January 1	3,812	2,497
Cash flows from operating activities	5,154	2,577[1]
Cash flows from investing activities	-6,011	-1,381[1]
Cash flows from financing activities	78	119[1]
Cash and cash equivalents as at December 31	**3,033**	**3,812**

1 Amount restated

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

Cash flows from operating activities comprise cash flows mainly arising in connection with the revenue-producing activities of the group and other activities that cannot be classified as investing or financing activities. Cash flows related to the acquisition and disposal of non-current assets are allocated to investing activities. Cash flows from financing activities include cash flows arising from transactions with equity owners and from other borrowing to finance business activities.

As in 2013, disposals of investments in consolidated subsidiaries did not result in any cash outflow in 2014.

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 2014 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 March 25, 2015.

» 02
ACCOUNTING POLICIES AND ESTIMATES

CHANGES IN ACCOUNTING POLICIES

The financial statements of the entities consolidated in the DZ BANK Group have been prepared using uniform accounting policies.

FIRST-TIME APPLICATION IN 2014 OF CHANGES IN IFRS

The following new, amended, and revised versions of financial reporting standards and the specified improvements to IFRS are applied for the first time in DZ BANK's consolidated financial statements for the 2014 financial year:
- 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*,
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*,
- Amendments to IFRS 2 *Share-based Payment* as part of the *Annual Improvements to IFRSs 2010–2012 Cycle*, and
- Amendments to IFRS 3 *Business Combinations* as part of the *Annual Improvements to IFRSs 2010–2012 Cycle*.

IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities* in conjunction with *Investment Entities* (Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements*) 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*. IAS 27 *Separate Financial Statements* now 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. IFRS 10 must be applied for the first time from the 2014 financial year and is required to be adopted retrospectively. DZ BANK controls an investee when DZ BANK 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 are considered and, in the event of changes, are reviewed.

The effects of the retrospective first-time adoption of IFRS 10 on the 2013 figures were as presented below and predominantly resulted from deconsolidation of the Autobahn ABCP program and from deconsolidation of 142 asset-leasing vehicles of VR LEASING. Note 31 'Interests in unconsolidated structured entities' contains information about the Autobahn ABCP program and the deconsolidated asset-leasing vehicles.

Income statement for the period January 1 to December 31, 2013

€ million	2013 before restatement	Amount of restatement	**2013 after restatement**
Net interest income	3,118	–	3,118
Interest income and current income and expense	7,481	-22	7,459
Interest expense	-4,363	22	-4,341
Allowances for losses on loans and advances	-540	–	-540
Net fee and commission income	1,104	–	1,104
Fee and commission income	2,866	-2	2,864
Fee and commission expenses	-1,762	2	-1,760
Gains and losses on trading activities	148	–	148
Gains and losses on investments	-121	-3	-124
Other gains and losses on valuation of financial instruments	1,100	–	1,100
Premiums earned	12,693	–	12,693
Gains and losses on investments held by insurance companies and other insurance company gains and losses	2,868	2	2,870
Insurance benefit payments	-13,181	–	-13,181
Insurance business operating expenses	-2,007	–	-2,007
Administrative expenses	-2,937	–	-2,937
Other net operating income	-23	–	-23
Profit before taxes	2,222	-1	2,221
Income taxes	-755	1	-754
Net profit	**1,467**	**–**	**1,467**
Attributable to:			
Shareholders of DZ BANK	1,169	–	1,169
Non-controlling interests	298	–	298

Statement of comprehensive income for the period January 1 to December 31, 2013

€ million	2013 before restatement	Amount of restatement	2013 after restatement
Net profit	1,467	–	1,467
Other comprehensive income	342	2	344
Amounts reclassified to the income statement	320	2	**322**
Gains and losses on available-for-sale financial assets	414	-1	413
Exchange differences on currency translation of foreign operations	-10	–	-10
Gains and losses on hedges of net investments in foreign operations	5	–	5
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-19	3	-16
Income taxes	-70	–	-70
Amounts not reclassified to the income statement	22	–	**22**
Gains and losses arising from remeasurement of defined benefit plans	26	–	26
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-1	–	-1
Income taxes	-3	–	-3
Total comprehensive income	**1,809**	**2**	**1,811**
Attributable to:			
Shareholders of DZ BANK	1,506	–	1,506
Non-controlling interests	303	2	305

Balance sheet as at January 1, 2013

ASSETS

€ million	Jan. 1, 2013 before restatement	Amount of restatement	Jan. 1, 2013 after restatement
Cash and cash equivalents	2,497	–	2,497
Loans and advances to banks	79,429	–	79,429
Loans and advances to customers	123,811	-1,833	121,978
Allowances for losses on loans and advances	-2,509	–	-2,509
Derivatives used for hedging (positive fair values)	820	–	820
Financial assets held for trading	66,709	–	66,709
Investments	59,792	17	59,809
Investments held by insurance companies	66,296	-19	66,277
Property, plant and equipment, and investment property	1,841	-2	1,839
Income tax assets	2,056	–	2,056
Other assets	5,780	-5	5,775
Non-current assets and disposal groups classified as held for sale	199	–	199
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	515	–	515
Total assets	**407,236**	**-1,842**	**405,394**

EQUITY AND LIABILITIES

€ million	Jan. 1, 2013 before restatement	Amount of restatement	Jan. 1, 2013 after restatement
Deposits from banks	100,596	-229	100,367
Deposits from customers	92,169	-141	92,028
Debt certificates issued including bonds	63,290	-1,421	61,869
Derivatives used for hedging (negative fair values)	3,013	–	3,013
Financial liabilities held for trading	58,715	-2	58,713
Provisions	2,408	–	2,408
Insurance liabilities	63,260	-22	63,238
Income tax liabilities	641	–	641
Other liabilities	5,856	-28	5,828
Subordinated capital	4,302	-33	4,269
Liabilities included in disposal groups classified as held for sale	14	–	14
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	331	–	331
Equity	12,641	34	12,675
Subscribed capital	3,160	–	3,160
Capital reserve	1,111	–	1,111
Retained earnings	3,488	28	3,516
Revaluation reserve	36	2	38
Cash flow hedge reserve	5	–	5
Currency translation reserve	29	–	29
Non-controlling interests	4,690	4	4,694
Unappropriated earnings	122	–	122
Total equity and liabilities	**407,236**	**-1,842**	**405,394**

Balance sheet as at December 31, 2013

ASSETS

€ million	Dec. 31, 2013 before restatement	Amount of restatement	Dec. 31, 2013 after restatement
Cash and cash equivalents	3,812	–	3,812
Loans and advances to banks	74,214	–	74,214
Loans and advances to customers	121,726	-1,568	120,158
Allowances for losses on loans and advances	-2,540	–	-2,540
Derivatives used for hedging (positive fair values)	887	–	887
Financial assets held for trading	52,857	–	52,857
Investments	56,875	17	56,892
Investments held by insurance companies	70,255	-18	70,237
Property, plant and equipment, and investment property	1,770	-8	1,762
Income tax assets	1,543	1	1,544
Other assets	5,241	-4	5,237
Non-current assets and disposal groups classified as held for sale	11	–	11
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	327	–	327
Total assets	**386,978**	**-1,580**	**385,398**

EQUITY AND LIABILITIES

€ million	Dec. 31, 2013 before restatement	Amount of restatement	Dec. 31, 2013 after restatement
Deposits from banks	91,361	-203	91,158
Deposits from customers	98,548	-137	98,411
Debt certificates issued including bonds	53,953	-1,199	52,754
Derivatives used for hedging (negative fair values)	2,387	–	2,387
Financial liabilities held for trading	45,770	-2	45,768
Provisions	2,382	–	2,382
Insurance liabilities	67,386	-21	67,365
Income tax liabilities	575	–	575
Other liabilities	5,987	-27	5,960
Subordinated capital	4,226	-25	4,201
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	249	–	249
Equity	14,154	34	14,188
Subscribed capital	3,160	–	3,160
Capital reserve	1,111	–	1,111
Retained earnings	4,501	26	4,527
Revaluation reserve	376	3	379
Cash flow hedge reserve	5	–	5
Currency translation reserve	7	–	7
Non-controlling interests	4,836	5	4,841
Unappropriated earnings	158	–	158
Total equity and liabilities	**386,978**	**-1,580**	**385,398**

Statement of cash flows for the period January 1 to December 31, 2013

€ million	2013 before restatement	Amount of restatement	2013 after restatement
Net profit	1,467	–	1,467
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	-1	-158
Non-cash changes in provisions	137	–	137
Changes in insurance liabilities	3,709	-22	3,687
Other non-cash income and expenses	1,572	–	1,572
Gains and losses on the disposal of assets and liabilities	-43	–	-43
Other adjustments (net)	-4,057	1	-4,056
Subtotal	2,628	-22	2,606
Cash changes in assets and liabilities arising from operating activities			
Loans and advances to banks	4,967	–	4,967
Loans and advances to customers	632	1,574	2,206
Other assets from operating activities	317	12	329
Derivatives used for hedging (positive and negative fair values)	-257	–	-257
Financial assets and financial liabilities held for trading	1,023	-2	1,021
Deposits from banks	-8,309	-203	-8,512
Deposits from customers	6,825	-143	6,682
Debt certificates issued including bonds	-8,928	-1,199	-10,127
Other liabilities from operating activities	352	-27	325
Interest, dividends, and operating lease payments received	8,155	-21	8,134
Interest paid	-4,609	20	-4,589
Income taxes paid	-209	1	-208
Cash flows from operating activities	**2,587**	**-10**	**2,577**
Proceeds from the sale of investments	20,351	-17	20,334
Proceeds from the sale of investments held by insurance companies	27,353	-50	27,303
Proceeds from the sale of property, plant and equipment, and investment property (excluding assets subject to operating leases)	7	–	7
Payments for the acquisition of investments	-17,852	–	-17,852
Payments for the acquisition of investments held by insurance companies	-31,102	69	-31,033
Payments for the acquisition of property, plant and equipment, and investment property (excluding assets subject to operating leases)	-85	–	-85
Changes in scope of consolidation	28	–	28
of which: Proceeds from the sale of investments in consolidated subsidiaries net of cash divested	33	–	33
Net change in cash and cash equivalents from other investing activities	-83	–	-83
Cash flows from investing activities	**-1,383**	**2**	**-1,381**
Dividends paid to shareholders of DZ BANK and non-controlling interests	-272	–	-272
Other payments to shareholders of DZ BANK and non-controlling interests	-8	–	-8
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	391	8	399
Cash flows from financing activities	**111**	**8**	**119**

€ million	2013 before restatement	Amount of restatement	**2013 after restatement**
Cash and cash equivalents as at January 1	2,497	–	2,497
Cash flows from operating activities	2,587	-10	2,577
Cash flows from investing activities	-1,383	2	-1,381
Cash flows from financing activities	111	8	119
Cash and cash equivalents as at December 31	**3,812**	**–**	**3,812**

Furthermore, some of the prior-year amounts in the notes to the financial statements have been restated following retrospective adoption of IFRS 10.

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. IFRS 11 must be applied for the first time from the 2014 financial year and is required to be adopted retrospectively. First-time adoption of IFRS 11 did not have any impact on the financial position or financial performance of the DZ BANK Group. The DZ BANK Group has been accounting for investments in joint ventures in accordance with the equity method, as stipulated by the amended version of IAS 28, since it adopted IAS 31.

IFRS 12 governs the disclosures for investments in subsidiaries, joint arrangements, and associates and for interests in consolidated and 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 have led 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 sponsoring arrangements for unconsolidated structured entities are required. IFRS 12 must be applied for the first time from the 2014 financial year and does not have to be applied retrospectively. Application of IFRS 12 has led to the addition of a new section in the notes, section B 'Disclosure of interests in other entities', which contains note 29 'Investments in subsidiaries', note 30 'Interests in joint arrangements and associates', note 31 'Interests in unconsolidated structured entities', and note 32 'Sponsoring arrangements for unconsolidated structured entities'.

The amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* set out specific application guidelines for offsetting financial instruments. This more specific guidance has resulted in an amended assessment of whether the offsetting criteria pursuant to IAS 32.42 are satisfied. These criteria are now deemed to be satisfied in respect of the positive and negative fair values of the OTC derivatives of DZ BANK that are traded through a central counterparty and the related receivables and liabilities arising on the cash settlements (variation margins). Before offsetting, the negative and positive fair values of the centrally traded derivatives are recognized in the following line items on the balance sheet: 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). The cash settlements relating to these derivatives are recognized under other assets and other liabilities on the balance sheet. The amendments to IAS 32 have not impacted on the amounts reported for the aforementioned line items on the balance sheet. The amounts of financial receivables and liabilities that have been offset as a result of the amendment to IAS 32 are presented in note 77 'Offsetting of financial assets and financial liabilities'. All netted amounts presented in note 77 relate to the centrally traded derivatives and to these derivatives' related receivables and liabilities arising on the cash settlements. The amendments to IAS 32 have been applied retrospectively.

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 to IAS 39 have been applied retrospectively.

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 4 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 must be applied to business combinations for which the acquisition date is on or after July 1, 2014. 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. There have been no relevant business combinations in the DZ BANK Group since July 1, 2014.

The other aforementioned improvements to International Financial Reporting Standards 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 amended accounting standard, new interpretation, and improvements to IFRS, which have been endorsed by the EU:

– *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19),
– IFRIC 21: *Levies*,
– *Annual Improvements to IFRSs 2010–2012 Cycle*, and
– *Annual Improvements to IFRSs 2011–2013 Cycle*.

IFRIC 21 *Levies* deals with the accounting treatment of levies imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations, but does not include income taxes within the meaning of IAS 12 *Income Taxes*, fines, or other penalties for infringements of laws. It specifically clarifies when to recognize obligations for the payment of such levies as liabilities or provisions in the financial statements. In DZ BANK's consolidated financial statements, IFRIC 21 will particularly apply to recognition of the banking levy. The clarification provided in IFRIC 21 has no material qualitative or quantitative impact. It will be applied from the 2015 financial year in accordance with the stipulations laid down when it was endorsed by the EU.

The DZ BANK Group will apply the aforementioned amendments to IAS 19 and the annual improvements to International Financial Reporting Standards from the 2015 financial year in compliance with the relevant transitional provisions. There will be 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, which 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*,
- IFRS 15 *Revenue from Contracts with Customers*,
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*,
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*,
- Amendments to IAS 1 *Disclosure Initiative*,
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*,
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*,
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*, and
- Annual Improvements to IFRSs *2012–2014 Cycle*.

The provisions of IFRS 9 *Financial Instruments* will supersede the content of IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes requirements relating to the following areas, which have been fundamentally revised: classification and measurement of financial assets, the impairment model for financial assets, and hedge accounting.

As a result of the classification and measurement rules in IFRS 9, financial assets need to be reclassified. Both the business models of the portfolios and the characteristics of the contracted cash flows for the individual financial assets must be taken into account for the purposes of the reclassification. Unlike IAS 39, IFRS 9 specifies that, as regards financial liabilities designated as at fair value through profit or loss, any changes in such liabilities resulting from a change in credit risk must be recognized in other comprehensive income. The other requirements relating to financial liabilities have been largely carried over from IAS 39 unchanged.

The new impairment model requirements result in a fundamental change in the recognition of impairment losses because losses that are expected to occur now have to be recognized, rather than simply losses that have occurred. The amount at which expected losses must be recognized depends on whether the credit risk attaching to the financial assets has increased materially or not since initial recognition. If the credit risk has increased and is not considered to be low on the reporting date, all expected losses over the entire lifetime of the instrument must be recognized from this point. Otherwise, only the losses expected over the lifetime of the instrument have to be recognized if they result from possible default events within the next 12 months.

IFRS 9's new hedge accounting model helps to improve presentation of internal risk management and entails numerous disclosure requirements. The particular risk management strategy and risk management objectives must be documented at the inception of the hedging relationship, as is currently the case. But in the future, the ratio between the hedged item and the hedging instrument must also, as a rule, adhere to the stipulations in the risk management strategy. If this ratio changes during a hedging relationship but the risk management objective remains the same, the quantity of the hedged item and the quantity of the hedging instrument in the hedging relationship must be adjusted without the latter being discontinued. Under IFRS 9, it will no longer be possible to discontinue a hedging relationship without reason. The requirements relating to evidence of hedge effectiveness will also change. Under IFRS 9, retrospective evidence and the effectiveness threshold have been eliminated. Evidence of countervailing changes in fair value owing to the economic relationship between the hedged item and the hedging instrument can be provided on an entirely qualitative basis in the future without being bound by quantitative thresholds.

The impact on DZ BANK's consolidated financial statements is currently being investigated as part of projects being conducted in the group companies. The provisions of IFRS 9 must be applied to financial years beginning on or after January 1, 2018. They are generally required to be adopted retrospectively, although there are exemptions regarding the restatement of comparative prior-year figures.

The provisions and definitions in IFRS 15 *Revenue from Contracts with Customers* will supersede the content of both IAS 18 *Revenue* and IAS 11 *Construction Contracts*. Under IFRS 15, revenue must be recognized when control of the agreed goods or services passes to the customer and the customer can benefit from these goods or services. In the future, the question of how much revenue is to be recognized and at what point in time, or over what time, will be answered in 5 steps. Firstly, the contract with the customer and the separate performance obligations in the contract must be identified. Next, the transaction price for the customer contract must be determined and then allocated to the individual performance obligations. Variable elements of the transaction price must be estimated using the expected value method or the most likely amount approach and recognized in accordance with the requirements governing the inclusion of variable consideration in the transaction price. Finally, the new model requires that revenue be recognized for each performance obligation in an amount equaling the proportion of the transaction price allocated to the obligation as soon as the agreed performance obligation is satisfied and/or control passes to the customer. Specified criteria must be used to distinguish between a performance obligation being satisfied at a point in time or over time. The new standard does not distinguish between different types of orders and goods/services but instead provides uniform criteria for determining whether a performance obligation is satisfied at a point in time or over time. Furthermore, IFRS 15 requires additional qualitative and quantitative disclosures regarding information on the nature, amount, and timing of revenue, cash flows, and the related uncertainties. The amendments must be applied to financial years beginning on or after January 1, 2017. They have no material quantitative impact on DZ BANK's consolidated financial statements.

The other aforementioned new standard, the amendments, and the improvements 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.

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 payment transactions, 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 73 and 74.

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 89.

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 PAYMENT TRANSACTIONS, 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 payment transactions, 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 58 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, 2014 include 30 subsidiaries (2013: 26) and 5 subgroups (2013: 5) comprising a total of 583 subsidiaries (2013: 603). An investee is included in the scope of consolidation as a subsidiary from the date on which DZ BANK obtains control over it. DZ BANK controls an investee when DZ BANK directly or indirectly has power over the investee, is therefore exposed to significant variable returns from its involvement with the investee, and has the ability to affect the variable returns from the investee through this power. In some cases, discretion is required to be exercised when deciding whether DZ BANK controls an investee. All the relevant facts and circumstances are considered when making this decision. This is particularly applicable to principal/agent relationships, which require an assessment of whether DZ BANK or other parties with decision-making rights are acting as principal or as an agent.

There have been changes to the scope of consolidation, notably due to the retrospective adoption of IFRS 10 from 2014. The impact of this on the DZ BANK Group is described in note 2. Furthermore, the following subsidiaries were consolidated for the first time with effect from January 1, 2014: Europäische Genossenschaftsbank S.A., Luxembourg-Strassen, DZ PRIVATBANK Singapore Ltd., Singapore, IPConcept (Luxemburg) S.A., Luxembourg-Strassen, IPConcept (Schweiz) AG, Zurich, and Beteiligungsgesellschaft Westend 1 mbH & Co. KG, Frankfurt am Main.

Then on September 18, 2014, DZ Immobilien GmbH & Co. KG WH10, Frankfurt am Main, was merged with DZ BANK and therefore deconsolidated on that date.

Further changes in the scope of consolidation resulted from business combinations and are presented in note 89.

The consolidated financial statements include 23 joint arrangements in the form of joint ventures with at least one other entity outside the group (2013: 21) and 25 associates (2013: 19) over which DZ BANK has significant influence. These entities are accounted for using the equity method. There are currently no joint arrangements classified as joint operations. DZ BANK has joint control over an arrangement when there is a contractual arrangement in place that requires decisions about the arrangement's relevant activities to be reached with the unanimous consent of all the parties sharing control. DZ BANK has a significant influence over an investee if it can participate in the financial and operating policy decisions of the investee without having control or joint control over it. This is assumed to be the case where between 20 and 50 percent of the voting shares are held.

The shareholdings of the DZ BANK Group are listed in full in note 101.

» 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.

Goodwill 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 goodwill is recognized in profit or loss on the acquisition date.

Investments 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, 2014. There is one company (2013: 1 company) included in the consolidated financial statements with a different reporting date for its annual financial statements. With 20 (2013: 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 the following subcategories:

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.

Contingent considerations in a business combination

This subcategory covers contingent considerations that the acquirer has classified as financial assets or financial liabilities in the context of a business combination.

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 or financial liabilities remain. If the criteria for derecognizing financial assets are not satisfied, the transfer to third parties is recognized as a secured loan. 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.

There are indications that financial assets may be impaired if the fair value falls by more than 20 percent of average cost or if the fair value remains below average cost for more than 6 months.

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 7 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.

The legal right of set-off cannot be contingent on a future event and must be exercisable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity or any of the counterparties.

» 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.

» 11 INSURANCE BUSINESS

GENERAL INFORMATION ON THE ACCOUNTING TREATMENT OF 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 life insurance contracts without policyholder bonuses, pension fund contracts based on defined benefit plans, and contracts to protect preretirement part-time employment models. 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 0.0 percent and 4.0 percent, as was the case in the previous year. 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. As in 2013, the discount rate used in the existing portfolio with separate male and female rates is 3.50 percent and the discount rate for unisex insurance scales is 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.

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.

DZ BANK GROUP AS LESSEE

If a lease is classified as a finance lease, the DZ BANK Group is the beneficial owner of the leased asset. The leased asset must therefore be recognized as an asset on the group's balance sheet. On initial recognition, the leased asset is recognized at the lower of fair value and the present value of the minimum lease payments, and a liability of an equivalent amount is also recognized. The lease payments made must be broken down into an interest portion and a repayment portion.

Lease payments under operating leases are recognized on a straight-line basis over the term of the leases concerned and reported as administrative expenses.

INTEREST AND DIVIDENDS RECEIVED

» 13
INCOME

In the DZ BANK Group, interest income is accrued and recognized in the relevant period using the effective interest method.

The cash flows used to calculate the effective interest rate take into account contractual agreements in connection with the financial assets and financial liabilities concerned.

Premiums and discounts are allocated over the expected life of financial instruments using the effective interest method. Any additional costs incurred that are directly connected with the acquisition or sale of a financial asset or financial liability, and thus can be directly assigned to the transaction, are factored into the 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 instalments, 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, joint ventures and associates.

Investments are initially recognized at fair value. Shares and other shareholdings, and investments in subsidiaries, joint ventures and associates that are accounted for using the equity method or for which a fair value cannot be reliably determined are initially recognized at cost. These investments are subsequently measured in accordance with the principles applicable to the relevant measurement category. In the case of investments in joint ventures and 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.

If facts or circumstances give rise to indications that assets might be impaired, the recoverable amount is determined. These indications exist if the recoverable amount is lower than the carrying amount at which the asset is recognized. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized.

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 are 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.

» 25 DEBT CERTIFICATES ISSUED INCLUDING BONDS

Debt certificates issued including bonds cover 'Pfandbriefe', other bonds, and commercial paper for which transferable bearer certificates have been issued.

Debt certificates issued including bonds and gains and losses thereon are measured and recognized in the same way as deposits from banks and customers.

» 26 PROVISIONS

PROVISIONS FOR EMPLOYEE BENEFITS

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. The risks arising from the obligation to pay such benefits in the future lie with the pension provider. 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.

Under a defined benefit plan, the employee promises a specific benefit and bears all the risks arising from this promise. 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 (2005G 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 in other comprehensive income in the reporting period 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 PAYMENT TRANSACTIONS

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 95 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.

Provisions are recognized for risks arising from ongoing legal disputes and cover the possible resulting losses. Such provisions are recognized when the reasons indicating that a legal dispute will result in a payment obligation for an entity in the DZ BANK Group are stronger than those indicating the opposite. Any concentration risk owing to similarities between individual cases is taken into consideration.

The amount in which provisions are recognized for risks arising from ongoing legal disputes is based on the information available at the time and is subject to assumptions and discretion in how a dispute is assessed. For example, this may be because the entity in the DZ BANK Group does not yet have at its disposal all the information required to make a final assessment of the legal dispute, particularly during the early stages of proceedings. Moreover, predictions made by entities in the DZ BANK Group in relation to changes to legal circumstances, changes to official interpretations, or – in the case of court cases – to procedural orders, decisions by the courts, or the arguments expected to be put forward by the opponent in the case may later turn out to be unfounded.

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.

Contingent liabilities in respect of litigation risk are reported when the reasons indicating that there is no current obligation are stronger than those indicating the opposite, but there is still a likelihood that a legal dispute will result in a payment obligation for an entity in the DZ BANK Group. Risks arising from legal disputes are assessed according to how likely they are to occur.

B Disclosure of interests in other entities

PROPORTION OF THE DZ BANK GROUP'S ACTIVITIES AND CASH FLOW ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

» 29
INTERESTS IN SUBSIDIARIES

In the DZ BANK Group, material non-controlling interests exist in the following subsidiaries:

€ million	Dec. 31, 2014	Dec. 31, 2013
Non-controlling material interests in the capital and net income	**5,191**	4,688
R+V Versicherung subgroup	1,646	1,231
Bausparkasse Schwäbisch Hall subgroup	897	826
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	500	500
DZ BANK Capital Funding Trust II	492	499
DZ BANK Perpetual Funding Issuer (Jersey) Limited	492	494
DZ BANK Capital Funding Trust III	344	348
DZ BANK Capital Funding Trust I	294	299
DZ PRIVATBANK	284	284
Union Asset Management Holding subgroup	242	207
Non-controlling non-material interests in the capital and net income	147	153
Total	**5,338**	4,841

R+V VERSICHERUNG

The R+V Group is a subgroup of the DZ BANK Group that, with its individual companies, offers all types of insurance in all of the non-life, life, and health insurance sectors. It also takes on inward reinsurance business in the international market.

R+V Versicherung AG, Wiesbaden, (R+V) is the parent company of the R+V subgroup. R+V is headquartered in Wiesbaden. DZ BANK directly holds 74.9 percent of the shares in R+V (December 31, 2013: 74.9 percent). The share of voting rights equals the shareholding. Non-controlling interests account for 25.1 percent of the share of voting rights and the shareholding (December 31, 2013: 25.1 percent). 15.8 percent is held by WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) and 6.2 percent by local cooperative banks. The other 3.1 percent is held by other entities in the cooperative sector.

The net income for the year attributable to non-controlling interests was €191 million (2013: €63 million); this includes the net income for the year attributable to the non-controlling interests within the R+V subgroup of €37 million (2013: €10 million). The carrying amount of the non-controlling interests within the DZ BANK Group was €1,646 million (December 31, 2013: €1,231 million), of which €472 million was attributable to the non-controlling interests within the R+V subgroup (December 31, 2013: €382 million). DZ BANK has concluded a profit-transfer agreement with R+V. This guarantees an annual cash settlement of €9.95 per non-par-value share (after corporation tax and ancillary taxes) for the outside shareholders of R+V until the end of the 2016 financial year. Guaranteed dividends of €33 million were paid to outside shareholders of R+V in 2014 (2013: €32 million). In the R+V subgroup, dividends of €7 million were paid to non-controlling interests (2013: no dividends).

Aggregated financial information for the R+V subgroup:

€ million	Dec. 31, 2014	Dec. 31, 2013
Assets	85,663	76,580
Liabilities	80,175	72,331

€ million	2014	2013
Premiums earned	13,927	12,693
Net profit	498	118
Other comprehensive income	591	2
Total comprehensive income	1,089	120

BAUSPARKASSE SCHWÄBISCH HALL

Bausparkasse Schwäbisch Hall AG – Bausparkasse der Volksbanken und Raiffeisenbanken, Schwäbisch Hall (BSH) is the parent company of the BSH subgroup. BSH is headquartered in Schwäbisch Hall. DZ BANK directly holds 81.8 percent of the shares in BSH (December 31, 2013: 81.8 percent). The share of voting rights equals the shareholding. Non-controlling interests account for 18.2 percent of the share of voting rights and the shareholding (December 31, 2013: 18.2 percent). 15.0 percent is held by WGZ BANK. The other 3.2 percent is predominantly held by primary banks.

The net income for the year attributable to non-controlling interests was €57 million (2013: €49 million); this includes the net income for the year attributable to the non-controlling interests within the BSH subgroup of €10 million (2013: €11 million). The carrying amount of the non-controlling interests within the DZ BANK Group was €897 million (December 31, 2013: €826 million), of which €76 million was attributable to non-controlling interests within the BSH subgroup (December 31, 2013: €61 million). DZ BANK has concluded a profit-transfer agreement with BSH. This guarantees a cash settlement of €14.67 per non-par-value share (after corporation tax and ancillary taxes) for the outside shareholders of BSH until the end of the 2015 financial year. Guaranteed dividends of €16 million were paid to outside shareholders of BSH in 2014 (2013: €16 million). In the BSH subgroup, dividends of €3 million were paid to non-controlling interests (2013: €2 million).

Aggregated financial information for the BSH subgroup:

€ million	Dec. 31, 2014	Dec. 31, 2013
Assets	57,648	53,762
Liabilities	52,975	49,326

€ million	2014	2013
Interest income and fee and commission income	1,862	2,172
Net profit	185	141
Other comprehensive income/loss	56	-34
Total comprehensive income	241	107
Cash flow	-24	-43

DZ BANK CAPITAL FUNDING TRUST I, II AND III, DZ BANK PERPETUAL FUNDING ISSUER (JERSEY) LIMITED, AND DZ BANK PERPETUAL FUNDING PRIVATE ISSUER (JERSEY) LIMITED

DZ BANK has established companies in Delaware, USA and Jersey, Channel Islands in order to increase capital in accordance with section 10a German Banking Act (KWG). The business activities of these companies are limited to the issuance of open-ended equity instruments without redemption incentives. These equity instruments that have been issued are held by non-voting non-controlling interests in the DZ BANK Group. The companies in question are:

- DZ BANK Capital Funding Trust I, Wilmington, Delaware,
- DZ BANK Capital Funding Trust II, Wilmington, Delaware,
- DZ BANK Capital Funding Trust III, Wilmington, Delaware,
- DZ BANK Perpetual Funding Issuer (Jersey) Limited, St. Helier, Jersey,
- DZ BANK Perpetual Funding Private Issuer (Jersey) Limited, St. Helier, Jersey.

The companies were established at their current registered office. The Delaware companies are headquartered in New York, USA. The Channel Islands companies are headquartered in Frankfurt am Main. Virtually 100 percent of the issued share capital of each of the companies is attributable to non-voting non-controlling interests, while the voting rights in the companies are securitized in only a small proportion of the capital. As a result, virtually all of the profits and losses of the companies are attributable to the non-controlling interests.

The companies' net income for the year is shown in the following table:

€ million	2014	2013
DZ BANK Capital Funding Trust I	8	8
DZ BANK Capital Funding Trust II	9	9
DZ BANK Capital Funding Trust III	6	6
DZ BANK Perpetual Funding Issuer (Jersey) Limited	12	13
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	34	34

Distributions of dividends to the non-controlling interests generally take the form of a variable or fixed-rate coupon whose actual payment is not subject to a contractual obligation.

