Volksbanken Raiffeisenbanken
cooperative financial network

2015
ANNUAL REPORT

RETHINKING
BANKING

DZ BANK Group

KEY FIGURES

DZ BANK GROUP

€ million	2015	2014
FINANCIAL PERFORMANCE		
Operating profit[1 2]	2,660	3,085
Allowances for losses on loans and advances	-153	-191
Profit before contributions to the resolution fund and before taxes[2]	2,507	2,894
Net profit	1,796	2,157
Cost/income ratio (percent)[2]	54.6	49.8

	Dec. 31, 2015	Dec. 31, 2014
FINANCIAL POSITION		
Assets		
Loans and advances to banks	80,735	79,317
Loans and advances to customers	126,850	122,437
Financial assets held for trading	49,520	54,449
Investments[2]	54,305	57,283
Investments held by insurance companies	84,744	79,632
Remaining assets[2]	12,187	9,564
Equity and liabilities		
Deposits from banks	97,227	89,254
Deposits from customers	96,186	96,428
Debt certificates issued including bonds	54,951	55,609
Financial liabilities held for trading	45,377	51,702
Insurance liabilities	78,929	74,670
Remaining liabilities	15,942	16,774
Equity[2]	19,729	18,245
Total assets/total equity and liabilities[2]	**408,341**	**402,682**
Volume of business[2]	**701,591**	**665,648**

	Dec. 31, 2015	Dec. 31, 2014
LIQUIDITY ADEQUACY		
DZ BANK Group		
Economic liquidity adequacy (€ billion)[3]	8.9	11.4
DZ BANK banking group		
Liquidity coverage ratio – LCR (percent)	125.7	
Net stable funding ratio – NSFR (percent)	99.0	
CAPITAL ADEQUACY		
DZ BANK Group		
Economic capital adequacy (percent)[4]	173.3	167.3
DZ BANK financial conglomerate		
Financial conglomerate solvency[5] (percent)	182.7	174.4
DZ BANK banking group		
Total capital ratio pursuant to CRR (percent)[6]	18.8	16.8
Tier 1 capital ratio pursuant to CRR (percent)[6]	15.6	13.7
Common equity Tier 1 capital ratio pursuant to CRR (percent)[6]	13.9	12.2
Leverage ratio (percent)	4.5	
AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR	**30,029**	**29,596**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	Aa3	A1
Fitch Ratings	AA-	A+

1 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.
2 Prior-year figures restated.
3 Stress scenario with the lowest minimum liquidity surplus.
4 The figure as at December 31, 2014 differs from the figure in the 2014 Annual Report because the overall solvency requirement for the Insurance sector was recalculated as scheduled in the second quarter of 2015.
5 Dec. 31, 2015: provisional coverage ratio; Dec. 31, 2014: confirmed final coverage ratio.
6 CRR = Capital Requirements Regulation.

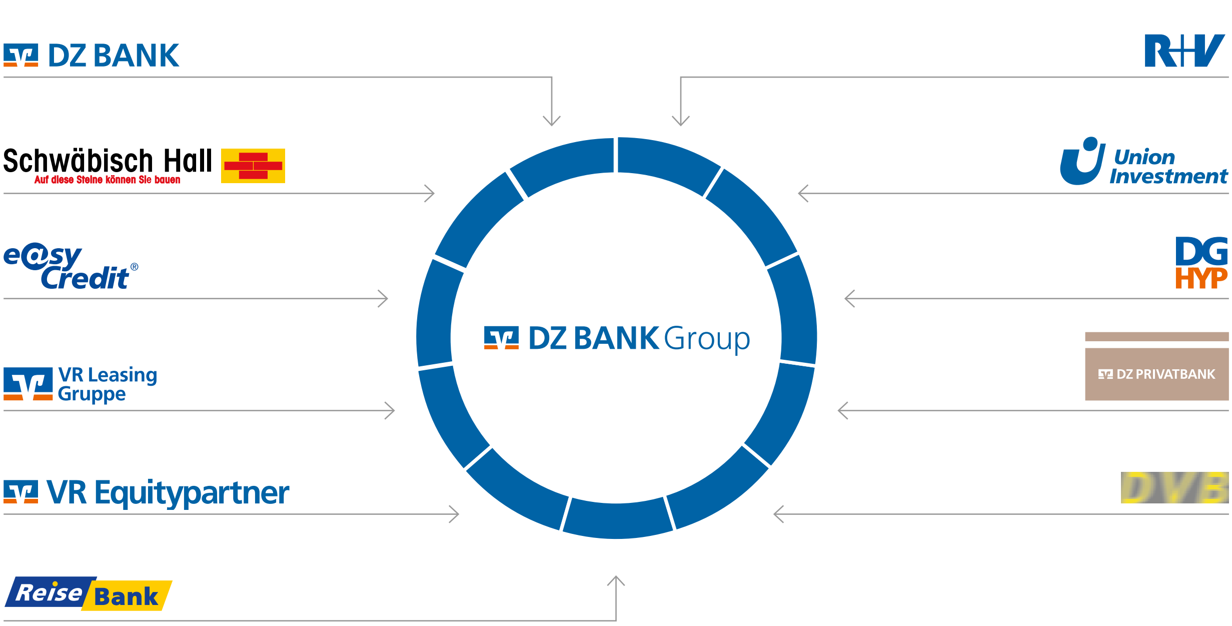
DZ BANK GROUP

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 over 850 cooperative banks and their 10,000 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 entities in 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.

ENTITIES IN THE DZ BANK GROUP



THE MAGAZINE
FOR THE 2015 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

2015 ANNUAL REPORT
RETHINKING BANKING

Digitization, more than almost any other development, is bringing established business models into question and creating considerable upheaval in the world of banking. This is having an effect on customer relationships, where digital and analog touchpoints come together. Banks need to analyze and update their products, services, structures, and processes if they are to remain successful in the market.

You can see how we are tackling this challenge in our magazine 'Rethinking banking'. If you would rather read a digital or mobile version, you can access the magazine and our latest Annual Report on the internet at www.annualreport.dzbank.com.

«
MAGAZINE
ACCOMPANYING THE
ANNUAL REPORT

CONTENTS

WOLFGANG KIRSCH (CHIEF EXECUTIVE OFFICER)

Dear Shareholders,

In 2015, the DZ BANK Group continued to perform well at the same time as implementing key strategic decisions, setting the course for the future. Yet again we achieved a very good set of results, generating profit before taxes of €2.45 billion. One of the most notable events in the year took place in November when DZ BANK and WGZ BANK jointly initiated a merger process to become one cooperative central institution. Once the two existing central institutions have been merged in 2016, the consolidation of the superstructure of the cooperative financial network will have been successfully completed.

The results achieved in 2015 were mainly attributable to the positive operating performance in all group companies, helped by additional tailwind from the robust German economy. Economic growth in Germany was driven primarily by strong domestic demand, bolstered by the continuation of the expansionary monetary policy pursued by the European Central Bank (ECB). The effect of low energy prices was also similar to a fiscal stimulus package. The result of all these factors was that once again our financial performance surpassed our expectations.

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

In the meantime, the international prospects for German businesses have become markedly gloomier. Economic growth in China and in many other emerging markets has, for example, slowed significantly. Within Europe, inadequate structural reform is increasing the likelihood of a renewed flare-up of the sovereign debt crisis. Economic imbalances in the eurozone are now accompanied by political tensions, reflected in anti-European tendencies in Spain, the United Kingdom and elsewhere. Such sentiment is being reinforced by the fact that Europe has so far struggled to come up with a viable social and economic approach to the migrant crisis. The European Union is currently running the risk of having to suspend two of its core accomplishments, the common currency and the Schengen area.

The performance of the DZ BANK Group is all the more encouraging in view of this increasingly unstable environment. DZ BANK AG enjoyed particular success in its Corporate Banking business line, especially in its joint marketing activities with the local cooperative banks, as demonstrated by the rise in the cooperative banks' market share to one fifth, an increase of one percentage point. In Transaction Banking, we consolidated our strong market position in payments processing and custody business. The performance of the Capital Markets business line was satisfactory given the tough market conditions caused by regulatory requirements and low interest rates. In Retail Banking, our sales held up well when measured against the challenging conditions in the market as a whole, primarily thanks to encouraging sales of products offering partial capital protection. We were able to achieve a substantial increase in market share.

Bausparkasse Schwäbisch Hall notched up strong new business growth, in both home savings and home finance, consolidating its position as market leader. At R+V Versicherung, low interest rates had a detrimental impact on life insurance business, although this contrasted with a gratifying rise in premiums in non-life business. Union Investment increased net inflows significantly from both institutional and retail clients, with inflows and assets under management again reaching record levels. TeamBank operates in a fiercely competitive environment but its performance remained steady. DZ PRIVATBANK generated pleasing volume growth in assets under management and in its custody business. DG HYP managed to achieve a significant increase in new commercial real estate finance business despite its prudent risk policy. The VR Leasing Group's core business remained steady, although earnings are still being adversely affected as non-core business is systematically scaled back. DVB Bank held firm and recognized a greater level of allowances for losses on loans and advances to reflect the difficult market circumstances.

Now to the results for the DZ BANK Group in detail: Against the backdrop of persistently low interest rates, net interest income was close to the prior-year level at €2.99 billion (2014: €3.05 billion). Allowances for losses on loans and advances decreased by a further 19.9 percent to €153 million. On the back of yet another rise in assets under management at Union Investment, net fee and commission income rose to a record €1.51 billion (2014: €1.42 billion). Gains and losses on trading activities amounted to a net gain of €369 million (2014: net gain of €471 million). A significant factor in the year-on-year change was the negative impact from the measurement of the Group's own issues. Gains and losses on investments remained positive with a net gain of €59 million, but this figure was substantially lower than the prior-year net gain of €109 million because of the absence of significant positive one-off items that had boosted the figure in 2014. Other gains and losses on valuation of financial instruments decreased in line with forecasts to a net gain of €300 million (2014: €327 million) as a consequence of a decline in positive valuation effects in connection with DG HYP's portfolio of government bonds. Net income from insurance business amounted to €676 million (2014: €940 million). This contraction was mainly attributable to a deterioration in the gains and losses on investments held by insurance companies compared with the very high prior-year level. Administrative expenses rose by 4.5 percent to €3.2 billion, largely because of the continually rising operating costs associated with the implementation of regulatory requirements and because of further investment in customer business.

Our success in the past financial year 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.

The excellent financial performance has allowed us to retain profits and further reinforce our capital base. By combining this with continuing prudent management of risk assets, we increased our common equity Tier 1 capital ratio by 1.4 percentage points to 13.6 percent.

Applying the provisions of the Capital Requirements Regulation (CRR) in full, the common equity Tier 1 capital ratio of the DZ BANK Group as at December 31, 2015 was 13.0 percent (December 31, 2014: 11.4 percent). We are therefore well equipped to deal with potential additional requirements. In the future, we will continue to give a high priority to effective capital management. This is also reflected in the dividend proposal of 16 cents to be submitted to the Annual General Meeting, which we believe represents a reasonable balance between retention of profits and the legitimate interests of the owners.

The regulatory environment remains a considerable challenge, even if occasionally claims are made to the contrary. The group is currently still in the process of working through numerous regulatory packages. The management of the relevant projects and capital investment in IT infrastructure are hugely important in addition to the impact on capital itself. Cost management, together with the industrialization and digitization of processes, remain top priorities.

The low interest rates mean that we will face falling income for the foreseeable future. For this reason, we are devoting a great deal of time and effort to developing potential additional sources of income by stepping up our business development activities and by intensifying customer relationships in our corporate banking business. Digitization may have brought more competitors into the market, but at the same time it has created new strategic partners, business opportunities and ways of reaching customers. The extent to which we are exploiting this potential is demonstrated, for example, by the overarching online payments system paydirekt and the refinement of our omnichannel approach in the retail banking business under the leadership of the National Association of German Cooperative Banks, BVR. We believe that the key to success does not lie in implementing defensive technical measures or rejecting our proven business model, but in pursuing steady, forward-looking regeneration within the existing model.

Against this backdrop, the upcoming merger between DZ BANK and WGZ BANK represents a fundamental strategic alignment that sets the course for the future – at the right time and in the interests of the whole of the organization. Our two banks will combine their strategic and operational strengths based on successful business models and complementary market territories. The two banks already share a clear focus on the local cooperative banks. The merger will now leverage considerable potential synergies from strategic, business management and regulatory perspectives. It will also open up new income and growth opportunities for the cooperative banks, the joint central institution and for the specialized service providers within the cooperative sector. The commencement of operations by the joint central institution is currently scheduled for August 1, 2016.

Meanwhile, the performance of our business in the current year is once again expected to benefit from the strength of the German economy. Whereas growth in the global economy is still likely to be muted in 2016 (and will also be affected by geopolitical tensions), the domestic economy in Germany is in good shape and will be bolstered both by the expansionary monetary policy of the European Central Bank and the low price of oil. Based on these factors, our economists expect the German economy to expand by 1.8 percent. At the same time, the weak start to the year and the turmoil on stock exchanges point to growing worries about the health of the global economy at present.

Our organization has always shown remarkable resilience and a great willingness to embrace change from within when faced with the challenges of the age. This is also highlighted in our second historical book project following the 'History of DZ BANK'. In the introduction to the book – which has again been produced under the aegis of the highly respected Institute for Banking and Financial History Research, IBF – the Senior Financial Editor of the Frankfurter Allgemeine Zeitung newspaper Gerald Braunberger writes: "Since it was established roughly one and a half centuries ago, the German cooperative movement has lived through, and sometimes suffered, more than a few political, economic, and social changes, but has always survived and understood that it needed to adapt." Encouraged by the knowledge of our history, which has not been short on upheaval, and by an awareness that we have always successfully taken our fate into our own hands, we can go about the tasks before us with confidence and strength.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer

HIGHLIGHTS

Looking back at 2015, 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 social 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 2015

(SELECTION)

DZ PRIVATBANK: 2015 MANAGEMENT FORUM

'Turning point – Europe's role in a changing world' was the theme of a lecture presented by Markus Gürne, journalist and head of the financial editorial team at German broadcaster ARD, at the management forum organized by DZ PRIVATBANK. Some 250 members from the boards of managing directors of the cooperative banks attended the forum at the Salle de Musique de Chambre at the Philharmonie

Luxembourg. Gürne's lecture addressed geopolitical crises and their economic implications. He explained how the rise of China and India to become economic superpowers is increasing these two countries' political influence whereas Europe is losing both economic and political sway. Other topics covered by the management forum included the conflict between Russia and Ukraine, the 'Islamic State' terrorist organization, and the crisis in Greece. Gürne and Dr. Stefan Schwab, Chief Executive Officer of DZ PRIVATBANK S.A., then discussed the impact from these key issues on financial markets and investor behavior.

BAUSPARKASSE SCHWÄBISCH HALL: €1 MILLION FOR PEOPLE IN NEED

The employees of Bausparkasse Schwäbisch Hall once again showed their compassion in 2015, donating around €38,000 at the beginning of the year for the victims of the earthquake in Nepal. The company rounded up the amount to €60,000. This was not the first fundraiser organized by employees of Schwäbisch Hall for people made homeless by natural disasters: Since 2002, employees have launched repeated appeals, attracting donations from colleagues and top-up contributions from their employer. In 2015, the total value of donations reached the impressive sum of €1 million.

DZ BANK: SOLUTIONS TO THE INTEREST RATE DILEMMA

Low interest rates represent a real dilemma for institutional investors such as banks, pension funds, and insurers. The 6th capital markets conference organized by DZ BANK highlighted possible solutions. Around 300 representatives of institutional investors from across Germany enjoyed an outstanding program at which ECB Executive Board member Yves Mersch, renowned German economist Isabel Schnabel and head of the Center for European Economic Research (ZEW) Clemens Fuest discussed the European economic system, ECB monetary policy, and investment opportunities in emerging markets. Wolfgang Kirsch, Chief Executive Officer of DZ BANK, focused on developments in Greece stating: "No one can save a country from itself." He appealed to European policymakers to put in place a more growth-friendly framework – also to safeguard jobs: "We cannot afford a lost generation in Europe." According to Theo Brockmann, who led the discussion as head of the relevant division, the conference and its highly focused content provided this demanding group of customers with significant added value for their day-to-day work.

VR LEASING GROUP:
GRANTS FOR LIVING

The Bürgerstiftung Vordertaunus began operational charity work in 2015 by awarding twelve grants with a value of €75,000 to the Goethe Institute Frankfurt and JOBLINGE gAG Frankfurt-RheinMain. This represents a strong statement of its intention to provide vocational support and foster social integration. The recipients of the grants include refugees from Syria, Eritrea, Ethiopia, and Afghanistan. Each of the recipients is sponsored by a VR Leasing Group employee who helps the young person concerned along the path to working life by providing assistance with work, daily life and cultural issues.

DZ BANK:
WHAT NEXT FOR GERMANY

How can we safeguard Germany's economic prosperity? What is our attitude to issues such as digitization, demographic change and immigration? These were some of the issues addressed by the 19th Investment Dialog on the theme 'What next for Germany'. Over 1,200 people attended the event at Frankfurt's Alte Oper concert hall, which featured top speakers such as Ulrich Grillo, President of the Federation of German Industries (BDI), and Reinhard Clemens from Deutsche Telekom's Board of Management. Successful start-ups also presented their business ideas, e.g. ReTravel, which enables travel arrangements to be transferred to another traveler at short notice if the original party cannot make the trip.

The participants were also impressed by two people who had won a youth research award after developing a way of steering wheelchairs by tracking the user's eye movements. Finally, Stefan Zeidler from DZ BANK's Board of Managing Directors, Friedrich Merz, Chairman of Atlantik-Brücke, and businessman Martin Kind (KIND Hörgeräte) discussed how Germany's economy can continue to grow in the future.

DZ BANK:
MASTERWORKS IN DIALOG

To celebrate the bicentennial of Frankfurt's Städel Museum in 2015, DZ BANK sponsored the special anniversary exhibition 'Masterworks in Dialog'. Around 200 customers and business partners of DZ BANK enjoyed the privilege of an exclusive preview on the evening prior to the official opening of the exhibition. The exhibition presented 40 works of art from some of the most prestigious museums around the world alongside key works from DZ BANK's collection of fine art. The Städel Museum also received a generous gift from the DZ BANK collection of contemporary photography.

UNION INVESTMENT:
10TH RISK MANAGEMENT CONFERENCE

Hardly any other issue had as great an impact on institutional investment in 2015 as the crisis in the eurozone and the dilemma caused by low interest rates. What is the future for Europe? Could there be a repeat of the crisis in Greece? What role will be played by the European institutions over the next few years? Some 260 institutional investors heard answers to these questions at Union Investment's risk management conference, which celebrated its 10th anniversary on November 11. High-caliber speakers such as former President of the European Commission José Manuel Barroso and distinguished international economist Professor Tomáš Sedláček offered their congratulations and took part in the discussions. To mark the anniversary, a new website was created at www.themeasurementofrisk.com that offers new ideas on risk perception and management and includes contributions from academics, practitioners, and nine guest speakers at Union Investment risk management conferences.

Awards in 2015

(SELECTION)

DZ BANK GROUP:
EMPLOYER AWARDS

- Top Employers Institute's Top German Employer award 2015 given to Bausparkasse Schwäbisch Hall, DZ BANK, R+V Versicherung, Union Investment
- audit berufundfamilie® employer award for the family-oriented HR policy at Bausparkasse Schwäbisch Hall, DG HYP, DZ BANK, R+V Versicherung, TeamBank, Union Investment, and VR Leasing Group
- Great Place to Work Germany award won again by TeamBank

DZ BANK:
TÜV SEAL OF APPROVAL FOR QUALITY MANAGEMENT SYSTEMS

- In 2015, 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:
EQUITY RESEARCH ON THE PODIUM AGAIN

- DZ BANK equity research picked up seven accolades in the 2015 Starmine Analyst Awards. Four of these accolades were for number one rankings in the top earnings estimator and top stock picker categories in various sectors. DZ BANK analysts were ranked first among the top stock pickers in both the Consumer Goods & Services and Insurance sectors, and were placed first out of all the top earnings estimators in both the Health Care and Insurance sectors. In the overall assessment, the equity analysts at DZ BANK were placed third in the category Best Broker for German Equities. In the Best Analysts category, DZ BANK analyst Thorsten Wenzel was ranked sixth.

DZ PRIVATBANK:
TOP MARKS AGAIN

- First 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)
- Outstanding Provider Award in the Best Managers of Foundation Assets 2015 awards presented by publisher Fuchsbriefe and Institut für Qualitätssicherung und Prüfung von Finanzdienstleistungen GmbH (IQF)
- Awarded summa cum laude in the Elite Report 2016 specialist magazine from Handelsblatt
- Inclusion of the cooperative family office 'WerteSchmiede' in the Family Office Elite list published in the Elite Report 2016 specialist magazine from Handelsblatt

UNION INVESTMENT:
OUTSTANDING PERFORMANCE AT BOTH COMPANY AND PRODUCT LEVELS

- Union Investment awarded the top five-star rating by Capital magazine in the Capital Fund Compass for the 14th time in succession.
- For the second year in a row, Finanzen Verlag GmbH bestowed the accolade Best Fund Management Company of the Year on Union Investment at the Golden Bull awards.
- At the 2016 Feri EuroRating Awards, rating agency Feri EuroRatings and Handelsblatt confirmed Union Investment as Best Asset Manager in the Socially Responsible Investing (SRI) category.
- Rating agency Scope presented Union Investment with the Scope Award in the Open-Ended Funds – Retail Real Estate European category.

BAUSPARKASSE SCHWÄBISCH HALL:
BEST BUILDING SOCIETY

» In October 2015, Schwäbisch Hall was chosen as Best Building Society in the annual assessment of building societies carried out by financial newspaper Euro am Sonntag and Deutsches Kundeninstitut. The ranking was based on the very good level of advice, very good service and good terms offered by Schwäbisch Hall, which achieved an overall assessment of 'very good' for the fourth time in succession. Schwäbisch Hall scored highly, particularly in the Advice category.

EASYCREDIT:
HIGH QUALITY AND FAIR

» TeamBank once again received certification from Deutsche Gesellschaft zur Zertifizierung von Managementsystemen (DQS) in a number of categories. Before the Fairness in Consumer Finance seal of approval could be granted, checks were carried out against 200 audit criteria to establish whether easyCredit satisfied the standards for a fair and responsible credit product. The certifications in accordance with DIN SPEC 77224 Service Excellence and DIN ISO 9001:2008 were also renewed as part of the combined audit. In the year under review, TeamBank achieved a further improvement in the audit findings in connection with DIN SPEC 77224.

» The 'fair credit' product emerged as the overall winner in the test of online consumer finance conducted by Gesellschaft für Verbraucherstudien mbH (ÖGVS) in collaboration with leading Austrian financial magazine FORMAT. This finance option offers a high-quality product and service experience regardless of channel – whether in branch at a cooperative bank, online or via a mobile device.

» For the fifth time in succession, TÜV AUSTRIA, Vienna, issued certification for the quality of service and advice relating to the 'fair credit' product.

R+V VERSICHERUNG:
BEST RATINGS FROM EXPERTS AND CUSTOMERS

» R+V Lebensversicherung AG achieved the top score of 5 stars in the Finsinger rating published in Wirtschafts-Woche magazine. A total of 68 life insurers were covered in the test.

» For the twelfth time in a row, the map-report financial analysis service awarded R+V Krankenversicherung AG its top 'mmm' grade (outstanding) for its exceptional work over many years.

» Independent auditors scrutinized R+V from the perspective of compliance with the Code of Conduct of the German Insurance Association, GDV – and the findings were positive. The first audit of this nature certified that R+V ensures that it provides high-quality customer advice and fair, needs-based brokering services for insurance products.

» Among farmers, R+V is the insurance company with the best image in the service provider category. In the annual survey conducted for the image barometer of the German Agricultural Society, DLG, R+V once again came out top of the poll.

» For the sixth time, KRAVAG was chosen as the best commercial vehicle insurer by a majority of the votes from around 8,500 readers of the trade journals 'lastauto omnibus', 'trans aktuell' and 'Fernfahrer'.

DG HYP:
STRONGEST BANKING BRAND IN THE REAL ESTATE SECTOR

» In May 2015, the European Real Estate Brand Institute (EUREB Institute), based in Berlin, awarded DG HYP the distinction of strongest banking brand in the real estate sector in 2014 following an empirical and scientifically based brand value study. The bank scored particularly well in terms of regional expertise and customer service.

GROUP MANAGEMENT REPORT

NOTE

DZ BANK AG Deutsche Zentral-Genossenschafts-bank, 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 very small discrepancies in the calculation of totals and percentages.

I. DZ BANK Group fundamentals

1. BUSINESS MODEL

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) focuses closely on the local cooperative banks, which are its customers and owners. The DZ BANK Group makes a significant contribution to helping the cooperative banks strengthen their market position by providing them with competitive products and services for incorporation into their end-customer business. The support is provided on the basis of the subsidiarity principle. In addition, the local cooperative banks benefit from substantial financial support in the 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 in short supply. In its role as a corporate bank, DZ BANK offers complementary services using existing products, platforms, and support activities. These services are constantly reviewed both from a strategic perspective (for example, so that there is no direct competition with the cooperative banks) and from an economic perspective (for example, so that the returns are appropriate and the risk acceptable).

The 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 Versicherung; subgroup abbreviated to 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.

In 2015, DZ BANK and WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) announced that they were proceeding toward a merger, creating one cooperative central institution and thereby completing the consolidation of the superstructure of the cooperative financial network. The members of the Boards of Managing Directors and the Supervisory Board chairmen of both banks signed a corresponding Memorandum of Understanding in November 2015. The merger will bring together the strategic and operating strengths of the two banks for the benefit of the entire cooperative financial network, based on a successful business model and complementary market territories. The merger agreement is scheduled to be signed in April 2016. The planned start date for the commencement of operations by the joint central institution is August 1, 2016. The potential synergies – from strategic, business management, and regulatory perspectives – are considerable. Looking ahead, there are also plans to establish a holding company to bring together overarching strategic and managerial functions, taking into account the regulatory framework. It is envisaged that the transformation into a holding company model would take place by the end of the decade following completion of the integration process. The joint central institution will be able to expand the collaboration with the cooperative banks – which number more than 1,000 – on a forward-looking basis with all services from a single source, driven by the consistent focus on the cooperative financial network.

Another great challenge that banks are having to face, in addition to the low interest rates and the regulatory framework, is the digitization of banking business. Together with WGZ BANK and all the other partners in the cooperative financial network, the DZ BANK Group is therefore involved in the Kundenfokus 2020 project led by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin, (BVR) [National Association of German Cooperative Banks]. The essence of this project is to integrate sales channels and take them to a new level with the specific aim of creating an omnichannel presence. The Kundenfokus 2020 project is thus the logical successor to the two preceding projects, Beratungsqualität (quality of advice) and webErfolg (web success). The comprehensive new project comprises numerous initiatives that will lay the foundations enabling the local cooperative banks to offer their customers and members an efficiently integrated online and offline range of products and services. This is the only way in which the cooperative financial network can safeguard its excellent market position for the future given the acceleration in digitization driven by fintech companies and innovators from outside the sector. One example of the capability available within the established banking sector and the successful collaboration that can be achieved is the paydirekt online payments solution, a system developed in line with market requirements and launched during the year under review. The German banking industry has jointly created an e-commerce payments solution that is secure and easy to use for both customers and merchants and that is able to compete with the new and established players in the sector.

The DZ BANK Group has set up an innovation management system, which coordinates all the existing innovation-related activities across the whole of the group. Within this system, innovation-related activities are discussed and possible areas for action identified in close cooperation with the BVR and the various committees in the DZ BANK Group. Collaboration with network partners and with third-party business growth accelerator companies, such as Axel Springer Plug & Play Accelerator, also helps the DZ BANK Group and the cooperative financial network support digital innovations at an early stage.

2.1. DZ BANK

DZ BANK has maintained its forward-looking corporate strategy in the business lines.

2.1.1. Corporate Banking

The corporate banking business of the local cooperative banks and DZ BANK is subject to fierce competition in the German market. The low level of interest rates currently prevailing is also continuing to increase the pressure on margins in this business line. To counter this trend, it is becoming more and more important to attract new customers through intensive, structured marketing and provide existing clients with comprehensive needs-based support.

In the year under review, DZ BANK continued to press ahead with its FokusKunde! initiative with the aim of attaining the growth targets specified for this business line. The main thrust of this initiative is, among other things, to optimize sales and management in corporate banking and address significant issues that cut across different areas of responsibility. More specifically, the initiative aims to ensure a clear customer focus, sales excellence in corporate banking, and the streamlining of processes and management in this business line. The initiative is also delivering further improvements in the collaboration between customer and product managers within the DZ BANK Group to strengthen cross-selling activities. FokusKunde! is therefore supporting the objectives of broadening the customer base, strengthening existing customer relationships by using products from the financial services group, and establishing more relationships in which DZ BANK is the principal bank of the customer concerned.

Since mid-2015, corporate banking and international business for corporate customers have been managed in a separate unit. This has continued the process of tightening up the holistic sales approach in corporate banking with a focus on international business products. The establishment of competence centers for international business at 8 regional locations means that corporate customers of the cooperative financial network and DZ BANK can be supported in their international business activities in line with their needs.

DZ BANK has joined with WGZ BANK and VR-LEASING AG, Eschborn, (VR-LEASING AG; subgroup abbreviated to VR LEASING) to develop an innovative online sales channel for the cooperative financial network with the name Easy Entry Business. This facility is offered on the Deutschland – made by Mittelstand website, where small and medium-sized enterprises and self-employed customers can submit a specific, structured customer inquiry. Easy Entry Business allows online activity by corporate customers to be turned into well-defined business inquiries for the lending, leasing, and investment product groups that can then be processed appropriately. Since mid-2015, the solution has also been available to local cooperative banks for integration into their websites and so far has been piloted by 22 banks.

2.1.2. Retail Banking

DZ BANK offers the local cooperative banks and their customers a comprehensive range of retail banking securities services. In 2015, DZ BANK became the market leader in the overall German market for investment certificates, demonstrating the success of these services.

DZ BANK systematically pursues an omnichannel approach in its retail banking securities services and supports the local cooperative banks with their omnichannel presence. The focus is on customers, with the objective of offering them a comprehensive personal investment solution that is tailored to their needs and available around the clock. From the customer perspective, this means both access to the bank in person as well as digital access, i.e. visits to a branch and personal contact with a customer advisor as well as access via a mobile login, numerous online tools (such as VR-ProfiBroker and VR-ProfiTrader), and the new derivatives portal at www.dzbank-derivate.de.

2.1.3. 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 mainly 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. During the year under review, DZ BANK concentrated on a number of areas, notably the refinement of customized relationship management approaches and further expansion of electronic trading platforms for relevant products and customers to maintain the process of structuring the capital markets business profitably over the long term.

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 cash flows within the DZ BANK Group, and the management of interest-rate risk at DZ BANK.

2.1.4. Transaction Banking

In the transaction banking business, DZ BANK again provides a comprehensive range of services for the local cooperative banks and supports the marketing activities of these banks.

One aspect of digitization that is currently receiving a great deal of attention from the cooperative financial network is the issue of online and mobile payment solutions, i.e. e-payments and m-payments. In the year under review, the cooperative financial network established and put into operation the new paydirekt online payments solution in an overarching project implemented jointly with other financial institutions in Germany. The launch of this solution is enabling the cooperative financial network to meet the challenge posed by increasing competition from third-party providers and is thereby helping to safeguard the income stream from payments business. With further development, the paydirekt system could be extended to provide a mobile payments solution. The new online payments system is therefore not only expanding the product portfolio of the local cooperative banks in the e-commerce sector, but is also already providing an upgradable basis for further innovation. Other development work being carried out by DZ BANK in transaction banking includes a highly detailed critical analysis of possible opportunities in payments processing and securities settlement business. This work is being carried out jointly with ReiseBank AG, Frankfurt am Main, (ReiseBank) and involves discussions with universities and technology enterprises.

Significant competitive pressures combined with new regulations known to be coming into force are changing the payments and card processing landscape. To counter the effects of these trends, DZ BANK is offering the local cooperative banks strategic assistance backed by specific action and campaigns to help them maintain a successful card processing business over the long term. In 2015, these efforts resulted in an increase in the number of credit cards in line with the objectives of the Wachstumsinitiative Karten (cards growth initiative).

2.2. BSH

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (Bausparkasse Schwäbisch Hall; subgroup abbreviated to BSH) is the market leader in building society operations in Germany. Based on the cost savings program initiated in 2014, BSH is striving to achieve efficiency enhancements involving an IT systems overhaul, an expansion in digitization, and strengthening of sales and service operations with a view to maintaining its successful performance over the long term and meeting the challenges presented by the low level of interest rates.

A key component of the strategy for consolidating BSH's market-leading position in this operating segment is the network-oriented development of online channels for attracting new home savings customers. This is being carried out in close collaboration with the local cooperative banks. The tried-and-tested marketing campaign with the tagline 'Du kaufst den wichtigsten Ort der Welt' (You are buying the most important place in the world) was also successfully continued in the year under review.

BSH is the competence center for consumer home finance in the DZ BANK Group and provides local support for the cooperative banks, helping them to secure and consolidate their position in the home finance market in the face of stiff competition. Over the past few years, this activity has become more important for BSH as a second pillar of its business alongside the building society operations.

BSH is planning growth in its international business with varying risk-oriented target growth rates depending on the market concerned. In the future, it also intends to identify countries offering potential for a market entry. BSH is looking to achieve a market-leading position for each of its international long-term equity investments.

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. It markets its products in close collaboration with (currently) more than 400 local cooperative banks, enabling them to meet the needs of their small and medium-sized commercial real estate finance customers and be a partner in the commercial real estate finance provided by DG HYP to its customers.

DG HYP also assists the local cooperative banks with public-sector funding inquiries, allowing these banks to strengthen their presence in this market.

As part of its corporate strategy, DG HYP is continuing to wind down certain specified portfolios. This well-established strategy and the associated phasing-out of portfolios will also be maintained in subsequent years.

2.4. DVB

DVB Bank SE, Frankfurt am Main, (DVB Bank; subgroup abbreviated to 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.

In its core lending business, DVB continues to concentrate its activities on steady, sustainable new business coupled with proactive risk management. In the future, existing customer relationships are to be strengthened by improving the services for the customer with the help of a state-of-the-art customer relationship management system. Within this framework, DVB will focus primarily on its range of advisory and capital market products.

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 center of excellence and solutions provider for private banking business in the cooperative financial network. DZ PRIVATBANK continues to focus squarely on a decentralized growth strategy, at the core of which it aims to expand and consolidate the collaboration with the cooperative banks in Germany. In line with this corporate strategy, sales activities are strengthened on a local, targeted basis according to available potential. For example, further operations were opened in Berlin, Leipzig, and Oldenburg during the year under review. DZ PRIVATBANK therefore now operates nine branches and two offices in Germany.

Using its strong competitive position in the fund services market, DZ PRIVATBANK is also striving for further profitable growth in this business segment. In the year under review, for example, it again stepped up its collaboration with the Union Investment Group in the custodian bank services business.

Back in 2014, DZ PRIVATBANK had initiated an action plan to streamline the structure and management of the group and to enhance profitability. As part of this process, the international offices of DZ PRIVATBANK were reorganized in the year under review with significant parts of the administration and production units being concentrated in Luxembourg and sales-related functions in Germany. This has allowed DZ PRIVATBANK to make the best possible use of its rented office space, scaling back where appropriate. These measures are helping to increase the efficiency and profitability of DZ PRIVATBANK and gain further market share for the cooperative financial network in the target segment of high-net-worth retail and corporate customers in Germany.

2.6. R+V

R+V is one of the leading providers in the German insurance market. It operates in almost 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.

In the future, R+V aims to continue gaining market share in its various areas of activity through greater leverage of potential in the network and by increasing the rate of cross-selling, enabling it to position itself as the preferred partner for pensions and insurance in the cooperative financial network. Other key areas of focus aimed at increasing market share include the further development of omnichannel sales in collaboration with the BVR and the ongoing development of innovative products to gain access to new groups of customers.

Comprehensive reform of insurance supervision was introduced on January 1, 2016 when the provisions of the EU's Solvency II Directive came into force. During the year under review, the R+V Group pressed ahead with an internal project specifically aimed at implementing the requirements arising from these provisions.

2.7. TEAMBANK

TeamBank AG Nürnberg, Nuremberg, (TeamBank) is a cooperative consumer finance provider. Close collaboration with the local cooperative banks lies at the heart of its business model. TeamBank positions itself as the fairest consumer finance expert in the German market based on its easyCredit product and focuses on the provision of cash management advice for customers. It plans to sustain market growth in this business segment in the future by continuously refining its products, processes, and communications with customers and the local cooperative banks.

Given the advancement of digitization in the industry, TeamBank attaches particular importance to involvement with the strategic BVR projects aimed at establishing omnichannel capability while at the same time enhancing the quality of advisory services. In this regard, it has set up an IT-based advisory process for its consumer finance business, in which the software helps the advisor to capture customer wishes before automatically generating a product recommendation. In July 2015, TeamBank became one of the first specialist providers to integrate video-based verification of customer identity into the ordering procedure, making it much easier to complete the product sale process.

2.8. UMH

Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding; subgroup abbreviated to UMH) is the central asset manager in the cooperative financial network. In 2015, its assets under management reached a record level of €260.8 billion.

In retail customer business, UMH is one of the two largest and most successful asset managers in Germany as well as being the market leader in capital preservation funds and Riester pension products. UMH works continuously on the development of innovative products to sustain its growth strategy. In the year under review, for example, it launched funds to make the most of upside potential in the current environment of low interest rates.

In the institutional customers segment, UMH operates as a proactive risk manager and solutions provider, offering an integrated range of products across all asset classes. This approach is enabling UMH to attract an increasing number of institutional investors from the non-cooperative sector to complement its clients from the cooperative financial network.

In the year under review, UMH also took over the asset management companies owned by the Volksbanken cooperative banks in Austria. The aim is to strengthen UMH's market presence in Austria and open up access to additional customer groups, primarily in the retail customer segment.

2.9. VR LEASING

VR LEASING started an in-depth restructuring process back in 2011. Since then, it has tailored its activities very firmly to the needs of the local cooperative banks and their small and medium-sized enterprise customers with strong regional ties. The existing international business was deemed to be inconsistent with this strategy and has been systematically scaled back since the beginning of the restructuring. For example, in 2015 VR LEASING pulled out of the Slovakian market and began to withdraw from Hungary.

VR LEASING has also specified growth in its core business as one of its priorities, to be achieved by a number of approaches including an improvement in the relationship management offered on the ground for the local cooperative banks. To this end, it is developing an advisory approach that gives the local cooperative banks the best possible support in the sales process. Other key aspects of the corporate strategy are the digitization of the corporate business and the refinement of the product range alongside a focus on strengthening the sound regulatory basis and rigorous management of costs.

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,

FIG. 1 – MANAGEMENT COMMITTEES IN THE DZ BANK GROUP

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

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

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. In addition to the entire Board of Managing Directors of DZ BANK, the members of this committee comprise the chief executive officers of BSH, DZ PRIVATBANK, R+V, TeamBank, UMH, VR LEASING, 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 25 of the German Supervision of Financial Conglomerates Act (FKAG) and section 25(a) of the German Banking Act (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, Group Risk Controlling/Credit, and Group Treasury. The committee members also include representatives of the executives of various group companies. The Group Risk and Finance Committee has set up the following working groups to prepare proposals for decisionmaking 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.

– The management of credit risk throughout the group is the responsibility of the **Group Credit Management working group** of the Group Risk and Finance Committee. The limitation and monitoring of credit risk is based on agreed and binding group standards and procedures, taking into account the business policy concerns of the entities involved. The Group Credit Management working group is responsible for the further development of the group credit risk strategy and the group credit manual and assists the Group Risk and Finance Committee with the group-wide harmonization of credit-related processes with due regard to their economic necessity. 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 dovetailing funding strategies and liquidity reserve policies, as well as on planning the funding 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 requirements in the following areas to ensure integrated resource management: capital management, balance sheet and balance sheet structure management, 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 regulatory law. It discusses new statutory requirements and works out possible implementation options.

The members of the **Innovation Roundtable** comprise specialists, executive managers, and innovation managers from the various divisions of DZ BANK and the group companies. The Innovation Roundtable is therefore the Group Coordination Committee's key point of contact for information on innovations and trends relevant to the group. The objectives of the Innovation Roundtable are to systematically examine innovative topics with group relevance on an ongoing basis, to bring together the divisions involved in innovation projects and to ensure that innovation activities in the DZ BANK Group are transparent. Innovation topics are broadly based throughout the DZ BANK Group and are developed in the relevant departments and subsidiaries by the product and sales committees.

The **product and sales committees** are acting as centers responsible for 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 across all sales channels (omnichannel approach).

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

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 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.

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 members of the boards of managing directors with responsibility for HR and 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 **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.

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 entities in the DZ BANK Group are integrated into groupwide management. In the case of subgroups, the disclosures in the group management report on management units relate to the entire subgroup comprising the parent company of the subgroup plus its subsidiaries and second-tier subsidiaries. The management units are managed by the parent company in the subgroup, which is responsible for compliance with management directions in the subsidiaries and second-tier subsidiaries.

The following management units are each managed as a separate operating segment:

- DZ BANK
- BSH
- DG HYP
- DVB
- DZ PRIVATBANK
- R+V
- TeamBank
- UMH
- VR LEASING.

These fully consolidated entities are 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. of this group management report.

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

- **Liquidity adequacy:**
  Appropriate levels of liquidity reserves are demonstrated using the ratios for economic and regulatory liquidity adequacy presented in chapter VI., section 6. of this group management report. The minimum liquidity surplus reflects economic liquidity adequacy. Regulatory liquidity adequacy is expressed in terms of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

- **Capital adequacy:**
  The KPIs and the calculation method for economic capital adequacy are described in chapter VI., sec-

tion 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):**
  Regulatory RORAC is a risk-adjusted performance measure. In the year under review, it reflected the relationship between profit before taxes and before contributions to the resolution fund (in 2014, profit before taxes) and regulatory risk capital (own funds/ solvency requirement). It therefore shows the return on the regulatory risk capital employed. This 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, notably in quarterly meetings with the subsidiaries and in review meetings with the DZ BANK divisions.

Groupwide initiatives are implemented in order to unlock identified marketing potential. These include the development of new, innovative products and sales methods for the strategic business lines – 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, Group Risk Controlling, Group Finance, and Research and Economics. The planning coordinators in the front-office divisions 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 1.7 percent year on year.

The economic uptrend of 2014 was sustained in the year under review, with the recovery in economic output in Germany making steady progress, albeit at a modest rate. Growth was 0.4 percent in the first quarter of 2015 and likewise in the second quarter. The gain in economic output was 0.3 percent in both the third and fourth quarters.

In the year under review, eurozone GDP grew by 1.5 percent year on year, although the pace of growth slackened a little over the twelve months following a first-quarter growth rate of 0.5 percent (compared with the previous quarter). While economic recovery still led to growth of 0.4 percent in the second quarter, the gains of 0.3 percent in each of the third and fourth quarters were more muted.

The economic upturn in the eurozone in 2015 was mainly driven by consumer spending. Consumer confidence suffered little lasting adverse impact from the geopolitical crises and military conflicts in Ukraine and the Middle East or from the terrorist attacks in Europe. Lower energy prices also gave a boost to household consumption. Given weaker levels of foreign trade with emerging markets, it is unlikely that eurozone exports will have made any contribution to the growth because they will probably have remained below the level of imports.

In the United States, economic output expanded by 2.4 percent in the year under review. Growth in the US economy initially gathered pace during the course of the year, but fell away again in the fourth quarter. Overall however, the principal economic driver remained the recovery in consumer spending, which was also bolstered by further improvements in the labor market, notably a fall in the unemployment rate and a sharp rise in recruitment. Residential construction also saw a significant recovery. Businesses substantially increased capital investment in plant and machinery too.

Some of the emerging economies continued to experience economic difficulties in the year under review. Weaknesses in commodities markets had a detrimental impact, primarily on Brazil and Russia. China felt the effects of a slowdown in its economic growth. By and large, demand from emerging markets provided less of a growth stimulus for German exports than in previous years.

An increase in consumer and government spending provided a major boost to the German economy in the reporting year. Government spending was also influenced by additional expenditure incurred in connection with the greater influx of refugees. Consumer demand rose by 1.9 percent year on year, aided by robust trends in the labor market and the extremely low returns available on consumer investments. At the same time, however, businesses remained unenthusiastic about spending on capital equipment in view of the geopolitical uncertainties and crises.

The increase in tax receipts generated by the steady economic growth meant that public finances in Germany ended 2015 with a budget surplus of 0.5 percent of GDP.

2. THE BANKING INDUSTRY AMID CONTINUED EFFORTS TO STABILIZE THE ECONOMY OF THE EUROZONE

In the reporting year, the focus in the EU continued to be on efforts to stabilize economic conditions in the eurozone.

The euro area maintained its restrained rate of economic growth during the year under review, while growth in the global economy remained steady at a modest level overall.

In the eurozone as a whole, however, only limited progress was made in reducing new and total borrowing. At the end of the third quarter of 2015, the total borrowing of the 19 eurozone countries equated to 91.6 percent of their GDP, a year-on-year decrease of just 0.7 percentage points (September 30, 2014: 92.3 percent).

Eurozone countries Ireland, Portugal, and Spain, which had been reliant on EU aid during the sovereign debt crisis, notched up further significant successes in the reporting year on their path of economic renewal and fiscal recovery. At the start of June 2015, Ireland's long-term credit rating from Standard & Poor's was increased from A to A+. In mid-September 2015, Standard & Poor's upgraded Portugal's credit rating from BB to BB+, and at the beginning of October 2015 Spain's rating from BBB to BBB+. Compared with 2014, all three countries saw their economic output increase in 2015 at a rate higher than or equal to the average growth rate for the eurozone.

France and Italy, countries that are also important in generating overall economic growth in Europe, continued to suffer from a high level of indebtedness and unsatisfactory economic strength. This was the main reason why the pace of growth in France and Italy was again below the European average during the reporting year.

Greece, which in 2014 had managed to increase its real economic output by 0.7 percent year on year, saw a slight contraction in its GDP in 2015 following the shift in economic policy introduced by the radical alliance between the left and the right under Prime Minister Alexis Tsipras.

The US Federal Reserve (Fed) maintained a target range for its federal funds rate near to 0 percent over the whole of the reporting year. On December 16, 2015, the Fed announced that it was raising this target range by 25 basis points, the first rate change since December 2008.

At its meeting held on January 22, 2015, the European Central Bank (ECB) decided to maintain its main refinancing operations interest rate at 0.05 percent and the deposit facility rate for banks at -0.20 percent. It also decided to initiate a bond-buying program with a monthly volume of €60 billion, beginning in March 2015 and running until September 2016. The ECB's stated aim was to counter the risk of deflation and bring inflation back to a level close to, but below, 2 percent. A further objective was to strengthen growth in the eurozone by encouraging greater lending by banks.

The considerable injection of liquidity provided by the ECB's extensive bond-buying program triggered marked price rises in the equities and bond markets, mainly in the first months of 2015. In mid-April 2015, the DAX reached a high for the year of almost 12,300 points. However, over the rest of 2015, this trend gave way to a marked increase in volatility on stock markets as a consequence of the developments outlined below.

Following a prolonged period of uncertainty, the Greek parliament finally gave its consent on July 15, 2015 to the proposed package of reforms representing the conditions for the third Greek bailout of €86 billion originally put forward in mid-July 2015 by the heads of state and government and subsequently approved by the countries in the European Monetary Union (EMU). From the summer months onward, it also became apparent that the Chinese economy was slowing.

In the last quarter of the reporting year, an announcement by Mario Draghi that the ECB would initiate an expansion in its monetary policy measures at the beginning of December 2015 triggered another substantial uptrend in equity markets.

On December 3, 2015 the ECB decided to extend its asset-buying program at the current monthly level until at least March 2017. It also opted to maintain the main refinancing operations rate at 0.05 percent but lower the deposit facility rate for banks from -0.2 percent to -0.3 percent.

The ECB cited the persistently low level of inflation as one of the critical reasons why these monetary policy measures were required. Inflation in the eurozone had actually reached 0.3 percent in May, ending a period of many months in which the rate had been 0 percent or even slightly lower. Finally, the EU's statistical office Eurostat published an inflation rate of 0.2 percent for the month of December 2015.

One of the significant factors causing the low rate of inflation was the price of oil, which had fallen sharply since 2014. The core rate of inflation, which excludes energy and food, was 0.9 percent in December 2015.

The ECB is maintaining its policy of strengthening economic growth by transferring liquidity to the eurozone banks, the aim of which is to encourage the banks to commit to a greater level of lending. However, another factor that needs to be taken into account is that the eurozone banks are themselves under an obligation to improve their capital adequacy and liquidity position as a consequence of tighter regulatory requirements following the introduction of Basel III.

Furthermore, the volume of eurozone banks' corporate customer lending portfolios remained more or less unchanged between the end of December 2014 and the end of December 2015. Although the previously noticeable contraction in lending volume has therefore been halted, there is little likelihood that businesses will commit to any sharp increase in capital investment financed by borrowing because of the current level of production capacity utilization.

The reasons behind this situation are probably the geopolitical crises and uncertainties coupled with the current global economic growth, which is only at a moderate level, particularly in emerging markets. In turn, the position in emerging markets is without doubt primarily also attributable to the economic slowdown in China, which has been in evidence since the summer of 2015 and has been the consequence of a sharper focus in China on the service sector – a shift never previously carried out on this scale by a planned economy. In addition to the contraction in import growth in China, another significant factor underlying the economic slowdown in emerging markets in general has been the fall in global market prices for energy and commodity exports.

At the same time, it is important to note in this regard that low energy prices are not only boosting consumer spending, currently one of the main drivers of economic growth in the eurozone, but are also having a positive impact on a large number of businesses because the fall in prices is reducing costs.

Given the limited impact on the real economy from the ECB's monetary policy measures, an improvement in structural conditions therefore remains the best possible route by which a range of eurozone countries could escape the high level of indebtedness we referred to at the beginning.

Although the expansion of the ECB measures – which benefit the financial markets first and foremost – will improve funding terms and conditions for the countries of the eurozone, it will properly not prevent sovereign debt in these countries from remaining at a high level.

In most cases, the major German banks managed to generate year-on-year increases in operating income in the year under review despite a challenging market environment. Without exception, allowances for losses on loans and advances recognized by banks were lower than in 2014. The administrative expenses of all the large banks increased, particularly in view of the enhanced regulatory requirements.

3. FINANCIAL PERFORMANCE

3.1. FINANCIAL PERFORMANCE AT A GLANCE

The DZ BANK Group successfully consolidated its position in the reporting year 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 2015 were as described below.

Operating income in the DZ BANK Group amounted to €5,858 million (2014: €6,146 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 2.0 percent year on year to €2,988 million (2014: €3,049 million).

Net interest income declined at DZ BANK (excluding income from long-term equity investments) by €150 million, at BSH by €25 million, at DVB by €42 million, at DZ PRIVATBANK by €6 million, and at VR LEASING by €3 million. At DG HYP and TeamBank, net interest income rose by €13 million and €6 million respectively.

Income from long-term equity investments in the DZ BANK Group rose by €164 million in 2015 to €233 million (2014: €69 million). The year-on-year increase was largely attributable to a dividend from EURO Kartensysteme GmbH, Frankfurt am Main, (EKS) amounting to €134 million, EKS having benefited from income generated from the disposal of MasterCard shares.

Allowances for losses on loans and advances in the reporting year amounted to €153 million (2014: €191 million).

The specific loan loss allowances recognized for the DZ BANK Group came to a net addition of €176 million (2014: net addition of €210 million). Under portfolio loan loss allowances for the DZ BANK Group, there was a net reversal amounting to €18 million (2014: net reversal of €47 million).

Further detailed disclosures regarding the risk situation in the DZ BANK Group can be found in this group management report in VI. (Combined opportunity and risk report).

Net fee and commission income in the DZ BANK Group increased by 7.0 percent to €1,514 million (2014: €1,415 million).

Net fee and commission income at UMH went up significantly by €126 million. It also improved slightly at DZ BANK (by €12 million) and at DZ PRIVATBANK (by €1 million). However, net fee and commission income declined at BSH (down by €17 million), TeamBank (down by €14 million), and DVB (down by €5 million).

The DZ BANK Group's **gains and losses on trading activities** in 2015 came to a net gain of €369 million compared with a net gain of €471 million for 2014. This was largely attributable to the gains and losses on trading activities at DZ BANK amounting to a net gain of €332 million (2014: €449 million).

Gains and losses on investments in the DZ BANK Group fell by €50 million to a net gain of €59 million (2014: net gain of €109 million).

The main reasons for the year-on-year change in gains and losses on investments were the factors described in the details for the operating segments DZ BANK, DG HYP, and DVB.

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a net gain of €300 million in 2015 (2014: net gain of €327 million).

Of the figure reported for the DZ BANK Group for 2015, a gain of €221 million (2014: €335 million) was accounted for by DG HYP and a gain of €75 million (2014: loss of €52 million) by DVB.

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 declined in 2015 by €264 million to €676 million (2014: €940 million).

The main reason for this change in net income was a significant contraction in gains and losses on investments held by insurance companies and other insurance company gains and losses, which was only partly offset by a rise in premium income and reduced insurance benefit payments.

Administrative expenses in the DZ BANK Group rose by €137 million or 4.5 percent year on year to €3,198 million (2014: €3,061 million), including an increase in staff expenses of €11 million (0.7 percent) to €1,610 million (2014: €1,599 million) and an increase in other administrative expenses of €126 million (8.6 percent) to €1,588 million (2014: €1,462 million).

The DZ BANK Group's **other net operating income** amounted to a net expense of €48 million (2014: net expense of €165 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, R+V, TeamBank, and VR LEASING.

Profit before contributions to the resolution fund and before taxes for the reporting year amounted to €2,507 million compared with €2,894 million in 2014.

The DZ BANK Group's **cost/income ratio** (i.e. the ratio of administrative expenses to total operating income) for 2015 was 54.6 percent (2014: 49.8 percent).

FIG. 2 – INCOME STATEMENT

€ million	2015	2014	Change (%)
Net interest income	2,988	3,049	-2.0
Allowances for losses on loans and advances	-153	-191	-19.9
Net fee and commission income	1,514	1,415	7.0
Gains and losses on trading activities	369	471	-21.7
Gains and losses on investments	59	109	-45.9
Other gains and losses on valuation of financial instruments	300	327	-8.3
Net income from insurance business	676	940	-28.1
Administrative expenses[1]	-3,198	-3,061	4.5
Staff expenses	-1,610	-1,599	0.7
Other administrative expenses[2]	-1,588	-1,462	8.6
Other net operating income	-48	-165	-70.9
Profit before contributions to the resolution fund and before taxes	2,507	2,894	-13.4
Contributions to the resolution fund	-54	-27	100.0
Profit before taxes	2,453	2,867	-14.4
Income taxes	-657	-710	-7.5
Net profit	1,796	2,157	-16.7

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

The **regulatory return on risk-adjusted capital (RORAC)** was 23.5 percent (2014: 27.9 percent).

Contributions to the resolution fund totaled €54 million (2014: €27 million).

The new European bank levy, introduced in accordance with the requirements of Directive 2014/59/EU (BRRD), replaces the German bank levy that had been collected by the Bundesanstalt für Finanzmarktstabilisierung (FMSA) [Federal Agency for Financial Market Stabilization] since 2011 and that was recognized under administrative expenses. Given that they were expected to constitute a significant amount, the contributions collected as the new European bank levy have been presented in a separate line item in the 2015 income statement called 'contributions to the resolution fund'. Consequently, the bank levy of €27 million recognized under administrative expenses in the income statement for 2014 was restated in 2015 and reclassified to the 'contributions to the resolution fund' line item.

Profit before taxes in the reporting year amounted to €2,453 million compared with a figure of €2,867 million in 2014.

The DZ BANK Group's **income taxes** amounted to €657 million in the reporting year (2014: €710 million).

This included a deferred tax expense of €143 million (2014: €298 million) and a current tax expense of €514 million (2014: €412 million).

The DZ BANK Group generated a **net profit** of €1,796 million in 2015 compared with a net profit of €2,157 million in 2014.

The following provides an explanation of the above information and the details below (section 3.2) concerning the financial performance of the DZ BANK Group with reference to the corresponding presentation in the outlook (chapter V. of the 2014 group management report).

In 2015, the DZ BANK Group generated profit before taxes that was well in excess of the budget. A significant contributing factor was that the additions to allowances for losses on loans and advances recognized in the year under review, mainly at DZ BANK and DG HYP, were markedly below the budgeted allowances in view of the stable economic environment in Germany. All the actual figures for the component items of net income from insurance business at R+V also exceeded the budget. In addition, the performance of UMH, which was significantly better than forecast with substantial growth in net new business, led to net fee and commission income considerably in excess of forecasts.

3.2. FINANCIAL PERFORMANCE IN DETAIL

Figure 3 shows the details of the financial performance of the DZ BANK Group's operating segments in 2015 compared with 2014.

3.2.1. DZ BANK

Net operating interest income (excluding income from long-term equity investments) at DZ BANK fell by 25.8 percent to €431 million (2014: €581 million).

It should be noted that where non-trading currency swaps were used to hedge interest-bearing balance sheet items, the swap income and expenses were treated as interest income and expense in the reporting year reflecting the nature of the income and expense involved. This resulted in interest income of €114 million in 2015. In 2014, these income and expense components had been recognized under gains and losses on trading activities. By contrast, net interest income from hedges in lending and capital markets business was down by €126 million year on year.

In addition, net interest income from lending and money market business declined by €54 million compared with 2014, largely as a result of the lower net interest margin contribution in the Corporate Banking strategic business line (down by €15 million) and a fall in the net interest margin contribution from group finance (down by €13 million). Income from long-term securities also went down compared with the previous year, decreasing by €28 million.

In the detailed descriptions, the financial performance of the strategic business lines is presented on the basis of the net income values used by financial planning and control for business management purposes.

The Corporate Banking strategic business line 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, the net interest margin contribution in the Corporate Banking strategic business line came to €269.9 million, which was 5.2 percent down on the figure for 2014 of €284.7 million. Against this decrease, there was an increase in the contribution from trad-

FIG. 3 – SEGMENT INFORMATION

2015

€ million	DZ BANK	BSH	DG HYP
Net interest income	1,192	918	308
Allowances for losses on loans and advances	44	-48	78
Net fee and commission income	289	-111	30
Gains and losses on trading activities	332	–	-19
Gains and losses on investments	89	–	-60
Other gains and losses on valuation of financial instruments	31	3	221
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	-1,079	-444	-107
Other net operating income	1	24	11
Profit/loss before contributions to the resolution fund and before taxes	899	342	462
Contributions to the resolution fund	-30	-1	-15
Profit/loss before taxes	**869**	**341**	**447**
Cost/income ratio (%)	55.8	53.2	21.8
Regulatory RORAC (%)	14.7	41.1	40.5
Total assets/total equity and liabilities as at Dec. 31, 2015	216,452	61,217	46,926

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	-962	-489	-104
Other net operating income	-88	38	13
Profit/loss before contributions to the resolution fund and before taxes	909	380	597
Contributions to the resolution fund	-3	-1	-18
Profit/loss before taxes	**906**	**379**	**579**
Cost/income ratio (%)	51.9	55.0	15.6
Regulatory RORAC (%)	21.3	51.4	49.1
Total assets/total equity and liabilities as at Dec. 31, 2014	220,563	57,648	50,989

DVB	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	Total
188	147	–	526	17	162	-470	2,988
-142	–	–	-81	–	2	-6	-153
103	112	–	-111	1,227	26	-51	1,514
13	22	–	–	–	–	21	369
35	–	–	–	-7	12	-10	59
75	9	–	–	-15	-2	-22	300
–	–	14,418	–	–	–	–	14,418
–	–	3,132	–	–	–	-52	3,080
–	–	-14,664	–	–	–	–	-14,664
–	–	-2,287	–	–	–	129	-2,158
-184	-218	–	-201	-703	-170	-92	-3,198
-49	-33	26	1	37	-49	-17	-48
39	39	625	134	556	-19	-570	2,507
-5	-1	–	-2	–	–	–	-54
34	**38**	**625**	**132**	**556**	**-19**	**-570**	**2,453**
50.4	84.8	–	48.3	55.8	>100.0	–	54.6
14.9	12.1	23.9	34.5	>100.0	0.1	–	23.5
26,549	17,496	90,280	6,866	2,072	4,909	-64,426	408,341

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
-184	-214	–	-199	-656	-172	-81	-3,061
30	-14	-73	-62	18	-90	63	-165
79	54	788	69	486	-86	-382	2,894
-4	–	–	-1	–	–	–	-27
75	**54**	**788**	**68**	**486**	**-86**	**-382**	**2,867**
56.6	79.9	–	55.7	57.4	>100.0	–	49.8
18.0	17.8	33.1	18.6	>100.0	-23.6	–	27.9
24,463	14,785	85,663	6,736	1,840	5,241	-65,246	402,682

ing on customer account arising from cross-selling activities.

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.

Given production capacity utilization at almost average levels and less-than-buoyant export demand, businesses remained unenthusiastic about capital investment in the reporting year despite historically low interest rates and the stable domestic economy. This unwillingness to invest was also fueled, in particular, by the slowdown in economic growth in China as well as by ongoing geopolitical risks. 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 their own resources.

The main year-on-year changes in the net interest margin contribution from each of the product fields in the Structured Finance division are described below.

In the development lending/agribusiness product field, the net interest margin contribution saw a slight decline, largely margin-related, to €50.7 million, equating to a decrease of 0.9 percent compared with the 2014 figure of €51.1 million.

In development lending, the new business processed on behalf of the cooperative banks expanded year on year. One of the areas in which development lending was focused was again energy-efficient new building and renovations in the privately owned housing sector. The year under review also saw an encouraging trend in commercial development lending.

In the syndicated business/renewable energies product field, the net interest margin contribution rose significantly in 2015 by 11.8 percent to €20.1 million (2014: €18.0 million) because DZ BANK is well positioned in the market for finance connected with renewable energies.

In the acquisition finance business, the division 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 continued to make 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. The net interest margin contribution amounted to €24.0 million, 17.2 percent lower than the prior-year figure of €28.9 million.

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. The net interest margin contribution advanced slightly from €34.0 million in 2014 to €34.7 million in the reporting year, an increase of 1.9 percent.

The net interest margin contribution from project finance business amounted to €24.4 million, an increase of 4.6 percent on the equivalent figure in 2014 of €23.3 million.

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 €4.0 million in the reporting year, €0.4 million higher than the equivalent figure in 2014 of €3.6 million.

Allowances for losses on loans and advances amounted to a net reversal of €44 million (2014: net reversal of €16 million), including a net reversal of specific loan loss allowances of €24 million (2014: net addition of €11 million) and a net reversal of portfolio loan loss allowances of €11 million (2014: net reversal of €41 million).

Net fee and commission income rose by 4.3 percent to €289 million (2014: €277 million).

In the Corporate Banking strategic business line, the service contribution in 2015 of €146.0 million equated to a slight decrease of 3.4 percent compared with the corresponding 2014 figure of €151.1 million.

The main year-on-year changes in the service contribution from each of the product fields in the Structured Finance division are described below.

In the syndicated business/renewable energies product field, the service contribution went down from €6.4 million in 2014 to €3.8 million in 2015. This decrease of 39.9 percent was attributable to a drop in the service contributions in both the syndicated business and the renewable energies segment.

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. The service contribution therefore declined markedly from €20.6 million in 2014 to €11.5 million in the reporting year (a decrease of 44.2 percent).

The service contribution in the international trade and export finance business contracted by 18.9 percent to €11.3 million (2014: €13.9 million) as a consequence of fiercer competition.

In the international documentary business, the service contribution amounted to €12.8 million, a substantial gain of 21.7 percent on the equivalent prior-year figure of €10.5 million, primarily derived from growth in the guarantee business.

In the project finance business, the service contribution shrank by 15.6 percent to €9.6 million (2014: €11.4 million).

The asset securitization product field comprises structured investments and receivables financing for defined asset types. The service contribution of €52.5 million in 2015 represented an increase of 40.0 percent compared with the 2014 figure of €37.5 million. The rise was attributable to a number of factors, notably changes in the exchange rate between the euro and US dollar and higher structuring income.

In the Capital Markets/Institutional Clients and Capital Markets/Retail strategic business lines, the comprehensive range of shares and advice available in relation to capital-generating products again proved popular with customers of the cooperative banks and direct customers of DZ BANK in 2015, and customers drew on these services frequently. DZ BANK repeatedly managed to prevail against German and international competitors, despite the fiercely contested market environment. The satisfaction of customers is testimony to the high level of product expertise at DZ BANK in a constantly changing market. The cooperative banks and direct customers also value the transaction security offered by DZ BANK in connection with the execution of such capital transactions.

The service contribution generated by the Operations/Services division in 2015 was also significantly higher than the equivalent figure reported for 2014 as a result of a rise in the income from securities custody business.

Gains and losses on trading activities declined by €117 million to a gain of €332 million (2014: €449 million), largely as a result of effects outside the operating business.

The contribution from trading income decreased as a result of the widening spreads, primarily in connection with bank bonds. At the same time, this decrease was almost fully offset by an increase in the contribution from trading on customer account.

In addition, where non-trading currency swaps were used to hedge interest-bearing balance sheet items, the swap income and expenses were treated as interest income and expense in the reporting year, reflecting the nature of the income and expense involved. In 2014, the realized non-trading swap positions had been recognized under gains and losses on trading activities.

Under liabilities recognized at fair value, there was a loss of €49 million in the year under review (2014: gain of €45 million).

Further factors influencing the gains and losses on trading activities included interest-rate-related changes in the fair value of cross-currency basis swaps used to hedge currency risk amounting to a gain of €26 million (2014: gain of €10 million).

This figure at DZ BANK also included the balance of unrealized and realized gains and losses relating to ABSs, which amounted to a loss of €11 million (2014: gain of €10 million).

The products and services of DZ BANK's customer-oriented capital markets business are geared to the needs of the cooperative banks, specialized service providers within the cooperative sector, and their retail and corporate customers. In addition, DZ BANK has business relationships with direct corporate customers and institutional customers in Germany and abroad. The portfolio comprises competitively priced investment and risk management products involving the asset classes of interest rates, equities, loans, and foreign exchange. These products are complemented by a broad range of advisory and research services, structuring expertise, and platforms.

Trends in capital markets in the year under review were shaped by the ECB's policy of quantitative easing and its decision to maintain the historically low benchmark rate and the negative interest rate for central bank deposits previously decided upon in September 2014. These factors led to a further year-on-year increase in the average level of prices on equity markets. The regulatory environment also had an impact on markets and market players in the reporting year.

We once again improved our market position in the structured products business for retail investors. Measured on the basis of outstanding volume, we are now the market leaders with a market share of 16.4 percent as at December 31, 2015 (December 31, 2014: 15.5 percent). In the case of flow products, the continually issued structures for independent retail investors, we lifted our market share from 8.1 percent in December 2014 to 10.2 percent in December 2015 and now occupy the number three spot in the overall market. However, we were unable to escape the tough market and exchange conditions, with the result that sales of structured products for retail investors slipped from €4.2 billion to €3.8 billion.

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, the cooperative banks aimed for broad diversification in their securities portfolios. The focus here was on fund products from the Union Investment Group.

In order to improve their liquidity coverage ratio (LCR), the banks also stepped up their investment, especially in the third quarter of 2015, in securities eligible as Level 1 or Level 2 assets in the LCR calculation. Further action to improve the LCR on the liabilities side of the balance sheet included the replacement of funding repayable on demand with funding based on longer maturities.

In the capital markets business with institutional customers, investor demand was concentrated on corporate, subordinated, and high-yield bonds. Real estate, infrastructure, and equities were further asset classes attracting investor attention. Given greater customer interest in hedging instruments, the market volume of exchange-traded derivatives rose markedly year on year.

In corporate customer securities business, there was a rise in the demand from institutional investors for interest-rate hedges, especially in project business (real estate and structured finance), driven by the heightened market volatility from the second quarter of 2015 onward. These investors focused primarily on long-term interest-rate hedges. The deposit-taking business suffered as a result of falling interest rates.

The fall in the value of the euro, coupled with the generally high level of market volatility, resulted in an increase in trading volumes in the management of currencies for corporate and institutional customers.

Against the backdrop of the historically low interest rates, the corporate customers of the cooperative banks increasingly turned to interest-rate hedges using sound and valuable pools of receivables as collateral. In particular, companies with a longer planning horizon were aiming to enter into interest-rate hedges with maturities of 10 to 30 years.

New bond issuance business was dominated by the ECB's extensive program of bond buying, which began in March 2015, and its impact on the primary and secondary markets. The business in the first half of 2015 was also impacted by other factors, notably market uncertainty resulting from the ongoing crisis in Greece. In these challenging conditions, DZ BANK's primary bond markets business performed well overall and domestic business was brisk. Domestic business benefited both from DZ BANK's strong presence in the major industrial customers market and from the high level of issuing activity among cooperative issuers.

The net gains under **gains and losses on investments** declined by €44 million to €89 million (2014: €133 million).

This figure included a gain of €65 million on the disposal of DZ BANK's long-term equity investment in VISA Inc., San Francisco. The gains and losses on investments also included a gain on the disposal of Italian bonds amounting to €7 million.

The 2014 figure had 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. The corresponding gain in the year under review amounted to €1 million.

Administrative expenses climbed by 12.2 percent to €1,079 million (2014: €962 million). Within this amount, staff expenses were pushed up by the increase in headcount and salary adjustments. The rise in other administrative expenses was largely attributable to a larger project portfolio and to a rise in premiums, contributions, and fees.

Other net operating income amounted to €1 million (2014: net expense of €88 million) and included for the most part income from the reversal of provisions amounting to €45 million in addition to an expense of €10 million from the transfer of losses to DZ BANK from GENO Broker GmbH, Frankfurt am Main, and an expense relating to the restructuring of DZ BANK business activities in Poland amounting to €9 million.

In 2014, other net operating income had included an expense of €130 million from the transfer of losses to DZ BANK in connection with DZ Beteiligungsgesellschaft mbH Nr. 11, Frankfurt am Main. It had also included, in particular, proceeds of €30 million from the merger of AGAB Aktiengesellschaft für Anlagen und Beteiligungen, Frankfurt am Main, with DZ BANK.

Profit before contributions to the resolution fund and before taxes for the year under review amounted to €899 million. The decline of €10 million compared with the figure of €909 million reported for 2014 was mainly a consequence of the changes described above.

The **cost/income ratio** for DZ BANK in 2015 was 55.8 percent (2014: 51.9 percent).

Regulatory RORAC was 14.7 percent (2014: 21.3 percent).

3.2.2. BSH

In the BSH subgroup, **net interest income** declined by 2.7 percent to €918 million (2014: €943 million).

Net interest income for the reporting year included an additional expense of €30 million, recognized in profit or loss, resulting from the increase in home savings provisions. The fall in net interest income was also primarily attributable to the lower interest rates available on investments.

In non-collective home finance business, net interest income rose again in the reporting year. Brisk demand for advance and interim financing generated an increase in interest income, despite average interest rates falling. The persistently low level of interest rates meant the contribution to income from available funds was virtually unchanged even though a greater volume was invested year on year. In the home savings loans business, smaller portfolios and a drop in average interest rates led to a fall in interest income.

Accompanied by a higher interest cost, the volume of home savings deposits at BSH grew to €51.0 billion in 2015, up by €2.7 billion compared with December 31, 2014. The substantial volume of home savings deposits reflects the significant appeal of home savings, which allow investors to accumulate a sound stock of capital, subsequently enabling them to acquire, extend, renovate, and/or modernize residential real estate for their own use.

It is precisely during periods of heightened volatility in financial markets that customers show greater levels of interest in financing products with stable interest rates, enabling them to secure the historically low interest rates for the future.

In November 2015, Schwäbisch Hall launched a new generation of home savings rates. In the year under review, the sustained market success of the innovative Schwäbisch Hall rates and charges once again confirmed BSH as the market leader in building society operations.

Allowances for losses on loans and advances increased year on year by €28 million to €48 million (2014: €20 million). BSH carried out highly detailed credit-portfolio analyses to complement its risk measurement systems, which are calibrated on the basis of historical default data. These analyses allowed BSH to identify further loans already showing signs of default risk at the present time, taking into account the current economic environment. Allowances for losses on loans and advances of €25 million were recognized to cover the risk.

Net fee and commission income deteriorated by €17 million year on year to a net expense of €111 million (2014: net expense of €94 million).

BSH pays fees and commissions to the cooperative banks and to the integrated, bank-supported field sales force on the basis of BSH contracts signed with customers. Given a significant increase in new business volume in 2015, the associated fee and commission expense led to correspondingly lower net fee and commission income in the BSH subgroup. This additional expense was compounded in the year under review by an addition to the home savings provisions of €5 million and an adjustment to the carrying amount of the receivables in connection with sales charges (expense of €5 million).

In the home savings business, BSH maintained its position as market leader, signing approximately 900 thousand new home savings contracts in 2015, exceeding the impressive level of new home savings business in 2014 and attaining a record volume of €35.0 billion for the year (up by 12.8 percent on 2014).

In the home finance business, Schwäbisch Hall achieved a new business volume of €12.2 billion, surpassing the previous record of €10.6 billion set in 2014 by some way. This figure does not include home savings contracts and bridging loans from Schwäbisch Hall or other referrals totaling €2.2 billion. If the latter is included, the total volume of new home finance business came to €14.4 billion (2014: €13.4 billion).

Home savings and home finance business was boosted by activity in key future areas of growth, notably energy efficiency improvements and conversion of homes to make them accessible to the elderly.

Faced with rising energy costs, almost 73 percent of homeowners cite a reduction in energy consumption as the main reason for carrying out modernization work to improve energy efficiency. At the same time, this investment is making an effective contribution to reducing climate impact and protecting the environment. The German government has set itself a climate policy target of cutting the heating requirement for the housing stock by around 20 percent by 2020.

Another area of considerable potential demand is arising from demographic change and the need to make residential real estate compatible with the needs of the older population. Since Germany's statutory extension of the scope of Riester subsidies at the beginning of 2014 to include the conversion of homes for barrier-free access, the Fuchs WohnRente product offered by BSH has taken on huge significance. More than 105 thousand new contracts were signed in connection with this product in the reporting year. It is important to note that, since November 2015, the new Fuchs 03 product has made Riester pension solutions available to the customer in different variants that are even better tailored to individual needs.

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 decrease in **administrative expenses**, which fell by a total of €45 million to €444 million (2014: €489 million), was largely attributable to the costcutting measures introduced in 2014 and to projects aimed at increasing efficiency. Staff expenses declined by €27 million to €224 million (2014: €251 million), mainly as a result of lower expenses for wages and salaries and lower additions to personnel provisions. Other administrative expenses went down by €18 million to €220 million (2014: €238 million), primarily because of lower consulting, office, IT, and marketing expenses.

Profit before contributions to the resolution fund and before taxes for 2015 amounted to €342 million (2014: €380 million), mainly because of the changes described above.

The **cost/income ratio** in 2015 was 53.2 percent (2014: 55.0 percent).

Regulatory RORAC was 41.1 percent (2014: 51.4 percent).

3.2.3. DG HYP

Net interest income at DG HYP amounted to €308 million, a slight gain of 4.4 percent compared with the figure of €295 million for 2014.

This increase was largely attributable to the higher early redemption payments in the reporting year and to the effects of repurchasing own issues, which had resulted in greater expenses within net interest income in 2014 compared with the year under review.

The German market for investments in commercial real estate saw a significant expansion in transaction volume to €55.1 billion in 2015, an increase of almost 40 percent.

The principal reasons behind the strong growth were the limited number of investment alternatives offering suitable returns, given the historically low level of interest rates, and the stable political and economic conditions in Germany.

However, one of the consequences of the buoyant demand for commercial real estate investments from both German and foreign investors in the reporting year was heightened risk in the market because the rise in purchase prices then led to greater pressure on yields, especially in prime locations.

DG HYP addressed this challenging economic environment with a conservative business strategy, the key feature of which was a selective procedure taking account of the relevant investment risk when deciding on the granting of finance.

In this regard, the existing decentralized structure of the commercial real estate market in Germany was beneficial to DG HYP. Unlike the markets in some of its neighboring countries in Europe, Germany has a large number of economically strong locations outside the major cities.

Against this background, the existing regional network of local cooperative banks and their close proximity to customers is proving an inestimable advantage. The local cooperative banks' extensive local knowledge is also ideally complemented by the financing know-how and real estate expertise of DG HYP, the specialist provider of commercial real estate finance in the cooperative financial network.

Continuing to pursue this market strategy in 2015, DG HYP generated a volume of new business amounting to €5,722 million (2014: €4,941 million) despite the sustained period of challenging competitive conditions and a greater general willingness of banks to commit to lending. Of this total, €5,637 million (2014: €4,709 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 maintained at a high level, the volume in 2015 amounting to €2,825 million (2014: €2,617 million).

DG HYP assists the local cooperative banks with public-sector funding inquiries for the benefit of the cooperative financial network. Taking account of borrowers' credit ratings, DG HYP prepares finance offers that the cooperative banks then present to local authorities. The volume of financing rose by €19 million in 2015 to €378 million (2014: €359 million).

Allowances for losses on loans and advances amounted to a net reversal of €78 million (2014: net reversal of €35 million), including a net reversal of specific loan loss allowances of €49 million (2014: net reversal of €11 million) and a net reversal of portfolio loan loss allowances of €29 million (2014: net reversal of €27 million).

Gains and losses on investments amounting to a net loss of €60 million (2014: net gain of €4 million) included an impairment loss on a bond issued by HETA ASSET RESOLUTION AG, Klagenfurt, in an amount of €25 million. The effects on gains and losses from mortgage-backed securities including the loss allowance for latent risk amounted to a total net loss of €16 million (2014: net loss of €1 million). Gains and losses on investments also included the recognition of a loss effect of €21 million from the disposal of a bond classified as an available-for-sale financial asset, the sale having been made to reduce non-strategic risk exposures. Some of these losses were offset by receipts in respect of securities previously written off amounting to €2 million (2014: €4 million).

Other gains and losses on valuation of financial instruments amounting to a net gain of €221 million (2014: net gain of €335 million) reflected the weaker narrowing of credit spreads compared with 2014 on bonds from the peripheral countries of the eurozone.

Administrative expenses amounted to €107 million (2014: €104 million) and included a marginal increase in both staff expenses and other administrative expenses.

Profit before contributions to the resolution fund and before taxes declined significantly in the reporting year by €135 million to €462 million (2014: €597 million). The primary reason behind this decrease was the negative change in other gains and losses on valuation of financial instruments as a consequence of the factors described above.

The **cost/income ratio** in 2015 was 21.8 percent (2014: 15.6 percent).

Regulatory RORAC was 40.5 percent (2014: 49.1 percent).

3.2.4. DVB

Net interest income in the DVB subgroup declined by 18.3 percent to €188 million (2014: €230 million).

The decrease in net operating interest income (excluding income from long-term equity investments) of €33 million to €184 million (2014: €217 million) resulted for the most part from a drop in leasing proceeds combined with higher special accelerated depreciation allowances in connection with ships taken over as part of a bailout purchase, and from liquidity costs as a result of a continuing high level of early loan redemptions in transport finance.

Income from long-term equity investments declined by €9 million to €4 million (2014: €13 million). This change is mainly explained by the fact that the share of profit or loss recognized using the equity method in 2014 was positively impacted by the remeasurement of two container funds and an aviation fund.

During the year under review, global freight and passenger transport in all areas of the transport sector was influenced by a continuing economic recovery in the eurozone, moderate growth in the US economy, and a slowdown of economic expansion in emerging markets, particularly China. 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

2015 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 190 deals in transport finance business in the reporting year (2014: 187 deals) with a new business volume of €7.0 billion (2014: €6.3 billion).

The year-on-year increase in **allowances for losses on loans and advances** of €80 million to €142 million (2014: €62 million) largely related to the core shipping business, in which the net addition to allowances for losses on loans and advances rose by €49 million to €88 million (2014: €39 million), and for the first time to the core offshore business, in which the net addition to allowances for losses on loans and advances amounted to €22 million (2014: €- million).

Net fee and commission income fell by 4.6 percent to €103 million (2014: €108 million).

The main cause was a marked increase in competition in the transport finance business. The fee and commission income generated by transport finance and ongoing lending declined by €5 million to €59 million and by €4 million to €18 million respectively. On the other hand, fee and commission income from asset management rose by €2 million to €8 million. Fee and commission income from consulting remained almost at the level of 2014 at €18 million.

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

The net gains under **gains and losses on investments** rose by €35 million to €35 million (2014: €0 million). This increase was largely attributable to the disposal of some of the shares in Wizz Air Holdings Plc, London, generating a gain of €65 million. In 2015, impairment losses totaling €29 million were also recognized in respect of the carrying amounts of two companies accounted for using the equity method.

The improvement in **other gains and losses on valuation of financial instruments** of €127 million to a net gain of €75 million (2014: net loss of €52 million) was primarily attributable to a positive year-on-year change of €92 million in gains and losses on valuation of non-derivative financial instruments using the fair-value option and a positive change of €19 million in gains and losses on derivatives used for purposes other than trading.

Administrative expenses of €184 million were generally more or less at the level of 2014 (€184 million). The rise in other administrative expenses of €5 million to €80 million was mostly accounted for by higher property, occupancy, IT, office, and consultancy costs. Staff expenses fell by €5 million to €104 million, mainly as a consequence of the Unity (Plus) cost-cutting program initiated in 2014 and the lower bonus provision recognized in 2014.

Other net operating income amounted to a net expense of €49 million (2014: net income of €30 million). In the year under review, this figure included an impairment loss on goodwill in the DVB segment of €28 million, which was applied at group level, and an impairment loss of €36 million on a damages claim relating to the consolidated subsidiary Dalian Deepwater Developer Ltd; some of these expenses were offset by an increase of €10 million in income from the deconsolidation of fund management companies in the shipping finance and aviation finance businesses.

Other net operating income in 2014 mainly comprised 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.

Profit before contributions to the resolution fund and before taxes for the year under review amounted to €39 million. The decline of €40 million compared with the figure of €79 million reported for 2014 was mainly a consequence of the changes described above.

The **cost/income ratio** in 2015 was 50.4 percent (2014: 56.6 percent).

Regulatory RORAC was 14.9 percent (2014: 18.0 percent).

3.2.5. DZ PRIVATBANK

Net interest income at DZ PRIVATBANK contracted by 3.9 percent year on year to €147 million (2014: €153 million).

The main reasons behind this decline in net interest income were the further year-on-year fall in the historically low level of interest rates and the implementation of a risk-conscious investment strategy.

These adverse effects on income were partly offset by positive factors during the reporting year. Besides an improvement in the situation for funding denominated in Swiss francs compared with 2014, exchange rate movements meant that financial instruments denominated in Swiss francs had a positive impact on 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 €5.2 billion as at December 31, 2015 (December 31, 2014: €5.4 billion).

Net fee and commission income rose by 0.9 percent to €112 million (2014: €111 million), primarily resulting from growth in the volume of fund services business.

This additional income was partly offset by adverse effects from the currency-related increase in the expense from sales commission in the LuxCredit business and from the reduction in net fee and commission income in private banking caused by high pressure on margins.

As at December 31, 2015, the value of funds under management had grown by €12.0 billion to €97.9 billion (December 31, 2014: €85.9 billion). The number of fund-related mandates as at December 31, 2015 had fallen by 8 to 604 (December 31, 2014: 612).

At the end of the reporting year, the funds managed on behalf of high-net-worth individuals had increased to a total of €15.6 billion (December 31, 2014: €14.2 billion). Three new offices, in Berlin, Leipzig and Oldenburg, were opened in Germany in 2015 in order to facilitate DZ PRIVATBANK's collaboration with the cooperative banks.

Gains and losses on trading activities were up by €13 million to a net gain of €22 million (2014: net gain of €9 million), predominantly because of an improvement in gains and losses on exchange differences that, in turn, resulted from the greater volume of customer-initiated transactions related to the expansion in the fund service business and from the Swiss National Bank's unpegging of the Swiss franc exchange rate.

Administrative expenses in 2015 amounted to €218 million (2014: €214 million). In addition to higher expenses related to occupational pension provision, the other main reason for this year-on-year increase of €4 million was the currency effects from the Swiss National Bank's unpegging of the Swiss franc exchange rate.

Other net operating income amounted to a net expense of €33 million (2014: net expense of €14 million) and included an amortization expense of €16 million in respect of acquired customer relationships together with additions to provisions of €21 million in connection with retail banking risks.

Against the background of the factors explained above, **profit before contributions to the resolution fund (first time payment of €1 million in 2015) and before taxes** amounted to €39 million (2014: €54 million).

The **cost/income ratio** for DZ PRIVATBANK in 2015 was 84.8 percent (2014: 79.9 percent).

Regulatory RORAC was 12.1 percent (2014: 17.8 percent).

3.2.6. R+V

Premiums earned climbed by €491 million to €14,418 million (2014: €13,927 million), reflecting the tight integration of the R+V subgroup into the cooperative financial network. The already very high level of premiums earned in 2014, which had been boosted by significant growth stimulus, was therefore again exceeded, this year by 3.5 percent. Gross premiums written increased to €14,536 million in the year under review (2014: €14,040 million), up by 3.5 percent on the impressive level of premiums generated in 2014.

Premium income in the life insurance and health insurance business grew overall by 1.0 percent year on year. In its domestic business, R+V outperformed the market significantly, achieving an appreciable growth rate of 5.1 percent. Although premium income rose in the bAV and pV Fonds businesses, premium income from IndexInvest and pV Klassisch declined.

In the non-life insurance business, the growth in premiums was 4.1 percent, with most of this growth being generated from vehicle insurance and from retail and corporate customers.

In the inward reinsurance business, premium income rose by 16.6 percent. The reasons for this increase were the upward trends in the vehicle and fire/non-life insurance sectors and positive currency effects.

Gains and losses on investments held by insurance companies and other insurance company gains and losses declined by 30.1 percent to a net gain of €3,132 million (2014: net gain of €4,482 million).

The rise in long-term interest rates in the year under review contrasted with a marked fall in corresponding interest rates in 2014. Over the course of the reporting year, there was an improvement in the equity markets relevant to R+V, the gain in these markets being higher than that in 2014. Changes in exchange rates in the reporting year were a little less favorable for R+V than in the previous year.

Overall, within the gains and losses on investments held by insurance companies, these market trends resulted in lower unrealized gains and higher write-downs.

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 unit-linked life insurance business in the ‘insurance benefit payments’ line item presented below, however, the change in the level of gains on investments held by insurance companies only partially affected the level of net income from insurance business before taxes in 2015.

Insurance benefit payments went down by 3.9 percent to €14,664 million (2014: €15,264 million).

In line with the change in premium income and lower gains on investments held by insurance companies, lower additions were made to insurance liabilities at companies offering personal insurance. An amount of €559 million was added to the supplementary change-in-discount-rate reserve.

In non-life insurance, insurance benefit payments rose for a number of reasons, notably higher claims under natural disasters insurance.

Insurance business operating expenses incurred in the course of ordinary business activities went up by 0.1 percent to €2,287 million (2014: €2,284 million).

Other net operating income amounted to €26 million (2014: net expense of €73 million) and in 2015 included a gain of €39 million on the disposal of shares in an associate held for sale.

Given the factors described above, **profit before taxes** for the reporting year declined by €163 million to €625 million (2014: €788 million).

Regulatory RORAC was 23.9 percent (2014: 33.1 percent).

3.2.7. TeamBank

Net interest income at TeamBank rose by 1.2 percent to €526 million (2014: €520 million).

TeamBank, the consumer finance specialist in the cooperative financial network, faced increasingly fierce competition in 2015, with providers attracted by the boom in consumer demand throughout the whole of the year. Added to this, TeamBank also had to cope with the particular challenges presented by the advances in digitization.

Against this challenging background, TeamBank successfully maintained its position based on the tried-and-tested collaboration with its partner banks in the cooperative sector. Loans and advances to customers grew by 2.5 percent to €6,977 million (December 31, 2014: €6,808 million), enabling the market share of the cooperative financial network to be sustained at the high level of 18.8 percent (as at September 30, 2015). As at December 31, 2015 the number of customers was 622 thousand.

The impressive performance by TeamBank in this market is based on the consolidation of TeamBank's positioning as a fair provider, which is consistent with cooperative values. The success of this approach is strikingly demonstrated by the fact that, at the end of 2015, TeamBank was working in fair, collaborative partnership with 82 percent of all the local cooperative banks in Germany and collaborative relationships had been established with 72 partner banks in Austria.

To meet the enhanced technological requirements presented by e-commerce, TeamBank has implemented multichannel capability for its easyCredit products as part of its 'noLine' project. Customers now have access to an easyCredit product with identical variants and service components across all sales channels, whether online (internet, mobile devices, telephone) or offline. Starting from an online order for the purchase of an easyCredit product, the customer can switch over at any point and continue the process with discussions in person at a partner bank.

TeamBank also strengthened the market presence of its product variants, which have been successfully established as part of its customer business.

In 2015, a total of 430 partner banks and around 73 thousand customers were using easyCredit-Finanzreserve, which is still the only credit card on the market with a consumer finance function. It combines the typical features of easyCredit, such as flexibility and fairness, with the benefits of a needs-based financial reserve.

The innovative advisory concept known as 'easyCredit-Liquiditätsberater' has been helping the cooperative idea to gain more prominence. Approximately 120 thousand members benefited from advice in 2015, and this included around 25 thousand new members for the cooperative financial network.

TeamBank also successfully launched its installment purchasing pilot project in 2015. During the testing phase, the installment purchasing product offers customers the option of making partial payments to online merchants, thereby enabling TeamBank to leverage market potential in the e-commerce segment.

Allowances for losses on loans and advances decreased by €8 million to €81 million (2014: €89 million) as a result of an improvement in the age structure of outstanding receivables and a lower volume of terminations.

Net fee and commission income saw a negative change of 14.4 percent to a net expense of €111 million (2014: net expense of €97 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 and loan protection insurance products.

Administrative expenses remained virtually unchanged year on year at €201 million (2014: €199 million) despite forward-looking capital investment. Other administrative expenses amounted to €115 million and were thus almost at the same level as in the previous year (2014: €116 million) overall. Property and occupancy costs were down by €3 million following the integration of the easyCredit shops into the branches of partner banks and consultancy costs decreased by €2 million, whereas IT costs went up by €6 million. Staff expenses rose by €3 million to €86 million, predominantly as a result of changes under collective pay agreements.

Other net operating income amounted to €1 million. In 2014, this figure had been a net expense of €62 million, mainly comprising provisions for the integration of the easyCredit shops into the branches of partner banks and claims for the reimbursement of administration fees.

Profit before contributions to the resolution fund and before taxes rose by €65 million to €134 million (2014: €69 million), largely as a consequence of the factors described above.

The **cost/income ratio** for TeamBank in 2015 was 48.3 percent (2014: 55.7 percent).

Regulatory RORAC was 34.5 percent (2014: 18.6 percent).

3.2.8. UMH

Net fee and commission income in the UMH subgroup climbed by 11.4 percent to €1,227 million (2014: €1,101 million).

The average volume of assets under management in the Union Investment Group went up by a substantial €33.4 billion to €252.0 billion in the reporting year. This volume growth was largely attributable to the net new business generated in the reporting year amounting to a total of €26.2 billion (2014: €16.2 billion). The contribution generated with the average assets under management in the reporting year accounted for 81.5 percent of the net fee and commission income.

As at December 31, 2015, assets under management amounted to €260.8 billion; this was supplemented by a sum totaling €5.2 billion from the sale of the two Austrian companies Union Investment Austria, Vienna, and Immo Kapitalanlage AG, Vienna.

In the reporting year, international capital markets continued to be influenced by the expansionary monetary policies of the central banks, with interest rates at historically low levels. Equities markets were more volatile than in 2014 but still registered further gains in average prices.

Overall, 83.0 percent of all Union Investment Group's mutual funds outperformed their benchmark in the reporting year.

The net inflows generated in the retail clients business amounted to €8.0 billion (up by 56.9 percent compared with the 2014 figure of €5.1 billion). The successful sales partnership with the local cooperative banks has played a particularly important role in this regard, given the low level of interest rates prevailing at present and the associated customer requirement for more advice.

In the year under review, there was a further rise in the popularity among customers of Union Investment Group's 6 private-client funds, which have been in existence for 5 years. The 6 different multi-asset solutions combine an asset structure in line with customer preference with a graduated risk profile tailored to the needs of each individual customer. The net inflows amounted to a total of €4.8 billion, with the overall volume of the portfolio rising to €13.0 billion, a year-on-year increase of 59.0 percent.

The UniKonzept funds, which had been launched in 2014 and are managed with a rules-based approach, also enjoyed growing popularity with new business amounting to €2.0 billion.

The Union Investment Group's open-ended real estate funds, which invest in tangible assets and offer a further way of diversifying investments, generated net new business of €2.0 billion in the reporting year.

The growing acceptance of fund-linked savings plans as an attractive method of accumulating wealth in periods of volatile capital markets was reflected in the number of new savings contracts in 2015, which totaled 346 thousand. The 12-month savings volume amounted to €1.8 billion at the end of 2015, a year-on-year increase of €0.4 billion or 23.4 percent (December 31, 2014: €1.4 billion).

Riester products used as a vehicle for regular savings remain instruments of choice for investors seeking a secure method of wealth accumulation. For example, savers invested a total of €1.0 billion in 2015 in the fund-based Riester-Rente products (UniProfiRente and UniProfiRente Select) offered by the Union Investment Group, the market leader in this type of product. The total assets in the portfolio of Riester-Rente solutions swelled by €1.6 billion in 2015 to €13.5 billion.

In its institutional business, the Union Investment Group generated considerable net inflows amounting to €18.2 billion. A total of 66 new institutional clients were gained in 2015.

In the reporting period, institutional business was focused on risk-controlled and broadly diversified investment solutions. Demand in 2015 centered on products with greater potential returns, including high-yield and convertible bonds, structured products, and subordinated bonds.

Equity strategies and real estate investments also proved increasingly attractive to customers. More investors were looking for international investment strategies to exploit variations in interest rates and growth around the globe. Other highly popular products included the Union Investment Group's capital preservation products, which had attracted total investment of €22.6 billion by the end of the year under review.

Sustainable investments enjoyed strong growth. In particular, charitable foundations, pension funds, and investors from religious organizations are attaching increasing importance to social, ethical, and environmental criteria when making investment decisions. In 2015, the Union Investment Group maintained its leading role in this market segment in Germany with a fund value as at December 31, 2015 of €16.6 billion (December 31, 2014: €7.8 billion).

The negative change in **other gains and losses on valuation of financial instruments** of €27 million to a net loss of €15 million (2014: net gain of €12 million) was attributable to a lower fair value measurement of own-account investments compared with 2014.

Administrative expenses rose by 7.2 percent to €703 million (2014: €656 million). This included an increase in staff expenses of €19 million to €339 million, which mainly resulted from average salary increases and appointments to new and vacant posts. The rise in other administrative expenses of €28 million to €364 million was mostly accounted for by higher consultancy, property, occupancy, and IT costs.

The main reason behind the rise in **other net operating income** of €19 million to €37 million (2014: €18 million) was the remeasurement of provisions. One of the significant items in the reporting year was income from the reversal of a provision that had been recognized in the previous year for claims by the Entschädigungseinrichtung der Wertpapierhandelsunternehmen (EdW) [Compensatory Fund of Securities Trading Companies].

Profit before taxes went up by €70 million to €556 million overall (2014: €486 million), primarily due to the changes described above.

The **cost/income ratio** in 2015 was 55.8 percent (2014: 57.4 percent).

Regulatory RORAC was greater than 100.0 percent (2014: greater than 100.0 percent).

3.2.9. VR LEASING

Net interest income in the VR LEASING subgroup amounted to €162 million, which was a slight decrease on the equivalent figure in 2014 of €165 million.

Net operating interest income (excluding income from long-term equity investments) declined by €9 million to €156 million (2014: €165 million). In Germany, this figure fell by €2 million to €148 million (2014: €150 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 operating interest income also declined in the international operating business, falling by €7 million to €8 million (2014: €15 million). This contraction was attributable to the Hungarian subsidiary Lombard Lízing.

Income from long-term equity investments rose by €6 million to €6 million (2014: €0 million), mainly caused by the significant year-on-year improvement in the income from long-term equity investments related to the joint venture VB-Leasing International Holding GmbH, Vienna, (VBLI).

The net interest income trend reflected the entity's ongoing strategic positioning in the period under review. Within the cooperative banking sector, VR LEASING sees itself as the expert in the provision of simple and fast 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.

The focus is on supporting the cooperative banks, in particular helping them to generate growth from activities aimed at small business customers and the self-employed. To this end, VR LEASING is increasingly turning to online financing solutions that can be processed within one customer session on the basis of just a few details from the customer using VR LeasyOnline, an advisory application incorporating integrated, automated decision-making. The tool can make decisions on applications for financing up to an amount of €200,000 within just a few minutes. The strong growth in new online business of 26.1 percent in 2015 has vindicated this strategy. The key online product, VR Leasing express, which has been available since 2013 and enables customers to enter into hire-purchase agreements online, has been a major contributing factor in this growth.

Following a pilot phase over one and a half years, another innovative online product aimed at lending to businesses and known as VR Leasing flexibel will be launched in 2016. In addition to a credit facility up to €50,000, this product includes six additional options with which credit facilities can be tailored to customers' individual needs. The product is intended to support targeted marketing to small business customers and the self-employed. The prolonged period of low interest rates added to the competitive and margin pressure in the leasing business in 2015. Nevertheless, VR LEASING increased the fees and commissions paid to partner banks by 13.4 percent compared with 2014.

In the reporting year, the industry-wide growth in new leasing business will probably be marginally below the increase in capital equipment spending in Germany, with the result that the proportion of capital investment financed by leasing is likely to remain the same as in the previous year at 15.3 percent.

Given an economic environment in which geopolitical crises were a major feature, businesses generally remained cautious about committing to capital spending in 2015. There was still no sign in the reporting period that the current digitization-related capital investment opportunities, particularly for small and medium-sized enterprises, were helping in any way to reduce the investment backlog in Germany.

The improvement in **allowances for losses on loans and advances** of €53 million to a net reversal of €2 million (2014: net addition of €51 million) was primarily the result of the robust economic conditions in Germany, which led to a substantially lower net addition of €15 million (2014: net addition of €39 million), and the improved allowances requirement in the international business, where the figure came to a net reversal of €17 million (2014: net addition of €12 million), mainly attributable to the Hungarian subsidiary Lombard Lízing.

The net gains under **gains and losses on investments** declined by €11 million to €12 million (2014: €23 million). This figure was influenced in both 2014 and 2015 by the reversal of an impairment loss on the 50 percent stake, accounted for using the equity method, held by VR-LEASING AG in VBLI.

Administrative expenses were reduced by a further €2 million in 2015 to €170 million (2014: €172 million), mainly the result of the rigorous continuation of the cost savings program.

Other net operating income amounted to a net expense of €49 million in the reporting year (2014: net expense of €90 million) and included an impairment loss of €19 million recognized at group level in respect of the goodwill in the VR LEASING segment and a provision for expected charges arising in connection with the disposal of the subsidiary Lombard Lízing amounting to €81 million. The figure also included income from the reversal of provisions amounting to €60 million. This largely resulted from the reversal of the provision recognized in 2014 for the risks in connection with changes to banking legislation in Hungary.

The contribution to earnings from VR LEASING before the goodwill impairment loss (applied at group level) amounted to €0.3 million. The **loss before contributions to the resolution fund and before taxes** at VR LEASING amounted to €19 million (2014: loss of €86 million), largely as a consequence of the factors described above.

The **cost/income ratio** in 2015 was greater than 100.0 percent (2014: greater than 100.0 percent).

Regulatory RORAC was 0.1 percent (2014: minus 23.6 percent).

3.2.10. Other/Consolidation

Other/Consolidation comprises the other group companies plus adjustments to reconcile operating segment profit/loss before taxes to consolidated profit/loss before taxes. These adjustments 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 Other/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, 2015, the DZ BANK Group's **total assets** had increased by €5.6 billion, or 1.4 percent, to €408.3 billion (December 31, 2014: €402.7 billion). This rise was largely attributable to the growth in total assets at R+V (up by €4.6 billion), BSH (up by €3.6 billion), DZ PRIVATBANK (up by €2.7 billion), and DVB (up by €2.1 billion). By contrast, there was a fall in total assets at DG HYP (down by €4.1 billion) and at DZ BANK (down by €4.1 billion).

The DZ BANK Group's **loans and advances to banks** rose to €80.7 billion, an increase of €1.4 billion or 1.8 percent. Loans and advances to banks in Germany went up by €2.9 billion to €71.2 billion, but loans and advances to foreign banks decreased by €1.5 billion to €9.5 billion.

The DZ BANK Group's **loans and advances to customers** rose to €126.8 billion, an increase of €4.4 billion or 3.6 percent. An increase in loans and advances to customers at BSH (up by €3.3 billion) and at DVB (up by €2.4 billion) more than offset a decrease in loans and advances to customers at DG HYP (down by €1.1 billion).

FIG. 4 – TOTAL ASSETS

As at December 31, 2015, **financial assets held for trading** amounted to €49.5 billion, down by €4.9 billion, or 9.0 percent, compared with the figure as at December 31, 2014. Whereas money market placements went up by €2.4 billion and holdings of shares and other variable-yield securities by €0.3 billion, there was a decrease in derivatives (positive fair values) of €6.1 billion and in holdings of bonds and other fixed-income securities of €1.4 billion.

Investments contracted by €3.0 billion or 5.2 percent to €54.3 billion. This was primarily attributable to a decline of €3.0 billion in bonds and other fixed-income securities.

The DZ BANK Group's **deposits from banks** as at December 31, 2015 amounted to €97.2 billion, which was €8.0 billion (8.9 percent) higher than the figure reported as at December 31, 2014. Deposits from domestic banks rose by €7.9 billion to €88.3 billion, and deposits from foreign banks increased by €0.1 billion to €8.9 billion.

Deposits from customers declined by €0.2 billion, or 0.3 percent, to €96.2 billion. This included a decline in deposits from customers at DZ BANK (down by €5.4 billion) and at DG HYP (down by €0.5 billion). However, deposits from customers rose at DZ PRIVATBANK (up by €2.8 billion), BSH (up by €2.6 billion, and DVB (up by €0.4 billion).

At the end of the reporting period, the carrying amount of **debt certificates issued including bonds** in the DZ BANK Group had reached €55.0 billion (December 31, 2014: €55.6 billion). The contraction of €0.6 billion was largely due to the decline of €1.5 billion in DG HYP's debt certificates issued including bonds.

Financial liabilities held for trading decreased by €6.3 billion, or 12.2 percent, to €45.4 billion. Money market deposits (down by €3.7 billion) and the amount of derivatives (negative fair values) (down by €3.1 billion) together declined by a total of €6.8 billion, whereas bonds issued were up by €0.6 billion.

As at December 31, 2015, the **equity** reported by the DZ BANK Group was €19.7 billion (December 31, 2014: €18.2 billion). The rise in retained earnings of €1.3 billion reflected the net profit generated and retained in the reporting year. The amount of €750 million reported under the item 'Additional equity instruments' as at December 31, 2015 was attributable to the regulatory Additional Tier 1 capital in the same amount issued by DZ BANK in 2015. This was placed almost entirely within the cooperative financial network in the year under review. By contrast, the amount attributable to non-controlling interests fell by €0.6 billion.

The **DZ BANK Group's capital and solvency situation** is described in this group management report in chapter VI. (Combined opportunity and risk report), section 7. (Capital adequacy).

The **return on assets**, which was calculated by dividing the net profit by the total assets at December 31, 2015, was 0.4 percent.

5. FINANCIAL POSITION

Liquidity management for the entities in the Bank sector is carried out by Group Treasury at DZ BANK and by 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 is managed within DZ BANK by head office treasury in Frankfurt and by treasuries in its international branches, although Frankfurt has primary responsibility.

In the context of **liquidity management**, 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, and Luxembourg. DZ BANK has initiated a standardized groupwide multi-issuer euro commercial paper program, which DZ BANK and DZ PRIVATBANK S.A. can draw on.

Money market funding also includes collateralized money market activities, which DZ BANK has centralized in Group Treasury and which form the basis for broadly diversified funding on money markets. 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, 2015 was 89 percent (December 31, 2014: 91 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 DZ BANK Group's **liquidity risk** can be found in this group management report in chapter VI. (Combined opportunity and risk report), section 6. (Liquidity adequacy). 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

In 2015, HR activities focused on updating and standardizing regulatory and supervisory reporting obligations, developing uniform base data for staff expenses, and implementing the internal communications phase of the employer branding campaign. The list of existing core topics was also extended to include a new item: 'innovation and digitization'.

During the reporting year, 17 official meetings were 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.

In addition to updating the remuneration strategy, the Remuneration working group carried out work to standardize the regulatory and supervisory reporting requirements. The objective is to create a data and documentation center that will allow information relating to opinions or questions of interpretation concerning, for example, the German Regulation Governing Remuneration at Institutions (InstitutsVergV) to be shared throughout the DZ BANK Group.

The HR Planning and Control working group focused on developing uniform base data for staff expenses in the form of a joint 'platform'. The objectives are to make changes in staff expenses transparent, gain an overview of the core processes for staff expenses planning in the individual entities, and achieve better integration.

Best-practice sharing in relation to individual employee surveys and the advancement of women were the key issues covered by the Professional Development working group. In addition to discussions on the individual entities' progress in connection with the target ratios specified in statutory requirements, it was decided to open up the professional development program for women at DZ BANK to female employees in the group entities from 2016.

1.1.1. DZ BANK Group's employer branding campaign

The objective of the campaign is to attract suitable candidates and retain existing employees, thereby safeguarding the future viability of the DZ BANK Group. The campaign and 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. In 2015, new platform functions were introduced, creating added value for employees and leading to an increase in the number of users. The external campaign is to be launched in the first quarter of 2016 and includes the addition of a group jobs website to the platform.

1.1.2. 'Verbund First' career development program

The work carried out together in the joint TeamUp trainee program for the local cooperative banks gave rise to the idea of 'Verbund First', a new career development program for existing and prospective managers. Networking among participants and dialog with the local cooperative banks form the focus of this 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. The program began in the fourth quarter of 2014 with its first 10 participants, who completed the program at the end of 2015. The program content included a learning journey and discussions with representatives of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR) [National Association of German Cooperative Banks]. The feedback from the local cooperative banks was universally positive. The program's second group, consisting of 16 participants, is starting in April 2016 and the theme of the program this time will be digitization and innovation.

1.1.3. Trainees

As at December 31, 2015, 1,099 trainees (December 31, 2014: 1,108) were employed within the DZ BANK Group in Germany and abroad. The ratio of trainees to total employees was 3.5 percent (2014: 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 2014.

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, 39 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 local cooperative banks.

DZ BANK GROUP CAREER PRIZE

In 2015, the DZ BANK Group Career Prize was awarded jointly by the entities in the DZ BANK Group for the seventh time, although it was the fourteenth 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. In 2015, the number of entries reached 256, the highest number ever and equating to an increase of 20 percent compared with 2014. A total of 110 dissertations were submitted in the category of university master's degree dissertations, and 146 in the category of bachelor's degree dissertations (combined work/study degrees). The winning dissertations in both categories addressed capital market topics.

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 2015 was the fifth time that the DZ BANK Group had taken part, sharing its stand with the BVR, WGZ BANK, Fiducia & GAD IT AG, 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 2015, the proportion of managerial positions in the DZ BANK Group held by women was 23.7 percent (2014: 23.3 percent). 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 sixth year. More than 150 participants attended a total of 13 events. All the feedback from the participants was very positive without exception. Members of boards of managing directors and heads of divisions and departments in the DZ BANK Group, together with members of boards of managing directors from local cooperative banks, took part in the different event formats in 2015. Four out of a total of eight event formats were devoted to the key theme of innovation and digitization.

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 also included in the range

FIG. 5 – EMPLOYEE DATA

Employees (average for the year, excluding trainees)	2015	2014
Total	30,029	29,596
Employees (as at December 31, including trainees)		
Total	31,130	30,781
Employees	30,031	29,673
Trainees	1,099	1,108
Proportion of trainees (%)	3.5	3.6
Germany	27,800	27,472
ROW	3,330	3,309
Male	16,752	16,549
Female	14,378	14,232
Total proportion of women (%)	46.2	46.2
Total number of managers	2,568	2,594
Proportion of female managers (%)	23.7	23.3
Full-time	25,296	25,242
Part-time	5,834	5,539
Proportion of part-time (%)	18.7	18.0
Period of service (years)	12.9	12.7
Staff turnover (%)	6.2	5.9
Resignations (%)	2.9	2.2
Professional development days per employee	3.6	3.1

of options and form a permanent part of HR policy in each entity.

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.

The strong regional ties of the entities and their businesses, particularly in the cooperative banking sector, are hallmarks of the shared cooperative guiding principle and represent one of our defining strengths.

In 2014, the cooperative financial network further consolidated its position as Germany's largest business organization in terms of membership. Compared with the previous year, the number of members rose by 1 percent to 22 million.

DZ BANK is now one of the leading financial institutions in terms of sustainability. This is regularly confirmed by the sustainability rating received from the sustainability ratings agency oekom research AG, which has awarded its prime status for particularly sustainable companies to the DZ BANK Group since 2011.

In 2015, oekom research AG rated the DZ BANK Group as C+ for the first time. This further year-on-year improvement for DZ BANK was attributed to the new groupwide standards such as the code of conduct, climate targets, supplier standards, and other factors. Another reason was the successful integration of environmental and social aspects into project finance and asset management.

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 €3.2 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. Sectoral 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.

Climate protection and adaptation to climate change have become a pressing concern for developers and homeowners. Natural construction materials, sustainable management, and the avoidance of harmful greenhouse gases are becoming increasingly important in Germany, both for those building the homes and those living in them. Home savings and financing products offered by Bausparkasse Schwäbisch Hall that help people to make eco-friendly improvements to their homes or incorporate green technologies when building new homes are more in demand than ever. BSH also seeks to lead by example: At its head office, where 3,000 people are employed, the building society has developed in-depth expertise in sustainable facilities management and put an environmental management system in place. Working closely with the municipal utility companies, it has been completely carbon-neutral for five years.

Union Investment is one of Germany's largest providers of socially responsible investments with some €11 billion of assets under management in this category. It offers a broad spectrum of fund and client account solutions 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, yet again declaring Union Investment to be the best asset manager in the socially responsible investing category in its 2016 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.

R+V has published its second sustainability report, 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, a joint climate strategy, and the joint signing of the UN Global Compact.

2.4. TRANSPARENCY IN SUSTAINABILITY ACTIVITIES

The reporting year saw the publication of DZ BANK's seventh 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.

2.4.1. Important information gleaned from stakeholder survey

To manage sustainability at DZ BANK as effectively as possible, we need the deepest possible understanding of our stakeholders' social, environmental, and economic interests, experiences, and expectations. In 2015, we conducted a groupwide online survey of our external and internal stakeholders for the first time, providing us with important information about our sustainability efforts.

In choosing which interest groups to survey, we took account of their diversity and their relevance to our entities. The following key points emerged: Among our most important stakeholders are the cooperative banks (because they are both our customers and our owners) along with the corporate customers, retail customers, and employees of the entities in the DZ BANK Group. Suppliers and service providers as well as trade associations and investors are highly relevant to us from a commercial perspective. We also listened to critical opinions from non-governmental organizations (NGOs) and rating agencies as well as from academia and politics.

The survey covered five areas of action, each broken down into various topics, and was based on analyses of the prevailing social sustainability trends. With a response rate of 46 percent, it provided valuable input for core areas of our work and reporting systems.

ztance of strategically integrating sustainability into the core business of the entities in the DZ BANK Group in all areas of operations. The respondents assigned the greatest relevance to sustainable corporate management and to sustainable products and services. Within these areas, 'cooperative principles and values' and 'corporate strategy and success' attracted very high scores.

This means that the DZ BANK Group needs to continue to integrate the principle of sustainability that lies at the core of the cooperative model into its systems and to place it at the forefront of our business activities. It must also ensure that this ties in with the cooperative values so that it can live up to stakeholders' expectations regarding our sustainability. In addition, the DZ BANK Group will use the results of the survey as guidance when selecting the topics for future sustainability reporting.

REPORTS 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 UMH:
https://unternehmen.union-investment.de/startseite/wer-wir-sind/Kennzahlen/geschaeftsbericht.html

Annual report of BSH:
www.schwaebisch-hall.de/bsh/englisch/about-us.php

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

Information on sustainability at VR LEASING (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

Economic growth in the industrialized countries remained steady over the course of 2015, despite geopolitical crises. By contrast, structural problems as well as macroeconomic and financial imbalances continued to weaken economic growth in some of the emerging markets, a trend exacerbated in many of these countries by the low price of oil.

Against this backdrop, there is only likely to be a slight rise in global economic growth in 2016 to approximately 3.4 percent compared with the rate of around 3.1 percent seen in 2015.

The volume of global trade is projected to grow at around 3.4 percent in the coming year, with expansion thus remaining below the long-standing average growth rate for another twelve months.

1.2. TRENDS IN THE USA

To the surprise of no one, the US Federal Reserve (Fed) announced a modest 0.25 percentage point hike in its key interest rates in December 2015, a watershed moment marking the end of the seven-year policy of zero interest rates. This move confirmed that the US economy was in good shape, an assessment supported by the sharp fall in unemployment, vigorous consumer spending, and yet another return to a very high level of house prices.

In 2016, the rise in employment is likely to be sustained, with the rate of unemployment falling below the 5 percent mark. Household consumption and capital spending will probably boost growth to a degree similar to that in 2015, driven by the positive economic climate and high level of consumer confidence, which remains undented. Forecasts estimate that economic growth will therefore come in at around 2 percent in 2016. The rate of inflation in the US is expected to be approximately 1.1 percent in 2016, influenced by the downward trend in the oil price.

1.3. TRENDS IN THE EUROZONE

In the eurozone, the past year has demonstrated the extent to which consumer spending is a key driver for GDP growth. There is also unlikely to be any significant change in this regard over the coming quarters as the situation in European labor markets slowly but surely continues to improve. As the outlook for the price of oil is still subdued for the next few months, households will probably continue to benefit from the lower prices for fuel and heating oil. Government consumption in the year to date has also proved to be more expansionary than in previous years. Economic surveys indicate that the recovery throughout the whole of the European Monetary Union (EMU) will be sustained in 2016.

Over the whole of 2015, energy prices were the critical factor within consumer prices that kept the inflation rate in the eurozone around the zero mark. The low oil price will continue to suppress the rate of inflation in 2016, with the result that the inflation rate in the EMU can be expected to fall to an average of -0.1 percent for the year.

1.4. TRENDS IN GERMANY

For Germany, 2015 was generally a good year from an economic perspective, although the influx of refugees represented the greatest challenge for federal, state, and local authorities in the last weeks of the year. The German economy is on a firm growth trajectory, thanks mainly to buoyant consumer demand. In previous recovery phases, it was mostly Germany's strength in exports that gave the economy the stimulus it needed, but at present it is down to robust domestic demand, bolstered by good conditions in the labor market and sharply rising real incomes. The record level of employment is the principal reason behind the dynamic uptrend in household consumer spending.

This strong domestic demand is expected to continue in 2016. A stable economic position in industrialized countries combined with continued recovery in the eurozone also forms the basis for a moderate upturn in exports.

The number of refugees entering Germany is likely to remain significant in 2016, leading to a hefty jump in government expenditure, boosting domestic demand at least in the short term, and having the same effect as a small fiscal stimulus package. The increased immigration will also add to the demand in the housing market, which is already under significant pressure, pushing up both rents and the volume of new builds still further in the coming year.

The extremely high number of vacant posts in the labor market is a sign that employment will continue to rise and that incomes will see another sharp rise in 2016. Growth in GDP is expected to be similar to that in 2015 at around 1.8 percent.

Prices in Germany will rise somewhat faster than the eurozone mean because capacity utilization in the German economy will be above average, driving up wages and costs. Nevertheless, the rate of inflation is still likely to remain subdued in 2016 at 0.3 percent.

1.5. TRENDS IN THE FINANCIAL SECTOR

Since the financial crisis, the financial sector has faced considerable pressure in terms of both adjustment and costs caused by the need to comply with regulatory reforms, involving greater capital requirements, new reporting obligations, and changes to regulatory systems.

Following the introduction of the new frameworks, the banks have reduced their gearing and significantly reinforced risk-bearing capacity by improving their capital adequacy. At the same time, new risks have arisen from the prolonged period of low interest rates, a consequence not least of the highly expansionary monetary policy pursued in the eurozone. This is impairing the financial performance of banks and insurance companies, and reducing their ability to accumulate capital. Furthermore, the longer the low interest rates persist, the greater the incentives to take on excessive risk.

A particularly perilous scenario for the financial system would arise in the future if a long period of low interest rates were followed by a rapid rise in these rates. Since January 2016, a further regulatory instrument has been available in the form of the countercyclical capital buffer, which enables regulators to limit systemic risk in periods of excessive lending by imposing additional capital requirements. It is a supplementary amount added to the required common equity Tier 1 capital of banks and is intended to be used in periods when a trend toward excessive lending emerges.

2. FINANCIAL PERFORMANCE

The outlook for the business performance of the DZ BANK Group for 2016 must be viewed against the background of the extremely good earnings performance in the previous years. Performance in 2015 was boosted by one-off items, and these items have not been included in the forecasts for 2016. Compared with 2015, **profit before taxes** is expected to fall significantly in 2016 toward a sustainable level of earnings. The average figure for profit before taxes over the last few years has been over €1.5 billion.

Financial performance will continue to be adversely impacted by the low interest rates, the increase in costs caused by regulatory requirements, and the European bank levy.

The future financial performance of the DZ BANK Group could be subject to risks arising from the general economic climate. Some European countries still have high levels of indebtedness and further intervention by the ECB and/or necessary austerity measures implemented by the governments concerned could have a negative impact on economic trends.

It is anticipated that **net interest income** will decline substantially in the Bank sector and in most of the companies in 2016, one of the reasons being the one-off item under income from long-term equity investments (EKS distribution) in 2015. In particular, all business models within the DZ BANK Group dependent on the level of interest rates will continue to suffer from downward pressure on income.

A possible slowdown in economic growth in the eurozone coupled with further monetary policy measures could have a detrimental impact on net interest income in 2016.

Expenses for **allowances for losses on loans and advances** will probably rise in 2016. In 2015, significant reversals of specific loan loss allowances, especially in the DZ BANK operating segment, had a positive effect on allowances for losses on loans and advances. No such reversals have been included in the planning for 2016. The assumption for 2016 is that allowances for losses on loans and advances will largely return to normal levels and will change in line with the lending portfolio, the targeted volume of new business, and the long-term standard risk costs.