The dividends paid to the non-controlling interests in the financial year are shown in the following table:

€ million	2014	2013
DZ BANK Capital Funding Trust I	8	8
DZ BANK Capital Funding Trust II	9	9
DZ BANK Capital Funding Trust III	6	6
DZ BANK Perpetual Funding Issuer (Jersey) Limited	12	13
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	34	34

Aggregated financial information for the DZ BANK Capital Funding Trust companies and the DZ BANK Perpetual Funding Issuer companies:

€ million	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	2,160	2,160
Liabilities	–	–

€ million	2014	2013
Interest income and fee and commission income	69	70
Net profit	69	70
Total comprehensive income	69	70

DZ PRIVATBANK

DZ PRIVATBANK S.A., Luxembourg-Strassen, Luxembourg, (DZ PRIVATBANK S.A.), with its headquarters in Luxembourg and its wholly owned subsidiaries DZ PRIVATBANK (Schweiz) AG, Zurich, Switzerland, DZ PRIVATBANK Singapore Ltd., Singapore, Singapore, Europäische Genossenschaftsbank S. A., Luxembourg-Strassen, Luxembourg, IPConcept (Luxemburg) S.A., Luxembourg-Strassen, Luxembourg, and IPConcept (Schweiz) AG, Zurich, Switzerland, is the cooperative center of excellence for private banking of the local cooperative banks in Germany.

DZ BANK directly holds 70.0 percent of the shares in DZ PRIVATBANK S.A. The share of voting rights equals the shareholding. Within the proportion held by non-controlling interests, 19.0 percent is attributable to WGZ BANK. The other non-controlling interests are held by local cooperative banks and cooperative investors.

The net income for the year attributable to the non-controlling interests was €14 million (2013: €23 million). The carrying amount of the non-controlling interests was €284 million (December 31, 2013: €284 million). The dividend distributed to the non-controlling interests came to €14 million during the reporting period (2013: €14 million).

Aggregated financial information for the DZ PRIVATBANK subgroup:

€ million	Dec. 31, 2014	Dec. 31, 2013
Assets	14,785	15,318
Liabilities	13,769	14,302

€ million	2014	2013
Interest income and fee and commission income	558	475
Net profit	44	75
Other comprehensive income/loss	-1	4
Total comprehensive income	43	79
Cash flow	938	9

UNION ASSET MANAGEMENT HOLDING

Union Asset Management Holding AG, Frankfurt am Main, (UMH) is the parent company of the UMH subgroup. UMH is headquartered in Frankfurt am Main. Other major locations are Hamburg and Luxembourg. DZ BANK's aggregated shareholding of the shares in UMH is 78.7 percent (December 31, 2013: 78.7 percent). The share of voting rights equals the aggregated shareholding. 21.3 percent is attributable to the non-controlling interests (December 31, 2013: 21.3 percent). 17.7 percent is held directly by WGZ BANK. The other 3.6 percent is held by other entities in the cooperative sector. The proportion held indirectly by DZ BANK is 73.5 percent (December 31, 2013: 73.5 percent).

The carrying amount of the non-controlling interests within the DZ BANK Group was €242 million (December 31, 2013: €207 million) and related to the multiplicative share of the capital of UMH. Of this amount, €9 million was attributable to non-controlling interests within the UMH subgroup (December 31, 2013: €8 million). The net income for the year attributable to non-controlling interests was €96 million (2013: €78 million); this includes the net income for the year attributable to the non-controlling interests within the UMH subgroup of €6 million (2013: €4 million). The dividend distributed to the non-controlling interests came to a total of €55 million during the reporting period (2013: €52 million). €4 million of this amount was paid as dividends to non-controlling interests in the UMH subgroup (2013: €3 million).

Aggregated financial information for the UMH subgroup:

€ million	Dec. 31, 2014	Dec. 31, 2013
Assets	1,840	1,622
Liabilities	807	707

€ million	2014	2013
Interest income and fee and commission income	1,700	1,470
Net profit	346	284
Other comprehensive income/loss	-19	4
Total comprehensive income	327	288

NATURE AND EXTENT OF SIGNIFICANT RESTRICTIONS

National regulatory requirements, contractual provisions, and provisions of company law restrict the DZ BANK Group's ability to transfer assets within the group. Where these restrictions can be specifically assigned to individual line items on the balance sheet, the carrying amounts of the assets subject to restrictions on the balance sheet date are shown in the following table:

€ million	Dec. 31, 2014	Dec. 31, 2013
Assets	**65,811**	**62,046**
Investments held by insurance companies	65,811	62,046
Liabilities	**63,243**	**59,442**
Insurance liabilities	63,243	59,442

NATURE OF THE RISKS ASSOCIATED WITH INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

Risks arising from interests in consolidated structured entities largely result from loans to fully consolidated funds, some of which are extended in the form of junior loans.

NATURE, EXTENT, AND FINANCIAL EFFECTS OF INTERESTS IN JOINT ARRANGEMENTS

» 30
INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

ČESKOMORAVSKÁ STAVEBNÍ SPOŘITELNA

Českomoravská stavební spořitelna, a. s. (ČMSS) is a joint venture between BSH and the Czech Republic's largest bank, Československá obchodní banka, a. s. (ČSOB). ČMSS is headquartered in Prague, Czech Republic. It is one of Europe's largest building societies. ČMSS is a leading provider of home savings and home finance products in the Czech Republic, with 1.5 million customers. BSH's shareholding was 45.0 percent on the balance sheet date, as it had been at December 31, 2013. The other 55.0 percent is held by ČSOB (December 31, 2013: 55.0 percent). In the DZ BANK Group, the interests in ČMSS are accounted for using the equity method. ČMSS paid a dividend of €23 million to BSH in 2014 (2013: €32 million).

Aggregated financial information for ČMSS:

€ million	Dec. 31, 2014	Dec. 31, 2013
Current assets	1,111	1,070
of which: cash and cash equivalents	271	153
Non-current assets	4,835	4,965
Current liabilities	1,196	1,178
of which: financial liabilities	1,153	1,134
Non-current liabilities	4,407	4,508
of which: financial liabilities	4,335	4,490

€ million	2014	2013
Interest income	207	223
Interest expense	-118	-122
Fee and commission income	32	38
Fee and commission expenses	-11	-14
Administrative expenses	-45	-49
Income taxes	-10	-12
Profit from continuing operations, net of tax	44	55
Other comprehensive income/loss	1	-30
Total comprehensive income	45	25

Reconciliation from the aggregated financial information to the carrying amount of the interests in ČMSS:

€ million	Dec. 31, 2014	Dec. 31, 2013
Total net assets	**343**	349
Share of net assets	**154**	157
Carrying amount under the equity method	**154**	157

PRVÁ STAVEBNÁ SPORITEĽŇA

Prvá stavebná sporiteľňa a. s. (PSS) is a joint venture between BSH and its partners Raiffeisen Bausparkasse Wien, Slovenská sporiteľňa, and Erste Bank, Vienna, Austria. PSS is headquartered in Bratislava, Slovakia. It is the market leader for building society operations in Slovakia, with around 760,000 customers. BSH's shareholding in PSS was 32.5 percent on the balance sheet date, as it had been at December 31, 2013. In the DZ BANK Group, the interests in PSS are accounted for using the equity method. PSS paid a dividend of €8 million to BSH in 2014 (2013: €9 million).

Aggregated financial information for PSS:

€ million	Dec. 31, 2014	Dec. 31, 2013
Current assets	463	562
of which: cash and cash equivalents	–	19
Non-current assets	2,195	1,853
Current liabilities	590	483
of which: financial liabilities	569	462
Non-current liabilities	1,810	1,686
of which: financial liabilities	1,791	1,668

€ million	2014	2013
Interest income	120	121
Interest expense	-58	-55
Fee and commission income	21	23
Fee and commission expenses	-2	-1
Administrative expenses	-38	-38
Income taxes	-7	-10
Profit from continuing operations, net of tax	22	25
Other comprehensive income/loss	16	-4
Total comprehensive income	38	21

Reconciliation from the aggregated financial information to the carrying amount of the interests in PSS:

€ million	Dec. 31, 2014	Dec. 31, 2013
Total net assets	**258**	**246**
Share of net assets	**84**	**80**
Carrying amount under the equity method	**84**	**80**

ZHONG DE ZUH FANG CHU XU YIN HANG (SINO-GERMAN-BAUSPARKASSE)

Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) (SGB) is a joint venture between BSH and China Construction Bank Corporation. SGB is headquartered in Tianjin, China. Its business activities are concentrated in the regions of Tianjin (approx. 13 million residents) and Chongqing (approx. 30 million residents). BSH's shareholding in this Chinese building society was 24.9 percent on the balance sheet date, as it had been at December 31, 2013. In the DZ BANK Group, the interests in SGB are accounted for using the equity method. The equity method is applied to SGB on the basis of financial statements prepared in accordance with Chinese Accounting Standards. SGB did not pay a dividend in 2014, as had been the case in the previous year.

Aggregated financial information for SGB:

€ million	Dec. 31, 2014	Dec. 31, 2013
Current assets	820	517
of which: cash and cash equivalents	338	232
Non-current assets	2,512	2,076
Current liabilities	2,495	1,963
of which: financial liabilities	2,461	1,929
Non-current liabilities	509	355
of which: financial liabilities	509	355

€ million	2014	2013
Interest income	169	133
Interest expense	-103	-76
Fee and commission income	20	14
Fee and commission expenses	-7	-5
Administrative expenses	-33	-27
Income taxes	-8	-6
Profit from continuing operations, net of tax	23	17
Other comprehensive income/loss	29	-4
Total comprehensive income	52	13

Reconciliation from the aggregated financial information to the carrying amount of the interests in SGB:

€ million	Dec. 31, 2014	Dec. 31, 2013
Total net assets	**328**	**275**
Share of net assets	**82**	**68**
Cumulative impairment losses on the carrying amount of the investment	-6	–
Carrying amount under the equity method	**76**	**68**

DEUTSCHE WERTPAPIERSERVICE BANK

Deutsche WertpapierService Bank AG, Frankfurt am Main, (dwpbank) is a joint venture of DZ BANK and is included in the DZ BANK Group's financial statements using the equity method. dwpbank is headquartered in Frankfurt am Main. Its capital is divided into 20,000,000 voting registered shares with transfer restrictions. DZ BANK holds a 50.0 percent stake in dwpbank, as it did in the previous year. The equity method is applied to dwpbank on the basis of financial statements prepared in accordance with HGB.

The shares in dwpbank are not traded in an active market. dwpbank paid a dividend of €2 million to DZ BANK in 2014 (2013: no dividend).

Aggregated financial information for dwpbank:

€ million	Dec. 31, 2014	Dec. 31, 2013
Assets	452	566
Liabilities	240	351
of which: financial liabilities	80	187

dwpbank only has a small amount of cash and cash equivalents.

€ million	2014	2013
Interest income	4	3
Interest expense	-1	-1
Fee and commission income	686	665
Fee and commission expenses	-464	-439
Administrative expenses	-217	-231
Income taxes	-4	-5
Profit from continuing operations, net of tax	1	4
Total comprehensive income	1	4

Reconciliation from the aggregated financial information to the carrying amount of the interests in dwpbank:

€ million	Dec. 31, 2014	Dec. 31, 2013
Total net assets	**212**	**215**
Share of net assets	**106**	**108**
Capitalization of goodwill	29	29
Carrying amount under the equity method	**135**	**137**

VB-LEASING INTERNATIONAL

VB-Leasing International Holding GmbH, Vienna, Austria, (VBLI) is a joint venture of VR LEASING and is included in the DZ BANK Group's financial statements using the equity method. VBLI is headquartered in Vienna, Austria. The company focuses on holding equipment leasing companies in central and eastern Europe. VR LEASING's shareholding in VBLI was 50.0 percent on the balance sheet date, as it had been at December 31, 2013. VBLI paid a dividend of €9 million to VR LEASING in 2014 (2013: €3 million).

Aggregated financial information for VBLI:

€ million	Dec. 31, 2014	Dec. 31, 2013
Current assets	381	712
Non-current assets	390	1,121
Current liabilities	40	347
of which: financial liabilities	24	307
Non-current liabilities	490	1,230
of which: financial liabilities	490	1,230

€ million	2014	2013
Interest income	99	121
Interest expense	-30	-38
Fee and commission income	5	6
Fee and commission expenses	-1	-1
Administrative expenses	-41	-48
Income taxes	-10	-13
Profit (loss) from continuing operations, net of tax	-7	49
Other comprehensive income/loss	10	-10
Total comprehensive income	3	39

Reconciliation from the aggregated financial information to the carrying amount of the interests in VBLI:

€ million	Dec. 31, 2014	Dec. 31, 2013
Total net assets	**241**	**256**
Share of net assets	**121**	**128**
Cumulative impairment losses on the carrying amount of the investment	-56	-79
Carrying amount under the equity method	**65**	**49**

OTHER JOINT VENTURES

The carrying amount of the equity-accounted joint ventures that, individually, are not material totaled €127 million on the balance sheet date (December 31, 2013: €195 million).

Aggregated financial information for equity-accounted joint ventures that, individually, are not material:

€ million	2014	2013
Share of profit from continuing operations, net of tax	12	4
Share of total comprehensive income	12	4

NATURE, EXTENT, AND FINANCIAL EFFECTS OF INVESTMENTS IN ASSOCIATES

EQUENS

Equens SE, Utrecht, Netherlands, (Equens) is one of Europe's biggest providers of payments processing services. It is located in Germany, the Netherlands, Italy, the United Kingdom, and Finland and covers the entire European market. Equens is headquartered in Utrecht, Netherlands. As it had been a year earlier, DZ BANK was the company's largest shareholder on the balance sheet date with a stake of 31.1 percent. Equens is accounted for under the equity method in the consolidated financial statements. Its shares are not quoted in an active market. Equens did not pay a dividend to DZ BANK in 2014 (2013: €2 million).

Aggregated financial information for Equens:

€ million	Dec. 31, 2014	Dec. 31, 2013
Current assets	254	257
of which: cash and cash equivalents	140	146
Non-current assets	302	290
Current liabilities	172	157
of which: financial liabilities	11	22
Non-current liabilities	58	51
of which: financial liabilities	–	1

€ million	2014	2013
Revenue	358	355
Administrative expenses	-330	-337
Interest income	–	2
Interest expense	–	-1
Income taxes	1	-4
Profit (loss) from continuing operations, net of tax	-7	9
Other comprehensive income/loss	-6	–
Total comprehensive income/loss	-13	9

Reconciliation from the aggregated financial information to the carrying amount of the interests in Equens:

€ million	Dec. 31, 2014	Dec. 31, 2013
Total net assets	**326**	**339**
Share of net assets	**101**	**105**
Capitalization of goodwill	42	42
Cumulative impairment losses on the carrying amount of the investment	-25	–
Carrying amount under the equity method	**118**	**147**

CASSA CENTRALE BANCA

Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A., Trento, Italy, (CC Banca) is a cooperative central institution for more than 100 regional cooperative banks in north-east Italy (Trento, Veneto, Friuli Venezia). It is headquartered in Trento. CC Banca assists Union Investment and the R+V subgroup with their Italian activities. The investment also supports pan-European collaboration in the cooperative sector. DZ BANK holds 25.0 percent of the shares in CC Banca (as it had in the previous year) and has 26.5 percent of the voting rights. The shares in CC Banca are not quoted in an active market. In the DZ BANK Group, the interests are accounted for using the equity method. CC Banca paid a dividend of €2 million to DZ BANK in 2014 (2013: €2 million).

Aggregated financial information for CC Banca:

€ million	Dec. 31, 2014	Dec. 31, 2013
Assets	8,468	9,077
of which: cash and cash equivalents	33	64
Liabilities	8,231	8,849
of which: financial liabilities	8,010	8,678

€ million	2014	2013
Interest income	81	112
Interest expense	-58	-84
Fee and commission income	62	56
Fee and commission expenses	-32	-28
Administrative expenses	-34	-32
Income taxes	-11	-11
Profit from continuing operations, net of tax	19	14
Other comprehensive income/loss	–	9
Total comprehensive income	19	23

Reconciliation from the aggregated financial information to the carrying amount of the interests in CC Banca:

€ million	Dec. 31, 2014	Dec. 31, 2013
Total net assets	**237**	228
Share of net assets	**59**	57
Capitalization of goodwill	4	4
Cumulative impairment losses on the carrying amount of the investment	-31	-31
Carrying amount under the equity method	**32**	30

OTHER ASSOCIATES

The carrying amount of the equity-accounted associates that, individually, are not material totaled €214 million on the balance sheet date (December 31, 2013: €171 million).

Aggregated financial information for equity-accounted associates that, individually, are not material:

€ million	2014	2013
Share of profit from continuing operations, net of tax	6	8
Share of profit (loss) from discontinued operations, net of tax	1	–
Share of total comprehensive income	7	8

» 31 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Structured entities are entities that have been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity. The DZ BANK Group distinguishes between the following types of interests in unconsolidated structured entities, based on their design and the related risks:

- Interests in investment funds issued by the DZ BANK Group,
- Interests in investment funds not issued by the DZ BANK Group,
- Interests in securitization vehicles,
- Interests in asset-leasing vehicles.

INTERESTS IN INVESTMENT FUNDS ISSUED BY THE DZ BANK GROUP

The interests in the investment funds issued by the DZ BANK Group largely comprise investment funds issued by entities in the Union Investment Group in accordance with the contractual form model without voting rights and, to a lesser extent, those that are structured as a company with a separate legal personality.

The number and volume of investment funds issued and managed by the UMH subgroup can be broken down as follows:

	Dec. 31, 2014	
€ million	Volume	Number
Mutual funds	124,951	362
of which: guarantee funds	10,271	77
Special funds	68,428	324
of which: guarantee funds	–	–
Total	**193,379**	**686**
of which: guarantee funds	10,271	77

Furthermore, DVB Bank SE, Frankfurt am Main, (DVB) makes subordinated loans available to fully consolidated funds for the purpose of transport finance. In turn, these funds make subordinated loans or direct equity investments available to unconsolidated entities.

The maximum exposure of the investment funds issued and managed by the DZ BANK Group is shown in the following table as a gross value at the balance sheet date, excluding deduction of available collateral:

€ million	Mutual funds	of which: guarantee funds	Special funds	of which: guarantee funds	Total
Assets	**1,164**	–	**688**	–	**1,852**
Loans and advances to customers	2	–	103	–	105
Investments	1,005	–	185	–	1,190
Investments held by insurance companies	90	–	400	–	490
Other assets	57	–	–	–	57
Non-current assets and disposal groups classified as held for sale	10	–	–	–	10
Liabilities	**2**	**2**	–	–	**2**
Derivatives used for hedging (negative fair values)	2	2	–	–	2
Net exposure recognized on the balance sheet	1,162	-2	688	–	1,850
Contingent liabilities	–	–	–	–	–
Financial guarantee contracts, loan commitments and other obligations	**9,648**	**9,648**	**11**	–	**9,659**
Financial guarantee contracts	–	–	–	–	–
Loan commitments	–	–	–	–	–
Other obligations	9,648	9,648	11	–	9,659
Actual maximum exposure	**10,810**	**9,646**	**699**	–	**11,509**

Regarding the disclosure of the maximum exposure, it must be noted that the 'Other obligations' line item in the table above includes not only €11 million from outstanding subscription obligations in respect of a special real estate fund, but also market price guarantees in the amount of the nominal amounts of the guarantee commitments for guarantee funds of €9,650 million, less negative fair values of €2 million recognized as a liability for the put options embedded in these products. The maximum exposure for market price guarantees for the guarantee funds does not represent the economic risk of this product type because the economic risk also has to reflect these guarantee funds' net assets on the balance sheet date and the management model used with these products to safeguard the minimum payment commitments. The benefit under a market price guarantee is triggered if the fair value of the affected units does not reach the specified guaranteed level on particular dates. As at the balance sheet date, the UMH subgroup managed guarantee funds with a volume of €10,271 million (net asset value) and whose minimum payment commitments had a nominal amount of €9,650 million. The put options embedded in the guarantee funds were measured at €2 million on the balance sheet date and are reported as derivatives (negative fair values) under equity and liabilities on the balance sheet.

The interests in the investment funds issued and managed by the DZ BANK Group resulted in losses of €5 million in the reporting year. Calculation of the losses suffered by each investment funds excluded distributions relating to these funds in 2014. In the year under review, there were no losses that only impacted on other comprehensive income/loss. Furthermore, €5 million was added to allowances for losses on loans and advances.

The revenue generated during the reporting period from investment funds issued by the DZ BANK Group was as follows:

€ million	Mutual funds	of which: guarantee funds	Special funds	of which: guarantee funds	**Total**
Interest income	12	–	18	–	30
Fee and commission income	1,310	96	92	–	1,402
Gains and losses on investments held by insurance companies and other insurance company gains and losses	5	–	8	–	13
Total	**1,327**	**96**	**118**	**–**	**1,445**

INTERESTS IN INVESTMENT FUNDS NOT ISSUED BY THE DZ BANK GROUP

The interests in the investment funds not issued by the DZ BANK Group above all comprise investment funds managed by entities in the Union Investment Group within the scope of their own decision-making powers that have been issued by entities outside the DZ BANK Group and parts of such investment funds. Their total volume amounts to €24,289 million. The DZ BANK Group also extends loans to investment funds in order to generate interest income.

In addition, there are investment funds issued by entities outside the group in connection with unit-linked life insurance amounting to €2,088 million that, however, do not result in a maximum exposure.

The maximum exposure arising from the investment funds not issued by the DZ BANK Group is shown as a gross value, excluding deduction of available collateral. The following assets and liabilities have been recognized on the DZ BANK Group's balance sheet in connection with interests in investment funds not issued by the DZ BANK Group:

€ million	Dec. 31, 2014
Assets	**1,816**
Loans and advances to customers	1,816
Investments	–
Liabilities	–
Net exposure recognized on the balance sheet	1,816
Contingent liabilities	–
Financial guarantee contracts, loan commitments and other obligations	–
Financial guarantee contracts	–
Loan commitments	–
Other obligations	–
Maximum exposure	**1,816**

The revenue generated during the reporting period from interests in investment funds not issued by the DZ BANK Group was as follows:

€ million	2014
Interest income	53
Fee and commission income	55
Total	**108**

INTERESTS IN SECURITIZATION VEHICLES

The interests in securitization vehicles are interests in vehicles where the DZ BANK Group's involvement goes beyond that of an investor. The assets and liabilities listed below have been recognized on the DZ BANK Group's balance sheet in connection with these interests. There is also an additional exposure from contingent liabilities and from financial guarantee contracts, loan commitments, and other obligations, which are shown at their nominal amounts. They only include financial guarantee contracts, loan commitments, and other obligations for which no liability or contingent liability has been recognized. The maximum exposure is determined as a gross value, excluding deduction of available collateral.

€ million	Dec. 31, 2014
Assets	**1,132**
Loans and advances to customers	991
Financial assets held for trading	57
Investments	84
Liabilities	–
Net exposure recognized on the balance sheet	1,132
Contingent liabilities	–
Financial guarantee contracts, loan commitments and other obligations	**2,151**
Financial guarantee contracts	–
Loan commitments	2,151
Other obligations	–
Maximum exposure	**3,283**

The revenue generated during the reporting period from interests in securitization vehicles was as follows:

€ million	2014
Interest income	8
Fee and commission income	41
Gains and losses on trading activities and gains and losses on investments	36
Total	**85**

The material interests in securitization vehicles comprise the two multi-seller ABCP programs: CORAL and AUTOBAHN.

DZ BANK acts as sponsor and program agent for both programs. It is also the program administrator for AUTOBAHN. As sponsor, DZ BANK was involved in setting up the structured entities and provides various services for them. Under the CORAL program, customers of the bank sell assets to separate special-purpose entities. The assets purchased essentially consist of trade receivables, loans, and lease receivables. Under the AUTOBAHN program, assets of North American customers are sold to specially established special-purpose entities and funded through the issuing company by means of ABCP issues.

The special-purpose entities are unconsolidated structured entities. Owing to the cellular structure of the transactions, there are no investee companies to be assessed. DZ BANK does not have control over the individual silos because it acts as agent and not as principal.

The purchase of the assets is funded using liquidity lines and by issuing money market-linked ABCPs. DZ BANK is a liquidity agent for the program, which involves making liquidity facilities available.

In 2014, DZ BANK did not provide either of the programs with any non-contractual support. Moreover, it currently has no intention to provide financial or other support. Because the ABCP programs are fully supported programs, DZ BANK bears all the default risk. DZ BANK did not incur any losses during the reporting period.

INTERESTS IN ASSET-LEASING VEHICLES

The interests in asset-leasing vehicles comprise shares in limited partnerships and voting rights, other than the shares in limited partnerships, in partnerships established by VR LEASING for the purpose of real estate leasing (asset-leasing vehicles), in which the asset, and the funding occasionally provided by the DZ BANK Group, are placed.

The assets and liabilities listed below have been recognized on the DZ BANK Group's balance sheet in connection with the interests in real estate asset-leasing vehicles. There is also an additional exposure from contingent liabilities and from financial guarantee contracts, loan commitments, and other obligations, which are shown at their nominal amounts. They only include financial guarantee contracts, loan commitments, and other obligations for which no liability or contingent liability has been recognized. The actual maximum exposure is determined as a gross value, excluding deduction of any collateral available.

€ million	Dec. 31, 2014
Assets	**3**
Loans and advances to customers	3
Liabilities	**6**
Deposits from customers	6
Net exposure recognized on the balance sheet	-3
Contingent liabilities	**–**
Financial guarantee contracts, loan commitments and other obligations	**3**
Financial guarantee contracts	3
Loan commitments	–
Other obligations	–
Maximum exposure	**–**

The revenue generated during the reporting period from interests in asset-leasing vehicles was as follows:

€ million	2014
Interest income	3
Total	**3**

There are guarantees to asset-leasing vehicles of €1 million.

» 32 SPONSORING ARRANGEMENTS FOR UNCONSOLIDATED STRUCTURED ENTITIES

The DZ BANK Group sponsors an unconsolidated structured entity within the meaning of IFRS 12 if it was involved in establishing the structured entity or if the structured entity is linked by name to DZ BANK or a subsidiary within the DZ BANK Group and there are no interests, within the meaning of IFRS 12, in the structured entity. Based on this definition, there are currently no sponsoring arrangements for unconsolidated structured entities in the DZ BANK Group.

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

INFORMATION ON OPERATING SEGMENTS

» 33
SEGMENT INFORMATION

2014

€ million	DZ BANK	BSH	DG HYP
Net interest income	1,072	943	295
Allowances for losses on loans and advances	16	-20	35
Net fee and commission income	277	-94	37
Gains and losses on trading activities	449	–	-18
Gains and losses on investments	133	2	4
Other gains and losses on valuation of financial instruments	12	–	335
Premiums earned	–	–	–
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–
Insurance benefit payments	–	–	–
Insurance business operating expenses	–	–	–
Administrative expenses	-965	-490	-122
Other net operating income	-88	38	13
Profit/loss before taxes	**906**	**379**	**579**
Cost/income ratio (%)	52.0	55.1	18.3
RORAC (regulatory, %)	18.3	51.4	49.1

2013

€ million	DZ BANK	BSH	DG HYP
Net interest income	1,156	979	283
Allowances for losses on loans and advances	-227	-4	-27
Net fee and commission income	255	-251	35
Gains and losses on trading activities	97	3	6
Gains and losses on investments	7	1	-41
Other gains and losses on valuation of financial instruments	19	-1	1,028
Premiums earned	–	–	–
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–
Insurance benefit payments	–	–	–
Insurance business operating expenses	–	–	–
Administrative expenses	-925	-462	-122
Other net operating income	-28	42	10
Profit/loss before taxes	**354**	**307**	**1,172**
Cost/income ratio (%)	61.4	59.8	9.2
RORAC (regulatory, %)	2.6	44.5	96.6

DVB	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
230	153	–	520	13	165	-342	3,049
-62	–	–	-89	–	-51	-20	-191
108	111	–	-97	1,101	28	-56	1,415
9	9	–	–	–	3	19	471
–	5	–	–	-2	23	-56	109
-52	4	–	-4	12	8	12	327
–	–	13,927	–	–	–	–	13,927
–	–	4,482	–	–	–	-50	4,432
–	–	-15,264	–	–	–	–	-15,264
–	–	-2,284	–	–	–	129	-2,155
-188	-214	–	-200	-656	-172	-81	-3,088
30	-14	-73	-62	18	-90	63	-165
75	**54**	**788**	**68**	**486**	**-86**	**-382**	**2,867**
57.8	79.9	–	56.0	57.4	>100.0	–	50.2
18.0	17.8	33.1	18.6	>100.0	-23.6	–	27.9

DVB	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
256	172	–	504	13	234	-479	3,118
-88	–	–	-103	–	-64	-27	-540
129	98	–	-96	951	31	-48	1,104
3	12	–	1	–	9	17	148
–	-2	–	–	-8	-21	-60	-124
2	16	–	-2	8	15	15	1,100
–	–	12,693	–	–	–	–	12,693
–	–	2,925	–	–	–	-55	2,870
–	–	-13,181	–	–	–	–	-13,181
–	–	-2,126	–	–	–	119	-2,007
-179	-195	–	-187	-584	-187	-96	-2,937
-11	-13	–	-1	19	13	-54	-23
112	**88**	**311**	**116**	**399**	**30**	**-668**	**2,221**
47.2	68.9	–	46.1	59.4	66.5	–	51.5
24.6	37.1	13.4	28.4	>100.0	8.2	–	23.0

GENERAL INFORMATION ON OPERATING SEGMENTS

The information on operating segments has been prepared using the management approach in accordance with IFRS 8. Under this standard, external reporting must include segment information that is used internally for the management of the 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

As part of efforts to extend the strategic management of the group, the segment reporting process has been updated. The previous segmentation (Bank, Retail, Real Estate Finance, and Insurance) has been amended. Segmentation is now based on the integrated risk and capital management system, and the 9 management units are shown separately. They consist of DZ BANK, Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP), TeamBank AG Nürnberg, Nuremberg, (TeamBank), and the BSH, DVB, DZ PRIVATBANK, R+V, UMH, and VR LEASING subgroups. All other companies in the DZ BANK Group and the consolidations are reported on an aggregated basis under Other/Consolidation.

The disclosures on the operating segments for the 2014 financial year and for the previous year have been restated to reflect the amended process for reporting to the chief operating decision-makers.

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, the cost/income ratio and, in the future, the return on risk-adjusted capital (RORAC (regulatory)). 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.

RORAC (regulatory) is a risk-adjusted performance measure and indicates the ratio of profit/loss before taxes to regulatory risk capital. It shows the return on the regulatory risk capital employed.

OTHER/CONSOLIDATION

The adjustments shown under Consolidation to reconcile operating segment profit/loss before taxes to consolidated profit/loss before taxes are attributable to the elimination of intragroup transactions and to the fact that investments in joint ventures and 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 for net fee and commission income largely relates to the fee and commission business of TeamBank and the BSH subgroup with the R+V subgroup.

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	2014	2013
Germany	5,266	4,601
Rest of Europe	794	873
Rest of World	338	346
Consolidation/reconciliation	-252	-122
Total	**6,146**	**5,698**

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.

» 34 NET INTEREST INCOME

€ million	2014	2013
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**7,302**	**7,459**
Interest income from	**7,206**	**7,249**
Lending and money market business	6,739	6,798
of which relating to: local authority loans	719	746
mortgage loans	817	780
home savings loans	154	181
advance and interim financing	776	732
other building loans	78	78
finance leases	236	299
Fixed-income securities	991	956
Portfolio hedges of interest-rate risk	-524	-505
Current income and expense from	**46**	**123**
Shares and other variable-yield securities	47	59
Investments in subsidiaries	3	27
Investments in associates	5	1
Operating leases	-9	36
Income/loss from using the equity method for	**46**	**82**
Investments in joint ventures	36	68
Investments in associates	10	14
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**4**	**5**
INTEREST EXPENSE ON	**-4,253**	**-4,341**
Deposits from banks and customers	-3,267	-3,155
of which: relating to home savings deposits	-773	-742
Debt certificates issued including bonds	-842	-1,027
Subordinated capital	-173	-201
Portfolio hedges of interest-rate risk	40	52
Provisions and other liabilities	-11	-10
Total	**3,049**	**3,118**

» 35 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	2014	2013
Allowances for losses on loans and advances to banks	**19**	**-19**
Additions	-16	-26
Reversals	31	6
Recoveries on loans and advances previously impaired	4	1
Allowances for losses on loans and advances to customers	**-182**	**-526**
Additions	-945	-1,090
Reversals	710	592
Directly recognized impairment losses	-82	-102
Recoveries on loans and advances previously impaired	135	74
Other allowances for losses on loans and advances	**-28**	**5**
Change in provisions for loan commitments	-13	8
Change in other provisions for loans and advances	-9	4
Change in liabilities from financial guarantee contracts	–	6
Allowances for available-for-sale loans and advances	-6	-13
Total	**-191**	**-540**

» 36 NET FEE AND COMMISSION INCOME

€ million	2014	2013
Fee and commission income	**2,841**	**2,864**
Securities business	2,017	1,816
Asset management	149	49
Payments processing including card processing	181	179
Lending business and trust activities	227	222
Financial guarantee contracts and loan commitments	42	40
International business	6	7
Building society operations	29	355
Other	187	196
Income from negative effective interest rates for financial liabilities	3	–
Fee and commission expenses	**-1,426**	**-1,760**
Securities business	-714	-662
Asset management	-102	-18
Payments processing including card processing	-100	-101
Lending business	-224	-218
Financial guarantee contracts and loan commitments	-3	-4
Building society operations	-146	-626
Other	-136	-131
Expenses from negative effective interest rates for financial assets	-1	–
Total	**1,415**	**1,104**

BSH factors sales charges and sales commissions into the calculation of the effective interest rate if they are directly connected with the acquisition of home savings deposits. In this context, changes to the contract formation process required the fee and commission components to be reweighted in 2014. As a result, additional fee and commission components are now recognized as transaction costs and are amortized over the contributory phase.

» 37 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	2014	2013
Gains and losses on non-derivative financial instruments and embedded derivatives	105	179
Gains and losses on derivatives	324	-65
Gains and losses on exchange differences	42	34
Total	**471**	**148**

» 38 GAINS AND LOSSES ON INVESTMENTS

€ million	2014	2013
Gains and losses on bonds and other fixed-income securities	**64**	**-58**
Disposals	14	-125
Impairment losses	-11	-32
Reversals of impairment losses	61	99
Gains and losses on shares and other variable-yield securities	**81**	**7**
Disposals	86	12
Impairment losses	-8	-5
Reversals of impairment losses	3	–
Gains and losses on investments in subsidiaries	**-43**	**-43**
Disposals	1	14
Impairment losses	-44	-57
Gains and losses on investments in joint ventures	**23**	**-20**
Impairment losses	-6	-20
Reversals of impairment losses	29	–
Gains and losses on investments in associates	**-16**	**-10**
Disposals	9	–
Impairment losses	-25	-10
Total	**109**	**-124**

» 39 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	2014	2013
Gains and losses from hedge accounting	**-2**	**15**
Gains and losses on derivatives used for purposes other than trading	**2**	**66**
Gains and losses on financial instruments designated as at fair value through profit or loss	**327**	**1,019**
Gains and losses on non-derivative financial instruments and embedded derivatives	300	954
Gains and losses on derivatives	27	65
Total	**327**	**1,100**

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.

» 40 PREMIUMS EARNED

€ million	2014	2013
Net premiums written	**13,957**	**12,666**
Gross premiums written	14,040	12,753
Reinsurance premiums ceded	-83	-87
Change in provision for unearned premiums	**-30**	**27**
Gross premiums	-29	28
Reinsurers' share	-1	-1
Total	**13,927**	**12,693**

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

€ million	2014	2013
Income from investments held by insurance companies	**5,056**	**3,912**
Interest income and current income	2,630	2,598
Income from reversals of impairment losses and unrealized gains	434	82
Gains on valuation through profit or loss of investments held by insurance companies	1,405	521
Gains on disposals	587	711
Expenses in connection with investments held by insurance companies	**-738**	**-1,176**
Administrative expenses	-122	-112
Depreciation/amortization expense, impairment losses, and unrealized losses	-193	-380
Losses on valuation through profit or loss of investments held by insurance companies	-241	-192
Losses on disposals	-182	-492
Other gains and losses of insurance companies	**114**	**134**
Other insurance gains and losses	244	198
Other non-insurance gains and losses	-130	-64
Total	**4,432**	**2,870**

The income and expenses relating to investments and other gains and losses include gains of €334 million on currency translation (2013: losses of €190 million).

» 42 INSURANCE BENEFIT PAYMENTS

€ million	2014	2013
EXPENSES FOR CLAIMS	**-9,487**	**-8,765**
Payments for claims	**-8,784**	**-8,082**
Gross payments for claims	-9,021	-8,184
Reinsurers' share	237	102
Change in the provision for claims outstanding	**-703**	**-683**
Gross change in the provision for claims outstanding	-503	-871
Reinsurers' share	-200	188
CHANGES IN THE BENEFIT RESERVE AND IN OTHER INSURANCE LIABILITIES	**-4,165**	**-3,673**
Change in the benefit reserve	**-4,163**	**-3,674**
Gross changes in the benefit reserve	-4,151	-3,666
Reinsurers' share	-12	-8
Change in other insurance liabilities	**-2**	**1**
EXPENSES FOR PREMIUM REFUNDS	**-1,612**	**-743**
Gross expenses for premium refunds	-858	-778
Expenses for deferred premium refunds	-754	35
Total	**-15,264**	**-13,181**

The net reinsurance expense amounted to €43 million (2013: net income of €217 million).

CLAIMS RATE TREND FOR DIRECT NON-LIFE INSURANCE BUSINESS INCLUDING CLAIM SETTLEMENT COSTS

Gross claims provisions in direct business and payments made against the original provisions:

€ million	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
At the end of the year	3,634	3,901	3,345	3,341	3,324	2,953	2,704	2,672	2,509	2,396	2,312
1 year later	–	3,847	3,336	3,359	3,135	2,901	2,623	2,601	2,414	2,253	2,258
2 years later	–	–	3,247	3,279	3,160	2,763	2,527	2,531	2,306	2,170	2,183
3 years later	–	–	–	3,254	3,139	2,756	2,533	2,472	2,268	2,127	2,142
4 years later	–	–	–	–	3,122	2,756	2,505	2,487	2,230	2,110	2,106
5 years later	–	–	–	–	–	2,768	2,513	2,478	2,245	2,088	2,090
6 years later	–	–	–	–	–	–	2,469	2,434	2,214	2,085	2,067
7 years later	–	–	–	–	–	–	–	2,422	2,210	2,056	2,069
8 years later	–	–	–	–	–	–	–	–	2,205	2,048	2,054
9 years later	–	–	–	–	–	–	–	–	–	2,042	2,055
10 years later	–	–	–	–	–	–	–	–	–	–	2,053
Settlements	–	**54**	**98**	**87**	**202**	**185**	**235**	**250**	**304**	**354**	**259**

The figures for the Condor non-life insurance companies are included from 2009.

CLAIMS RATE TREND FOR INWARD REINSURANCE BUSINESS

Gross claims provisions in inward reinsurance business and payments made against the original provisions:

€ million	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Gross provisions for claims outstanding	**1,976**	**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	–	481	385	463	437	282	232	127	138	134	163
2 years later	–	–	630	640	632	399	347	203	175	179	218
3 years later	–	–	–	345	739	468	410	250	212	208	246
4 years later	–	–	–	–	856	516	447	282	240	224	266
5 years later	–	–	–	–	–	588	475	307	252	246	278
6 years later	–	–	–	–	–	–	528	324	266	252	296
7 years later	–	–	–	–	–	–	–	366	283	265	301
8 years later	–	–	–	–	–	–	–	–	307	276	311
9 years later	–	–	–	–	–	–	–	–	–	295	307
10 years later	–	–	–	–	–	–	–	–	–	–	335
Gross provisions for claims outstanding and payments made against the original provision											
At the end of the year	1,976	1,710	1,506	1,409	1,190	892	712	596	524	504	464
1 year later	–	1,840	1,593	1,536	1,401	1,026	779	583	541	497	486
2 years later	–	–	1,569	1,472	1,343	872	765	529	480	461	468
3 years later	–	–	–	1,014	1,338	826	696	518	432	420	442
4 years later	–	–	–	–	1,360	837	680	479	423	382	422
5 years later	–	–	–	–	–	858	691	470	396	381	403
6 years later	–	–	–	–	–	–	709	480	391	362	407
7 years later	–	–	–	–	–	–	–	498	399	360	389
8 years later	–	–	–	–	–	–	–	–	403	367	390
9 years later	–	–	–	–	–	–	–	–	–	368	384
10 years later	–	–	–	–	–	–	–	–	–	–	396
Settlements	**–**	**-130**	**-63**	**395**	**-170**	**34**	**3**	**98**	**121**	**136**	**68**

The figures for the Condor non-life insurance companies are included from 2009.

» 43 INSURANCE BUSINESS OPERATING EXPENSES

€ million	2014	2013
Gross expenses	-2,171	-2,028
Reinsurers' share	16	21
Total	**-2,155**	**-2,007**

» 44 ADMINISTRATIVE EXPENSES

€ million	2014	2013
Staff expenses	**-1,599**	**-1,513**
Wages and salaries	-1,326	-1,247
Social security contributions	-159	-151
Pension and other post-employment benefit expenses	-108	-111
Expenses for share-based payment transactions	-6	-4
General and administrative expenses	**-1,351**	**-1,308**
Expenses for temporary staff	-25	-21
Contributions and fees	-121	-94
of which: contributions to the German restructuring fund for banks	-27	-18
Consultancy	-270	-273
Office expenses	-199	-186
IT expenses	-309	-291
Property and occupancy costs	-153	-160
Information procurement	-51	-49
Public relations/marketing	-133	-134
Other general and administrative expenses	-84	-95
Expenses for administrative bodies	-6	-5
Depreciation and amortization	**-138**	**-116**
Property, plant and equipment, and investment property	-60	-48
Other assets	-78	-68
Total	**-3,088**	**-2,937**

» 45 OTHER NET OPERATING INCOME

€ million	2014	2013
Other income from leasing business	-81	8
Expenses for other taxes	-6	-16
Gains and losses on non-current assets and disposal groups classified as held for sale	–	10
Restructuring expenses	-46	-21
Gains and losses on deconsolidation of subsidiaries	4	35
Impairment losses on goodwill	–	-57
Residual other net operating income	-36	18
Total	**-165**	**-23**

In 2014, there were only small gains from disposal and small impairment losses on non-current assets and disposal groups classified as held for sale. The prior-year gains and losses on non-current assets and disposal groups classified as held for sale included gains of €11 million on disposals, reversals of impairment losses on non-current assets amounting to €1 million, and impairment losses of €2 million on disposal groups.

Gains and losses on deconsolidation of subsidiaries include gains from the deconsolidation of Nedship Scheepvaarthuis B.V., Rotterdam, of €6 million. In the previous year, gains and losses on deconsolidation of subsidiaries included gains from the deconsolidation of DZ Polska S.A., Warsaw, and FB-Leasing OOO, Moscow, of €18 million and €10 million respectively.

Residual other net operating income includes rental income from investment property of €9 million (2013: income of €8 million) and directly assignable expenses of €2 million (2013: expenses of €1 million).

» 46 INCOME TAXES

€ million	2014	2013
Current tax expense	-412	-489
Deferred tax expense	-298	-265
Total	**-710**	-754

The total for current taxes includes income of €65 million (2013: expenses of €75 million) attributable to previous years. Deferred taxes include expenses of €254 million (2013: expenses of €89 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 2014 was unchanged from the rate used in 2013. As it was in the previous year, the effective rate for trade tax is 15.085 percent for DZ BANK and subsidiaries that are members of 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	2014	2013
Profit before taxes	**2,867**	**2,221**
Group income tax rate	30.910%	30.910%
Expected income taxes	**-886**	**-687**
Income tax effects	**176**	**-67**
Impact of tax-exempt income and non-deductible expenses	17	-48
Adjustments resulting from other types of income tax, other trade tax multipliers, and changes in tax rates	35	73
Tax rate differences on income subject to taxation in other countries	4	-7
Current and deferred taxes relating to prior years	148	-79
Change in impairment losses on deferred tax assets	1	-5
Other effects	-29	-1
Recognized income taxes	**-710**	**-754**

» 47 AMOUNTS RECLASSIFIED TO THE INCOME STATEMENT

The following amounts were reclassified from other comprehensive income/loss to the income statement in 2014:

€ million	2014	2013
Gains and losses on available-for-sale financial assets	**1,344**	**413**
Gains (+)/losses (-) arising during the reporting period	1,600	425
Gains (-)/losses (+) reclassified to the income statement	-256	-12
Gains and losses on cash flow hedges	**-31**	**–**
Gains (+)/losses (-) arising during the reporting period	-31	10
Gains (-)/losses (+) reclassified to the income statement	–	-10
Exchange differences on currency translation of foreign operations	**12**	**-10**
Gains (+)/losses (-) arising during the reporting period	17	-10
Gains (-)/losses (+) reclassified to the income statement	-5	–
Gains and losses on hedges of net investments in foreign operations	**-15**	**5**
Gains (+)/losses (-) arising during the reporting period	-21	5
Gains (-)/losses (+) reclassified to the income statement	6	–
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	**24**	**-16**
Gains (+)/losses (-) arising during the reporting period	24	-15
Gains (-)/losses (+) reclassified to the income statement	–	-1

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

» 48
INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ million	2014			2013		
	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Amounts reclassified to the income statement	**1,334**	**-419**	**915**	392	-70	322
Gains and losses on available-for-sale financial assets	1,344	-434	910	413	-69	344
Gains and losses on cash flow hedges	-31	10	-21	–	–	–
Exchange differences on currency translation of foreign operations	12	–	12	-10	–	-10
Gains and losses on hedges of net investments in foreign operations	-15	5	-10	5	-1	4
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	24	–	24	-16	–	-16
Amounts not reclassified to the income statement	**-499**	**150**	**-349**	25	-3	22
Gains and losses arising from remeasurement of defined benefit plans	-496	150	-346	26	-3	23
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-3	–	-3	-1	–	-1
Total	**835**	**-269**	**566**	417	-73	344

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» 49 CASH AND CASH EQUIVALENTS

€ million	Dec. 31, 2014	Dec. 31, 2013
Cash on hand	239	288
Balances with central banks and other government institutions	2,794	3,454
of which: with Deutsche Bundesbank	528	2,663
Treasury bills and non-interest-bearing treasury notes	–	70
Total	**3,033**	**3,812**

The average target minimum reserve for 2014 was €1,187 million (December 31, 2013: €1,156 million).

» 50 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Domestic banks	**7,385**	6,558	**60,934**	62,185	**68,319**	68,743
Affiliated banks	3,881	3,989	50,112	49,565	53,993	53,554
Other banks	3,504	2,569	10,822	12,620	14,326	15,189
Foreign banks	**8,143**	3,988	**2,855**	1,483	**10,998**	5,471
Total	**15,528**	**10,546**	**63,789**	**63,668**	**79,317**	**74,214**

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

€ million	Dec. 31, 2014	Dec. 31, 2013
Local authority loans	9,134	8,497
Mortgage loans and other loans secured by mortgages on real estate	594	650
Home savings loans	–	1
Money market placements	15,246	13,010
Other loans and advances	54,343	52,056
Total	**79,317**	**74,214**

» 51 LOANS AND ADVANCES TO CUSTOMERS

€ million	Dec. 31, 2014	Dec. 31, 2013
Loans and advances to domestic customers	89,965	88,555
Loans and advances to foreign customers	32,472	31,603
Total	**122,437**	**120,158**

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

€ million	Dec. 31, 2014	Dec. 31, 2013
Local authority loans	13,261	14,190
Mortgage loans and other loans secured by mortgages on real estate	20,926	21,461
Loans secured by ship mortgages	1,222	2,053
Home savings loans advanced by building society	29,960	27,259
of which: from allotment (home savings loans)	4,437	4,897
for advance and interim financing	23,377	20,264
other building loans	2,146	2,098
Finance leases	4,088	4,411
Money market placements	550	473
Other loans and advances	52,430	50,311
Total	**122,437**	**120,158**

» 52 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, 2013	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
Additions	16	–	775	170	961
Utilizations	-34	–	-338	–	-372
Reversals	-29	-2	-495	-215	-741
Interest income	-3	–	-30	–	-33
Other changes	–	–	36	-3	33
Balance as at Dec. 31, 2014	**89**	**20**	**1,819**	**460**	**2,388**

The interest income arises from unwinding the discount on impaired loans and advances as specified in IAS 39.AG93.

» 53 DERIVATIVES USED FOR HEDGING (POSITIVE FAIR VALUES)

€ million	Dec. 31, 2014	Dec. 31, 2013
Derivatives used as fair value hedges	**379**	**875**
Interest-linked contracts	379	875
Derivatives used as cash flow hedges	**4**	**11**
Currency-linked contracts	4	11
Derivatives used for hedges of net investments in foreign operations	**–**	**1**
Currency-linked contracts	–	1
Total	**383**	**887**

» 54 FINANCIAL ASSETS HELD FOR TRADING

€ million	Dec. 31, 2014	Dec. 31, 2013
DERIVATIVES (POSITIVE FAIR VALUES)	**27,828**	**22,097**
Interest-linked contracts	25,360	19,526
Currency-linked contracts	1,087	590
Share-/index-linked contracts	386	492
Other contracts	653	1,075
Credit derivatives	342	414
BONDS AND OTHER FIXED-INCOME SECURITIES	**12,651**	**11,127**
Money market instruments	**453**	**305**
from public-sector issuers	92	40
from other issuers	361	265
Bonds	**12,198**	**10,822**
from public-sector issuers	2,118	1,627
from other issuers	10,080	9,195
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**731**	**585**
Shares	660	492
Investment fund units	12	33
Other variable-yield securities	59	60
RECEIVABLES	**13,239**	**19,048**
Money market placements	**12,340**	**18,305**
with banks	10,804	14,802
of which: with affiliated banks	749	1,703
with other banks	10,055	13,099
with customers	1,536	3,503
Promissory notes, registered bonds, and other loans and advances	**899**	**743**
with banks	663	601
of which: with other banks	663	601
with customers	236	142
Total	**54,449**	**52,857**

» 55 INVESTMENTS

€ million	Dec. 31, 2014	Dec. 31, 2013
BONDS AND OTHER FIXED-INCOME SECURITIES	**54,618**	**53,800**
Money market instruments	**285**	**374**
from public-sector issuers	18	65
from other issuers	267	309
Bonds	**54,333**	**53,426**
from public-sector issuers	27,906	25,175
from other issuers	26,427	28,251
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,281**	**1,485**
Shares and other shareholdings	180	253
Investment fund units	1,093	946
Other variable-yield securities	8	286
INVESTMENTS IN SUBSIDIARIES	**218**	**577**
of which: in banks	–	19
in financial services institutions	3	11
INVESTMENTS IN JOINT VENTURES	**623**	**668**
of which: in banks	450	442
INVESTMENTS IN ASSOCIATES	**386**	**362**
of which: in banks	33	30
in financial services institutions	24	32
Total	**57,126**	**56,892**

The carrying amount of investments in joint ventures accounted for using the equity method totaled €620 million (December 31, 2013: €665 million). €364 million of the investments in associates has been accounted for using the equity method (December 31, 2013: €348 million).

» 56 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Dec. 31, 2014	Dec. 31, 2013
Investment property	1,924	1,595
Investments in subsidiaries	465	505
Investments in joint ventures	37	38
Investments in associates	1	21
Mortgage loans	8,047	7,257
Promissory notes and loans	8,935	9,213
Registered bonds	10,333	10,031
Other loans	962	1,337
Variable-yield securities	6,248	5,273
Fixed-income securities	34,611	28,355
Derivatives (positive fair values)	464	161
Deposits with ceding insurers	172	174
Assets related to unit-linked contracts	7,433	6,277
Total	**79,632**	**70,237**

The fair value of investment property was €2,299 million as at the balance sheet date (December 31, 2013: €1,906 million). This includes shares to which policyholders have a statutory entitlement. As in 2013, 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 €683 million (December 31, 2013: €609 million). The group also has capital expenditure commitments amounting to €174 million (December 31, 2013: €200 million). A total of €26 million was spent on the repair and maintenance of investment property in 2014 (2013: €35 million). Vacant property resulted in repair and maintenance expenses of €1 million (2013: €2 million).

The carrying amount of investments in joint ventures accounted for using the equity method was unchanged year on year at €21 million.

» 57 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Dec. 31, 2014	Dec. 31, 2013
Land and buildings	844	906
Office furniture and equipment	155	137
Assets subject to operating leases	1,200	631
Investment property	93	88
Total	**2,292**	**1,762**

The fair value of investment property was €173 million as at the balance sheet date (December 31, 2013: €173 million). This includes the fair value of investment property reported as assets subject to operating leases, which has a carrying amount of €8 million (December 31, 2013: €8 million).

Payments in advance are allocated to the relevant property, plant and equipment.

» 58 INCOME TAX ASSETS AND LIABILITIES

€ million	Dec. 31, 2014	Dec. 31, 2013
Income tax assets	**1,038**	**1,544**
Current income tax assets	378	452
Deferred tax assets	660	1,092
Income tax liabilities	**723**	**575**
Current income tax liabilities	338	328
Deferred tax liabilities	385	247

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:

€ million	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Tax loss carryforwards	89	133		
Loans and advances to banks and customers (net)	35	89	276	245
Financial assets and liabilities held for trading, derivatives used for hedging (positive and negative fair values)	736	464	36	21
Investments	120	219	931	348
Investments held by insurance companies	13	15	589	206
Property, plant and equipment, and investment property	35	15	50	50
Deposits from banks and customers	738	570	82	38
Debt certificates issued including bonds	108	83	22	23
Provisions for employee benefits and for share-based payment transactions	476	347	28	21
Other provisions	146	99	13	14
Insurance liabilities	129	88	246	232
Other balance sheet items	47	52	124	131
Total (gross)	**2,672**	**2,174**	**2,397**	**1,329**
Netting of deferred tax assets and deferred tax liabilities	-2,012	-1,082	-2,012	-1,082
Total (net)	**660**	**1,092**	**385**	**247**

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 €218 million (December 31, 2013: €166 million), which can be carried forward indefinitely, or for trade tax loss carryforwards amounting to €140 million (December 31, 2013: €110 million). There remained foreign loss carryforwards of €946 million (December 31, 2013: €701 million) that mostly expire in no more than 15 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 2014 or 2013 in their tax jurisdiction, it will be possible to utilize deferred tax assets amounting to €7 million (December 31, 2013: €5 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 was a deferred tax liability surplus of €294 million recognized in other comprehensive income. As at December 31, 2013, there had been a deferred tax liability surplus of €26 million. The deferred tax liability surplus primarily relates to investments, investments held by insurance companies, and provisions for employee benefits.

Deferred tax assets of €115 million (December 31, 2013: €705 million) and deferred tax liabilities of €294 million (December 31, 2013: €126 million) are expected to be realized only after a period of 12 months.

As at December 31, 2014, no deferred tax liabilities had been recognized for temporary differences of €222 million (December 31, 2013: €183 million) relating to long-term equity investments in subsidiaries.

» 59 OTHER ASSETS

€ million	Dec. 31, 2014	Dec. 31, 2013
Other assets held by insurance companies	3,790	4,094
Goodwill	216	216
Other intangible assets	329	349
of which: software	207	216
acquired customer relationships	107	123
Other loans and advances	118	163
Residual other assets	385	415
Total	**4,838**	**5,237**

Other intangible assets include internally generated intangible assets amounting to €23 million (December 31, 2013: €32 million).

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

€ million	Dec. 31, 2014	Dec. 31, 2013
Intangible assets	**163**	**180**
Reinsurance assets	**254**	**469**
Provision for unearned premiums	6	8
Benefit reserve	71	83
Provision for claims outstanding	177	378
Receivables	**876**	**779**
Receivables arising out of direct insurance operations	529	563
Receivables arising out of reinsurance operations	291	155
Other receivables	56	61
Credit balances with banks, checks and cash on hand	**337**	**587**
Residual other assets	**2,160**	**2,079**
Property, plant and equipment	456	446
Prepaid expenses	31	26
Remaining assets held by insurance companies	1,673	1,607
Total	**3,790**	**4,094**

The intangible assets in the other assets held by insurance companies include internally generated intangible assets amounting to €26 million (December 31, 2013: €27 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	2014	2013
Balance as at Jan. 1	8	10
Additions	26	30
Utilizations/reversals	-28	-32
Balance as at Dec. 31	**6**	**8**

REINSURERS' SHARE OF THE CHANGES IN THE BENEFIT RESERVE

€ million	2014	2013
Balance as at Jan. 1	83	91
Additions	6	4
Utilizations/reversals	-18	-12
Balance as at Dec. 31	**71**	**83**

REINSURERS' SHARE OF THE CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2014	2013
Balance as at Jan. 1	378	189
Claims expenses	27	238
less payments	-228	-49
Balance as at Dec. 31	**177**	**378**

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:

» 60
CHANGES IN NON-CURRENT ASSETS

	Investments held by insurance companies
€ million	Investment property
Carrying amounts as at Jan. 1, 2013	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
Cost as at Jan. 1, 2014	1,904
Additions	332
Additions in respect of borrowing costs eligible for capitalization	1
Reclassifications	-2
Reclassifications to non-current assets and disposal groups classified as held for sale	–
Disposals	-36
Changes attributable to currency translation	–
Changes in scope of consolidation	61
Cost as at Dec. 31, 2014	**2,260**
Reversals of impairment losses as at Jan. 1, 2014	7
Additions	1
Disposals	–
Reversals of impairment losses as at Dec. 31, 2014	**8**
Depreciation/amortization and impairment losses as at Jan. 1, 2014	-316
Depreciation/amortization expense for the year	-43
Impairment losses for the year	-2
Reclassifications	1
Reclassifications to non-current assets and disposal groups classified as held for sale	–
Disposals	16
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Depreciation/amortization and impairment losses as at Dec. 31, 2014	**-344**
Carrying amounts as at Dec. 31, 2014	**1,924**

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
424	110	1,216	89	275	348
714	507	1,547	103	275	1,009
20	65	154	–	–	86
–	–	–	–	–	–
-4	1	-160	3	–	11
-1	–	–	–	–	–
-2	-33	-503	–	–	-11
–	-1	-24	-2	–	-1
482	-1	-112	–	-2	-8
1,209	**538**	**902**	**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	631	88	216	349
1,209	538	902	104	273	1,086
16	65	792	–	–	79
–	–	–	–	–	–
–	–	-34	–	–	1
-7	–	–	–	–	–
–	-47	-287	–	–	-14
–	–	85	–	–	-1
-57	–	-12	–	–	1
1,161	**556**	**1,446**	**104**	**273**	**1,152**
6	–	21	–	–	–
7	–	9	5	–	–
–	–	–	–	–	–
13	**–**	**30**	**5**	**–**	**–**
-309	-401	-292	-16	-57	-737
-21	-39	-71	–	–	-96
-10	-2	-35	–	–	–
–	–	–	–	–	-1
5	–	–	–	–	–
–	41	125	–	–	10
–	–	-16	–	–	1
5	–	13	–	–	–
-330	**-401**	**-276**	**-16**	**-57**	**-823**
844	**155**	**1,200**	**93**	**216**	**329**

In 2014, the useful life of the assets varied from 8 to 50 years for buildings (2013: 6 to 65 years), from 3 to 25 years for office furniture and equipment (2013: 1 to 25 years), and – as in 2013 – from 6 months to 25 years for assets subject to an operating lease; the useful life for investment property was 3 to 77 years (as in 2013). Software included in other intangible assets was amortized over a useful life of 1 to 10 years (2013: 1 to 15 years) while the useful life of the customer relationships acquired was 10 years (as in 2013). Depreciation and amortization are recognized on a straight-line basis over the useful life of the asset.

Payments in advance are allocated to the relevant property, plant and equipment.

As in 2013, 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 2014 (as in 2013). The capitalization rate used for borrowing costs was 1.00 percent for investment property held by insurance companies (2013: 0.77 percent).

Disclosures regarding the changes in goodwill are included in note 89.

Other intangible assets include acquired customer relationships amounting to €107 million (December 31, 2013: €123 million). As had been the case in the previous year, the associated amortization amounted to €16 million.

» 61 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 investments in an associate.

» 62 DEPOSITS FROM BANKS

€ million	Repayable on demand		With agreed maturity or notice period		Total	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Domestic banks	**23,713**	23,064	**56,707**	59,280	**80,420**	82,344
Affiliated banks	18,009	17,610	18,710	24,180	36,719	41,790
Other banks	5,704	5,454	37,997	35,100	43,701	40,554
Foreign banks	**1,823**	1,999	**7,011**	6,815	**8,834**	8,814
Total	**25,536**	25,063	**63,718**	66,095	**89,254**	91,158

The following table shows the breakdown of deposits from banks by type of business:

€ million	Dec. 31, 2014	Dec. 31, 2013
Home savings deposits	1,149	1,015
Money market deposits	17,831	22,563
Other deposits	70,274	67,580
Total	**89,254**	91,158

» 63 DEPOSITS FROM CUSTOMERS

€ million	Dec. 31, 2014	Dec. 31, 2013
DEPOSITS FROM DOMESTIC CUSTOMERS	**83,713**	**87,206**
Home savings deposits	**46,633**	**43,353**
Other deposits	**37,080**	**43,853**
Repayable on demand	6,026	7,692
With agreed maturity or notice period	31,054	36,161
DEPOSITS FROM FOREIGN CUSTOMERS	**12,715**	**11,205**
Home savings deposits	**1,710**	**1,631**
Other deposits	**11,005**	**9,574**
Repayable on demand	4,650	5,264
With agreed maturity or notice period	6,355	4,310
Total	**96,428**	**98,411**

The following table shows the breakdown of deposits from customers by type of business:

€ million	Dec. 31, 2014	Dec. 31, 2013
Home savings deposits	48,343	44,984
Money market deposits	1,200	2,221
Other deposits	46,885	51,206
Total	**96,428**	**98,411**

The other deposits from customers are broken down by customer group as follows:

€ million	Dec. 31, 2014	Dec. 31, 2013
Germany	**37,080**	**43,853**
Retail customers	1,960	1,832
Corporate customers	34,602	40,108
Public sector	518	1,913
International	**11,005**	**9,574**
Retail customers	537	379
Corporate customers	10,146	9,114
Public sector	322	81
Total	**48,085**	**53,427**

» 64 DEBT CERTIFICATES ISSUED INCLUDING BONDS

€ million	Dec. 31, 2014	Dec. 31, 2013
Bonds issued	**40,436**	**46,105**
Mortgage Pfandbriefe	6,291	6,485
Public-sector Pfandbriefe	4,841	6,766
Other bonds	29,304	32,854
Other debt certificates issued	**15,173**	**6,649**
Total	**55,609**	**52,754**

All other debt certificates issued are commercial paper.