Risks would arise if there were a sharp economic downturn combined with rising sovereign debt in Europe, and Germany were unable to escape the effects of the downturn. 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 predicted to remain at the high level of the prior year in 2016, excluding the performance fees in the UMH operating segment.

In view of the positive assessment of the current capital market environment, it is reasonable to assume that it will be possible to achieve income from performance fees in the UMH operating segment that is similar to that achieved in 2015. Based on this assumption, net fee and commission income would rise significantly.

Any uncertainty in capital and financial markets is likely to have a negative impact on confidence 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 be higher in 2016. This increase will arise, firstly, because there were negative effects in 2015 from the measurement of own issues in the DZ BANK operating segment and, secondly, because there will be a positive impact in 2016 from customer-driven capital markets business. The systematic implementation of strategic measures, particularly in connection with institutional customers (but with retail customers too), is reflected in the positive income forecast.

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** are expected to decline this year, simply because of the absence of positive one-off items such as the disposal of long-term equity investments. A further decrease to a very low level is anticipated in 2016.

Other gains and losses on valuation of financial instruments, which in 2015 were primarily influenced by positive effects from the wind-down portfolio in the DG HYP operating segment, are expected to deteriorate significantly in 2016. The forecast trend in this case also reflects the reduced potential for reversing impairment losses.

Net income from insurance business is expected to contract in 2016. The main reason for this decrease is the anticipated deterioration in gains and losses on investments held by insurance companies. On the other hand, the targeted increase in market share could give rise to strong growth in premiums, producing a countervailing effect.

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

Administrative expenses are predicted to rise moderately in 2016. This rise will reflect the tighter regulatory and statutory provisions and the expenses in connection with the European bank levy. Innovation-related expenditure and capital investment will also go up to safeguard competitiveness over the long term.

In view of the rising administrative expenses, one of the strategic aims within the DZ BANK Group is to improve the cost/income ratio by rigorously managing costs and accelerating growth in the operating business. The group has initiated strategic measures to this end. However, it is anticipated that the **cost/income ratio** will be up significantly in 2016.

In 2016, **regulatory RORAC** will be down following the excellent financial performance in previous years. The decline will be caused by the significant reduction in expected earnings combined with a rise in the regulatory basis for determining the return. Nevertheless, RORAC will be at a very respectable level that compares well with the rest of the sector and will exceed the specified return requirement.

Over the last few years, DZ BANK has strengthened its capital base from its own resources – by retaining profits and reducing risk (particularly through ABS sales to optimize capital) – and by initiating capital increases. The accumulation of capital from own resources and capital management continue to have a high priority; the process of replacing Tier 1 instruments with additional Tier 1 issues is expected to continue.

The **merger** of DZ BANK and WGZ BANK, which is planned for 2016, is expected to create not only extensive synergies but also growth potential and earnings potential, especially in the DZ BANK operating segment, although the benefits will only materialize in the medium term from 2017 onward. The merger will also give rise to additional restructuring expenses and transaction-related balance sheet effects in 2016 and subsequent financial years. The associated implications for earnings are not included in this outlook because the data needed to assess the financial impact was not available at the time this report was prepared.

3. LIQUIDITY AND FINANCIAL POSITION

DZ BANK anticipates that the local cooperative banks will continue to hold stable levels of deposits in 2016, 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.

DZ BANK's economic capital adequacy has been assured for 2015. This is also expected to be the case for 2016.

4. SEGMENT TRENDS

4.1. DZ BANK

Despite prospects for moderate operating growth, the earnings position at DZ BANK is under pressure, primarily because of the persistently low interest rates, the low potential for the reversal of impairment losses on the assets side, the amount of capital investment required to maintain operations, innovate, and address regulatory requirements, and the need to pay the bank levy. Taking into account, in addition, that there were positive one-off items in 2015, earnings will therefore fall substantially in 2016.

Benefits from the planned merger in the form of cost savings are not expected to materialize until after 2016.

Net interest income (excluding income from long-term equity investments) in 2016 is predicted to be slightly below the 2015 level. Despite the challenges presented by the current market and competitive environment, it is anticipated that there will be a positive impact from the systematic implementation of the growth strategy in the corporate banking business. The forecasts assume there will be a negative effect from a fall in interest income from money market business and from a lower level of group funding.

Income from long-term equity investments will probably go down significantly in 2016 because the expected special distribution from EKS will be lower in 2016 than in the previous year. If this one-off item is disregarded, income from long-term equity investments is projected to be at the level of 2015, despite the anticipated downward pressure on income in subsidiaries' business models dependent on the level of interest rates.

Expenses for **allowances for losses on loans and advances** will probably rise in 2016 because of the high level of reversals under specific loan loss allowances in 2015. Given the forecasts for economic trends, additions to **specific loan loss allowances** are expected to be higher in 2016 than in the previous year.

Gains and losses on investments are expected to show a deterioration in 2016, mainly because of the one-off gains recognized in 2015 as a result of the disposal of the shares in VISA Inc.

In all probability, net gains under **gains and losses on trading activities** will be substantially higher in 2016. This increase will arise, firstly, because there were negative effects in 2015 from the measurement of own issues and, secondly, because there will be a positive impact in 2016 from customer-driven capital markets business. The systematic implementation of strategic measures to enhance the profitability of business relationships with institutional customers and retail customer initiatives are reflected in the positive income forecast.

Regulatory RORAC is likely to fall sharply in 2016 because of a slight increase in capital requirements and, in particular, because of the lower earnings.

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.

The merger of DZ BANK and WGZ BANK, which is planned for 2016, is expected to create not only extensive synergies but also growth potential and earnings potential. It is also reasonable to assume that specific opportunities will be generated by the pooling of marketing activities and the broader offering in corporate banking and capital markets business, further details of which can be found in the opportunity and risk report. The challenge will be to bring these opportunities to fruition, particularly from 2017 onward.

In the medium term, i.e. from 2017 onward, the joint institution is expected to be able to make use of cost synergies in connection with adjustments to structures, processes, and infrastructure and to avoid duplication of capital expenditure.

The process of integration after the merger of DZ BANK and WGZ BANK may lead to a temporary increase in restructuring expenses in the next few financial years.

The associated implications for earnings are not included in this outlook because the data needed to assess the financial impact was not available at the time this report was prepared. From 2016, there will also be transaction-related effects that will impact on the income statement but will only be possible to quantify later on as the merger project progresses.

4.2. DVB

In 2015, DVB's financial year was shaped by exceptional, sometimes unusual, events and a very high level of risk costs. In 2016, the bank expects operating profit to return to the level of earlier financial years, although risk costs will remain high.

Regardless of the economic cycle, DVB will continue to offer secured asset finance and thereby aim for an appropriate ratio between risk and reward. Global growth and the oil price are significant external factors affecting the performance of DVB and the forecasts for both of these factors are positive for 2016.

Low oil prices not only stimulate global economic growth (except in the oil-producing countries), but also boost growth in aviation. Fuel costs are still a significant cost factor for airlines; the impact on airline profitability will therefore be positive and enable the companies to prolong the useful lives of the previous generation of aircraft, which are somewhat less energy-efficient.

In contrast, oil exploration and production capacity is adversely affected by the low oil price and this has a direct negative impact on DVB's offshore finance business.

Most shipping sectors are still affected by a contraction in demand, overcapacity, and a fall in the value of ships, not least brought about by the drop in demand from China. DVB will therefore continue to adopt a prudent approach in its shipping business operations.

In the land transport finance business, which mainly comprises rail business in Europe, North America, and Australia, the outlook for 2016 is consistently assessed as good, bolstered by social, political, and technical trends as well as low energy costs.

Operating **profit** will be shaped mainly 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 largely unchanged average net margin for the portfolio, in spite of an expected increase in funding costs. Net fee and commission income is predicted to improve significantly compared with 2015.

Given the prolonged period of tough economic conditions in some customer segments, DVB again expects to recognize significant **allowances for losses on loans and advances** for 2016, although these allowances will not reach the level of 2015.

Administrative expenses will be impacted positively by efficiency enhancements already introduced or implemented but negatively by further substantial cost increases associated with regulatory requirements.

Compared with the exceptionally low starting point in 2015, DVB forecasts that there will be a considerable improvement in 2016 in the absolute operating profit figure and also in **regulatory RORAC** and the **cost/income ratio**.

4.3. VR LEASING

VR LEASING is expecting challenging conditions in 2016. The prolonged period of low interest rates and its consequences, notably the fierce competition for customers, together with the comprehensive regulatory requirements will remain the key challenges.

VR LEASING aims to achieve further growth in 2016. The digitization and automation of processes and products accompanied by an increase in online business represent key strategic objectives.

For 2016, VR LEASING is planning the introduction of mandatory standards and uniform procedures for marketing applicable to all sales employees. The standards and procedures have been tested and refined in a pilot territory. They are intended to enhance the impact and efficiency of sales activities and, in particular, develop a systematic customer relationship management system for dealings with the local cooperative banks.

VR LEASING aims to secure sustainable income streams for the local cooperative banks by converting the fee and commission model to trailer fees and commissions. Higher fee and commission rates will provide an incentive to use VR-LeasyOnline for the processing of transactions. VR LEASING will therefore continue to press ahead with the ongoing development of financing solutions that can be entered into online. From mid-2016, it plans to offer customers the option of taking out a payment protection policy as part of its VR Leasing express hire purchase product.

The stimulus generated from initiatives introduced as part of the sales and product strategy and production processes is expected to result in rising income in 2016. Based on the gradual expansion of the core business, a substantial uplift in **net interest income** is forecast for 2016. The increase in new business will more than offset the loss of high-margin contracts in the portfolio that are expiring or being terminated.

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.

Profit before taxes will see a considerable improvement in 2016 in spite of regulatory requirements.

Given the predicted improvement in earnings and the stability in risk-weighted assets compared with 2015, a sharp increase in **regulatory RORAC** is forecast for 2016.

4.4. DZ PRIVATBANK

The tough market conditions will not get any better in 2016. 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, operating income is expected to rise in 2016, despite economic conditions. **Net interest income** is likely to show a significant fall in 2016, largely because of inadequate options for replacing maturing interest-bearing assets.

Net fee and commission income is expected to rise in 2016. The main value driver is fund volume, which is likely to grow. 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, which was given a strong boost in 2015 by market-related factors. This figure is expected to return to a normal (i.e. significantly lower) level in 2016.

Overall financial performance in 2016 will depend on the conditions in money and capital markets. Low interest rates and higher costs caused by regulatory requirements combined with the bank levy will have a negative impact.

Profit before taxes will rise to a substantially higher level in 2016.

From the current perspective, the **cost/income ratio** is likely to see a sharp improvement as a result of the absence of one-off items.

Regulatory RORAC will also be at a higher level in 2016.

4.5. TEAMBANK

The consumer finance market remains a fiercely competitive environment and is increasingly shaped by digitization. In addition to the established market players, IT start-ups focusing on financial services are impacting developments in the market. Severe pressure, in terms of both costs and margins, will continue to be a significant feature in 2016.

In collaboration with the local cooperative banks, TeamBank is aiming to significantly outperform the market growth rate in 2016. Special attention is being focused on the networking of customer channels with the aim of attracting and retaining customers for the cooperative financial network.

The conservative policy regarding allowances for losses on loans and advances will be continued in 2016.
A sharp rise in **allowances for losses on loans and advances** is predicted in line with portfolio growth and as a result of a slight rise in dunning ratios and loan loss allowance rates.

Rigorous management of costs by focusing on the core business and targeted capital investment to ensure future competitiveness will keep **administrative expenses** in 2016 slightly below the 2015 level.

TeamBank is forecasting a slight fall in **profit before taxes** in 2016 because of the rise in allowances for losses on loans and advances. The portfolio growth will lead to a small rise in net interest income.

As a consequence of the changes, the **cost/income ratio** will fall and is also expected to be below the industry average.

The rise in minimum capital requirements will lead to a decline in **regulatory RORAC** in 2016.

TeamBank intends to implement a capital increase in 2016 to cover the increased regulatory capital adequacy requirements.

4.6. UMH

UMH has continued to set itself ambitious targets for 2016, even though it has just completed a financial year in which it generated the highest net profit in its history, attained its highest net inflows ever, 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 and low interest rates, moves toward tighter regulation, sustained sovereign debt crisis in Europe, and geopolitical conflicts – the Union Investment Group intends to systematically exploit opportunities to deliver a sound business performance, both in Germany and abroad.

In 2016, UMH is also aiming to maintain new business at a very high level and forecasts that the positive trend in assets under management will continue with the volume reaching a new all-time high, despite low expectations regarding overall performance.

A small contraction in **net fee and commission income** is predicted for 2016. Although volume-related income will rise substantially because of the higher average level of assets under management, it is unlikely, in the current capital market environment, that UMH will be able to generate income from performance fees at the level achieved in 2015.

Administrative expenses will probably rise in 2016. This increase is the result of strategic measures implemented in connection with sales and marketing and with the future positioning of UMH in the digital age. Administrative expenses will also rise as a consequence of infrastructure investment and the subsequent associated operating expenses. Staff expenses will rise slightly as a result of a specific increase in employee numbers in areas of core expertise and growth.

Based on the factors described above, UMH is again forecasting a significant **profit before taxes** for 2016, even though the projected figure represents a considerable decline compared with 2015.

In line with this forecast, there is also likely to be a corresponding deterioration in the **cost/income ratio** and a fall in **regulatory RORAC**.

4.7. BSH

Sustained 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 2016.

BSH, a specialist in fully integrated real estate finance services, will also benefit from these conditions. Following the sharp rise in new home savings business, the new home savings volume in 2016 is expected to return to a normal but high level of well over €30 billion. In the home finance business, the record value achieved in 2015 is likely to be exceeded in 2016.

However, the persistently low interest rates remain a challenge for building societies. In 2016, BSH plans to implement further measures and efficiency projects aimed at stabilizing earnings in the future. Substantial investment in IT will also help to safeguard the future competitiveness of BSH.

A substantial contraction in **profit before taxes** is therefore projected for 2016.

Net interest income is likely to fall significantly in 2016. 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 the new scale of rates and charges introduced in November 2015 are intended to limit the decline in net interest income.

With regard to **allowances for losses on loans and advances**, BSH will continue to benefit from Germany's good economic performance and low unemployment rate. 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.

In line with the return of new home savings business to normal levels, **net fee and commission income** in 2016 is likely to improve to a level significantly better than that in 2015.

Administrative expenses will be substantially higher in 2016, the main reason being the IT project that is already under way to upgrade the corporate platform. Strict cost discipline and savings will help to limit the increase.

Given a slight rise in capital requirements and a projected fall in earnings, **regulatory RORAC** is also likely to decline significantly in 2016.

From today's perspective, the **cost/income ratio** will probably rise substantially, even after taking into account the planned cost-cutting measures.

4.8. DG HYP

Despite geopolitical stresses, the German commercial real estate market is expected to remain resilient and stable in 2016.

The high volume of capital, mainly from outside Germany, chasing real estate investment opportunities coupled with Germany's economic strength will once again result in high turnover in the commercial real estate market in 2016. This also means that the downward pressure on yields will remain significant and risk premiums will continue to go down. 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.

Net interest income is forecast to fall in 2016 because early redemption payments are expected to be lower. The non-strategic real-estate lending business for retail customers will continue to be gradually replaced by higher-margin commercial real-estate lending business. Depending on the product mix, **net fee and commission income** will in 2016 remain a long-term component of income at the level already achieved.

The spreads on public-sector finance are unlikely to change significantly in 2016 with the result that **other gains and losses on valuation of financial instruments** are projected to be only slightly positive based on maturity-related movements and, as a consequence, overall profit before taxes is expected to be down.

Regulatory RORAC is likely to fall sharply in 2016 as a result of the decline in earnings.

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

4.9. R+V

R+V believes that 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 full operational implementation of all the pillars of Solvency II is particularly demanding.

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.

On this basis, R+V is aiming for continued growth in terms of both new business and premiums through all sales channels in 2016. It is also aiming to increase its market shares on a long-term basis.

R+V forecasts that **net premiums earned** will be at the level achieved in 2015.

Against the backdrop of a change in the parameters for the financial markets, the net gain under **gains and losses on investments held by insurance companies** is expected to decline sharply. This is also the reason behind the significant projected contraction in **profit before taxes**.

In non-life insurance, growth in net premiums earned in 2016 is expected to be at the level of previous years.

In the life insurance and health insurance business, R+V aims to back up the successes achieved in previous years with a long-term diversification strategy. The net premiums earned anticipated in this business in 2016 will be marginally below the very good level achieved in 2015.

The growth in occupational pension provision is expected to be generated by R+V as a full-service provider offering intelligent solutions. In this regard, R+V is also planning further expansion of industry-specific pension schemes.

R+V expects the fierce competition in the reinsurance sector to continue. The reasonable level of losses in 2015 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.

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 2016. It is anticipated that net gains under gains and losses on investments held by insurance companies in 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 2015.

On the expenses side, the focus will continue to be on cost discipline and the associated compliance with primary cost targets. **Insurance business operating expenses** will rise substantially compared with 2015 in line with the planned growth.

Regulatory RORAC will decline in 2016 as a result of the switch in methodology necessitated because Solvency II has now come into force.

VI. Combined 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 of the German Securities Trading Act (WpHG) and section 315 of the German Commercial Code (HGB) in conjunction with German accounting standard GAS 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 GAS 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 as at December 31, 2015, as required by Part 8 of the Capital Requirements Regulation (CRR), can be found in the 2015 annual regulatory risk report of 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 accordance with the statutory requirements, the quantitative disclosures in this opportunity and risk report are based on information that is presented to the Board of Managing Directors and used for internal management purposes (known as the management approach). This is designed to ensure the usefulness of disclosures in the decision-making process, as required by law.

Since 2015, DZ BANK has been required to comply with additions to the Supervisory Review and Evaluation Process (SREP) regarding the management of economic liquidity adequacy, which is governed by the Internal Liquidity Adequacy Assessment Process (ILAAP). Accordingly, the same importance is attached to economic liquidity adequacy as to the management of economic capital adequacy on the basis of the rules of the Internal Capital Adequacy Assessment Process (ICAAP). Consequently, changes have had to be made to the opportunity and risk report. To ensure consistency between the disclosures and the risk management system, the relevant 'Liquidity risk' and 'Risk capital management' sections of the opportunity and risk report have been renamed 'Liquidity adequacy' and 'Capital adequacy' respectively, with each section split into an economic and a regulatory part.

DZ BANK Group

2. SUMMARY

2.1. STATEMENTS FROM THE BOARD OF MANAGING DIRECTORS

In accordance with article 435 (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.

Risks result from adverse developments affecting financial position or financial performance, and essentially comprise the risk of future losses or a future liquidity shortfall. A distinction is made between liquidity and capital. Risks that materialize can affect both of these resources.

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 based on different macroeconomic scenarios, trends, and changes in the markets, and forms the basis for evaluating opportunities. Identified opportunities are taken into account in the business strategies.

Reports on future business development opportunities are based on the outcome of the business strategies. As part of the general communication of the business strategies, 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 strategies 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. As liquidity risk is not backed by capital, a groupwide **liquidity risk management** system is also in place.

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 implemented and the organizational arrangements and IT systems 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 management units. 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. Possible 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 and medium-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. Each management unit forms a separate operating segment, and they are assigned to the sectors as follows:

Bank sector:
- DZ BANK
- BSH
- DG HYP
- DVB
- DZ PRIVATBANK
- TeamBank
- UMH
- VR LEASING

Insurance sector:
- R+V

Since February 2015, DZ BANK has measured the risks relating to **DZ BANK Ireland** separately and managed them on that basis. Following the renaming of this unit as DZ FINANCE Ireland Ltd., Dublin, and a capital reduction, the unit has been recognized within the equity investment risk of **DZ BANK** since November 30, 2015.

DG HYP has applied the **waiver** pursuant to section 2a (1), (2), and (5) KWG in conjunction with article 6 (1) and (5) and article 7 CRR since December 31, 2012. This means that DG HYP as an individual institution is no longer required to apply the provisions of Parts 2–5 and 8 CRR and they are instead covered at DZ BANK Group level.

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. RISK FACTORS, RISKS, AND OPPORTUNITIES

2.3.1. 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 capital adequacy and liquidity adequacy.

The regulatory framework for the **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 particularly have an impact on business risk. The challenge facing the **insurance industry** is the introduction of Solvency II and implementation of the related requirements.

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, business risk, and reputational risk.

The protracted period of low interest rates will 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. Another risk factor is the planned merger of DZ BANK and WGZ BANK.

2.3.2. Risks and opportunities

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 6 and 7.

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 6 by a dot on a dark gray background). This selection is based on a materiality assessment, which takes into account the contribution of each management unit 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 6 by a dot on a light gray background).

The subcategories shown under credit risk and market risk in figure 6 are those with material significance 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 **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. It also complied with regulatory requirements for liquidity adequacy at all times. The DZ BANK Group remained within its economic **risk-bearing capacity** in 2015 and also complied with regulatory requirements for capital adequacy at all times. There are no indications that the continued existence of the DZ BANK Group or individual management units, including DZ BANK, as **going concerns** might be at risk.

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

3. FUNDAMENTAL PRINCIPLES OF MANAGING OPPORTUNITIES AND RISKS

3.1. REGULATORY FRAMEWORK FOR RISK MANAGEMENT

The **conglomerate-wide risk management system** complies with the statutory requirements specified in section 25 (1) FKAG in conjunction with section 25a 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 (1) of the German Act on the Supervision of Insurance Undertakings (VAG, version valid until December 31, 2015) and section 28 of the German Capital Investment Code (KAGB) in conjunction with the German Minimum Requirements for Risk Management in Insurance Undertakings (MaRisk VA) and the German 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 EBA and the European Insurance and Occupational Pensions Authority (EIOPA) and the pronouncements of the Basel Committee on Banking Supervision (BCBS) and the FSB on risk management issues.

BaFin has identified the DZ BANK Group as systemically important to the German financial industry and requested the group to prepare a **recovery plan**. In 2015, DZ BANK carried out its annual update of the recovery plan in accordance with the German Act on the Recovery and Resolution of Credit Institutions and Financial Groups (SAG), which included revising substantial parts of the plan to reflect new regulatory requirements.

In accordance with article 7 (2) of EU regulation no. 806/2014, the Single Resolution Board (SRB) is the European regulator responsible for the preparation of resolution plans and for all decisions in connection with the resolution of all institutions under the direct supervision of the ECB. A group resolution plan is drawn up for institutions that are subject to supervision at consolidated level. The SRB works closely with the national resolution agencies (in Germany, this is the Bundesanstalt für Finanzmarktstabilisierung (FMSA) [Federal Agency for Financial Market Stabilization]). The **resolution plan** is aimed at ensuring the resolvability of the banking group. In accordance with section 42 (1) SAG, the resolution agency can demand that the institution provide comprehensive assistance on drawing up and updating the resolution plan. The FMSA notified DZ BANK of the nature and scope of the required support in mid-2015. DZ BANK contributed to the preparation of the provisional resolution plan for the DZ BANK Group by supplying the FMSA with extensive written materials and analyses.

3.2. RISK STRATEGIES AND RISK APPETITE

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 observe a risk culture in which they only take on risk to the extent necessary to achieve their business objectives – taking account of the overarching principle of a ‘network-oriented central institution and financial services group’ – and to the extent that the management units have an adequate understanding of, and expertise in, measuring and managing the risk. At the same time, the entities in the DZ BANK Group consider all material risks from the perspectives of capital/income and liquidity and avoid consciously or unconsciously assuming risk in an aggressive manner.

In order to implement this principle, the Board of Managing Directors of DZ BANK has drawn up **risk strategies** for each of the material risks using the business strategies 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 planning horizon is one year.

The risk strategies are updated annually as part of the strategic planning process by the Group Risk Controlling, Credit, and Group Strategy & Controlling divisions in close consultation with other relevant divisions at DZ BANK and the subsidiaries.

The risk strategies are described in the following sections covering the individual risk types.

FIG. 6 – RISKS AND OPERATING SEGMENTS IN THE BANK SECTOR[1]

Risks

	Risk type	Definition	Risk factors
	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
	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 operations 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	– Costs of regulation – Planned merger of DZ BANK and WGZ BANK – Fiercer competition based on pricing and terms – Insufficiently competitive electronic trading platforms – Digitization and demographic change
Business-performance risk	Reputational risk	Risk of losses from events that damage confidence, mainly among customers (including the local cooperative banks), shareholders, the labor market, the general public, and the regulator in the entities in the Bank sector or in the products and services that they offer	– Decrease in new and existing business – Funding difficulties
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

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
		Operating segments							
– Liquid securities – Additional contractual obligations – Unsecured short-term and medium-term funding – Minimum liquidity surplus – LCR and NSFR	Section 6.2.6. Section 6.2.6. Section 6.2.6. Section 6.2.7. Section 6.3.3.	●	●	●	●	●	●		●
– 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 12.4.	●		●	●	●	●	●	●
Risk capital requirement[3]	Section 13.4.	●	●	●	●	●	●	●	●
– Loss events and losses – Risk capital requirement	Section 14.6. Section 14.7.	●	●	●	●	●	●	●	●

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

● Quantitative and qualitative disclosures ● Quantitative disclosures Not relevant

FIG. 7 – 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, the long duration of the contracts means that what happens over the term of the contracts may vary from the calculation assumptions made at the time the contracts were signed – 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 16.6. Section 16.7.
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-downs as a result of rating downgrades	– Lending volume – Overall solvency requirement	Sections 17.4. and 17.5. Section 17.6.
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 of counterparties of derivatives, reinsurance counterparties, and receivables from policyholders and insurance brokers	– Lending volume – Overall solvency requirement	Sections 17.4. and 17.5. Section 18.3.
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 19.4.
	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 20.

A **risk appetite statement** was formulated for the first time in 2015. This centralized document contains fixed written principles on risk appetite in the DZ BANK Group. The principles are overarching pronouncements that are incorporated consistently into the business and risk strategies and in other, more detailed documentation. These qualitative principles are supplemented by quantitative targets, including relevant threshold values.

3.3. OPPORTUNITY AND RISK-ORIENTED CORPORATE GOVERNANCE

3.3.1. 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 complying with MaRisk requirements that sets out the operational framework for risk management. Figure 8 shows the governance structure for risk management.

The **three pillars model** clarifies the understanding of risk management within the DZ BANK Group and defines clearly formulated and distinct roles and responsibilities. The interaction between the three functional areas, or 'pillars', provides the basis for effective groupwide risk management. The tasks of the individual pillars are as follows:

– **Pillar 1**: Day-to-day assumption and management of risk

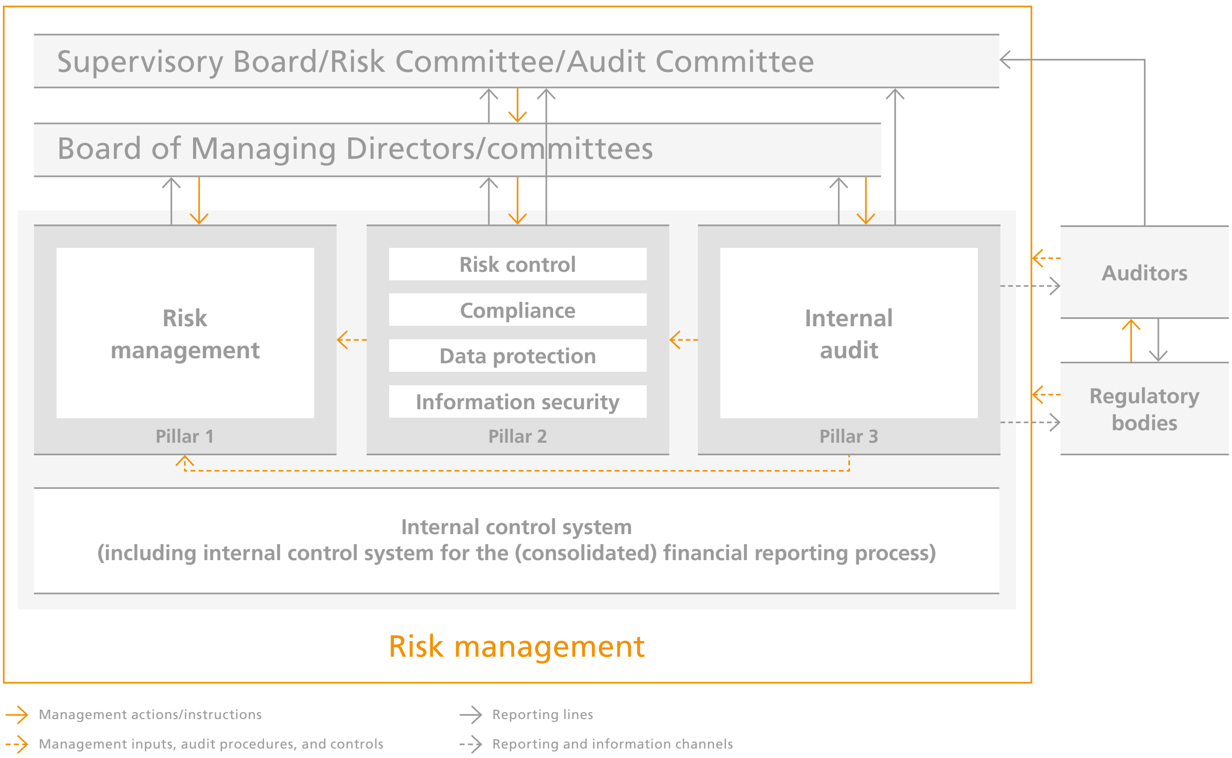
– **Pillar 2**: Establishment and enhancement of a framework for risk management; monitoring of compliance with the framework by pillar 1 and reporting on this to the Supervisory Board and Board of Managing Directors

– **Pillar 3**: Process-independent examination and assessment of risk management and control processes in pillars 1 and 2; reporting to the Board of Managing Directors, Supervisory Board, and Audit Committee; communication with external control functions.

The Supervisory Board monitors corporate management and evaluates the adequacy of the risk management system and internal control system on an ongoing basis.

Independent auditors and the banking and insurance regulators form the **external control environment**, whereby the regulators may specify the focus of the audit to the auditors and the auditors report to the regulators on the findings of their audits of financial statements and special audits.

FIG. 8 – GOVERNANCE STRUCTURE OF RISK MANAGEMENT IN THE DZ BANK GROUP (SCHEMATIC DIAGRAM)



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.

3.3.2. 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.

3.3.3. 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 management units.

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.

3.3.4. Compliance, data protection, and information security

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.

The requirements for the compliance function specified by MaRisk BA were implemented by the relevant subsidiaries in consultation with DZ BANK in 2015. 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 management units to ensure that consistent procedures are used throughout the group.

The managers responsible for the compliance function each report directly to the Responsible Board Member for this area of activity.

In view of SREP coming into effect on January 1, 2016 and the associated requirements regarding implementation of a groupwide compliance framework, DZ BANK drew up such a framework for the DZ BANK Group in consultation with the other management units. This has laid the foundations for implementing the compliance requirements on the basis of a standardized, groupwide process. The intention is to launch the framework in 2016.

DATA PROTECTION

The entities in the DZ BANK Group have introduced suitable precautions to ensure that they comply with data protection provisions relating to customers, business partners, and employees. This has involved, in particular, creating the function of data protection officer and issuing standard data protection principles. In addition, employees regularly receive updates on the currently applicable data protection provisions. The data protection officer reports to the Board of Managing Directors on matters concerning the data protection organization.

INFORMATION SECURITY

The DZ BANK Group understands information security to be the operational security of processes, IT applications, and IT infrastructures. To ensure operational IT security, DZ BANK has implemented information security management systems that apply throughout the bank. The instructions and rules based on these systems are aimed at the quantitative and qualitative assessment of the related IT risk, which is classified as operational risk.

Examples of activities undertaken in the area of information security management include ascertaining the protection required by IT applications, ensuring software updates are handled in a standardized process (patch management), implementing a system to provide end-to-end protection against malware, identifying potential weaknesses in IT systems, and analyzing security incidents. Another key element of information security management at DZ BANK is user and authorization management.

3.3.5. Control functions

INTERNAL AUDIT

The **internal audit** departments of DZ BANK and all the main subsidiaries are responsible for non-process-specific control and monitoring tasks. 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 management units report to the chief executive officer or other senior managers of the unit 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 management units concerned, and the evaluation of individual management unit 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 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, the report on the economic stress tests, and the report on current indicators in accordance with the German Minimum Requirements for the Design of Recovery Plans (MaSan) on a quarterly basis. The chairman of the Risk Committee informs the 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 (version valid until December 31, 2015) 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.

3.3.6. 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 security measures, the aim of which is to prevent unauthorized access both within and outside management units.

3.3.7. 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 (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 (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. Guidelines for the management units' risk control departments on data quality management and the internal control system set out the standards for ensuring the quality of data in the process for managing economic capital adequacy.

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 (consolidated) financial reporting have to satisfy the applicable security requirements in terms of confidentiality, integrity, availability, and authenticity. 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 journal entries 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.

3.4. RISK MANAGEMENT TOOLS

3.4.1. 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 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 9. 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.

FIG. 9 – 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.

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

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

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 home 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.

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

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.

3.4.2. Measurement of risk and risk concentrations

FRAMEWORK

Risk management in the DZ BANK Group is based on a **resource-oriented perspective of capital and liquidity**. It thus reflects the latest regulatory developments in connection with SREP. A distinction is also made between economic and regulatory capital adequacy and between economic and regulatory liquidity adequacy. The impact of each risk type on both economic capital and economic liquidity is taken into consideration. The effect and materiality of the various types of risk may vary, depending on the resource in question.

ECONOMIC LIQUIDITY ADEQUACY

To ascertain the DZ BANK Group's economic liquidity adequacy, the minimum surplus cash that would be available if various scenarios were to materialize within the following year is determined as part of the **measurement of liquidity risk**.

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, products, and liquidity providers (concentrations of funding sources), and the distribution of liquidity reserves across particular currencies, ratings, and issuers (concentrations of reserves). There is no capital requirement in connection with liquidity risk.

Liquidity risk in the **Insurance sector**, including R+V's funding risk, 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.

ECONOMIC CAPITAL ADEQUACY

In the **Bank sector**, **economic capital** (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 in order to ascertain economic capital adequacy. 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, disregarding diversification effects between the sectors.

In the **Insurance sector**, risk measurement is based on the method specified in Solvency II with the aim of determining value-at-risk, which is the measure of **economic capital**. The value-at-risk for the change in economic own funds is determined with a confidence level of 99.50 percent over a period of one year.

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.

RISK COVERED BY CAPITAL IN THE BANK SECTOR

Expected and unexpected losses are calculated during credit-portfolio analysis for transactions containing credit risk that are conducted by entities in the Bank sector. 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. The rating reflects an assessment of the borrower's future economic strength. 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 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. From the first quarter of 2016, equity investment risk at DZ BANK will be determined using Monte Carlo simulation, in which portfolio concentrations in industries and individual exposures will be examined by simulating industry-wide and investment-specific risk factors.

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 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 the exposure 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.

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.

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. For the Bank sector, **strategic risk** is classified as non-material and examined in the context of business risk.

Reputational risk in the Bank sector is taken into account within business risk and is therefore implicitly included in the measurement of risk and assessment of capital adequacy.

The economic capital requirement for **operational risk** is determined using a portfolio model. 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.

From the perspective of economic capital adequacy, **funding risk** is not material.

RISKS IN THE INSURANCE SECTOR

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.

The analysis, monitoring, and management of concentrations of actuarial risk are carried out as part of the risk management process. 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.

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 **counterparty default risk** are determined on the basis of the relevant exposure and the expected losses per counterparty.

The risk capital requirement for **operational risk** in the Insurance sector 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.

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 in Solvency I, which are essentially calculated as a factor of the volume measures of benefit reserves and capital at risk.

Strategic risk is classified as non-material for the Insurance sector. R+V analyzes and forecasts national and global developments with an influence on business-related parameters on an ongoing basis. The findings are evaluated, for example in terms of customer needs, and are incorporated into the development of new insurance products.

3.4.3. Stress tests

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

3.4.4. Limitation principles

The DZ BANK Group has implemented a system of limits to ensure that risk-bearing capacity is maintained. The limits used may be risk limits or volume limits, depending on the type of 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 exposure does not exceed the approved 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. In the context of liquidity adequacy, the limit system is used to monitor whether economic liquidity adequacy is assured both at DZ BANK Group level and at the level of the management units.

3.4.5. Hedging objectives and hedging transactions

Hedging activities are undertaken in order to transfer liquidity risk, credit risk, market 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.

3.4.6. 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, and the **MaSan report**, which is prepared on a monthly and quarterly basis, the overall risk report is the main channel by which risks incurred by the DZ BANK Group and the management units are communicated to the Supervisory Board, 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.

3.4.7. 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 appropriateness test may also be carried out at other times in response to specific events. 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 the risk management process.

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

4. OPPORTUNITIES

4.1. 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 based on different macroeconomic scenarios, trends, and changes in the markets, and forms the basis for evaluating opportunities. Identified opportunities are taken into account in the business strategies.

Details about the strategic planning process are presented in section I.3.4. of this (group) management report.

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

4.2. POTENTIAL OPPORTUNITIES

4.2.1. 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.

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.

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 **merger** of DZ BANK and WGZ BANK, which is planned for 2016, is expected to create not only extensive synergies but also growth potential and earnings potential. The joint marketing activities and broader range of products and services are also expected to open up specific opportunities.

The **Outlook** section of the (group) management report describes expected developments in the market and business environment together with the business strategies and the implications for the financial performance forecast for 2016. These are crucial factors in the strategic positioning and the resulting opportunities for increasing earnings and cutting costs.

4.2.2. Digitization and demographic change

Digitization refers to developments that tap into the prevalence of mobile devices and internet-based services and that are supported by the consumerization of technologies, i.e. the availability of high-tech end devices to consumers. These developments are encouraging the intermediation of new competitors at the interface between customers and banking services.

As a consequence of the general advance of digitization across all areas of life, opportunities are opening up in relation to day-to-day banking business, especially payments processing. This trend is strengthened by **demographic change** and the resulting changes in the behavior of younger generations of customers. For example, increased use of mobile devices in payments processing means that particularly Germany – where paying in cash has generally continued to be more common than in other countries – is now seeing cash transactions being substituted with electronic payments processing. This may also lead to a reduction in the costs incurred by banks in relation to the supply and disposal of coins and notes.

The entities in the DZ BANK Group responded to these developments a while ago by increasing the innovative services that they offer. These included trialing the use of biometric processes by the payments processing provider Equens S.E., collaborating with iZettle on the development of a mobile point of sale, and implementing paydirekt, a cross-bank e-commerce payment process, in November 2015.

This portfolio of measures is helping the DZ BANK Group to drive the substitution of cash payments with mobile and other electronic payment processes so that it can participate in the move toward electronic payment transactions and seize opportunities for increasing its earnings. Furthermore, the Transaction Banking business line is working with universities and technology companies to test technologies and developments that may be of interest in the future – such as 'block chains' in payments processing and the securities business – and assess whether they are viable for use.

To underpin these measures, cross-sectoral innovation management, including an Innovation Roundtable, has been introduced in order to coordinate the group's innovation activities, monitor market trends, and launch targeted innovation projects.

4.2.3. 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 year under review, the rating agencies reviewed the credit ratings issued for DZ BANK. Fitch raised the long-term credit rating to AA- and the credit rating for DZ BANK BRIEFE to AA+. Having adjusted its credit rating methodology, Moody's awarded a higher credit rating of Aa2 for DZ BANK's long-term credit rating for deposits and unsecured, non-subordinated bonds. The ratings awarded by Standard & Poor's dropped to AA+ for DZ BANK BRIEFE but otherwise remained unchanged. Figure 10 provides an overview of DZ BANK's credit ratings.

FIG. 10 – DZ BANK RATINGS

	Standard & Poor's		Moody's		Fitch	
	Dec. 31, 2015	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014
Long-term rating	AA-	AA-	Aa2	A1	AA-	A+
Covered bonds (DZ BANK BRIEFE)	AA+	AAA	–	–	AA+	AA
Short-term rating	A-1+	A-1+	P-1	P-1	F1+	F1+

As at December 31, 2015, the long-term credit rating for the cooperative financial network issued by Standard & Poor's remained unchanged at AA-. In the first half of 2015, Fitch raised the cooperative financial network's long-term credit rating from A+ to AA-.

5. GENERAL RISK FACTORS

5.1. 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 liquidity adequacy and capital adequacy. 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.

5.1.1. Commercial-law environment

The financial position and financial performance of the DZ BANK Group are presented in accordance with International Financial Reporting Standards (IFRS). Changes to IFRS and the associated interpretations may lead to a discrepancy between the results and financial position that are reported in the future and the current forecasts, or changes to financial reporting standards that are introduced retrospectively may lead to differences between results shown for prior-year periods and the results that were previously published. Such changes may also have an impact on regulatory capital and the financial key performance indicators.

The entities in the DZ BANK Group observe potential changes to financial reporting and examine their possible effects.

DZ BANK Group faces material risks from a changed accounting standard in connection with the expected adoption of **IFRS 9 Financial Instruments** into European law. IFRS 9 replaces the existing standard on accounting for financial instruments (IAS 39). The reformed model for allowances for losses on loans and advances and new rules on the categorization of financial instruments, in particular, will result in a need to modify business processes and IT systems, greater volatility in the income statement going forward, and first-time adoption effects that will adversely affect equity. DZ BANK has set up a project to implement IFRS 9. It will only be possible to quantify the effects reliably at a later stage in the project.

5.1.2. Regulatory environment

BASEL IV

BCBS is currently preparing comprehensive new rules in some areas of regulatory risk determination ('Basel IV'). These new rules, which are likely to come into force in 2017, are expected to increase the capital requirements for the DZ BANK banking group and DZ BANK.

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 have been subject to an obligation to report the leverage ratio since 2014. The disclosure requirement has applied since 2015.

A mandatory minimum value for the leverage ratio has not been specified at European level for now because its effect is to be analyzed in more detail in a monitoring phase up to June 30, 2016. 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 a mandatory minimum for 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

EU directive 2014/59, which has been in force since January 1, 2016, has created the legal basis at European level for the new 'minimum requirement for own funds and eligible liabilities' (MREL) regulatory ratio. The finalized provisions on implementing this directive are not yet available.

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 at all times to carry out an orderly resolution. '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 government help 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 2015 that, 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 gauged 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 in proportion 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 domestic systemically important banks.

The FSB published the final TLAC recommendations for global systemically important banks at the end of 2015, based on the results of impact assessment studies. The minimum TLAC requirements are scheduled to come into force on January 1, 2019. The European Commission intends to present legislative proposals for implementing these requirements in the EU in 2016.

The impact of the TLAC on the DZ BANK Group and DZ BANK, and how the TLAC and MREL might impact on one another, cannot be gauged at present.

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)

On December 19, 2014, the EBA published its Guidelines on Common Procedures and Methodologies for the Supervisory Review and Evaluation Process. The provisions contained in this document came into force on January 1, 2016. One of the aims being pursued by the EBA with SREP is the EU-wide harmonization of the supervisory review and evaluation process enshrined in Pillar 2 of Basel III. Harmonization is intended to create the same competitive conditions in the jurisdictions involved.

In 2015, the ECB conducted a supervisory review and evaluation process at DZ BANK for the first time. It cannot be ruled out that the new requirements will result in SREP differing substantially from current practice in the future. SREP could mean that the DZ BANK Group and DZ BANK are subject to additional capital and liquidity requirements. 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.

STANDARDIZED DEFINITION OF BORROWER DEFAULT

On September 22, 2015, the EBA published a consultation paper on the definition of default in lending transactions. The consultation paper aims to harmonize the definition of default for the purposes of the Standardized Approach and the internal ratings-based (IRB) approaches and thus to standardize the capital requirements for credit risk. DZ BANK analyzed the planned new requirements and their impact and also participated in the qualitative and quantitative impact study. Changes to the default history and associated effects on the credit rating systems – including the possible need for recalibration – cannot be ruled out. This could lead to higher regulatory capital requirements and an increase in the credit value-at-risk.

CAPITAL REQUIREMENTS FOR MARKET RISK

Based on the experience of the financial crisis, the BCBS published its second consultative document in October 2013, followed by its third consultative document ('outstanding issues') in December 2014, on the Fundamental Review of the Trading Book. They set out plans for a fundamental revision of the existing rules for capital requirements in relation to market risk in the trading book.

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, 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 also to all banks in the DZ BANK Group that have to introduce the new Standardized Approach.

The date on which these new requirements are expected to come into force is not yet known for certain. They are currently expected to take effect at the start of 2018. 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 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 the end of 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 national rules with the amendment of MaRisk BA, which was put out for consultation in February 2016.

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 gauge whether the principles will be implemented in the original form proposed by the BCBS or in some amended form.

AMENDMENT OF BUILDING SOCIETY LEGISLATION

Lawmakers have responded to the sustained low level of interest rates in the capital markets by bringing in a new version of the German Building and Loan Associations Act (BauSparkG) and a related regulation. The amendment mainly extends the non-collective investment options for surplus collective funds and broadens the intended use of the fund for home savings risk. It also confirms the specialty principle of building societies, according to which only building societies are permitted to conduct building society operations. The amended rules came into force in December 2015. There have not been any consequences for economic capital adequacy or the risk situation.

SOLVENCY II

Solvency II defines requirements for capital adequacy, risk management, and a standardized reporting system for insurance companies that has been applicable throughout the EU since 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 gives rise to significant changes in capital requirements and in the measurement of assets and liabilities. R+V also has 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 now cover their investments with capital in an amount commensurate with the risk content of the individual investments.

INSTANT PAYMENTS

The Euro Retail Payments Board, the ECB, and the European Commission have been deliberating on instant payments, a new system of payments processing, since late 2014, the details of which are now being defined by the European Payments Council. In the DZ BANK Group, instant payments particularly affect DZ BANK, which has initiated the necessary measures to comply with the new requirements. In particular, DZ BANK has begun projects to assess the opportunities and risks associated with this new technology and to implement the aforementioned measures. Delayed or inadequate implementation of the requirements could lead to sanctions being imposed by the banking regulator and to reputational damage.

OTHER REGULATORY RISK FACTORS

In addition to the regulatory requirements described above, the following 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
– EU directive on structural reforms for banks
– Financial transaction tax
– Publication of the findings of regulatory audits

5.1.3. 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.

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 and central banks' expansionary monetary policy. Global economic growth and, in particular, the situation in financial markets saw a further slight improvement, but the economy, the confidence of financial market players, and the extent of customer activity in the banking business all continue to be affected by the consequences of the sovereign debt crisis and, in particular, by the monetary policy response.

The economies of eurozone countries **Portugal**, **Italy**, **Ireland**, **Greece**, and **Spain** continue to be characterized by government debt levels that are high in relation to gross domestic product and are still proving difficult to bring down. Consequently, these countries remain vulnerable to fluctuation in investors' risk assessments.

Nevertheless, it is evident that all of the countries except Greece have made substantial progress in consolidating their budgets and achieving economic stability. Their economies are growing again, and what were previously high current account deficits have been replaced by surpluses. **Ireland** returned to the international financial markets, having exited the bailout under the European Stability Mechanism in January 2014. After completing its bailout program, **Portugal** was able to place long-term issues in the capital markets once again in May 2014.

The financial position of **Greece** is still considered precarious. Even after the approval of a new three-year bailout from the European Stability Mechanism in August 2015, Greece's solvency is not assured and there is no guarantee that Greece will stay in the eurozone. 'Grexit' could lead to turbulence in the international financial markets, which would potentially have a negative impact on the countries of the eurozone.

OTHER GLOBAL TROUBLE SPOTS

The situation is currently also problematic in **Russia**, where the economic downturn that had started in 2013 led to a recession in 2015. 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 further depleted foreign currency reserves. The decrease in currency reserves is likely to continue in 2016.

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 or equity.

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 BSH's extensive **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 November 2015 is continuing to gradually mitigate 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 owing to 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 change-in-discount-rate reserves. However, recognizing these additional reserves puts in place key, long-term prerequisites for limiting risk in life insurance and pension insurance business.

Given the long period of low interest rates, the challenge faced by the DZ BANK Group's extensive **asset management activities**, brought together under UMH, 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 UMH 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.

A long period of low interest rates also increases the risk of **incorrect valuations in financial markets**.

5.2. OVERARCHING BANK-RELATED RISKS

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

5.2.1. 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.

5.2.2. 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 other management units in the group, could suffer an adverse impact.

5.2.3. 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 would only be able to minimize some of this risk with great difficulty; it may not be 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 ineffective or only partially effective, 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.

5.2.4. Economic liquidity and capital adequacy after the merger

As part of the planned merger, the portfolios of the DZ BANK Group and the WGZ BANK Group will be combined in 2016. This may result in diversification effects and concentration effects that will probably mean that the key risk indicators of the merged central institution group will not simply be the sum of the risks of the two central institution groups when considered in isolation. Owing to the consolidation effects under commercial law, it is expected that the available internal capital of the merged central institution group will not equal the sum of the values calculated separately for the DZ BANK Group and the WGZ BANK Group.

The overall effect of these merger-related changes on the economic liquidity adequacy and capital adequacy of the merged central institution group cannot yet be reliably quantified. Nevertheless, based on current knowledge, it is assumed that both the economic liquidity adequacy and the economic capital adequacy of the merged central institution group will be around the level calculated for the DZ BANK Group as at December 31, 2015.

6. LIQUIDITY ADEQUACY

6.1. PRINCIPLES

The management of liquidity adequacy is an integral component of business management in the DZ BANK Group and at DZ BANK. Liquidity adequacy is understood to be the holding of sufficient liquidity reserves. It is considered from both an economic and a regulatory perspective. Whereas the economic perspective implements the requirements of MaRisk BA, the regulatory perspective applies the Basel III requirements.

Economic liquidity adequacy is managed on the basis of the internal liquidity risk model, which takes account of the impact on liquidity of other risks when measuring liquidity risk. The DZ BANK Group fulfills the regulatory liquidity adequacy requirements by managing economic liquidity adequacy.

The entities relevant for determining economic liquidity adequacy are DZ BANK and the following management units: BSH, DG HYP, DVB, DZ PRIVATBANK, TeamBank, and VR LEASING.

Owing to the close ties between management of economic liquidity adequacy at DZ BANK and that of the DZ BANK Group, the information below on economic liquidity adequacy also applies to DZ BANK.

6.2. ECONOMIC LIQUIDITY ADEQUACY

6.2.1. Risk definition and risk factors

RISK DEFINITION

Liquidity risk is the risk that cash and cash equivalents will not be available in sufficient amounts to ensure that payment obligations can be met. Liquidity risk thus has the character of insolvency risk.

RISK FACTORS

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.

6.2.2. Risk strategy

The entities in the DZ BANK Group 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 those corporate customers, institutional customers, and customer banks that have close ties to the entities in the DZ BANK Group. On the other hand, the risk of a temporary interruption in unsecured money market funding 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 liquidity risk strategy is consistently aligned with the overall **business strategies** and to this end is reviewed at least once a year and adjusted as necessary.

6.2.3. Organization, responsibility, and risk reporting

ORGANIZATION AND RESPONSIBILITY

The strategic guidelines for the management of liquidity risk by the entities in the DZ BANK Group are established by the **Group Risk and Finance Committee**. At the level of DZ BANK, this is the responsibility of the Treasury and Capital Committee.

Liquidity risk control in the DZ BANK Group 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 intra-group guidelines is aggregated to provide a group perspective.

RISK REPORTING

Liquidity up to 1 year and structural liquidity of 1 year or more are reported on a daily basis to the **Responsible Board Members** of DZ BANK responsible for liquidity risk management and liquidity risk control. The **Board of Managing Directors** receives a monthly report on the current liquidity risk situation 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 of the DZ BANK Group and the individual management units.

The **entities in the DZ BANK Group** 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 **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.

6.2.4. Measurement of liquidity risk

The units responsible for liquidity risk management at the entities in the DZ BANK Group 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 DZ BANK Group, the biggest intraday cash flows are at DZ BANK.

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 DZ BANK Group level. All entities in the DZ BANK Group 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 asset-backed commercial paper programs (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, banks, and institutional investors. 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.

Stress tests are conducted for the forward cash exposure and for the counterbalancing capacity using the following four scenarios with defined limits: ‘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, banks, and institutional investors in the 1-year forecast period. The simulated event in each stress scenario represents a serious deterioration in conditions.

In addition to the existing stress scenarios with already defined limits, foreign currency stress tests simulate what would happen if the currency swap market also defaulted. The currencies in the major locations are examined (US dollar, pound sterling, Swiss franc, Hong Kong dollar, Singapore dollar). The currency limits relate only to the critical first month.

Further stress scenarios in addition to the scenarios with defined limits 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 DZ BANK Group and aggregated at group level.

6.2.5. Risk management

MANAGEMENT OF LIMITS FOR LIQUIDITY RISK

Liquidity risk limits are set with the aim of ensuring economic liquidity adequacy. They are based on the minimum liquidity surplus calculated for the four stress scenarios with defined limits. 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 DZ BANK Group, the Board of Managing Directors of DZ BANK has set only one limit for each entity in the group. The liquidity risk control function at DZ BANK monitors the limits and observation threshold.

The limit system ensures that the DZ BANK Group remains solvent even in serious stress scenarios. **Emergency liquidity plans** are in place so that the group is able to respond to crisis events rapidly and in a coordinated manner. The emergency plans are revised annually.

LIQUIDITY RISK MITIGATION

Measures to reduce liquidity risk are initiated by the treasuries of the management units 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.

LIQUIDITY TRANSFER PRICING SYSTEM

The DZ BANK Group aims 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 DZ BANK Group. 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, deposits, 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 2015.

6.2.6. Quantitative variables

The available liquid securities and the unsecured short-term and medium-term funding are the main factors determining the minimum liquidity surplus. Additional contractual obligations that would be owed if DZ BANK's own rating were downgraded also play a role in the measurement of liquidity risk. These factors are presented below.

LIQUID SECURITIES

Liquid securities, together with balances on nostro accounts and non-collateralized funding capacity, form the **counterbalancing capacity**. Liquid securities are largely held in the portfolios of the treasury units at the entities in the DZ BANK Group or in the portfolios held by DZ BANK's Capital Markets Trading division. 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 11 shows the liquidity value of the liquid securities that would result from secured funding or if the securities were sold. To improve the information used for management purposes, internal transactions have been offset against each other since the start of 2015. The disclosures on the securities received and provided as collateral as at December 31, 2014 are therefore not fully comparable with the corresponding disclosures as at December 31, 2015.

As at December 31, 2015, the total liquidity value at the level of the **DZ BANK Group** totaled €54.0 billion (December 31, 2014: €49.5 billion). The total liquidity value attributable to **DZ BANK** as at December 31, 2015 was €42.1 billion (December 31, 2014: €38.2 billion).

Consequently, liquid securities represent the largest proportion of the counterbalancing capacity for both the DZ BANK Group and DZ BANK, and make a major contribution to ensuring that they remain solvent in the stress scenarios with defined 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 with defined limits.

FUNDING AND LIQUIDITY MATURITIES

The level of liquidity risk in the DZ BANK Group and at DZ BANK is determined by the short-term and medium-term funding structure. The main sources of funding on the unsecured money markets are shown in figure 12. The change in the composition of the main sources of funding compared with December 31, 2014 is attributable to a change in the behavior of customers and investors resulting from money market policy implemented by the ECB.

FIG. 11 – LIQUID SECURITIES

€ billion	Dec. 31, 2015	Dec. 31, 2014
Liquid securities eligible for GC Pooling (ECB Basket)[1]	**37.1**	**34.7**
Securities in own portfolio	31.2	33.8
Securities received as collateral	12.5	43.3
Securities provided as collateral	-6.6	-42.3
Liquid securities eligible as collateral for central bank loans	**11.8**	**10.7**
Securities in own portfolio	10.3	10.2
Securities received as collateral	3.7	7.5
Securities provided as collateral	-2.2	-7.0
Other liquid securities	**5.1**	**4.1**
Securities in own portfolio	4.9	3.9
Securities received as collateral	0.4	1.7
Securities provided as collateral	-0.2	-1.5
Total	**54.0**	**49.5**
Securities in own portfolio	46.5	47.8
Securities received as collateral	16.5	52.6
Securities provided as collateral	-9.0	-50.8

1 GC = general collateral, ECB Basket = eligible collateral for ECB funding.

FIG. 12 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

	DZ BANK Group		DZ BANK	
%	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Local cooperative banks	46	42	49	46
Other banks, central banks	12	14	10	13
Corporate customers, institutional customers	10	18	8	17
Commercial paper (institutional investors)	32	26	32	24

Further details on funding are provided in the business report (section II.5. ('financial position') 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 DZ BANK Group.

ADDITIONAL CONTRACTUAL OBLIGATIONS

Some OTC collateral agreements that entities in the DZ BANK Group 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 13 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 **DZ BANK Group** because the additional contractual obligations of the other entities in the group to provide further collateral are negligible.

The changes in the additional contractual obligations compared with December 31, 2014 were mainly the result of the improvement in DZ BANK's credit rating. This led to the return of collateral that had been provided, which thus increased liquidity. However, a simulated downgrade, e.g. by one notch, would require collateral in an amount of €75 million to be provided again. Other reasons for the differences compared with December 31, 2014 are new transactions, changes in market value, reductions in notional amounts, and the inclusion of short-term credit ratings as a trigger.

Additional contractual obligations represent only a minimal liquidity risk that is already covered by the stress scenarios with defined limits.

6.2.7. Risk position

Figure 14 shows the results of measuring liquidity risk as at December 31, 2015 (and at December 31, 2014) in the four stress scenarios with defined limits. 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.

The minimum liquidity surplus for the **DZ BANK Group**, measured as at the reporting date on the basis

FIG. 13 – ADDITIONAL CONTRACTUAL OBLIGATIONS

	One-notch deterioration in credit rating		Two-notch deterioration in credit rating		Three-notch deterioration in credit rating	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Additional contractual obligations based on collateral agreements	115	11	188	155	840	576

FIG. 14 – LIQUIDITY UP TO 1 YEAR IN THE STRESS SCENARIOS WITH DEFINED LIMITS – FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Downgrading	-54.8	-40.4	71.6	63.4	16.8	23.0
Corporate crisis	-53.1	-48.3	62.0	60.7	8.9	12.4
Market crisis	-51.2	-30.9	70.8	51.0	19.6	20.1
Combination crisis	-31.4	-30.1	45.8	41.5	14.5	11.4

of a forecast period of 1 year for the stress scenario with defined limits that had the lowest minimum liquidity surplus, was €8.9 billion as at December 31, 2015 (December 31, 2014: €11.4 billion). During the year under review, 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 with defined limits. The observation threshold and limit were unchanged compared with December 31, 2014.

The minimum liquidity surplus measured for **DZ BANK** as at December 31, 2015 was €4.0 billion (December 31, 2014: €1.9 billion). This value is derived from the stress scenario with defined limits that had the lowest minimum liquidity surplus and relates to the one-month forecast period defined for the limit. 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 is measured and analyzed precisely for each day and is taken beyond the limit period of 1 month right up to 1 year.

The results show that the minimum liquidity surplus as at December 31, 2015 was positive in the stress scenarios with defined limits that were determined on the basis of 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.

6.2.8. Possible impact from crystallized liquidity risk

One of the main operating activities of the management units is to make long-term liquidity available to their customers for different maturity periods and in different currencies, for example in the form of loans. The units 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 DZ BANK Group are also exposed to the risk that the **minimum liquidity surplus** will fall below the observation threshold or the limit. If it repeatedly falls below the observation threshold, there is an increased risk that the group would subsequently 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.

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.

6.3. REGULATORY LIQUIDITY ADEQUACY

6.3.1. Regulatory framework

Internal liquidity risk management is supplemented by the regulatory liquidity coverage ratio (LCR) in the Basel III framework, which was transposed into law with the CRR and Delegated Regulation 2015/61 (Delegated Regulation), and by the net stable funding ratio (NSFR), which is based on the Basel III framework (BCBS 295) and is required to be reported under article 510 CRR.

The **liquidity coverage ratio** (LCR) has a short-term focus and is intended to ensure that institutions can withstand a liquidity stress scenario lasting 30 days. This KPI is defined as the ratio of available high-quality liquid assets to total net cash outflows in defined stress conditions over the next 30 days.

A binding liquidity coverage ratio of 60 percent has applied to institutions since October 1, 2015. From January 1, 2016, they must comply with an LCR of at least 70 percent, with this figure rising to 80 percent from January 1, 2017. The minimum ratio will be 100 percent from January 1, 2018.

The **net stable funding ratio** (NSFR) has a long-term focus and is intended to ensure that institutions restrict mismatches between the maturity structures of their assets-side and liabilities-side business. This ratio is the amount of available stable funding (equity and liabilities) relative to the amount of required stable funding (assets-side business). The funding sources are weighted according to their degree of stability and assets are weighted according to their degree of liquidity based on factors defined by the regulator. Unlike the liquidity coverage ratio, compliance with the NSFR is not scheduled to become mandatory until 2018.

DZ BANK reports its own LCR and that of the DZ BANK banking group, calculated in accordance with the CRR, to the regulator on a monthly basis. Since October 1, 2015, the LCR for DZ BANK and the DZ BANK banking group has been additionally calculated in accordance with the requirements of the Delegated Regulation.

As part of its implementation of the new regulatory liquidity requirements, the DZ BANK banking group is participating in Basel III monitoring, which involves submitting the LCR (in accordance with the Delegated Regulation) and the NSFR (in accordance with Basel III) ratios to the regulator on a half-yearly basis. In addition, these ratios have to be reported to the ECB at the level of the banking group each quarter as part of the short-term exercises.

6.3.2. Organization, responsibility, and reporting

The liquidity variables reported for regulatory purposes resulting from the CRR, the Basel III framework, and the Delegated Regulation are calculated for DZ BANK by the **Group Finance** division and they are aggregated at the level of the DZ BANK banking group with the corresponding values for the management units.

Both the **Treasury and Capital Committee** and the **Board of Managing Directors** are notified of the LCR (monthly) and the NSFR (quarterly).

6.3.3. Regulatory ratios

The **LCR** calculated in accordance with the Delegated Regulation for the **DZ BANK banking group** as at December 31, 2015 was 125.8 percent, which included high-quality liquid assets of €46.4 billion and total net cash outflows of €36.9 billion. The liquidity coverage ratio for the DZ BANK banking group is thus already higher than the minimum ratio of 100 percent that becomes mandatory from 2018.

The **NSFR**, calculated in accordance with the stipulations of the Basel Committee on Banking Supervision as at the reporting date, came to 99.0 percent for the **DZ BANK banking group**. This was based on available stable funding of €203.4 billion and total net cash outflows of €205.5 billion.

In the calculation of the NSFR, operational deposits of affiliated local cooperative banks at DZ BANK of €21.8 billion were included in the amount of available stable funding with a weighting factor of 50 percent in the same way that other operational deposits of financial customers are included. So far, however, the national regulator has not defined a factor for these transactions. If this uncertainty is viewed conservatively and a factor of 0 percent is assumed for operational deposits of the cooperative financial network, the NSFR for the DZ BANK banking group as at December 31, 2015 is 93.7 percent.

6.4. OUTLOOK

The extension of the **measurement of intraday liquidity**, which began in 2015, is to continue in 2016. In addition, the new regulatory liquidity reporting variables will also continue to be integrated into liquidity risk management.

In 2016, it is also planned to extend the external reporting of the regulatory liquidity ratios LCR and NSFR to include the **additional liquidity monitoring metrics** (ALMMs), which are likely to become subject to a disclosure requirement on March 31, 2016. The ALMMs comprise a total of six further liquidity metrics at the level of the DZ BANK banking group and DZ BANK.

7. CAPITAL ADEQUACY

7.1. PRINCIPLES

The management of capital adequacy is an integral component of business management in the DZ BANK Group and at DZ BANK. DZ BANK and all other management units are included in the management of capital adequacy. 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.

In addition to the management of economic capital, regulatory solvency requirements for the DZ BANK financial conglomerate, the DZ BANK banking group, and the R+V Versicherung AG insurance group are also observed.

7.2. ECONOMIC CAPITAL ADEQUACY

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

7.2.1. Strategy, organization, and responsibility

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.

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 Group Treasury at DZ BANK.

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.

7.2.2. Measurement methods

Economic capital management is based on internal risk measurement methods that take into account all types of risk that are material from a capital adequacy perspective. 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 system.

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 a particular 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. If necessary, the upper loss limits can be adjusted during the year, e.g. if economic conditions change.

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 the IFRS data (FinRep), but excludes R+V.
- The available internal capital from the **Insurance sector** is based on the own funds 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 at group level.

It was necessary to recalculate the overall solvency requirement as at December 31, 2014 owing to scheduled changes to the parameters for the risk measurement procedures and the updating of actuarial assumptions carried out in the second quarter of 2015 for the Insurance sector on the basis of R+V's 2014 consolidated financial statements. The recalculation reflects updated measurements of insurance liabilities based on annual actuarial analyses and updates to parameters in the risk capital calculation. Because of the complexity and the amount of time involved, the parameters generally are not completely updated in the in-year calculation and an appropriate projection is made.

This recalculation also resulted in changes to the key risk indicators at DZ BANK Group level (available internal capital, capital buffer, risk capital requirement, and economic capital requirement). The figures as at December 31, 2014 given in this opportunity and risk report have been restated accordingly and are not directly comparable with the figures in the 2014 opportunity and risk report.

7.2.3. 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.

7.2.4. Risk-bearing capacity

The DZ BANK Group's **available internal capital** as at December 31, 2015 was measured at €22,616 million (December 31, 2014: €19,893 million; original value: €19,569 million). As at December 31, 2015, the **capital buffer** amounted to €1,526 million (December 31, 2014: €2,644 million). The substantial decrease in the capital buffer was largely due to exposures being transferred from the capital buffer to the regular risk calculation. This decrease resulted in a corresponding increase in the risk capital requirement and available internal capital. The increase in available internal capital is also attributable, in particular, to the positive financial performance.

Derived from the available internal capital minus the capital buffer, the total **upper loss limit** for the DZ BANK Group amounted to €16,866 million as at December 31, 2015 (December 31, 2014: €15,284 million). As at December 31, 2015, the **risk capital requirement** was calculated at €12,167 million (December 31, 2014: €10,312 million;

FIG. 15 – ECONOMIC CAPITAL ADEQUACY OF THE DZ BANK GROUP

€ million	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Available internal capital	22,616	21,508	21,360	21,481	19,893
Capital buffer	-1,526	-1,450	-1,302	-1,259	-2,644
Available internal capital after deduction of capital buffer	21,090	20,057	20,058	20,222	17,249
Upper loss limit	16,866	16,866	16,840	16,542	15,284
Risk capital requirement (after diversification)	12,167	12,053	12,308	12,811	10,312
Economic capital adequacy	**173.3%**	**166.4%**	**163.0%**	**157.8%**	**167.3%**

FIG. 16 – UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT IN THE BANK SECTOR

	Upper loss limits					Risk capital requirement				
€ million	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Credit risk	4,860	4,888	4,928	4,550	3,942	3,569	3,719	3,705	3,858	3,056
Equity investment risk	1,081	1,081	951	951	974	854	853	832	861	788
Market risk[1]	5,830	5,810	5,870	5,942	6,422	3,204	3,342	3,597	3,972	2,769
Technical risk of a home savings and loan company[2]	550	550	550	550	500	549	549	549	549	496
Operational risk	1,150	1,150	1,150	1,150	689	871	763	829	846	628
Business risk[3]	775	754	754	745	436	579	663	628	648	361
Total (after diversification)	**13,066**	**13,066**	**13,040**	**12,742**	**11,784**	**8,391**	**8,617**	**8,840**	**9,401**	**6,922**

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

	Upper loss limits					Overall solvency requirement				
€ million	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Life actuarial risk	520	550	490	490	450	501	462	476	390	423
Health actuarial risk	70	70	70	70	80	62	57	57	57	58
Non-life actuarial risk	2,600	2,485	2,485	2,485	2,300	2,567	2,421	2,414	2,355	2,334
Market risk	2,950	2,950	2,950	2,950	2,350	2,905	2,811	2,707	2,743	2,489
Counterparty default risk	50	85	85	85	80	37	42	43	81	43
Operational risk	470	500	520	520	510	452	456	463	488	438
Entities in other financial sectors	80	100	100	100	80	75	75	75	75	75
Total (after diversification)	**3,800**	**3,800**	**3,800**	**3,800**	**3,500**	**3,775**	**3,436**	**3,468**	**3,410**	**3,390**

original value: €10,181 million). The rise in the upper loss limit and risk capital requirement during the reporting year was mainly the result of various exposures being transferred from the capital buffer to the risk capital requirement.

As at December 31, 2015, the **economic capital adequacy ratio** for the DZ BANK Group was calculated at 173.3 percent (December 31, 2014: 167.3 percent; original value: 166.2 percent). Figure 15 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 16.

Figure 17 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.

7.2.5. 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 **multiple-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 reflecting a degree of stress for a crisis that can occur every ten years.

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. An extension of the inverse stress test is being developed and will be introduced in 2016.

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 management units because of their particular business model. The stress tests are based on the methods and procedures used for calculating risk-bearing capacity. However, the economic stress tests can also reflect events that go beyond the methods established for the calculation of risk-bearing capacity.

The stress test framework in the DZ BANK Group is based on the **sectoral approach** to calculating risk-bearing capacity. The stress testing methods are designed 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 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 multiple-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.

The stress tests are calculated every quarter and approved by the **Risk Committee** or the 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** and amendments to risk positions 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, losses from operational risk, and changes in sources of return resulting from changing macroeconomic conditions or market 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 management units and risk types is similar to the regular procedure used for risk measurement. In the hypothetical multiple-risk scenario, increased correlation between different types of risk is also tested.

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 particular, policyholder participation is taken into account.

Market and credit risk are covered in the **multiple-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 **specific economic stress tests** for actuarial risk, the parameters for lapse and mortality in life insurance business and the expected number of claims for natural disasters in the non-life insurance business are explicitly changed.

7.2.6. 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. A widening of spreads on fungible financial instruments may also lead to a deterioration in the financial position, which is reflected in other comprehensive income.

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. REGULATORY CAPITAL ADEQUACY

7.3.1. Principles

The key aspects of the management of regulatory capital adequacy and the associated KPIs are disclosed below. Detailed information on the DZ BANK financial conglomerate and the DZ BANK banking group can be found in the 2015 annual regulatory risk report.

At DZ BANK, the Group Finance division is responsible for monitoring regulatory capital adequacy. Regular monitoring is designed to ensure that the applicable minimum regulatory requirements for solvency are met at all times. Monitoring takes place continuously for the DZ BANK financial conglomerate, monthly for the DZ BANK banking group and DZ BANK, and at least quarterly for the R+V Versicherung AG insurance group. The Board of Managing Directors and the regulator are notified of the results in the quarterly reports on capital management.

7.3.2. DZ BANK financial conglomerate

The German 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 own funds in the financial conglomerate and the total of solvency requirements for the conglomerate. The coverage ratio is calculated by dividing own funds 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 own funds as at December 31, 2015 amounted to €20,491 million (December 31, 2014: confirmed final eligible own funds of €19,201 million). On the other side of the ratio, the provisional solvency requirement was €11,213 million (December 31, 2014: €11,011 million). This gives a provisional coverage ratio of 182.7 percent (December 31, 2014: confirmed final coverage ratio of 174.4 percent), which is significantly in excess of the regulatory minimum requirement of 100 percent.

7.3.3. 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: IRB 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 models and, to a minor extent, the Standardized Approaches
- Operational risk: Standardized Approach.

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

The regulatory **own funds** of the DZ BANK banking group as at December 31, 2015 amounted to a total of €18,429 million (December 31, 2014: €16,508 million).

The main reason for the sharp rise in regulatory own funds was the increase in **common equity Tier 1 capital** resulting from retaining profits of €1,191 million and the eligible portion of the revaluation reserve of €426 million.

The cancellation of existing additional Tier 1 bonds (AT1 bonds) and the regulatory reduction in eligibility in this capital class were more than offset by new issues of AT1 bonds by DZ BANK with a total volume of €750 million. This led to a net increase in **additional Tier 1 capital** of €254 million.

At €3,127 million, **Tier 2 capital** was virtually unchanged on the end of 2014. The decreases resulting from the reduced level of eligibility under the CRR in the last five years before the maturity date were offset by obtaining new Tier 2 capital.

As at December 31, 2015, regulatory **capital requirements** were calculated at €7,828 million (December 31, 2014: €7,846 million).

The **total capital ratio** of the **DZ BANK banking group** rose from 16.8 percent as at December 31, 2014 to 18.8 percent as at the balance sheet date. As at December 31, 2015, the **Tier 1 capital ratio** was 15.6 percent, a sharp increase on the ratio of 13.7 percent as at December 31, 2014. The **common equity Tier 1 capital ratio** was 13.9 percent as at December 31, 2015 and thus also significantly higher than the ratio of 12.2 percent as at the end of 2014.

The **total capital ratio** of **DZ BANK** went up from 24.9 percent as at December 31, 2014 to 26.6 percent as at the balance sheet date. The **Tier 1 capital ratio** was also up, from 17.8 percent as at December 31, 2014 to 20.2 percent as at December 31, 2015. The **common equity Tier 1 capital ratio** was calculated as 19.1 percent at December 31, 2015 (December 31, 2014: 17.8 percent).

The ratios at both DZ BANK banking group level and DZ BANK level were well above the regulatory minimum values at all times during 2015.

Figure 18 provides an overview of the DZ BANK banking group's regulatory capital ratios in accordance with the regulations in force in 2015.

FIG. 18 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP IN ACCORDANCE WITH CRR

€ million	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Capital					
Common equity Tier 1 capital	13,554	13,165	12,792	12,750	11,913
Additional Tier 1 capital	1,748	1,033	1,010	1,360	1,494
Tier 1 capital	**15,302**	**14,198**	**13,802**	**14,110**	**13,407**
Total Tier 2 capital after capital deductions	3,127	3,012	2,868	3,429	3,101
Total capital	**18,429**	**17,210**	**16,670**	**17,539**	**16,508**
Capital requirements					
Credit risk (including long-term equity investments)	6,243	6,313	6,328	6,589	6,309
Market risk	872	934	1,049	917	873
Operational risk	713	713	713	713	664
Total	**7,828**	**7,960**	**8,090**	**8,219**	**7,846**
Capital ratios					
Total capital ratio (minimum ratio: 8.0 percent)	18.8%	17.3%	16.5%	17.1%	16.8%
Tier 1 capital ratio (minimum ratio: 5.5 percent)	15.6%	14.3%	13.6%	13.7%	13.7%
Common equity Tier 1 capital ratio (minimum ratio: 4.0 percent)	13.9%	13.2%	12.6%	12.4%	12.2%

REGULATORY 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, DZ BANK distinguishes between multiple-risk scenarios and scenarios for specific risk types. A multiple-risk historical stress test is currently being conducted, as is a risk-specific stress test for credit risk.

In the historical 'financial crisis' scenario, regulatory capital adequacy is examined by stress-testing net profit, the revaluation reserve and, building on that, own funds calculated in accordance with the CRR and the risk-weighted assets for credit risk and market risk. In addition to this stress scenario, there is also a credit risk stress test that examines a deterioration in credit ratings and collateral values, depending on the relevant management units and the asset class concerned.

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, 2015 (the ratios as at December 31, 2014 are shown in parentheses):

DZ BANK banking group:
– Total capital ratio: 18.3 percent (12.8 percent); minimum ratio: 10.5 percent
– Tier 1 capital ratio: 13.8 percent (11.2 percent); minimum ratio: 8.5 percent
– Common equity Tier 1 capital ratio: 13.0 percent (11.1 percent); minimum ratio: 7.0 percent

DZ BANK:
– Total capital ratio: 26.6 percent (19.6 percent)
– Tier 1 capital ratio: 20.2 percent (17.6 percent)
– Common equity Tier 1 capital ratio: 19.0 percent (17.6 percent).

During 2015, the ratios were in excess of the regulatory minimum values at all times.

SREP MINIMUM RATIOS

Under the resolution adopted by the ECB in accordance with the regulatory supervision process for Basel III

Pillar 2 (article 16 of EU regulation no. 1024/2013), during the reporting year the DZ BANK banking group had to maintain a common equity Tier 1 capital ratio of at least 8.0 percent. This requirement was met at all times during the reporting year. The common equity Tier 1 capital ratio stood at 13.9 percent as at December 31, 2015.

For 2016, the ECB has set a common equity Tier 1 capital ratio at banking group level of at least 9.5 percent. According to current projections, the DZ BANK banking group is expected to also meet this requirement.

LEVERAGE RATIO

In accordance with the transitional guidance for the delegated act, the leverage ratio of the **DZ BANK banking group** was 4.5 percent as at December 31, 2015 (September 30, 2015: 4.1 percent; June 30, 2015: 4.0 percent; March 31, 2015: 3.9 percent). On the same legal basis, the leverage ratio calculated for **DZ BANK** was 4.6 percent as at the reporting date (September 30, 2015: 4.1 percent; June 30, 2015: 4.1 percent; March 31, 2015: 4.0 percent). Both at the level of the DZ BANK banking group and at DZ BANK, the increase in the ratio over the course of the year was largely due to a decrease in the leverage ratio exposure measure owing to a reduction in securities financing transactions and derivatives combined with an increase in Tier 1 capital.

7.3.4. 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 own funds 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 2015, all of the supervised insurance companies of R+V together with the R+V Versicherung AG insurance group, which is the higher-level entity for regulatory purposes, satisfied the minimum solvency requirements that were in force until December 31, 2015 under Solvency I.

As at December 31, 2015, preliminary figures show that the R+V Versicherung AG insurance group's risk-bearing capacity for regulatory purposes (adjusted solvency) amounted to 184.9 percent compared with a confirmed final ratio of 189.7 percent as at December 31, 2014. The group had eligible own funds of €6,566 million at its disposal on December 31, 2015 (confirmed final figure as at December 31, 2014: €6,312 million) to cover a solvency requirement of €3,550 million (confirmed final figure as at December 31, 2014: €3,328 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 regulatory risk-bearing capacity of the R+V Versicherung AG insurance group under Solvency II will continue to exceed the minimum statutory requirement as at December 31, 2016. In view of the ongoing challenging situation in the financial markets, forecasts about changes in the solvency capital requirement and own funds are subject to significant uncertainty. However, R+V will take suitable measures to ensure its risk-bearing capacity.

The internal stress tests described in section 7.2.5 fulfill the requirement on R+V to conduct stress tests as prescribed by EIOPA and BaFin and 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.

7.4. OUTLOOK

7.4.1. 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, among other changes, DZ BANK is tracking the ongoing development of the implementation requirements. The bank is planning further activities in order to prepare a concept study on the Fundamental Review of the Trading Book.

7.4.2. 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 BCBS. An as-is analysis was carried out in 2014 and an action plan drawn up. In 2015, this work was further developed, with the involvement of the management units, to create a target scenario for the DZ BANK Group that 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 is taking place on the basis of groupwide projects.

7.4.3. Solvency II

With the start of Solvency II on January 1, 2016, R+V will implement the regulatory requirements by calculating its risk-bearing capacity. This will mainly involve switching to the yield curve stipulated by EIOPA and using a stochastic model for the personal insurance providers' calculations. In the event of significant discrepancies between R+V's own risk profile and the assumptions on which the regulatory capital requirements (solvency capital requirement, SCR) are based, R+V will adjust the models and parameters used for internal risk calculations, as it does at present. The switch has an impact on R+V's overall solvency requirement and own funds. From a current perspective, the DZ BANK Group's economic capital adequacy is assured, and will continue to be assured after the changes have been 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) and from the migration of the credit ratings of these 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, which 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 Bank sector 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 also included 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 management unit 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 at DZ BANK, DVB, and DZ PRIVATBANK. BSH and DG HYP only incur credit risk on banking book trading activities.

8.2. RISK STRATEGY

The entities in the Bank sector pursue a strictly decentralized business policy aimed at promoting the cooperative banks and are 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.

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 to 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 generation of internal credit ratings for the business partners of entities in the Bank sector helps, in particular, to provide a solid basis for lending decisions as part of the management of individual transactions. 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. 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 (German Mittelstand), 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 system used by DZ BANK for project finance was overhauled in 2015. In addition, the testing phase for the rating system for insurers was completed. The findings from the tests were used to optimize the methods underlying the rating system. Enhancement of the rating system for banks also began in 2015.

DZ BANK CREDIT RATING MASTER SCALE

The credit rating master scale serves as a groupwide rating benchmark with which to standardize the different rating systems used by the entities in the Bank sector as a result of differences in their business priorities. It thereby provides all management units with a uniform view of counterparties' credit ratings.

Figure 19 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

FIG. 19 – BANK SECTOR: DZ BANK'S VR CREDIT RATING MASTER SCALE AND EXTERNAL CREDIT RATINGS

		External rating classes			
Internal rating class	Average default probability	Moody's	Standard & Poor's	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				

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 Bank sector or the cooperative banks before they are included in the user's credit procedures.

8.4.2. Pricing in the lending business

The management units in the Bank sector use the risk-adjusted pricing of the financing as a criterion in lending decisions. Adequate standard risk costs and risk-adjusted capital costs are taken into account. The methods used by the management units to manage individual transactions vary according to the particular features of the product or business concerned.

To ensure that lending business remains profitable, **standard risk costs** are determined in the management of individual transactions in many parts of the **Bank sector**. 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 capital requirement is integrated into **DZ BANK's** contribution margin costing. This enables DZ BANK to obtain a return on the capital tied up that is in line with the risk involved and that covers any unexpected losses arising from the lending business. Pricing also includes an appropriate amount to cover the costs of risk concentration.

8.4.3. Management of exposure in traditional lending business

MEASURING EXPOSURE 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 the management units 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), while derivatives are measured at fair value and, in respect of settlement risk, at the cash-flow-based accepted 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 bilateral, 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. With regard to exchange-traded derivatives and OTC derivatives settled via a central counterparty (client clearing), the replacement risk vis-à-vis the customer in customer brokerage business and client clearing consists of the actual collateral exchanged (the variation margin and the initial margin), the fair value, and additional collateral requirements. To calculate the replacement risk vis-à-vis stock exchanges and central counterparties, additional potential for changes in value are also taken into consideration. Where legally enforceable, netting agreements and collateral agreements are used at counterparty level for all derivatives in order 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. There is a separate limit for covered bonds that are subject to special public supervision in accordance with article 52 (4) of EU directive 2009/65. 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. Furthermore, the trading exposure in the Bank sector is managed on a decentralized basis at management unit level.

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

General wrong-way risk can arise in DZ BANK's trading activities. This is defined as the risk of a positive correlation between the default probability of a counterparty and the replacement value (replacement risk exposure) of a (hedging) transaction entered into with this counterparty because of a change in the macroeconomic market factors of the traded underlier (e.g. price changes for exchange rates).

Specific wrong-way risk can also occur. This is the risk of a positive correlation between the default probability of a counterparty and the replacement value (replacement risk exposure) of a (hedging) transaction entered into with this counterparty because of an increase in the default probability of the issuer of the traded underlier. This type of risk largely arises in connection with OTC equity and credit derivatives in which the underlier is a (reference) security or (reference) issuer.

The measures described below are used to appropriately monitor these risks and significantly reduce them. Wrong-way risk is not material at DZ BANK, mainly because of these measures.

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 from general wrong-way risk, DZ BANK has brought into force a collateral policy and its own internal 'minimum requirements for bilateral reverse repo transactions and securities lending transactions'.

These requirements are based on the Credit Support Annex (ISDA Master Agreement) and the Collateralization Annex (German Master Agreement for Financial Futures) and stipulate that, in accordance with the collateral policy, only collateral in the form of cash (mainly in euros or US dollars), investment-grade government bonds, and/or Pfandbriefe can be used for mitigating risks arising from **OTC derivatives**. Exceptions to this rule are only permitted for local cooperative banks, although a very good credit rating (at least 2B on DZ BANK's credit rating master scale) is still required for the relevant securities collateral.

The collateral must also be eligible for use as collateral at the ECB. High-grade collateral is also required for **repo transactions** in compliance with DZ BANK's own internal minimum requirements and the generally accepted master agreements, although the range of collateral is somewhat broader here than in the case of OTC derivatives.

In addition, the 'minimum requirements for bilateral reverse repos and securities lending transactions' exclude prohibited concentrations and correlations and specify collateral quality depending on the credit rating of the counterparties. In addition to daily monitoring of the relevant rules and regulations, a semi-annual report is prepared for the Credit Committee that presents the remaining concentration risk and wrong-way risk.

If material specific wrong-way risk occurs in connection with a bilateral OTC trading transaction, it is taken into account when the exposure is calculated and the Credit Committee is notified.

Furthermore, 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.

8.4.6. Mitigating credit risk

COLLATERAL STRATEGY AND SECURED TRANSACTIONS

In accordance with the 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 (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 **realizing collateral**. In the case of non-performing loans, it is possible to depart from the general measurement guidelines and measure collateral on the basis of its likely recoverable value and time of recovery. Contrary to 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), collateral agreements (Credit Support Annex to the ISDA Master Agreement and Collateralization Annex to the German Master Agreement for Financial Futures) are entered into 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 generally include thresholds and minimum transfer amounts that are independent of the credit rating. There are also some agreements with triggers based on the credit rating. 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 COUNTERPARTIES

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 the future 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 the London Clearing House, which is Europe's largest clearing house for interest-rate derivatives, and of Eurex Clearing AG. The bank therefore has direct access to central counterparties for derivatives for the purposes of clearing derivative transactions.

8.4.7. Management of non-performing lending 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, which adapt them to the characteristics of the risks faced in their particular business.

POLICIES AND PROCEDURES FOR THE RECOGNITION OF ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

The following descriptions apply to DZ BANK. The main subsidiaries in the Bank sector have implemented comparable guidelines on the recognition of 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), if the carrying amount of the loan or advance is higher than the net present value.

Provisions for loan commitments and **liabilities under financial guarantee contracts** are recognized 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**. Portfolio loan loss allowances consist of the loss allowances for the portfolio of loans and advances, provisions for loan commitments, and liabilities under financial guarantee contracts. 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 on 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.

NON-PERFORMING LOANS

The entities in the Bank sector classify a loan 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.

Credit portfolio models are also used together with value-at-risk methods to quantify unexpected losses that may arise from the credit portfolios of management units. 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, countries, 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 limiting the credit value-at-risk to the upper loss limit set for credit risk.

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 negative impact on the financial performance and financial position of the DZ BANK Group.

FIG. 20 – BANK SECTOR: RECONCILIATION OF THE LENDING VOLUME

€ billion

	Lending volume for internal management accounts		Reconciliation			
			Scope of consolidation		Carrying amount and measurement	
	Dec. 31, 2015	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014
Traditional lending business	209.8	206.8	1.9	1.8	9.6	4.5
Securities business	78.4	84.1	–	–	-15.3	-16.7
Derivatives business	10.6	9.8	–	–	-13.8	-9.6
Money market business	3.5	2.9	–	–	27.2	26.0
Total	**302.3**	303.7	**1.9**	1.8	**7.8**	4.3

8.5.2. Reconciliation of lending volume to the consolidated financial statements

Figure 20 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

Lending volume for the consolidated financial statements

Dec. 31, 2015		Dec. 31, 2014			Note
221.3	**65.8**	213.2	**64.0**	**Loans and advances to banks**	
	65.9		64.1	of which: loans and advances to banks excluding money market placements	50
	-0.1		-0.1	of which: allowances for losses on loans and advances to banks	52
	124.2		**119.7**	**Loans and advances to customers**	
	126.2		121.9	Loans and advances to customers excluding money market placements	51
	-2.0		-2.2	of which: allowances for losses on loans and advances to customers	52
	31.3		**29.5**	**Financial guarantee contracts and loan commitments**	**87**
63.2	**63.2**	67.4	**67.4**	**Bonds and other securities**	
	10.9		12.2	of which: financial assets held for trading/bonds excluding money market placements	54
	0.8		0.9	of which: financial assets held for trading/promissory notes, registered bonds, and loans and advances	54
	51.5		54.4	of which: investments/bonds excluding money market placements	55
-3.3	**-3.3**	0.2	**0.2**	**Derivatives**	
	0.4		0.4	of which: derivatives used for hedging (positive fair values)	53
	21.7		24.9	of which: financial assets held for trading/derivatives (positive fair values)	54
	-1.6		-2.6	of which: derivatives used for hedging (negative fair values)	65
	-23.7		-22.4	of which: financial liabilities held for trading/derivatives (negative fair values)	66
30.7	**30.7**	28.9	**28.9**	**Money market placements**	
	14.9		15.2	of which: loans and advances to banks/money market placements	50
	0.6		0.5	of which: loans and advances to customers/money market placements	51
	0.4		0.5	of which: financial assets held for trading/money market instruments	54
	14.7		12.3	of which: financial assets held for trading/money market placements	54
	0.1		0.3	of which: investments/money market instruments	55
312.0		309.7		**Total**	

Balance as at Dec. 31, 2015	**9.7**	**3.2%**
Balance as at Dec. 31, 2014	6.1	2.0%

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.

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

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

8.5.3. Change in lending volume

The **total lending volume** of the **Bank sector** decreased slightly in the year under review, from €303.7 billion as at December 31, 2014 to €302.3 billion as at December 31, 2015.

There was an increase in the volume of **traditional lending business**, which rose from €206.8 billion as at December 31, 2014 to €209.8 billion at the end of 2015. The credit quality breakdown within this type of business was unchanged year on year.

The lending volume in the **securities business** was down by 7 percent, from €84.1 billion as at December 31, 2014 to €78.4 billion as at December 31, 2015. This reduction was largely attributable to DZ BANK.

Owing to an increased exposure, mainly at DZ BANK, the lending volume in the **derivatives and money market business** rose by 11 percent to €14.0 billion at the end of the year under review (December 31, 2014: €12.7 billion).

At **DZ BANK**, the **total lending volume** declined by almost 2 percent, from €160.6 billion as at December 31, 2014 to €158.0 billion as at December 31, 2015. This decrease related to the **securities business** (December 31, 2015: €41.7 billion; December 31, 2014: €43.8 billion) and **traditional lending business** (December 31, 2015: €104.0 billion; December 31, 2014: €105.5 billion). By contrast, the lending volume in the **derivatives and money market business** advanced by 8 percent, from €11.3 billion at the end of 2014 to €12.3 billion as at December 31, 2015. This increase was fueled in equal part by the derivatives business (particularly loans and advances to central counterparties) and unsecured money market business.

8.5.4. 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 2015 as it had been in 2014. The collateral called in by the entities in the Bank sector amounted to €18 million as at December 31, 2015 (December 31, 2014: €37 million).

8.5.5. Sector structure of the credit portfolio

Figure 21 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, 2015, a significant proportion (35 percent) of the lending volume in the **Bank sector** continued to be concentrated in the financial sector (December 31, 2014: 38 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, 2015, a significant proportion (57 percent) of **DZ BANK's** lending volume continued to be concentrated in the financial sector. The composition of this customer segment is the same both at DZ BANK and in the Bank sector. Loans and advances to public-sector borrowers fell by €1.1 billion year on year, with particularly large decreases in Germany and Italy.

In its role as a central institution for the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK provides funding for the entities in the Bank sector 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.

8.5.6. Geographical structure of the credit portfolio

Figure 22 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

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

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Financial sector	68.2	73.3	26.8	34.5	9.7	8.6	104.7	116.3
Public sector	6.2	6.7	45.4	41.9	0.8	1.0	52.4	49.7
Corporates	84.0	80.0	2.3	2.6	2.6	2.2	88.9	84.8
Retail	45.6	42.6	2.9	3.9	–	–	48.6	46.5
Industry conglomerates	5.4	3.6	1.1	1.3	0.8	0.9	7.2	5.7
Other	0.5	0.6	–	–	–	–	0.5	0.6
Total	**209.8**	**206.8**	**78.4**	**84.1**	**14.0**	**12.7**	**302.3**	**303.7**

FIG. 22 – BANK SECTOR: LENDING VOLUME, BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Germany	168.8	167.4	52.3	54.5	8.8	8.7	229.8	230.6
Other industrialized countries	27.5	26.6	22.7	26.2	4.7	3.4	54.9	56.2
Advanced economies	4.2	4.1	0.6	0.4	0.1	–	4.9	4.6
Emerging markets	9.3	8.7	0.7	0.8	0.2	0.2	10.2	9.7
Supranational institutions	–	–	2.2	2.2	0.3	0.3	2.5	2.6
Total	**209.8**	**206.8**	**78.4**	**84.1**	**14.0**	**12.7**	**302.3**	**303.7**

country-group breakdowns related to credit risk in this opportunity and risk report.

As at December 31, 2015, 94 percent of the lending in the **Bank sector** and 95 percent of the total lending by **DZ BANK** was concentrated in Germany and other industrialized countries. These percentages were unchanged compared with December 31, 2014.

8.5.7. Residual maturity structure of the credit portfolio

RESIDUAL MATURITIES IN THE OVERALL CREDIT PORTFOLIO

The breakdown of the credit portfolio by residual maturity presented in figure 23 for the **Bank sector** as at December 31, 2015 shows that the lending volume had decreased by €1.2 billion in the short-maturity band compared with December 31, 2014, which was largely attributable to methodology changes (statistical reclassifications) and had the biggest impact on the presentation of TeamBank's portfolio. The €2.7 billion volume reduction in the medium-term maturity band was mainly caused by shifts into the shorter-term maturity band and by the scaling back of the portfolio at DG HYP. The increase of €2.6 billion in the lending volume in the longer-term maturity band was predominantly a consequence of the continual expansion of BSH's customer lending business.

LENDING VOLUME PAST DUE BUT NOT IMPAIRED

Figures 24 and 25 show the portion of the lending volume that is past due but not impaired. The disclosures largely relate to traditional lending business.

No valuation allowances are recognized for these loans because it can generally be assumed that the amounts past due will be repaid promptly. Furthermore, it can be assumed that the entire amounts due under the lending agreements concerned can be collected by recovering collateral. Because of the conservative risk 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 that were past due but not impaired in the **Bank sector** was attributable, in particular, to decreases in past-due loans in arrears by up to 5 days in BSH's retail business. The past-due loans in arrears by more than 3 months amounting to €237 million (December 31, 2014: €410 million) were predominantly loans secured by mortgages.

At **DZ BANK**, the volume of loans that were past due but not impaired fell from €102 million as at December 31, 2014 to €87 million as at December 31, 2015.

8.5.8. Rating structure of the credit portfolio

RATING STRUCTURE OF THE TOTAL LENDING VOLUME

Figure 26 shows the Bank sector's consolidated lending volume by rating class according to the VR 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) as at December 31, 2015 was unchanged year on year at 74 percent. Rating classes 3B to 4E (non-investment grade) represented 23 percent of the total lending volume as at the reporting date (December 31, 2014: 22 percent). Defaults in

FIG. 23 – BANK SECTOR: LENDING VOLUME, BY RESIDUAL MATURITY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
≤ 1 year	44.0	47.5	15.3	14.9	9.5	7.6	68.8	70.0
> 1 year to ≤ 5 years	47.3	49.5	29.4	30.1	1.8	1.7	78.6	81.3
> 5 years	118.5	109.9	33.7	39.1	2.7	3.3	154.9	152.3
Total	**209.8**	**206.8**	**78.4**	**84.1**	**14.0**	**12.7**	**302.3**	**303.7**

rating classes 5A to 5E accounted for 2 percent of the Bank sector's total lending volume as at December 31, 2015 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 88 percent of the total lending volume (December 31, 2014: 89 percent). The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) was slightly higher year on year, rising from 9 percent to 10 percent between December 31, 2014 and December 31, 2015. Defaults (rating classes 5A to 5E) accounted for 2 percent of the total lending volume as at December 31, 2015, which was again largely unchanged year on year.

SINGLE BORROWER CONCENTRATIONS

As at December 31, 2015, the 10 counterparties associated with the largest lending volumes accounted for 11 percent of total lending in the **Bank sector** (December 31, 2014: 9 percent). The proportion was also 11 percent at **DZ BANK** – as it had been at December 31, 2014.

These counterparties largely comprised financial-sector and public-sector borrowers domiciled in Germany with an investment-grade rating.

FIG. 24 – 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Financial sector	9	2	–	–	1	1	–	–	5	2	15	6
Public sector	–	–	1	–	–	1	–	–	–	–	1	1
Corporates	22	36	244	34	31	75	10	43	215	381	522	571
Retail	18	730	18	10	6	11	2	3	17	25	61	778
Industry conglomerates	3	1	–	–	–	–	–	–	–	–	4	1
Other	–	–	–	–	–	1	–	–	–	1	–	2
Total	**53**	**770**	**263**	**45**	**39**	**88**	**13**	**47**	**237**	**410**	**603**	**1,360**

FIG. 25 – 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Germany	43	761	69	39	39	77	13	16	70	141	233	1,033
Other industrialized countries	2	8	42	5	–	3	–	13	52	132	96	161
Advanced economies	1	1	60	–	–	–	–	9	43	58	104	69
Emerging markets	7	–	92	–	–	8	–	10	71	79	170	97
Supranational institutions	–	–	–	–	–	–	–	–	–	–	–	–
Total	**53**	**770**	**263**	**45**	**39**	**88**	**13**	**47**	**237**	**410**	**603**	**1,360**

FIG. 26 – BANK SECTOR: LENDING VOLUME, BY RATING CLASS

		Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion		Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Investment grade	1A	1.8	2.3	26.9	37.1	1.2	1.4	30.0	40.7
	1B	1.8	2.3	10.3	4.2	1.1	1.2	13.3	7.7
	1C	63.9	65.6	11.8	11.9	3.9	4.0	79.6	81.5
	1D	2.3	1.8	2.6	1.8	0.3	0.1	5.2	3.7
	1E	2.3	2.1	1.3	1.0	0.4	0.1	4.0	3.2
	2A	7.8	8.1	1.7	0.9	2.0	1.2	11.5	10.3
	2B	6.2	6.2	8.5	7.1	1.5	0.7	16.2	13.9
	2C	11.6	11.6	2.4	5.1	0.9	1.3	15.0	17.9
	2D	9.1	8.3	3.0	2.4	0.7	0.9	12.8	11.6
	2E	16.5	14.1	4.2	4.2	0.8	0.7	21.5	19.0
	3A	12.8	13.7	0.8	1.3	0.3	0.2	13.9	15.3
Non-investment grade	3B	16.8	15.4	0.6	1.1	0.3	0.1	17.7	16.6
	3C	11.6	11.2	1.6	1.6	0.1	0.1	13.3	12.9
	3D	13.5	8.8	0.6	1.0	0.1	0.1	14.2	9.8
	3E	3.5	8.6	0.1	0.7	–	0.1	3.6	9.4
	4A	2.8	2.1	0.1	0.1	–	–	2.9	2.2
	4B	6.9	1.7	0.2	0.2	–	–	7.1	1.9
	4C	5.5	5.4	0.1	0.2	–	–	5.6	5.6
	4D	0.6	5.4	–	–	–	–	0.6	5.5
	4E	4.5	4.2	0.1	0.2	–	0.1	4.6	4.5
Default		5.0	5.7	0.2	0.2	–	–	5.2	5.9
Not rated		2.8	2.5	1.2	1.9	0.4	0.4	4.5	4.8
Total		**209.8**	**206.8**	**78.4**	**84.1**	**14.0**	**12.7**	**302.3**	**303.7**

INVESTMENT-GRADE LENDING VOLUME

Figures 27 and 28 show the lending volume that is neither impaired nor past due, 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, 2015 was 98 percent, unchanged on December 31, 2014.

The situation was similar at **DZ BANK**, where the proportion of the total lending volume with an investment-grade rating was unchanged year on year at 99 percent as at December 31, 2015.

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.

8.5.9. Collateralized lending volume

Figure 29 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 exposure in the securities business and derivatives and money market business are shown net.

As at December 31, 2015, the collateralized lending volume in the **Bank sector** had risen to €90.4 billion from €88.9 billion as at December 31, 2014. The collateralization rate was 30 percent at the reporting date (December 31, 2014: 29 percent).

In the Bank sector's **traditional lending business**, most of the collateralized lending volume – 81 percent as at

FIG. 27 – BANK SECTOR: LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY SECTOR

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Financial sector	104.7	116.3	104.5	113.6
Public sector	52.4	49.7	52.4	48.7
Corporates	88.9	84.8	85.4	83.8
Retail	48.6	46.5	47.5	45.1
Industry conglomerates	7.2	5.7	7.2	5.7
Other	0.5	0.6	0.5	0.6
Total	**302.3**	**303.7**	**297.4**	**297.6**

FIG. 28 – BANK SECTOR: LENDING VOLUME NEITHER IMPAIRED NOR PAST DUE, BY COUNTRY GROUP

	Total portfolio		Portfolio neither impaired nor past due	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Germany	229.8	230.6	227.1	226.9
Other industrialized countries	54.9	56.2	53.9	55.1
Advanced economies	4.9	4.6	4.4	4.1
Emerging markets	10.2	9.7	9.6	9.0
Supranational institutions	2.5	2.6	2.5	2.6
Total	**302.3**	**303.7**	**297.4**	**297.6**

FIG. 29 – BANK SECTOR: COLLATERALIZED LENDING VOLUME, BY TYPE OF COLLATERAL

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Guarantees, indemnities, risk subparticipation	6.9	13.0	–	–	0.3	0.4	7.3	13.3
Credit insurance	2.7	1.9	–	–	–	–	2.7	1.9
Land charges, mortgages, ship mortgages	72.7	65.6	–	–	–	0.1	72.8	65.6
Pledged loans and advances, assignments, other pledged assets	5.3	5.2	–	–	–	–	5.3	5.2
Financial collateral	1.6	1.3	–	–	0.3	0.4	1.9	1.6
Other collateral	0.4	1.3	–	–	–	–	0.4	1.3
Collateralized lending volume	**89.7**	**88.1**	**–**	**–**	**0.7**	**0.8**	**90.4**	**88.9**
Gross lending volume	209.8	206.8	78.4	84.1	14.0	12.7	302.3	303.7
Uncollateralized lending volume	**120.1**	**118.8**	**78.4**	**84.1**	**13.3**	**11.9**	**211.9**	**214.8**
Collateralization rate	**42.7%**	**42.6%**	**–**	**–**	**5.2%**	**6.4%**	**29.9%**	**29.3%**

December 31, 2015 (December 31, 2014: 74 percent) – was accounted for by lending secured by charges over physical assets such as land charges, mortgages, and registered ship mortgages. These types of collateral are particularly important for BSH, DG HYP, and DVB. In contrast, charges over physical assets are of lesser importance at DZ BANK because DZ BANK bases its lending decisions primarily on borrower credit quality.

In **securities transactions**, 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 €7.5 billion, **DZ BANK's** collateralized lending volume at December 31, 2015 was up year on year (December 31, 2014: €7.2 billion). The collateralization rate was 5 percent at the reporting date (December 31, 2014: 4 percent).

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**.

8.5.10. Securitizations

The easing of the situation in the securitizations markets that has been discernible for some time has also impacted on the Bank sector's credit portfolio in the form of lower credit value-at-risk for securitizations. This trend is accompanied by a sharp contraction in the portfolio of securitizations.

Consequently, a detailed breakdown of the securitization exposure in section 8.6 and the disclosures on allowances for losses on loans and advances (section 8.8.2) and credit value-at-risk (section 8.9) are no longer provided. Instead, the securitization exposure is presented in aggregated form in this section of the opportunity and risk report, with the focus primarily on asset-backed securities.

The ABS portfolio of the Bank sector is predominantly held by DZ BANK and DG HYP. It had a fair value of €3,528 million as at the reporting date (December 31, 2014: €4,721 million). This includes the ABS wind-down portfolio dating back to the period before the financial crisis, which had a fair value of €2,851 million (December 31, 2014: €3,851 million).

The changes in the wind-down portfolio in 2015 were largely in line with expectations, both in terms of the contraction of the portfolio as a result of redemptions and in terms of the overall performance of the portfolio. In addition, DZ BANK acts as a sponsor in ABCP programs that are funded by issuing money market-linked asset-backed commercial paper or liquidity lines. The ABCP programs are made available for DZ BANK customers who then securitize their own assets via these companies.

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.

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. Because these **leveraged finance transactions** are now of less significance to credit risk, details of this subportfolio, which were disclosed in the 2014 opportunity and risk report (section 8.6.3.), are not provided here.

8.6.1. Eurozone periphery countries and other global trouble spots

CHANGE IN LENDING VOLUME

As at December 31, 2015, 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 €9,684 million (December 31, 2014: €11,609 million) and €3,196 million (December 31, 2014: €3,316 million) respectively. The fall in the lending volume was largely attributable to disposals of bonds in Italy and to maturities and disposals of bonds in Spain.

In 2015, negative political and macroeconomic developments resulted in a deterioration in the credit quality of **Russia**. The lending exposures of the **Bank sector** and of **DZ BANK** to Russian counterparties were reduced from €764 million and €760 million respectively as at December 31, 2014 to €578 million and €571 million respectively as at December 31, 2015.

Figures 30 and 31 show the borrower structures in the Bank sector by credit-risk-bearing instrument.

FIG. 30 – BANK SECTOR: LOANS AND ADVANCES TO BORROWERS IN EUROZONE PERIPHERY COUNTRIES

	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Portugal	**106**	123	**741**	806	**–**	1	**847**	930
of which: public sector	–	–	645	664	–	–	645	664
of which: non-public sector	106	123	96	142	–	1	202	266
of which: financial sector	–	–	4	23	–	1	5	24
Italy	**209**	215	**2,563**	3,465	**17**	20	**2,790**	3,700
of which: public sector	–	–	2,088	2,787	–	–	2,088	2,787
of which: non-public sector	209	215	475	678	17	20	702	913
of which: financial sector	31	36	213	275	15	17	259	327
Ireland	**893**	897	**150**	201	**546**	294	**1,589**	1,392
of which: public sector	–	–	–	–	–	–	–	–
of which: non-public sector	893	897	150	201	546	294	1,589	1,392
of which: financial sector	14	5	136	172	545	294	695	471
Greece	**41**	156	**–**	4	**–**	–	**41**	160
of which: public sector	–	–	–	–	–	–	–	–
of which: non-public sector	41	156	–	4	–	–	41	160
of which: financial sector	–	–	–	1	–	–	–	1
Spain	**336**	372	**4,055**	5,042	**26**	12	**4,416**	5,426
of which: public sector	33	43	1,875	2,427	–	–	1,908	2,470
of which: non-public sector	303	329	2,180	2,616	26	12	2,509	2,956
of which: financial sector	20	26	1,370	1,553	22	11	1,412	1,590
Total	**1,585**	1,763	**7,510**	9,518	**589**	327	**9,684**	11,609
of which: public sector	33	43	4,609	5,878	–	–	4,641	5,921
of which: non-public sector	1,553	1,720	2,901	3,640	589	327	5,043	5,687
of which: financial sector	65	67	1,723	2,024	583	323	2,370	2,414

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments.

FIG. 31 – BANK SECTOR: LOANS AND ADVANCES TO BORROWERS IN OTHER GLOBAL TROUBLE SPOTS

	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Russia	**542**	737	**22**	24	**15**	3	**578**	764
of which: public sector	–	–	16	16	–	–	16	16
of which: non-public sector	542	737	5	8	15	3	561	748
of which: financial sector	97	215	–	–	15	3	112	218
Hungary	**167**	184	**34**	42	**26**	27	**227**	253
of which: public sector	–	–	34	42	–	–	34	42
of which: non-public sector	167	184	–	–	26	27	193	211
of which: financial sector	67	67	–	–	4	5	71	72
Total	**708**	921	**56**	66	**41**	30	**805**	1,017
of which: public sector	–	–	51	58	–	–	51	58
of which: non-public sector	708	921	5	8	41	30	754	959
of which: financial sector	164	282	–	–	19	8	183	290

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments.

8.6.2. Shipping finance

BACKGROUND

DVB is the main entity in the Bank sector that engages in shipping finance. 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 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.

At DVB and DZ BANK, the lending volume associated with shipping finance comprises loans and advances to customers, guarantees and indemnities, irrevocable loan commitments, securities, and derivatives.

CHANGE IN LENDING VOLUME

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 DVB and DZ BANK.

As at December 31, 2015, the Bank sector's shipping finance portfolio had a value of €12,684 million (December 31, 2014: €11,124 million). Figure 32 shows the portfolio structure by country group and credit-risk-bearing instrument.

As at December 31, 2015, **DVB's** shipping finance portfolio comprised finance provided for 1,328 vessels and 0.5 million containers (December 31, 2014: 1,208 vessels and 0.6 million containers). The average exposure as at the reporting date was €41 million (December 31, 2014: €36 million) and the largest single exposure was €213 million, as it had been at the end of 2014.

DVB's total exposure as at December 31, 2015 amounted to €11,789 million compared with €10,122 million as at December 31, 2014. The increase was primarily attributable to exchange rate fluctuations (appreciation of the US dollar). The shipping finance portfolio is broadly diversified

FIG. 32 – BANK SECTOR: SHIPPING FINANCE LENDING VOLUME, BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives business		Total	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Germany	1,588	1,594	–	–	12	34	1,599	1,628
Other industrialized countries	7,004	5,741	–	–	15	23	7,020	5,764
Advanced economies	2,173	2,191	–	–	–	2	2,173	2,193
Emerging markets	1,883	1,512	–	20	8	8	1,892	1,539
Total	**12,649**	**11,037**	**–**	**20**	**35**	**66**	**12,684**	**11,124**

in terms of geographical region, type of vessel, borrower, charterer, and shipping activity. The largest portion of the volume lent is attributable to the financing of tankers. As at December 31, 2015, this proportion had risen by 3 percentage points to 46 percent of the total volume of shipping finance. The increase related to the crude oil tanker, chemical tanker, and gas tanker segments of the shipping market, while the proportion of the portfolio attributable to product tankers as at December 31, 2015 was virtually unchanged year on year at 11 percent. The portfolio was almost fully collateralized in compliance with DVB strategy.

DZ BANK's shipping finance exposures amounted to €895 million as at December 31, 2015 (December 31, 2014: €1,002 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 2014, DZ BANK's shipping finance portfolio in 2015 was mainly concentrated in Germany but broadly diversified by type of vessel, borrower, charterer, and shipping activity.

8.7. NON-PERFORMING LENDING VOLUME

8.7.1. Impaired lending volume

Figures 33 and 34 show the impaired lending volume. The collateral shown is available for securing the lending volume after specific loan loss allowances. The disclosures largely relate to traditional lending business.

As at December 31, 2015, the **Bank sector's** lending volume after loan loss allowances stood at €2,623 million (December 31, 2014: €2,755 million), a decline that was mainly attributable to DZ BANK.

FIG. 33 – 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	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Financial sector	148	217	46	121	102	96	66	69
Public sector	–	–	–	–	–	–	–	–
Corporates	3,023	3,238	1,137	1,236	1,886	2,002	1,171	1,141
Retail	1,014	1,146	391	490	623	656	599	595
Industry conglomerates	18	–	6	–	12	–	11	–
Other	27	61	27	61	–	–	–	–
Total	4,230	4,663	1,607	1,908	2,623	2,755	1,847	1,805

FIG. 34 – 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	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Germany	2,554	2,698	1,183	1,298	1,371	1,400	1,022	969
Other industrialized countries	918	934	239	258	679	676	352	324
Advanced economies	341	401	94	119	247	282	166	180
Emerging markets	417	631	91	233	326	398	308	332
Supranational institutions	–	–	–	–	–	–	–	–
Total	4,230	4,663	1,607	1,908	2,623	2,755	1,847	1,805

At **DZ BANK**, the impaired lending volume fell from €974 million as at December 31, 2014 to €795 million as at December 31, 2015. This decrease was almost entirely the result of a fall in the volume of impaired loans to corporates.

8.7.2. Volume of non-performing loans

Because the volume of non-performing loans reported for the **Bank sector** dropped from €5.9 billion to €5.2 billion during 2015, while the total lending volume decreased from €303.7 billion to €302.3 billion, the NPL ratio had gone down to 1.7 percent at the end of 2015 (December 31, 2014: 1.9 percent).

At **DZ BANK,** there was also a fall in the volume of impaired loans, which declined from €2.6 billion as at December 31, 2014 to €1.9 billion as at the 2015 balance sheet date. As a result of this decrease, and because the total lending volume had dropped from €160.6 billion to €158.0 billion, there was also a year-on-year fall in the NPL ratio, which stood at 1.2 percent (December 31, 2014: 1.6 percent).

Figure 35 shows key figures relating to the volume of non-performing loans.

FIG. 35 – BANK SECTOR: KEY FIGURES FOR THE VOLUME OF NON-PERFORMING LOANS

	Bank sector		DZ BANK	
€ billion	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Total lending volume	302.3	303.7	158.0	160.6
Volume of non-performing loans	5.2	5.9	1.9	2.6
Balance of allowances for losses on loans and advances	2.4	2.4	1.2	1.1
Loan loss allowance ratio	0.8%	0.8%	0.7%	0.7%
Risk cover ratio	47.1%	40.7%	60.2%	41.3%
NPL ratio	1.7%	1.9%	1.2%	1.6%

8.8. ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

8.8.1. Allowances for losses on loans and advances in the total portfolio

Figures 36 and 37 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 2015 and 2014 for the entire credit portfolio of the Bank sector and DZ BANK.

These items are disclosed for the Bank sector in the notes to the consolidated financial statements as follows:

- Loan loss allowances: note 52 (allowances for losses on loans and advances)
- Provisions for loan commitments: note 67 (provisions)
- Liabilities under financial guarantee contracts: note 69 (other liabilities).

Over the course of 2015, there was a decline in the **volume of specific loan loss allowances,** which fell by €301 million in the **Bank sector** and by €133 million at **DZ BANK**, following decreases of €102 million (Bank sector) and €48 million (DZ BANK) in 2014.

In the **Bank sector**, including **DZ BANK**, the specific loan loss allowances recognized – particularly in corporate banking – were more than offset by higher levels of reversals resulting from the continued success of efforts to aid the recovery of non-performing loans. Utilization of specific loan loss allowances also helped to reduce them. Overall, the change in specific loan loss allowances – which also benefited from stable economic conditions – reflects the stability of the credit portfolio and the sustainable risk policy adopted by the entities in the Bank sector, including DZ BANK.

A reduction in **portfolio loan loss allowances** was also reported in 2015. The decrease in the **Bank sector** was €14 million (December 31, 2014: fall of €50 million) and was largely attributable to DG HYP. At **DZ BANK**, portfolio loan loss allowances were down by €10 million (December 31, 2014: fall of €42 million).

FIG. 36 – 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	2015	2014	2015	2014	2015	2014	2015	2014
Balance as at Jan. 1	1.908	2.010	480	530	2.388	2.540	167	146
Additions	666	791	95	170	761	961	48	51
Utilizations	-377	-372	–	–	-377	-372	–	–
Reversals	-437	-524	-113	-217	-550	-741	-69	-39
Interest income	-45	-33	–	–	-45	-33	2	2
Other changes	-108	36	4	-3	-104	33	–	7
Balance as at Dec. 31	1.607	1.908	466	480	2.073	2.388	148	167
Directly recognized impairment losses	68	82	–	–	68	82		
Receipts from loans and advances previously impaired	-121	-138	–	–	-121	-138		

1 Including specific loan loss allowances evaluated on a group basis.

FIG. 37 – BANK SECTOR: ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES IN DZ BANK'S TOTAL PORTFOLIO

	Specific loan loss allowances		Portfolio loan loss allowances		Total loan loss allowances		Provisions for loan commitments and liabilities under financial guarantee contracts	
€ million	2015	2014	2015	2014	2015	2014	2015	2014
Balance as at Jan. 1	958	1.006	129	171	1.087	1.177	157	143
Additions	303	428	4	2	307	430	46	45
Utilizations	-182	-152	–	–	-182	-152	–	–
Reversals	-261	-320	-14	-44	-275	-364	-68	-38
Interest income	-15	-20	–	–	-15	-20	2	2
Other changes	22	16	–	–	22	16	1	5
Balance as at Dec. 31	825	958	119	129	944	1.087	138	157
Directly recognized impairment losses	4	1	–	–	4	1		
Receipts from loans and advances previously impaired	-71	-99	–	–	-71	-99		

The volume of **provisions for loan commitments and liabilities under financial guarantee contracts** also decreased in 2015, both in the **Bank sector** (fall of €19 million; December 31, 2014: rise of €21 million) and at **DZ BANK** (fall of €19 million; December 31, 2014: rise of €14 million).

8.8.2. Allowances for losses on loans and advances in portfolios with increased risk content

The small increase in specific loan loss allowances recognized in 2015 for the Bank sector's exposure to **eurozone periphery countries** was largely attributable to DVB's exposure. The loans and advances in question were almost fully collateralized. DG HYP made the largest contribution to the net reversal of portfolio loan loss allowances.

The slight net reduction in the portfolio loan loss allowances for the **other global crisis portfolios** (Russia) largely related to DZ BANK.

Within the Bank sector's **shipping finance portfolios**, the specific loan loss allowances for DZ BANK's exposures were reduced in the reporting year. The small rise in portfolio loan loss allowances related to DVB and was essentially due to changes in the US dollar exchange rate.

Changes in the individual components of the allowances for losses on loans and advances for portfolios with increased risk content for 2015 and 2014 are shown in figure 38 (Bank sector) and in figure 39 (DZ BANK).

FIG. 38 – 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	2015	2014	2015	2014	2015	2014	2015	2014
Eurozone periphery countries								
Balance as at Jan. 1	36	31	22	38	58	69	1	1
Balance as at Dec. 31	45	36	15	22	60	58	–	1
Russia								
Balance as at Jan. 1	–	–	6	2	6	2	–	–
Balance as at Dec. 31	–	–	6	6	6	6	1	–
Shipping finance								
Balance as at Jan. 1	349	280	39	63	388	343	4	4
Balance as at Dec. 31	327	349	43	39	369	388	2	4

1 Including specific loan loss allowances evaluated on a group basis.

FIG. 39 – BANK SECTOR: ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES FOR PORTFOLIOS WITH INCREASED RISK CONTENT, DZ BANK

	Specific loan loss allowances		Portfolio loan loss allowances		Total loan loss allowances		Provisions for loan commitments and liabilities under financial guarantee contracts	
€ million	2015	2014	2015	2014	2015	2014	2015	2014
Eurozone periphery countries								
Balance as at Jan. 1	5	6	2	7	7	13	1	1
Balance as at Dec. 31	5	5	3	2	8	7	–	1
Russia								
Balance as at Jan. 1	–	–	6	2	7	3	–	–
Balance as at Dec. 31	–	–	5	6	5	7	1	–
Shipping finance								
Balance as at Jan. 1	247	178	19	34	266	212	4	4
Balance as at Dec. 31	184	247	20	19	204	266	2	4

FIG. 40 – 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Traditional credit risk	0.7%	0.7%	0.2%	0.2%	409	401	104	98	2,091	1,587	811	521
Issuer risk	0.3%	0.4%	0.2%	0.3%	78	99	32	39	1,183	1,228	238	247
Replacement risk	0.1%	0.1%	0.1%	0.1%	10	10	9	8	295	242	200	164
Total					497	510	145	144	3,569	3,056	1,249	932
Average	0.6%	0.5%	0.2%	0.2%								

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, 2015, the **Bank sector's** risk capital requirement amounted to €3,569 million (December 31, 2014: €3,056 million), with an upper loss limit of €4,860 million (December 31, 2014: €3,942 million).