» 65 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Dec. 31, 2014	Dec. 31, 2013
Derivatives used as fair value hedges	**2,528**	**2,385**
Interest-linked contracts	2,528	2,385
Derivatives used as cash flow hedges	**27**	**2**
Currency-linked contracts	27	2
Derivatives used for hedges of net investments in foreign operations	**1**	**–**
Currency-linked contracts	1	–
Total	**2,556**	**2,387**

» 66 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Dec. 31, 2014	Dec. 31, 2013
DERIVATIVES (NEGATIVE FAIR VALUES)	**26,842**	**20,336**
Interest-linked contracts	22,982	18,120
Currency-linked contracts	799	546
Share-/index-linked contracts	714	718
Other contracts	2,156	664
Credit derivatives	191	288
SHORT POSITIONS	**877**	**749**
BONDS ISSUED	**13,939**	**13,564**
DEPOSITS	**10,044**	**11,119**
Money market deposits	**9,810**	**10,917**
from banks	7,781	9,854
of which: from affiliated banks	879	1,560
from other banks	6,902	8,294
from customers	2,029	1,063
Promissory notes and registered bonds issued	**234**	**202**
to banks	208	174
of which: to affiliated banks	208	174
to customers	26	28
Total	**51,702**	**45,768**

Bonds issued mainly comprise share- and index-linked certificates.

» 67 PROVISIONS

€ million	Dec. 31, 2014	Dec. 31, 2013
Provisions for employee benefits	**2,011**	**1,484**
Provisions for defined benefit plans	1,742	1,267
Provisions for other long-term employee benefits	121	99
of which: for preretirement part-time employment schemes	26	25
Provisions for termination benefits	108	76
of which: for early retirement schemes	14	13
for restructuring	62	45
Provisions for short-term employee benefits	40	42
Provisions for share-based payment transactions	**13**	**10**
Other provisions	**1,148**	**888**
Provisions for onerous contracts	11	14
Provisions for restructuring	10	11
Provisions for loan commitments	64	47
Other provisions for loans and advances	52	42
Provisions relating to building society operations	580	515
Residual provisions	431	259
Total	**3,172**	**2,382**

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 the group's total obligations accounted for by obligations outside Germany is not material. The expense for defined contribution pension plans came to €16 million in 2014 (2013: €14 million).

The present value of the defined benefit obligations is broken down by risk category as follows:

	Germany		Other countries		Total	
€ million	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Final-salary-dependent plans	2,366	1,925	102	81	2,468	2,006
Defined benefit contributory plans	221	185	190	144	411	329
Accessorial plans	7	5	5	3	12	8
Total	2,594	2,115	297	228	2,891	2,343

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 insured event occurred 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 3 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 instalments. 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	2014	2013
Present value of defined benefit obligations as at Jan. 1	2,343	2,342
Current service cost	44	48
Interest expense	72	74
Employee contributions	5	5
Pension benefits paid including plan settlements	-88	-90
of which: relating to plan settlements	-4	-4
Unrecognized past service cost	–	1
Actuarial gains (-)/losses (+)	505	-36
of which: due to changes in demographic assumptions	–	-2
due to changes in financial assumptions	502	-45
experience-based	3	11
Plan takeovers	–	2
Changes attributable to currency translation	7	-3
Changes in scope of consolidation	3	–
Present value of defined benefit obligations as at Dec. 31	**2,891**	**2,343**

The following actuarial assumptions were used in the measurement of the defined benefit obligations:

%	Dec. 31, 2014	Dec. 31, 2013
Discount rate	2.00	3.25
Salary increases	1.50–3.50	0.02–3.50
Pension increases	0.00–3.00	0.00–3.00

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 2.07 percent and 1.90 percent respectively (2013: 2.14 percent and 1.91 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.

	Dec. 31, 2014		Dec. 31, 2013	
	€ million	%	€ million	%
Change in the present value of defined benefit obligations as at balance sheet date if				
the discount rate were 100 basis points higher	-412	-14.25	-309	-13.19
the discount rate were 100 basis points lower	530	18.33	389	16.60
the future salary increase were 50 basis points higher	49	1.69	39	1.66
the future salary increase were 50 basis points lower	-46	-1.59	-37	-1.58
the future pension increase were 25 basis points higher	71	2.46	52	2.22
the future pension increase were 25 basis points lower	-68	-2.35	-50	-2.13

The duration of the defined benefit obligations as at December 31, 2014 was 16.56 years (December 31, 2013: 15.41 years).

PLAN ASSETS

Defined benefit obligations are offset by plan assets. €779 million of the plan assets (December 31, 2013: €757 million) 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, 2014	Dec. 31, 2013
Present value of defined benefit obligations funded by plan assets	1,646	1,332
Present value of defined benefit obligations not funded by plan assets	1,245	1,011
Present value of defined benefit obligations	**2,891**	**2,343**
less fair value of plan assets	-1,149	-1,081
Defined benefit obligations (net)	1,742	1,262
Recognized surplus	–	5
Provisions for defined benefit plans	**1,742**	**1,267**
Reimbursement rights recognized as assets	2	1

The following table shows the changes in plan assets:

€ million	2014	2013
Fair value of plan assets as at Jan. 1	1,081	1,034
Interest income	34	33
Return on/expenses from plan assets (excluding interest income)	50	-7
Contributions to plan assets	21	74
of which: contributions by employer	16	73
employee contributions	5	1
Pension benefits paid	-46	-50
of which: relating to plan settlements	-3	-1
Changes attributable to currency translation	6	-3
Changes in scope of consolidation	3	–
Fair value of plan assets as at Dec. 31	**1,149**	**1,081**

Additional contributions to plan assets of €17 million are expected in 2015 (2014: €17 million).

As in 2013, 62 percent of the plan assets 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, 2014			Dec. 31, 2013		
€ 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	–	26	26	–	31	31
Bonds and other fixed-income securities	712	–	712	668	–	668
Shares	96	–	96	69	19	88
Investment fund units	36	104	140	50	80	130
Other shareholdings	–	–	–	–	2	2
Derivatives	-4	–	-4	–	–	–
Land and buildings	–	5	5	–	5	5
Entitlements arising from insurance policies	–	108	108	–	97	97
Other assets	–	66	66	–	60	60
Total	**840**	**309**	**1,149**	**787**	**294**	**1,081**

As at December 31, 2014, the plan assets included €9 million of the group's own financial instruments (December 31, 2013: €42 million). The real estate and other assets contained in the plan assets are not used by the company itself.

In Luxembourg, there is a joint plan with other employers. 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, 2014	14	11	47	42	515	259	888
Additions	–	7	27	20	124	323	501
Utilizations	-3	-2	–	–	-60	-112	-177
Reversals	-1	-1	-13	-11	–	-44	-70
Interest expense/ changes in discount rate	1	–	–	1	1	6	9
Other changes	–	-5	3	–	–	-1	-3
Balance as at Dec. 31, 2014	**11**	**10**	**64**	**52**	**580**	**431**	**1,148**

The residual provisions include provisions totaling €138 million for risks arising from legal disputes. In particular, the entities in the DZ BANK Group have recognized provisions in connection with capital market products and for risks that exist in connection with the current legal situation in relation to incorrect cancellation right notices for consumer loans. No information pursuant to IAS 37.84 and IAS 37.85 is disclosed for these provisions because the DZ BANK Group believes that disclosure of this information would seriously harm the outcome of the proceedings.

The residual provisions also include a provision of TeamBank amounting to a total of €46 million that has been recognized for risks arising from the decision of the Bundesgerichtshof (BGH) [German Federal Court of Justice] dated October 28, 2014. In this decision, the BGH declared that charging administration fees for consumer loans was not permitted.

Furthermore, the residual provisions include a provision for risks in connection with changes to legislation in Hungary that has been recognized for retrospective obligations to reimburse customers under existing contracts of VR LEASING's subsidiary Lombard Pénzügyi és Lízing Zártkörûen Mûködo Részvénytársaság, Szeged, Hungary, (Lombard Lizing). An amount is not disclosed for this provision because the DZ BANK Group believes that disclosure of this information would seriously harm the outcome of the proceedings.

The expected maturities of other provisions are shown in the tables below.

AS AT DECEMBER 31, 2014

€ million	≤ 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provisions for onerous contracts	–	–	–	11	–
Provisions for restructuring	–	7	1	2	–
Provisions for loan commitments	4	12	43	–	5
Other provisions for loans and advances	8	31	10	2	1
Provisions relating to building society operations	7	295	233	45	–
Residual provisions	76	210	115	26	4
Total	**95**	**555**	**402**	**86**	**10**

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**

» 68 INSURANCE LIABILITIES

€ million	Dec. 31, 2014	Dec. 31, 2013
Provision for unearned premiums	1,071	1,035
Benefit reserve	49,724	46,431
Provision for claims outstanding	8,352	7,798
Provision for premium refunds	8,568	6,219
Other insurance liabilities	40	37
Reserve for unit-linked insurance contracts	6,915	5,845
Total	**74,670**	**67,365**

CHANGES IN THE PROVISION FOR UNEARNED PREMIUMS

€ million	2014	2013
Balance as at Jan. 1	1,035	1,069
Additions	1,070	1,048
Utilizations/reversals	-1,040	-1,076
Changes attributable to currency translation	6	-6
Balance as at Dec. 31	**1,071**	**1,035**

CHANGES IN THE BENEFIT RESERVE

€ million	2014	2013
Balance as at Jan. 1	46,431	43,440
Additions	6,299	5,503
Interest component	1,305	1,207
Utilizations/reversals	-4,311	-3,716
Other changes in measurement	–	-3
Balance as at Dec. 31	**49,724**	**46,431**

CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2014	2013
Balance as at Jan. 1	7,798	6,967
Claims expenses	5,250	5,167
less payments	-4,747	-4,295
Changes attributable to currency translation	51	-41
Balance as at Dec. 31	**8,352**	**7,798**

CHANGES IN THE PROVISION FOR PREMIUM REFUNDS

€ million	2014	2013
Balance as at Jan. 1	6,219	6,601
Additions	868	735
Utilizations/reversals	-880	-884
Changes resulting from unrealized gains and losses on investments (through other comprehensive income)	1,606	-215
Changes resulting from other remeasurements (through profit or loss)	755	-35
Changes attributable to currency translation	–	6
Changes in scope of consolidation	–	11
Balance as at Dec. 31	**8,568**	**6,219**

The breakdown of maturities for insurance liabilities is shown in the following tables:

AS AT DECEMBER 31, 2014

€ million	≤ 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provision for unearned premiums	963	97	11	–
Benefit reserve	2,007	6,465	12,188	29,064
Provision for claims outstanding	3,410	2,742	2,200	–
Provision for premium refunds	726	608	853	6,381
Other insurance liabilities	30	5	3	2
Total	**7,136**	**9,917**	**15,255**	**35,447**

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	4,042
Other insurance liabilities	32	2	1	2
Total	**7,047**	**10,090**	**14,500**	**29,883**

» 69 OTHER LIABILITIES

€ million	Dec. 31, 2014	Dec. 31, 2013
Other liabilities of insurance companies	4,253	4,034
Liabilities from financial guarantee contracts	103	99
Accruals	921	862
Other payables	548	609
Residual other liabilities	419	356
Total	**6,244**	**5,960**

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

€ million	Dec. 31, 2014	Dec. 31, 2013
Other provisions	**366**	301
Provisions for employee benefits	324	258
Provisions for share-based payment transactions	1	1
Other provisions	41	42
Payables and residual other liabilities	**3,887**	3,733
Subordinated capital	38	35
Deposits received from reinsurers	90	104
Payables arising out of direct insurance operations	1,687	1,726
Payables arising out of reinsurance operations	268	210
Debt certificates issued including bonds	28	27
Deposits from banks	497	392
Derivatives (negative fair values)	64	35
Liabilities from capitalization transactions	595	610
Other payables	184	136
Residual other liabilities	436	458
Total	**4,253**	4,034

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SUBORDINATED CAPITAL

€ million	Dec. 31, 2014	Dec. 31, 2013
Subordinated liabilities	3,454	3,465
Profit-sharing rights	292	319
Other hybrid capital	–	363
Share capital repayable on demand	38	54
Total	**3,784**	4,201

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EQUITY

SUBSCRIBED CAPITAL

The subscribed capital of DZ BANK consists of 1,402,410,350 registered non-par-value shares each with an imputed value of €2.60. All shares in issue are fully paid-up. For the 2013 financial year, DZ BANK paid a dividend of €0.13 per share in 2014 (paid in 2013: €0.10 per share). A dividend of €0.15 per share for 2014 will be proposed to the Annual General Meeting.

In 2014, the Board of Managing Directors used its existing authorizations, with the approval of the Supervisory Board, to adopt a resolution to increase the subscribed capital (share capital) by €486,168,922.20 from €3,160,097,987.80 to €3,646,266,910.00. The implementation of the capital increase by way of an issue of 186,988,047 registered non-par-value shares at a subscription price per share of €7.90 for cash was entered in the commercial register of the Frankfurt am Main local court on July 29, 2014. Dividends are payable on the new shares from January 1, 2014.

AUTHORIZED CAPITAL

The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to increase the share capital by June 30, 2019 on one or more occasions by up to a total of €100 million by way of issuing new registered non-par-value shares in return for cash or non-cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude the subscription right of shareholders both in the case of capital increases in return for non-cash contributions and in the case of capital increases in return for cash contributions if the capital is increased for the purpose of

- 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 or indirectly have a below-average stake in the company's share capital, i.e. less than 0.44 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 June 30, 2019 on one or more occasions by up to a total of €150 million by issuing new registered non-par-value shares in return for cash contributions. The Board of Managing Directors is authorized, subject to the approval of the Supervisory Board, to exclude fractions from the subscription rights of shareholders ('Authorized Capital II').

DISCLOSURES ON SHAREHOLDERS

At the end of 2014, 96.5 percent of shares were held by cooperative enterprises (December 31, 2013: 95.9 percent). These cooperative enterprises include the cooperative banks, the cooperative central institutions, and other legal entities and trading companies economically associated with the cooperative movement or cooperative housing sector.

CAPITAL 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 €528 million (December 31, 2013: loss of €223 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.

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.

BREAKDOWN OF CHANGES IN EQUITY BY COMPONENT OF OTHER COMPREHENSIVE INCOME

2014

€ 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	–	670	–	–	240
Gains and losses on cash flow hedges	–	–	-21	–	–
Exchange differences on currency translation of foreign operations	–	–	–	13	-1
Gains and losses on hedges of net investments in foreign operations	–	–	–	-10	–
Gains and losses arising from remeasurement of defined benefit plans	-302	–	–	–	-44
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-3	6	–	14	4
Other comprehensive income/loss	**-305**	**676**	**-21**	**17**	**199**

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	–	338	–	–	6
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	3	–	-16	-3
Other comprehensive income/loss	**18**	**341**	**–**	**-22**	**7**

E 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):

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CLASSES, CATEGORIES, AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	Dec. 31, 2014		Dec. 31, 2013	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**154,630**	**154,630**	**144,800**	**144,800**
Financial instruments held for trading	**54,913**	**54,913**	**53,018**	**53,018**
Financial assets held for trading	54,449	54,449	52,857	52,857
Investments held by insurance companies	464	464	161	161
Fair value option	**18,899**	**18,899**	**18,969**	**18,969**
Loans and advances to banks	1,607	1,607	1,513	1,513
Loans and advances to customers	5,780	5,780	6,207	6,207
Investments	10,775	10,775	10,462	10,462
Investments held by insurance companies	737	737	787	787
Derivatives used for hedging	**383**	**383**	**887**	**887**
Derivatives used for hedging (positive fair values)	383	383	887	887
Available-for-sale financial assets	**80,435**	**80,435**	**71,926**	**71,926**
Loans and advances to customers	22	22	29	29
Investments	39,535	39,535	38,137	38,137
Investments held by insurance companies	40,878	40,878	33,760	33,760
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**225,425**	**235,678**	**219,139**	**225,716**
Loans and receivables	**224,962**	**235,215**	**218,729**	**225,306**
Cash and cash equivalents	2,794	2,794	3,524	3,524
Loans and advances to banks	77,601	78,884	72,540	73,787
Loans and advances to customers	110,331	113,803	107,195	109,540
Investments	5,469	5,587	6,870	6,652
Investments held by insurance companies	27,903	33,636	27,462	30,992
Other assets	511	511	811	811
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	353		327	
Available-for-sale financial assets	**463**	**463**	**410**	**410**
Investments	363	363	410	410
Investments held by insurance companies	100	100	–	–
FINANCE LEASES	**4,025**	**4,193**	**4,348**	**4,561**
Loans and advances to customers	4,025	4,193	4,348	4,561

	Dec. 31, 2014		Dec. 31, 2013	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**79,977**	**79,977**	**74,754**	**74,754**
Financial instruments held for trading	**51,766**	**51,766**	**45,803**	**45,803**
Financial liabilities held for trading	51,702	51,702	45,768	45,768
Other liabilities	64	64	35	35
Fair value option	**25,655**	**25,655**	**26,564**	**26,564**
Deposits from banks	4,199	4,199	5,042	5,042
Deposits from customers	7,505	7,505	7,575	7,575
Debt certificates issued including bonds	12,652	12,652	12,612	12,612
Subordinated capital	1,299	1,299	1,335	1,335
Derivatives used for hedging	**2,556**	**2,556**	**2,387**	**2,387**
Derivatives used for hedging (negative fair values)	2,556	2,556	2,387	2,387
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**221,162**	**225,709**	**221,654**	**224,857**
Deposits from banks	85,055	86,251	86,116	87,238
Deposits from customers	88,923	91,631	90,836	92,633
Debt certificates issued including bonds	42,957	43,660	40,142	40,785
Other liabilities	1,447	1,447	1,445	1,445
Subordinated capital	2,485	2,720	2,866	2,756
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	295		249	
FINANCE LEASES	**28**	**35**	**30**	**35**
Other liabilities	28	35	30	35
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**167**	**167**	**146**	**146**
Financial guarantee contracts	**103**	**103**	**99**	**99**
Other liabilities	103	103	99	99
Loan commitments	**64**	**64**	**47**	**47**
Provisions	64	64	47	47

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 amount for building society operations during the reporting period 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. Whereas the fair value of investments held by insurance companies was previously only recognized in the proportion attributable to the shareholders of the DZ BANK Group, the proportion attributable to the policyholders has also been recognized since the 2014 reporting period. The prior-year figures have been restated accordingly. The fair value attributable to the shareholders of the DZ BANK Group of investments held by insurance companies that are measured at amortized cost and reported under loans and receivables was €29,237 million (December 31, 2013: €28,346 million). The fair value attributable to the shareholders of the DZ BANK Group of other liabilities that are recognized as finance leases is unchanged year on year at €34 million.

FINANCIAL INSTRUMENTS MEASURED AT COST

Investments and investments held by insurance companies include shares and other variable-yield securities, investments in subsidiaries, joint ventures, and associates measured at cost with a total carrying amount of €463 million (December 31, 2013: €410 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 main purpose of these financial instruments is to support the business operations of the DZ BANK Group on a permanent basis.

During the reporting year, investments in associates and other shareholdings measured at cost with a carrying amount of €1 million were sold. This resulted in gains on disposal of €2 million.

In the previous year, 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.

FAIR VALUE HIERARCHY

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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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Assets	**53,284**	76,519	**103,188**	70,027	**5,624**	4,540
Loans and advances to banks	–	–	1,607	1,513	–	–
Loans and advances to customers	–	–	5,207	5,591	595	645
Derivatives used for hedging (positive fair values)	–	–	383	887	–	–
Financial assets held for trading	934	7,854	53,130	44,454	385	549
Investments	11,835	33,688	35,914	12,988	2,561	1,923
Investments held by insurance companies	40,500	34,977	6,937	4,588	2,075	1,420
Non-current assets and disposal groups classified as held for sale	15	–	10	6	8	3
Liabilities	**7,958**	7,358	**73,793**	66,930	**5,557**	6,645
Deposits from banks	–	–	4,190	5,023	9	19
Deposits from customers	–	–	7,499	7,567	6	8
Debt certificates issued including bonds	2,230	2,215	9,811	10,050	611	347
Derivatives used for hedging (negative fair values)	–	–	2,556	2,387	–	–
Financial liabilities held for trading	661	968	46,111	38,530	4,930	6,270
Financial liabilities arising from fund-linked insurance products	5,063	4,174	2,268	2,005	–	–
Other liabilities	4	1	59	33	1	1
Subordinated capital	–	–	1,299	1,335	–	–

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 consist of the reserve for unit-linked insurance contracts and liabilities from capitalization transactions allocated to unit-linked life insurance.

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	2014	2013	2014	2013
Assets measured at fair value	**23,925**	6,115	**129**	669
Financial assets held for trading	3,554	524	35	39
Investments	19,400	4,799	17	313
Investments held by insurance companies	971	777	77	317
Non-current assets and disposal groups classified as held for sale	–	15	–	–
Liabilities measured at fair value	**116**	79	**77**	–
Debt certificates issued including bonds	–	–	68	–
Financial liabilities held for trading	116	79	9	–

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 asset 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 mitigate counterparty credit risk and debt valuation adjustments (DVA) are recognized to mitigate 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 measurement of financial instruments also involves carrying out measurement adjustments to a suitable degree. This includes, among other things, model reserves that enable uncertainties in model selection, model parameters, and model configuration to be taken into account. The DZ BANK Group measures financial instruments at the price at which these financial instruments can be realized in the market. If this differs from the measurement of the individual instruments (e.g. measurement at middle rates), the bid/ask adjustments (close-out reserves) are determined on a net basis applying the option in IFRS 13.48. Measurement takes account of the group's funding structure. If the funding costs used for the measurement are different from the actual funding costs, this is recognized by making a measurement adjustment for investment and finance costs.

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	Spread of unobservable inputs (%)
Loans and advances to customers	Loans	473	DCF method	Credit spread	–
	Loans	101	DCF method	Internal spread	–
	Silent partnerships	21	DCF method	Internal credit ratings	8
Financial assets held for trading	ABSs	145	DCF method	Credit spread	0.8 to 370
	Bearer securities	142	DCF method	Credit spread	-0.3 to 5,200
	Equity/commodity basket products	56	DCF method	Correlation of the risk factors considered	-28 to 86
				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Collateralized loan obligations	16	DCF method	Conditional prepayment rate	15
	Syndicated loans	14	DCF method	Credit spread	–
	Loans and advances to issuers in default	12	DCF method	Recovery rate	0 to 10
Investments		1,531	DCF method	Internal spread	-1.2 to 2.2
	Bearer securities	447	DCF method	Credit spread	-0.3 to 5,200
	VR Circle	468	DCF method	Multiple-year default probabilities	0 to 100
	Investment fund units	72	Net asset value	–	–
		27	DCF method	Assumptions for measurement of risk parameters	6.5 to 12.0
	Investments in subsidiaries	6	Income capitalization approach	Future income	–
				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Collateralized loan obligations	6	DCF method	Conditional prepayment rate	15
	ABSs	4	DCF method	Credit spread	0.8 to 370

Class according to IFRS 13	Assets/ liabilities	Fair value € million	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Investments held by insurance companies	Investments in subsidiaries and associates, investment fund units, profit-participation certificates, long-term equity investments	1,130	Net asset value	–	–
		186	Income capitalization approach	Future income	5.5 to 7.5
	ABSs	444	Prices offered by external suppliers of market prices	–	–
		186	Asset swap method	Credit spread	–
	Profit-participation certificates	10	DCF method	Internal spread	–
	Fixed-income securities, shares	117	Prices offered by external suppliers of market prices	–	–
	Derivatives (positive fair values)	2	Prices offered by external suppliers of market prices	–	–
Non-current assets and disposal groups classified as held for sale	Long-term equity investments	8	Agreed minimum selling price	–	–
Deposits from banks and customers	Nth-to-default credit-linked notes	15	DCF method	Credit correlation	55 to 80
Debt certificates issued including bonds	VR Circle	469	DCF method	Multiple-year default probabilities	0 to 100
	Nth-to-default credit-linked notes	142	DCF method	Credit correlation	55 to 80
Financial liabilities held for trading	Equity/commodity basket products	4,747	DCF method	Correlation of the risk factors considered	-28 to 86
	Nth-to-default credit-linked notes	183	DCF method	Credit correlation	55 to 80
Other liabilities	Derivatives (negative fair values)	1	Prices offered by external suppliers of market prices	–	–

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:

€ 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, 2013	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
Additions (purchases)	–	1	60	411	–
Transfers	–	86	287	521	–
from Level 3 to Levels 1 and 2	–	-20	-315	-16	–
from Levels 1 and 2 to Level 3	–	106	602	537	–
Disposals (sales)	-120	-250	-12	-271	-3
Changes resulting from measurement at fair value	69	–	304	53	–
through profit or loss	-8	–	288	-31	–
through other comprehensive income	77	–	16	84	–
Other changes	1	-1	-1	-59	8
Balance as at Dec. 31, 2014	**595**	**385**	**2,561**	**2,075**	**8**

The table below shows the changes in the recurring fair value measurements of liabilities within Level 3 of the fair value hierarchy:

€ million	Deposits from banks	Deposits from customers	Debt certificates issued including bonds	Financial liabilities held for trading	Other liabilities
Balance as at Jan. 1, 2013	52	19	699	226	–
Additions (issues)	–	–	–	544	–
Transfers 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
Other changes	–	-1	-5	1	–
Balance as at Dec. 31, 2013	19	8	347	6,270	1
Additions (issues)	–	–	262	–	–
Transfers from Levels 1 and 2 to Level 3	–	–	–	4	–
Disposals (settlements)	-10	-2	–	-1,314	–
Changes resulting from measurement at fair value through profit or loss	–	–	2	-29	–
Other changes	–	–	–	-1	–
Balance as at Dec. 31, 2014	**9**	**6**	**611**	**4,930**	**1**

The other changes relate to accrued interest and other 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 6 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.

Transfers of fair values from Levels 1 and 2 to Level 3 of the fair value hierarchy during the financial year are 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 are 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 profit of €243 million during the reporting period (2013: loss of €48 million). The profit or loss is contained in the line items net interest income, allowances for losses on loans and advances, 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.

For the fair values of loans and advances to customers reported within Level 3, a worsening in the credit rating or a rise in the interest rate of 1 percent would lead to the recognition of a €17 million loss in the income statement (2013: loss of €14 million). In the case of the fair values of investments, the same change would lead to the recognition of a €29 million loss in the income statement (2013: loss of €81 million) and a further loss of €3 million under other comprehensive income/loss (2013: loss of €4 million). The fair values of bonds without liquid markets that are reported within financial assets held for trading and under investments are given an individual adjustment spread. All other things being equal, an increase in the adjustment spread of 1 percent would lead to the recognition of a €3 million loss in the income statement (2013: no income/loss) and a loss of €45 million under other comprehensive income/loss (2013: no income/loss). Alternative assumptions about the correlations used could lead to significant changes in respect of the fair values of equity/commodity basket products reported under financial assets and financial liabilities held for trading. All other things being equal, a rise of 1 percent in correlation assumptions would lead to the recognition of a loss of €11 million in the income statement (2013: gain of €3 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 loans and advances to banks, loans and advances to customers, financial assets held for trading, investments, and financial liabilities held for trading.

FAIR VALUE HIERARCHY

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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:

	Level 1		Level 2		Level 3	
€ million	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Assets	**341**	670	**137,722**	131,303	**100,087**	95,822
Cash and cash equivalents	–	–	2,794	3,524	–	–
Loans and advances to banks	280	–	75,777	72,148	2,827	1,639
Loans and advances to customers	–	–	21,714	20,025	92,089	89,515
Investments	–	564	3,823	4,768	2,127	1,730
Investments held by insurance companies	51	106	33,332	30,502	2,652	2,290
Property, plant and equipment, and investment property	–	–	173	173	–	–
Other assets	10	–	109	163	392	648
Liabilities	**3,600**	3,355	**171,344**	175,037	**50,932**	46,611
Deposits from banks	–	–	84,689	86,220	1,562	1,018
Deposits from customers	–	–	43,240	48,108	48,391	44,525
Debt certificates issued including bonds	3,600	3,327	40,060	37,458	–	–
Provisions	–	–	–	–	64	47
Other liabilities	–	28	665	906	885	610
Subordinated capital	–	–	2,690	2,345	30	411

The fair value of investments held by insurance companies was previously only recognized in the proportion attributable to the shareholders of the DZ BANK Group. The proportion attributable to the policyholders has also been recognized since the 2014 reporting period. The prior-year figures have been restated accordingly.

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	2,827	DCF method	Credit spread, recovery rate
Loans and advances to customers	Loans	62,118	DCF method	Credit spread, recovery rate, internal spread
	Building loans	29,828	Amortized cost	–
	Shareholders' loans, profit-sharing rights, silent partnerships	143	DCF method	Internal credit ratings
Investments	Mortgage-backed securities	1,040	DCF method	Duration
	Shares and other variable-yield securities and investments in subsidiaries, joint ventures, and associates	363	Cost	–
	ABSs	349	DCF method	Credit spread
	Collateralized loan obligations	164	DCF method	Liquidity spread
	Bearer securities	159	DCF method	Credit spread
	RMBSs/CMBSs	45	DCF method	Liquidity spread
	Profit-participation certificates	7	DCF method	Estimated cash flows
Investments held by insurance companies	Investment property	2,082	DCF method	Future rent, reference prices in the market
		217	Cost	–
	Loans and bank accounts	153	DCF method	Yield curves, credit spread
	Loans	100	Cost	–
	Shares and other variable-yield securities and investments in subsidiaries, joint ventures, and associates	100	Cost	–
Other assets	Credit balances with banks	336	Cost	–
	Other loans and advances	56	Cost	–
Deposits from banks	Home savings deposits	1,149	Amortized cost	–
	Loans	413	DCF method	Credit spread

Class according to IFRS 13	Assets/ liabilities	Fair value € million	Valuation technique	Unobservable inputs
Deposits from customers	Home savings deposits	48,343	Amortized cost	–
	Loans	38	DCF method	Credit spread
	Overpayments on consumer finance loans	10	Cost	–
Provisions	Provisions for loan commitments	64	Settlement amount	–
Other liabilities	Loans	497	Cost	–
	Liabilities from capitalization transactions	179	Cost	–
	Other payables	84	Cost	–
	Non-controlling interests in special funds	71	Cost	–
	Bonds	28	Cost	–
	Subordinated loans	19	Cost	–
	Share capital repayable on demand	7	Amount repayable	–
Subordinated capital	Share capital repayable on demand	30	Amount repayable	–

LOANS AND RECEIVABLES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

» 75
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, 2014	Dec. 31, 2013
Loans and advances to banks	1,607	1,513
Loans and advances to customers	5,810	6,249
Investments	525	479
Investments held by insurance companies	374	376
Total	**8,316**	**8,617**

Financial guarantee contracts with a value of €3,451 million (December 31, 2013: €3,759 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 decreased by €23 million during the reporting year (2013: increase of €2 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 €66 million (December 31, 2013: decrease of €34 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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Deposits from banks	4,199	5,042	4,029	4,915
Deposits from customers	7,505	7,575	6,100	5,907
Debt certificates issued including bonds	12,652	12,612	12,172	12,163
Subordinated capital	1,299	1,335	1,233	1,283
Total	**25,655**	**26,564**	**23,534**	**24,268**

The fair value of financial liabilities designated as at fair value through profit or loss reduced by €1 million in the year under review. There had been no changes in the previous year.

In 2014, no financial assets were reclassified from 'financial instruments held for trading' or 'available-for-sale financial assets' to another category. No financial assets had been reclassified in 2013 either.