The increase in the risk capital requirement was mainly due to improved portfolio modeling at DZ BANK, DG HYP (in both cases the inclusion of concentrations of country risk), and DVB (inclusion of recovery risk). Corresponding capital buffer items were released.

As at December 31, 2015, the risk capital requirement for **DZ BANK** was calculated at €1,249 million (December 31, 2014: €932 million), with an upper loss limit of €1,600 million (December 31, 2014: €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 2015.

Figure 40 shows the credit value-at-risk together with the average probability of default and expected loss.

The risk capital required in the **Bank sector** and at **DZ BANK** for credit portfolios exposed to increased credit risk is shown in figure 41.

The year-on-year decrease of 2 percent in the risk capital requirement for exposures held by entities in the Bank sector to **European periphery countries** was the result of a contraction in the volume lent to these countries. The risk capital requirement in the Bank sector for **shipping finance** stemmed primarily from DVB.

8.10. SUMMARY AND OUTLOOK

In 2015, all internal **rating systems** approved by the banking regulators for solvency reporting were validated. In 2016, DZ BANK is planning to introduce a rating system for insurance companies. Furthermore, exchange-traded futures and options

FIG. 41 – BANK SECTOR: CREDIT VALUE-AT-RISK FOR CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

	Bank sector		DZ BANK	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Eurozone periphery countries	725	741	20	58
Russia	2	3	2	2
Shipping finance	266	106	52	21

traded on behalf of customers below the replacement risk limits are now included.

The technical requirements for the gradual introduction of a portfolio-based approach to the measurement of replacement risk were put in place for the bulk of the derivatives portfolio in 2015. The concept underlying this measurement process is to be further developed in 2016.

DZ BANK intends to initiate further measures in 2016 as part of its continuous optimization of the internal **credit risk measurement** system.

In 2016, the entities in the Bank sector will continue to apply their existing **risk-strategy approach** to lending. 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 SME business and strengthen its positioning in this segment in Germany, especially in the medium-sized company subsegment.

Given the predictions for economic growth, the Bank sector and DZ BANK are both likely to make additions to **specific loan loss allowances** in 2016, but within the expected level of allowances for losses on loans and advances.

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, 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 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 be taken on only if this risk is considered together with the associated opportunities and only if the risk remains below 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 €3,235 million as at December 31, 2015 (December 31, 2014: €3,270 million). As at December 31, 2015, the carrying amounts of the long-term equity investments of **DZ BANK** totaled €1,544 million (December 31, 2014: €1,408 million).

As at the reporting date, the **economic capital requirement** for equity investment risk in the **Bank sector** was measured at €854 million, which was higher than the corresponding figure at the end of 2014 of €788 million. The upper loss limit was €1,081 million (December 31, 2014: €974 million). As at December 31, 2015, the economic capital requirement for equity investment risk at **DZ BANK** amounted to €439 million (December 31, 2014: €379 million). This increase was due, above all, to the higher carrying amounts of long-term equity investments following measurement at fair value. The upper loss limit at December 31, 2015 was €440 million (December 31, 2014: €490 million). The upper loss limits for the entities in the Bank sector, including DZ BANK, were not exceeded at any time during 2015.

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 cooperative financial network, and from the lending business, real-estate finance business, building society operations, investments, and issuing activities of the various management units. Spread risk, including migration risk, is the most significant type of market risk for the Bank sector. Unless explicitly stated otherwise below, the term 'spread risk' always includes migration risk in this report.

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.

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 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 for the Bank sector, 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 in order to manage interest-rate risk from the collective business and to invest surplus home savings deposits. This primarily involves purchasing securities. BSH does not conduct any own-account trading with a view to exploiting short-term pricing fluctuations. Spread risk arises on its securities portfolio.

For regulatory purposes, **DG HYP** is also classed as an institution with a banking book. 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 low risk in this case, as it is usually largely 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. A small amount of fund price risk also arises on pension obligations (defined benefit obligations) to employees.

Both **UMH** itself and its subsidiaries invest their own resources in purchasing Union Investment mutual funds. UMH and its subsidiaries also acquire units in newly launched Union Investment funds in order to provide initial funding for the 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.

UMH 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.

In addition, pledged employee investments are invested in Union Investment funds in order to cover pension entitlements.

UMH and its foreign subsidiaries are also exposed to currency risk on a small scale. This mainly results from exposures for processing payments and for ensuring liquidity.

10.3. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

10.3.1. Organization and responsibility

As a trading book institution, **DZ BANK** generally manages market risk on a decentralized, portfolio basis. The traders responsible for managing a portfolio bear responsibility for its 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 **UMH** 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 managers and treasury departments at each entity.

10.3.2. Risk reporting

Key figures for market risk are submitted at **sector 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 management unit level by means of 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, **UMH** calculates the risk attaching to its own-account investing activities and reports this risk to its Board of Managing Directors and the committee responsible for managing own-account investing.

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 UMH 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, DG HYP), 1,500 trading days (BSH), 256 trading days (DVB), and 1 year (own-account investments of UMH).

DZ BANK, **BSH**, **DVB** and, since February 2015, **DG HYP** generate market scenarios using a **historical simulation**. Respective holding periods of 1 day and 10 days are used.

UMH 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 **UMH**. A risk model for the whole sector that takes into account concentration and diversification effects is used to calculate the values-at risk for the entities in the Bank sector. 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 UMH 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 investments.

Market liquidity risk at **DVB** largely arises from the securities held in its liquidity portfolio, although investments are restricted to highly liquid securities. These securities exposures are implicitly included in the stress scenarios for liquidity risk.

Market liquidity risk may arise at **UMH** 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. Changes in the value of portfolios on each trading day are usually 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 regularly 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 **UMH** 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. At DG HYP, it is hedged by treasury.

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 Bank sector. 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 **UMH**, changes are made to the composition of the fund positions in its own-account investments. For this reason, UMH 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.

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 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, the purchase of securities for the liquidity portfolio, and funding transactions. This risk is generally eliminated.

MANAGEMENT OF SPREAD RISK AND MIGRATION RISK

Spread risk and migration risk on all financial instruments subject to credit spread risk have been incorporated into risk capital management since January 1, 2014. 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 Bank sector. 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. Migration risk is not covered by this daily monitoring. 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 risk attaching to fund positions also arises in connection with covering defined benefit obligations. The risk is actively managed within existing limits.

UMH is exposed to fund price risk because it invests its own resources in funds and also invests pledged employee investments in order to cover pension entitlements. 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, UMH is only exposed to fund price risk. The management of fund price risk focuses on the liquidity requirements of UMH'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-eurozone 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 **UMH** 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 UMH and takes into account the risk capital required and the available internal capital. 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 by UMH.

10.5. RISK FACTORS

GENERAL LEVEL OF INTEREST RATES

In January 2015, the Swiss National Bank abandoned the exchange rate control between the Swiss franc and the euro, causing interest rates to plummet. **DZ BANK** therefore implemented the measures that it had prepared in the previous year to adapt the internal market risk model to cope with a market environment of widespread negative interest rates.

CREDIT SPREADS

The credit spreads for bank bonds and corporate bonds widened over the course of 2015. Spreads on corporate bonds in particular were much higher. There were also one-off effects relating to individual issuers, e.g. Volkswagen AG. The yield differential increased significantly between corporate bonds and government bonds on the one hand and corporate bonds and bank bonds on the other.

A further widening of credit spreads on bank and corporate bonds or other investments, particularly government bonds, 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 market-wide 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, 2015, the economic capital requirement for market risk used to determine the risk-bearing capacity of the **Bank sector** amounted to €3,204 million (December 31, 2014: €2,769 million) with an upper loss limit of €5,830 million (December 31, 2014: €6,422 million). This growth in the risk capital requirement was largely due to exposures being transferred from the capital buffer to the regular market risk calculation. It related to spread and migration risk (measured centrally) and to market risk at DG HYP.

The Bank sector's economic capital requirement includes **asset-management risk**. The asset-management risk for guarantee funds was measured at €60 million as at December 31, 2015 (December 31, 2014: €42 million). The increase was attributable to an adjustment of the calculation method (with a corresponding decrease in the capital buffer). The asset-management risk for UniProfiRente as at the reporting date amounted to €30 million (December 31, 2014: €33 million).

As at December 31, 2015, **DZ BANK's** economic capital requirement for market risk amounted to €752 million (December 31, 2014: €750 million) with an upper loss limit of €300 million (December 31, 2014: €1,337 million). DZ BANK is not exposed to any asset-management risk.

Throughout the year under review, the economic capital requirements remained below 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 42 shows changes in value-at-risk in 2015. The figures are broken down by trading portfolio, non-trading portfolio, and type of market risk.

Figure 43 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, 2015 was €27 million (December 31, 2014: €21 million). The level of risk was largely stable during 2015.

In the year under review, changes in fair value exceeded the forecast risk value on 8 trading days. In each case, this was due to a sharp widening of credit spreads, particularly those on government issues, covered issues, and corporate bonds.

As at December 31, 2015, the value-at-risk for the **Bank sector's non-trading portfolios** was calculated at €75 million (December 31, 2014: €68 million). At **DZ BANK** level, this figure was €13 million as at December 31, 2015 (December 31, 2014: €3 million). The increase in equity risk at the level of the overall portfolio resulted, above all, from heightened risk attaching to assets that are held in order to cover the defined benefit obligation. These are investment fund units that are exposed to equity risk. The increase in spread risk is mainly the consequence of the rise in the volatility of the modeled credit spreads over the course of 2015.

10.7. SUMMARY AND OUTLOOK

In 2015, DZ BANK continued to integrate the measurement and management of market risk in the management units of the Bank sector. This included the further alignment of calculation methods along with harmonization of risk management processes.

In 2016, interest-rate risk on the existing defined benefit obligation is to be transferred out of the capital buffer and included in the measurement of market risk. This is likely to cause the risk capital requirement to increase. As in previous years, the focus of DZ BANK's trading business will be on customer business in 2016.

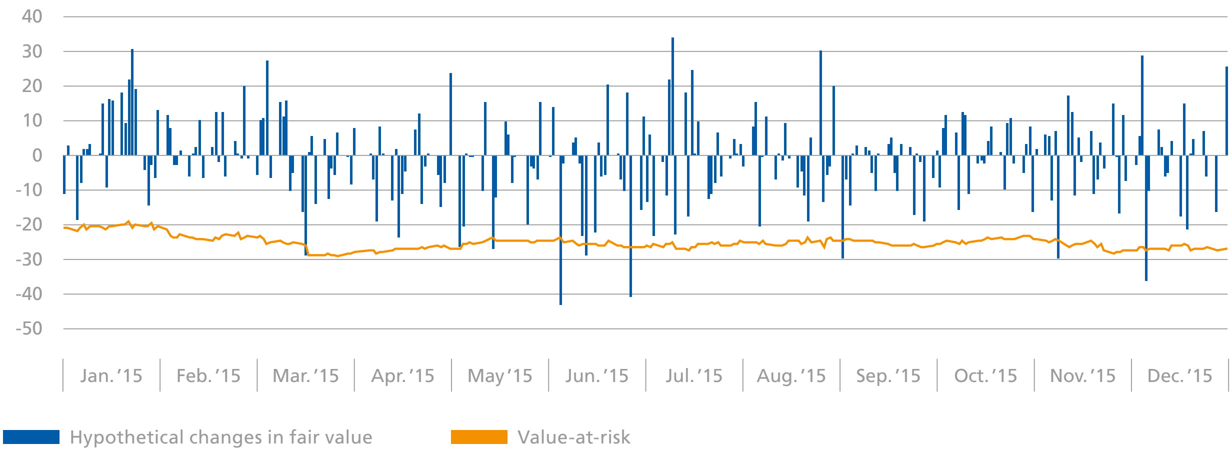
FIG. 42 – BANK SECTOR: VALUE-AT-RISK FOR MARKET RISK IN THE TRADING AND NON-TRADING PORTFOLIOS[1 2]

€ million	Interest-rate risk		Spread risk		Equity risk[3]		Currency risk		Commodity risk		Diversification effect[4]		Total	
	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
Aggregate risk[5]														
Dec. 31, 2015	12	6	99	28	14	9	1	4	–	–	-22	-18	**105**	**29**
Dec. 31, 2014	16	3	78	24	5	3	1	1	–	–	-10	-9	91	22
Trading portfolios														
Dec. 31, 2015	4	4	26	26	1	1	2	2	–	–	-7	-7	**27**	**27**
Average	4	4	27	27	–	–	1	1	–	–	-8	-8	25	25
Maximum	5	5	29	29	1	1	2	2	–	–	-5	-5	28	28
Minimum	3	3	24	24	–	–	–	–	–	–	-12	-12	20	20
Dec. 31, 2014	3	3	24	24	–	–	–	–	–	–	-7	-7	21	21
Non-trading portfolios														
Dec. 31, 2015	11	3	68	3	14	9	1	2	–	–	-20	-4	**75**	**13**
Average	20	2	64	1	10	7	2	1	–	–	-16	-2	80	9
Maximum	30	3	71	3	14	10	4	2	–	–	-3	-1	88	14
Minimum	8	1	53	1	4	3	1	1	–	–	-35	-4	68	3
Dec. 31, 2014	17	1	53	2	5	3	2	1	1	–	-8	-3	68	3

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 The minimum and maximum amounts for the different subcategories of market risk may stem from different points in time during the reporting period. Consequently, they cannot be aggregated with the diversification effect to produce the minimum or maximum aggregate risk.
3 Including funds.
4 Total effects of diversification between the types of market risk for all consolidated management units.
5 Owing to the effects of diversification between trading portfolios and non-trading portfolios, the mathematical total of the risks for these two parts of the overall portfolio are different from the figure for aggregate risk.

FIG. 43 – 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



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 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 6 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 the technical risk of a home savings and loan company within the Bank sector. 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, 2015, the capital requirement for the technical risk of a home savings and loan company amounted to €549 million (December 31, 2014: €496 million) with an upper loss limit of €550 million (December 31, 2014: €500 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2015. The slight increase in the technical risk of a home savings and loan company was attributable to a change in general conditions, particularly changes in customer behavior that were not induced by changes in interest rates.

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.

The key entities incurring business risk in the Bank sector in addition to DZ BANK are the management units DVB, DZ PRIVATBANK, and UMH.

12.2. ORGANIZATION AND RISK MANAGEMENT

The management of business risk 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

COSTS OF REGULATION; REGULATION MANAGEMENT

Over the next few years, the DZ BANK Group is likely to face **increased costs**, and thus reduced profits, in connection with implementing the requirements resulting from the commercial-law and regulatory initiatives currently being planned by legislators (see sections 5.1.1 and 5.1.2).

To identify strategic regulatory initiatives with an impact on the DZ BANK Group and the individual management units, a centralized **regulation management** office has been set up at DZ BANK. This office establishes direct contact with the relevant units at DZ BANK and in the other management units, organizes regular bank-wide and groupwide dialog on identified and new strategic regulatory initiatives, and uses a 'regulatory map' to report to the responsible steering committees, the Board of Managing Directors, and the Supervisory Board of DZ BANK.

PLANNED MERGER OF DZ BANK AND WGZ BANK

The process of integration after the merger of DZ BANK and WGZ BANK may lead to a temporary increase in restructuring expenses. Once everything is up and running after the integration is complete, the joint institution is expected to be able to make full use of cost synergies in connection with structures, processes, and infrastructure and to avoid duplication of capital expenditure.

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 bring about a **change in competitor structure**, with **competition becoming fiercer in the trading of certain financial instruments for customer account**, resulting in the risk of a reduction in margins and revenue going forward.

DIGITIZATION AND DEMOGRAPHIC CHANGE

The prevalence of mobile devices and internet-based services (**digitization**) is encouraging the intermediation of new competitors at the interface between customers and banking services. Banks are often confronted by new, unregulated competitors that frequently originate from the non-banking sector and that only selectively arrange, or actually offer, high-margin products or services for customers, leaving the complex and thus high-risk areas of business to the established banks. Consequently, if traditional financial service providers offering the full range of products and services come under threat in high-margin areas of business from competitors that are subject to little or no regulation, yet are expected to continue offering the other standard products, the earnings prospects of the entities in the DZ BANK Group may deteriorate in their payments processing and card processing businesses.

In the coming years, the banking industry will also face challenges relating to **demographic change** and the resulting alterations in customer behavior, while becoming subject to increased regulation.

The **opportunities** associated with digitization and demographic change are presented in section 4.2.2.

12.4. RISK POSITION
As at December 31, 2015, the economic capital requirement for the business risk incurred by the **Bank sector** amounted to €579 million (December 31, 2014: €361 million). The rise was largely the result of a recalculation based on DZ BANK's updated business forecasts. The upper loss limit was €775 million at the reporting date (December 31, 2014: €436 million).

As at December 31, 2015, the economic capital requirement for **DZ BANK** was calculated at €398 million (December 31, 2014: €271 million). The upper loss limit as at December 31, 2015 was €550 million (December 31, 2014: €300 million). The higher upper loss limit is primarily attributable to an increase in planned costs (mainly the bank levy and project costs). The rise in the risk capital requirement calculated at the end of 2015 was lower than predicted because the actual bank levy incurred was significantly lower than the budgeted figure. The risk capital requirement did not exceed the applicable upper loss limit at any point during the course of 2015.

13. REPUTATIONAL RISK

13.1. DEFINITION AND CAUSES
Reputational risk refers to the risk of losses from events that damage confidence, mainly among customers (including the local cooperative banks), shareholders, the labor market, the general public, and the regulator in the entities in the Bank sector or in the products and services that they offer.

Reputational risk can arise as an independent risk (primary reputational risk) or as an indirect or direct consequence of other types of risk, such as business risk, liquidity risk, and operational risk (secondary reputational risk).

13.2. RISK STRATEGY AND RESPONSIBILITY
Reputational risk is incorporated into the risk strategy by pursuing the following objectives:

- Avoiding loss resulting from reputation-damaging incidents by taking preventive action
- Mitigating reputational risk by taking preventive and responsive action
- Raising awareness of reputational risk within the Bank sector, e.g. by defining the people responsible for risk and establishing a sector-wide reporting system and set of rules for reputational risk.

These objectives are applicable both at the Bank sector level and in the management units. The management units are responsible for complying with the rules and for deciding what suitable preventive and responsive action to take.

Each management unit is responsible for managing its reputational risk and must comply with the requirements laid down in the set of rules for reputational risk.

13.3. RISK MANAGEMENT
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 mainly 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 reputational damage is specifically taken into account in liquidity risk management.

Crisis communications aimed at mitigating reputational risk are designed to prevent greater damage to the entities in the Bank sector if a critical event occurs. The management units therefore follow a stakeholder-based approach in which reputational risk is identified and evaluated from a qualitative perspective depending on the stakeholder concerned.

13.4. RISK FACTORS
If the Bank sector as a whole or the individual management units acquire a negative reputation, there is a risk that existing or potential customers 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. Ultimately, reputational damage could make it more difficult to obtain funding.

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 UMH 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 it 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 overarching interests; 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 an upper loss limit 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

Each management unit is responsible for managing its operational risk. The principle of **decentralized** responsibility applies equally to all the management units, 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 most of the management units in the Bank sector, including **DZ BANK**, specialist divisions with central risk management functions 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 **management units** 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

Since 2015, the calculation of the risk capital requirement for operational risk in the Bank sector has been based on an economic portfolio model, in which losses are monitored on the basis of the expected loss calculated by the model. The results from the model, combined with the tools used to identify risk, enable the efficient, centralized management of operational risk.

14.4.2. Identifying operational risk

LOSS DATABASE

The groupwide collation of loss data in a central database 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 management units because of their different business and risk profiles.

Special risks are mostly, but not always, managed and monitored by the generally eponymous specialist divisions. This applies to the majority of the management units in the Bank sector, including DZ BANK.

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 management units, generate enhanced transparency, and ensure comparability between the HR management systems in the Bank sector as well as enable the management units to measure and manage their HR activities. To this end, the cockpit specifies 21 key performance indicators (KPIs) 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 management units. 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 continuing professional development.

– **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 have been 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. 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 emergency or crisis situations with the aim of checking the efficacy of these procedures. 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 are 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 conducted at **DZ BANK** 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 one or more scenarios 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 division 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 Fiducia & GAD IT AG, Karlsruhe and Münster, (Fiducia & GAD) and T-Systems International GmbH (T-Systems). In addition, the entire operation of DZ BANK's network has been outsourced to Ratiodata IT Lösungen & Services GmbH, Münster, (Ratiodata). 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 GmbH, 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 and Ratiodata. Retail real estate loans are processed by Hypotheken Management GmbH, Mannheim, an indirect subsidiary of BSH.

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 **UMH** are T-Systems, Fiducia & GAD, 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 and other 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 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, explicit liability provisions in contracts, 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 3.3.7.

RISK FACTORS

An internal control system relating to the (consolidated) financial reporting process needs to provide reasonable assurance that the financial statements are free from misstatements. The main risks in the (consolidated) financial reporting process are that, as a result of unintended misstatements or deliberate action, the consolidated financial statements and group management report of the DZ BANK Group as well as the consolidated financial statements, group management reports, separate financial statements, and management reports of DZ BANK and the other entities in the Bank sector might not provide a true and fair view of financial position and financial performance 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 disclosures in the statements are materially different from what they should be. 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. The internal control system related to the (consolidated) financial reporting process aims to reduce these risks.

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, court 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 management units, 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 affected management units assess the risk parameters in terms of their probability of occurrence and possible impact in quantitative and qualitative terms. In addition, the amounts in dispute in the divisions are calculated as part of the assessment of risk indicators and, if they exceed certain thresholds, the affected divisions must prepare a report. As part of the annual risk self-assessment, the legal affairs divisions of the management units help to assess the standard scenarios for legal risk through management and control of operational risk. The results are taken into account when determining the economic capital.

Identified risks are limited and mitigated by organizational measures, either legal or procedural, or are taken into account by recognizing provisions or similar allowances for losses on loans and advances.

The legal affairs divisions in the Bank sector entities submit reports on risk-related aspects of lawsuits that are pending or actually imminent to the Responsible Board Member. Separately, and depending on materiality thresholds, ad hoc risk reports are also submitted to the Responsible Board Member.

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 entities in the Bank sector do not yet have at their 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 a result of changes to the law in Hungary that came into effect in 2015, Lombard Pénzügyi és Lízing Zártkörûen Mûködo Részvénytársaság, Szeged, Hungary, (Lombard Lízing) incurred significant losses that have had a negative impact on the parent company, **VR-LEASING AG**, in previous years and in the year under review. In 2015, VR-LEASING AG signed a contract to sell Lombard Lízing as part of its strategic decision to wind down areas of its business that it has defined as non-core business. The transaction, and thus separation from the subsidiary, is expected to be completed in the second quarter of 2016. Provided that the sale goes ahead, and on the basis of the current legal situation in Hungary, the losses expected in 2016 have been absorbed both by VR LEASING and by the DZ BANK Group.

The entities in the Bank sector have also recognized provisions for legal risk 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**.

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 management units, 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 group-wide data relevant to risk to the head of the Group Finance division and to the Responsible Board Member. 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 3.3.4.

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.

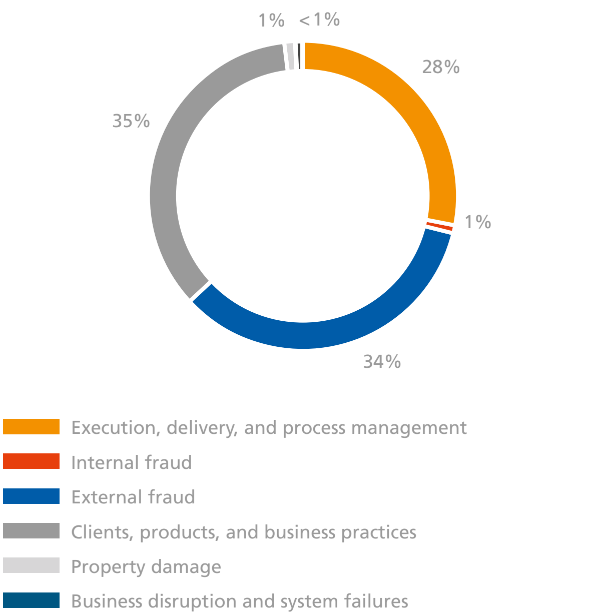
A violation of legal provisions may have legal implications for the entity concerned, for the members of its decision-making bodies, or for its employees. It may give rise, for example, to fines, penalties, retrospective tax payments, or claims for damages by third parties. The reputation of the DZ BANK Group as a whole and of the individual entities in the Bank sector may also suffer as a result.

14.6. LOSS EVENTS

Losses from operational risk do not follow a consistent pattern. Instead, the overall risk profile can be seen from the total losses incurred over the long term and is shaped by a small number of large losses. Consequently, comparisons between net losses in a reporting period and those in a prior-year period are not meaningful. Prior-year figures are therefore not disclosed.

Figure 44 shows the losses for the **Bank sector** reported in 2015 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 losses are not selected until the date on which the expense results

FIG. 44 – BANK SECTOR: NET LOSSES BY EVENT CATEGORY IN 2015[1]



1 In accordance with the CRR, losses caused by operational risks that are associated with risks such as credit risk are also shown.

in a cash outflow, thus ensuring consistency with the internal reporting.

In the **Bank sector**, the ‘Clients, products, and business practices’ and ‘External fraud’ event categories together accounted for the majority (69 percent) of net losses. 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 law is interpreted. The net loss in the ‘External fraud’ category was caused by a number of large loss events.

Accounting for 45 percent of total net losses, the largest event category at **DZ BANK** was ‘Execution, delivery, and process management’. The net losses in this event category resulted from losses in the trading business.

Losses did not reach a critical level relative to the expected loss at any point during 2015 in either the Bank sector or DZ BANK.

14.7. RISK POSITION

Using the internal portfolio model, the **Bank sector’s** capital requirement for operational risk as at December 31, 2015 was calculated as €871 million. The upper loss limit was €1,150 million.

As at December 31, 2015, **DZ BANK’s** capital requirement for operational risk calculated in accordance with the internal portfolio model amounted to €331 million. The upper loss limit as at December 31, 2015 was €548 million (December 31, 2014: €488 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 2015.

Because of changes in methodology, the figures given for the Bank sector and DZ BANK are not comparable with the figures as at December 31, 2014 disclosed in the 2014 opportunity and risk report, which had been calculated in accordance with the CRR Standardized Approach. The risk capital requirement for the Bank sector reported in 2014 was €628 million while the upper loss limit was €689 million. The corresponding 2014 figures reported for DZ BANK were a risk capital requirement of €178 million and an upper loss limit of €203 million.

14.8. SUMMARY AND OUTLOOK

Since 2015, the economic risk capital requirement for operational risk has been calculated using a portfolio model. The results from the model, combined with the materiality limits for collation of loss data, scenario-based risk self-assessments, and risk indicators, enable the efficient management of operational risk.

The groupwide implementation of the redesigned reporting system is planned for 2016, as is the enhancement of the risk self-assessment and the stress scenarios for operational risk.

Insurance sector

15. BASIC PRINCIPLES OF RISK MANAGEMENT IN THE INSURANCE SECTOR

15.1. RISK STRATEGY

The principles of risk management in the Insurance sector are based on R+V's approved risk strategy, which is updated every year. The risk strategy is derived from the business strategies, 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 and of developing existing products while structuring new, innovative products. In order to diversify the life insurance and pension provision portfolios, products are underwritten in a way that achieves a balance between the product pillars of the five-pillar strategy (traditional private pension provision, fund-based private pension provision, IndexInvest, occupational pension provision, and credit insurance). The actuarial assumptions are 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. Where products have policyholder participation, this represents the main instrument for mitigating risk and it is set appropriately. Underwriting guidelines and risk audits are used to prevent anti-selection. The risk exposure in the case of large individual risks may be limited by taking out appropriate reinsurance.

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 risk exposure in the case of large individual risks may be limited by taking out appropriate reinsurance.

The management of **non-life actuarial risk in direct business** is aimed at achieving a portfolio with an optimum risk/reward ratio. R+V focuses on business in Germany, offering a full range of non-life insurance products. The assumption of risk in connection with expanding its market share is accepted subject to the proviso that the business is profitable. Underwriting guidelines and size restrictions ensure targeted risk selection. Depending on its risk-bearing capacity, R+V reviews whether to purchase reinsurance cover to reduce earnings volatility, insure against major and cumulative claims, and protect and boost existing financial strength and earnings power.

In **inward non-life business**, R+V also aims to optimize the portfolio from a risk/reward perspective. Risk selection is based on binding underwriting guidelines and the exclusions of liability defined in those guidelines. Individual liability limits and cumulative limits are derived from the underwriting capacities that limit the risk. The monitoring and management of limits may include the reallocation or adjustment of capacities and the minimization of risk by means of retrocession.

R+V's investments particularly give rise to interest-rate risk, spread risk, and equity risk. R+V's **market risk strategy** is determined by the provisions of the basic regulatory investment principles, the rules for tied assets specified in section 54 VAG (old version), the internal rules in the risk management guidelines for investment risk, and the provisions in the German Regulation on the Investment of the Tied Assets of Insurance Companies (AnlV), which applied until December 31, 2015.

Insurance companies are under an obligation to invest collateral assets and other tied assets to achieve the greatest possible security and profitability while at the same time ensuring the liquidity of the insurance company with an appropriate mix and diversification of investments. In addition, well-established collaboration arrangements between R+V's actuarial and investment departments as part of the management of assets and liabilities ensure that insurance contract benefit obligations on the balance sheet are matched with investment opportunities.

The market 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 asset 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 risk include policyholder participation, the setting of an appropriate discount rate, and recognition of supplementary change-in-discount-rate 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 risk strategy for **operational risk** aims to further raise awareness of operational risk and to incorporate it into the overall management of all risk types.

15.2. ORGANIZATION, RESPONSIBILITY, AND RISK REPORTING

The risk management process, which is implemented across all entities in the R+V subgroup, 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 subgroup's risk management system. In addition, the risk management system incorporates a business continuity management system. 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.

16. ACTUARIAL RISK

16.1. DEFINITION AND CAUSES

16.1.1. 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 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 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 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 own funds.

16.1.2. 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 business, 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.

16.2. MANAGEMENT OF LIFE ACTUARIAL RISK

16.2.1. 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.

16.2.2. 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. The responsible actuary makes sure that the statutory provisions are satisfied. The 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 for future new business 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.

Future **policyholder participation** is also an important instrument with which to reduce actuarial risk relating to life insurance.

16.3. MANAGEMENT OF HEALTH ACTUARIAL RISK

16.3.1. 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.

16.3.2. 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 carries out an annual comparison of 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 carries out an annual comparison of its calculations with 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, 2015, R+V used the new PKV mortality table valid for 2015 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.

16.4. MANAGEMENT OF NON-LIFE ACTUARIAL RISK

16.4.1. 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 measure for the **premium risk** is 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 net claims provisions in the form of a best-estimate valuation.

The capital requirement for **catastrophe risk** is calculated as an aggregation of four risk modules. These are natural catastrophe risk (broken down into the following natural hazards: hail, storm, flood, earthquake, 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. Catastrophe risk is calculated using the volume measures of sums insured and premiums. Risk mitigation through reinsurance is taken into consideration.

To determine the overall solvency requirement as part of internal risk assessment, empirical distributions are generated for the relevant parameters for parts of the **direct insurance 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 underwriting result modelled in this way, recorded as a loss function. 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 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 derived from the group's own claims history. Modeling is based on the group's own claims data.

The risk modeling for 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 specific risk profile.

In its **inward reinsurance business**, R+V deploys a simulation tool for stochastic risk modeling of catastrophe risk. 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 essentially 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.

16.4.2. 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 ensures it has adequate reinsurance cover for 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 requirement 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 risk concentrations and changes in these concentrations over time. The use of geographical diversification and the deployment of underwriting guidelines form the basis for managing risks arising from natural disasters.

To reduce underwriting risk, R+V purchases facultative and obligatory reinsurance cover, formulates risk exclusions, and designs risk-appropriate deductible models. 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.

16.4.3. Risk management in inward non-life insurance 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 own funds 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.

16.5. RISK FACTORS

In the case of products with long-term guarantees, which 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 benefit payments reported in the income statement, and this in turn could have a negative effect on the DZ BANK Group's operating profit.

16.6. CLAIMS RATE TREND IN NON-LIFE INSURANCE

In **direct non-life insurance**, claims relating to natural disasters were dominated by two consecutive storms, Mike and Niklas, with losses totaling €52 million, and two low-pressure systems, Siegfried and Thompson, involving losses of €44 million. There was also an individual loss event caused by fire of €20 million. Nevertheless, the claims rate for major and cumulative claims was slightly lower than in previous financial years. The underlying cost of claims (excluding major and cumulative claims) was also below the 5-year average. Overall, this resulted in an annual claims rate that was lower than rates in the past.

Major and cumulative claims in **inward reinsurance** were at an average level in 2015 and were within expectations. One of the most significant individual loss events, of €16 million, was the explosion in Tianjin, China. There was also a lending-related loss in Spain of €16 million.

Changes in claims rates and settlements (net of reinsurance) in direct non-life insurance and inward non-life reinsurance business are shown in figure 45.

16.7. RISK POSITION

As at December 31, 2015, the **overall solvency requirement for life actuarial risk** amounted to €501 million (December 31, 2014: €423 million). The increase was predominantly attributable to the change in interest rates. The **upper loss limit** was set at €520 million as at the balance sheet date (December 31, 2014: €450 million). The upper loss limit was not exceeded at any time during 2015.

As at December 31, 2015, the **overall solvency requirement for health actuarial risk** was measured at €62 million (December 31, 2014: €58 million), with an **upper loss limit** of €70 million (December 31, 2014: €80 million). Again, the risk capital requirement was below the upper loss limit at all times during the course of 2015.

As at December 31, 2015, the **overall solvency requirement for non-life actuarial risk** amounted to €2,567 million (December 31, 2014: €2,334 million). This increase was largely attributable to the rise in

FIG. 45 – INSURANCE SECTOR: CLAIMS RATE AND SETTLEMENTS (NET OF REINSURANCE)[1]

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Claims rate (net) as % of premiums earned										
Including major/natural disaster claims	76.2	75.5	78.2	75.6	77.7	77.3	73.0	72.6	73.7	71.0
Excluding major/natural disaster claims	74.0	73.8	69.1	72.7	71.4	75.0	73.0	70.6	70.1	69.8
Settlements (net) as % of provision for incoming claims										
Non-life	1.6	2.1	0.5	0.3	1.9	4.8	4.8	8.4	6.1	7.1

1 Direct non-life insurance business and inward reinsurance.

premium and reserve risk and in non-life catastrophe risk resulting from the growth in business volume. The **upper loss limit** was set at €2,600 million as at the balance sheet date (December 31, 2014: €2,300 million). It was not exceeded at any time in the year under review.

The overall solvency requirement for the various types of non-life actuarial risk is shown in figure 46.

16.8. 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 2016 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 intends to expand its portfolio, which is well diversified in terms of geography and sector, by continuing the earnings-driven underwriting policy it has pursued in previous years.

FIG. 46 – INSURANCE SECTOR: OVERALL SOLVENCY REQUIREMENT FOR NON-LIFE ACTUARIAL RISK

€ million	Dec. 31, 2015	Dec. 31, 2014
Premium and reserve risk	1,396	1,172
Non-life catastrophe risk	1,832	1,746
Lapse risk	49	50
Total	2,567	2,334

17. MARKET RISK

17.1. 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 to the volatility of interest rates. The persistently low level of low interest rates has resulted in an increased 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 high-risk 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 change 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.

17.2. RISK MANAGEMENT

17.2.1. 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.

17.2.2. 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 that are set at the level of the DZ BANK Group.

The risk attaching to investments is managed within the framework provided by the statutory provisions and internal guidelines (for details, see 'Market risk strategy' in section 15.1). Compliance with these rules is ensured at R+V by means of highly skilled investment management, appropriate internal 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 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.

17.2.3. 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 selected asset classes and duration management that takes account of the structure of obligations. Furthermore, 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 high credit ratings for investments, with the overwhelming majority of its fixed-income portfolio being held in investment-grade paper (see figure 52 in section 17.4.2.). 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 minimize 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 equity exposure under a rules-based approach.

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 risk makes up only a small proportion of aggregate risk 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.

17.2.4. 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 essentially mitigated by recognizing a supplementary change-in-discount-rate reserve as specified in the Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV) and adding to the discount rate reserves for existing contracts, thereby reducing the average interest payable on liabilities. In 2015, R+V added a total of €559 million to these supplementary reserves in its life insurance business, bringing the overall amount to €1,514 million. In its direct non-life business, it increased the reserves to €14 million. R+V expects to make further additions in 2016 and these additions have been included in the budget accounts.

Future policyholder participation is also an important instrument with which to reduce market risk attaching to life insurance policies.

The breakdown of benefit reserves by discount rate for the main life and casualty insurance portfolios is shown in figure 47.

A summary of the actuarial assumptions for calculating the benefit reserves for the main life and casualty insurance portfolios is presented in note 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.

FIG. 47 – INSURANCE SECTOR: BENEFIT RESERVES BY DISCOUNT RATE FOR THE MAIN INSURANCE PORTFOLIOS[1]

Discount rate	Proportion of total benefit reserve in 2015[2]		Proportion of total benefit reserve in 2014[2]	
	(€ million)	(%)	(€ million)	(%)
0.00%	3,856	7.3	3,096	6.2
0.25%	550	1.0	–	–
0.75%	10	0.0	–	–
1.00%	23	0.0	–	–
1.25%	618	1.2	–	–
1.50%	72	0.1	43	0.1
1.75%	4,489	8.5	3,909	7.9
2.00%	142	0.3	76	0.2
2.25%	8,835	16.8	8,530	17.2
2.50%	102	0.2	127	0.3
2.75%	7,277	13.8	6,798	13.7
3.00%	4,079	7.7	4,496	9.0
3.25%	6,542	12.4	6,687	13.4
3.50%	4,444	8.4	4,654	9.4
3.75%	412	0.8	563	1.1
4.00%	7,405	14.1	7,278	14.6

1 The table covers the following insurance products that include an interest-rate guarantee:
– Casualty insurance policies with premium refund
– Casualty insurance policies with premium refund as pension insurance
– Pension insurance policies
– Endowment insurance policies, including capital accumulation, risk and credit insurance policies, pension plans with guaranteed insurance-based benefits
– Capital deposit products.
2 The share of the total benefit reserve attributable to supplementary insurance policies is listed under the relevant basis of calculation for the associated main insurance policy.

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. On the basis of these calculations and owing to the adjustment of premiums with effect from January 1, 2016, it will be necessary to reduce the discount rate used for observation units of R+V Krankenversicherung AG's existing portfolio with separate male and female rates in 2016 – as was also necessary in 2015. The reason for this step is the persistently low level of interest rates. When unisex insurance rates were introduced at R+V Krankenversicherung AG at the end of 2012, the discount rate was set at 2.75 percent for new business in anticipation of the interest-rate situation that was predicted at that time. This was also in line with the recommendations made by the DAV.

17.2.5. Managing risk arising from defined benefit pension obligations

The R+V entities have various pension obligations (defined benefit obligations) to their current and former employees. By entering into such direct defined benefit obligations, they assume 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.

17.3. RISK FACTORS

Generating the guaranteed return required in its life insurance business may present R+V with additional challenges if interest rates remain low or turn negative 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, the risk that bonds might have to be sold at a loss before their maturity date is reduced.

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 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.

17.4. LENDING VOLUME

17.4.1. 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 48 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. Other main reasons for the discrepancies between the two sets of figures are differences in the scope of consolidation, differences in the definition of lending volume, and various differences in recognition and measurement methods.

FIG. 48 – 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, 2015	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Investments held by insurance companies (note 56 to the consolidated financial statements)**
								8.7	8.0	of which: mortgage loans
								8.8	9.0	of which: promissory notes and loans
								10.9	10.3	of which: registered bonds
								0.8	1.0	of which: other loans
								7.3	6.2	of which: variable-yield securities
								36.8	34.6	of which: fixed-income securities
								0.5	0.5	of which: derivatives (positive fair values)
								0.2	0.2	of which: deposits with ceding insurers
74.0	71.4	3.7	3.1	–	-0.2	-3.9	-4.1	73.6	70.2	Total
				Balance as at Dec. 31, 2015				-0.4	-0.6%	
				Balance as at Dec. 31, 2014				-1.2	-1.7%	

17.4.2. Change in lending volume

As at December 31, 2015, the total lending volume of R+V had increased by 4 percent to €74.0 billion (December 31, 2014: €71.4 billion). The expansion of the investment portfolios was driven by the growth in insurance business.

The volume of lending in the home finance business totaled €9.5 billion as at December 31, 2015 (December 31, 2014: €8.6 billion). Of this amount, 91 percent was accounted for by loans for less than 60 percent of the value of the property (December 31, 2014: 92 percent). The volume of home finance was broken down by finance type as at the reporting date as follows (figures as at December 31, 2014 shown in parentheses):

- Consumer home finance: €9.0 billion (€8.1 billion)
- Commercial home finance: €0.2 billion (€0.2 billion)
- Commercial finance: €0.4 billion (€0.4 billion).

In the home finance business, the entire volume disbursed is usually backed by traditional **loan collateral**.

The financial sector and the public sector, which are the dominant **sectors**, together accounted for 72 percent of the total lending volume at the balance sheet date (December 31, 2014: 73 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.

Figure 49 shows the sectoral breakdown of the lending volume in the Insurance sector.

An analysis of the **geographical breakdown** of the lending volume in figure 50 reveals that Germany and other industrialized countries accounted for the lion's share – 92 percent – of the lending volume as at the balance sheet date (December 31, 2014: 91 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 also reflected in the breakdown of **residual maturities** shown in figure 51. As at December 31, 2015, 80 percent (December 31, 2014: 77 percent) of the total lending volume had a residual maturity of more than 5 years. By contrast, just 3 percent of the total lending volume was due to mature within 1 year as at the reporting date (December 31, 2014: 4 percent). 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 52. Of the total lending volume as at December 31, 2015, 77 percent continued to be attributable to investment-grade borrowers (December 31, 2014: 81 percent). This reflects the regulatory requirements and the safety-oriented risk strategy of R+V. The lending volume that is not

FIG. 49 – INSURANCE SECTOR: LENDING VOLUME, BY SECTOR

€ billion	Dec. 31, 2015	Dec. 31, 2014
Financial sector	35.6	35.5
Public sector	17.4	16.8
Corporates	11.5	10.4
Retail	8.9	8.1
Industry conglomerates	0.6	0.6
Other	–	–
Total	**74.0**	**71.4**

FIG. 50 – INSURANCE SECTOR: LENDING VOLUME, BY COUNTRY GROUP

€ billion	Dec. 31, 2015	Dec. 31, 2014
Germany	32.6	32.8
Other industrialized countries	35.3	32.2
Advanced economies	1.0	1.0
Emerging markets	3.4	3.4
Supranational institutions	1.8	1.9
Total	**74.0**	**71.4**

FIG. 51 – INSURANCE SECTOR: LENDING VOLUME, BY RESIDUAL MATURITY

€ billion	Dec. 31, 2015	Dec. 31, 2014
≤ 1 year	2.3	2.6
> 1 year to ≤ 5 years	12.3	13.6
> 5 years	59.4	55.2
Total	**74.0**	**71.4**

rated, which made up 19 percent of the total lending volume (December 31, 2014: 17 percent), essentially comprised low-risk consumer home finance for which external ratings were not available.

To rate the creditworthiness of the lending volume, R+V uses external ratings that have received general approval. It also applies its own expert ratings in accordance with the provisions of Credit Rating Agency Regulation III to validate the external credit ratings. R+V has defined the external credit rating as the maximum, even in cases where its own rating is better. The ratings calculated in this way are matched to the DZ BANK credit rating master scale using the methodology shown in figure 19 (section 8.4.1.).

As at the reporting date, the 10 counterparties associated with the largest lending volumes accounted for 21 percent of R+V's total lending volume (December 31, 2014: 23 percent).

FIG. 52 – INSURANCE SECTOR: LENDING VOLUME, BY RATING CLASS

€ billion		Dec. 31, 2015	Dec. 31, 2014
Investment grade	1A	20.2	20.3
	1B	6.3	4.7
	1C	–	–
	1D	7.1	6.3
	1E	–	–
	2A	6.1	8.2
	2B	7.0	6.6
	2C	5.6	3.5
	2D	3.5	5.5
	2E	–	–
	3A	1.4	2.4
Non-investment grade	3B	1.3	0.5
	3C	0.7	0.6
	3D	–	–
	3E	0.1	0.1
	4A	0.2	0.2
	4B	–	0.1
	4C	0.1	0.1
	4D	–	–
	4E	0.1	–
Default		0.1	0.1
Not rated		14.2	12.2
Total		**74.0**	**71.4**

17.5. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

The following disclosures form part of the above analyses of the entire credit portfolio. However, a separate analysis of R+V's exposure in credit portfolios with increased risk content has been included because of its significance for the risk position in the Insurance sector.

R+V continuously reviews its credit portfolio with regard to emerging crises. The risks identified are observed, analyzed, and managed with the aid of a regular reporting system and discussions in the operational decision-making committees at R+V. Adjustments are made to the portfolio if necessary. In the year under review, no notable country risks were identified other than exposures to eurozone periphery states.

Investments in European periphery countries totaled €5,029 million as at December 31, 2015 (December 31, 2014: €4,859 million), a rise of 4 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 53 shows the country breakdown of the exposure.

In addition to the portfolios shown in figure 53, R+V held additional exposures through its investments in the Italian subsidiaries Assimoco and Assimoco Vita. As at December 31, 2015, €2,965 million (December 31, 2014: €2,446 million) of these companies' total investments of €3,008 million (December 31, 2014: €2,716 million) were invested in Italian government bonds, corresponding to their liabilities.

17.6. RISK POSITION

As at December 31, 2015, the **overall solvency requirement for market risk** amounted to €2,905 million

(December 31, 2014: €2,489 million). The Insurance sector also set an **upper loss limit** of €2,950 million (December 31, 2014: €2,350 million). The higher overall solvency requirement is attributable to an increase in the interest-rate risk, which was because the prevailing level of low interest rates has increased the insurance liabilities resulting from guarantees, and to a rise in spread risk due to higher fair values of the interest-bearing instruments. Furthermore, the increase in equity risk caused the overall solvency requirement to rise due to recent share price movements. The upper loss limit was not exceeded at any time during 2015.

Figure 54 shows the overall solvency requirement for the various types of market risk.

17.7. SUMMARY AND OUTLOOK

As in prior years, market risks were manageable in 2015 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 crisis in Europe, does represent a potential risk. This is being countered, particularly with regard to interest-rate risk, by proactive and rigorous asset/liability management and by careful management of risks and investments.

FIG. 53 – INSURANCE SECTOR: EXPOSURE IN EUROZONE PERIPHERY COUNTRIES

€ million	Dec. 31, 2015	Dec. 31, 2014
Portugal	**15**	**25**
of which: public sector	–	–
of which: non-public sector	15	25
of which: financial sector	8	15
Italy	**2,327**	**2,060**
of which: public sector	1,350	1,308
of which: non-public sector	978	752
of which: financial sector	551	342
Ireland	**743**	**845**
of which: public sector	119	92
of which: non-public sector	624	753
of which: financial sector	576	675
Greece	**–**	**1**
of which: public sector	–	–
of which: non-public sector	–	1
of which: financial sector	–	1
Spain	**1,945**	**1,929**
of which: public sector	1,347	1,204
of which: non-public sector	598	724
of which: financial sector	331	478
Total	**5,029**	**4,859**
of which: public sector	2,816	2,604
of which: non-public sector	2,213	2,255
of which: financial sector	1,466	1,512

FIG. 54 – INSURANCE SECTOR: OVERALL SOLVENCY REQUIREMENT FOR MARKET RISK

€ million	Dec. 31, 2015	Dec. 31, 2014
Interest-rate risk	1,013	899
Spread risk	1,088	864
Equity risk	1,223	1,067
Currency risk	218	232
Real-estate risk	86	95
Total	**2,905**	**2,489**

18. COUNTERPARTY DEFAULT RISK

18.1. 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.

18.2. 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 general 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 the past 3 years was 0.1 percent (December 31, 2014: 0.2 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 2014, virtually all receivables arising from ceded reinsurance, which amounted to €45 million as at December 31, 2015 (December 31, 2014: €190 million), were due from entities with a rating of A or higher. In 2015, 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 2015 or in previous years.

Receivables that were due for payment more than 90 days after the balance sheet date amounted to €31 million as at December 31, 2015 (December 31, 2014: €35 million).

18.3. RISK POSITION

As at December 31, 2015, the **overall solvency requirement for counterparty default risk** amounted to €37 million (December 31, 2014: €43 million) with an **upper loss limit** of €50 million (December 31, 2014: €80 million). The upper loss limit was not exceeded at any point during 2015.

19. OPERATIONAL RISK

19.1. 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. Legal risk could arise, in particular, from changes in the legal environment (legislation and decisions by the courts), changes in official interpretations, and changes in the business environment.

19.2. 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 uses scenario-based risk self-assessments and risk indicators to manage and control operational risk. In the **risk self-assessments**, operational risk is assessed in terms of the probability of occurrence and the level of loss. Qualitative assessments can be used in exceptional cases.

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.

The internal control system is another key instrument used by R+V 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.

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 subgroup, 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.

19.3. RISK FACTORS

19.3.1. 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. It applies the code of conduct for sales and distribution of the Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV) [German Insurance Association]. This code 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.

19.3.2. 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 meeting is held every working day 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.

19.3.3. 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.

Legal disputes arising from the processing of insurance claims and benefit payments are covered by actuarial risk, not operational risk. In the year under review, no significant operational risks from non-actuarial legal disputes arose at R+V.

19.4. RISK POSITION

As at December 31, 2015, the **overall solvency requirement for operational risk** amounted to €452 million (December 31, 2014: €438 million). The **upper loss limit** applicable at the balance sheet date was set at €470 million (December 31, 2014: €510 million). The upper loss limit was not exceeded at any time during 2015.

20. 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.

R+V Pensionskasse AG is exposed to risks comparable with those faced by the life insurance entities in the R+V subgroup. 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 is reduced to insurance-based guaranteed benefits as determined by the amount of capital still available. The ongoing pension plan contributions and the benefit reserve include sufficient amounts to cover the costs of managing pension fund contracts.

The **overall solvency requirement for entities in other financial sectors** was unchanged between December 31, 2014 and December 31, 2015 at €75 million. The **upper loss limit** was also unchanged year on year at €80 million. The upper loss limit was not exceeded at any point during 2015.

CONSOLIDATED FINANCIAL STATEMENTS

D BALANCE SHEET DISCLOSURES

E FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

F OTHER DISCLOSURES

Income statement
for the period January 1 to December 31, 2015

€ million	(Note)	2015	2014
Net interest income	(34)	2,988	3,049
Interest income and current income and expense		6,785	7,302
Interest expense		-3,797	-4,253
Allowances for losses on loans and advances	(35)	-153	-191
Net fee and commission income	(36)	1,514	1,415
Fee and commission income		3,159	2,841
Fee and commission expenses		-1,645	-1,426
Gains and losses on trading activities	(37)	369	471
Gains and losses on investments	(38)	59	109
Other gains and losses on valuation of financial instruments	(39)	300	327
Premiums earned	(40)	14,418	13,927
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(41)	3,080	4,432
Insurance benefit payments	(42)	-14,664	-15,264
Insurance business operating expenses	(43)	-2,158	-2,155
Administrative expenses	(44)	-3,198	-3,061[1]
Other net operating income	(45)	-48	-165
Profit before contributions to the resolution fund and before taxes		2,507	2,894
Contributions to the resolution fund		-54	-27[1]
Profit before taxes		2,453	2,867
Income taxes	(46)	-657	-710
Net profit		**1,796**	**2,157**
Attributable to:			
Shareholders of DZ BANK		1,416	1,730
Non-controlling interests		380	427

1 Amount restated.

APPROPRIATION OF PROFITS

€ million	2015	2014
Net profit	1,796	2,157
Non-controlling interests	-380	-427
Appropriation to retained earnings	-1,189	-1,517
Unappropriated earnings	**227**	**213**

Statement of comprehensive income for the period January 1 to December 31, 2015

€ million	(Note)	2015	2014
Net profit		1,796	2,157
Other comprehensive income		115	531
Items that may be reclassified to the income statement		**9**	**880**
Gains and losses on available-for-sale financial assets	(47)	-116	1,309[1]
Gains and losses on cash flow hedges	(47)	14	-31
Exchange differences on currency translation of foreign operations		45	12
Gains and losses on hedges of net investments in foreign operations		-24	-15
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	(47)	17	24
Income taxes	(48)	73	-419
Items that will not be reclassified to the income statement		**106**	**-349**
Gains and losses arising from remeasurement of defined benefit plans		151	-496
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method		-1	-3
Income taxes	(48)	-44	150
Total comprehensive income		**1,911**	**2,688**
Attributable to:			
Shareholders of DZ BANK		1,546	2,062[1]
Non-controlling interests		365	626

1 Amount restated.

Balance sheet as at December 31, 2015

ASSETS

€ million	(Note)	Dec. 31, 2015	Dec. 31, 2014	Jan. 1, 2014
Cash and cash equivalents	(14, 49)	6,542	3,033	3,812
Loans and advances to banks	(15, 50)	80,735	79,317	74,214
Loans and advances to customers	(15, 51)	126,850	122,437	120,158
Allowances for losses on loans and advances	(16, 52)	-2,073	-2,388	-2,540
Derivatives used for hedging (positive fair values)	(17, 53)	416	383	887
Financial assets held for trading	(18, 54)	49,520	54,449	52,857
Investments	(19, 55)	54,305	57,283[1]	57,085[1]
Investments held by insurance companies	(56, 60)	84,744	79,632	70,237
Property, plant and equipment, and investment property	(20, 57, 60)	1,710	2,292	1,762
Income tax assets	(21, 58)	902	1,044[1]	1,549[1]
Other assets	(22, 59, 60)	4,270	4,814[1]	5,213[1]
Non-current assets and disposal groups classified as held for sale	(23, 61)	166	33	11
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		254	353	327
Total assets		**408,341**	**402,682**	**385,572**

EQUITY AND LIABILITIES

€ million	(Note)	Dec. 31, 2015	Dec. 31, 2014	Jan. 1, 2014
Deposits from banks	(24, 62)	97,227	89,254	91,158
Deposits from customers	(24, 63)	96,186	96,428	98,411
Debt certificates issued including bonds	(25, 64)	54,951	55,609	52,754
Derivatives used for hedging (negative fair values)	(17, 65)	1,641	2,556	2,387
Financial liabilities held for trading	(18, 66)	45,377	51,702	45,768
Provisions	(26, 67)	3,081	3,172	2,382
Insurance liabilities	(11, 68)	78,929	74,670	67,365
Income tax liabilities	(21, 58)	775	723	575
Other liabilities	(69)	6,039	6,244	5,960
Subordinated capital	(27, 70)	4,142	3,784	4,201
Liabilities included in disposal groups classified as held for sale	(23, 61)	7	–	–
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		257	295	249
Equity	(71)	19,729	18,245	14,362
Shareholders' equity		15,007	12,907	9,521
Subscribed capital		3,646	3,646	3,160
Capital reserve		2,101	2,101	1,111
Retained earnings		7,016	5,739[1]	4,669[1]
Revaluation reserve		1,228	1,200[1]	569[1]
Cash flow hedge reserve		-7	-16	5
Currency translation reserve		46	24	7
Additional equity components		750	–	–
Unappropriated earnings		227	213	–
Non-controlling interests		4,722	5,338	4,841
Total equity and liabilities		**408,341**	**402,682**	**385,572**

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	Additional equity components	**Shareholders' equity**	Non controlling interests	**Total equity**
Equity as at Jan. 1, 2014	3,160	1,111	4,685	379	5	7	–	9,347	4,841	14,188
Restatements according to IAS 8	–	–	-16	190	–	–	–	174	–	174
Equity restated as at Jan. 1, 2014	3,160	1,111	4,669	569	5	7	–	9,521	4,841	14,362
Net profit	–	–	1,730	–	–	–	–	1,730	427	2,157
Other comprehensive income/loss	–	–	-305	641	-21	17	–	332	199	531
Total comprehensive income/loss	**–**	**–**	**1,425**	**641**	**-21**	**17**	**–**	**2,062**	**626**	**2,688**
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	5,952	1,200	-16	24	–	12,907	5,338	18,245
Net profit	–	–	1,416	–	–	–	–	1,416	380	1,796
Other comprehensive income/loss	–	–	91	8	9	22	–	130	-15	115
Total comprehensive income/loss	**–**	**–**	**1,507**	**8**	**9**	**22**	**–**	**1,546**	**365**	**1,911**
Capital increase/ capital repaid	–	–	–	–	–	–	750	750	-726	24
Changes in scope of consolidation	–	–	3	–	–	–	–	3	1	4
Acquisition/disposal of non-controlling interests	–	–	-9	20	–	–	–	11	-104	-93
Dividends paid	–	–	-210	–	–	–	–	-210	-152	-362
Equity as at Dec. 31, 2015	**3,646**	**2,101**	**7,243**	**1,228**	**-7**	**46**	**750**	**15,007**	**4,722**	**19,729**

The composition of equity is explained in note 71.

Statement of cash flows

€ million	2015	2014
Net profit	**1,796**	**2,157**
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	-992	-1,787
Non-cash changes in provisions	212	1,006
Changes in insurance liabilities	7,262	9,998
Other non-cash income and expenses	106	966[1]
Gains and losses on the disposal of assets and liabilities	895	8
Other adjustments (net)	-3,467	-3,869
Subtotal	5,812	8,479
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks	-1,664	-4,955
Loans and advances to customers	-5,097	-2,570
Other assets from operating activities	1,091	1,169[1]
Derivatives used for hedging (positive and negative fair values)	-943	-335
Financial assets and financial liabilities held for trading	-1,449	4,412
Deposits from banks	8,096	-2,147
Deposits from customers	307	-3,031
Debt certificates issued including bonds	-468	2,733
Other liabilities from operating activities	-3,503	-2,618
Interest, dividends, and operating lease payments received	7,673	8,736
Interest paid	-4,071	-4,429
Income taxes paid	-280	-271
Cash flows from operating activities	**5,504**	**5,173**
Proceeds from the sale of investments	9,629	11,810[1]
Proceeds from the sale of investments held by insurance companies	19,288	25,177
Proceeds from the sale of property, plant and equipment, and investment property (excluding assets subject to operating leases)	8	53
Proceeds from the sale of intangible non-current assets	7	–[2]
Payments for the acquisition of investments	-6,942	-10,436
Payments for the acquisition of investments held by insurance companies	-24,067	-32,442
Payments for the acquisition of property, plant and equipment, and investment property (excluding assets subject to operating leases)	-60	-81
Payments for the acquisition of intangible non-current assets	-179	-74[2]
Changes in scope of consolidation	-13	-21
of which: Proceeds from the sale of investments in consolidated subsidiaries net of cash divested	–	8
Payments for the acquisition of investments in consolidated subsidiaries net of cash acquired	-14	-30
Cash flows from investing activities	**-2,329**	**-6,014**

€ million	2015	2014
Proceeds from capital increases by shareholders of DZ BANK	–	1,476[2]
Proceeds from capital increases by non-controlling interests	24	29[2]
Proceeds from additional equity components	750	–
Dividends paid to shareholders of DZ BANK	-210	-158[2]
Dividends paid to non-controlling interests	-152	-157[2]
Other payments to non-controlling interests	-750	–[2]
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	672	-1,128[1]
Cash flows from financing activities	**334**	**62**

1 Amount restated.
2 Structure adjusted due to application of GAS 21.

€ million	2015	2014
Cash and cash equivalents as at January 1	3,033	3,812
Cash flows from operating activities	5,504	5,173[1]
Cash flows from investing activities	-2,329	-6,014[1]
Cash flows from financing activities	334	62[1]
Cash and cash equivalents as at December 31	**6,542**	**3,033**

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 2014, disposals of investments in consolidated subsidiaries did not result in any cash outflow in 2015.

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 2015 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) of the 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 23, 2016.

» 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 2015 OF CHANGES IN IFRS

The following new interpretation and the specified improvements to IFRS are applied for the first time in DZ BANK's consolidated financial statements for the 2015 financial year:
– IFRIC 21 *Levies*,
– Amendment to IFRS 3 *Business Combinations* as part of the *Annual Improvements to IFRSs 2011–2013 Cycle*,
– Amendment to IFRS 13 *Fair Value Measurement* as part of the *Annual Improvements to IFRSs 2011–2013 Cycle*,

– Amendment to IAS 40 *Investment Property* as part of the *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 that obligations for the payment of such levies must be recognized as liabilities or provisions in the financial statements when the obligating event occurs. IFRIC 21 is required to be adopted retrospectively. The clarification provided in IFRIC 21 has no material qualitative or quantitative impact. In the DZ BANK Group, IFRIC 21 mainly applies to the contributions to the resolution fund ('European bank levy').

The amendment to IFRS 3 *Business Combinations* as part of the *Annual Improvements to IFRSs 2011–2013 Cycle* defines the exceptions to the scope of IFRS 3 in greater detail with regard to the financial statements of joint venture or joint operations. This amendment has to be applied prospectively.

The amendment to IFRS 13 *Fair Value Measurement* as part of the *Annual Improvements to IFRSs 2011–2013 Cycle* clarifies that the portfolio exception defined in IFRS 13 can be applied to all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities. This amendment has to be applied prospectively.

The amendment to IAS 40 *Investment Property* as part of the *Annual Improvements to IFRSs 2011–2013 Cycle* clarifies that the separate application of both IAS 40 and IFRS 3 independently of each other is required. IFRS 3 rather than IAS 40 is used to determine whether a transaction meets the definition of investment property or of a business combination. IAS 40 is used to assess whether the property is owner-occupied or an investment property. This amendment has to be applied prospectively.

These *Annual Improvements to IFRSs 2011-2013 Cycle* have no material impact on DZ BANK's consolidated financial statements because they do not give rise to any significant changes.

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 standards and improvements to IFRS, which have been incorporated into EU law:
– *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19),
– *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11 Joint Arrangements),
– *Disclosure Initiative* (Amendments to IAS 1),
– *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38),
– *Annual Improvements to IFRSs 2010–2012 Cycle,*
– *Annual Improvements to IFRSs 2012-2014 Cycle*.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) introduces an option for mandatory employee contributions relating to the accounting treatment of defined benefit plans. If such contributions are linked to the service period but do not depend on the number of years of service, an entity may use these contributions to reduce the service cost in the period in which the service in question was rendered instead of apportioning them over the service period. The amendments are to be applied for the first time to financial years beginning on or after February 1, 2015.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements) clarifies that the acquirer of an interest in a joint operation that constitutes a business as defined by IFRS 3 *Business Combinations* must apply the relevant principles of accounting for business combinations set forth in IFRS 3. It also clarifies that, if additional interests in an existing joint operation are acquired and joint control is retained, the interest already held is not remeasured. The amendments must be applied to financial years beginning on or after January 1, 2016 and do not have to be applied retrospectively.

The *Disclosure Initiative* (Amendments to IAS 1) clarifies that the concept of materiality applies to all parts of IFRS financial statements, including the notes. Immaterial information should not be provided, even if other standards explicitly stipulate their disclosure. It also introduces rules on presenting subtotals on the balance sheet, in the income statement, and in other comprehensive income. There is also clarification on presentation in the statement of comprehensive income of the share of other comprehensive income/loss attributable to long-term equity investments that are accounted for using the equity method. These amendments must be applied to financial years beginning on or after January 1, 2016.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) clarifies that it is not permitted to use a revenue-related method for depreciating property, plant and equipment. With regard both to property, plant and equipment and to intangible assets, it also clarifies that a decrease in the unit selling prices of goods and services may be indicative of an asset's commercial obsolescence and thus of a reduction in the future economic benefits embodied in the assets. The amendments must be applied for the first time to financial years beginning on or after January 1, 2016.

In the *Annual Improvements to IFRSs 2010–2012 Cycle* and *2012–2014 Cycle*, the International Accounting Standards Board (IASB) provides clarification of, and makes minor amendments to, various existing standards.

The aforementioned amendments and improvements to IFRS have no material impact on DZ BANK's consolidated financial statements because they do not give rise to any significant changes and/or because a need for structural revisions has not been identified. The DZ BANK Group will apply them from the 2016 financial year in compliance with the relevant transitional provisions.

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 IASB, have not yet been endorsed by the EU:

- IFRS 9 *Financial Instruments*,
- IFRS 14 *Regulatory Deferral Accounts* (this version will not be incorporated into EU law),
- IFRS 15 *Revenue from Contracts with Customers*,
- IFRS 16 *Leases*,
- 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 IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*.

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 instruments, 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 twelve 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 main impact on DZ BANK's consolidated financial statements arises from the new rules on measurement categories and from new calculation methods for allowances for losses on loans and advances. 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 period of time, will be answered in five 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, 2018. The group companies are currently still examining the impact on DZ BANK's consolidated financial statements.

On January 13, 2016, the IASB published a new standard, IFRS 16 *Leases*. The main changes introduced by IFRS 16 relate to accounting by lessees. In respect of all leases, lessees will have to recognize on their balance sheets assets for the acquired usage rights and liabilities for the payment obligations taken on. Exemptions will be permitted for leases involving low-value assets and short-term leases. The accounting rules for lessors are largely the same as the existing rules under IAS 17. For lessees and lessors, the disclosures required in the notes to the financial statements under IFRS 16 will be considerably more extensive than under IAS 17. The mandatory initial application date is January 1, 2019, although earlier adoption is permitted (provided IFRS 15 is also applied).

The IASB published the amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* on January 19, 2016. The amendments are designed to address various issues relating to the accounting treatment of deferred tax assets for unrealized losses on debt instruments that are measured at fair value through other comprehensive income. These amendments must be applied to financial years beginning on or after January 1, 2017.

The impact on the consolidated financial statements of the new and amended standards published after the balance sheet date is currently being examined.

The other aforementioned amendments 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.

CHANGES IN PRESENTATION

The new European bank levy, introduced in accordance with the requirements of Directive 2014/59/EU (BRRD), replaces the German bank levy that had been collected by the Bundesanstalt für Finanzmarktstabilisierung (FMSA) [Federal Agency for Financial Market Stabilization] since 2011 and that was recognized under administrative expenses. As in the 2015 half-year financial statements, the contributions collected as the new European bank levy have been presented in a separate line item in the 2015 income statement called 'contributions to the resolution fund'. Consequently, the bank levy of €27 million recognized under administrative expenses in the income statement for 2014 was restated in 2015 and reclassified to the 'contributions to the resolution fund' line item.

In 2015, DZ BANK issued a tranche of additional Tier 1 notes ('AT1 bonds') with a total volume of €750 million. This issued AT1 bond tranche is presented in a new line item under equity because the AT1 bonds have characteristics of equity as defined by IAS 32. Further disclosures on the AT1 bonds can be found in note 71.

Following the replacement of GAS 2 with GAS 21, parts of the statement of cash flows have been restructured. The changes have been highlighted in the statement of cash flows using footnotes.

RESTATEMENTS

The carrying amount of investments that are categorized as available-for-sale financial assets under IAS 39 have been restated in accordance with the provisions of IAS 8.41 et seq. The carrying amount has been restated due to a correction of past adjustments of these investments to fair value. This restatement has resulted in changes to investments, income tax assets, and the revaluation reserve.

Furthermore, effects from migration postings of promissory notes have been corrected in accordance with the provisions of IAS 8.41 et seq. These effects were caused by an IT migration. This correction has resulted in changes to other assets and retained earnings.

The restatements and corrections have all been carried out retrospectively. Consequently, the comparative figures for 2014 have been restated in the consolidated financial statements for 2015. The resulting effects are shown below.

Statement of comprehensive income for the period January 1 to December 31, 2014

€ million	2014 before restatement	Amount of restatement	**2014 after restatement**
Net profit	2,157	–	2,157
Other comprehensive income	566	-35	531
Items that may be reclassified to the income statement	**915**	**-35**	**880**
Gains and losses on available-for-sale financial assets	1,344	-35	1,309
Gains and losses on cash flow hedges	-31	–	-31
Exchange differences on currency translation of foreign operations	12	–	12
Gains and losses on hedges of net investments in foreign operations	-15	–	-15
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	24	–	24
Income taxes	-419	–	-419
Items that will not be reclassified to the income statement	**-349**	**–**	**-349**
Gains and losses arising from remeasurement of defined benefit plans	-496	–	-496
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-3	–	-3
Income taxes	150	–	150
Total comprehensive income	**2,723**	**-35**	**2,688**
Attributable to:			
Shareholders of DZ BANK	2,097	-35	2,062
Non-controlling interests	626	–	626

Balance sheet as at January 1, 2014

ASSETS

€ million	Jan. 1, 2014 before restatement	Amount of restatement	Jan. 1, 2014 after restatement
Cash and cash equivalents	3,812	–	3,812
Loans and advances to banks	74,214	–	74,214
Loans and advances to customers	120,158	–	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	56,892	193	57,085
Investments held by insurance companies	70,237	–	70,237
Property, plant and equipment, and investment property	1,762	–	1,762
Income tax assets	1,544	5	1,549
Other assets	5,237	-24	5,213
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	**385,398**	**174**	**385,572**

EQUITY AND LIABILITIES

€ million	Jan. 1, 2014 before restatement	Amount of restatement	Jan. 1, 2014 after restatement
Deposits from banks	91,158	–	91,158
Deposits from customers	98,411	–	98,411
Debt certificates issued including bonds	52,754	–	52,754
Derivatives used for hedging (negative fair values)	2,387	–	2,387
Financial liabilities held for trading	45,768	–	45,768
Provisions	2,382	–	2,382
Insurance liabilities	67,365	–	67,365
Income tax liabilities	575	–	575
Other liabilities	5,960	–	5,960
Subordinated capital	4,201	–	4,201
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	249	–	249
Equity	14,188	174	14,362
Shareholders' equity	9,347	174	9,521
Subscribed capital	3,160	–	3,160
Capital reserve	1,111	–	1,111
Retained earnings	4,685	-16	4,669
Revaluation reserve	379	190	569
Cash flow hedge reserve	5	–	5
Currency translation reserve	7	–	7
Unappropriated earnings	–	–	–
Non-controlling interests	4,841	–	4,841
Total equity and liabilities	**385,398**	**174**	**385,572**

Balance sheet as at December 31, 2014

ASSETS

€ million	Dec. 31, 2014 before restatement	Amount of restatement	Dec. 31, 2014 after restatement
Cash and cash equivalents	3,033	–	3,033
Loans and advances to banks	79,317	–	79,317
Loans and advances to customers	122,437	–	122,437
Allowances for losses on loans and advances	-2,388	–	-2,388
Derivatives used for hedging (positive fair values)	383	–	383
Financial assets held for trading	54,449	–	54,449
Investments	57,126	157	57,283
Investments held by insurance companies	79,632	–	79,632
Property, plant and equipment, and investment property	2,292	–	2,292
Income tax assets	1,038	6	1,044
Other assets	4,838	-24	4,814
Non-current assets and disposal groups classified as held for sale	33	–	33
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	353	–	353
Total assets	**402,543**	**139**	**402,682**

EQUITY AND LIABILITIES

€ million	Dec. 31, 2014 before restatement	Amount of restatement	Dec. 31, 2014 after restatement
Deposits from banks	89,254	–	89,254
Deposits from customers	96,428	–	96,428
Debt certificates issued including bonds	55,609	–	55,609
Derivatives used for hedging (negative fair values)	2,556	–	2,556
Financial liabilities held for trading	51,702	–	51,702
Provisions	3,172	–	3,172
Insurance liabilities	74,670	–	74,670
Income tax liabilities	723	–	723
Other liabilities	6,244	–	6,244
Subordinated capital	3,784	–	3,784
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	295	–	295
Equity	18,106	139	18,245
Shareholders' equity	12,768	139	12,907
Subscribed capital	3,646	–	3,646
Capital reserve	2,101	–	2,101
Retained earnings	5,755	-16	5,739
Revaluation reserve	1,045	155	1,200
Cash flow hedge reserve	-16	–	-16
Currency translation reserve	24	–	24
Unappropriated earnings	213	–	213
Non-controlling interests	5,338	–	5,338
Total equity and liabilities	**402,543**	**139**	**402,682**

Statement of cash flows for the period January 1 to December 31, 2014

€ million	2014 before restatement	Amount of restatement	2014 after restatement
Net profit	**2,157**	–	**2,157**
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	–	-1,787
Non-cash changes in provisions	1,006	–	1,006
Changes in insurance liabilities	9,998	–	9,998
Other non-cash income and expenses	971	-5	966
Gains and losses on the disposal of assets and liabilities	8	–	8
Other adjustments (net)	-3,869	–	-3,869
Subtotal	8,484	-5	8,479
Cash changes in assets and liabilities arising from operating activities			
Loans and advances to banks	-4,955	–	-4,955
Loans and advances to customers	-2,570	–	-2,570
Other assets from operating activities	1,145	24	1,169
Derivatives used for hedging (positive and negative fair values)	-335	–	-335
Financial assets and financial liabilities held for trading	4,412	–	4,412
Deposits from banks	-2,147	–	-2,147
Deposits from customers	-3,031	–	-3,031
Debt certificates issued including bonds	2,733	–	2,733
Other liabilities from operating activities	-2,618	–	-2,618
Interest, dividends, and operating lease payments received	8,736	–	8,736
Interest paid	-4,429	–	-4,429
Income taxes paid	-271	–	-271
Cash flows from operating activities	**5,154**	**19**	**5,173**
Proceeds from the sale of investments	11,813	-3	11,810
Proceeds from the sale of investments held by insurance companies	25,177	–	25,177
Proceeds from the sale of property, plant and equipment, and investment property (excluding assets subject to operating leases)	53	–	53
Payments for the acquisition of investments	-10,436	–	-10,436
Payments for the acquisition of investments held by insurance companies	-32,442	–	-32,442
Payments for the acquisition of property, plant and equipment, and investment property (excluding assets subject to operating leases)	-81	–	-81
Payments for the acquisition of intangible non-current assets	-74	–	-74
Changes in scope of consolidation	-21	–	-21
of which: Proceeds from the sale of investments in consolidated subsidiaries net of cash divested	8	–	8
Payments for the acquisition of investments in consolidated subsidiaries net of cash acquired	-30	–	-30
Cash flows from investing activities	**-6,011**	**-3**	**-6,014**

€ million	2014 before restatement	Amount of restatement	2014 after restatement
Proceeds from capital increases by shareholders of DZ BANK	1,476	–	1,476
Proceeds from capital increases by non-controlling interests	29	–	29
Dividends paid to shareholders of DZ BANK	-158	–	-158
Dividends paid to non-controlling interests	-157	–	-157
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	-1,112	-16	-1,128
Cash flows from financing activities	**78**	**-16**	**62**

€ million	2014 before restatement	Amount of restatement	2014 after restatement
Cash and cash equivalents as at January 1	3,812	–	3,812
Cash flows from operating activities	5,154	19	5,173
Cash flows from investing activities	-6,011	-3	-6,014
Cash flows from financing activities	78	-16	62
Cash and cash equivalents as at December 31	**3,033**	**–**	**3,033**

There was no impact on the income statement for the period January 1 to December 31, 2014.

The relevant comparative disclosures in the notes to the financial statements have also been amended as a result of the retrospective restatements.

The audit of the sub-group financial statements of DVB Bank SE for 2013 by the Deutsche Prüfstelle für Rechnungslegung (DPR) [Financial Reporting Enforcement Panel] revealed that a claim for damages had been recognized that was not eligible for recognition under IAS 37. It had also been recognized under other assets on the DZ BANK Group's balance sheet. The claim for damages was derecognized at the level of the DZ BANK Group in 2015, thereby reducing the other assets and other net operating income line items relating to previous years by €32 million.

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, provisions relating to building society operations, 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.

Building society simulations (collective simulations) are used to forecast building society customers' future behavior in order to measure the provisions relating to building society operations. Uncertainty in connection with the measurement of these provisions is linked to assumptions to be made about future customer behavior, which take account of various scenarios and measures. The main inputs for the collective simulations are presented in note 26.

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 as the parent, the consolidated financial statements for the year ended December 31, 2015 include 27 subsidiaries (2014: 30) and 5 subgroups (2014: 5) comprising a total of 534 subsidiaries (2014: 583). 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. With regard to principal/agent relationships, a considerable amount of discretion has to be exercised in order to assess the appropriateness of contractually agreed remuneration and of the level of the variable returns received.

One of the changes in the scope of consolidation of the DZ BANK Group was the deconsolidation of Cash Express Gesellschaft für Finanz- und Reisedienstleistungen mbH, Frankfurt am Main, in the first half of 2015. DZ FINANCE Ireland Limited, Dublin, Ireland, (until September 29, 2015: DZ BANK Ireland public limited company) was no longer included in the scope of consolidation at the balance sheet date owing to its minor significance to the financial position and financial performance of the DZ BANK Group. Furthermore, DZ BANK Perpetual Funding Private Issuer (Jersey) Ltd., St. Helier, Jersey, was deconsolidated on the balance sheet date owing to its minor significance. Its sole purpose was to hold securities in an amount of €500 million. The securities held were cancelled and redeemed in 2015.

Further changes in the scope of consolidation resulted from business combinations and are presented in note 89. These did not give rise to any other material changes.

The consolidated financial statements include 24 joint arrangements in the form of joint ventures with at least one other entity outside the group (2014: 23) and 31 associates (2014: 25) 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 agreement 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

Financial information in the consolidated financial statements contains data from the parent company, which incorporates data from its consolidated subsidiaries. The parent company and the consolidated subsidiaries are presented as a single economic entity.

The subsidiaries of the DZ BANK Group are the directly or indirectly controlled entities. An entity is deemed to be controlled by the group if the group is exposed to variable returns from its relationship with the entity and can affect those returns through its power over the entity.

Unless otherwise contractually agreed, control exists over an entity if the group holds more than half of the direct or indirect voting rights. The assessment of whether control exists also takes account of potential voting rights, provided they are considered substantial.

The group also considers control to exist in cases where it does not hold the majority of the voting rights but does have the ability to unilaterally direct the relevant activities of the entity.

The DZ BANK Group reviews which subsidiaries are to be consolidated at least once every six months.

When preparing the consolidated financial statements, uniform accounting policies are used for like transactions.

The consolidated subsidiaries have generally prepared their financial statements on the basis of a financial year ended December 31, 2015. There is one subsidiary (2014: 1 subsidiary) included in the consolidated financial statements with a different reporting date for its annual financial statements. With 25 (2014: 20) 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.

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.

If the group loses control over a subsidiary, the assets and liabilities of this former subsidiary are derecognized when control is lost. The carrying amount of all the investments in the former subsidiary that are no longer subject to control is derecognized and the fair value of the consideration received is recognized. The profit or loss arising in connection with the loss of control is also recognized.

Investments in joint ventures and associates are accounted for using the equity method and reported on the balance sheet under investments or investments held by insurance companies.

Under the equity method, the group's investments in associates and joint ventures are initially recognized at cost. Subsequently, the carrying amount is increased (or decreased) to recognize the group's share of the profit/loss or other changes to the net assets of the associate or joint venture after the acquisition.

If the group loses its significant influence over an associate or joint venture, the profit or loss arising from the disposal of the long-term equity investment accounted for under the equity method is recognized.

CATEGORIES OF FINANCIAL INSTRUMENTS

» 05
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 unit-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
  - contingent considerations in a business combination
  - 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 are 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.

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 participation, 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 unit-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 the 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.

For policies entered into before or in 2014, 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. Following the introduction of the German Life Insurance Reform Act (LVRG), zillmerizing has not been applied to most new business entered into from 2015 onward. In particular, 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. For old life insurance policies, the maximum Zillmer rate is 3.5 percent of the sum insured; for new policies, a maximum of 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.

The benefit reserve implicitly includes administrative expenses for contracts with ongoing payment of premiums. A provision for administrative costs has been recognized to cover premium-free years under insurance policies, fully paid-up insurance, and some legacy insurance commitments.

In health insurance, benefit reserves are computed prospectively on an individual policy basis using the technical parameters for calculating rates. Negative benefit reserves and positive benefit reserves are netted. The parameters for the computation of the reserves involve, in particular, assumptions regarding mortality, rates of return on investment, cancellations, and costs. The discount rate for health insurance is regularly checked in accordance with the procedure developed by the DAV for calculating the company actuarial discount rate. In connection with the adjustment of premiums with effect from January 1, 2015, it was necessary to reduce the discount rate used in the existing portfolio with separate male and female rates for the first time (2014: 3.50 percent). The discount rate for the unisex insurance scales remains unchanged at 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.

Since 2011, supplementary change-in-discount-rate reserves have been recognized for policies with a discount rate in excess of the reference rate. For new policies, this requirement results from the provisions of the German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV). A supplementary change-in-discount-rate reserve is recognized for policies with a discount rate in excess of the reference rate specified in the DeckRV. With the approval of BaFin, the supplementary change-in-discount-rate reserve is increased for existing 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 judgments dated May 7, 2014 (IV ZR 76/11) and December 17, 2014 (IV Z 260/11).

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, as are reimbursements due under the German Act on the Reform of the Pharmaceuticals Market (AMNOG). 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. In addition, the provision for premium refunds includes 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, appropriate expenses for deferred premium refunds are recognized in other comprehensive income; otherwise, changes in the provision are recognized in profit or loss.

The expenses for deferred premium refunds in the non-life insurance business are 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, previous version), 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. Expenses for deferred premium refunds are 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. Expenses for deferred premium refunds are 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 relating to non-life insurance include obligations arising from membership of the Verein Verkehrsopferhilfe e.V. (VOH) [road casualty support organization], Berlin, in line with the object of this organization and 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 was recognized to take account of expected losses and was calculated on the basis of empirical values relating to the premature loss, not previously accounted for, of the negative portions of the provision for increasing age in health insurance.

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. Gains on disposal, reversals of impairment losses, depreciation, losses on disposal, and impairment losses relating to the underlying leased assets are also included in the current income from operating leases.

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.

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. Interest income and interest expense on overnight money and fixed-term deposits arranged between different organizational units for economic management purposes and timing effects from currency swaps used for economic management of net interest income are recognized under net interest income and under gains and losses on trading activities, depending on their economic classification.

FEES AND COMMISSIONS

Income from fees and commissions is recognized when the underlying services have been performed, it is probable that the economic benefits will flow to the group, and the amount of the income can be reliably measured. Such income is therefore recognized in profit or loss over the period in which the underlying service is performed or immediately after the service has been performed.

Fees and commissions earned over the period in which a service is performed include certain types of fees for administration and safe custody as part of the securities business and asset management, and fees in connection with the furnishing of financial guarantees. In the case of performance-related management fees, income is recognized when the contractually agreed performance criteria have been satisfied.

INSURANCE BUSINESS

For each insurance contract, gross premiums written are calculated pro rata temporis for an exact number of days based on the actual start date of the insurance. These premiums comprise all amounts that become due in the financial year in connection with insurance premiums, premium installments, and one-off premiums for direct insurance and reinsurance business. Premiums for unit-linked life insurance, except capitalization transactions without policyholder participation, 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. In most cases, external valuations are used to measure recoverability.

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.

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. The bonuses constitute independent payment obligations and must be measured and recognized in accordance with IAS 37. In order to measure these obligations, building society simulations (collective simulations) are used to forecast building society customers' future behavior. Uncertainty in connection with the measurement of these provisions is linked to assumptions to be made about future customer behavior, which take account of various scenarios and measures. Material inputs for the collective simulations are the rate of mortgage loans not drawn down and the pattern of customer cancellations.

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
INVESTMENTS IN SUBSIDIARIES

In the DZ BANK Group, material non-controlling interests in the capital and net income exist in the following subsidiaries:

€ million	Dec. 31, 2015	Dec. 31, 2014
R+V Versicherung subgroup	1,691	1,646
Bausparkasse Schwäbisch Hall subgroup	948	897
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	–	500
DZ BANK Capital Funding Trust II	491	492
DZ BANK Perpetual Funding Issuer (Jersey) Limited	240	492
DZ BANK Capital Funding Trust III	339	344
DZ BANK Capital Funding Trust I	297	294
DZ PRIVATBANK	270	284
Union Asset Management Holding subgroup	283	242
Other	163	147
Total	**4,722**	**5,338**

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 77.0 percent of the shares in R+V (December 31, 2014: 74.9 percent). The share of voting rights equals the shareholding. Non-controlling interests account for 23.0 percent of the share of voting rights and the shareholding (December 31, 2014: 25.1 percent). 15.0 percent (December 31, 2014: 15.8 percent) is held by WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) and 6.1 percent (December 31, 2014: 6.2 percent) by local cooperative banks. The other 1.9 percent (December 31, 2014: 3.1 percent) is held by other entities in the cooperative sector.

The net income for the year attributable to non-controlling interests was €136 million (2014: €191 million); this includes the net income for the year attributable to the non-controlling interests within the R+V subgroup of €38 million (2014: €37 million). The carrying amount of the non-controlling interests within the DZ BANK Group was €1,691 million (December 31, 2014: €1,646 million), of which €517 million was attributable to the non-controlling interests within the R+V subgroup (December 31, 2014: €472 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 €31 million were paid to outside shareholders of R+V in 2015 (2014: €33 million). In the R+V subgroup, dividends of €7 million were paid to non-controlling interests (2014: €7 million).

Aggregated financial information for the R+V subgroup:

€ million	Dec. 31, 2015	Dec. 31, 2014
Assets	90,280	85,663
Liabilities	84,467	80,175

€ million	2015	2014
Premiums earned	14,418	13,927
Net profit	363	498
Other comprehensive income/loss	-129	591
Total comprehensive income	234	1,089

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 81.9 percent of the shares in BSH (December 31, 2014: 81.8 percent). The share of voting rights equals the shareholding. Non-controlling interests account for 18.1 percent of the share of voting rights and the shareholding (December 31, 2014: 18.2 percent). 15.0 percent (December 31, 2014: 15.0 percent) is held by WGZ BANK. The other 3.1 percent (December 31, 2014: 3.2 percent) is mainly held by primary banks.

The net income for the year attributable to non-controlling interests was €60 million (2014: €57 million); this includes the net income for the year attributable to the non-controlling interests within the BSH subgroup of €11 million (2014: €10 million). The carrying amount of the non-controlling interests within the DZ BANK Group was €948 million (December 31, 2014: €897 million), of which €79 million was attributable to non-controlling interests within the BSH subgroup (December 31, 2014: €76 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 2015 (2014: €16 million). In the BSH subgroup, dividends of €4 million were paid to non-controlling interests (2014: €3 million).

Aggregated financial information for the BSH subgroup:

€ million	Dec. 31, 2015	Dec. 31, 2014
Assets	61,217	57,648
Liabilities	56,345	52,975

€ million	2015	2014
Interest income and fee and commission income	1,819	1,862
Net profit	196	185
Other comprehensive income	8	56
Total comprehensive income	204	241
Cash flow	-38	-24

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 own funds in accordance with section 10a of the 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.

DZ BANK Perpetual Funding Private Issuer (Jersey) Limited was deconsolidated on the balance sheet date.

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	2015	2014
DZ BANK Capital Funding Trust I	8	8
DZ BANK Capital Funding Trust II	8	9
DZ BANK Capital Funding Trust III	5	6
DZ BANK Perpetual Funding Issuer (Jersey) Limited	11	12
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	30	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	2015	2014
DZ BANK Capital Funding Trust I	8	8
DZ BANK Capital Funding Trust II	8	9
DZ BANK Capital Funding Trust III	5	6
DZ BANK Perpetual Funding Issuer (Jersey) Limited	11	12
DZ BANK Perpetual Funding Private Issuer (Jersey) Limited	30	34

Aggregated financial information for the DZ BANK Capital Funding Trust companies and the DZ BANK Perpetual Funding Issuer companies:

€ million	Dec. 31, 2015	Dec. 31, 2014
Non-current assets	1,410	2,160
Liabilities	–	–

€ million	2015	2014
Interest income and fee and commission income	62	69
Net profit	62	69
Total comprehensive income	62	69

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 70.5 percent (December 31, 2014: 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 (December 31, 2014: 19.0 percent) is attributable to WGZ BANK. The other non-controlling interests are held by local cooperative banks and cooperative investors.

There was no net income for the year attributable to the non-controlling interests (2014: €14 million). The carrying amount of the non-controlling interests was €270 million (December 31, 2014: €284 million). The dividend distributed to the non-controlling interests came to €13 million during the reporting period (2014: €14 million).

Aggregated financial information for the DZ PRIVATBANK subgroup:

€ million	Dec. 31, 2015	Dec. 31, 2014
Assets	17,496	14,785
Liabilities	16,480	13,769

€ million	2015	2014
Interest income and fee and commission income	577	558
Net profit	34	44
Other comprehensive income/loss	12	-1
Total comprehensive income	46	43
Cash flow	1,829	938

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 78.8 percent (December 31, 2014: 78.7 percent). The share of voting rights equals the aggregated shareholding. 21.2 percent is attributable to the non-controlling interests (December 31, 2014: 21.3 percent). 17.7 percent (December 31, 2014: 17.7 percent) is held directly by WGZ BANK. The other 3.5 percent (December 31, 2014: 3.6 percent) is held by other entities in the cooperative sector. The proportion held indirectly by DZ BANK is 73.7 percent (December 31, 2014: 73.5 percent).

The carrying amount of the non-controlling interests within the DZ BANK Group was €283 million (December 31, 2014: €242 million) and related to the multiplicative share of the capital of UMH. Of this amount, €14 million was attributable to non-controlling interests within the UMH subgroup (December 31, 2014: €9 million). The net income for the year attributable to non-controlling interests was €103 million (2014: €96 million); this includes the net income for the year attributable to the non-controlling interests within the UMH subgroup of €7 million (2014: €6 million). The dividend distributed to the non-controlling interests came to a total of €68 million during the reporting period (2014: €55 million). €4 million of this amount was paid as dividends to non-controlling interests in the UMH subgroup (2014: €4 million).

Aggregated financial information for the UMH subgroup:

€ million	Dec. 31, 2015	Dec. 31, 2014
Assets	2,072	1,840
Liabilities	896	807

€ million	2015	2014
Interest income and fee and commission income	1,968	1,700
Net profit	375	346
Other comprehensive income/loss	22	-19
Total comprehensive income	397	327

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. Owing to a reassessment of the nature and extent of significant restrictions, the prior-year amounts have been restated. Where these restrictions can be specifically assigned to individual line items on the balance sheet, the carrying amounts of the assets and liabilities subject to restrictions on the balance sheet date are shown in the following table:

€ million	Dec. 31, 2015	Dec. 31, 2014
Assets	**74,732**	**70,721**
Loans and advances to customers	4,174	4,944
Investments held by insurance companies	70,552	65,770
Other assets	6	7
Liabilities	**119,148**	**112,392**
Deposits from banks	1,690	1,583
Deposits from customers	50,926	48,343
Provisions	653	580
Insurance liabilities	65,879	61,886

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, 2014. The other 55.0 percent is held by ČSOB (December 31, 2014: 55.0 percent). In the DZ BANK Group, the interests in ČMSS are accounted for using the equity method. ČMSS paid a dividend of €19 million to BSH in 2015 (2014: €23 million).

Aggregated financial information for ČMSS:

€ million	Dec. 31, 2015	Dec. 31, 2014
Current assets	993	1,111
of which: cash and cash equivalents	563	271
Non-current assets	4,672	4,835
Current liabilities	1,321	1,196
of which: financial liabilities	1,224	1,153
Non-current liabilities	3,994	4,407
of which: financial liabilities	3,980	4,335

€ million	2015	2014
Interest income	203	207
Interest expense	-104	-118
Fee and commission income	32	32
Fee and commission expenses	-12	-11
Administrative expenses	-45	-45
Income taxes	-10	-10
Profit from continuing operations, net of tax	43	44
Other comprehensive income	6	1
Total comprehensive income	49	45

Reconciliation from the aggregated financial information to the carrying amount of the interests in ČMSS:

€ million	Dec. 31, 2015	Dec. 31, 2014
Total net assets	350	343
Share of net assets	157	154
Carrying amount under the equity method	157	154

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, 2014. In the DZ BANK Group, the interests in PSS are accounted for using the equity method. PSS paid a dividend of €7 million to BSH in 2015 (2014: €8 million).

Aggregated financial information for PSS:

€ million	Dec. 31, 2015	Dec. 31, 2014
Current assets	491	463
of which: cash and cash equivalents	19	–
Non-current assets	2,250	2,195
Current liabilities	627	590
of which: financial liabilities	601	569
Non-current liabilities	1,852	1,810
of which: financial liabilities	1,832	1,791

€ million	2015	2014
Interest income	118	120
Interest expense	-53	-58
Fee and commission income	19	21
Fee and commission expenses	-1	-2
Administrative expenses	-37	-38
Income taxes	-8	-7
Profit from continuing operations, net of tax	23	22
Other comprehensive income	3	16
Total comprehensive income	26	38

Reconciliation from the aggregated financial information to the carrying amount of the interests in PSS:

€ million	Dec. 31, 2015	Dec. 31, 2014
Total net assets	262	258
Share of net assets	85	84
Carrying amount under the equity method	85	84

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, Beijing, China. SGB is headquartered in Tianjin, China. Its business activities are concentrated in the regions of Tianjin (population of approx. 13 million) and Chongqing (population of approx. 30 million). BSH's shareholding in this Chinese building society was 24.9 percent on the balance sheet date, as it had been at December 31, 2014. 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 2015, as had been the case in the previous year.

Aggregated financial information for SGB:

€ million	Dec. 31, 2015	Dec. 31, 2014
Current assets	772	820
of which: cash and cash equivalents	439	338
Non-current assets	3,159	2,512
Current liabilities	2,945	2,495
of which: financial liabilities	2,902	2,461
Non-current liabilities	610	509
of which: financial liabilities	610	509

€ million	2015	2014
Interest income	199	169
Interest expense	-108	-103
Fee and commission income	23	20
Fee and commission expenses	-13	-7
Administrative expenses	-39	-33
Income taxes	-9	-8
Profit from continuing operations, net of tax	27	23
Other comprehensive income	22	29
Total comprehensive income	49	52

Reconciliation from the aggregated financial information to the carrying amount of the interests in SGB:

€ million	Dec. 31, 2015	Dec. 31, 2014
Total net assets	**376**	328
Share of net assets	**94**	82
Cumulative impairment losses on the carrying amount of the investment	-13	-6
Carrying amount under the equity method	**81**	76

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 €1 million to DZ BANK in 2015 (2014: €2 million).

Aggregated financial information for dwpbank:

€ million	Dec. 31, 2015	Dec. 31, 2014
Assets	471	452
Liabilities	289	240
of which: financial liabilities	113	80

dwpbank only has a small amount of cash and cash equivalents.

€ million	2015	2014
Interest income	4	4
Interest expense	-1	-1
Fee and commission income	802	686
Fee and commission expenses	-570	-464
Administrative expenses	-207	-217
Income taxes	-6	-4
Profit from continuing operations, net of tax	11	1
Total comprehensive income	11	1

Reconciliation from the aggregated financial information to the carrying amount of the interests in dwpbank:

€ million	Dec. 31, 2015	Dec. 31, 2014
Total net assets	182	212
Share of net assets	91	106
Capitalization of goodwill	29	29
Carrying amount under the equity method	120	135

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, 2014. VBLI paid a dividend of €65 million to VR LEASING in 2015 (2014: €9 million).

Aggregated financial information for VBLI:

€ million	Dec. 31, 2015	Dec. 31, 2014
Current assets	189	381
Non-current assets	276	390
Current liabilities	313	40
of which: financial liabilities	301	24
Non-current liabilities	46	490
of which: financial liabilities	46	490

€ million	2015	2014
Interest income	33	99
Interest expense	-9	-30
Fee and commission income	1	5
Fee and commission expenses	–	-1
Administrative expenses	-20	-41
Income taxes	-7	-10
Profit (loss) from continuing operations, net of tax	2	-7
Other comprehensive income/loss	-7	10
Total comprehensive income/loss	-5	3

Reconciliation from the aggregated financial information to the carrying amount of the interests in VBLI:

€ million	Dec. 31, 2015	Dec. 31, 2014
Total net assets	**106**	**241**
Share of net assets	**53**	**121**
Cumulative impairment losses on the carrying amount of the investment	-44	-56
Carrying amount under the equity method	**9**	**65**

OTHER JOINT VENTURES

The carrying amount of the equity-accounted joint ventures that, individually, are not material totaled €138 million on the balance sheet date (December 31, 2014: €127 million).

Aggregated financial information for equity-accounted joint ventures that, individually, are not material:

€ million	2015	2014
Share of profit from continuing operations, net of tax	4	12
Share of total comprehensive income	4	12

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 2015 (2014: no dividend).

Aggregated financial information for Equens:

€ million	Dec. 31, 2015	Dec. 31, 2014
Current assets	293	254
of which: cash and cash equivalents	41	140
Non-current assets	283	302
Current liabilities	173	172
of which: financial liabilities	1	11
Non-current liabilities	52	58

€ million	2015	2014
Revenue	285	358
Administrative expenses	-285	-330
Income taxes	-2	1
Loss from continuing operations, net of tax	-4	-7
Profit from discontinued operations, net of tax	1	–
Other comprehensive income/loss	27	-6
Total comprehensive income/loss	24	-13

Reconciliation from the aggregated financial information to the carrying amount of the interests in Equens:

€ million	Dec. 31, 2015	Dec. 31, 2014
Total net assets	**351**	**326**
Share of net assets	**109**	**101**
Capitalization of goodwill	42	42
Cumulative impairment losses on the carrying amount of the investment	-25	-25
Carrying amount under the equity method	**126**	**118**

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 the UMH subgroup 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 per cent 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 2015 (2014: €2 million).

Aggregated financial information for CC Banca:

€ million	Dec. 31, 2015	Dec. 31, 2014
Assets	5,524	8,468
of which: cash and cash equivalents	33	33
Liabilities	5,272	8,231
of which: financial liabilities	5,084	8,010

€ million	2015	2014
Interest income	47	81
Interest expense	-24	-58
Fee and commission income	78	62
Fee and commission expenses	-41	-32
Administrative expenses	-51	-34
Income taxes	-7	-11
Profit from continuing operations, net of tax	15	19
Total comprehensive income	15	19

Reconciliation from the aggregated financial information to the carrying amount of the interests in CC Banca:

€ million	Dec. 31, 2015	Dec. 31, 2014
Total net assets	**252**	237
Share of net assets	**63**	59
Capitalization of goodwill	4	4
Cumulative impairment losses on the carrying amount of the investment	-37	-31
Carrying amount under the equity method	**30**	32

OTHER ASSOCIATES

The carrying amount of the equity-accounted associates that, individually, are not material totaled €254 million on the balance sheet date (December 31, 2014: €214 million).

Aggregated financial information for equity-accounted associates that, individually, are not material:

€ million	2015	2014
Share of profit from continuing operations, net of tax	6	6
Share of profit from discontinued operations, net of tax	–	1
Share of other comprehensive income/loss	-5	–
Share of total comprehensive income	1	7

» 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, 2015		Dec. 31, 2014	
€ million	Volume	Number	Volume	Number
Mutual funds	136,216	430	124,951	362
of which: guarantee funds	7,847	71	10,271	77
Special funds	80,550	362	68,428	324
of which: guarantee funds	–	–	–	–
Total	**216,766**	**792**	**193,379**	**686**
of which: guarantee funds	7,847	71	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 tables as a gross value, excluding deduction of available collateral:

AS AT DECEMBER 31, 2015

€ million	Mutual funds	of which: guarantee funds	Special funds	of which: guarantee funds	Total
Assets	1,242	–	1,729	–	**2,971**
Loans and advances to customers	3	–	166	–	169
Investments	1,031	–	257	–	1,288
Investments held by insurance companies	90	–	1,297	–	1,387
Other assets	102	–	9	–	111
Non-current assets and disposal groups classified as held for sale	16	–	–	–	16
Liabilities	3	3	–	–	**3**
Derivatives used for hedging (negative fair values)	3	3	–	–	3
Net exposure recognized on the balance sheet	1,239	-3	1,729	–	2,968
Contingent liabilities	–	–	–	–	**–**
Financial guarantee contracts, loan commitments and other obligations	7,359	7,359	4	–	**7,363**
Financial guarantee contracts	–	–	–	–	–
Loan commitments	–	–	–	–	–
Other obligations	7,359	7,359	4	–	7,363
Actual maximum exposure	**8,598**	**7,356**	**1,733**	**–**	**10,331**

AS AT DECEMBER 31, 2014

€ 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 €4 million (December 31, 2014: €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 €7,361 million (December 31, 2014: €9,650 million), less negative fair values of €3 million (December 31, 2014: €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 €7,847 million (December 31, 2014: €10,271 million) (net asset value) and whose minimum payment commitments had a nominal amount of €7,361 million (December 31, 2014: €9,650 million). The put options embedded in the guarantee funds were measured at €3 million on the balance sheet date (December 31, 2014: €2 million) 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 €15 million in the reporting year (2014: losses of €5 million). Calculation of the losses suffered by each investment fund excluded distributions relating to this fund in 2015.

In the year under review, losses that only impacted on other comprehensive income/loss amounted to €5 million (2014: no losses). Furthermore, €3 million (2014: €5 million) was added to allowances for losses on loans and advances.

The revenue generated from investment funds issued by the DZ BANK Group was as follows:

2015

€ million	Mutual funds	of which: guarantee funds	Special funds	of which: guarantee funds	Total
Interest income and current income and expense	13	–	10	–	23
Fee and commission income	1,504	80	99	–	1,603
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	20	–	20
Other gains and losses on valuation of financial instruments	-9	-3	-1	–	-10
Total	**1,508**	**77**	**128**	**–**	**1,636**

2014

€ million	Mutual funds	of which: guarantee funds	Special funds	of which: guarantee funds	Total
Interest income and current income and expense	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
Other gains and losses on valuation of financial instruments	–	–	–	–	–
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 amounted to €27,269 million (December 31, 2014: €24,289 million). The DZ BANK Group also extends loans to investment funds in order to generate interest income.

In addition, there were investment funds issued by entities outside the group in connection with unit-linked life insurance amounting to €7,351 million (December 31, 2014: €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, 2015	Dec. 31, 2014
Assets	**2,026**	1,816
Loans and advances to customers	2,026	1,816
Investments	–	–
Liabilities	**–**	–
Net exposure recognized on the balance sheet	2,026	1,816
Contingent liabilities	**–**	–
Financial guarantee contracts, loan commitments and other obligations	**69**	–
Financial guarantee contracts	–	–
Loan commitments	69	–
Other obligations	–	–
Maximum exposure	**2,095**	1,816

The revenue generated from interests in investment funds not issued by the DZ BANK Group was as follows:

€ million	2015	2014
Interest income	47	53
Fee and commission income	61	55
Total	**108**	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, 2015	Dec. 31, 2014
Assets	**904**	1,132
Loans and advances to customers	801	991
Financial assets held for trading	54	57
Investments	49	84
Liabilities	**1**	–
Net exposure recognized on the balance sheet	903	1,132
Contingent liabilities	**–**	–
Financial guarantee contracts, loan commitments and other obligations	**2,556**	2,151
Financial guarantee contracts	–	–
Loan commitments	2,556	2,151
Other obligations	–	–
Maximum exposure	**3,459**	3,283

The revenue generated from interests in securitization vehicles was as follows:

€ million	2015	2014
Interest income	7	8
Fee and commission income	63	41
Gains and losses on trading activities and gains and losses on investments	14	36
Total	**84**	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 2015, 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, 2015	Dec. 31, 2014
Assets	**4**	3
Loans and advances to customers	4	3
Liabilities	**5**	6
Deposits from customers	5	6
Net exposure recognized on the balance sheet	-1	-3
Contingent liabilities	**–**	–
Financial guarantee contracts, loan commitments and other obligations	**2**	3
Financial guarantee contracts	2	3
Loan commitments	–	–
Other obligations	–	–
Maximum exposure	**1**	–

The interest income and current income and expense generated from interests in asset-leasing vehicles totaled €5 million (2014: €3 million).

There are guarantees to asset-leasing vehicles of €1 million (December 31, 2014: €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

2015

€ million	DZ BANK	BSH	DG HYP
Net interest income	1,192	918	308
Allowances for losses on loans and advances	44	-48	78
Net fee and commission income	289	-111	30
Gains and losses on trading activities	332	–	-19
Gains and losses on investments	89	–	-60
Other gains and losses on valuation of financial instruments	31	3	221
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	-1,079	-444	-107
Other net operating income	1	24	11
Profit/loss before contributions to the resolution fund and before taxes	899	342	462
Contributions to the resolution fund	-30	-1	-15
Profit/loss before taxes	**869**	**341**	**447**
Cost/income ratio (%)	55.8	53.2	21.8
Regulatory RORAC (%)	14.7	41.1	40.5
Total assets/total equity and liabilities as at Dec. 31, 2015	216,452	61,217	46,926

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	-962	-489	-104
Other net operating income	-88	38	13
Profit/loss before contributions to the resolution fund and before taxes	909	380	597
Contributions to the resolution fund	-3	-1	-18
Profit/loss before taxes	**906**	**379**	**579**
Cost/income ratio (%)	51.9	55.0	15.6
Regulatory RORAC (%)	21.3	51.4	49.1
Total assets/total equity and liabilities as at Dec. 31, 2014	220,563	57,648	50,989

DVB	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	Total
188	147	–	526	17	162	-470	2,988
-142	–	–	-81	–	2	-6	-153
103	112	–	-111	1,227	26	-51	1,514
13	22	–	–	–	–	21	369
35	–	–	–	-7	12	-10	59
75	9	–	–	-15	-2	-22	300
–	–	14,418	–	–	–	–	14,418
–	–	3,132	–	–	–	-52	3,080
–	–	-14,664	–	–	–	–	-14,664
–	–	-2,287	–	–	–	129	-2,158
-184	-218	–	-201	-703	-170	-92	-3,198
-49	-33	26	1	37	-49	-17	-48
39	39	625	134	556	-19	-570	2,507
-5	-1	–	-2	–	–	–	-54
34	**38**	**625**	**132**	**556**	**-19**	**-570**	**2,453**
50.4	84.8	–	48.3	55.8	>100.0	–	54.6
14.9	12.1	23.9	34.5	>100.0	0.1	–	23.5
26,549	17,496	90,280	6,866	2,072	4,909	-64,426	408,341

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
-184	-214	–	-199	-656	-172	-81	-3,061
30	-14	-73	-62	18	-90	63	-165
79	54	788	69	486	-86	-382	2,894
-4	–	–	-1	–	–	–	-27
75	**54**	**788**	**68**	**486**	**-86**	**-382**	**2,867**
56.6	79.9	–	55.7	57.4	>100.0	–	49.8
18.0	17.8	33.1	18.6	>100.0	-23.6	–	27.9
24,463	14,785	85,663	6,736	1,840	5,241	-65,246	402,682

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

Segmentation is 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), DZ PRIVATBANK, and the BSH, DVB, R+V, UMH, and VR LEASING subgroups. All other companies in the DZ BANK Group, which are not required to provide regular quantitative reports to the chief operating decision-makers, and the consolidations are reported on an aggregated basis under Other/Consolidation.

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 the return on risk-adjusted capital (regulatory RORAC). 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.

Regulatory RORAC is a risk-adjusted performance measure. In the year under review, it reflected the relationship between profit before taxes and before contributions to the resolution fund (in 2014, profit before taxes) and regulatory risk capital (own funds/solvency requirement). It therefore 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	2015	2014
Germany	4,959	5,266
Rest of Europe	762	794
Rest of World	352	338
Consolidation/reconciliation	-215	-252
Total	**5,858**	**6,146**

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	2015	2014
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**6,785**	**7,302**
Interest income from	**6,552**	**7,206**
Lending and money market business	6,199	6,739
of which relating to: local authority loans	659	719
mortgage loans	757	817
home savings loans	126	154
advance and interim financing	829	776
other building loans	77	78
finance leases	199	236
Fixed-income securities	910	991
Portfolio hedges of interest-rate risk	-538	-524
Financial assets with a negative effective interest rate	-19	–
Current income and expense from	**180**	**46**
Shares and other variable-yield securities	168	47
Investments in subsidiaries	4	3
Investments in associates	28	5
Operating leases	-20	-9
Income/loss from using the equity method for	**48**	**46**
Investments in joint ventures	39	36
Investments in associates	9	10
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**5**	**4**
INTEREST EXPENSE ON	**-3,797**	**-4,253**
Deposits from banks and customers	-3,026	-3,267
of which: relating to home savings deposits	-823	-773
Debt certificates issued including bonds	-659	-842
Subordinated capital	-153	-173
Portfolio hedges of interest-rate risk	19	40
Financial liabilities with a positive effective interest rate	29	–
Provisions and other liabilities	-7	-11
Total	**2,988**	**3,049**

Owing to the current low level of interest rates in the money markets and capital markets, there may be a negative effective interest rate for financial assets and a positive effective interest rate for financial liabilities. In 2014, these effects were shown in net fee and commission income. In addition, swap income of €114 million from non-trading currency swaps was treated as net interest income, reflecting the nature of this income. This swap income was used to hedge interest-bearing balance sheet items. It was previously shown under gains and losses on trading activities.

» 35 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	2015	2014
Allowances for losses on loans and advances to banks	**6**	**19**
Additions	-3	-16
Reversals	7	31
Directly recognized impairment losses	-2	–
Recoveries from loans and advances previously impaired	4	4
Allowances for losses on loans and advances to customers	**-164**	**-182**
Additions	-758	-945
Reversals	543	710
Directly recognized impairment losses	-66	-82
Recoveries from loans and advances previously impaired	117	135
Other allowances for losses on loans and advances	**5**	**-28**
Change in provisions for loan commitments	13	-13
Change in other provisions for loans and advances	-16	-9
Change in liabilities from financial guarantee contracts	8	–
Allowances for available-for-sale loans and advances	–	-6
Total	**-153**	**-191**

» 36 NET FEE AND COMMISSION INCOME

€ million	2015	2014
Fee and commission income	**3,159**	**2,841**
Securities business	2,323	2,017
Asset management	194	149
Payments processing including card processing	185	181
Lending business and trust activities	223	227
Financial guarantee contracts and loan commitments	46	42
International business	6	6
Building society operations	5	29
Other	177	187
Income from negative effective interest rates for financial liabilities	–	3
Fee and commission expenses	**-1,645**	**-1,426**
Securities business	-886	-714
Asset management	-131	-102
Payments processing including card processing	-98	-100
Lending business	-234	-224
Financial guarantee contracts and loan commitments	-4	-3
Building society operations	-141	-146
Other	-151	-136
Expenses from negative effective interest rates for financial assets	–	-1
Total	**1,514**	**1,415**

The income from negative effective interest rates for financial liabilities and the expenses from negative effective interest rates for financial assets were presented in net interest income in 2015.

» 37 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	2015	2014
Gains and losses on non-derivative financial instruments and embedded derivatives	183	105
Gains and losses on derivatives	58	324
Gains and losses on exchange differences	128	42
Total	**369**	**471**

» 38 GAINS AND LOSSES ON INVESTMENTS

€ million	2015	2014
Gains and losses on bonds and other fixed-income securities	**-46**	**64**
Disposals	-13	14
Impairment losses	-62	-11
Reversals of impairment losses	29	61
Gains and losses on shares and other variable-yield securities	**146**	**81**
Disposals	147	86
Impairment losses	-1	-8
Reversals of impairment losses	–	3
Gains and losses on investments in subsidiaries	**-12**	**-43**
Disposals	–	1
Impairment losses	-12	-44
Gains and losses on investments in joint ventures	**3**	**23**
Impairment losses	-10	-6
Reversals of impairment losses	13	29
Gains and losses on investments in associates	**-32**	**-16**
Disposals	5	9
Impairment losses	-37	-25
Total	**59**	**109**

» 39 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	2015	2014
Gains and losses from hedge accounting	**38**	-2
Gains and losses on derivatives used for purposes other than trading	**–**	2
Gains and losses on financial instruments designated as at fair value through profit or loss	**262**	327
Gains and losses on non-derivative financial instruments and embedded derivatives	344	300
Gains and losses on derivatives	-82	27
Total	**300**	**327**

Gains and losses on derivatives used for purposes other than trading in 2014 resulted from gains and losses on valuation of derivatives that were used for economic hedging but were not included in hedge accounting.

» 40 PREMIUMS EARNED

€ million	2015	2014
Net premiums written	**14,442**	13,957
Gross premiums written	14,536	14,040
Reinsurance premiums ceded	-94	-83
Change in provision for unearned premiums	**-24**	-30
Gross premiums	-26	-29
Reinsurers' share	2	-1
Total	**14,418**	**13,927**

» 41 GAINS AND LOSSES ON INVESTMENTS HELD BY INSURANCE COMPANIES AND OTHER INSURANCE COMPANY GAINS AND LOSSES

€ million	2015	2014
Income from investments held by insurance companies	**5,210**	**5,056**
Interest income and current income	2,642	2,630
Income from reversals of impairment losses and unrealized gains	567	434
Gains on valuation through profit or loss of investments held by insurance companies	1,063	1,405
Gains on disposals	938	587
Expenses in connection with investments held by insurance companies	**-2,205**	**-738**
Administrative expenses	-115	-122
Depreciation/amortization expense, impairment losses, and unrealized losses	-565	-193
Losses on valuation through profit or loss of investments held by insurance companies	-1,069	-241
Losses on disposals	-456	-182
Other gains and losses of insurance companies	**75**	**114**
Other insurance gains and losses	183	244
Other non-insurance gains and losses	-108	-130
Total	**3,080**	**4,432**

The income and expenses relating to investments and other gains and losses include gains of €286 million on currency translation (2014: gains of €334 million).

» 42 INSURANCE BENEFIT PAYMENTS

€ million	2015	2014
EXPENSES FOR CLAIMS	**-9,850**	**-9,487**
Payments for claims	**-8,966**	**-8,784**
Gross payments for claims	-9,048	-9,021
Reinsurers' share	82	237
Change in the provision for claims outstanding	**-884**	**-703**
Gross change in the provision for claims outstanding	-842	-503
Reinsurers' share	-42	-200
CHANGE IN THE BENEFIT RESERVE AND IN OTHER INSURANCE LIABILITIES	**-4,050**	**-4,165**
Change in the benefit reserve	**-4,037**	**-4,163**
Gross change in the benefit reserve	-4,031	-4,151
Reinsurers' share	-6	-12
Change in other insurance liabilities	**-13**	**-2**
EXPENSES FOR PREMIUM REFUNDS	**-764**	**-1,612**
Gross expenses for premium refunds	-665	-858
Expenses for deferred premium refunds	-99	-754
Total	**-14,664**	**-15,264**

The net reinsurance expense amounted to €36 million (2014: net expense of €43 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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
At the end of the year	3,856	3,634	3,901	3,345	3,341	3,324	2,953	2,704	2,672	2,509	2,396
1 year later	–	3,523	3,847	3,336	3,359	3,135	2,901	2,623	2,601	2,414	2,253
2 years later	–	–	3,769	3,247	3,279	3,160	2,763	2,527	2,531	2,306	2,170
3 years later	–	–	–	3,220	3,254	3,139	2,756	2,533	2,472	2,268	2,127
4 years later	–	–	–	–	3,241	3,122	2,756	2,505	2,487	2,230	2,110
5 years later	–	–	–	–	–	3,139	2,768	2,513	2,478	2,245	2,088
6 years later	–	–	–	–	–	–	2,710	2,469	2,434	2,214	2,085
7 years later	–	–	–	–	–	–	–	2,466	2,422	2,210	2,056
8 years later	–	–	–	–	–	–	–	–	2,426	2,205	2,048
9 years later	–	–	–	–	–	–	–	–	–	2,207	2,042
10 years later	–	–	–	–	–	–	–	–	–	–	2,048
Settlements	**–**	**111**	**132**	**125**	**100**	**185**	**243**	**238**	**246**	**302**	**348**

The figures for the Condor non-life insurance companies are included from 2009.

Net claims provisions in direct business and payments made against the original provisions:

€ million	2015	2014	2013	2012	2011	2010
At the end of the year	3,827	3,574	3,669	3,313	3,298	3,254
1 year later	–	3,460	3,613	3,300	3,317	3,056
2 years later	–	–	3,533	3,211	3,236	3,077
3 years later	–	–	–	3,180	3,208	3,057
4 years later	–	–	–	–	3,194	2,939
5 years later	–	–	–	–	–	3,049
Settlements	**–**	**114**	**136**	**133**	**104**	**205**

CLAIMS RATE TREND FOR INWARD REINSURANCE BUSINESS

Gross claims provisions in inward reinsurance business and payments made against the original provisions:

€ million	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gross provisions for claims outstanding	**2,433**	1,976	1,710	1,506	1,409	1,190	892	712	596	524	504
Cumulative payments for the year concerned and prior years											
1 year later	–	464	481	385	463	437	282	232	127	138	134
2 years later	–	–	685	630	640	632	399	347	203	175	179
3 years later	–	–	–	764	345	739	468	410	250	212	208
4 years later	–	–	–	–	891	856	516	447	282	240	224
5 years later	–	–	–	–	–	922	588	475	307	252	246
6 years later	–	–	–	–	–	–	626	528	324	266	252
7 years later	–	–	–	–	–	–	–	555	366	283	265
8 years later	–	–	–	–	–	–	–	–	384	307	276
9 years later	–	–	–	–	–	–	–	–	–	321	295
10 years later	–	–	–	–	–	–	–	–	–	–	305
Gross provisions for claims outstanding and payments made against the original provision											
At the end of the year	2,433	1,976	1,710	1,506	1,409	1,190	892	712	596	524	504
1 year later	–	2,157	1,840	1,593	1,536	1,401	1,026	779	583	541	497
2 years later	–	–	1,859	1,569	1,472	1,343	872	765	529	480	461
3 years later	–	–	–	1,628	1,014	1,338	826	696	518	432	420
4 years later	–	–	–	–	1,528	1,360	837	680	479	423	382
5 years later	–	–	–	–	–	1,396	858	691	470	396	381
6 years later	–	–	–	–	–	–	870	709	480	391	362
7 years later	–	–	–	–	–	–	–	719	498	399	360
8 years later	–	–	–	–	–	–	–	–	504	403	367
9 years later	–	–	–	–	–	–	–	–	–	407	368
10 years later	–	–	–	–	–	–	–	–	–	–	372
Settlements	**–**	**-181**	**-149**	**-122**	**-119**	**-206**	**22**	**-7**	**92**	**117**	**132**

The figures for the Condor non-life insurance companies are included from 2009.