» 76
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, 2014	Dec. 31, 2013
Carrying amounts	900	1,227
Fair values	892	1,168

If all the reclassifications carried out in the past had not taken place, an additional gain of €35 million before taxes would have been recognized in the income statement in 2014 as a result of the fair value measurement (2013: gain of €62 million). In addition, gains before taxes of €16 million in respect of the fair value measurement would have been recognized in other comprehensive income in the reporting year (2013: gains before taxes of €18 million).

In 2014, profit before taxes included a profit of €35 million from gains, losses, income, and expenses in connection with all the reclassified financial assets held (2013: loss of €1 million).

Financial assets and financial liabilities reference standard master agreements, such as ISDA Master Agreements and German Master Agreements for Financial Futures.

» 77
OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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, 2014

€ 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	34,762	7,639	27,123	19,300	2,640	5,183
Reverse repos/securities borrowing	12,117	–	12,117	12,046	–	71
Other financial instruments	477	22	455	–	448	7
Total	**47,356**	**7,661**	**39,695**	**31,346**	**3,088**	**5,261**

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	24,386[1]	2,161[1]	22,225	15,918	2,747	3,560
Reverse repos/securities borrowing	15,748	–	15,748	15,608	–	140
Total	**40,134**	**2,161**	**37,973**	**31,526**	**2,747**	**3,700**

1 Restatement following more specific guidance on IAS 32.

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, 2014

€ 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 furnished	
Derivatives	36,467	8,909	27,558	18,795	7,413	1,350
Repos/securities lending	9,464	514	8,950	8,831	92	27
Total	**45,931**	**9,423**	**36,508**	**27,626**	**7,505**	**1,377**

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 furnished	
Derivatives	24,588[1]	3,053[1]	21,535	15,733	4,556	1,246
Repos/securities lending	9,460	–	9,460	9,348	2	110
Total	**34,048**	**3,053**	**30,995**	**25,081**	**4,558**	**1,356**

1 Restatement following more specific guidance on IAS 32.

TRANSFERS OF FINANCIAL ASSETS

» 78
SALE AND REPURCHASE AGREEMENTS, SECURITIES LENDING

In 2014, 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, 2014	Dec. 31, 2013
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**9,357**	**10,325**
Financial instruments held for trading	**8,658**	**8,843**
Financial assets held for trading	8,658	8,843
Fair value option	**21**	**24**
Investments	21	24
Available-for-sale financial assets	**678**	**1,458**
Investments	678	1,458
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**55**	**61**
Loans and receivables	**55**	**61**
Investments	55	61
Total	**9,412**	**10,386**

As at December 31, 2014, no additional cash collateral (December 31, 2013: €2 million) had 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, 2014	Dec. 31, 2013
LIABILITIES ASSOCIATED WITH FINANCIAL ASSETS MEASURED AT FAIR VALUE	**9,332**	**10,225**
Liabilities associated with financial assets classified as held for trading	**8,654**	**8,842**
Liabilities associated with financial assets held for trading	8,654	8,842
Liabilities associated with financial assets classified as fair value option	**16**	**21**
Liabilities associated with investments	16	21
Liabilities associated with available-for-sale financial assets	**662**	**1,362**
Liabilities associated with investments	662	1,362
LIABILITIES ASSOCIATED WITH FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**40**	**49**
Liabilities associated with loans and receivables	**40**	**49**
Liabilities associated with investments	40	49
Total	**9,372**	**10,274**

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, 2014, the fair value of securities involved in such transactions was €12,072 million (December 31, 2013: €15,592 million).

The receivables arising from these reverse repo transactions and reported under financial assets held for trading amounted to €12,120 million as at the balance sheet date (December 31, 2013: €15,715 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 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 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, 2014	Dec. 31, 2013
Financial instruments held for trading	**31**	**16**
Financial assets held for trading	31	16
Available-for-sale financial assets	**2,072**	**–**
Investments held by insurance companies	2,072	–
Total	**2,103**	**16**

Collateral is provided or received as part of collateral management arrangements in connection with financial assets held for trading and investments held by insurance companies 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, 2014	Dec. 31, 2013
Bonds and other fixed-income securities	683	377
Shares and other variable-yield securities	42	76
Total	**725**	**453**

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, 2014	Dec. 31, 2013
Financial assets held for trading	8,689	8,859
Investments	754	1,543
Investments held by insurance companies	2,072	–
Total	**11,515**	**10,402**

COLLATERAL PLEDGED

» 79
COLLATERAL

The breakdown of the carrying amount of financial assets pledged as collateral for liabilities is as follows:

€ million	Dec. 31, 2014	Dec. 31, 2013
Loans and advances to banks	34,125	32,704
Loans and advances to customers	520	486
Financial assets held for trading	10,812	7,588
Investments	–	2
Investments held by insurance companies	519	391
Total	**45,976**	**41,171**

Loans and advances to banks with a carrying amount of €5 million are pledged as collateral for contingent liabilities (2013: €10 million).

Of the total financial assets pledged as collateral for liabilities, financial assets held for trading and investments with a carrying amount of €2,244 million (2013: €1,885 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 German federal and state development banks 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 Germany's KfW development 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 in the previous year comprised securities furnished as collateral for exchange-traded financial futures.

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 €19 million (December 31, 2013: €37 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

» 80
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	2014	2013
Financial instruments at fair value through profit or loss	**1,539**	**1,112**
Financial instruments held for trading	1,419	328
Financial instruments designated as at fair value through profit or loss	120	784
Available-for-sale financial assets	**1,983**	**1,925**
Loans and receivables	**6,906**	**6,604**
Financial liabilities measured at amortized cost	**-3,471**	**-3,761**

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	2014	2013
Interest income	8,766	8,993
Interest expense	-3,471	-3,761

FEE AND COMMISSION INCOME AND EXPENSES

€ million	2014	2013
Fee and commission income		
from financial instruments not at fair value through profit or loss	250	573
from trust and other fiduciary activities	2,172	1,869
Fee and commission expenses		
for financial instruments not at fair value through profit or loss	-335	-806
for trust and other fiduciary activities	-806	-665

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 €36 million (2013: €39 million).

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows impairment losses on financial assets broken down by class of financial instrument.

€ million	2014	2013
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-110**	**-100**
Available-for-sale financial assets	**-110**	**-100**
Loans and advances to customers	-6	-13
Investments	-13	-9
Investments held by insurance companies	-91	-78
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**-1,041**	**-1,254**
Loans and receivables	**-1,000**	**-1,202**
Loans and advances to banks	-16	-26
Loans and advances to customers	-967	-1,141
Investments	-9	-33
Investments held by insurance companies	-8	-2
Available-for-sale financial assets	**-41**	**-52**
Investments	-41	-52
FINANCE LEASES	**-54**	**-35**
Loans and advances to customers	-54	-35

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, 2013	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
Additions	924	33
Utilizations	-359	-6
Reversals	-709	-25
Interest income	-30	-3
Other changes	33	1
Balance as at Dec. 31, 2014	**2,295**	**63**

The financial assets measured at amortized cost are loans and advances to banks and customers in the category 'loans and receivables'.

» 81 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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
INTEREST-LINKED CONTRACTS	**151,317**	**273,454**	**279,282**	**704,053**	**759,988**	**26,165**	**20,500**	**25,514**	**20,531**
OTC products									
Forward rate agreements	5,673	–	–	5,673	5,753	–	–	–	–
Interest-rate swaps	103,631	232,757	247,664	584,052	620,284	22,817	18,471	20,644	17,137
Interest-rate options – call	15,723	16,640	11,290	43,653	54,027	2,849	1,870	20	45
Interest-rate options – put	18,610	23,199	20,328	62,137	69,454	127	115	4,849	3,326
Other interest-rate contracts	1,838	111	–	1,949	1,687	372	43	–	22
Exchange-traded products									
Interest-rate futures	5,842	747	–	6,589	8,783	–	1	1	1
CURRENCY-LINKED CONTRACTS	**51,930**	**5,821**	**292**	**58,043**	**62,331**	**1,100**	**612**	**869**	**549**
OTC products									
Forward forex transactions	43,671	3,807	251	47,729	51,462	1,055	582	808	500
Forex options – call	3,871	814	–	4,685	5,275	33	14	7	21
Forex options – put	4,061	1,171	–	5,232	5,245	12	16	38	18
Exchange-traded products									
Forex futures	133	–	–	133	72	–	–	–	–
Forex options	194	29	41	264	277	–	–	16	10
SHARE-/INDEX-LINKED CONTRACTS	**8,964**	**5,761**	**1,618**	**16,343**	**19,768**	**409**	**535**	**716**	**718**
OTC products									
Share/index options – call	423	116	39	578	657	45	80	–	–
Share/index options – put	66	233	–	299	240	–	2	30	33
Other share/index contracts	468	2,541	1,104	4,113	5,165	84	106	29	126
Exchange-traded products									
Share/index futures	466	10	–	476	646	5	4	2	–
Share/index options	7,541	2,861	475	10,877	13,060	275	343	655	559
OTHER CONTRACTS	**10,895**	**27,633**	**17,487**	**56,015**	**61,103**	**659**	**1,084**	**2,172**	**672**
OTC products									
Cross-currency swaps	8,521	20,086	6,984	35,591	39,793	645	1,057	2,127	640
Precious metal contracts	4	7	–	11	8	–	–	1	1
Commodities contracts	256	605	1	862	1,110	8	19	8	7
Other contracts	1,676	6,791	10,408	18,875	19,689	–	–	9	8
Exchange-traded products									
Futures	117	29	2	148	108	–	–	–	–
Options	321	115	92	528	395	6	8	27	16
CREDIT DERIVATIVES	**7,721**	**24,424**	**2,804**	**34,949**	**42,700**	**342**	**414**	**191**	**288**
Protection buyer									
Credit default swaps	3,665	10,737	528	14,930	19,141	59	131	137	169
Protection seller									
Credit default swaps	4,056	13,687	2,080	19,823	23,334	269	272	48	115
Total return swaps	–	–	196	196	225	14	11	6	4
Total	230,827	337,093	301,483	869,403	945,890	28,675	23,145	29,462	22,758

The derivatives held at the balance sheet date involved the following counterparties:

	Fair value			
	Positive		Negative	
€ million	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
OECD central governments	765	195	470	285
OECD banks	24,934	20,245	27,278	20,083
OECD financial services institutions	16	54	49	96
Other companies, private individuals	2,942	2,551	1,383	2,070
Non-OECD banks	18	100	282	224
Total	**28,675**	**23,145**	**29,462**	**22,758**

The Union Investment Group has capital preservation commitments under section 1 (1) no. 3 German Personal Pension Plan Certification Act (AltZertG) amounting to €9,225 million (December 31, 2013: €8,063 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 €9,650 million (December 31, 2013: €11,626 million) in connection with genuine guarantee funds launched by fund management companies in the group.

TYPES OF HEDGES

» 82
HEDGE ACCOUNTING

The DZ BANK Group designates 3 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 investments in joint ventures and 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 2015 financial year and that will be recognized in profit or loss in this period.

In 2014, losses of €31 million in connection with cash flow hedges were recognized in other comprehensive income (2013: gains of €10 million).

Of the gains and losses reclassified to the income statement, minus €1 million was recognized under net interest income and €1 million as a reduction of administrative expenses. Of the gains and losses reclassified in 2013, €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.

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	2014	2013
Gains and losses on fair value hedges	**-14**	-4
Gains and losses on hedging instruments	274	-30
Gains and losses on hedged items	-288	26
Gains and losses on portfolio fair value hedges	**12**	19
Gains and losses on hedging instruments	-1,255	380
Gains and losses on hedged items	1,267	-361
Total	**-2**	**15**

With the exception of the maturity analyses required by IFRS 7.39(a) and (b) and IFRS 4.39(d)(i) and the disclosures on the claims rate trends for direct non-life insurance business and inward reinsurance business pursuant to IFRS 4.39(c)(iii), 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. These disclosures can be found in notes 84, 68, and 42 respectively.

» 83
NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS

» 84
MATURITY ANALYSIS

AS AT DECEMBER 31, 2014

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Financial assets	**42,713**	**17,667**	**35,413**	**146,557**	**172,145**	**16,522**
Cash and cash equivalents	2,794	–	–	–	–	–
Loans and advances to banks	19,336	2,051	6,967	30,317	26,210	331
Loans and advances to customers	12,997	6,453	15,424	57,286	48,252	1,898
Derivatives used for hedging (positive fair values)	–	2	13	88	280	–
Financial assets held for trading	5,027	7,231	5,241	13,131	22,512	1,170
of which: non-derivative financial assets held for trading	4,614	6,454	3,239	5,101	5,764	1,170
derivatives (positive fair values)	413	777	2,002	8,030	16,748	–
Investments	1,011	944	4,013	24,598	27,562	1,333
Investments held by insurance companies	751	919	3,611	20,701	47,329	11,789
of which: non-derivative investments held by insurance companies	747	911	3,590	20,625	47,278	11,789
derivatives (positive fair values)	4	8	21	76	51	–
Other assets	797	67	144	436	–	1
Financial liabilities	**-50,191**	**-26,984**	**-28,402**	**-80,410**	**-74,867**	**-55,326**
Deposits from banks	-28,793	-6,202	-9,036	-25,549	-22,218	-971
Deposits from customers	-10,742	-4,938	-3,285	-9,690	-20,893	-53,324
Debt certificates issued including bonds	-1,571	-13,748	-10,307	-20,837	-11,302	–
Derivatives used for hedging (negative fair values)	-22	-18	-72	-923	-1,521	–
Financial liabilities held for trading	-8,418	-1,606	-5,090	-18,455	-17,592	-498
of which: non-derivative financial liabilities held for trading	-7,546	-884	-2,794	-8,914	-4,162	-496
derivatives (negative fair values)	-872	-722	-2,296	-9,541	-13,430	-2
Other liabilities	-557	-425	-541	-1,005	-1,024	-486
of which: non-derivative other liabilities	-545	-393	-535	-985	-999	-486
derivatives (negative fair values)	-12	-32	-6	-20	-25	–
Subordinated capital	-88	-47	-71	-3,951	-317	-47
Financial guarantee contracts and loan commitments	**-27,350**	**-70**	**-132**	**-823**	**-1,254**	**-54**
Financial guarantee contracts	-5,029	-47	-1	-162	-128	-52
Loan commitments	-22,321	-23	-131	-661	-1,126	-2

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	**38,845**	**19,757**	**37,923**	**152,693**	**158,495**	**13,477**
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	15,171	5,822	15,370	56,784	44,681	46
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	2,941	20,595	43,399	10,907
of which: non-derivative investments held by insurance companies	1,136	1,085	2,933	20,516	43,329	10,907
derivatives (positive fair values)	14	27	8	79	70	–
Other assets	1,162	12	56	605	1	1
Financial liabilities	**-66,389**	**-15,570**	**-23,184**	**-87,502**	**-75,135**	**-47,578**
Deposits from banks	-28,567	-6,605	-10,115	-26,413	-22,366	-1,015
Deposits from customers	-23,081	-3,165	-2,830	-9,086	-23,497	-45,010
Debt certificates issued including bonds	-5,902	-3,271	-4,920	-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	-18,354	-11,855	-589
of which: non-derivative financial liabilities held for trading	-7,758	-1,521	-2,679	-9,661	-3,240	-586
derivatives (negative fair values)	-506	-622	-2,241	-8,693	-8,615	-3
Other liabilities	-533	-335	-311	-1,104	-1,152	-555
of which: non-derivative other liabilities	-531	-330	-311	-1,090	-1,137	-555
derivatives (negative fair values)	-2	-5	–	-14	-15	–
Subordinated capital	-17	-33	-4	-2,623	-1,895	-409
Financial guarantee contracts and loan commitments	**-24,260**	**-109**	**-197**	**-612**	**-954**	**-61**
Financial guarantee contracts	-4,816	-40	-2	-147	-91	-61
Loan commitments	-19,444	-69	-195	-465	-863	–

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 based on expected cash flows is described in the opportunity and risk report within the group management report.

» 85 EXPOSURES TO COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

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.

€ million	Dec. 31, 2014	Dec. 31, 2013
Portugal	**154**	**332**
Financial instruments held for trading	–	5
Fair value option	105	266
Available-for-sale financial assets	–	11
Loans and receivables	49	50
Italy	**5,665**	**4,301**
Financial instruments held for trading	5	52
Fair value option	1,605	1,321
Available-for-sale financial assets	4,055	2,928
Ireland	**24**	**21**
Available-for-sale financial assets	24	21
Spain	**2,465**	**2,365**
Financial instruments held for trading	38	–
Fair value option	1,782	1,949
Available-for-sale financial assets	645	416
Total	**8,308**	**7,019**

The fair value of Portuguese government bonds categorized as 'loans and receivables' amounts to €55 million (December 31, 2013: €41 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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Portugal	**–**	277	**105**	5	**–**	–
Financial instruments held for trading	–	–	–	5	–	–
Fair value option	–	266	105	–	–	–
Available-for-sale financial assets	–	11	–	–	–	–
Italy	**2,863**	3,082	**2,559**	1,185	**243**	34
Financial instruments held for trading	–	–	5	52	–	–
Fair value option	–	931	1,516	390	89	–
Available-for-sale financial assets	2,863	2,151	1,038	743	154	34
Ireland	**24**	21	**–**	–	**–**	–
Available-for-sale financial assets	24	21	–	–	–	–
Spain	**229**	806	**1,192**	1,520	**1,044**	39
Financial instruments held for trading	–	–	38	–	–	–
Fair value option	25	753	896	1,196	861	–
Available-for-sale financial assets	204	53	258	324	183	39
Total	**3,116**	4,186	**3,856**	2,710	**1,287**	73

IMPAIRMENT

No impairment losses were recognized to cover exposures in respect of the bonds from 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, 2014

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years
Portugal	–	–	54	8	137
Italy	61	293	498	1,086	4,664
Ireland	–	–	1	5	20
Spain	4	1	573	705	1,778
Total	**65**	**294**	**1,126**	**1,804**	**6,599**

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**

The maturity analysis shows the contractually agreed cash inflows.

F Other disclosures

» 86 CONTINGENT LIABILITIES

€ million	Dec. 31, 2014	Dec. 31, 2013
Contingent liabilities in respect of litigation risk	4	–
Other contingent liabilities	13	7
Total	**17**	**7**

The contingent liabilities in respect of litigation risk comprise a small number of court proceedings relating to different cases. No information pursuant to IAS 37.86 is disclosed for these proceedings because the DZ BANK Group believes that disclosure of this information would seriously harm their outcome. Where provisions have been recognized for particular claims, no contingent liabilities are recognized.

» 87 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Dec. 31, 2014	Dec. 31, 2013
Financial guarantee contracts	**5,419**	**5,157**
Loan guarantees	2,812	2,877
Letters of credit	391	330
Other guarantees and warranties	2,216	1,950
Loan commitments	**24,264**	**21,037**
Credit facilities to banks	2,606	2,663
Credit facilities to customers	10,923	9,244
Guarantee credits	126	3
Letters of credit	–	35
Global limits	10,609	9,092
Total	**29,683**	**26,194**

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

» 88 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, 2014	Dec. 31, 2013
Trust assets	**1,226**	**3,167**
Loans and advances to banks	165	170
Loans and advances to customers	79	2,015
Investments	982	982
Trust liabilities	**1,226**	**3,167**
Deposits from banks	167	2,111
Deposits from customers	1,059	1,056

Trust assets and trust liabilities each include trust loans amounting to €200 million (December 31, 2013: €2,150 million).

» 89 BUSINESS COMBINATIONS

On October 1, 2014, Deucalion Ltd., George Town, which is included in the DVB subgroup as a structured subsidiary without an equity stake, acquired the remaining 50 percent of the shares in MD Aviation Capital Pte Ltd., Singapore, for a purchase price of €85 million. The purchase price was paid in cash. Until the date of acquisition, MD Aviation Capital had been held as a joint venture and was accounted for under the equity method. Measured at fair value, the net assets amounted to €180 million on the acquisition date. These were broken down into cash & cash equivalents and loans and advances of €56 million, property, plant and equipment of €494 million, and liabilities of €370 million.

Upon first-time consolidation, remeasurement of the assets and liabilities of MD Aviation Capital led to income of €9 million, which was recognized as other net operating income at the time of initial acquisition. Income of €3 million has been achieved since the acquisition date.

In the previous year, the retail customer portfolio of Hauck & Aufhäuser Banquiers Luxembourg S.A., Luxembourg, had been transferred to DZ PRIVATBANK with effect from March 30, 2013, 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.

The reorganization of the operating segments in 2014 made it necessary to reallocate goodwill. To this end, goodwill was allocated among the DZ BANK Group's 9 new management units based on how it originated. As a result of the reallocation, goodwill was allocated as follows as at the balance sheet date: €28 million to the DVB subgroup operating segment, €19 million to the VR LEASING subgroup operating segment, €128 million to the DZ PRIVATBANK subgroup operating segment, €39 million to the UMH subgroup operating segment, and €2 million to the TeamBank operating segment. No goodwill was allocated to the following operating segments after the reallocation: DZ BANK, the BSH subgroup, DG HYP, and the R+V subgroup.

The annual testing of goodwill for impairment did not reveal any impairment losses in the reporting year. In the previous year, there had been an impairment loss of €57 million attributable to the Insurance operating segment, which corresponds exactly to the R+V subgroup operating segment formed when the operating segments were reorganized.

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 basic assumptions are determined using an overall assessment based on past experience, current market and economic conditions, and estimates of future market trends. The macroeconomic scenario used as the basis for the 4-year plan assumes that Germany and the other countries of the European Monetary Union are entering a phase of economic recovery. It also assumes that both the euro and the US dollar will be hit by rising inflation from 2015. 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 eurozone.

Cash flows beyond the end of the 4-year planning period were estimated using the following constant rates of growth: 1.0 percent for the DVB subgroup operating segment (2013: 1.2 percent for the Bank operating segment), 1.0 percent for the VR LEASING subgroup operating segment (2013: 1.2 percent for the Bank operating segment), 1.0 percent for the DZ PRIVATBANK subgroup operating segment (2013: 1.15 percent for the Retail operating segment), 1.0 percent for the UMH subgroup operating segment (2013: 1.15 percent for the Retail operating segment), and 1.0 percent for the TeamBank operating segment (2013: 1.15 percent for the Retail operating segment).

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 in 2014: 14.86 percent for the DVB subgroup operating segment (2013: 15.3 percent for the Bank operating segment), 12.29 percent for the VR LEASING subgroup operating segment (2013: 15.3 percent for the Bank operating segment), 10.81 percent for the DZ PRIVATBANK subgroup operating segment (2013: 13.40 percent for the Retail operating segment), 13.14 percent for the UMH subgroup operating segment (2013: 13.40 percent for the Retail operating segment), and 10.82 percent for the TeamBank operating segment (2013: 13.40 percent for the Retail operating segment).

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 TeamBank, DZ PRIVATBANK subgroup, UMH subgroup, or VR LEASING subgroup operating segments in any of the scenarios. For the DVB subgroup operating segment, the recoverable amount is €2 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 €70 million on the goodwill attributable to this operating segment. If the discount rate were to be increased by 0.5 percent, this would lead to the requirement for an impairment loss for the DVB subgroup operating segment amounting to €94 million.

FINANCE LEASES

» 90
LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2014	Dec. 31, 2013
Gross investment	**4,628**	5,005
Up to 1 year	1,336	1,451
More than 1 year and up to 5 years	2,655	2,738
More than 5 years	637	816
less unearned finance income	**-540**	-595
Net investment	4,088	4,410
less present value of unguaranteed residual values	**-94**	-100
Present value of minimum lease payment receivables	**3,994**	4,310
Up to 1 year	1,146	1,240
More than 1 year and up to 5 years	2,304	2,375
More than 5 years	544	695

As at the balance sheet date, the accumulated allowance for uncollectible minimum lease payments at lessor companies amounted to €63 million (December 31, 2013: €63 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 10 years (December 31, 2013: up to 12 years). The companies in the VR LEASING subgroup predominantly enter into leases with customers for equipment.

DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2014	Dec. 31, 2013
Total future minimum lease payments	**40**	44
Up to 1 year	3	3
More than 1 year and up to 5 years	12	13
More than 5 years	25	28
less discount	**-12**	-14
Present value of future minimum lease payments	28	30
Up to 1 year	2	2
More than 1 year and up to 5 years	8	9
More than 5 years	18	19

Some of these leases include arrangements for the purchase of the leased asset at the end of the lease term (purchase option).

Residual other assets held by insurance companies include leased property, plant and equipment amounting to €24 million (December 31, 2013: €26 million). Other payables of insurance companies include finance lease liabilities of €28 million (December 31, 2013: €30 million).

OPERATING LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2014	Dec. 31, 2013
Total future minimum lease payments under non-cancelable leases	**1,678**	798
Up to 1 year	244	143
More than 1 year and up to 5 years	918	455
More than 5 years	516	200

In 2014, contingent minimum lease payments of €6 million (2013: €6 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 were up to 9 years (December 31, 2013: up to 10 years), for aircraft leases up to 12 years (December 31, 2013: up to 10 years), and for rail freight car leases up to 5 years (as was also the case as at December 31, 2013). 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, 2014	Dec. 31, 2013
Total future minimum lease payments under non-cancelable leases	**627**	590
Up to 1 year	117	113
More than 1 year and up to 5 years	331	318
More than 5 years	179	159

As at the balance sheet date, the total future minimum lease payments expected to be received under non-cancelable subleases amounted to €21 million (December 31, 2013: €23 million).

In 2014, minimum lease payments of €128 million (2013: €121 million) and contingent rents of €21 million (2013: €20 million) were recognized as expenses.

Operating leases in the DZ BANK Group are 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 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.

» 91 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 DZ PRIVATBANK Singapore that these companies are able to meet their contractual obligations. These companies are identified in the list of DZ BANK Group's shareholdings (note 101) 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.

» 92 EMPLOYEES

Average number of employees by employee group:

	Dec. 31, 1014	Dec. 31, 2013
Female employees	**13,693**	13,403
Full-time employees	8,881	8,857
Part-time employees	4,812	4,546
Male employees	**15,903**	15,559
Full-time employees	15,169	14,923
Part-time employees	734	636
Total	**29,596**	28,962

» 93 AUDITOR FEES

The total fees charged for 2014 by the independent auditors of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, broken down by type of service are as follows:

€ million	2014	2013
Auditing services	11.5	9.5
Other attestation services	2.9	5.5
Other services	9.4	4.4
Total	**23.8**	19.4

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, interim group management report, and quarterly financial statements, and services for which the auditors' professional seal must or can be applied. The fees for other services resulted from the auditing of funds of UMH and from consulting services.

» 94 REMUNERATION FOR THE BOARD OF MANAGING DIRECTORS AND SUPERVISORY BOARD OF DZ BANK

In 2014, overall remuneration for DZ BANK's Board of Managing Directors from the group in accordance with IAS 24.17 amounted to €11.0 million (2013: €11.1 million). This total is broken down into short-term employee benefits of €7.3 million (2013: €7.6 million), post-employment benefits of €2.4 million (2013: €2.2 million), and share-based payments of €1.3 million (2013: €1.3 million). The remuneration for the Board of Managing Directors in 2014 and 2013 included the total bonus awarded to the Board of Managing Directors for the year in question. Supervisory Board remuneration amounted to €0.8 million (2013: €0.7 million) and consisted of payments due in the short term.

The remuneration for the Board of Managing Directors included contributions of €0.2 million (2013: €0.1 million) to defined contribution pension plans. DZ BANK has defined benefit obligations for the members of the Board of Managing Directors amounting to €20.8 million (December 31, 2013: €18.1 million).

In 2014, the total remuneration for 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 €8.7 million (2013: €9.0 million), while the total remuneration for the Supervisory Board for the performance of these duties amounted to €0.8 million (2013: €0.7 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 2014 (2013: €8.7 million). DZ BANK has defined benefit obligations for former Board of Managing Directors or their surviving dependants amounting to €128.2 million (2013: €112.0 million).

» 95 SHARE-BASED PAYMENT TRANSACTIONS

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, a value per share of €8.90 as at December 31, 2013, and a value per share of €9.00 as at December 31, 2014, it can currently be assumed that the deferred remuneration will be paid in full.

The following summary shows the change in unpaid share-based payment components at DZ BANK:

€ million	Board of Managing Directors	Risk takers
Unpaid share-based payment as at Jan. 1, 2013	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 payment as at Dec. 31, 2013	2.1	2.9
Remuneration granted	1.3	1.7
Payment of remuneration granted in 2013	-0.2	-0.5
Payment of remuneration granted in previous years	-0.5	-0.3
Unpaid share-based payment as at Dec. 31, 2014	**2.7**	**3.8**

Share-based payment 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 payment components at DZ PRIVATBANK:

€ million	Board of Managing Directors
Unpaid share-based payment as at Jan. 1, 2013	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 payment	-0.3
Unpaid share-based payment as at Dec. 31, 2013	2.3
Remuneration granted	0.9
Payment of remuneration granted in 2013	-0.2
Payment of remuneration granted in previous years	-0.4
Unpaid share-based payment as at Dec. 31, 2014	**2.6**

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 payment as at Jan. 1, 2013	1.0
Remuneration granted	1.0
Payment of remuneration granted in 2012	-1.0
Unpaid share-based payment as at Dec. 31, 2013	1.0
Remuneration granted	1.0
Payment of remuneration granted in 2013	-1.0
Unpaid share-based payment as at Dec. 31, 2014	**1.0**

At DVB, the variable salary payments to the Board of Managing Directors include a bonus, which is determined by the Supervisory Board each year on the basis of agreements on targets. It is paid in instalments over the 4 years after the financial year to which it relates.

Each payment is subject to certain conditions (e.g. employment contract not having been terminated) and penalty arrangements (e.g. compliance with internal policies). A further condition applicable to all 4 bonus instalments 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 payment 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 price of DVB shares on the Frankfurt Stock Exchange, plus the dividend distributed during the course of the year.

In 2014, 20,736 phantom shares (2013: 18,676 phantom shares) were granted as a bonus for previous financial years. The fair value of the phantom shares granted was €0.5 million at the balance sheet date (December 31, 2013: €0.4 million). They will be paid out in full in 2015.

In 2014, the agreements described above gave rise to expenses for share-based payment transactions in the DZ BANK Group of €6.5 million (2013: €4.3 million). As at December 31, 2014, the provisions recognized for share-based payment transactions in the DZ BANK Group amounted to €14 million (December 31, 2013: €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.

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RELATED PARTY
DISCLOSURES

TRANSACTIONS WITH RELATED PARTIES (ENTITIES)

€ million	Dec. 31, 2014	Dec. 31, 2013
Loans and advances to banks	**19**	**163**
to subsidiaries	–	151
joint ventures	19	12
Loans and advances to customers	**136**	**115**
to subsidiaries	73	39
joint ventures	10	28
associates	53	48
Investments	**2**	**2**
of subsidiaries	2	2
Investments held by insurance companies	**214**	**214**
of subsidiaries	121	120
joint ventures	93	94
Other assets	**29**	**32**
of subsidiaries	28	30
pension plans for the benefit of employees	1	2
Deposits from banks	**180**	**648**
owed to subsidiaries	67	181
joint ventures	113	467
Deposits from customers	**184**	**370**
owed to subsidiaries	61	356
joint ventures	104	2
associates	19	9
other entities	–	3
Other liabilities	**53**	**66**
of subsidiaries	37	41
joint ventures	4	6
associates	6	7
pension plans for the benefit of employees	6	12
Subordinated capital	**7**	**–**
Pension plans for the benefit of employees	7	–

€ million	Dec. 31, 2014	Dec. 31, 2013
Financial guarantee contracts	**1**	**6**
for subsidiaries	1	–
associates	–	6
Loan commitments	**14**	**11**
to subsidiaries	13	10
joint ventures	1	1

Income of €4 million (2013: €16 million) in the total reported net interest income, expenses of €2 million (2013: income of €6 million) in the total reported net fee and commission income, and expenses of €8 million (2013: expenses of €7 million) in the gains and losses on investments held by insurance companies and other insurance company gains and losses were 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, 2014, the DZ BANK Group's loans and loan commitments to related parties (persons) amounted to €1.4 million (December 31, 2013: €2.1 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.