Net claims provisions in inward reinsurance business and payments made against the original provisions:

€ million	2015	2014	2013	2012	2011	2010
Net provisions for claims outstanding	**2,428**	**1,970**	**1,695**	**1,491**	**1,389**	**1,164**
Cumulative payments for the year concerned and prior years						
1 year later	–	464	473	383	461	432
2 years later	–	–	677	620	636	625
3 years later	–	–	–	754	333	729
4 years later	–	–	–	–	878	839
5 years later	–	–	–	–	–	904
Net provisions for claims outstanding and payments made against the original provision						
At the end of the year	2,428	1,970	1,695	1,491	1,389	1,164
1 year later	–	2,152	1,827	1,576	1,519	1,377
2 years later	–	–	1,845	1,554	1,454	1,321
3 years later	–	–	–	1,612	997	1,314
4 years later	–	–	–	–	1,510	1,337
5 years later	–	–	–	–	–	1,372
Settlements	**–**	**-182**	**-150**	**-121**	**-121**	**-208**

» 43 INSURANCE BUSINESS OPERATING EXPENSES

€ million	2015	2014
Gross expenses	-2,178	-2,171
Reinsurers' share	20	16
Total	**-2,158**	**-2,155**

» 44 ADMINISTRATIVE EXPENSES

€ million	2015	2014
Staff expenses	**-1,610**	**-1,599**
Wages and salaries	-1,329	-1,326
Social security contributions	-161	-159
Pension and other post-employment benefit expenses	-107	-108
Expenses for share-based payment transactions	-13	-6
General and administrative expenses	**-1,448**	**-1,324**
Expenses for temporary staff	-22	-25
Contributions and fees	-93	-94[1]
Consultancy	-336	-270
Office expenses	-196	-199
IT expenses	-331	-309
Property and occupancy costs	-177	-153
Information procurement	-59	-51
Public relations/marketing	-138	-133
Other general and administrative expenses	-90	-84
Expenses for administrative bodies	-6	-6
Depreciation and amortization	**-140**	**-138**
Property, plant and equipment, and investment property	-63	-60
Other assets	-77	-78
Total	**-3,198**	**-3,061**

1 Amount restated due to restructuring of the income statement: Contributions to the resolution fund are no longer reported under administrative expenses. Instead, they are recognized in the line item 'contributions to the resolution fund'.

» 45 OTHER NET OPERATING INCOME

€ million	2015	2014
Other income from leasing business	6	-81
Expenses for other taxes	-14	-6
Gains and losses on non-current assets and disposal groups classified as held for sale	39	–
Restructuring expenses	-22	-46
Gains and losses on deconsolidation of subsidiaries	-4	4
Impairment losses on goodwill	-47	–
Residual other net operating income	-6	-36
Total	**-48**	**-165**

Gains and losses on non-current assets and disposal groups classified as held for sale included realized gains of €39 million; they also included only small impairment losses and no reversals of impairment losses. In 2014, there had been only small gains from disposal and small impairment losses on non-current assets and disposal groups classified as held for sale.

Gains and losses on deconsolidation of subsidiaries largely consisted of losses from the deconsolidation of DZ FINANCE Ireland Limited. In 2014, gains and losses on deconsolidation of subsidiaries had included gains from the deconsolidation of Nedship Scheepvaarthuis B.V., Rotterdam, Netherlands, of €6 million.

Further details of impairment losses on goodwill can be found in note 89.

Residual other net operating income includes rental income from investment property of €9 million (2014: €9 million) and directly assignable expenses of €1 million (2014: €2 million).

» 46 INCOME TAXES

€ million	2015	2014
Current tax expense	-514	-412
Deferred tax expense	-143	-298
Total	**-657**	**-710**

The total for current taxes includes expenses of €14 million (2014: income of €65 million) attributable to previous years. Deferred taxes include expenses of €89 million (2014: expenses of €254 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 2015 was unchanged from the rate used in 2014. The effective rate for trade tax is 15.155 percent (2014: 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 recognized income taxes based on application of the current tax law in Germany:

€ million	2015	2014
Profit before taxes	**2,453**	**2,867**
Group income tax rate	30.980%	30.910%
Expected income taxes	**-760**	**-886**
Income tax effects	**103**	**176**
Impact of tax-exempt income and non-deductible expenses	7	17
Adjustments resulting from other types of income tax, other trade tax multipliers, and changes in tax rates	39	35
Tax rate differences on income subject to taxation in other countries	11	4
Current and deferred taxes relating to prior years	23	148
Change in impairment losses on deferred tax assets	17	1
Other effects	6	-29
Recognized income taxes	**-657**	**-710**

The following amounts were reclassified from other comprehensive income/loss to the income statement in 2015:

» 47
ITEMS RECLASSIFIED TO THE INCOME STATEMENT

€ million	2015	2014
Gains and losses on available-for-sale financial assets	**-116**	**1,309**
Gains (+)/losses (-) arising during the reporting period	44	1,565
Gains (-)/losses (+) reclassified to the income statement	-160	-256
Gains and losses on cash flow hedges	**14**	**-31**
Gains (+)/losses (-) arising during the reporting period	-32	-31
Gains (-)/losses (+) reclassified to the income statement	46	–
Exchange differences on currency translation of foreign operations	**45**	**12**
Gains (+)/losses (-) arising during the reporting period	45	17
Gains (-)/losses (+) reclassified to the income statement	–	-5
Gains and losses on hedges of net investments in foreign operations	**-24**	**-15**
Gains (+)/losses (-) arising during the reporting period	-18	-21
Gains (-)/losses (+) reclassified to the income statement	-6	6
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	**17**	**24**
Gains (+)/losses (-) arising during the reporting period	21	24
Gains (-)/losses (+) reclassified to the income statement	-4	–

» 48
INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

The table below shows the income taxes on the various components of other comprehensive income:

	2015			2014		
€ million	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Items that may be reclassified to the income statement	**-64**	**73**	**9**	**1,299**	**-419**	**880**
Gains and losses on available-for-sale financial assets	-116	72	-44	1,309	-434	875
Gains and losses on cash flow hedges	14	-5	9	-31	10	-21
Exchange differences on currency translation of foreign operations	45	-2	43	12	–	12
Gains and losses on hedges of net investments in foreign operations	-24	8	-16	-15	5	-10
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	17	–	17	24	–	24
Items that will not be reclassified to the income statement	**150**	**-44**	**106**	**-499**	**150**	**-349**
Gains and losses arising from remeasurement of defined benefit plans	151	-44	107	-496	150	-346
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-1	–	-1	-3	–	-3
Total	**86**	**29**	**115**	**800**	**-269**	**531**

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» 49 CASH AND CASH EQUIVALENTS

€ million	Dec. 31, 2015	Dec. 31, 2014
Cash on hand	192	239
Balances with central banks and other government institutions	6,350	2,794
of which: with Deutsche Bundesbank	3,202	528
Total	**6,542**	**3,033**

The average target minimum reserve for 2015 was €1,323 million (2014: €1,187 million).

» 50 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Domestic banks	**8,033**	**7,385**	**63,145**	**60,934**	**71,178**	**68,319**
Affiliated banks	3,005	3,881	52,795	50,112	55,800	53,993
Other banks	5,028	3,504	10,350	10,822	15,378	14,326
Foreign banks	**6,957**	**8,143**	**2,600**	**2,855**	**9,557**	**10,998**
Total	**14,990**	**15,528**	**65,745**	**63,789**	**80,735**	**79,317**

The following table shows the breakdown of loans and advances to banks by type of business:

€ million	Dec. 31, 2015	Dec. 31, 2014
Local authority loans	8,038	9,134
Mortgage loans and other loans secured by mortgages on real estate	559	594
Finance leases	80	–
Money market placements	14,860	15,246
Other loans and advances	57,198	54,343
Total	**80,735**	**79,317**

» 51 LOANS AND ADVANCES TO CUSTOMERS

€ million	Dec. 31, 2015	Dec. 31, 2014
Loans and advances to domestic customers	91,638	89,965
Loans and advances to foreign customers	35,212	32,472
Total	**126,850**	**122,437**

The following table shows the breakdown of loans and advances to customers by type of business:

€ million	Dec. 31, 2015	Dec. 31, 2014
Local authority loans	12,359	13,261
Mortgage loans and other loans secured by mortgages on real estate	19,936	20,926
Loans secured by ship mortgages	1,437	1,222
Home savings loans advanced by building society	33,659	29,960
of which: from allotment (home savings loans)	3,651	4,437
for advance and interim financing	27,905	23,377
other building loans	2,103	2,146
Finance leases	3,548	4,088
Money market placements	644	550
Other loans and advances	55,267	52,430
Total	**126,850**	**122,437**

The changes in allowances for losses on loans and advances recognized under assets were as follows:

» 52
ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

	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, 2014	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
Additions	3	–	663	95	761
Utilizations	-38	–	-339	–	-377
Reversals	-3	-4	-434	-109	-550
Interest income	–	–	-45	–	-45
Changes in scope of consolidation	-15	–	1	–	-14
Other changes	–	–	-94	4	-90
Balance as at Dec. 31, 2015	**36**	**16**	**1,571**	**450**	**2,073**

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, 2015	Dec. 31, 2014
Derivatives used as fair value hedges	**415**	**379**
Interest-linked contracts	415	379
Derivatives used as cash flow hedges	**1**	**4**
Currency-linked contracts	1	4
Total	**416**	**383**

» 54 FINANCIAL ASSETS HELD FOR TRADING

€ million	Dec. 31, 2015	Dec. 31, 2014
DERIVATIVES (POSITIVE FAIR VALUES)	**21,683**	**27,828**
Interest-linked contracts	19,848	25,360
Currency-linked contracts	716	1,087
Share-/index-linked contracts	292	386
Other contracts	584	653
Credit derivatives	243	342
BONDS AND OTHER FIXED-INCOME SECURITIES	**11,271**	**12,651**
Money market instruments	**392**	**453**
from public-sector issuers	192	92
from other issuers	200	361
Bonds	**10,879**	**12,198**
from public-sector issuers	2,902	2,118
from other issuers	7,977	10,080
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,010**	**731**
Shares	999	660
Investment fund units	7	12
Other variable-yield securities	4	59
RECEIVABLES	**15,556**	**13,239**
Money market placements	**14,723**	**12,340**
with banks	11,189	10,804
of which: with affiliated banks	1,383	749
with other banks	9,806	10,055
with customers	3,534	1,536
Promissory notes, registered bonds, and other loans and advances	**833**	**899**
with banks	667	663
of which: with other banks	667	663
with customers	166	236
Total	**49,520**	**54,449**

» 55 INVESTMENTS

€ million	Dec. 31, 2015	Dec. 31, 2014
BONDS AND OTHER FIXED-INCOME SECURITIES	**51,590**	**54,618**
Money market instruments	**104**	**285**
from public-sector issuers	16	18
from other issuers	88	267
Bonds	**51,486**	**54,333**
from public-sector issuers	25,625	27,906
from other issuers	25,861	26,427
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,463**	**1,438**
Shares and other shareholdings	315	337
Investment fund units	1,140	1,093
Other variable-yield securities	8	8
INVESTMENTS IN SUBSIDIARIES	**265**	**218**
of which: in banks	30	–
in financial services institutions	3	3
INVESTMENTS IN JOINT VENTURES	**574**	**623**
of which: in banks	444	450
INVESTMENTS IN ASSOCIATES	**413**	**386**
of which: in banks	30	33
in financial services institutions	–	24
Total	54,305	57,283

The carrying amount of investments in joint ventures accounted for using the equity method totaled €569 million (December 31, 2014: €620 million). €410 million of the investments in associates has been accounted for using the equity method (December 31, 2014: €364 million).

» 56 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Dec. 31, 2015	Dec. 31, 2014
Investment property	2,251	1,924
Investments in subsidiaries	489	465
Investments in joint ventures	37	37
Investments in associates	2	1
Mortgage loans	8,732	8,047
Promissory notes and loans	8,728	8,935
Registered bonds	10,244	10,333
Other loans	1,105	962
Variable-yield securities	7,288	6,248
Fixed-income securities	36,759	34,611
Derivatives (positive fair values)	248	464
Deposits with ceding insurers	163	172
Assets related to unit-linked contracts	8,698	7,433
Total	84,744	79,632

The fair value of investment property was €2,752 million as at the balance sheet date (December 31, 2014: €2,299 million). This includes shares to which policyholders have a statutory entitlement. As in 2014, 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 €724 million (December 31, 2014: €683 million). The group also has capital expenditure commitments amounting to €316 million (December 31, 2014: €174 million). A total of €19 million was spent on the repair and maintenance of investment property in 2015 (2014: €26 million). Vacant property resulted in repair and maintenance expenses of €1 million (2014: €1 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, 2015	Dec. 31, 2014
Land and buildings	837	844
Office furniture and equipment	150	155
Assets subject to operating leases	460	1,200
Investment property	263	93
Total	**1,710**	2,292

The fair value of investment property was €342 million as at the balance sheet date (December 31, 2014: €173 million). This includes the fair value of investment property reported as assets subject to operating leases, which has a carrying amount of €4 million (December 31, 2014: €8 million).

Payments in advance are allocated to the relevant property, plant and equipment.

» 58 INCOME TAX ASSETS AND LIABILITIES

€ million	Dec. 31, 2015	Dec. 31, 2014
Income tax assets	**902**	1,044
Current income tax assets	371	378
Deferred tax assets	531	666
Income tax liabilities	**775**	723
Current income tax liabilities	408	338
Deferred tax liabilities	367	385

In addition to deferred tax assets recognized for tax loss carryforwards, deferred tax assets and liabilities are also recognized for temporary differences in respect of the items shown below:

	Deferred tax assets		Deferred tax liabilities	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Tax loss carryforwards	35	89		
Loans and advances to banks and customers (net)	39	35	134	276
Financial assets and liabilities held for trading, derivatives used for hedging (positive and negative fair values)	596	736	28	36
Investments	95	120	784	934
Investments held by insurance companies	26	13	449	589
Property, plant and equipment, and investment property	51	35	45	50
Deposits from banks and customers	506	738	119	82
Debt certificates issued including bonds	87	108	14	22
Provisions for employee benefits and for share-based remuneration	450	476	33	28
Other provisions	132	146	12	13
Insurance liabilities	118	129	288	246
Other balance sheet items	38	47	103	115
Total (gross)	**2,173**	**2,672**	**2,009**	**2,391**
Netting of deferred tax assets and deferred tax liabilities	-1,642	-2,006	-1,642	-2,006
Total (net)	**531**	**666**	**367**	**385**

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 €177 million (December 31, 2014: €218 million), which can be carried forward indefinitely, or for trade tax loss carryforwards amounting to €145 million (December 31, 2014: €140 million). There remained foreign loss carryforwards of €923 million (December 31, 2014: €946 million) that mostly expire in no more than 14 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 2015 or 2014 in their tax jurisdiction, it will be possible to utilize deferred tax assets amounting to €68 million (December 31, 2014: €7 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 €268 million recognized in other comprehensive income. As at December 31, 2014, there had been a deferred tax liability surplus of €296 million. The deferred tax liability surplus primarily relates to investments, investments held by insurance companies, and provisions for employee benefits.

Deferred tax assets of €73 million (December 31, 2014: €119 million) and deferred tax liabilities of €171 million (December 31, 2014: €294 million) are expected to be realized only after a period of 12 months.

As at December 31, 2015, no deferred tax liabilities had been recognized for temporary differences of €193 million (December 31, 2014: €222 million) relating to long-term equity investments in subsidiaries.

» 59 OTHER ASSETS

€ million	Dec. 31, 2015	Dec. 31, 2014
Other assets held by insurance companies	3,182	3,790
Goodwill	169	216
Other intangible assets	406	329
of which: software	248	207
acquired customer relationships	96	107
Other loans and advances	188	118
Residual other assets	325	361
Total	**4,270**	**4,814**

Other intangible assets include internally generated intangible assets amounting to €20 million (December 31, 2014: €23 million).

The breakdown of other assets held by insurance companies is as follows:

€ million	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	**155**	**163**
Reinsurance assets	**208**	**254**
Provision for unearned premiums	8	6
Benefit reserve	65	71
Provision for claims outstanding	135	177
Receivables	**661**	**876**
Receivables arising out of direct insurance operations	419	529
Receivables arising out of reinsurance operations	182	291
Other receivables	60	56
Credit balances with banks, checks and cash on hand	**241**	**337**
Residual other assets	**1,917**	**2,160**
Property, plant and equipment	437	456
Prepaid expenses	34	31
Remaining assets held by insurance companies	1,446	1,673
Total	**3,182**	**3,790**

The intangible assets in the other assets held by insurance companies include internally generated intangible assets amounting to €25 million (December 31, 2014: €26 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	2015	2014
Balance as at Jan. 1	6	8
Additions	24	26
Utilizations/reversals	-22	-28
Balance as at Dec. 31	**8**	**6**

REINSURERS' SHARE OF THE CHANGES IN THE BENEFIT RESERVE

€ million	2015	2014
Balance as at Jan. 1	71	83
Additions	4	6
Utilizations/reversals	-10	-18
Balance as at Dec. 31	**65**	**71**

REINSURERS' SHARE OF THE CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2015	2014
Balance as at Jan. 1	177	378
Claims expenses	33	27
less payments	-75	-228
Balance as at Dec. 31	**135**	**177**

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, 2014	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	–
Changes in scope of consolidation	–
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
Cost as at Jan. 1, 2015	2,260
Additions	394
Additions in respect of borrowing costs eligible for capitalization	1
Reclassifications	–
Reclassifications to non-current assets and disposal groups classified as held for sale	–
Disposals	-30
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Cost as at Dec. 31, 2015	**2,625**
Reversals of impairment losses as at Jan. 1, 2015	8
Additions	4
Disposals	–
Changes in scope of consolidation	–
Reversals of impairment losses as at Dec. 31, 2015	**12**
Depreciation/amortization and impairment losses as at Jan. 1, 2015	-344
Depreciation/amortization expense for the year	-49
Impairment losses for the year	-4
Reclassifications	–
Reclassifications to non-current assets and disposal groups classified as held for sale	–
Disposals	11
Changes attributable to currency translation	–
Changes in scope of consolidation	–
Depreciation/amortization and impairment losses as at Dec. 31, 2015	**-386**
Carrying amounts as at Dec. 31, 2015	**2,251**

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
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
1,161	556	1,446	104	273	1,152
15	44	129	172	–	174
–	–	–	–	–	–
–	–	-17	–	–	–
-5	-3	-2	–	–	-6
-4	-81	-840	–	–	-18
–	2	118	–	–	1
–	-1	-196	–	–	6
1,167	**517**	**638**	**276**	**273**	**1,309**
13	–	30	5	–	–
–	–	10	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
13	**–**	**40**	**5**	**–**	**–**
-330	-401	-276	-16	-57	-823
-20	-41	-70	-2	–	-96
-2	-1	-50	–	-47	-1
–	–	19	–	–	–
5	3	2	–	–	6
4	74	148	–	–	13
–	-2	-13	–	–	-1
–	1	22	–	–	-1
-343	**-367**	**-218**	**-18**	**-104**	**-903**
837	**150**	**460**	**263**	**169**	**406**

In 2015, the useful life of the assets varied from 8 to 50 years for buildings (as it had in 2014), from 2.5 to 25 years for office furniture and equipment (2014: 3 to 25 years), and – as in 2014 – from 6 months to 25 years for assets subject to an operating lease; the useful life for investment property was 3 to 77 years (2014: 3 to 77 years). Software included in other intangible assets was amortized over a useful life of 3 to 10 years (2014: 1 to 10 years) while the useful life of the customer relationships acquired was 10 to 12 years (2014: 10 years). 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 2014, 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 2015 (as in 2014). The capitalization rate used for borrowing costs was 2.0 percent for investment property held by insurance companies (2014: 1.0 percent).

Disclosures regarding the changes in goodwill are included in note 89.

Other intangible assets include acquired customer relationships amounting to €96 million (December 31, 2014: €107 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 include individual non-current assets together with assets and liabilities from disposal groups not qualifying as discontinued operations.

The individual non-current assets classified as held for sale comprise securities and property, plant and equipment secured by mortgages.

The assets and liabilities from disposal groups not qualifying as discontinued operations constitute investment fund units in various funds and the assets and liabilities of the following fully consolidated subsidiaries of VR LEASING: Lombard Bérlet Gépjármüpark-kezelö és Kereskedelmi Korlátolt Felelõsségû Társaság, Szeged, Hungary, Lombard Ingatlan Lízing Zártkörûen Mûködõ Részvénytársaság Szeged, Hungary, and Lombard Pénzügyi és Lízing Zártkörûen Mûködõ Részvénytársaság, Szeged, Hungary. The sale of the companies is expected to be settled in the second quarter of 2016.

» 62 DEPOSITS FROM BANKS

€ million	Repayable on demand		With agreed maturity or notice period		Total	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Domestic banks	**31,094**	23,713	**57,210**	56,707	**88,304**	80,420
Affiliated banks	24,666	18,009	19,142	18,710	43,808	36,719
Other banks	6,428	5,704	38,068	37,997	44,496	43,701
Foreign banks	**868**	1,823	**8,055**	7,011	**8,923**	8,834
Total	**31,962**	25,536	**65,265**	63,718	**97,227**	89,254

The following table shows the breakdown of deposits from banks by type of business:

€ million	Dec. 31, 2015	Dec. 31, 2014
Home savings deposits	1,252	1,149
Money market deposits	20,229	17,831
Other deposits	75,746	70,274
Total	**97,227**	89,254

» 63 DEPOSITS FROM CUSTOMERS

€ million	Dec. 31, 2015	Dec. 31, 2014
DEPOSITS FROM DOMESTIC CUSTOMERS	**83,443**	**83,713**
Home savings deposits	**49,212**	**46,633**
Other deposits	**34,231**	**37,080**
Repayable on demand	8,141	6,026
With agreed maturity or notice period	26,090	31,054
DEPOSITS FROM FOREIGN CUSTOMERS	**12,743**	**12,715**
Home savings deposits	**1,714**	**1,710**
Other deposits	**11,029**	**11,005**
Repayable on demand	7,327	4,650
With agreed maturity or notice period	3,702	6,355
Total	**96,186**	**96,428**

The following table shows the breakdown of deposits from customers by type of business:

€ million	Dec. 31, 2015	Dec. 31, 2014
Home savings deposits	50,926	48,343
Money market deposits	1,655	1,200
Other deposits	43,605	46,885
Total	**96,186**	**96,428**

The other deposits from customers are broken down by customer group as follows:

€ million	Dec. 31, 2015	Dec. 31, 2014
Germany	**34,231**	**37,080**
Retail customers	1,931	1,960
Corporate customers	31,885	34,602
Public sector	415	518
International	**11,029**	**11,005**
Retail customers	510	537
Corporate customers	10,219	10,146
Public sector	300	322
Total	**45,260**	**48,085**

» 64 DEBT CERTIFICATES ISSUED INCLUDING BONDS

€ million	Dec. 31, 2015	Dec. 31, 2014
Bonds issued	**33,759**	**40,436**
Mortgage Pfandbriefe	7,197	6,291
Public-sector Pfandbriefe	3,252	4,841
Other bonds	23,310	29,304
Other debt certificates issued	**21,192**	**15,173**
Total	**54,951**	**55,609**

All other debt certificates issued are commercial paper.

» 65 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Dec. 31, 2015	Dec. 31, 2014
Derivatives used as fair value hedges	**1,630**	**2,528**
Interest-linked contracts	1,630	2,528
Derivatives used as cash flow hedges	**10**	**27**
Currency-linked contracts	10	27
Derivatives used for hedges of net investments in foreign operations	**1**	**1**
Currency-linked contracts	1	1
Total	**1,641**	**2,556**

» 66 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Dec. 31, 2015	Dec. 31, 2014
DERIVATIVES (NEGATIVE FAIR VALUES)	**23,727**	**26,842**
Interest-linked contracts	18,811	22,982
Currency-linked contracts	786	799
Share-/index-linked contracts	717	714
Other contracts	3,282	2,156
Credit derivatives	131	191
SHORT POSITIONS	**836**	**877**
BONDS ISSUED	**14,572**	**13,939**
DEPOSITS	**6,242**	**10,044**
Money market deposits	**6,070**	**9,810**
from banks	5,704	7,781
of which: from affiliated banks	925	879
from other banks	4,779	6,902
from customers	366	2,029
Promissory notes and registered bonds issued	**172**	**234**
to banks	146	208
of which: to affiliated banks	146	208
to customers	26	26
Total	**45,377**	**51,702**

Bonds issued mainly comprise share- and index-linked certificates.

» 67 PROVISIONS

€ million	Dec. 31, 2015	Dec. 31, 2014
Provisions for employee benefits	**1,868**	**2,011**
Provisions for defined benefit plans	1,635	1,742
Provisions for other long-term employee benefits	117	121
of which: for preretirement part-time employment schemes	16	26
Provisions for termination benefits	76	108
of which: for early retirement schemes	16	14
for restructuring	31	62
Provisions for short-term employee benefits	40	40
Provisions for share-based payment transactions	**23**	**13**
Other provisions	**1,190**	**1,148**
Provisions for onerous contracts	7	11
Provisions for restructuring	5	10
Provisions for loan commitments	51	64
Other provisions for loans and advances	68	52
Provisions relating to building society operations	653	580
Residual provisions	406	431
Total	**3,081**	**3,172**

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 €18 million in 2015 (2014: €16 million).

The present value of the defined benefit obligations is broken down by risk category as follows:

	Germany		Other countries		Total	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Final-salary-dependent plans	2,213	2,366	106	102	2,319	2,468
Defined benefit contributory plans	227	221	211	190	438	411
Accessorial plans	8	7	4	5	12	12
Total	**2,448**	**2,594**	**321**	**297**	**2,769**	**2,891**

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 installments. For most obligations, the contributions are linked to remuneration. Most of these plans are closed.

Accessorial plans are when the employer commits to a benefit that essentially corresponds to the benefit that is provided when an insured event occurs if the contributions are invested in a financial product of a third-party pension provider or insurer. The amount of the pension benefits therefore depends on the pension plan of the third-party pension provider, which is directly exposed to the risk factors longevity, changes in salary, and market interest risk. Accessorial plans are almost risk free for the employer.

The pension plans agreed in Germany are not subject to minimum funding requirements. Minimum funding is required for some pension plans outside Germany owing to local regulations.

The changes in the present value of the defined benefit obligations were as follows:

€ million	2015	2014
Present value of defined benefit obligations as at Jan. 1	2,891	2,343
Current service cost	57	44
Interest expense	58	72
Employee contributions	6	5
Pension benefits paid including plan settlements	-94	-88
of which: relating to plan settlements	-1	-4
Unrecognized past service cost	-9	–
Actuarial gains (-)/losses (+)	-157	505
of which: due to changes in financial assumptions	-156	502
experience-based	-1	3
Plan takeovers	1	–
Changes attributable to currency translation	15	7
Changes in scope of consolidation	1	3
Present value of defined benefit obligations as at Dec. 31	**2,769**	**2,891**

The following actuarial assumptions were used in the measurement of the defined benefit obligations:

%	Dec. 31, 2015	Dec. 31, 2014
Discount rate	2.25	2.00
Weighted salary increases	1.98	2.07
Weighted pension increases	1.77	1.90

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, 2015		Dec. 31, 2014	
	€ 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	-375	-13.54	-412	-14.25
the discount rate were 100 basis points lower	477	17.23	530	18.33
the future salary increase were 50 basis points higher	42	1.52	49	1.69
the future salary increase were 50 basis points lower	-39	-1.41	-46	-1.59
the future pension increase were 25 basis points higher	66	2.38	71	2.46
the future pension increase were 25 basis points lower	-63	-2.28	-68	-2.35

The duration of the defined benefit obligations as at December 31, 2015 was 15.81 years (December 31, 2014: 16.56 years).

PLAN ASSETS

Defined benefit obligations are offset by plan assets. €725 million of the plan assets (December 31, 2014: €779 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, 2015	Dec. 31, 2014
Present value of defined benefit obligations funded by plan assets	1,603	1,646
Present value of defined benefit obligations not funded by plan assets	1,166	1,245
Present value of defined benefit obligations	**2,769**	**2,891**
less fair value of plan assets	-1,134	-1,149
Provisions for defined benefit plans	**1,635**	**1,742**
Reimbursement rights recognized as assets	2	2

The following table shows the changes in plan assets:

€ million	2015	2014
Fair value of plan assets as at Jan. 1	1,149	1,081
Interest income	23	34
Return on/expenses from plan assets (excluding interest income)	-21	50
Contributions to plan assets	24	21
of which: contributions by employer	18	16
employee contributions	6	5
Pension benefits paid	-54	-46
of which: relating to plan settlements	–	-3
Changes attributable to currency translation	13	6
Changes in scope of consolidation	–	3
Fair value of plan assets as at Dec. 31	**1,134**	**1,149**

Contributions to plan assets of €17 million are expected in 2016 (2015: €17 million).

59 percent of the plan assets (2014: 62 percent) are invested in fixed-income assets, thereby allowing for the defined benefit obligations' sensitivity to interest rates. The defined benefit obligations and the plan assets are largely in the euro, US dollar, and pound sterling currency areas. If the defined benefit obligations and the plan assets are in different currencies, derivative hedges are entered into in order to hedge the currency risk. The minimum quality of the fixed-income investments – in the form of Pfandbriefe, government bonds, and corporate bonds – is investment grade (AAA to BBB). The bulk of the investments (particularly Pfandbriefe and government bonds) are of prime quality (AAA to AA).

The other investments are predominantly floating-rate securities (equities and investment fund units) from around the world, plus entitlements arising from the insurance policies, short-term investments, and real estate assets.

The fair value of the plan assets is broken down by asset class as follows:

	Dec. 31, 2015			Dec. 31, 2014		
€ 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	–	27	27	–	26	26
Bonds and other fixed-income securities	664	–	664	712	–	712
Shares	79	–	79	96	–	96
Investment fund units	28	139	167	36	104	140
Derivatives	-1	–	-1	-4	–	-4
Land and buildings	–	5	5	–	5	5
Entitlements arising from insurance policies	–	113	113	–	108	108
Other assets	–	80	80	–	66	66
Total	**770**	**364**	**1,134**	**840**	**309**	**1,149**

As at December 31, 2015, the plan assets included €23 million of the group's own financial instruments (December 31, 2014: €9 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 in 2015:

€ million	Provisions for onerous contracts	Provisions for restruc-turing	Provisions for loan commit-ments	Other provisions for loans and advances	Provisions relating to building society operations	Residual provisions	**Total**
Balance as at Jan. 1	11	10	64	52	580	431	1,148
Additions	4	2	11	37	159	342	**555**
Utilizations	-2	-5	–	–	-86	-177	**-270**
Reversals	-9	–	-24	-22	–	-194	**-249**
Interest expense/ changes in discount rate	–	–	–	1	–	1	**2**
Changes in scope of consolidation	3	–	–	–	–	–	**3**
Other changes	–	-2	–	–	–	3	**1**
Balance as at Dec. 31	**7**	**5**	**51**	**68**	**653**	**406**	**1,190**

The residual provisions include provisions totaling €109 million for litigation risk (December 31, 2014: €138 million). 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 an amount of €81 million to cover the expected losses from the sale of VR LEASING's subsidiary, Lombard Pénzügyi és Lízing Zártkörûen Mûködo Részvénytársaság, Szeged, Hungary, (Lombard Lízing). The sale of the subsidiary is expected to be completed in the second quarter of 2016.

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 Lombard Lízing. 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, 2015

€ million	≤ 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provisions for onerous contracts	–	–	1	6	–
Provisions for restructuring	1	4	–	–	–
Provisions for loan commitments	4	5	37	–	5
Other provisions for loans and advances	7	34	7	2	18
Provisions relating to building society operations	6	392	187	68	–
Residual provisions	32	242	83	33	16
Total	**50**	**677**	**315**	**109**	**39**

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**

» 68 INSURANCE LIABILITIES

€ million	Dec. 31, 2015	Dec. 31, 2014
Provision for unearned premiums	1,104	1,071
Benefit reserve	52,634	49,724
Provision for claims outstanding	9,257	8,352
Provision for premium refunds	7,923	8,568
Other insurance liabilities	53	40
Reserve for unit-linked insurance contracts	7,958	6,915
Total	**78,929**	**74,670**

CHANGES IN THE PROVISION FOR UNEARNED PREMIUMS

€ million	2015	2014
Balance as at Jan. 1	1,071	1,035
Additions	1,170	1,070
Utilizations/reversals	-1,143	-1,040
Changes attributable to currency translation	6	6
Balance as at Dec. 31	**1,104**	**1,071**

CHANGES IN THE BENEFIT RESERVE

€ million	2015	2014
Balance as at Jan. 1	49,724	46,431
Additions	5,965	6,299
Interest component	1,392	1,305
Utilizations/reversals	-4,448	-4,311
Changes attributable to currency translation	1	–
Balance as at Dec. 31	**52,634**	**49,724**

Supplementary change-in-discount-rate reserves totaling €1,528 million have been recognized for policies with a discount rate in excess of the reference rate specified in the DeckRV (December 31, 2014: €964 million).

CHANGES IN THE PROVISION FOR CLAIMS OUTSTANDING

€ million	2015	2014
Balance as at Jan. 1	8,352	7,798
Claims expenses	5,463	5,250
less payments	-4,622	-4,747
Changes attributable to currency translation	64	51
Balance as at Dec. 31	**9,257**	**8,352**

CHANGES IN THE PROVISION FOR PREMIUM REFUNDS

€ million	2015	2014
Balance as at Jan. 1	8,568	6,219
Additions	665	868
Utilizations/reversals	-797	-880
Changes resulting from unrealized gains and losses on investments (through other comprehensive income)	-626	1,606
Changes resulting from other remeasurements (through profit or loss)	99	755
Changes attributable to currency translation	14	–
Balance as at Dec. 31	**7,923**	**8,568**

The breakdown of maturities for insurance liabilities is shown in the following tables:

AS AT DECEMBER 31, 2015

€ million	≤ 1 year	> 1 year – 5 years	> 5 years	Indefinite
Provision for unearned premiums	982	100	22	–
Benefit reserve	1,977	6,658	12,292	31,707
Provision for claims outstanding	3,855	3,090	2,312	–
Provision for premium refunds	739	607	854	5,723
Other insurance liabilities	39	9	3	2
Total	**7,592**	**10,464**	**15,483**	**37,432**

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**

» 69 OTHER LIABILITIES

€ million	Dec. 31, 2015	Dec. 31, 2014
Other liabilities of insurance companies	4,255	4,253
Liabilities from financial guarantee contracts	97	103
Accruals	977	921
Other payables	356	548
Residual other liabilities	354	419
Total	**6,039**	**6,244**

The table below gives a breakdown of insurance companies' other liabilities.

€ million	Dec. 31, 2015	Dec. 31, 2014
Other provisions	**327**	**366**
Provisions for employee benefits	297	324
Provisions for share-based payment transactions	1	1
Other provisions	29	41
Payables and residual other liabilities	**3,928**	**3,887**
Subordinated capital	73	38
Deposits received from reinsurers	78	90
Payables arising out of direct insurance operations	1,574	1,687
Payables arising out of reinsurance operations	230	268
Debt certificates issued including bonds	29	28
Deposits from banks	524	497
Derivatives (negative fair values)	70	64
Liabilities from capitalization transactions	775	595
Other payables	198	184
Residual other liabilities	377	436
Total	**4,255**	**4,253**

» 70 SUBORDINATED CAPITAL

€ million	Dec. 31, 2015	Dec. 31, 2014
Subordinated liabilities	3,812	3,454
Profit-sharing rights	292	292
Share capital repayable on demand	38	38
Total	**4,142**	**3,784**

» 71 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 2014 financial year, DZ BANK paid a dividend of €0.15 per share in 2015 (paid in 2014: €0.13 per share). A dividend of €0.16 per share for 2015 will be proposed to the Annual General Meeting.

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').

The Board of Managing Directors did not make use of any of this authorized action in 2015.

DISCLOSURES ON SHAREHOLDERS

At the end of 2015, 99.5 percent of DZ BANK's share capital was held by cooperative enterprises. These cooperative enterprises include the cooperative banks, the cooperative central institutions, and other legal entities and trading companies economically associated with the cooperative movement or cooperative housing sector.

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 €438 million (December 31, 2014: loss of €528 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.

ADDITIONAL EQUITY COMPONENTS

In 2015, DZ BANK issued a tranche of additional Tier 1 notes ('AT1 bonds') with a total volume of €750 million. The tranche of AT1 bonds issued is shown in the 'Additional equity components' sub-line item. According to the provisions of IAS 32, the AT1 bonds have characteristics of equity.

The tranche is split into four interest-payment models. Type A consists of a variable interest rate; types B to D have a fixed interest rate. Interest is paid annually. August 1 has been set as the interest payment date.

The AT1 bonds are unsecured, subordinated bearer bonds of DZ BANK. The interest payments for these bonds are based on the nominal value. After the fixed-interest period has expired, types B and C will switch to type A's variable interest rate. The interest rate for type D is reset every 5 years. Under the terms and conditions of the bonds, DZ BANK may be made to cancel interest payments at any time; it also has the right to decide to cancel interest payments at its own discretion. Interest payments are not cumulative; payments in subsequent years will not be increased to make up for any canceled payments in previous years. The bonds do not have a maturity date and are subject to the terms and conditions set forth in their individual prospectuses. One of the conditions is that DZ BANK may terminate the bonds only in their entirety, but not parts thereof, if certain regulatory or tax reasons arise.

The repayment amount and the nominal value of the bonds must be reduced if a trigger event occurs. Such a trigger event occurs if the regulatory minimum CET1 trigger ratio for DZ BANK or the DZ BANK banking group falls below 7.0 percent. The write-down on the bond can be reversed again if the reason for writing the bond down no longer applies.

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

2015

€ 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	–	-3	–	–	-41
Gains and losses on cash flow hedges	–	–	9	–	–
Exchange differences on currency translation of foreign operations	–	–	–	34	9
Gains and losses on hedges of net investments in foreign operations	–	–	–	-16	–
Gains and losses arising from remeasurement of defined benefit plans	92	–	–	–	15
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-1	11	–	4	2
Other comprehensive income/loss	**91**	**8**	**9**	**22**	**-15**

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	–	635	–	–	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**	**641**	**-21**	**17**	**199**

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

€ million	Dec. 31, 2015 Carrying amount	Dec. 31, 2015 Fair value	Dec. 31, 2014 Carrying amount	Dec. 31, 2014 Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**151,065**	**151,065**	**154,811**	**154,811**
Financial instruments held for trading	**49,768**	**49,768**	**54,913**	**54,913**
Financial assets held for trading	49,520	49,520	54,449	54,449
Investments held by insurance companies	248	248	464	464
Fair value option	**18,029**	**18,029**	**18,899**	**18,899**
Loans and advances to banks	1,666	1,666	1,607	1,607
Loans and advances to customers	5,720	5,720	5,780	5,780
Investments	9,923	9,923	10,775	10,775
Investments held by insurance companies	720	720	737	737
Derivatives used for hedging	**416**	**416**	**383**	**383**
Derivatives used for hedging (positive fair values)	416	416	383	383
Available-for-sale financial assets	**82,852**	**82,852**	**80,616**	**80,616**
Loans and advances to customers	22	22	22	22
Investments	38,764	38,764	39,716	39,716
Investments held by insurance companies	44,066	44,066	40,878	40,878
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**234,826**	**244,477**	**225,401**	**235,654**
Loans and receivables	**234,543**	**244,194**	**224,962**	**235,215**
Cash and cash equivalents	6,350	6,350	2,794	2,794
Loans and advances to banks	78,937	80,829	77,601	78,884
Loans and advances to customers	115,580	118,870	110,331	113,803
Investments	4,450	4,525	5,469	5,587
Investments held by insurance companies	28,483	33,131	27,903	33,636
Other assets	489	489	511	511
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	254		353	
Available-for-sale financial assets	**283**	**283**	**439**	**439**
Investments	189	189	339	339
Investments held by insurance companies	94	94	100	100
FINANCE LEASES	**3,587**	**3,746**	**4,025**	**4,193**
Loans and advances to banks	80	105	–	–
Loans and advances to customers	3,507	3,641	4,025	4,193

€ million	Dec. 31, 2015 Carrying amount	Dec. 31, 2015 Fair value	Dec. 31, 2014 Carrying amount	Dec. 31, 2014 Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**70,632**	**70,632**	**79,977**	**79,977**
Financial instruments held for trading	**45,447**	**45,447**	**51,766**	**51,766**
Financial liabilities held for trading	45,377	45,377	51,702	51,702
Other liabilities	70	70	64	64
Fair value option	**23,544**	**23,544**	**25,655**	**25,655**
Deposits from banks	3,561	3,561	4,199	4,199
Deposits from customers	7,009	7,009	7,505	7,505
Debt certificates issued including bonds	12,216	12,216	12,652	12,652
Subordinated capital	758	758	1,299	1,299
Derivatives used for hedging	**1,641**	**1,641**	**2,556**	**2,556**
Derivatives used for hedging (negative fair values)	1,641	1,641	2,556	2,556
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**230,508**	**235,022**	**221,162**	**225,709**
Deposits from banks	93,666	95,647	85,055	86,251
Deposits from customers	89,177	91,378	88,923	91,631
Debt certificates issued including bonds	42,735	43,109	42,957	43,660
Other liabilities	1,289	1,289	1,447	1,447
Subordinated capital	3,384	3,599	2,485	2,720
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	257		295	
FINANCE LEASES	**27**	**32**	**28**	**35**
Other liabilities	27	32	28	35
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**148**	**148**	**167**	**167**
Financial guarantee contracts	**97**	**97**	**103**	**103**
Other liabilities	97	97	103	103
Loan commitments	**51**	**51**	**64**	**64**
Provisions	51	51	64	64

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. The fair values of the investments held by insurance companies comprise both the proportion of the fair values that is attributable to the policyholders and the proportion attributable to the shareholders of the DZ BANK Group. 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 €29,557 million (December 31, 2014: €29,237 million). The fair value attributable to the shareholders of the DZ BANK Group of other liabilities that are recognized as finance leases was €32 million (December 31, 2014: €34 million).

FINANCIAL INSTRUMENTS MEASURED AT COST

Investments and investments held by insurance companies include shares and other variable-yield securities and investments in subsidiaries, joint ventures, and associates measured at cost with a total carrying amount of €283 million (December 31, 2014: €439 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 non-consolidated subsidiaries and other shareholdings measured at cost with a carrying amount of €13 million were sold. This resulted in gains on disposal of €62 million.

In 2014, investments in non-consolidated subsidiaries and other shareholdings measured at cost with a carrying amount of €1 million had been sold. This had resulted in gains on disposal of €2 million.

FAIR VALUE HIERARCHY

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ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON THE BALANCE SHEET

RECURRING AND NON-RECURRING FAIR VALUE MEASUREMENTS

The fair value measurements are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2		Level 3	
€ million	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014
Assets	**63,317**	53,284	**92,001**	103,244	**4,556**	5,749
Loans and advances to banks	–	–	1,666	1,607	–	–
Loans and advances to customers	–	–	5,159	5,207	583	595
Derivatives used for hedging (positive fair values)	–	–	416	383	–	–
Financial assets held for trading	1,172	934	48,074	53,130	274	385
Investments	18,372	11,835	28,968	35,970	1,347	2,686
Investments held by insurance companies	43,752	40,500	7,628	6,937	2,352	2,075
Non-current assets and disposal groups classified as held for sale	21	15	90	10	–	8
of which: non-recurring measurement	21	–	74	–	–	–
Liabilities	**8,171**	7,958	**68,676**	73,793	**2,402**	5,557
Deposits from banks	–	–	3,561	4,190	–	9
Deposits from customers	–	–	7,009	7,499	–	6
Debt certificates issued including bonds	2,153	2,230	9,562	9,811	501	611
Derivatives used for hedging (negative fair values)	–	–	1,641	2,556	–	–
Financial liabilities held for trading	602	661	42,875	46,111	1,900	4,930
Financial liabilities arising from unit-linked insurance products	5,402	5,063	3,195	2,268	–	–
Other liabilities	14	4	55	59	1	1
Subordinated capital	–	–	758	1,299	–	–
Liabilities included in disposal groups classified as held for sale	–	–	20	–	–	–

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 unit-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	**2015**	2014	**2015**	2014
Assets measured at fair value	**821**	**23,925**	**5,880**	**129**
Financial assets held for trading	–	3,554	17	35
Investments	666	19,400	5,579	17
Investments held by insurance companies	155	971	284	77
Liabilities measured at fair value	**–**	**116**	**1**	**77**
Debt certificates issued including bonds	–	–	–	68
Financial liabilities held for trading	–	116	1	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 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, 2014	645	549	1,923	1,420	3
Restatements according to IAS 8	–	–	22	–	–
Balance as at Jan. 1, 2014 after restatements	645	549	1,945	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	–	407	53	–
through profit or loss	-8	–	288	-31	–
through other comprehensive income	77	–	119	84	–
Other changes	1	-1	-1	-59	8
Balance as at Dec. 31, 2014	595	385	2,686	2,075	8
Additions (purchases)	20	37	175	657	–
Transfers	–	36	-1,468	162	–
from Level 3 to Levels 1 and 2	–	-26	-1,517	-49	–
from Levels 1 and 2 to Level 3	–	62	49	211	–
Disposals (sales)	-86	-153	-214	-411	-8
Changes resulting from measurement at fair value	54	-31	111	53	–
through profit or loss	4	-31	-34	-16	-39
through other comprehensive income	50	–	145	69	39
Other changes	–	–	57	-184	–
Balance as at Dec. 31, 2015	**583**	**274**	**1,347**	**2,352**	**–**

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, 2014	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
Transfers	-9	-6	-51	-2,429	–
from Level 3 to Levels 1 and 2	-9	-6	-51	-2,485	–
from Levels 1 and 2 to Level 3	–	–	–	56	–
Disposals (settlements)	–	–	-55	-555	–
Changes resulting from measurement at fair value through profit or loss	–	–	-2	-46	–
Other changes	–	–	-2	–	–
Balance as at Dec. 31, 2015	**–**	**–**	**501**	**1,900**	**1**

The other changes relate, in particular, to changes in the scope of consolidation as well as to currency translation changes 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 these processes, 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 essentially 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. In 2015, this resulted in transfers from Level 3 to Level 2 of €2,680 million, largely as a result of refinements to the method used for assessing the significance of unobservable inputs to the measurement of financial instruments (significance analysis).

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 €55 million during the reporting period (2014: profit of €243 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 €15 million loss in the income statement (2014: loss of €17 million) and a loss of €1 million under other comprehensive income/loss. There would have been no changes to other comprehensive income/loss in the previous year. In the case of the fair values of investments, the same change would lead to the recognition of a €5 million loss under other comprehensive income/loss (2014: loss of €3 million). A loss of €29 million would have been recognized in the income statement in the previous year.

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 or are measured using Bloomberg Valuation Service prices, which have a low level of observability in the market. All other things being equal, an increase in the pertinent measurement assumptions of 1 percent would lead to the recognition of a €6 million loss in the income statement (2014: loss of €3 million) and a gain of €3 million under other comprehensive income/loss (2014: loss of €45 million).

All other things being equal, a rise in the correlation assumptions by 1 percent would not have a significant impact on the fair values of equity/commodity basket products reported under financial assets and financial liabilities held for trading. A loss of €11 million would have been recognized in the income statement in the previous year.

An alternative assumption about the credit spreads used could lead to a significant change in the fair values of some of the ABSs reported under financial assets held for trading. All other things being equal, a rise of 1 percent in these credit spreads would lead to the recognition of a loss of €4 million in the income statement (2014: loss of €7 million).

Measurement of some of the commodities reported under financial assets and financial liabilities held for trading is based on the benchmark volatility of a comparable underlying. All other things being equal, an increase of 1 percent in the volatility would lead to the recognition of a gain of €9 million in the income statement. There would have been no changes in the income statement in the previous year.

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 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.

Generally, the discounted cash flow method is used in the model-based measurement of the fair value of financial instruments without optionalities. Modeling of the yield curves is based on a multi-curve approach with collateral discounting. Simple products on which options exist are measured using customary standard models in which the inputs are quoted in active markets. For structured products on which options exist, a wide range of standard valuation techniques are used. Valuation models are calibrated to available market prices and validated regularly. The fair values of structured products can be measured by breaking these products into their constituent parts, which are then measured using the valuation methods described below.

The basis for measurement is the selection of an adequate yield curve for each specific instrument. The measurement is carried out by selecting appropriate tenor-specific forward curves for projecting variable cash flows. The nature and collateralization of the transactions determines how they are discounted using yield curves that can be adjusted on the basis of relevant spreads.

The DZ BANK Group uses prices in active markets (provided these prices are available) for the fair value measurement of loans and advances as well as non-structured bonds. Otherwise, it mainly uses the discounted cash flow method. Discounting is based on yield curves that are adjusted for liquidity-related and credit rating-related costs using spreads. Product-dependent funding spreads are added to the yield curve for liabilities attributable to registered creditors, debt certificates issued including bonds, and subordinated capital. Debt instruments held are adjusted using issuer-specific spreads or spreads derived from the issuer's internal and external credit rating, sector, and risk category. Customer-appropriate spreads and collateralization rates are taken into account for the measurement of loans when the discounted cash flow method is used. If significant unobservable inputs are used for measurement and there are no indications that the transaction price is not identical to the fair value at the time of first-time recognition on the balance sheet, the valuation method is calibrated in such a way that the model price at the time of acquisition corresponds to the transaction price. In exceptional cases, the notional amount of the debt instrument in question provides the best evidence of fair value.

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. Otherwise, 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 standardized derivatives traded in liquid markets is based on observable market prices and/or industry-standard models using observable inputs. To discount the cash flows of derivatives, a distinction is made between non-collateralized and collateralized transactions when using yield curves. Moreover, calculation of the model prices for products on which options exist mostly requires the input of additional market data (e.g. volatilities, correlations, repo rates). As far as possible, this data is derived implicitly from quoted market prices that are available. If observable quoted market prices are not available, or only available to a limited extent, DZ BANK uses customary interpolation and extrapolation mechanisms, historical time series analysis, and fundamentals analysis of economic variables to generate the required inputs. It also uses expert assessments on a small scale.

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. Counterparty-specific 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.

The following table shows the valuation techniques, the unobservable inputs, and their spreads used for the fair value measurements at Level 3 of the fair value hierarchy as at the balance sheet date.

Class according to IFRS 13	Assets/ liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Loans and advances to customers	Loans	522	DCF method	Credit spread	0 to 8.3
	Loans	39	DCF method	Internal spread	1.5 to 9.5
	Silent partnerships	22	DCF method	Internal credit ratings	6.7
Financial assets held for trading	ABSs	78	DCF method	Credit spread	0 to 370
	Bearer securities	170	DCF method	BVAL price adjustment	-0.5 to 155
	Equity/commodity basket products	16	Local volatility model	Correlation of the risk factors considered	0 to 87
	Collateralized loan obligations	3	Gaussian copula model	Liquidity spread	0
	Syndicated loans	1	DCF method	Credit spread	–
	Loans and advances to issuers in default	6	DCF method	Recovery rate	0 to 60
Investments		378	DCF method	BVAL price adjustment	-0.5 to 155
	Bearer securities	25	DCF method	Recovery rate	50
	VR Circle	501	DCF method	Multiple-year default probabilities	0 to 100
		107	Income capitalization approach	Future income	–
	Investments in subsidiaries	51	DCF method	Assumptions for measurement of risk parameters	9 to 14.3
		222	Income capitalization approach	Future income	–
	Other shareholdings	16	DCF method	Assumptions for measurement of risk parameters	9 to 14.3
	Investment fund units	42	Net asset value	–	–
	ABSs	5	DCF method	Credit spread	0 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, associates, and joint ventures, real estate funds, profit-participation certificates, and other long-term equity investments	1,279	Net asset value	–	–
	Investments in subsidiaries and associates, investment fund units, profit-participation certificates, long-term equity investments	233	Income capitalization approach	Future income	6.4 to 7.5
		465	Prices offered by external suppliers of market prices	–	–
	ABSs	83	DCF method	Credit spread	6.0 to 6.1
	Profit-participation certificates, silent partnerships, promissory notes	151	DCF method	Credit spread	3.0 to 5.4
	Fixed-income securities, shares	140	Prices offered by external suppliers of market prices	–	–
	Derivatives (positive fair values)	1	Prices offered by external suppliers of market prices	–	–
Debt certificates issued including bonds	VR Circle	501	DCF method	Multiple-year default probabilities	0 to 100
Financial liabilities held for trading	Equity/commodity basket products	1,853	Local volatility model	Correlation of the risk factors considered	0 to 87
	Basket credit-linked notes	35	Gaussian copula model	Credit correlation	0
	Products with quanto correlation	12	Libor market model	Liquidity spread	-11 to 76
Other liabilities	Derivatives (negative fair values)	1	Prices offered by external suppliers of market prices	–	–

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 as at December 31, 2014.

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 and advances to customers	Loans	101	DCF method	Internal spread	–
Loans and advances to customers	Silent partnerships	21	DCF method	Internal credit ratings	8
Financial assets held for trading	ABSs	145	DCF method	Credit spread	0.8 to 370
Financial assets held for trading	Bearer securities	142	DCF method	Credit spread	-0.3 to 5,200
Financial assets held for trading	Equity/commodity basket products	56	DCF method	Correlation of the risk factors considered	-28 to 86
Financial assets held for trading				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
Financial assets held for trading	Collateralized loan obligations	16	DCF method	Conditional prepayment rate	15
Financial assets held for trading	Syndicated loans	14	DCF method	Credit spread	–
Financial assets held for trading	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
Investments	Bearer securities	447	DCF method	Credit spread	-0.3 to 5,200
Investments	VR Circle	468	DCF method	Multiple-year default probabilities	0 to 100
Investments	Investment fund units	72	Net asset value	–	–
Investments		125	Net asset value method	Markdown	–
Investments		27	DCF method	Assumptions for measurement of risk parameters	6.5 to 12.0
Investments	Investments in subsidiaries	6	Income capitalization approach	Future income	–
Investments				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
Investments	Collateralized loan obligations	6	DCF method	Conditional prepayment rate	15
Investments	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 HIERARCHY

» 74
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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Assets	**62**	**341**	**142,193**	**137,722**	**105,316**	**100,063**
Cash and cash equivalents	–	–	6,350	2,794	–	–
Loans and advances to banks	21	280	78,605	75,777	2,203	2,827
Loans and advances to customers	–	–	21,112	21,714	97,758	92,089
Investments	–	–	3,110	3,823	1,604	2,103
Investments held by insurance companies	41	51	32,559	33,332	3,377	2,652
Property, plant and equipment, and investment property	–	–	170	173	172	–
Other assets	–	10	287	109	202	392
Liabilities	**2,080**	**3,600**	**179,618**	**171,344**	**53,472**	**50,932**
Deposits from banks	–	–	94,195	84,689	1,452	1,562
Deposits from customers	–	–	40,426	43,240	50,952	48,391
Debt certificates issued including bonds	2,080	3,600	41,029	40,060	–	–
Provisions	–	–	3	–	48	64
Other liabilities	–	–	396	665	990	885
Subordinated capital	–	–	3,569	2,690	30	30

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 as at the balance sheet date.

Class according to IFRS 13	**Assets/ liabilities**	**Fair value (€ million)**	**Valuation technique**	**Unobservable inputs**
Loans and advances to banks	Loans	2,203	DCF method	Credit spread, recovery rate
Loans and advances to customers	Loans	64,128	DCF method	Credit spread, recovery rate, internal spread
	Building loans	33,492	Amortized cost	–
	Shareholders' loans, profit-sharing rights, silent partnerships	138	DCF method	Internal credit ratings
Investments	Mortgage-backed securities	876	DCF method	Duration
	Shares and other variable-yield securities and investments in subsidiaries, joint ventures, and associates	189	Cost	–
	ABSs	316	DCF method	Credit spread
	Collateralized loan obligations	74	DCF method	Liquidity spread
	Bearer securities	104	DCF method	Credit spread
	RMBSs/CMBSs	38	DCF method	Liquidity spread
	Profit-participation certificates	7	DCF method	Estimated cash flows
Investments held by insurance companies	Investment property	2,642	DCF method	Future rent, reference prices in the market
		110	Cost	Nominal amounts
	Loans and bank accounts	441	DCF method	Yield curves, credit spread
	Loans	90	Cost	Nominal amounts
	Shares and other variable-yield securities and investments in subsidiaries, joint ventures, and associates	94	Cost	–
Property, plant and equipment	Investment property	172	Valuation reports	–
Other assets	Credit balances with banks	142	Cost	Nominal amounts
	Other loans and advances	60	Cost	Nominal amounts

Class according to IFRS 13	Assets/ liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs
Deposits from banks	Home savings deposits	1,253	Amortized cost	–
	Loans	199	DCF method	Credit spread
Deposits from customers	Home savings deposits	50,926	Amortized cost	–
	Loans	22	DCF method	Credit spread
	Overpayments on consumer finance loans	4	Cost	–
Provisions	Provisions for loan commitments	48	Settlement amount	–
Other liabilities	Loans	427	Cost	Nominal amounts
	Liabilities from capitalization transactions	136	Cost	Nominal amounts
	Other payables	188	Cost	Nominal amounts
	Non-controlling interests in special funds	79	Cost	Nominal amounts
	Bonds	29	Cost	Nominal amounts
	Subordinated loans	39	Cost	Nominal amounts
	Liabilities from financial guarantee contracts	82	Settlement amount	–
	Share capital repayable on demand	10	Amount repayable	–
Subordinated capital	Share capital repayable on demand	30	Amount repayable	–

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 as at December 31, 2014.

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	339	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	–

Class according to IFRS 13	Assets/ liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs
Deposits from banks	Home savings deposits	1,149	Amortized cost	–
	Loans	413	DCF method	Credit spread
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

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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, 2015	Dec. 31, 2014
Loans and advances to banks	1,666	1,607
Loans and advances to customers	5,739	5,810
Investments	565	525
Investments held by insurance companies	327	374
Total	**8,297**	**8,316**

Financial guarantee contracts with a value of €3,375 million (December 31, 2014: €3,451 million) furnished by affiliated banks mitigate this credit risk.

As a result of changes in the credit risk, the fair value of loans and receivables designated as at fair value through profit or loss increased by €7 million during the reporting year (2014:

decrease of €23 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 €14 million (December 31, 2014: decrease of €66 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Deposits from banks	3,561	4,199	3,451	4,029
Deposits from customers	7,009	7,505	5,470	6,100
Debt certificates issued including bonds	12,216	12,652	11,912	12,172
Subordinated capital	758	1,299	710	1,233
Total	**23,544**	**25,655**	**21,543**	**23,534**

The fair value of financial liabilities designated as at fair value through profit or loss did not change as a result of changes in credit risk in 2015 (2014: decrease of €1 million).

In 2015, 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 2014 either.

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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, 2015	Dec. 31, 2014
Carrying amounts	754	900
Fair values	748	892

If all the reclassifications carried out in the past had not taken place, an additional loss of €23 million before taxes would have been recognized in the income statement in 2015 as a result of the fair value measurement (2014: gain of €35 million). In addition, losses before taxes of €4 million in respect of the fair value measurement would have been recognized in other comprehensive income in the reporting year (2014: gains before taxes of €16 million).