» 97
CORPORATE
GOVERNANCE

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BOARD OF MANAGING DIRECTORS

WOLFGANG KIRSCH
(Chief Executive Officer)
Responsibilities: Legal, Communication & Marketing, Verbund, Audit

LARS HILLE
Responsibilities: Capital Markets Trading, Capital Markets Retail, Research and Economics

WOLFGANG KÖHLER
Responsibilities: Group Treasury, Capital Markets Institutional Clients

ALBRECHT MERZ
(Member of the Board of Managing Directors until May 20, 2014)

DR. CORNELIUS RIESE
(Member of the Board of Managing Directors since April 1, 2014; Deputy Member of the Board of Managing Directors until March 31, 2014)
Responsibilities: Finance, Strategy & Controlling

THOMAS ULLRICH
Responsibilities: IT, Organisation, Operations/Services, Human Resources

FRANK WESTHOFF
Responsibilities: Credit, Risk Controlling, Compliance Office

STEFAN ZEIDLER
Responsibilities: Corporate Banking, Structured Finance

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SUPERVISORY BOARD

HELMUT GOTTSCHALK
(Chairman of the Supervisory Board)
Spokesman of the Board of Managing Directors
Volksbank Herrenberg-Nagold-Rottenburg eG

WOLFGANG APITZSCH
(Deputy Chairman of the Supervisory Board)
Attorney

HENNING DENEKE-JÖHRENS
(Deputy Chairman of the Supervisory Board)
Chief Executive Officer
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 until May 20, 2014)
Chairman 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)

KLAUS HOLDERBACH
(Member of the Supervisory Board since May 20, 2014)
Chief Executive Officer
Volksbank Franken eG

BERND HÜHN
Chief Executive Officer
Volksbank Alzey-Worms eG

SIGMAR KLEINERT
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

RAINER MANGELS
Employee
R+V Rechtsschutz-Schadenregulierungs-GmbH

WALTER MÜLLER
(Member of the Supervisory Board until May 20, 2014)
Chief Executive Officer
Volksbank Raiffeisenbank Fürstenfeldbruck eG

GERHARD J. RASTETTER
(Member of the Supervisory Board until May 20, 2014)
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

GREGOR SCHELLER
(Member of the Supervisory Board since May 20, 2014)
Chief Executive Officer
Volksbank Forchheim eG

GUDRUN SCHMIDT
Regional Group Director (ret.)
ver.di Landesbezirk Hessen

UWE SPITZBARTH
National Group Director Banks
ver.di Bundesverwaltung

DR. WOLFGANG THOMASBERGER
Chief Executive Officer
VR Bank Rhein-Neckar eG

HANS-BERND WOLBERG
(Member of the Supervisory Board since May 20, 2014)
Chief Executive Officer
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

WITHIN DZ BANK

As at December 31, 2014, 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 (*).

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SUPERVISORY MANDATES HELD BY MEMBERS OF THE BOARD OF MANAGING DIRECTORS AND EMPLOYEES

MEMBERS OF THE BOARD OF MANAGING DIRECTORS

WOLFGANG KIRSCH
(Chief Executive Officer)

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall,
Chairman of the Supervisory Board (*)

R+V Versicherung AG, Wiesbaden,
Chairman of the Supervisory Board (*)

Südzucker AG, Mannheim,
Member of the Supervisory Board

Union Asset Management Holding AG,
Frankfurt am Main,
Chairman of the Supervisory Board (*)

LARS HILLE

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall,
Member of the Supervisory Board (*)

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 (*)

TeamBank AG Nürnberg, Nuremberg
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 (*)
DR. CORNELIUS RIESE	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Member of the Supervisory Board (*)
	DZ Polska S.A., Warsaw, Chairman 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 (*)
	VR-LEASING AG, Eschborn, Member of the Supervisory Board (*)
THOMAS ULLRICH	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 (until December 31, 2014)

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 (*)
	EDEKABANK AG, Hamburg, Member of the Supervisory Board
	VR-LEASING AG, Eschborn, Chairman of the Supervisory Board (*)

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, Vice Chairman of the Supervisory Board
THOMAS KALTWASSER	DZ BANK Ireland plc, Dublin, Member of the Board of Directors (*)
DR. THOMAS KETTERN	Raiffeisen-Warenzentrale Kurhessen-Thüringen GmbH, Kassel, Member of the Supervisory Board
VERA KONERMANN	ReiseBank AG, Frankfurt am Main, 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
DR. PETER NEU	Equens SE, Utrecht, 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
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 December 31, 2014, 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 (*).

REINHARD KLEIN Chief Executive Officer Bausparkasse Schwäbisch Hall AG	Schwäbisch Hall Kreditservice AG, Schwäbisch Hall, Member of the Supervisory Board (*)
JÜRGEN GIESSLER Member of the Board of Managing Directors Bausparkasse Schwäbisch Hall AG	BSQ Bauspar AG, Nuremberg, Deputy 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 (*)
CLAUDIA KLUG Employee Bausparkasse Schwäbisch Hall AG	Schwäbisch Hall Facility Management GmbH, Schwäbisch Hall, Chairwoman of the Supervisory Board

DR. FRIEDRICH CASPERS Chief Executive Officer R+V Versicherung AG	Condor Allgemeine Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Chairman of the Supervisory Board (*) Raiffeisendruckerei GmbH, Neuwied, Member of the Supervisory Board R+V Allgemeine Versicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Krankenversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Lebensversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) 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 Pensionsfonds AG, Wiesbaden, 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 (*) (until December 31, 2014) Condor Allgemeine Versicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) (until December 31, 2014) Condor Lebensversicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) (until December 31, 2014) 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 (*) (until December 31, 2014) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) (until December 31, 2014) R+V Pensionsfonds AG, Wiesbaden, Chairman of the Supervisory Board (*) Sprint Sanierung GmbH, Cologne, Deputy Chairman of the Supervisory Board (until December 31, 2014)

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 Pensionsfonds AG, Wiesbaden, Deputy Chairman 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 (*) Quoniam Asset Management 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 (*) Quoniam Asset Management GmbH, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*)
DR. ANDREAS ZUBROD Member of the Board of Managing Directors Union Asset Management Holding AG	Union Investment Service Bank AG, Frankfurt am Main, Member 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 (*)

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LIST OF
SHAREHOLDINGS

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
ABO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	94.80		-85	-111
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	0
AFK Grundstücksverwaltungsgesellschaft mbH & Co. Objekt-Betreuung KG[1,6]	Eschborn	94.00	66.67	10	4
AFU Grundstücksverwaltungsgesellschaft mbH[1,5]	Eschborn	100.00		112	0
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
Aquila Aircraft Leasing Ltd.[1]	Dublin, Ireland	0.00		0	0
Aran Airfinance Ltd.[1]	Tokyo, Japan	100.00		3	-4
ARATOS GmbH[1]	Eschborn	100.00		84	58
ARATOS GmbH & Co. Immobilien KG[1,6]	Eschborn	6.00	76.00	125	96
ARGINUS GmbH[1]	Eschborn	100.00		153	24
ARMIDA GmbH[1]	Eschborn	100.00		45	20
Asgard Shipping LLC[1]	Majuro, Marshall Islands	0.00		0	0
ASPASIA GmbH[1]	Eschborn	100.00		53	28
Assimoco S.p.A.[1]	Segrate (Mi), Italy	78.20		95,762	11,024
Assimoco Vita S.p.A.[1]	Segrate (Mi), Italy	80.80		95,307	3,631
Assimocopartner S.r.l. Unipersonale[1]	Segrate (Mi), Italy	100.00		221	-40
attrax S.A.[1]	Luxembourg, Luxembourg	100.00		28,484	14,893
Aufbau und Handelsgesellschaft mbH[1]	Stuttgart	94.90		525	0
AURIGA GmbH[1]	Eschborn	100.00		-577	-18
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
Beteiligungsgesellschaft Westend 1 mbH & Co. KG[1]	Frankfurt am Main	94.90		17,485	-11
BFL Gesellschaft des Bürofachhandels mbH & Co. KG[1]	Eschborn	73.92	74.00	12,350	4,547
BFL Gesellschaft des Bürofachhandels Verwaltungsgesellschaft mbH[1]	Eschborn	100.00		32	0
BFL Leasing GmbH[1]	Eschborn	100.00		13,499	6,161
BIG-Immobilien Gesellschaft mit beschränkter Haftung[1]	Frankfurt am Main	100.00		736	-4
BIG-Immobilien GmbH & Co. Betriebs KG[1]	Frankfurt am Main	100.00		4,562	375
Blasket Airfinance Ltd.[1]	Tokyo, Japan	100.00		3	-4
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
Calidris Shipping LLC[1]	Majuro, Marshall Islands	100.00		0	0
CALYPSO GmbH[1]	Eschborn	100.00		-363	-113
CANOPOS GmbH[1]	Eschborn	100.00		46	21
CANOPOS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		27	26
Capital Lease Limited[1]	Hong Kong, Hong Kong	0.00		0	0
carexpert Kfz-Sachverständigen GmbH[1]	Walluf	60.00		3,071	-567
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

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
CeDeOs 1 Limited	St. Helier, Jersey	0.00		0	0
CELES Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		332	-5
Centra Leasing Anlagen GmbH[1,5]	Eschborn	100.00		5,899	0
Centra Leasing Anlagen GmbH & Co. Objektbeteiligungs KG[1,6]	Eschborn	100.00		8	-1
CHEMIE Pensionsfonds AG[1]	Munich	100.00		18,318	2,000
Chiefs Aircraft Holding (Malta) Limited[1]	Floriana, Malta	100.00	0.00	0	0
CI Assekuradeur GmbH[1]	Hamburg	100.00		118	0
CI CONDOR Immobilien GmbH[1,5]	Hamburg	100.00		28,500	0
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH[1]	Wiesbaden	100.00		3,301	321
Condor Allgemeine Versicherungs-Aktiengesellschaft[1,5]	Hamburg	100.00		41,762	0
Condor Beteiligungsgesellschaft mbH[1]	Hamburg	100.00		31	4
Condor Dienstleistungs GmbH[1]	Hamburg	100.00		200	4
Condor Lebensversicherungs-Aktiengesellschaft[1,5]	Hamburg	94.99		38,588	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
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		59	33
DAC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lüneburg KG[1,6]	Eschborn	99.00	83.67	41	40
Dalian Deepwater Developer Ltd.[1]	St. Helier, Jersey	0.00		0	0
DCAL 1 Leasing Ltd.[1]	Majuro, Marshall Islands	0.00		0	0
DCAL 2 Leasing Ltd.[1]	Majuro, Marshall Islands	0.00		0	0
DEGEACTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		41	16
DEGEALBUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	0
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamm-Heessen KG[1,6]	Eschborn	90.00	66.67	3	0
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		76	50
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		61	60
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		53	27
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		34	33
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		60	34
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		-966	47
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		-134	-126
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		72	46
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	94.90	75.00	64	58
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	-51
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		49	24
DEGECASTELL GmbH[1]	Eschborn	100.00		1,906	1,884
DEGECEBER Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		42	16
DEGECEBER Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		21	20
DEGECEDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		683	29
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		43	18
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		22	21
DEGECENUM Grundstücksverwaltungsgesellschaft mbH[1,5]	Eschborn	100.00		26	0
DEGECIVO Grundstücksverwaltungsgesellschaft mbH Berlin[1]	Berlin	100.00		28	2
DEGECOMO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGECONTRACT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		31	5
DEGECULA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		83	57
DEGEDELTA Vermietungsgesellschaft für Betriebsvorrichtungen mbH[1]	Eschborn	100.00		26	0
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		62	37

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Süd KG[16]	Eschborn	100.00		3	15
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEFILA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEFILA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	94.00	75.50	3	522
DEGEFULVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		36	10
DEGEGAMMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	0
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		3	108
DEGEIDEAL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	0
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekt Hattingen mbH[1]	Eschborn	100.00		2,280	2,220
DEGEKONKRET Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		22	0
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Worms KG[16]	Eschborn	100.00		1	0
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		3	39
DEGEMARO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Voerde KG[16]	Eschborn	90.00	66.67	3	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEMILA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		69	43
DEGEMINAX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		45	19
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEMOBIL Vermietungsgesellschaft für Betriebsvorrichtungen mbH[1]	Eschborn	100.00		-41	-31
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		57	31
DEGEMONDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		173	148
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	95.00	75.00	-715	771
DEGEMOX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEMOX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		3	32
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGENASUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGENATUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		144	118
DEGENAVIS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	94.00	75.50	142	141
DEGENAVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGENITOR Grundstücksverwaltungsgesellschaft mbH[15]	Eschborn	100.00		26	0
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		18	-58
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		3	41
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		47	1
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	94.00	66.67	-8	0
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		54	28
DEGEPROJEKT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		108	-44
DEGEPROLOG Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		31	1

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		-20	-1
DEGEREAL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		61	36
DEGEREAL Grundstücksverwaltungsgesellschaft mbH & Co. Objekte Pfalz KG[1 6]	Eschborn	95.00	83.67	44	37
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		43	18
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		23	380
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEREX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		54	28
DEGERIA Beteiligungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGERIMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGERIPA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		41	16
DEGERISOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	94.00	75.50	-12	1
DEGERUDENS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		20	-1
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		69	44
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		-185	111
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGESALUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	-2
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Neuss KG[1 6]	Eschborn	90.00	66.67	3	0
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		3	37
DEGESERA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGESERVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGESERVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		-614	125
DEGESIDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	-1
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		63	37
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	94.91	75.00	765	230
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		53	27
DEGESILEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		72	47
DEGESILVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		37	11
DEGESISTO Grundstücksverwaltungsgesellschaft mbH[1 5]	Eschborn	100.00		114	0
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		151	125
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGESTRENA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		68	42
DEGESUR Grundstücksverwaltungsgesellschaft mbH[1 5]	Eschborn	100.00		634	0
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		48	22
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		43	18
DEGETANTUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[2 6]	Eschborn	100.00		-371	27
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		29	1
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		3	24
DEGETERRA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		40	14
DEGETEXTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	0
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		51	25
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		61	35
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		49	23
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		3	13

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEVIA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEVIA Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Rhede Gronauer Strasse 21 KG[1,6]	Eschborn	90.00	66.67	3	0
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		49	23
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		-93	129
DESPINA GmbH[1]	Eschborn	100.00		81	26
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 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. 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	100.00		370,280	4,447
DG Holding Trust	New York, USA	100.00		328,678	4,729
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		188	162
DOBAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		68	42
DRITTE DG Vermietungsgesellschaft für Immobilien mbH[1,5]	Eschborn	100.00		26	0
DUNAVAGON s.r.o.[1]	Dunajská Streda, Slovakia	100.00	0.00	0	0
DURO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		65	40
DV01 Szarazfoldi Jarmukolcsonzo rt[1]	Áporka, Hungary	0.00		0	0
DVB Aviation Finance Asia Pte Ltd.[1]	Singapore, Singapore	100.00		50	2,699
DVB Bank America N.V.[1]	Willemstad, Netherlands Antilles	100.00		223,391	9,759
DVB Bank SE	Frankfurt am Main	95.45		528,405	27,880
DVB Capital Markets LLC[1]	Wilmington, USA	100.00		2,592	1,398
DVB Container Finance America LLC[1]	Ajeltake Island, Marshall Islands	100.00		-1,311	992
DVB Group Merchant Bank (Asia) Ltd.[1]	Singapore, Singapore	100.00		385,010	12,578
DVB Holding (US) Inc.[1]	Greenwich, USA	100.00		1,412	-362
DVB Holding GmbH[1,5]	Frankfurt am Main	100.00		13,000	0
DVB Invest (Suisse) AG[1]	Zurich, Switzerland	99.90		206	-15
DVB Investment Management N.V.[1]	Willemstad, Netherlands Antilles	100.00		-107	0
DVB Objektgesellschaft Geschäftsführungs GmbH[1]	Frankfurt am Main	100.00		23	0
DVB Service (US) LLC[1]	Delaware, USA	100.00		610	-81
DVB Transport (US) LLC[1]	New York, USA	100.00		6,190	1,149
DVB Transport Finance Limited[1]	London, UK	100.00		47,553	2,030
DVG Deutsche Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung[5]	Frankfurt am Main	100.00		82	0
DVL Deutsche Verkehrs-Leasing GmbH[1]	Eschborn	74.90		2,550	-7
DZ BANK Capital Funding LLC I[2,4]	Wilmington, USA	100.00		301,100	8,346
DZ BANK Capital Funding LLC II[2,4]	Wilmington, USA	100.00		500,890	9,317
DZ BANK Capital Funding LLC III[2,4]	Wilmington, USA	100.00		56,528	6,156
DZ BANK Capital Funding Trust I	Wilmington, USA	0.00	100.00	300,001	8,409
DZ BANK Capital Funding Trust II	Wilmington, USA	0.00	100.00	500,001	9,440
DZ BANK Capital Funding Trust III	Wilmington, USA	0.00	100.00	350,001	6,227
DZ BANK Ireland public limited company[3]	Dublin, Ireland	100.00		248,655	-3,660
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	260,636	2,754
DZ BANK Perpetual Funding Issuer (Jersey) Limited	St. Helier, Jersey	0.00		1	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	St. Helier, Jersey	0.00		1	0
DZ BANK Sao Paulo Representacao Ltda.[2]	São Paulo, Brazil	100.00		158	18
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. 3[5]	Frankfurt am Main	100.00		18,881	0
DZ Capital Management GmbH	Frankfurt am Main	100.00		636	353
DZ FINANCIAL MARKETS LLC	New York, USA	100.00		2,846	390
DZ Gesellschaft für Grundstücke und Beteiligungen mbH[5]	Frankfurt am Main	100.00		4,037	0
DZ Polska Spolka Akcyjna	Warsaw, Poland	100.00		68,805	-1,256
DZ PRIVATBANK (Schweiz) AG[1]	Zurich, Switzerland	100.00		191,532	517
DZ PRIVATBANK S.A.[3]	Luxembourg-Strassen, Luxembourg	70.04		739,184	45,529
DZ PRIVATBANK Singapore Ltd.[1,3]	Singapore, Singapore	100.00		9,173	-933
DZ Vermögensverwaltung I GmbH	Frankfurt am Main	100.00		34	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		25	4
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		1,839	-396
Elli LLC[1]	Majuro, Marshall Islands	0.00		0	0
ENDES Grundstücksverwaltungsgesellschaft mbH[1,5]	Eschborn	100.00		26	0
Englische Strasse 5 GmbH[1]	Wiesbaden	90.00		18,030	350
EPI Grundstücksverwaltungsgesellschaft mbH[1,5]	Eschborn	100.00		26	0
Europäische Genossenschaftsbank S. A.[1]	Luxembourg-Strassen, Luxembourg	100.00		12,473	38
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		94,021	266
Finch Aircraft Leasing Limited[1]	Dublin, Ireland	0.00		0	0
FLORIN GmbH[1]	Eschborn	100.00		52	27
France Maritime LLC[1]	Majuro, Marshall Islands	100.00		0	0
Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt.[1]	Budapest, Hungary	51.25		156,739	21,127
Fundamenta-Lakáskassza Pénzügyi Közvetítő Kft.[1]	Budapest, Hungary	100.00		5,374	1,502
GAF Active Life 1 Renditebeteiligungs-GmbH & Co. KG[1]	Nidderau	64.33		58,144	-10,861
GAF Active Life 2 Renditebeteiligungs-GmbH & Co. KG[1]	Nidderau	63.36		69,520	600
Gandari Shipping Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
GENO Broker GmbH (formerly DZ DirektService GmbH, before that DZ Beteiligungsgesellschaft mbH Nr. 20)[5]	Frankfurt am Main	100.00		26	0
GENO-Haus Stuttgart GmbH & Co. KG Verwaltungsgesellschaft[2]	Stuttgart	55.20		13	0
Genossenschaftlicher Informations Service GIS GmbH	Frankfurt am Main	100.00		3,966	723
Genussschein, Prime Capital Issuance II S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
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		78	28
Gola Airfinance Ltd.[1]	Tokyo, Japan	100.00		4	0
Goldberg Zweite Grundstücksverwaltungsgesellschaft Sütex mbH & Co. KG[1,6]	Eschborn	94.50	88.00	127	318
Gram Car Carriers Holdings Pte Ltd[1]	Singapore, Singapore	0.00		0	0
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		25	1
GWG 1. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		2,000	279
GWG 2. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		3,000	566
GWG 3. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		7,000	1,287
GWG 4. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		8,929	-35
GWG Beteiligungsgesellschaft mbH[1]	Stuttgart	100.00		22	1
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG[1]	Stuttgart	91.34		214,533	13,926
GWG ImmoInvest GmbH[1]	Stuttgart	94.90		5,800	668
GWG Wohnpark Sendling GmbH[1]	Stuttgart	94.00		-1,149	-227

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
GZ-Immobilien-Management GmbH & Co. Objekt KG	Frankfurt am Main	100.00		-708	-2
GZ-Trust Consult GmbH i.L.	Stuttgart	100.00		496	-1
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG[1]	Berlin	100.00		24,778	660
Havel Nordost Zweite Grossmobilien GmbH[1]	Liebenwalde-Kreuzbruch	100.00		25	-1
Hawk Aircraft Leasing Limited[1]	Dublin, Ireland	0.00		0	0
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		567	0
Hudson Services LLC[1]	Majuro, Marshall Islands	0.00		0	0
HumanProtect Consulting GmbH[1]	Cologne	100.00		215	99
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		132	17
Infifon XI B.V.[1]	Rotterdam, Netherlands	100.00		42	0
Intermodal Investment Fund VI LLC[1]	Majuro, Marshall Islands	100.00		0	0
IPConcept (Luxemburg) S.A.[1]	Luxembourg-Strassen, Luxembourg	100.00		6,232	2,652
IPConcept (Schweiz) AG[1]	Zurich, Switzerland	100.00		4,001	357
ITF Suisse AG[1]	Zurich, Switzerland	100.00		49,702	1,733
Ivanhoe Shipping Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
IZD-Beteiligung S.à.r.l.[1]	Luxembourg, Luxembourg	99.50		19,865	-12
JASPIS GmbH[1]	Eschborn	100.00		39	14
JASPIS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		5	18
KALAMOS GmbH[1]	Eschborn	100.00		55	30
KBIH Beteiligungsgesellschaft für Industrie und Handel mbH[1]	Frankfurt am Main	100.00		1,344	7
KISSELBERG Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		12	-2
KRAVAG Umweltschutz und Sicherheitstechnik GmbH[1]	Hamburg	100.00		195	9
KRAVAG-ALLGEMEINE Versicherungs-Aktiengesellschaft[1]	Hamburg	100.00		76,250	6,735
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft[1]	Hamburg	51.00		149,197	19,210
KV MSN 27602 Aircraft Ltd[1]	Dublin, Ireland	0.00		0	0
Landes Canada Inc.[1]	Granby, Quebec, Canada	100.00		2,756	-182
Landes de Mexico, S. de R. L. de C.V.[1]	Aguascaleintes, AGS, Mexico	100.00		0	0
Landes Holding GmbH[1]	Isny im Allgäu	72.35	74.90	10,238	-2,062
Landes Hong Kong Limited[1]	Kwun Tong, Kowloon, Hong Kong	100.00		715	74
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[1,6]	Eschborn	100.00		19	39
Lexi Limited[1]	George Town, Cayman Islands	100.00		0	0
LISENE GmbH[1]	Eschborn	100.00		41	16
LITOS GmbH[1]	Eschborn	100.00		40	15
LogPay Financial Services GmbH[1,5]	Eschborn	100.00		3,750	0
LogPay Fuel Italia S.R.L.[1]	Bolzano, Italy	100.00		0	0
LogPay Fuel Spain S.L.U.[1]	Barcelona, Spain	100.00		27	9
LogPay Mobility Services GmbH[1]	Eschborn	100.00		0	0
LogPay Transport Services GmbH[1,5]	Eschborn	90.91		201	0
Loki LLC[1]	Majuro, Marshall Islands	0.00		0	0
Lombard Bérlet Gépjármüpark-kezelö és Kereskedelmi Korlátolt Felelösségû Társaság[1]	Szeged, Hungary	100.00		7,866	945
Lombard Ingatlan Lízing Zártkörûen Mûködõ Részvénytársaság[1]	Szeged, Hungary	100.00		1,590	-595
Lombard Pénzügyi és Lízing Zártkörûen Mûködõ Részvénytársaság[1]	Szeged, Hungary	96.76		8,862	-8,337
Longspur Limited[1]	Grand Cayman, Cayman Islands	100.00		0	0
Mandarin Containers Limited[1]	Amsterdam, Netherlands	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
MD Aviation Capital Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 1 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
MDAC 10 (Ireland) Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 11 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 2 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 3 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 4 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 5 Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 6 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 7 (Ireland) Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 8 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC 9 Pte Ltd.[1]	Singapore, Singapore	0.00		0	0
MDAC Malta Ltd.[1]	Singapore, Singapore	0.00		0	0
Mediterra LLC[1]	Ajeltake Island, Marshall Islands	0.00		0	0
Mertus einhundertsiebte GmbH[1]	Frankfurt am Main	100.00		25	0
MI-Fonds 384 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds 388 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds 391 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds 392 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 57 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
MI-Fonds F 59 Metzler Investment GmbH[1]	Frankfurt am Main	0.00		0	0
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
MINTAKA GmbH[1]	Eschborn	100.00		44	19
MINTAKA GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		-19	-28
MODULUS GmbH[1]	Eschborn	100.00		48	23
MoRe Mobile Ressourcen GmbH[1,5]	Mannheim	100.00		25	0
Morgenstern Miet + Leasing GmbH[1]	Eschborn	95.00		26	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 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 i.L.[1]	Hamburg	78.77		12,499	0
MS 'Mumbai Trader' GmbH & Co. KG[1]	Bremen	0.00		0	0
MSU Management-, Service- und Unternehmensberatung GmbH[1]	Landau in der Pfalz	74.00		603	205
NALINUS GmbH[1]	Frankfurt am Main	83.00		1,942	-14,610
Nedship Participation (Norway) B.V.[1]	Rotterdam, Netherlands	100.00		2,919	279
Nedship Shipping B.V.[1]	Rotterdam, Netherlands	100.00		3,373	-118
NELO Dritte GmbH[1]	Eschborn	100.00		45	20
NELO Erste GmbH[1]	Eschborn	100.00		305	280
NELO Fünfte GmbH[1]	Eschborn	100.00		43	18
NELO Zweite GmbH[1]	Eschborn	100.00		39	14
Netherlands Shipmortgage Corporation Ltd.[1]	Hamilton, Bermuda	100.00		0	0
NewStar Business Funding 2010-1 LLC	Dallas, USA	0.00		0	0
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG[1]	Norderfriedrichskoog	94.00	49.00	0	16
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG[1]	Norderfriedrichskoog	94.00	49.00	0	-27
NFC Labuan Shipleasing I Ltd.[1]	Labuan, Malaysia	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		45	20
NOVA Elfte GmbH[1]	Eschborn	100.00		21	3
NOVA Neunte GmbH[1]	Eschborn	100.00		39	14
NOVA Siebte GmbH[1]	Eschborn	100.00		40	15
NTK Immobilien GmbH[1]	Hamburg	100.00		41	0
NTK Immobilien GmbH & Co. Management KG[2]	Hamburg	100.00		1,196	605
Ocean Container II[1]	Oslo, Norway	0.00		0	0
Odin LLC[1]	Majuro, Marshall Islands	0.00		0	0
Old Winterport Corp.[1]	Portland, USA	100.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
PARLA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	0
Pascon GmbH[1]	Wiesbaden	100.00		25	0
Paul Ernst Versicherungsvermittlungs mbH[1]	Hamburg	51.00		22	12
PAVONIS GmbH[1]	Eschborn	100.00		67	42
PDZ Personaldienste & Zeitarbeit GmbH[5]	Darmstadt	100.00		60	0
Pension Consult-Beratungsgesellschaft für Altersvorsorge mbH[1]	Munich	100.00		1,559	95
Philip Trading Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
Provide VR 2002-1 Plc.	Dublin, Ireland	0.00		0	0
Provide-VR 2003-1 PLC	Dublin, Ireland	0.00		0	0
Provide-VR 2004-1 PLC	Dublin, Ireland	0.00		0	0
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	21,582	11,741
Quoniam Funds Selection SICAV – Emerging Markets Equities MinRisk GBP I[1]	Luxembourg, Luxembourg	0.00		0	0
Quoniam Funds Selection SICAV – Euro Credit EUR I[1]	Luxembourg, Luxembourg	0.00		0	0
Quoniam Funds Selection SICAV – Global Credit MinRisk EUR I[1]	Luxembourg, Luxembourg	0.00		0	0
Quoniam Funds Selection SICAV – Global Non-Financials Libor EUR A[1]	Luxembourg, Luxembourg	0.00		0	0
Quoniam Funds Selection SICAV – Global Non-Financials Libor EUR I[1]	Luxembourg, Luxembourg	0.00		0	0
Quoniam Funds Selection SICAV – Global TAA Total Return I[1]	Luxembourg, Luxembourg	0.00		0	0
R+V Allgemeine Versicherung Aktiengesellschaft[1 5]	Wiesbaden	95.00		774,177	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		1,076	-4
R+V Gruppenpensionsfonds Service GmbH[1]	Munich	100.00		69	6
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		1,539	-2,046
R+V KOMPOSIT Holding GmbH[1 5]	Wiesbaden	100.00		1,801,622	0
R+V Krankenversicherung AG[1]	Wiesbaden	100.00		58,485	5,500
R+V Kureck Immobilien GmbH[1]	Wiesbaden	100.00		81	4
R+V Leben Wohn GmbH & Co. KG[1]	Wiesbaden	100.00		92,079	3,672
R+V Lebensversicherung Aktiengesellschaft[1 5]	Wiesbaden	100.00		364,981	0
R+V Luxembourg Lebensversicherung S.A.[1]	Luxembourg-Strassen, Luxembourg	100.00		239,597	38,875
R+V Mannheim P2 GmbH[1]	Wiesbaden	94.00		65,593	2,166
R+V Pensionsfonds AG[1]	Wiesbaden	100.00		23,966	550
R+V Pensionskasse AG[1]	Wiesbaden	100.00		59,972	500
R+V Personen Holding GmbH[1 5]	Wiesbaden	100.00		622,089	0
R+V Real Estate Belgium N.V./S.A.[1]	Brussels, Belgium	100.00		2,145	-333
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		171,910	0
R+V Treuhand GmbH[1]	Wiesbaden	100.00		37	3
R+V Versicherung AG[5]	Wiesbaden	74.95		2,058,714	0
RAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		74	6
RAS Grundstücksverwaltungsgesellschaft mbH & Co. Objektbeteiligungs KG[1 6]	Eschborn	100.00		-27	0
Rathlin Airfinance Ltd.[1]	Tokyo, Japan	100.00		3	0
RC II S.a.r.l.[1]	Luxembourg, Luxembourg	90.00		9,041	72
ReiseBank Aktiengesellschaft[1 5]	Frankfurt am Main	100.00		17,724	0
RISALIS GmbH[1]	Eschborn	100.00		39	14
RUBINOS GmbH[1]	Eschborn	100.00		130	105
Rushmore Shipping LLC[1]	Majuro, Marshall Islands	0.00		0	0
RUV Agenturberatungs GmbH[1]	Wiesbaden	100.00		410	143
S1 Offshore Pte. Ltd.[1]	Singapore, Singapore	100.00		0	0
S2 Shipping and Offshore Ptd Ltd[1]	Singapore, Singapore	0.00		0	0
Sage Funding LLC[1]	New York, USA	0.00		0	0
SAREMA GmbH[1]	Eschborn	100.00		51	26
Scheepvaartschappij Ewout B.V.[1]	Rotterdam, Netherlands	0.00		0	0
Schuster Versicherungsmakler GmbH[1]	Bielefeld	51.00		122	32
Schuster Versicherungsservice GmbH[1]	Bielefeld	100.00		26	0
Schwäbisch Hall Facility Management GmbH[1]	Schwäbisch Hall	51.00		4,237	517
Schwäbisch Hall Kreditservice AG[1 5]	Schwäbisch Hall	100.00		27,775	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Schwäbisch Hall Wohnen GmbH Gesellschaft für wohnwirtschaftliche Dienstleistungen[1]	Schwäbisch Hall	100.00		638	7
SECURON Hanse Versicherungsmakler GmbH[1]	Hamburg	51.00		30	-3
SECURON Versicherungsmakler GmbH[1]	Munich	51.00		483	185
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		20,520	-14
Shipping Capital B.V.[1]	The Hague, Netherlands	100.00		6,868	5
SHT Schwäbisch Hall Training GmbH[1]	Schwäbisch Hall	100.00		5,090	826
SIIM Fund I (Shipping and Intermodal Investment Management Fund)[1]	Majuro, Marshall Islands	0.00		0	0
SIIM Fund II (Shipping and Intermodal Investment Management Fund II) LLC[1]	Majuro, Marshall Islands	0.00		0	0
SIKINOS GmbH[1]	Eschborn	100.00		49	24
SINALOA Aircraft Leasing Limited[1]	Floriana, Malta	0.00		0	0
Sprint Sanierung GmbH[1]	Cologne	100.00		29,768	2,516
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
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		489,725	0
Technology DZ Venture Capital Fund I GmbH & Co. KG i.L.[1]	Munich	68.29		7,157	-4,374
TEGANON GmbH[1]	Eschborn	100.00		35	10
TEGANON GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		14	19
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
Thor LLC[1]	Majuro, Marshall Islands	0.00		0	0
Tiger Aircraft Leasing (UK) Limited[1]	London, UK	0.00		0	0
TILIAS GmbH[1]	Eschborn	100.00		43	18
TILIAS GmbH & Co. Immobilien KG[1,6]	Eschborn	50.00	76.00	23	22
TOPAS GmbH[1]	Eschborn	100.00		52	27
Tubbataha Aviation Ltd.[1]	George Town, Cayman Islands	100.00		0	0
TUKANA GmbH[1]	Eschborn	100.00		42	17
UI Vario: 2 issued by Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	0.00		0	0
UII Issy 3 Moulins SARL[1]	Paris, France	100.00		17,197	-3,570
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
UIN Union Investment Institutional Fonds Nr. 772[1]	Frankfurt am Main	0.00		0	0
UIR FRANCE 1 S.a.r.l.[1]	Paris, France	100.00		30	1
UIR FRANCE 2 S.a.r.l.[1]	Paris, France	100.00		33	1
UIR Verwaltungsgesellschaft mbH[1]	Hamburg	100.00		85	6
UMB Unternehmens-Managementberatungs GmbH[1,5]	Wiesbaden	100.00		924	0
UniAkcje Daleki Wschôd SFIO[1]	Warsaw, Poland	0.00		0	0
UNIBESSA[1]	Warsaw, Poland	0.00		0	0
UniGlobalne Rynki FIZ[1]	Warsaw, Poland	0.00		0	0
UniInstitutional European Equities Concentrated[1]	Luxembourg, Luxembourg	0.00		0	0
UniObligacje Zamienne SFIO[1]	Warsaw, Poland	0.00		0	0
Union Asset Management Holding AG[2]	Frankfurt am Main	78.69		639,198	274,910
Union Investment Financial Services S.A.[1]	Luxembourg, Luxembourg	100.00		17,055	3,168
Union Investment Institutional GmbH[1,5]	Frankfurt am Main	100.00		53,970	0
Union Investment Institutional Property GmbH[1]	Hamburg	90.00		13,277	2,148

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	100.00		246,670	85,889
Union Investment Privatfonds GmbH[15]	Frankfurt am Main	100.00		185,942	0
Union Investment Real Estate Asia Pacific Pte. Ltd.[1]	Singapore, Singapore	100.00		1,831	699
Union Investment Real Estate France S.A.S.[1]	Paris, France	100.00		2,419	1,187
Union Investment Real Estate GmbH[2]	Hamburg	94.50		115,839	63,733
Union Investment Service Bank AG[15]	Frankfurt am Main	100.00		36,115	0
Union Investment Towarzystwo Funduszy Inwestycyjnych S.A.[1]	Warsaw, Poland	100.00		9,653	4,584
Union IT-Services GmbH[15]	Frankfurt am Main	100.00		2,879	0
Union Service-Gesellschaft mbH[15]	Frankfurt am Main	100.00		6,464	0
UniStrategie Dynamiczny SFIO[1]	Warsaw, Poland	0.00		0	0
UniVorsorge 1 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		1,012	462
VAUTID Austria GmbH[1]	Marchtrenk, Austria	100.00		593	15
VAUTID GmbH[1]	Ostfildern	82.51		2,540	-631
Vautid North America, Inc.[1]	Pittsburgh, USA	0.00	100.00	-240	-40
Vautid-Belgium PGmbH[1]	Raeren-Eynatten, Belgium	100.00		1,437	-18
VMB Vorsorgemanagement für Banken GmbH[1]	Overath	90.00		116	48
VR BKE Beratungsgesellschaft für Klima & Energie GmbH[1]	Wiesbaden	66.67		60	-384
VR DISKONTBANK GmbH[15]	Eschborn	100.00		71,147	0
VR Equitypartner Beteiligungskapital GmbH & Co. KG UBG[2]	Frankfurt am Main	100.00		8,190	-482
VR Equitypartner GmbH[3]	Frankfurt am Main	78.00		69,138	7,097
VR Equitypartner Management GmbH[1]	Frankfurt am Main	100.00		490	-59
VR FACTOREM GmbH[15]	Eschborn	100.00		23,285	0
VR GbR[2]	Frankfurt am Main	88.75		205,213	60,246
VR Hausbau AG[1]	Stuttgart	94.48		2,750	0
VR HYP GmbH[1]	Hamburg	100.00		25	0
VR Kreditservice GmbH[15]	Hamburg	100.00		25	0
VR Real Estate GmbH[1]	Hamburg	100.00		25	0
VR WERT Gesellschaft für Immobilienbewertung mbH[15]	Hamburg	100.00		100	0
VR.medico LEASING GmbH[1]	Eschborn	100.00		4,304	3,928
VR-IMMOBILIEN-LEASING GmbH[15]	Eschborn	100.00		14,123	0
VRL-Beteiligungs GmbH[1]	Eschborn	100.00		31	2
VR-LEASING ABYDOS GmbH[1]	Eschborn	100.00		56	30
VR-LEASING ABYDOS GmbH & Co. Immobilien KG[16]	Eschborn	6.00	76.00	-31	38
VR-LEASING AKANTHUS GmbH[1]	Eschborn	100.00		42	17
VR-LEASING AKANTHUS GmbH & Co. Immobilien KG[16]	Eschborn	100.00		21	20
VR-LEASING Aktiengesellschaft[5]	Eschborn	83.46		211,070	0
VR-LEASING ALDEBARA GmbH[1]	Eschborn	100.00		43	18
VR-LEASING AMETRIN GmbH[1]	Eschborn	100.00		48	23
VR-LEASING AMETRIN GmbH & Co. Immobilien KG[16]	Eschborn	100.00		29	28
VR-LEASING ANDROS GmbH[1]	Eschborn	100.00		46	21
VR-LEASING ANDROS GmbH & Co. Immobilien KG[16]	Eschborn	100.00		27	213
VR-LEASING ARINA GmbH[1]	Eschborn	100.00		47	22
VR-LEASING ARKI GmbH[1]	Eschborn	100.00		23	-23
VR-LEASING ARRIANUS GmbH[1]	Eschborn	100.00		40	15
VR-LEASING ASARO GmbH[1]	Eschborn	100.00		146	99
VR-LEASING ASINE GmbH[1]	Eschborn	100.00		47	22
VR-LEASING ASINE GmbH & Co. Immobilien KG[16]	Eschborn	6.00	76.00	-95	-13
VR-LEASING ASOPOS GmbH[1]	Eschborn	100.00		27	2
VR-LEASING ASOPOS GmbH & Co. Immobilien KG[16]	Eschborn	100.00		3	15
VR-LEASING ATRIA GmbH[1]	Eschborn	100.00		42	17
VR-LEASING AVENTURIN GmbH[1]	Eschborn	100.00		39	14
VR-LEASING AVENTURIN GmbH & Co. Immobilien KG[16]	Eschborn	6.00	76.00	18	17
VR-LEASING BETA GmbH[1]	Eschborn	100.00		45	20
VR-LEASING BETA GmbH & Co. Immobilien KG[16]	Eschborn	100.00		26	25
VR-LEASING Beteiligungs GmbH & Co. KG[16]	Eschborn	100.00		54,631	9,431
VR-LEASING DELOS GmbH[1]	Eschborn	100.00		45	20
VR-LEASING DELOS GmbH & Co. Immobilien KG[16]	Eschborn	100.00		25	24
VR-LEASING DIVO GmbH[1]	Eschborn	100.00		58	33
VR-LEASING DIVO GmbH & Co. Immobilien KG[16]	Eschborn	6.00	76.00	43	39

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING DOBAS GmbH & Co. Immobilien KG[16]	Eschborn	100.00		54	53
VR-LEASING Einkaufs-GmbH[15]	Eschborn	100.00		80,008	0
VR-LEASING ERIDA GmbH[1]	Eschborn	100.00		33	2
VR-LEASING FABIO GmbH[1]	Eschborn	100.00		36	11
VR-LEASING FACTA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING FAGURA GmbH & Co. Erste Immobilien KG[16]	Eschborn	100.00		15	14
VR-LEASING FAGUS GmbH[1]	Eschborn	100.00		30	5
VR-LEASING FARINA GmbH[1]	Eschborn	100.00		37	11
VR-LEASING FIXUM GmbH[1]	Eschborn	100.00		37	12
VR-LEASING FLAVUS GmbH[1]	Eschborn	100.00		39	14
VR-LEASING FLAVUS GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-1,400	-988
VR-LEASING FOLIO GmbH[1]	Eschborn	100.00		26	1
VR-LEASING FORTUNA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING FULVIUS GmbH[1]	Eschborn	100.00		48	23
VR-LEASING IKANA GmbH[1]	Eschborn	100.00		52	27
VR-LEASING IKANA GmbH & Co. Immobilien KG[16]	Eschborn	6.00	76.00	21	30
VR-LEASING Immobilien-Holding GmbH & Co. KG[16]	Eschborn	94.80	95.91	151	24
VR-LEASING IRIS GmbH[1]	Eschborn	100.00		38	13
VR-LEASING ISORA GmbH[1]	Eschborn	100.00		34	9
VR-LEASING KOSMOS GmbH[15]	Eschborn	100.00		89	0
VR-LEASING LEROS GmbH[1]	Eschborn	100.00		37	12
VR-LEASING LIMNOS GmbH[1]	Eschborn	100.00		41	16
VR-LEASING LOTIS GmbH[1]	Eschborn	100.00		56	31
VR-LEASING LYRA GmbH[1]	Eschborn	100.00		57	32
VR-LEASING LYRA GmbH & Co. Immobilien KG[16]	Eschborn	6.00	76.00	37	27
VR-LEASING MADIUM GmbH[1]	Eschborn	100.00		47	22
VR-LEASING MADIUM GmbH & Co. Immobilien KG[16]	Eschborn	100.00		21	27
VR-LEASING MADRAS GmbH[1]	Eschborn	100.00		333	20
VR-LEASING MADURA GmbH[1]	Eschborn	100.00		36	11
VR-LEASING MAGADIS GmbH[1]	Eschborn	100.00		68	43
VR-LEASING MAGARO GmbH[1]	Eschborn	100.00		23	-2
VR-LEASING MALAKON GmbH[1]	Eschborn	100.00		38	12
VR-LEASING MANEGA GmbH[1]	Eschborn	100.00		38	13
VR-LEASING MANIOLA GmbH[1]	Eschborn	100.00		39	13
VR-LEASING MARKASIT GmbH[1]	Eschborn	100.00		59	34
VR-LEASING MARKASIT GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-54	51
VR-LEASING MAROS GmbH[1]	Eschborn	100.00		41	16
VR-LEASING MARTES GmbH[1]	Eschborn	100.00		39	13
VR-LEASING MAXIMA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING MELES GmbH[1]	Eschborn	100.00		39	14
VR-LEASING MENTHA GmbH[1]	Eschborn	100.00		35	9
VR-LEASING MENTUM GmbH[1]	Eschborn	100.00		47	22
VR-LEASING MERGUS GmbH[1]	Eschborn	100.00		43	18
VR-LEASING METIS GmbH[1]	Eschborn	100.00		42	17
VR-LEASING METRO GmbH & Co. Objekte Rhein-Neckar KG[16]	Eschborn	100.00		-912	122
VR-LEASING MILETOS GmbH[1]	Eschborn	100.00		44	19
VR-LEASING MILIUM GmbH[1]	Eschborn	100.00		39	14
VR-LEASING MILVUS GmbH[1]	Eschborn	100.00		29	4
VR-LEASING MORIO GmbH[1]	Eschborn	100.00		45	19
VR-LEASING MORIO GmbH & Co. Immobilien KG[16]	Eschborn	94.00	75.50	-458	47
VR-LEASING MUNDA GmbH[1]	Eschborn	100.00		70	44
VR-LEASING MUNDA GmbH & Co. Immobilien KG[16]	Eschborn	100.00		40	120
VR-LEASING MUSCAN GmbH[1]	Eschborn	100.00		35	9
VR-LEASING MUSCARI GmbH[1]	Eschborn	100.00		73	48
VR-LEASING MUSCARI GmbH & Co. Immobilien KG[16]	Eschborn	6.00	76.00	-307	154
VR-LEASING MUSTELA GmbH[1]	Eschborn	100.00		53	28
VR-LEASING NALANDA GmbH[1]	Eschborn	100.00		43	17
VR-LEASING NALANDA GmbH & Co. Immobilien KG[16]	Eschborn	6.00	75.50	17	21
VR-LEASING NAPO GmbH[1]	Eschborn	100.00		24	0
VR-LEASING NAPOCA GmbH[1]	Eschborn	100.00		39	14
VR-LEASING NARUGO GmbH[1]	Eschborn	100.00		30	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING NATANTIA GmbH[1]	Eschborn	100.00		29	2
VR-LEASING NAVARINO GmbH[1]	Eschborn	100.00		63	37
VR-LEASING NAVARINO GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-662	108
VR-LEASING NEKTON GmbH[1]	Eschborn	100.00		38	12
VR-LEASING NESTOR GmbH[1]	Eschborn	100.00		47	21
VR-LEASING NETTA GmbH[1]	Eschborn	100.00		56	24
VR-LEASING NETTA GmbH & Co. Immobilien KG[16]	Eschborn	94.00	51.00	8	30
VR-LEASING NOVA Fünfte GmbH[1]	Eschborn	100.00		55	30
VR-LEASING NOVA Vierte GmbH[1]	Eschborn	100.00		55	30
VR-LEASING OBLONGA GmbH[1]	Eschborn	100.00		325	0
VR-LEASING ONDATRA GmbH[1]	Eschborn	100.00		53	28
VR-LEASING ONYX GmbH[1]	Eschborn	100.00		39	13
VR-LEASING ONYX GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-1,646	251
VR-LEASING OPAL GmbH[1]	Eschborn	100.00		25	0
VR-LEASING OPAVA GmbH[1]	Eschborn	100.00		26	1
VR-LEASING OPAVA GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-2,956	61
VR-LEASING OPHIR GmbH[1]	Eschborn	100.00		39	14
VR-LEASING OPHIR GmbH & Co. Immobilien KG[16]	Eschborn	100.00	75.50	-8,640	575
VR-LEASING OPTIMA GmbH[1]	Eschborn	100.00		72	47
VR-LEASING ORDO GmbH[1]	Eschborn	100.00		41	16
VR-LEASING ORION GmbH[1]	Eschborn	100.00		21	-6
VR-LEASING OSMERUS GmbH[1]	Eschborn	100.00		41	16
VR-LEASING PAROS GmbH[1]	Eschborn	100.00		37	12
VR-LEASING RUSSLAND Holding GmbH[1]	Eschborn	100.00		538	1
VR-LEASING SALA GmbH[1]	Eschborn	100.00		11	0
VR-LEASING SALIX GmbH[1]	Eschborn	100.00		73	48
VR-LEASING SALMO GmbH[1]	Eschborn	100.00		48	22
VR-LEASING SALONA GmbH[1]	Eschborn	100.00		34	9
VR-LEASING SALTA GmbH[1]	Eschborn	100.00		152	127
VR-LEASING SALVIA GmbH[1]	Eschborn	100.00		46	21
VR-LEASING SALVIS GmbH[1]	Eschborn	100.00		23	0
VR-LEASING SAMARA GmbH[1]	Eschborn	100.00		84	59
VR-LEASING SANAGA GmbH[1]	Eschborn	100.00		42	17
VR-LEASING SANAGA GmbH & Co. Immobilien KG[16]	Eschborn	100.00		22	21
VR-LEASING SANIDOS GmbH[1]	Eschborn	100.00		42	17
VR-LEASING SARITA GmbH[1]	Eschborn	100.00		41	16
VR-LEASING SASKIA GmbH[1]	Eschborn	100.00		41	16
VR-LEASING SEGUSIO GmbH[1]	Eschborn	100.00		24	0
VR-LEASING SEPIA GmbH[1]	Eschborn	100.00		30	5
VR-LEASING SIGUNE GmbH[1]	Eschborn	100.00		44	19
VR-LEASING SIMA GmbH[1]	Eschborn	100.00		49	23
VR-LEASING SIMA GmbH & Co. Immobilien KG[1]	Eschborn	0.00	51.00	29	28
VR-LEASING SINABIS GmbH[1]	Eschborn	100.00		34	8
VR-LEASING SINABIS GmbH & Co. Immobilien KG[16]	Eschborn	6.00	75.50	12	11
VR-LEASING SIRIUS GmbH[1]	Eschborn	100.00		49	23
VR-LEASING SIRIUS GmbH & Co. Immobilien KG[16]	Eschborn	100.00		30	28
VR-LEASING SOLIDUS Achtzehnte GmbH[1]	Eschborn	100.00		30	3
VR-LEASING SOLIDUS Dreizehnte GmbH[1]	Eschborn	100.00		44	19
VR-LEASING SOLIDUS Dritte GmbH[1]	Eschborn	100.00		92	67
VR-LEASING SOLIDUS Elfte GmbH[1]	Eschborn	100.00		45	20
VR-LEASING SOLIDUS Elfte GmbH & Co. Immobilien KG[16]	Eschborn	94.00	76.00	25	24
VR-LEASING SOLIDUS Erste GmbH[1]	Eschborn	100.00		41	16
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 Neunzehnte GmbH[1]	Eschborn	100.00		43	18
VR-LEASING SOLIDUS Objekt Karben GmbH[1]	Eschborn	94.00		-1,766	40
VR-LEASING SOLIDUS Sechzehnte GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Siebte GmbH[1]	Eschborn	100.00		58	33
VR-LEASING SOLIDUS Vierzehnte GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Zehnte GmbH[1]	Eschborn	100.00		25	0
VR-LEASING SOLIDUS Zweite GmbH[1]	Eschborn	100.00		51	26

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING SOLIDUS Zwölfte GmbH[1]	Eschborn	100.00		46	21
VR-LEASING SOREX GmbH[1]	Eschborn	100.00		20	0
VR-LEASING TELLUR GmbH[1]	Eschborn	100.00		45	20
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 i.L.[1]	Hamburg	100.00		29	-1
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		13,098	819
Weinmann GmbH & Co. Objekt Eichwald KG[1,6]	Eschborn	100.00		49	204
Yellow Moon Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
ZBA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	-1
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 GmbH 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		11,757	998
BEA Union Investment Management Limited[1]	Hong Kong, Hong Kong	49.00		51,699	6,872
Capital Equipment Management Holding GmbH[1]	Hamburg	50.00		17	-2
Ceskomoravska stavebni sporitelna a.s.[1]	Prague, Czech Republic	45.00		359,487	50,497
D8 Product Tankers Investments LLC[1]	Majuro, Marshall Islands	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		215,204	4,233
DGVR Alpha Mobilien-Verwaltungsgesellschaft mbH[1]	Eschborn	50.00		26	0
DUO PLAST Holding GmbH[1]	Lauterbach	47.43		-23	-48
DZ BANK Galerie im Städel Kunstverwaltungsgesellschaft mbH	Frankfurt am Main	50.00		19	-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	39,339	0
Modex Energy Rental LLC[1]	Majuro, Marshall Islands	50.00		0	0
MS Oceana Schifffahrtsgesellschaft mbH & Co. KG[1]	Hamburg	0.00		0	0
MS Octavia Schifffahrtsgesellschaft mbH & Co. KG[1]	Hamburg	0.00		0	0
Prvá stavebná sporitel'na, a.s.[1]	Bratislava, Slovakia	32.50		243,029	25,442
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig[1]	Wiesbaden	50.00		8,550	544
Raiffeisen Banca Pentru Locuinte S.A.[1]	Bucharest, Romania	33.32		15,061	380
TAG ASSET Management LLC[1]	Majuro, Marshall Islands	0.00		0	0
VB-Leasing International Holding GmbH[1]	Vienna, Austria	50.00		212,490	129,017
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH[1]	Dresden	50.00		161	18
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V. (VVB)[1]	Neubrandenburg	50.00		143	11
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		23	20
VR Consultingpartner GmbH[2]	Frankfurt am Main	90.00		1,809	-191
VR Corporate Finance GmbH	Düsseldorf	50.00		2,283	-678
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd.[1]	Tianjin, China	24.90		305,906	18,714

ASSOCIATES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
8F Leasing S.A.[1]	Contern, Luxembourg	0.00		0	0
A330 Parts Ltd[1]	New Ark, USA	0.00		0	0
Aer Lucht Limited[1]	Dublin, Ireland	0.00		0	0
Aviateur Capital Limited[1]	Dublin, Ireland	20.00		1,783	186
bbv-service Versicherungsmakler GmbH[1]	Munich	25.20		1,409	227
Cassa Centrale Banca – Credito Cooperativo del Nord Est Società per Azioni	Trento, Italy	25.00	26.47	227,988	14,343
DEGECIVIS Grundstücksverwaltungsgesellschaft mbH i.L.[1]	Eschborn	49.00		131	0
Epic Pantheon International Gas Shipping Ltd.[1]	Tortola, Virgin Islands	0.00		0	0
Equens SE	Utrecht, Netherlands	31.05		335,244	12,209
European Property Beteiligungs-GmbH[1]	Frankfurt am Main	38.90	33.20	1,075	-28
GHM Holding GmbH[1]	Regenstauf	40.00		17,361	-139
GHM MPP Reserve GmbH[1]	Regenstauf	50.00		370	-5
GHM MPP Verwaltungs GmbH[1]	Regenstauf	50.00		23	-2
Global Asic GmbH[1]	Dresden	30.80		18,864	-1,971
Global Offshore Services B.V[1]	Amsterdam, Netherlands	0.00		0	0
Goldeck Zetti Beteiligungsgesellschaft mbH[1]	Leipzig	39.23		32,512	908
HEIMAG München GmbH[1]	Munich	30.00		240,271	-3,503
Hör Technologie GmbH[1]	Weiden i.d.OPf.	61.54	49.99	6,325	-865
Intermodal Investment Fund V LLC[1]	Majuro, Marshall Islands	50.00		0	0
ismet Holding GmbH[1]	Villingen-Schwenningen	57.50	49.00	8,104	677
Janz IT AG[1]	Paderborn	40.12		3,442	205
KCM Bulkers Ltd.[1]	Road Town, Virgin Islands	0.00		0	0
KMT MedTec Holding GmbH[1]	Düsseldorf	44.10		6,446	1,765
KOTANI JV CO. BV[1]	Amsterdam, Netherlands	0.00		0	0
KTP Holding GmbH[1]	Bous	49.82		21,950	3,542
MK Metallfolien GmbH[1]	Hagen	37.23		48,385	222
Modex Holding Limited (BVI)[1]	Road Town, Virgin Islands	0.00		0	0
MON A300 Leasing Ltd.[1]	George Town, Cayman Islands	0.00		0	0
MON Engine Parts Inc.[1]	Wilmington, USA	20.00		0	0
Mount Faber KS[1]	Oslo, Norway	0.00		0	0
Neida Holding AG[1]	Appenzell, Switzerland	35.00		2,253	-951
SCL GmbH[1]	Butzbach	49.00		7,377	2,981
Shipping and Intermodal Investment Management Fund II LLC[1]	Majuro, Marshall Islands	0.00		0	0
SRF Railcar Leasing Limited[1]	Portroe, Nenagh, Ireland	100.00	0.00	0	0
TES Holding Ltd.[1]	Bridgend, UK	40.00		31,506	3,310
TREVA Entertainment GmbH[1]	Hamburg	32.70		1,797	-1,007
Wessel-Werk Beteiligungsverwaltung GmbH i.L.[1]	Karlsruhe	45.00		-2,088	-1,527
West Supply III A/S[1]	Haugesund, Norway	22.22		326	19
West Supply III KS[1]	Haugesund, Norway	20.00		3,177	241
WÜRTT. GENO-HAUS GmbH & Co. KG[2]	Stuttgart	37.16		40,189	1,514

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	3
Assiconf S.r.l.[1]	Turin, Italy	20.00		65	12
ASSICRA Servizi Assisurativi Banche di Credito Cooperativo Abruzzo e Molise S.r.l.[1]	Pescara, Italy	25.00		327	18
ATRION Immobilien GmbH & Co. KG[1]	Grünwald	31.63		40,241	9,013
BCC RISPARMIO & PREVIDENZA S.G.R.P.A.[1]	Milan, Italy	25.00		30,959	5,406
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH[1]	Munich	20.00		399	-120
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		23,308	4,354
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	30.38		15,794	306
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	29.73		14,782	2,157
Bürgschaftsbank Thüringen GmbH	Erfurt	22.13		22,487	1,248
CardProcess GmbH	Karlsruhe	29.70		30,764	3,584
Credit Suisse Global Infrastructure SCA SICAR[1]	Luxembourg, Luxembourg	30.09		217,512	48,728
Dacos Software GmbH[1]	Saarbrücken	29.96		0	0
DZ BANK Mikrofinanzfonds eG[2]	Frankfurt am Main	32.09	0.90	166	0
Elbank S.A.[1]	Warsaw, Poland	30.36	24.49	-19	-11
European Convenience Food GmbH[1]	Frankfurt am Main	41.75		25	0
Finatem II GmbH & Co. KG[1]	Frankfurt am Main	20.20		51,207	7,712
FREUNDE DER EINTRACHT FRANKFURT Aktiengesellschaft[1]	Frankfurt am Main	32.05		2,895	0
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		27	2
German Equity Partners III GmbH & Co. KG[1]	Frankfurt am Main	24.19		20,793	19,424
Gesellschaft für ernährungswirtschaftliche Beteiligungen mbH	Ochsenfurt	49.90		6,088	745
GIMB Gesellschaft für Internet- und mobile Bezahlungen mbH	Eschborn	37.50		0	0
Golding Mezzanine SICAV IV[1]	Munsbach, Luxembourg	49.98		9,477	3,736
GTIS Brazil II S-Feeder LP[1]	Edinburgh, UK	100.00	0.00	11,401	-1,822
HGI Immobilien GmbH[1]	Frankfurt am Main	50.00		121	68
HGI Immobilien GmbH & Co. GB I KG[1]	Frankfurt am Main	73.91	73.21	23,189	-1,312
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	-30
Locanis AG[1]	Unterföhring	41.28		-3,789	-37,557
MB Asia Real Estate Feeder (Scot.) L.P.[1]	Edinburgh, UK	39.20	0.00	43,900	-3,686
Medico 12 GmbH & Co. KG[1]	Frankfurt am Main	99.98		8,350	-927
Mercateo Beteiligungsholding AG[1]	Taufkirchen	32.83		4,467	-68
P 21 GmbH – Power of the 21st Century i.L.[1]	Brunnthal	27.00	22.23	0	0
Piller Entgrattechnik GmbH[1]	Ditzingen	26.25	35.00	8,799	1,621
PWR Holding GmbH[1]	Munich	33.33		117	87
RV-CVIII Holdings, LLC[1]	Camden, USA	100.00		0	0
Schroder Italien Fonds GmbH & Co. KG[1]	Frankfurt am Main	23.08	19.74	3,112	-9,142
Schroder Property Services B.V.[1]	Amsterdam, Netherlands	30.00		252	201
Seguros Generales Rural S.A. de Seguros y Reaseguros[1]	Madrid, Spain	30.00		168,416	12,461
Sementis GmbH Stephan Behr Vermögensverwaltung[1]	Eisenach	24.90	0.00	11,238	-164
TFH Technologie-Finanzierungsfonds Hessen GmbH	Frankfurt am Main	33.33		645	53
Tishman Speyer Brazil Feeder (Scots/D), L.P.[1]	Edinburgh, UK	100.00		29,666	5,834
Tishman Speyer European Strategic Office Fund Feeder, L.P.[1]	London, UK	97.18		15,333	363
TXS GmbH[1]	Ellerau	24.50		895	689
VAUTID Arabia Coating and Treatment of Metals L.L.C.[1]	Ras Al Khaimah, United Arab Emirates	24.50	0.00	297	36
VAUTID HUIFENG (WUHU) Wear Resistant Material Co. Ltd.[1]	Wuhu, China	50.00		1,216	692
VAUTID-SHAH HARDFACE Pvt. Ltd.[1]	Navi Mumbai, India	37.49		344	93
vohtec Rissprüfung GmbH[1]	Aalen	49.15		6,973	73
VR FinanzDienstLeistung GmbH	Berlin	24.50		1,886	253
VR-NetWorld GmbH[2]	Bonn	39.05		4,017	441
VV Immobilien GmbH & Co. United States KG[1]	Munich	25.00		19,622	3,782
Weisshaar Holding GmbH[1]	Frankfurt am Main	84.94	49.92	25	0
Zarges Tubesca Finance GmbH[1]	Weilheim	26.67		25	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		36,041	5,457
Banco Cooperativo Español S.A.	Madrid, Spain	12.02		330,943	42,472
ConCardis Gesellschaft mit beschränkter Haftung	Eschborn	19.60		46,585	11,688
DEPFA BeteiligungsHolding II Gesellschaft mit beschränkter Haftung[1]	Düsseldorf	10.00		105,642	-16
EDEKABANK Aktiengesellschaft	Hamburg	8.35		86,957	3,632
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt am Main	19.60		10,757	360
Karlsruher Lebensversicherung AG	Karlsruhe	10.00		8,939	1,749
PANELLINIA BANK SOCIETE ANONYME	Athens, Greece	8.42	5.28	50,143	-12,637
Protektor Lebensversicherungs-AG[1]	Berlin	5.27		90,500	128
Raiffeisendruckerei GmbH[1]	Neuwied	7.88		38,041	4,133
SCHUFA Holding AG[1]	Wiesbaden	17.94		37,097	15,406

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 in accordance with German principles of proper accounting, 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 3, 2015

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch

Hille	Köhler	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 to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2014. 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 parent 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 [German Institute of Public Auditors] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of 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 9, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

REPORT OF THE SUPERVISORY BOARD


Helmut Gottschalk, Chairman of the Supervisory Board of DZ BANK AG

The first few months of the 2014 financial year were still characterized by economic optimism. However, the situation became gloomier as the year progressed in view of emerging geopolitical uncertainties. There was increasing uncertainty from the unresolved conflict over parts of Ukraine and the EU's sanctions against Russia. Germany's main share index, the DAX, topped the 10,000 points mark on a number of occasions during 2014 but closed the year with relatively moderate year-on-year growth of just over 2.5 percent. As a result of political uncertainties, the economic slowdown, and an inflation rate pushed down by falling oil prices, the European Central Bank (ECB) felt compelled to make further gradual interest rate cuts. At the end of the year, yields on ten-year bunds were a little over 0.5 percent, with shorter maturities even exhibiting negative yields. There was also a downward trend for spreads on the government bonds of most countries in Europe's Economic and Monetary Union (EMU). The main reason for the decline in spreads was the prospect of the ECB launching a broad-based purchase program in 2015.

On November 4, 2014, the ECB took over as the regulator for 120 banks in the member states of the European Union (EU) – among them the DZ BANK Group. In the run-up to this, the ECB conducted a comprehensive assessment, which predominantly consisted of examining the banking and trading books (asset quality review) and conducting a stress test. Significant resources were tied up by extensive data requests and analyses by external auditors and the regulator, particularly during the first three quarters of the year. The Supervisory Board thoroughly examined the requirements of the comprehensive assessment and considered what action was possibly required as a result of the assessment. The ECB published the results of the asset quality review and stress test on October 26, 2014. Even without taking the capital increase into account, the DZ BANK Group showed that it had an adequate capital base.

As part of its remit in 2014, 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 Basel III implementation as well as other regulatory changes with significance for DZ BANK. It also thoroughly discussed the general parameters for DZ BANK's capital increase against the background of the increased regulatory capital requirements. The Supervisory Board was closely involved in the capital increase, which amounted to a record volume of €1.477 billion, and adopted the necessary resolutions. The increase of DZ BANK's share capital was implemented successfully. The total of 186.9 million new shares were all placed with shareholders at a subscription price per share of €7.90. DZ BANK's core Tier 1 capital ratio therefore rose to more than 0 percent. This was the largest capital increase in the bank's history and was oversubscribed due to the high level of demand. The capital increase was entered in the commercial register in July 2014.

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 overarching strategy is marked by a high degree of continuity and only underwent a few minor changes in 2014. These were predominantly aimed at maintaining and sharpening the strategic focus of both DZ BANK and the management units. A new, groupwide area of activity was innovation management, with the primary objective of adopting a more thorough, systematic approach to innovation in the DZ BANK Group and creating the structures to enable this. As in previous years, the Supervisory Board held its special strategy meeting, at which it discussed the strategy and its ongoing implementation in detail and unanimously lent its support to the strategy.

The DZ BANK Group's success in pursuing its strategy was again reflected in its strong business performance in 2014, as had been the case in previous years. It was able to use the encouraging net profit generated in 2014 to further strengthen its capital base. Overall, the retention of profit and the capital increase carried out in 2014 laid the foundations for complying with regulatory capital requirements.

SUPERVISORY BOARD AND COMMITTEES

In 2014, 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 2014 through its Nominations Committee, Remuneration Control Committee, Audit Committee, Risk Committee, and Mediation Committee pursuant to section 27 (3) German Codetermination Act (MitbestG). In line with the requirements of the German Banking Act (KWG), the Supervisory Board adopted resolutions on February 26, 2014 to approve processes for the preparation of nominations for the election of members of the DZ BANK Supervisory Board and for the regular evaluation of the Supervisory Board and its members. The process for preparing nominations for the election of Supervisory Board members was then put into practice when three new candidates were nominated for the Supervisory Board election held at the Annual General Meeting on May 20, 2014. The self-evaluation conducted by the Supervisory Board between December 2014 and February 2015 found that the structure, size, composition, and performance of the Supervisory Board and the knowledge, skills, and experience of the individual Supervisory Board members and the Supervisory Board as a whole fulfilled the requirements laid down by law and in the Articles of Association.

On April 2, 2014, the Supervisory Board also resolved to adopt a strategy aimed at promoting the nomination of women, who are currently under-represented on the DZ BANK Supervisory Board, in accordance with the stipulations of the KWG. Under this strategy, the Supervisory Board will endeavor to increase the proportion of female Supervisory Board members to between 15 and 20 percent over the course of 2016.

The Supervisory Board has adequate financial and personnel resources at its disposal to be able to support new members in becoming familiar with their role and to provide the training that is necessary to maintain members' required level of expertise. In addition, DZ BANK offers to cover the costs of a modular training program that is run by an external provider and tailored specifically to the needs of Supervisory Board members. Each Supervisory Board member can select modules depending on their individual requirements. A further internal training course for the Supervisory Board is planned for 2015.

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 the aforementioned 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 progress and results of 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 a resolution dated December 5, 2013, the Supervisory Board decided to appoint the former deputy member of the Board of Managing Directors, Dr. Cornelius Riese (an ordinary member of the Board of Managing Directors since April 1, 2014), as chief financial officer with effect from May 20, 2014. Dr. Riese succeeded Mr. Albrecht Merz, who retired when his contract expired after the Annual General Meeting on May 20, 2014. Having been a member of the Board of Managing Directors of DZ BANK and its predecessor institutions for some 16 years, Mr. Merz 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. Merz for his many years of outstanding service on the Board of Managing Directors of DZ BANK.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The Supervisory Board held five meetings in 2014, with average attendance of 98 percent. No Supervisory Board member attended fewer than 66 percent of the meetings held in 2014 during the period that he or she was in office. At its meetings, the Supervisory Board primarily received and discussed reports from the Board of Managing Directors on current business performance and the capital situation of DZ BANK and the DZ BANK Group as well as reports on the work of the committees from their Chairs. It also examined the single-entity financial statements and management report of DZ BANK AG as well as the consolidated financial statements and group management report for the year ended December 31, 2013 and approved them in line with the Audit Committee's resolution recommendation. In addition, the Supervisory Board approved the agenda for the Annual General Meeting on May 20, 2014 and examined and noted the operational and strategic planning. Following changes to its composition, the Supervisory Board adopted resolutions on the election of an Audit Committee Chairman and the election of additional members to various committees. It also dealt with and approved various requests for long-term equity investments and loans. Finally, the Supervisory Board looked at matters relating to the process for appointing and selecting members of the Board of Managing Directors and senior managers and the process for choosing nominations for the election of new Supervisory Board members. It then adopted resolutions in line with the Nominations Committee's recommendation. In addition, the Supervisory Board examined nominations for the election of new Supervisory Board members, matters relating to promoting better female representation on the aforementioned committees and at the aforementioned levels, and the evaluation of the Board of Managing Directors and Supervisory Board before making decisions in line with the Nominations Committee's recommendation. Moreover, the Supervisory Board scrutinized the remuneration for members of the Board of Managing Directors and the structure of the employee remuneration systems, adopting resolutions – where necessary – in line with the Remuneration Control Committee's recommendation.

Each committee also met on a number of occasions in 2014. During this period, the Nominations Committee held two meetings, the Remuneration Control Committee three meetings, the Audit Committee four meetings, and the Risk Committee five meetings. Their Chairs regularly reported to the Supervisory Board on the committees' work. The Mediation Committee did not need to meet in 2014. The main topics covered at the meetings of the Nominations Committee were the process for appointing and selecting members of the Board of Managing Directors and senior managers and the process for choosing nominations for the election of new Supervisory Board members. Resolution recommendations were made to the Supervisory Board. In addition, the committee examined nominations for the election of new Supervisory Board members, matters relating to promoting better female representation on the aforementioned committees and at the aforementioned levels, and the evaluation of the Board of Managing Directors and Supervisory Board before making recommendations on these to the Supervisory Board.

At its meetings, the Remuneration Control Committee examined topics such as updates to the variable remuneration for members of the Board of Managing Directors and the resulting amendments to the service contract template before making resolution recommendations to the Supervisory Board on the amendments and their implementation in the individual service contracts. Furthermore, the Remuneration Control Committee looked at the Board of Managing Directors' proposal for appointing a remuneration officer and deputy and at the role's position within the organizational structure of DZ BANK AG. It also examined the structure of the employee remuneration systems and recommended that the Supervisory Board acknowledge the remuneration control report pursuant to section 24 (3) German Regulation Governing Remuneration at Institutions (InstitutsVergV) and the Board of Managing Directors' report on the suitability of DZ BANK's remuneration systems pursuant to section 3 (1) sentence 2 InstitutsVergV. The main topics covered at the Audit Committee meetings were the audit of the single-entity financial statements and management report of DZ BANK as well as the consolidated financial statements and group management report for the year ended December 31, 2013, the DZ BANK Group's half-year financial report for the six months ended June 30, 2014, business performance and the capital/profitability situation, the progress and results of the ECB's comprehensive assessment, enhancement of company and group strategic management, internal audit findings, the annual compliance report, the findings of regulatory reviews, the latest regulatory developments, and the IT strategy. Where necessary, it made resolution recommendations to the Supervisory Board. At its meetings, the Risk Committee dealt with various requests for long-term equity investments and loans before adopting resolutions and – where necessary – making resolution recommendations to the Supervisory Board. It also focused on the review of the lending business, which had been brought forward, and on regulatory and organizational matters in connection with the audit of the annual financial statements for the year ended December 31, 2013, the change in specific loan loss allowances, the current aggregate risk and credit risk situation, the ABS portfolio, derivatives, risk strategies, results of the economic stress test, current issues/transactions relating to long-term equity investments, the risk early-warning system of DZ BANK and the DZ BANK Group, and the review of the remuneration system in accordance with the requirements of the KWG.

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 and Risk Committee decided on significant transactions by adopting resolutions in writing. The Supervisory Board Chairman, the Chief Executive Officer of DZ BANK, the Chairs of the Supervisory Board committees, and the relevant members of the Board of Managing Directors also regularly held discussions ahead of key decisions and important transactions. 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 2014.

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 as well as the consolidated financial statements and the group management report submitted by the Board of Managing Directors for the 2014 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 as well as the consolidated financial statements and group management report at their meetings. The Chairman of the Audit Committee provided the Supervisory Board with detailed information about the committee's extensive deliberations on the single-entity financial statements and management report of DZ BANK as well as the consolidated financial statements and group management report. 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 and the consolidated financial statements prepared by the Board of Managing Directors for the year ended December 31, 2013 at its meeting on March 25, 2014 in line with the Audit Committee's resolution recommendation. The financial statements have therefore been adopted. The Supervisory Board examined and approved the Board of Managing Directors' proposal for the appropriation of distributable profit.

CHANGES TO THE SUPERVISORY BOARD

The terms of office of Supervisory Board members Mr. Werner Böhnke, Mr. Walter Müller, and Mr. Gerhard J. Rastetter expired at the end of the Annual General Meeting of DZ BANK on May 20, 2014. The Supervisory Board would like to thank Mr. Böhnke, Mr. Müller, and Mr. Rastetter for their many years of service. Mr. Klaus Holderbach, Mr. Gregor Scheller, and Mr. Hans-Bernd Wolberg were newly elected to the Supervisory Board with effect from the end of the Annual General Meeting on May 20, 2014.

The Supervisory Board wishes to thank the Board of Managing Directors and all employees of the DZ BANK Group for their valuable contribution in 2014.

Frankfurt am Main, March 25, 2015

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

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
(until December 2014)

MARTIN HEINZMANN
Spokesman of the Board of
Managing Directors
Volksbank Kinzigtal eG
Wolfach

KLAUS HOLDERBACH
Chief Executive Officer
Volksbank Franken eG
Buchen
(until July 2014)

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

ANDREAS LORENZ
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe
(since August 2014)

RUDOLF MÜLLER
Spokesman of the Board of
Managing Directors
Volksbank Kur- und Rheinpfalz eG
Speyer

MANFRED ROTH
Chief Executive Officer
VR Bank Weimar eG
Weimar

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

KLAUS TREIMER
Spokesman of the Board of
Managing Directors
VR Bank Ostholstein Nord –
Plön eG
Lensahn
(since January 2015)

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

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

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
Bundesverband der
Deutschen Volksbanken und
Raiffeisenbanken (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

ROSEMARIE MILLER-WEBER
Chief Executive Officer
Leutkircher Bank –
Raiffeisen- und Volksbank – eG
Leutkirch im Allgäu
(since September 2014)

HORST SCHREIBER
Member of the Board of
Managing Directors
Volksbank Trier eG
Trier

ANTON SPROLL
Leutkircher Bank –
Raiffeisen- und Volksbank – eG
Leutkirch im Allgäu (until Sep. 14)

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR BADEN-WÜRTTEMBERG

CHAIRMAN:
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 (Donau)

JÜRGEN HORNUNG
Spokesman of the Board of
Managing Directors
VR-Bank Ellwangen eG
Ellwangen (Jagst)

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 Albstadt 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
Member of the Board of
Managing Directors
Volksbank Allgäu-West eG
Isny im Allgäu

ARNOLD MILLER
Member of the Board of
Managing Directors
Raiffeisenbank Ravensburg eG
Horgenzell

JÜRGEN NEIDINGER
Member of the Board of
Managing Directors
Heidelberger Volksbank eG
Heidelberg

JÜRGEN PINNISCH
Member of the Board of
Managing Directors
Volksbank Heilbronn eG
Heilbronn

THOMAS PÖRINGS
Chief Executive Officer
Volksbank Baden-Baden Rastatt eG
Baden-Baden

ADELHEID RAFF
Chief Executive Officer
Volksbank Zuffenhausen eG
Stuttgart

EKKEHARD SAUERESSIG
Chief Executive Officer
Volksbank Neckartal eG
Eberbach

ROLAND SCHÄFER
Chief Executive Officer
Volksbank Bruchsal-Bretten eG
Bretten

JÜRGEN SCHILLER
Member of the Board of
Managing Directors
VR-Bank Weinstadt eG
Weinstadt

VOLKER SCHMELZLE
Member of the Board of
Managing Directors
Volksbank Plochingen eG
Plochingen

HELMUT SCHWEISS
Member of the Board of
Managing Directors
Raiffeisenbank Vordere Alb eG
Hülben

PETER SEIBEL
Member of the Board of
Managing Directors
Donau-Iller Bank eG
Ehingen (Donau)

ANDREAS SIEBERT
Member of the Board of
Managing Directors
Volksbank eG Mosbach
Mosbach

EBERHARD SPIES
Chief Executive Officer
VR Bank Schwäbisch Hall-
Crailsheim eG
Schwäbisch Hall

JÖRG STAHL
Deputy Spokesman of the
Board of Managing Directors
Volksbank Herrenberg-Nagold-
Rottenburg eG
Herrenberg

JOACHIM STRAUB
Chief Executive Officer
Volksbank eG
Villingen-Schwenningen

MARKUS TRAUTWEIN
Chief Executive Officer
Raiffeisenbank Oberstenfeld eG
Oberstenfeld

JÜRGEN WANKMÜLLER
Chief Executive Officer
Volksbank Wilferdingen-Keltern eG
Remchingen

ROGER WINTER
Member of the Board of
Managing Directors
Volksbank eG
Constance

ALFRED WORMSER
Spokesman of the Board of
Managing Directors
Volksbank-Raiffeisenbank
Riedlingen eG, Riedlingen

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR BAVARIA

CHAIRMAN:
WOLFGANG VÖLKL
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Oberbayern Südost eG
Bad Reichenhall

DEPUTY CHAIRMAN:
CLAUS JÄGER
Chief Executive Officer
Raiffeisenbank Aschaffenburg eG
Aschaffenburg

WALTER BELLER
Chief Executive Officer
VR-Bank Werdenfels eG
Garmisch-Partenkirchen

WOLFHARD BINDER
Chief Executive Officer
Raiffeisen-Volksbank Ebersberg eG
Grafing b. München

DIETER BORDIHN
Member of the Board of
Managing Directors
Kulmbacher Bank eG
Raiffeisen-Volksbank
Kulmbach

HANS BRUNNER
Chief Executive Officer
GenoBank DonauWald eG
Viechtach

HERBERT EDER
Spokesman of the Board of
Managing Directors
Raiffeisenbank Chamer Land eG
Cham

JOACHIM ERHARD
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Würzburg eG
Würzburg

HANS-JÜRGEN FRÖCHTENICHT
Spokesman of the Board of
Managing Directors
Raiffeisenbank Bobingen eG
Bobingen

UDO GEBHARDT
Member of the Board of
Managing Directors
Münchner Bank eG
Munich

RAINER GEIS
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Bad Kissingen-Bad Brückenau eG
Bad Kissingen

MANFRED GEYER
Chief Executive Officer
RaiffeisenVolksbank eG
Gewerbebank
Ansbach

ALBERT GRIEBL
Member of the Board of
Managing Directors
VR-Bank Rottal-Inn eG
Pfarrkirchen

ULRICH GUIARD
Member of the Board of
Managing Directors
VR-Bank Memmingen eG
Memmingen

BERNHARD GUTOWSKI
Member of the Board of
Managing Directors
Volksbank Lindenberg eG
Lindenberg i. Allgäu
(until July 2014)

JÜRGEN HANDKE
Chief Executive Officer
VR Bank Hof eG
Hof

HANSJÖRG HEGELE
Deputy Chief Executive Officer
Raiffeisenbank Tölzer Land eG
Bad Tölz

KARL-HEINZ HEMPEL
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Dachau eG
Dachau

JOSEF HOFBAUER
Member of the Board of
Managing Directors
Raiffeisenbank
Neumarkt i.d.OPf. eG
Neumarkt i.d.OPf.

RAINER HÖNL
Member of the Board of
Managing Directors
VR-Bank Donau-Mindel eG
Dillingen a.d. Donau

EDMUND KAINER
Chief Executive Officer
Raiffeisenbank Seebachgrund eG
Heßdorf

GOTTFRIED KNEISSL
Chief Executive Officer
Raiffeisenbank Pfeffenhausen-
Rottenburg-Wildenberg eG
Rottenburg a.d. Laaber

MICHAEL KRUCK
Spokesman of the Board of
Managing Directors
Raiffeisen-Volksbank
Donauwörth eG
Donauwörth

PETER LANG
Member of the Board of
Managing Directors
Raiffeisenbank Hollfeld-
Waischenfeld-Aufseß eG
Hollfeld

ALBERT LORENZ
Chief Executive Officer
Raiffeisenbank Bad Abbach-Saal eG
Bad Abbach

BERND MÜLLER
Member of the Board of
Managing Directors
Volksbank Lindenberg eG
Lindenberg i. Allgäu
(since August 2014)

DR. WALTER MÜLLER
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Rosenheim-Chiemsee eG
Rosenheim

KLAUS PRÄHOFER
Chief Executive Officer
Raiffeisenbank
Vilshofener Land eG
Vilshofen an der Donau

HEINRICH REISENLEITER
Chief Executive Officer
Raiffeisenbank Bad Windsheim eG
Bad Windsheim

GREGOR SCHELLER
Chief Executive Officer
Volksbank Forchheim eG
Forchheim

CHRISTIAN SENFF
Spokesman of the Board of
Managing Directors
Raiffeisen-Volksbank Ebern eG
Ebern

PETER SIEGEL
Member of the Board of
Managing Directors
VR Bank Kitzingen eG
Kitzingen

DR. HERMANN STARNECKER
Spokesman of the Board of
Managing Directors
VR Bank Kaufbeuren-Ostallgäu eG
Marktoberdorf

HEINRICH STUMPF
Member of the Board of
Managing Directors
Augusta-Bank eG
Raiffeisen-Volksbank
Augsburg

EDMUND WANNER
Member of the Board of
Managing Directors
Volksbank Straubing eG
Straubing

BERNHARD WERNER
Member of the Board of
Managing Directors
Raiffeisenbank im Naabtal eG
Nabburg

WILFRIED WIEDEMANN
Chief Executive Officer
Raiffeisenbank Weißenburg-
Gunzenhausen eG
Weißenburg i. Bay.

BERNHARD WOLF
Member of the Board of
Managing Directors
Raiffeisenbank Weiden eG
Weiden i.d.OPf.

HERBERT ZOPP
Deputy Chief Executive Officer
Volksbank Raiffeisenbank
Bayern Mitte eG
Ingolstadt
(since April 2014)

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR CENTRAL GERMANY

CHAIRMAN:
CHRISTOPH OCHS
Chief Executive Officer
VR Bank Südpfalz eG
Landau in der Pfalz

DEPUTY CHAIRMAN:
CHRISTOPH KOTHE
Spokesman of the Board of
Managing Directors
Leipziger Volksbank eG
Leipzig

MATHIAS BEERS
Chief Executive Officer
Vereinigte Volksbank eG
Dillingen · Dudweiler ·
Sulzbach/Saar
Sulzbach

JÜRGEN BIEN
Member of the Board of
Managing Directors
Raiffeisenbank eG Großenlüder
Großenlüder

WOLFGANG BRÜHL
Spokesman of the Board of
Managing Directors
VR Bank Biedenkopf-
Gladenbach eG
Biedenkopf

ACHIM BRUNNER
Chief Executive Officer
Raiffeisenbank Oberursel eG
Oberursel (Taunus)

HANS-JOACHIM BUCHEN
Member of the Board of
Managing Directors
Volksbank Daaden eG
Daaden

JOHANN BÜCHLER
Chief Executive Officer
PSD Bank Nürnberg eG
Nuremberg

SVEN FIEDLER
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Niederschlesien eG
Görlitz

THOMAS FLUCK
Deputy Chief Executive Officer
Raiffeisenbank Freinsheim eG
Freinsheim

GERHARD GALES
Member of the Board of
Managing Directors
Bank 1 Saar eG
Saarbrücken

BERND HELL
Chief Executive Officer
levoBank eG
Lebach

DR. MATTHIAS HILDNER
Chief Executive Officer
Wiesbadener Volksbank eG
Wiesbaden

ANDREAS HOSTALKA
Member of the Board of
Managing Directors
Volksbank Vogtland eG
Plauen

DIETER JERGENS
Member of the Board of
Managing Directors
Vereinigte Genossenschafts- und
Raiffeisenbank Westpfalz eG
VR-Bank Westpfalz
Landstuhl
(until February 2015)

ENRICO KAHL
Chief Executive Officer
Sparda-Bank Münster eG
Münster
(since January 2015)

THOMAS KATZENMAYER
Chief Executive Officer
Evangelische Bank eG
Kassel

HORST KLUMB
Chief Executive Officer
vr bank Südthüringen eG
Suhl

HUBERT KNEUSSEL
Member of the Board of
Managing Directors
Volksbank eG Grebenhain
Grebenhain

THOMAS KÖHLER
Spokesman of the Board of
Managing Directors
Volksbank Butzbach eG
Butzbach

WERNER KOLLE
Chief Executive Officer
Raiffeisenbank eG
Calden

WALTER KONRAD
Spokesman of the Board of
Managing Directors
Volksbank Darmstadt-
Südhessen eG
Darmstadt
(until December 2014)

GERD KOSCHMIEDER
Member of the Board of
Managing Directors
Volksbank Chemnitz eG
Chemnitz

JOHANNES LECHNER
Member of the Board of
Managing Directors
Sparda-Bank Ostbayern eG
Regensburg

FRANK MÖLLER
Member of the Board of
Managing Directors
Raiffeisenbank eG
Wolfhagen

ANDREAS PFEIL
Member of the Board of
Managing Directors
Raiffeisen-Volksbank
Saale-Orla eG
Pößneck

HUBERT RÖBIG
Deputy Spokesman of the
Board of Managing Directors
VR Genossenschaftsbank
Fulda eG Volksbank
Raiffeisenbank seit 1862
Fulda

MANFRED RUMPF
Spokesman of the Board of
Managing Directors
Raiffeisenbank eG
Rodenbach

FRANK SCHÄFER
Member of the Board of
Managing Directors
Volksbank Hunsrück-Nahe eG
Simmern

RAINER SCHÄFER-PRÖSSER
Member of the Board of
Managing Directors
Volksbank Heuchelheim eG
Heuchelheim

HEINZ-PETER SCHAMP
Member of the Board of
Managing Directors
Mainzer Volksbank eG
Mainz

BERNHARD SOEKEN
Chief Executive Officer
PSD Bank Berlin-Brandenburg eG
Berlin

ODO STEINMANN
Member of the Board of
Managing Directors
Volksbank Rhein-Nahe-Hunsrück eG
Bad Kreuznach

KARLO UHLEIN
Spokesman of the Board of
Managing Directors
Raiffeisenbank eG
Offenbach/M.-Bieber
Offenbach am Main

PETER VAN MOERBEECK
Member of the Board of
Managing Directors
Vereinigte Volksbank
Raiffeisenbank eG
Wittlich

MARTIN WAGNER
Member of the Board of
Managing Directors
VR Bank Weimar eG
Weimar

CHRISTOPH WUNDERLICH
Member of the Board of
Managing Directors
Raiffeisenbank Schaafheim eG
Schaafheim

EVA WUNSCH-WEBER
Chief Executive Officer
Frankfurter Volksbank eG
Frankfurt am Main

YVONNE ZIMMERMANN
Member of the Board of
Managing Directors
Sparda-Bank Hamburg eG
Hamburg
(until February 2015)

MEMBERS OF THE BANKING ADVISORY COUNCIL OF DZ BANK AG FOR NORTH/ EAST GERMANY

CHAIRMAN:
ANDREAS MERTKE
Member of the Board of
Managing Directors
Berliner Volksbank eG
Berlin

DEPUTY CHAIRMAN:
MICHAEL ENGELBRECHT
Chief Executive Officer
Volksbank Jever eG
Jever

RAINER ADAMCZYK
Member of the Board of
Managing Directors
Volksbank Uelzen-Salzwedel eG
Uelzen

FRANK BAER
Member of the Board of
Managing Directors
Volksbank Spree-Neiße eG
Spremberg

PETER BAHLMANN
Member of the Board of
Managing Directors
VR Bank Oldenburg
Land West eG
Hatten

JÖRG BIETHAN
Member of the Board of
Managing Directors
Volksbank Hildesheimer Börde eG
Söhlde

GUIDO BLOCH
Member of the Board of
Managing Directors
Raiffeisenbank eG
Hagenow

WERNER BRUNS
Member of the Board of
Managing Directors
Zevener Volksbank eG
Zeven

RALPH CARSTENSEN
Member of the Board of
Managing Directors
Raiffeisenbank eG
Todenbüttel

RALF EVERTS
Member of the Board of
Managing Directors
Raiffeisen-Volksbank Fresena eG
Norden

HEINZ FEISMANN
Member of the Board of
Managing Directors
Volksbank Süd-Emsland eG
Spelle

CHRISTIAN FERCHLAND
Member of the Board of
Managing Directors
Evangelische Bank eG
Kiel

STEFAN FRAHM
Member of the Board of
Managing Directors
VR Bank
Ostholstein Nord - Plön eG
Lensahn

HOLGER FRANZ
Chief Executive Officer
Ostfriesische Volksbank eG
Leer (Ostfriesland)

ANDREAS FRYE
Chief Executive Officer
Volksbank Bösel eG
Bösel

THOMAS GENSCH
Member of the Board of
Managing Directors
Raiffeisenbank Ostprignitz-
Ruppin eG
Neuruppin

ARMIN GERNHÖFER
Member of the Board of
Managing Directors
Volksbank eG
Seesen
(until January 2014)

NORBERT GÖSSLING
Member of the Board of
Managing Directors
Volksbank im Harz eG
Osterode am Harz
(since August 2014)

BEREND H. GORTMANN
Member of the Board of
Managing Directors
Volksbank Niedergrafschaft eG
Uelsen

BJÖRN GROSSMANN
Former Member of the Board of
Managing Directors
Volksbank Kehdingen eG
Drochtersen
(until July 2014)

ERNST GRUBER
Spokesman of the Board of
Managing Directors
Volksbank Wolfenbüttel-
Salzgitter eG
Wolfenbüttel

AHLRICH HAMEL
Member of the Board of
Managing Directors
Volksbank eG Westrhauderfehn
Rhauderfehn

CORD HASSELMANN
Member of the Board of
Managing Directors
Volksbank Lüneburger Heide eG
Winsen (Luhe)

ULRICH JANZEN
Member of the Board of
Managing Directors
Volksbank Nordhümmling eG
Börger

DETLEF KOMMISCHKE
Member of the Board of
Managing Directors
Volks- und Raiffeisenbank
Eisleben eG
Lutherstadt Eisleben

JOHANN KRAMER
Chief Executive Officer
Raiffeisen-Volksbank eG
Aurich

DR. MARTIN KÜHLING
Member of the Board of
Managing Directors
Volksbank Vechta eG
Vechta

JAN MACKENBERG
Member of the Board of
Managing Directors
Volksbank eG
Osterholz-Scharmbeck
Osterholz-Scharmbeck

JÜRGEN MANEGOLD
Spokesman of the Board of
Managing Directors
EDEKABANK AG
Hamburg

WALTER J. MEYER
Member of the Board of
Managing Directors
Volksbank Elsterland eG
Jessen (Elster)

JOACHIM MEYER
Member of the Board of
Managing Directors
Volksbank eG
Nienburg (Weser)

MICHAEL MÖLLER
Member of the Board of
Managing Directors
VR Bank Flensburg-Schleswig eG
Schleswig

AXEL NEUBERT
Member of the Board of
Managing Directors
Rostocker Volks- und
Raiffeisenbank eG
Rostock

GERHARD OPPERMANN
Deputy Spokesman of the
Board of Managing Directors
Hannoversche Volksbank eG
Hannover

MATTHIAS OSTERHUES
Member of the Board of
Managing Directors
Volksbank Oldenburg eG
Oldenburg

THORSTEN RATHJE
Member of the Board of
Managing Directors
Hamburger Volksbank eG
Hamburg

FRANK RAUSCHENBACH
Member of the Board of
Managing Directors
Volksbank Bramgau-Wittlage eG
Bramsche

REINER SCHOMACKER
Member of the Board of
Managing Directors
Norderstedter Bank eG
Norderstedt

SVEN VAN HAREN
Member of the Board of
Managing Directors
Volksbank eG
Fredenbeck-Oldendorf
Fredenbeck
(since January 2015)

ANDREAS WOBST
Member of the Board of
Managing Directors
Volksbank eG
Seesen

ADVISORY COUNCIL OF DZ BANK AG

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

DR. STELLA A. AHLERS
Chief Executive Officer
Ahlers AG
Herford

DR. WOLFGANG BAUR
Managing Director
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Beteiligungs KG
Bad Waldsee

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Agency
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Munich

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Managing Directors
Landwirtschaftliche Rentenbank
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DR. WERNER BRANDT
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(until June 2014)

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Faber-Castell AG
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Deutsche Zentral-
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Hamburg

KLAUS JOSEF LUTZ
Chief Executive Officer
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Managing Partner
Europa-Park GmbH & Co
Mack KG
Rust

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Managing Directors
Fraport AG
Frankfurt am Main

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, Zurich	•	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 in accordance with IFRS from the perspective of the relevant subgroup parent company.

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

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)	•	25.1
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)	•	74.9

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

Percentages in accordance with IFRS from the perspective of the relevant subgroup parent company.

EDITORIAL INFORMATION

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