In 2015, profit before taxes included a profit of €12 million from gains, losses, income, and expenses in connection with all the reclassified financial assets held (2014: profit of €35 million).

» 77 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities reference standard master agreements, such as ISDA Master Agreements and German Master Agreements for Financial Futures.

The 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, 2015

€ 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	28,943	6,701	22,242	16,520	3,032	2,690
Reverse repos/securities borrowing	14,563	–	14,563	14,398	–	165
Other financial instruments	–	–	–	–	–	–
Total	**43,506**	**6,701**	**36,805**	**30,918**	**3,032**	**2,855**

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**

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, 2015

€ 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 instruments	Cash collateral furnished	
Derivatives	32,453	7,780	24,673	15,365	8,735	573
Repos/securities lending	5,055	–	5,055	5,028	–	27
Total	**37,508**	**7,780**	**29,728**	**20,393**	**8,735**	**600**

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 instruments	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**

TRANSFERS OF FINANCIAL ASSETS

» 78
SALE AND REPURCHASE AGREEMENTS, SECURITIES LENDING

In 2015, 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 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, 2015	Dec. 31, 2014
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**5,443**	**9,357**
Financial instruments held for trading	**5,099**	**8,658**
Financial assets held for trading	5,099	8,658
Fair value option	**–**	**21**
Investments	–	21
Available-for-sale financial assets	**344**	**678**
Investments	344	678
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**–**	**55**
Loans and receivables	**–**	**55**
Investments	–	55
Total	**5,443**	**9,412**

As at the balance sheet date, additional collateral with a carrying amount of €74 million had been furnished in connection with sale and repurchase agreements. This collateral is recognized under financial assets held for trading and may be sold or pledged elsewhere as collateral even if the recipient is not in default. No additional collateral had been furnished in connection with sale and repurchase agreements as at December 31, 2014.

The carrying amounts of liabilities arising from sale and repurchase agreements were as follows:

€ million	Dec. 31, 2015	Dec. 31, 2014
LIABILITIES ASSOCIATED WITH FINANCIAL ASSETS MEASURED AT FAIR VALUE	**5,474**	**9,332**
Liabilities associated with financial assets classified as held for trading	**5,129**	**8,654**
Liabilities associated with financial assets held for trading	5,129	8,654
Liabilities associated with financial assets classified as fair value option	**–**	**16**
Liabilities associated with investments	–	16
Liabilities associated with available-for-sale financial assets	**345**	**662**
Liabilities associated with investments	345	662
LIABILITIES ASSOCIATED WITH FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**–**	**40**
Liabilities associated with loans and receivables	**–**	**40**
Liabilities associated with investments	–	40
Total	**5,474**	**9,372**

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, 2015, the fair value of securities involved in such transactions was €14,472 million (December 31, 2014: €12,072 million).

The receivables arising from these reverse repo transactions and reported under financial assets held for trading amounted to €14,383 million as at the balance sheet date (December 31, 2014: €12,120 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, 2015	Dec. 31, 2014
Financial instruments held for trading	**130**	31
Financial assets held for trading	130	31
Available-for-sale financial assets	**1,459**	2,072
Investments held by insurance companies	1,459	2,072
Total	**1,589**	2,103

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.

As at the balance sheet date, additional collateral with a carrying amount of €191 million had been furnished in connection with securities lending. This collateral is recognized under financial assets held for trading and may be sold or pledged elsewhere as collateral even if the recipient is not in default. No additional collateral had been furnished in connection with securities lending as at December 31, 2014.

SECURITIES BORROWING

The fair value of borrowed securities as at the balance sheet date was as follows:

€ million	Dec. 31, 2015	Dec. 31, 2014
Bonds and other fixed-income securities	310	683
Shares and other variable-yield securities	36	42
Total	**346**	725

In addition to securities subject to sale and repurchase agreements or that have been lent, bonds and other fixed-income securities and shares and other variable-yield securities are accepted as additional collateral. These may be sold or pledged elsewhere as collateral, even if the recipient is not in default. The fair value of the additional collateral received is €39 million. No additional collateral had been pledged to the DZ BANK Group in connection with reverse repos or securities borrowing as at December 31, 2014.

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, 2015	Dec. 31, 2014
Financial assets held for trading	5,229	8,689
Investments	344	754
Investments held by insurance companies	1,459	2,072
Total	**7,032**	**11,515**

COLLATERAL PLEDGED

» 79
COLLATERAL

The breakdown of the carrying amount of financial assets pledged as collateral for liabilities is as follows:

€ million	Dec. 31, 2015	Dec. 31, 2014
Loans and advances to banks	35,025	34,125
Loans and advances to customers	545	520
Financial assets held for trading	11,092	10,812
Investments	21	–
Investments held by insurance companies	613	519
Total	**47,296**	**45,976**

No financial assets were pledged as collateral for contingent liabilities in 2015. In 2014, loans and advances to banks with a carrying amount of €5 million had been pledged as collateral for contingent liabilities.

Of the total financial assets pledged as collateral for liabilities, financial assets held for trading and investments with a carrying amount of €2,487 million (2014: €2,244 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 the German federal and state development banks 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 Germany's KfW development bank are secured by assigning to KfW the receivables arising from the forwarding of the development loans together with the collateral furnished by the borrowers.

Securities and money market placements recognized as financial assets held for trading are pledged as collateral for exchange-traded forward transactions, non-exchange-traded derivatives and for forward forex transactions. These arrangements are governed by standard industry collateral agreements.

The investments pledged as collateral comprise securities furnished as collateral 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 €15 million (December 31, 2014: €19 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	2015	2014
Financial instruments at fair value through profit or loss	**339**	**1,539**
Financial instruments held for trading	25	1,419
Financial instruments designated as at fair value through profit or loss	314	120
Available-for-sale financial assets	**2,217**	**1,983**
Loans and receivables	**6,292**	**6,906**
Financial liabilities measured at amortized cost	**-3,200**	**-3,471**

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 interest 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	2015	2014
Interest income	8,049	8,766
Interest expense	-3,201	-3,471

FEE AND COMMISSION INCOME AND EXPENSES

€ million	2015	2014
Fee and commission income		
from financial instruments not at fair value through profit or loss	225	250
from trust and other fiduciary activities	2,521	2,172
Fee and commission expenses		
for financial instruments not at fair value through profit or loss	-386	-335
for trust and other fiduciary activities	-1,003	-806

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 €47 million (2014: €36 million).

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows impairment losses on financial assets broken down by class of financial instrument.

€ million	2015	2014
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-325**	**-110**
Available-for-sale financial assets	**-325**	**-110**
Loans and advances to customers	–	-6
Investments	-34	-13
Investments held by insurance companies	-291	-91
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**-868**	**-1,041**
Loans and receivables	**-860**	**-1,000**
Loans and advances to banks	-5	-16
Loans and advances to customers	-813	-967
Investments	-36	-9
Investments held by insurance companies	-6	-8
Available-for-sale financial assets	**-8**	**-41**
Investments	-8	-41
FINANCE LEASES	**-8**	**-54**
Loans and advances to customers	-8	-54

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, 2014	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
Additions	751	8
Utilizations	-366	-7
Reversals	-525	-18
Interest income	-41	-3
Changes in scope of consolidation	-15	–
Other changes	-86	-2
Balance as at Dec. 31, 2015	**2,013**	**41**

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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
INTEREST-LINKED CONTRACTS	**142,635**	**277,130**	**321,129**	**740,894**	**704,053**	**20,469**	**26,165**	**20,482**	**25,514**
OTC products									
Forward rate agreements	9,398	–	–	9,398	5,673	–	–	–	–
Interest-rate swaps	112,617	234,659	294,786	642,062	584,052	18,128	22,817	16,682	20,644
Interest-rate options – call	5,868	18,377	9,407	33,652	43,653	2,052	2,849	29	20
Interest-rate options – put	7,975	23,385	16,936	48,296	62,137	132	127	3,732	4,849
Other interest-rate contracts	1,728	–	–	1,728	1,949	156	372	38	–
Exchange-traded products									
Interest-rate futures	5,049	709	–	5,758	6,589	1	–	1	1
CURRENCY-LINKED CONTRACTS	**79,238**	**6,242**	**329**	**85,809**	**58,043**	**749**	**1,100**	**792**	**869**
OTC products									
Forward forex transactions	69,368	3,878	281	73,527	47,729	696	1,055	726	808
Forex options – call	4,496	1,035	–	5,531	4,685	26	33	14	7
Forex options – put	4,602	1,314	17	5,933	5,232	18	12	42	38
Exchange-traded products									
Forex futures	209	–	–	209	133	–	–	–	–
Forex options	563	15	31	609	264	9	–	10	16
SHARE-/INDEX-LINKED CONTRACTS	**10,859**	**5,810**	**1,148**	**17,817**	**16,343**	**301**	**409**	**730**	**716**
OTC products									
Share/index options – call	541	187	39	767	578	67	45	–	–
Share/index options – put	146	219	–	365	299	–	–	44	30
Other share/index contracts	957	2,269	816	4,042	4,113	44	84	71	29
Exchange-traded products									
Share/index futures	734	18	–	752	476	–	5	10	2
Share/index options	8,481	3,117	293	11,891	10,877	190	275	605	655
OTHER CONTRACTS	**10,598**	**31,175**	**19,996**	**61,769**	**56,015**	**585**	**659**	**3,303**	**2,172**
OTC products									
Cross-currency swaps	7,052	23,992	10,966	42,010	35,591	577	645	3,262	2,127
Precious metal contracts	19	7	–	26	11	–	–	2	1
Commodities contracts	322	353	–	675	862	5	8	5	8
Other contracts	2,269	6,572	8,990	17,831	18,875	–	–	14	9
Exchange-traded products									
Futures	190	57	–	247	148	1	–	1	–
Options	746	194	40	980	528	2	6	19	27
CREDIT DERIVATIVES	**8,251**	**18,801**	**3,083**	**30,135**	**34,949**	**243**	**342**	**131**	**191**
Protection buyer									
Credit default swaps	3,867	7,911	466	12,244	14,930	31	59	88	137
Protection seller									
Credit default swaps	4,384	10,884	2,539	17,807	19,823	202	269	42	48
Total return swaps	–	6	78	84	196	10	14	1	6
Total	251,581	339,158	345,685	936,424	869,403	22,347	28,675	25,438	29,462

The derivatives held at the balance sheet date involved the following counterparties:

€ million	Fair value			
	Positive		Negative	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
OECD central governments	188	765	395	470
OECD banks	19,269	24,934	23,044	27,278
OECD financial services institutions	257	16	333	49
Other companies, private individuals	2,599	2,942	1,449	1,383
Non-OECD banks	34	18	217	282
Total	**22,347**	**28,675**	**25,438**	**29,462**

The Union Investment Group has capital preservation commitments under section 1 (1) no. 3 of the German Personal Pension Plan Certification Act (AltZertG) amounting to €10,470 million (December 31, 2014: €9,225 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 €7,361 million (December 31, 2014: €9,650 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.

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) 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 items are compared against the changes in the fair values of the hedging instruments.

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 2016 financial year and that will be recognized in profit or loss in this period.

In 2015, gains of €14 million in connection with cash flow hedges were recognized in other comprehensive income (2014: losses of €31 million).

Of the gains and losses reclassified to the income statement, minus €39 million was recognized under net interest income, €7 million as a reduction of administrative expenses, and minus €14 million under net fee and commission income. Of the gains and losses reclassified in 2014, minus €1 million had been recognized under net interest income and €1 million as a reduction of administrative expenses.

HEDGE ACCOUNTING GAINS AND LOSSES RECOGNIZED IN PROFIT OR LOSS

Gains and losses arising on hedging instruments and hedged items that need to be recognized in profit or loss are reported in the gains and losses from hedge accounting under other gains and losses on valuation of financial instruments. The breakdown of gains and losses from hedge accounting, by type of hedge, is as follows:

€ million	2015	2014
Gains and losses on fair value hedges	**6**	-14
Gains and losses on hedging instruments	-40	274
Gains and losses on hedged items	46	-288
Gains and losses on portfolio fair value hedges	**32**	12
Gains and losses on hedging instruments	-52	-1,255
Gains and losses on hedged items	84	1,267
Total	**38**	-2

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, 2015

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years	Indefinite
Financial assets	**45,485**	**20,370**	**34,678**	**143,525**	**174,342**	**16,649**
Cash and cash equivalents	6,350	–	–	–	–	–
Loans and advances to banks	14,223	5,749	7,674	31,379	26,884	66
Loans and advances to customers	15,202	5,645	14,624	57,110	52,102	291
Derivatives used for hedging (positive fair values)	3	–	19	138	197	–
Financial assets held for trading	6,891	6,708	4,478	11,164	18,883	1,734
of which: non-derivative financial assets held for trading	6,512	6,297	2,924	4,648	5,721	1,734
derivatives (positive fair values)	379	411	1,554	6,516	13,162	–
Investments	1,192	1,405	4,468	23,584	24,185	1,374
Investments held by insurance companies	858	842	3,354	19,819	52,091	13,146
of which: non-derivative investments held by insurance companies	857	826	3,329	19,789	52,072	13,146
derivatives (positive fair values)	1	16	25	30	19	–
Other assets	766	21	61	331	–	38
Financial liabilities	**-67,758**	**-25,618**	**-26,225**	**-72,741**	**-69,537**	**-53,449**
Deposits from banks	-37,997	-7,154	-7,478	-24,304	-22,131	-812
Deposits from customers	-18,857	-2,081	-2,642	-8,312	-19,368	-51,214
Debt certificates issued including bonds	-5,178	-13,031	-10,773	-18,505	-8,943	–
Derivatives used for hedging (negative fair values)	-13	-27	-36	-766	-799	–
Financial liabilities held for trading	-5,259	-2,628	-4,860	-17,182	-15,773	-667
of which: non-derivative financial liabilities held for trading	-3,879	-1,669	-2,615	-8,245	-4,581	-662
derivatives (negative fair values)	-1,380	-959	-2,245	-8,937	-11,192	-5
Other liabilities	-413	-450	-248	-726	-1,191	-719
of which: non-derivative other liabilities	-402	-449	-246	-714	-1,179	-719
derivatives (negative fair values)	-11	-1	-2	-12	-12	–
Subordinated capital	-41	-247	-188	-2,946	-1,332	-37
Financial guarantee contracts and loan commitments	**-29,001**	**-117**	**-162**	**-723**	**-1,231**	**-59**
Financial guarantee contracts	-5,939	-58	-38	-244	-81	-57
Loan commitments	-23,062	-59	-124	-479	-1,150	-2

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**	**16,679**
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	1,490
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

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, 2015	Dec. 31, 2014
Portugal	**293**	**154**
Fair value option	244	105
Loans and receivables	49	49
Italy	**5,275**	**5,665**
Financial instruments held for trading	–	5
Fair value option	1,372	1,605
Available-for-sale financial assets	3,903	4,055
Ireland	**35**	**24**
Financial instruments held for trading	7	–
Available-for-sale financial assets	28	24
Spain	**2,094**	**2,465**
Financial instruments held for trading	168	38
Fair value option	1,353	1,782
Available-for-sale financial assets	573	645
Total	**7,697**	**8,308**

The fair value of Portuguese government bonds categorized as 'loans and receivables' amounts to €56 million (December 31, 2014: €55 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, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Portugal	**244**	–	**–**	105	**–**	–
Fair value option	244	–	–	105	–	–
Italy	**4,524**	2,863	**751**	2,559	**–**	243
Financial instruments held for trading	–	–	–	5	–	–
Fair value option	1,312	–	60	1,516	–	89
Available-for-sale financial assets	3,212	2,863	691	1,038	–	154
Ireland	**28**	24	**7**	–	**–**	–
Financial instruments held for trading	–	–	7	–	–	–
Available-for-sale financial assets	28	24	–	–	–	–
Spain	**1,631**	229	**463**	1,192	**–**	1,044
Financial instruments held for trading	–	–	168	38	–	–
Fair value option	1,353	25	–	896	–	861
Available-for-sale financial assets	278	204	295	258	–	183
Total	**6,427**	3,116	**1,221**	3,856	**–**	1,287

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, 2015

€ million	≤ 1 month	> 1 month –3 months	> 3 months –1 year	> 1 year –5 years	> 5 years
Portugal	–	–	12	48	376
Italy	87	112	475	1,129	4,454
Ireland	–	–	2	23	10
Spain	4	23	326	362	2,026
Total	**91**	**135**	**815**	**1,562**	**6,866**

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**

The maturity analysis shows the contractually agreed cash inflows.

F Other disclosures

» 86 CONTINGENT LIABILITIES

€ million	Dec. 31, 2015	Dec. 31, 2014
Contingent liabilities in respect of litigation risk	5	4
Other contingent liabilities	–	13
Total	**5**	**17**

The contingent liabilities in respect of litigation risk comprise a small number of court proceedings relating to different cases. Where provisions have been recognized for particular claims, no contingent liabilities are recognized.

» 87 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Dec. 31, 2015	Dec. 31, 2014
Financial guarantee contracts	**6,417**	**5,419**
Loan guarantees	3,113	2,812
Letters of credit	391	391
Other guarantees and warranties	2,913	2,216
Loan commitments	**24,876**	**24,264**
Credit facilities to banks	2,589	2,606
Credit facilities to customers	11,618	10,923
Guarantee credits	221	126
Global limits	10,448	10,609
Total	**31,293**	**29,683**

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, 2015	Dec. 31, 2014
Trust assets	**1,155**	1,226
Loans and advances to banks	151	165
Loans and advances to customers	57	79
Investments	947	982
Trust liabilities	**1,155**	1,226
Deposits from banks	130	167
Deposits from customers	1,025	1,059

Trust assets and trust liabilities each include trust loans amounting to €155 million (December 31, 2014: €200 million).

» 89 BUSINESS COMBINATIONS

With effect from October 1, 2014, Deucalion Ltd., George Town, which is included in the DVB subgroup as a structured subsidiary without an equity stake, had 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, 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.

In the UMH subgroup, 100 percent of the shares in Volksbank Invest Kapitalanlagegesellschaft m.b.H., Vienna, were acquired on December 17, 2015. The acquiree was renamed Union Investment Austria GmbH with effect from December 31, 2015. A 94.5 percent stake in Immo Kapitalanlage AG, Vienna, was acquired indirectly as a result of this transaction. The strategic reason for the business combination is to open up the Austrian sales market. The purchase price amounted to €50 million and was paid in cash. This can be broken down into €13.6 million for the fair value of the consideration transferred for the acquisition of Volksbank Invest Kapitalanlagegesellschaft m.b.H. and €36.4 million for the acquisition of exclusive sales rights and exclusivity rights in respect of Union Investment Group products. Measured at fair value, the net assets amounted to €14.2 million on the acquisition date. The net assets comprised financial assets of €19.9 million, intangible assets of €5.7 million, income tax assets of €1 million, other assets of €1.2 million, financial liabilities of €2.5 million, provisions of €4.4 million, income tax liabilities of €1.4 million, and other liabilities of €5.3 million. Non-controlling interests came to €0.6 million.

In the R+V subgroup, real estate was acquired in the form of an asset deal. The property was purchased so that the insurance company can hold the real estate as an investment. The purchase price amounted to €165 million and was paid in cash.

Goodwill is allocated to the DZ BANK Group's operating segments, each of which constitutes a cash-generating unit. As had been the case a year earlier, goodwill of €128 million was allocated to the DZ PRIVATBANK subgroup operating segment, €39 million to the UMH subgroup operating segment, and €2 million to the TeamBank operating segment as at the balance sheet date. Also unchanged year on year, no goodwill was allocated to the following operating segments: DZ BANK, the BSH subgroup, DG HYP, and the R+V subgroup. As at the balance sheet date, there was also no goodwill allocated to the DVB subgroup operating segment (December 31, 2014: €28 million) or to the VR LEASING subgroup operating segment (December 31, 2014: €19 million).

In the second quarter of 2015, there were indications that the goodwill allocated to the DVB subgroup operating segment might be impaired. The subsequent impairment test resulted in an impairment loss of €28 million. The annual impairment test led to an impairment loss in 2015 of €19 million recognized on goodwill and was fully attributable to the VR LEASING subgroup operating segment. The impairment losses were recognized in other net operating income. There had been no impairment losses in the previous year.

The DVB subgroup is the leading specialist in international transport finance business and offers its customers integrated financial and advisory services in the shipping finance, aviation finance, offshore finance, and land transport finance segments. In the impairment test, the carrying amount of DVB was compared with the recoverable amount. A value in use of €1.4 billion was determined as the recoverable amount. The calculation was based on a discount rate (before taxes) of 13.00 percent in 2015 (2014: 14.86 percent). The unexpectedly weak economic performance of developed economies and the BRIC countries (Brazil, Russia, India, and China), the risks posed by sustained volatility in global financial markets, and general geopolitical risks have triggered a decline in demand and caused the volume of global trade to contract. This adverse macroeconomic trend and the absence of signs of recovery in most shipping and offshore segments have resulted in restrictive planning of future cash flows for the DVB subgroup.

The entities in the VR LEASING subgroup are the Volksbanken Raiffeisenbanken cooperative financial network's experts in the provision of simple and fast financing solutions for small and medium-sized enterprises (SMEs) with strong regional ties in Germany. The product portfolio ranges from leasing and loans to factoring and centralized settlement. A value in use of €248 million was determined as the recoverable amount. The calculation was based on a discount rate (before taxes) of 12.54 percent in 2015 (2014: 12.29 percent). Negative microeconomic and macroeconomic influences have resulted in companies, particularly industrial SMEs in Germany, being cautious about committing to capital spending. The economic parameters have therefore been taken into account in the planning for future years, resulting in a decrease in cash flow for the VR LEASING subgroup.

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 area and the US dollar area will be hit by rising inflation. 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.

As had been the case in 2014, cash flows beyond the end of the 4-year period were estimated using a constant rate of growth of 1.0 percent for the following operating segments: DVB subgroup, VR LEASING subgroup, DZ PRIVATBANK subgroup, UMH subgroup, and TeamBank.

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 2015: 13.00 percent for the DVB subgroup operating segment (2014: 14.86 percent), 12.54 percent for the VR LEASING subgroup operating segment (2014: 12.29 percent), 13.46 percent for the DZ PRIVATBANK subgroup operating segment (2014: 10.81 percent), 13.46 percent for the UMH subgroup operating segment (2014: 13.14 percent), and 13.48 percent for the TeamBank operating segment (2014: 10.82 percent).

Sensitivity analyses are also carried out in which parameters relevant to the calculation of value in use are modified within a plausible range of values. The parameters that are particularly relevant to the DZ BANK Group are the forecast cash flows and the discount rates. No impairment would result in the TeamBank, DZ PRIVATBANK subgroup, or UMH subgroup operating segments in any of the scenarios.

FINANCE LEASES

» 90
LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2015	Dec. 31, 2014
Gross investment	**4,025**	4,628
Up to 1 year	1,188	1,336
More than 1 year and up to 5 years	2,337	2,655
More than 5 years	500	637
less unearned finance income	**-397**	-540
Net investment	3,628	4,088
less present value of unguaranteed residual values	**-90**	-94
Present value of minimum lease payment receivables	**3,538**	3,994
Up to 1 year	1,038	1,146
More than 1 year and up to 5 years	2,071	2,304
More than 5 years	429	544

As at the balance sheet date, the accumulated allowance for uncollectible minimum lease payments at lessor companies amounted to €41 million (December 31, 2014: €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. As had been the case at the end of 2014, the total term of these leases runs for up to 10 years. The companies in the VR LEASING subgroup predominantly enter into leases with customers for equipment.

DZ BANK GROUP AS LESSEE

€ million	Dec. 31, 2015	Dec. 31, 2014
Total future minimum lease payments	**37**	40
Up to 1 year	3	3
More than 1 year and up to 5 years	12	12
More than 5 years	22	25
less discount	**-10**	-12
Present value of future minimum lease payments	27	28
Up to 1 year	3	2
More than 1 year and up to 5 years	9	8
More than 5 years	15	18

The 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 included leased property, plant and equipment amounting to €22 million (December 31, 2014: €24 million). Other payables of insurance companies included finance lease liabilities of €27 million (December 31, 2014: €28 million).

OPERATING LEASES

DZ BANK GROUP AS LESSOR

€ million	Dec. 31, 2015	Dec. 31, 2014
Total future minimum lease payments under non-cancelable leases	**786**	**1,678**
Up to 1 year	141	244
More than 1 year and up to 5 years	424	918
More than 5 years	221	516

In 2015, contingent minimum lease payments of €6 million (2014: €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 unchanged year on year at up to 9 years, for aircraft leases up to 5 years (December 31, 2014: up to 12 years), and for rail freight car leases up to 5 years (as was also the case as at December 31, 2014). 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, 2015	Dec. 31, 2014
Total future minimum lease payments under non-cancelable leases	**607**	**627**
Up to 1 year	123	117
More than 1 year and up to 5 years	336	331
More than 5 years	148	179

As at the balance sheet date, the total future minimum lease payments expected to be received under non-cancelable subleases amounted to €14 million (December 31, 2014: €21 million).

In 2015, minimum lease payments of €125 million (2014: €128 million) and contingent rents of €27 million (2014: €21 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 in which the lease payments are dependent on the quantity of hardware used and the number of licenses provided.

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 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 5 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, 1015	Dec. 31, 2014
Female employees	**13,887**	**13,693**
Full-time employees	8,901	8,881
Part-time employees	4,986	4,812
Male employees	**16,142**	**15,903**
Full-time employees	15,316	15,169
Part-time employees	826	734
Total	**30,029**	**29,596**

» 93 AUDITOR FEES

The total fees charged for 2015 by the independent auditors of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, broken down by type of service are as follows:

€ million	2015	2014
Auditing services	10.7	11.5
Other attestation services	4.5	2.9
Other services	3.5	9.4
Total	**18.7**	**23.8**

The fees for auditing services comprise expenses relating to the audit of the consolidated financial statements and group management report of DZ BANK as well as the audits of the annual financial statements and management reports of DZ BANK and consolidated subsidiaries carried out by the auditors of the consolidated financial statements. The fees for other attestation services comprise the fees charged for the audit in accordance with section 36 of the German Securities Trading Act (WpHG), the review by the auditor of the condensed interim consolidated financial statements, 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 2015, overall remuneration for DZ BANK's Board of Managing Directors from the group in accordance with IAS 24.17 amounted to €10.7 million (2014: €11.0 million). This total is broken down into short-term employee benefits of €7.1 million (2014: €7.3 million), post-employment benefits of €2.5 million (2014: €2.4 million), and share-based payments of €1.1 million (2014: €1.3 million). The remuneration for the Board of Managing Directors in 2015 and 2014 included the total bonus awarded to the Board of Managing Directors for the year in question. Supervisory Board remuneration amounted to €0.9 million (2014: €0.8 million) and consisted of payments due in the short term.

The remuneration for the Board of Managing Directors included contributions of €0.2 million (2014: €0.2 million) to defined contribution pension plans. DZ BANK has defined benefit obligations for the members of the Board of Managing Directors amounting to €26.0 million (December 31, 2014: €20.8 million).

In 2015, 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 €8.4 million (2014: €8.7 million), while the total remuneration for the Supervisory Board for the performance of these duties amounted to €0.9 million (2014: €0.8 million).

The total remuneration paid to former members of the Board of Managing Directors or their surviving dependants pursuant to section 314 (1) no. 6b HGB amounted to €8.5 million in 2015 (2014: €8.7 million). DZ BANK has defined benefit obligations for former members of the Board of Managing Directors or their surviving dependants amounting to €117.8 million (2014: €128.2 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 7.5 percent and 12.5 percent. If the value drops by more than 12.5 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 €8.90 as at December 31, 2013, a value per share of €9.00 as at December 31, 2014, and a value per share of €9.10 as at December 31, 2015, 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 payments as at Jan. 1, 2014	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 payments as at Dec. 31, 2014	2.7	3.8
Remuneration granted	1.2	2.8
Payment of remuneration granted in 2014	-0.3	-0.4
Payment of remuneration granted in previous years	-0.7	-0.8
Unpaid share-based payments as at Dec. 31, 2015	**2.9**	**5.4**

Share-based payments are granted in the year after they have 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. Thresholds apply to the payment of the deferred portions of the variable remuneration. If the enterprise value of DZ PRIVATBANK falls by between 10 percent and 15 percent, the deferred portion of the variable remuneration is reduced by a half. If the value drops by more than 15 percent, the deferred portion of the variable remuneration is canceled entirely. The enterprise value is determined each year by means of an independent business valuation.

The following summary shows the change in unpaid share-based payment components at DZ PRIVATBANK:

€ million	Board of Managing Directors
Unpaid share-based payments as at Jan. 1, 2014	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 payments as at Dec. 31, 2014	2.6
Remuneration granted	0.9
Payment of remuneration granted in 2014	-0.2
Payment of remuneration granted in previous years	-0.6
Reduction of share-based payments	-0.1
Unpaid share-based payments as at Dec. 31, 2015	**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 payments as at Jan. 1, 2014	1.0
Remuneration granted	1.0
Payment of remuneration granted in 2013	-1.0
Unpaid share-based payments as at Dec. 31, 2014	1.0
Remuneration granted	1.0
Payment of remuneration granted in 2014	-1.0
Unpaid share-based payments as at Dec. 31, 2015	**1.0**

At DVB, the variable salary payments to the Board of Managing Directors and risk takers include a bonus, which is determined by the Supervisory Board each year on the basis of agreements on targets. It is paid in installments 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 installments is that 50 percent of each tranche is subject to an additional one-year holding period and is therefore not paid immediately. During this holding period, the value of the retained tranche is replaced by a share-based 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 2015, 58,922 phantom shares (2014: 20,736 phantom shares) were granted as a bonus for previous financial years. The fair value of the phantom shares granted was €1.5 million at the balance sheet date (December 31, 2014: €0.5 million).

The following summary shows the change in unpaid share-based payment components at DVB:

€ million	Board of Managing Directors	Risk takers
Unpaid share-based payments as at Jan. 1, 2014	0.2	0.0
Remuneration granted	0.3	0.0
Unpaid share-based payments as at Dec. 31, 2014	0.5	0.0
Remuneration granted	0.3	1.1
Payment of remuneration granted in 2014	-0.3	0.0
Payment of remuneration granted in previous years	-0.2	0.0
Unpaid share-based payments as at Dec. 31, 2015	**0.3**	**1.1**

In 2015, the agreements described above gave rise to expenses for share-based payment transactions in the DZ BANK Group of €14.3 million (2014: €6.5 million). As at December 31, 2015, the provisions recognized for share-based payment transactions in the DZ BANK Group amounted to €23.9 million (December 31, 2014: €14.0 million).

» 96
RELATED PARTY DISCLOSURES

DZ BANK enters into transactions with related parties (persons or entities) as part of its ordinary business activities. All of this business is transacted on an arm's length basis. Most of these transactions involve typical banking products and financial services.

TRANSACTIONS WITH RELATED PARTIES (ENTITIES)

€ million	Dec. 31, 2015	Dec. 31, 2014
Loans and advances to banks	**14**	**19**
to joint ventures	14	19
Loans and advances to customers	**89**	**136**
to subsidiaries	33	73
joint ventures	20	10
associates	36	53
Investments	**2**	**2**
of subsidiaries	2	2
Investments held by insurance companies	**219**	**214**
of subsidiaries	122	121
joint ventures	97	93
Other assets	**13**	**29**
of subsidiaries	13	28
pension plans for the benefit of employees	–	1
Deposits from banks	**1,401**	**180**
owed to subsidiaries	11	67
joint ventures	1,390	113
Deposits from customers	**170**	**184**
owed to subsidiaries	153	61
joint ventures	3	104
associates	14	19
Other liabilities	**76**	**53**
of subsidiaries	40	37
joint ventures	3	4
associates	7	6
pension plans for the benefit of employees	26	6
Subordinated capital	**10**	**7**
of pension plans for the benefit of employees	10	7

€ million	Dec. 31, 2015	Dec. 31, 2014
Financial guarantee contracts	**1**	**1**
for subsidiaries	1	1
Loan commitments	**19**	**14**
to subsidiaries	18	13
joint ventures	1	1

Income of €5 million (2014: €4 million) in the total reported net interest income, expenses of €2 million (2014: €2 million) in the total reported net fee and commission income, and expenses of €3 million (2014: €8 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, 2015, the DZ BANK Group's loans and loan commitments to related parties (persons) amounted to €0.7 million (December 31, 2014: €1.4 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.

» 97
CORPORATE GOVERNANCE

The Board of Managing Directors and Supervisory Board of DVB, a publicly traded company, have issued a declaration of compliance with the German Corporate Governance Code as required by section 161 AktG. The declaration was published in the German Federal Gazette on December 4, 2015 and has been made publicly available on a permanent basis on DVB's website.

» 98
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

DR. CORNELIUS RIESE
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

» 99
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
until May 28, 2015)
Attorney

HENNING DENEKE-JÖHRENS
(Deputy Chairman
of the Supervisory Board)
Chief Executive Officer
Volksbank eG
Hildesheim-Lehrte-Pattensen

ULRICH BIRKENSTOCK
(Deputy Chairman
of the Supervisory Board
since May 28, 2015)
Employee
R+V Allgemeine Versicherung AG

HEINER BECKMANN
Senior manager
R+V Allgemeine Versicherung AG

RÜDIGER BEINS
(Member of the Supervisory Board
until May 28, 2015)
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

HERMANN BUERSTEDDE
Employee
Union Asset Management Holding AG

KARL EICHELE
(Member of the Supervisory Board
until May 28, 2015)
Employee
Schwäbisch Hall Kreditservice AG

UWE FRÖHLICH
President
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V. (BVR)

ANDREA HARTMANN
(Member of the Supervisory Board
since May 28, 2015)
Employee
Bausparkasse Schwäbisch Hall AG

PILAR HERRERO LERMA
(Member of the Supervisory Board
since May 28, 2015)
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

DR. DIERK HIRSCHEL
(Member of the Supervisory Board
since May 28, 2015)
Head of the Economic Policy Division
ver.di Bundesverwaltung

KLAUS HOLDERBACH
Chief Executive Officer
Volksbank Franken eG

BERND HÜHN
Chief Executive Officer
Volksbank Alzey-Worms eG

SIGMAR KLEINERT
(Member of the Supervisory Board
until May 28, 2015)
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

RENATE MACK
(Member of the Supervisory Board
since May 28, 2015)
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

RAINER MANGELS
Employee
R+V Rechtsschutz-
Schadenregulierungs-GmbH

DIETER REMBDE
Member of the Board of
Managing Directors
VR-Bank Schwalm-Eder
Volksbank Raiffeisenbank eG
(until June 30, 2015)

STEPHAN SCHACK
Spokesman of the Board
of Managing Directors
Volksbank Raiffeisenbank eG, Itzehoe

GREGOR SCHELLER
Chief Executive Officer
Volksbank Forchheim eG

GUDRUN SCHMIDT
(Member of the Supervisory Board
until May 28, 2015)
Regional Group Director (ret.)
ver.di Landesbezirk Hessen

UWE SPITZBARTH
Head of the Financial Services Division
ver.di Bundesverwaltung

SIGRID STENZEL
(Member of the Supervisory Board
since May 28, 2015)
Coordinator, Financial Services Department
ver.di Bundesverwaltung

DR. WOLFGANG THOMASBERGER
Chief Executive Officer
VR Bank Rhein-Neckar eG

HANS-BERND WOLBERG
Chief Executive Officer
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

WITHIN DZ BANK

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SUPERVISORY MANDATES HELD BY MEMBERS OF THE BOARD OF MANAGING DIRECTORS AND EMPLOYEES

As at December 31, 2015, members of the Board of Managing Directors and employees also held mandates on the statutory supervisory bodies of major companies. These and other notable mandates are listed below. Mandates in companies included in the consolidation are indicated with an asterisk (*).

MEMBERS OF THE BOARD OF MANAGING DIRECTORS

WOLFGANG KIRSCH (Chief Executive Officer)	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, Chairman of the Supervisory Board (*)
	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 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 (*)
	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

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 (*)
	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

DR. LUIS-ESTEBAN CHALMOVSKY	Banco Cooperativo Español S.A., Madrid, 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 (*)
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, 2015, 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 GmbH, Schwäbisch Hall, Member of the Supervisory Board (*)
GERHARD HINTERBERGER Member of the Board of Managing Directors Bausparkasse Schwäbisch Hall AG	Schwäbisch Hall Kreditservice GmbH, 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 (*)
	R+V Pensionsfonds AG, Wiesbaden, Chairman of the Supervisory Board (*)
	Union Asset Management Holding AG, Frankfurt am Main, Member of the Supervisory Board (*)
FRANK-HENNING FLORIAN Member of the Board of Managing Directors R+V Versicherung AG	CHEMIE Pensionsfonds AG, Munich, Member of the Supervisory Board (*)
	Protektor Lebensversicherungs-AG, Berlin, Member of the Supervisory Board
	TeamBank AG Nürnberg, Nuremberg, Member of the Supervisory Board (*)
HEINZ-JÜRGEN KALLERHOFF Member of the Board of Managing Directors R+V Versicherung AG	R+V Direktversicherung AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*)
	R+V Krankenversicherung AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*)

DR. CHRISTOPH LAMBY Member of the Board of Managing Directors R+V Versicherung AG	KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Member of the Supervisory Board (*)
HANS-CHRISTIAN MARSCHLER Member of the Board of Managing Directors R+V Versicherung AG	KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Pensionskasse AG, Wiesbaden, Deputy Chairman of the Supervisory Board (*)
MARC RENÉ MICHALLET Member of the Board of Managing Directors R+V Versicherung AG	CHEMIE Pensionsfonds AG, Munich, Member of the Supervisory Board (*) Condor Allgemeine Versicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Deputy Chairman of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Pensionsfonds AG, Wiesbaden Member of the Supervisory Board (*) Sprint Sanierung GmbH, Cologne, Deputy Chairman of the Supervisory Board
DR. NORBERT ROLLINGER Member of the Board of Managing Directors R+V Versicherung AG	R+V Direktversicherung AG, Wiesbaden, Chairman of the Supervisory Board (*) R+V Service Center GmbH, Wiesbaden, Chairman of the Supervisory Board (*) Sprint Sanierung GmbH, Cologne, Chairman of the Supervisory Board

PETER WEILER Member of the Board of Managing Directors R+V Versicherung AG	Condor Allgemeine Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) Condor Lebensversicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) KRAVAG-LOGISTIC Versicherungs-AG, Hamburg, Member of the Supervisory Board (*) R+V Direktversicherung AG, Wiesbaden, Member of the Supervisory Board (*) R+V 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	Quoniam Asset Management GmbH, Frankfurt am Main, Chairman of the Supervisory Board (*) Union Investment Institutional GmbH, Frankfurt am Main, Chairman of the Supervisory Board (*)
JENS WILHELM Member of the Board of Managing Directors Union Asset Management Holding AG	Quoniam Asset Management GmbH, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*) Union Investment Privatfonds GmbH, Frankfurt am Main, Deputy Chairman of the Supervisory Board (*) Union Investment Real Estate GmbH, Hamburg, Chairman of the Supervisory Board (*)
DR. 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		37	122
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
AER Holding N.V.[1]	Willemstad, Netherlands Antilles	100.00		0	0
AFK Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	-1
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		4	-4
ARATOS GmbH[1]	Eschborn	100.00		82	57
ARATOS GmbH & Co. Immobilien KG[1 6]	Eschborn	6.00	76.00	153	98
ARGINUS GmbH[1]	Eschborn	100.00		197	92
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		54	29
Assimoco S.p.A.[1]	Segrate (Mi), Italy	89.39		99,180	9,850
Assimoco Vita S.p.A.[1]	Segrate (Mi), Italy	82.14		120,486	5,815
Assimocopartner S.r.l. Unipersonale[1]	Segrate (Mi), Italy	100.00		180	-41
attrax S.A.[1]	Luxembourg, Luxembourg	100.00		36,643	20,659
Aufbau und Handelsgesellschaft mbH[1]	Stuttgart	94.90		525	1,167
AURIGA GmbH[1]	Eschborn	100.00		-563	15
Autobahn 2003 Holdings LLC[1]	Wilmington, USA	0.00		0	0
AXICA Kongress- und Tagungszentrum Pariser Platz 3 GmbH[5]	Berlin	100.00		26	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	81.87		1,812,302	0
Berwick Shipping LLC[1]	Majuro, Marshall Islands	0.00		0	0
Beteiligungsgesellschaft Westend 1 mbH & Co. KG[1]	Frankfurt am Main	94.90		17,485	0
BFL Gesellschaft des Bürofachhandels mbH & Co. KG[1]	Eschborn	73.26	73.00	17,208	4,384
BFL Leasing GmbH[1]	Eschborn	100.00		14,157	6,008
BIG-Immobilien Gesellschaft mit beschränkter Haftung[1]	Frankfurt am Main	100.00		735	-1
BIG-Immobilien GmbH & Co. Betriebs KG[1]	Frankfurt am Main	100.00		5,109	547
Blasket Airfinance Ltd.[1]	Tokyo, Japan	100.00		4	-4
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	0.00	0	0
CALYPSO GmbH[1]	Eschborn	100.00		-469	-106
CANOPOS GmbH[1]	Eschborn	100.00		47	22
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		4,333	1,261
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
CELES Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		332	0
Centra Leasing Anlagen GmbH[1 5]	Eschborn	100.00		5,899	0
CHEMIE Pensionsfonds AG[1]	Munich	100.00		20,318	2,000

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Chiefs Aircraft Holding (Malta) Limited[1]	Floriana, Malta	100.00	0.00	0	0
CI Assekuradeur GmbH[1]	Hamburg	100.00		116	-2
CI CONDOR Immobilien GmbH[15]	Hamburg	100.00		25,500	0
Clementine Shipping LLC[1]	Majuro, Marshall Islands	0.00		0	0
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH[1]	Wiesbaden	100.00		3,880	750
Condor Allgemeine Versicherungs-Aktiengesellschaft[15]	Hamburg	100.00		41,762	0
Condor Dienstleistungs GmbH[1]	Hamburg	100.00		203	3
Condor Lebensversicherungs-Aktiengesellschaft[15]	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 Ship InvestCo LLC[1]	Majuro, Marshall Islands	0.00		0	0
Cruise/Ferry Master Fund I N.V.	Willemstad, Netherlands Antilles	0.00		0	0
DAC Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		60	35
DAC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Lüneburg KG[16]	Eschborn	99.00	83.67	43	42
Dalian Deepwater Developer Ltd.[1]	St. Helier, Jersey	0.00		0	0
DCAL Aircraft Malta Ltd[1]	Floriana, Malta	0.00		0	0
DEGEACTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGEAKZENT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		41	16
DEGEALBUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		23	0
DEGEALPHA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		76	51
DEGEARKADE Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		62	61
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		54	28
DEGEASPEKT Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		35	34
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		60	35
DEGEASTURA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		-946	61
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEAVUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		-258	-122
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		75	49
DEGEBALTA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	94.90	75.00	67	61
DEGECAMPUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		20	-7
DEGECANDOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		192	166
DEGECASTELL GmbH[1]	Eschborn	100.00		4,014	2,108
DEGECEBER Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGECEBER Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		0	-1
DEGECEDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		813	130
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		43	17
DEGECENSUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[16]	Eschborn	100.00		22	21
DEGECENUM Grundstücksverwaltungsgesellschaft mbH[15]	Eschborn	100.00		26	0
DEGECIVO Grundstücksverwaltungsgesellschaft mbH Berlin[1]	Berlin	100.00		31	3
DEGECOMO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGECULA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		84	59
DEGEDELTA Vermietungsgesellschaft für Betriebsvorrichtungen mbH[1]	Eschborn	100.00		28	2
DEGEDENAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		106	81
DEGEDESTRA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEDOMUS Grundstücksverwaltungsgesellschaft mbH & Co. Gewerbeobjekte Süd KG[16]	Eschborn	100.00		3	15
DEGEFELIX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGEFILA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	-1
DEGEFULVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		36	10
DEGEGAMMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGEHAVEL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGEIMPULS Grundstücksverwaltungsgesellschaft Objekt Hattingen mbH[1]	Eschborn	100.00		836	-1,444
DEGEKONKRET Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		22	0
DEGEKONZEPT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	-1
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEMALVA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		3	39
DEGEMARO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEMEDIUS Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Voerde KG[1 6]	Eschborn	90.00	66.67	3	1
DEGEMENAR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEMILA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGEMINAX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		45	20
DEGEMIOS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGEMOBIL Vermietungsgesellschaft für Betriebsvorrichtungen mbH[1]	Eschborn	100.00		-10	31
DEGEMOLA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGEMOLTO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		68	42
DEGEMONDO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		25	0
DEGEMONTES Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		178	153
DEGEMOX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGEMOX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		3	33
DEGEMULTI Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGENASUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGENATUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGENAUTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGENAVIGO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGENAVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGENITOR Grundstücksverwaltungsgesellschaft mbH[1 5]	Eschborn	100.00		26	0
DEGEPALLAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	8
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGEPALMA Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		3	43
DEGEPATRO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		108	61
DEGEPEXUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEPRIMUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		55	29
DEGEPROJEKT Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		181	70
DEGEPROLOG Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		31	1
DEGEPROMO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		-22	-1
DEGEREAL Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		63	38
DEGEREKORD Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEREMEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEREX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		54	29
DEGERIA Beteiligungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGERIMA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		30	3
DEGERIPA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		42	16
DEGERISOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	0
DEGERIXOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGEROTA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		27	1
DEGERUDENS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		20	0
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		71	46
DEGERUMEX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		-110	128
DEGERUTILO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGESAMOS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	1
DEGESAPOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1 6]	Eschborn	100.00		3	38

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
DEGESERA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESERVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESERVO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		-482	133
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		64	38
DEGESIDUX Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	94.91	75.00	951	264
DEGESIGNUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		54	29
DEGESILEX Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		74	48
DEGESILVA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		35	9
DEGESISTO Grundstücksverwaltungsgesellschaft mbH[1,5]	Eschborn	100.00		114	0
DEGESOLOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		24	-2
DEGESOLVO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGESPRIO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DEGESTRENA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		71	46
DEGESUR Grundstücksverwaltungsgesellschaft mbH[1,5]	Eschborn	100.00		634	0
DEGETAMESIS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		58	32
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		26	1
DEGETEMPUS Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		3	27
DEGETERRA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		41	16
DEGETEXTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		23	0
DEGETIBUR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		52	26
DEGETRACTUS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		63	37
DEGETRINUM Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		49	24
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	1
DEGETUTOR Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		3	15
DEGEVIA Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		28	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		48	22
DEGEVITRO Grundstücksverwaltungsgesellschaft mbH & Co. Immobilien-Vermietungs KG[1,6]	Eschborn	100.00		23	143
DESPINA GmbH[1]	Eschborn	100.00		81	23
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 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 Funding LLC	New York, USA	100.00		114,796	489
DG Holding Trust	New York, USA	100.00		68,609	244
DG LEASING GmbH[1]	Eschborn	100.00		26	0
DG Participacoes Ltda.[1]	São Paulo, Brazil	100.00		0	0
Dilax Beteiligungs Verwaltungsgesellschaft mbH[1]	Berlin	100.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Dilax Beteiligungsgesellschaft mbH & Co. KG[1]	Berlin	92.39		0	0
Dilax France SAS[1]	Valence, France	100.00		196	145
Dilax Intelcom AG[1]	Ermatingen, Switzerland	100.00		1,287	502
Dilax Intelcom GmbH[1]	Berlin	72.01		3,741	347
Dilax Intelcom Iberica S.L.U.[1]	Madrid, Spain	100.00		69	14
Dilax Management Investment Reserve GmbH[1]	Berlin	100.00		25	0
Dilax Management Investment Verwaltungsgesellschaft mbH[1]	Berlin	100.00		0	0
Dilax Management Investmentgesellschaft mbH & Co. KG[1]	Berlin	99.50		0	0
Dilax Systems Inc.[1]	Saint Lambert, Canada	100.00		266	106
Dilax Systems UK Ltd.[1]	London, UK	100.00		-265	-267
DINO Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		26	0
DOBAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		66	41
Drem Shipping LLC[1]	Majuro, Marshall Islands	0.00		0	0
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		66	40
DV01 Szarazfoldi Jarmukolcsonzo rt[1]	Áporka, Hungary	0.00		0	0
DVB Aviation Finance Asia Pte Ltd.[1]	Singapore, Singapore	100.00		1,194	1,139
DVB Bank America N.V.[1]	Willemstad, Netherlands Antilles	100.00		259,693	22,666
DVB Bank SE	Frankfurt am Main	95.47		528,182	27,880
DVB Capital Markets LLC[1]	New York, USA	100.00		3,400	508
DVB Container Finance America LLC[1]	Majuro, Marshall Islands	100.00		-1,463	1,108
DVB Group Merchant Bank (Asia) Ltd.[1]	Singapore, Singapore	100.00		0	46,544
DVB Holding (US) Inc.[1]	Greenwich, USA	100.00		1,879	303
DVB Holding GmbH[1,5]	Frankfurt am Main	100.00		13,000	0
DVB Invest (Suisse) AG[1]	Zurich, Switzerland	99.90		228	-19
DVB Investment Management N.V.[1]	Willemstad, Netherlands Antilles	100.00		-119	0
DVB Objektgesellschaft Geschäftsführungs GmbH[1]	Frankfurt am Main	100.00		23	0
DVB Service (US) LLC[1]	Wilmington, USA	100.00		-682	0
DVB Transport (US) LLC[1]	New York, USA	100.00		3,769	1,452
DVB Transport Finance Limited[1]	London, UK	100.00		44,069	-2,241
DVG Deutsche Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung[5]	Frankfurt am Main	100.00		82	0
DVL Deutsche Verkehrs-Leasing GmbH[1]	Eschborn	74.90		2,518	-36
DZ BANK Capital Funding LLC I[2,4]	Wilmington, USA	100.00		301,034	7,615
DZ BANK Capital Funding LLC II[2,4]	Wilmington, USA	100.00		500,001	8,200
DZ BANK Capital Funding LLC III[2,4]	Wilmington, USA	100.00		350,337	5,341
DZ BANK Capital Funding Trust I	Wilmington, USA	0.00	100.00	300,001	7,680
DZ BANK Capital Funding Trust II	Wilmington, USA	0.00	100.00	500,820	8,130
DZ BANK Capital Funding Trust III	Wilmington, USA	0.00	100.00	350,001	5,376
DZ BANK Perpetual Funding (Jersey) Limited[4]	St. Helier, Jersey	0.00	100.00	260,579	2,146
DZ BANK Perpetual Funding Issuer (Jersey) Limited	St. Helier, Jersey	0.00		0	0
DZ BANK Sao Paulo Representacao Ltda.[2]	São Paulo, Brazil	100.00		178	59
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. 18[5]	Frankfurt am Main	100.00		124,726	0
DZ Beteiligungsgesellschaft mbH Nr. 21[5]	Frankfurt am Main	100.00		25	0
DZ Beteiligungsgesellschaft mbH Nr. 22	Frankfurt am Main	100.00		25	0
DZ Beteiligungsgesellschaft mbH Nr. 23[5]	Frankfurt am Main	100.00		25	0
DZ Beteiligungsgesellschaft mbH Nr. 24	Frankfurt am Main	100.00		0	0
DZ Beteiligungsgesellschaft mbH Nr. 3[5]	Frankfurt am Main	100.00		19,121	0
DZ FINANCE Ireland Limited	Dublin, Ireland	100.00		249,856	-10,663
DZ FINANCIAL MARKETS LLC	New York, USA	100.00		3,634	458
DZ Gesellschaft für Grundstücke und Beteiligungen mbH[5]	Frankfurt am Main	100.00		1,383	0
DZ Polska Spólka Akcyjna w likwidacji	Warsaw, Poland	100.00		68,886	-149
DZ PRIVATBANK (Schweiz) AG[1]	Zurich, Switzerland	100.00		212,864	575
DZ PRIVATBANK S.A.[3]	Strassen, Luxembourg	70.48		673,713	45,529
DZ PRIVATBANK Singapore Ltd.[1,3]	Singapore, Singapore	100.00		8,996	-175
DZ Versicherungsvermittlung Gesellschaft mbH[5]	Frankfurt am Main	100.00		51	0
DZ Vierte Beteiligungsgesellschaft mbH[5]	Frankfurt am Main	100.00		287,187	0
e@syCredit Marketing und Vertriebs GmbH[1]	Nuremberg	100.00		25	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
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		18,509	479
EPI Grundstücksverwaltungsgesellschaft mbH[1,5]	Eschborn	100.00		418	0
Europäische Genossenschaftsbank S. A.[1]	Strassen, Luxembourg	100.00		12,458	23
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	57.03		96,727	-111
Finch Aircraft Leasing Limited[1]	Dublin, Ireland	0.00		0	0
FKS-NAVIGIUM GmbH[1]	Eschborn	100.00		-238	-264
FLORIN GmbH[1]	Eschborn	100.00		53	28
Fundamenta-Lakáskassza Lakás-takarékpénztár Zrt.[1]	Budapest, Hungary	51.25		74	22
Fundamenta-Lakáskassza Pénzügyi Közvetítő Kft.[1]	Budapest, Hungary	100.00		3,245	1,042
GAF Active Life 1 Renditebeteiligungs-GmbH & Co. KG[1]	Nidderau	64.33		56,448	-1,696
GAF Active Life 2 Renditebeteiligungs-GmbH & Co. KG[1]	Nidderau	63.36		153,810	5,478
Gandari Shipping Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
GbR Dortmund Westenhellweg 39–41[1]	Wiesbaden	94.00	100.00	40,581	3,296
GENO Broker GmbH[5]	Frankfurt am Main	100.00		9,800	0
Genossenschaftlicher Informations Service GIS GmbH	Frankfurt am Main	100.00		4,039	73
Glen Campbell 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		84	34
Gola Airfinance Ltd.[1]	Tokyo, Japan	100.00		0	-1
Goldberg Zweite Grundstücksverwaltungsgesellschaft Sütex mbH & Co. KG[1,6]	Eschborn	94.50	88.00	163	362
Green Eagle Investments N.V.[1]	Willemstad, Netherlands Antilles	0.00		0	0
Grundstücksverwaltungsgesellschaft Sütex mbH[1]	Eschborn	100.00		25	0
GWG 1. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		2,000	316
GWG 2. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		3,000	699
GWG 3. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		7,000	1,301
GWG 4. Wohn GmbH & Co. KG[1]	Stuttgart	100.00		9,536	536
GWG Beteiligungsgesellschaft mbH[1]	Stuttgart	100.00		23	1
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG[1]	Stuttgart	91.41		265,549	53,866
GWG ImmoInvest GmbH[1]	Stuttgart	94.90		6,153	853
GWG Wohnpark Sendling GmbH[1]	Stuttgart	94.00		2,377	-474
GZ-Immobilien-Management GmbH & Co. Objekt KG	Frankfurt am Main	100.00		-710	-3
GZ-Trust Consult GmbH i.L.	Stuttgart	100.00		496	-1
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG[1]	Berlin	100.00		23,908	890
Havel Nordost Zweite Grossmobilien GmbH[1]	Eschborn	100.00		40	15
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
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		-4	-4
Immo Kapitalanlage AG[1]	Vienna, Austria	94.50		6,971	0
Immobilien-Gesellschaft 'DG Bank-Turm, Frankfurt am Main, Westend' mbH & Co. KG des genossenschaftlichen Verbundes[1]	Frankfurt am Main	95.93		182,841	9,084
Immobilien-Verwaltungsgesellschaft 'DG BANK-Turm, Frankfurt am Main, Westend' mbH	Frankfurt am Main	100.00		52	17
IPConcept (Luxemburg) S.A.[1]	Strassen, Luxembourg	100.00		6,761	3,181
IPConcept (Schweiz) AG[1]	Zurich, Switzerland	100.00		4,947	500
ITF International Transport Finance Suisse AG[1]	Zurich, Switzerland	100.00		45,855	-9,382
Ivanhoe Shipping Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
IZD-Beteiligung S.à.r.l.[1]	Luxembourg, Luxembourg	99.50		21,852	-13
JASPIS GmbH[1]	Eschborn	100.00		41	16
JASPIS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		6	18

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
KALAMOS GmbH[1]	Eschborn	100.00		55	30
KBIH Beteiligungsgesellschaft für Industrie und Handel mbH[1]	Frankfurt am Main	100.00		1,344	0
KISSELBERG Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		11	-1
KRAVAG Umweltschutz und Sicherheitstechnik GmbH[1]	Hamburg	100.00		204	10
KRAVAG-ALLGEMEINE Versicherungs-Aktiengesellschaft[1]	Hamburg	100.00		166,610	17,413
KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft[1]	Hamburg	51.00		88,738	12,488
KV MSN 27602 AIRCRAFT LIMITED[1]	Dublin, Ireland	0.00		0	0
Landes Canada Inc.[1]	Granby, Quebec, Canada	100.00		2,734	269
Landes de Mexico, S. de R. L. de C.V.[1]	Aguascalientes, AGS., Mexico	100.00		-11	-10
Landes Holding GmbH[1]	Isny im Allgäu	72.35	74.90	9,204	-1,035
Landes Hong Kong Limited[1]	Kwun Tong, Kowloon, Hong Kong	100.00		864	66
Landes Lederwarenfabrik GmbH[1]	Isny im Allgäu	100.00		6,691	0
Lantana Aircraft Leasing Limited[1]	Floriana, Malta	0.00		0	0
Leith Shipping LLC[1]	Majuro, Marshall Islands	0.00		0	0
LEKANIS GmbH[1]	Eschborn	100.00		40	15
LEKANIS GmbH & Co. Immobilien KG[1, 6]	Eschborn	100.00		20	48
Lexi Limited[1]	George Town, Cayman Islands	100.00		113	113
Linton Shipping LLC[1]	Majuro, Marshall Islands	0.00		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		18	8
LogPay Fuel Spain S.L.U.[1]	Barcelona, Spain	100.00		0	0
LogPay Mobility Services GmbH[1]	Eschborn	100.00		0	0
LogPay Transport Services GmbH[1, 5]	Eschborn	90.91		550	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		8,697	830
Lombard Ingatlan Lízing Zártkörûen Mûködõ Részvénytársaság[1]	Szeged, Hungary	100.00		2,583	986
Lombard Pénzügyi és Lizing Zártkörûen Mûködõ Részvénytársaság[1]	Szeged, Hungary	96.76		8,862	-8,337
Maple Leaf Shipping Holdco 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
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) Ltd.[1]	Dublin, Ireland	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]	Floriana, Malta	0.00		0	0
Mertus einhundertsiebte GmbH[1]	Frankfurt am Main	100.00		24	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		-63	-20
MODULUS GmbH[1]	Eschborn	100.00		49	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	0.00		0	0
Mount Kinabalu LLC[1]	Majuro, Marshall Islands	0.00		0	0
Mount Mulu LLC[1]	Majuro, Marshall Islands	0.00		0	0

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Mount Pleasant Shipping Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
Mount Rinjani Shipping Pte. Ltd.[1]	Singapore, Singapore	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		651	198
NALINUS GmbH[1]	Frankfurt am Main	83.00		2,029	87
Nedship Shipping B.V.[1]	Shiphol, Netherlands	100.00		1,350	6,229
NELO Dritte GmbH[1]	Eschborn	100.00		46	21
NELO Erste GmbH[1]	Eschborn	100.00		25	0
NELO Fünfte GmbH[1]	Eschborn	100.00		43	18
NELO Zweite GmbH[1]	Eschborn	100.00		40	15
Netherlands Shipmortgage Corporation Ltd.[1]	Hamilton, Bermuda	100.00		0	0
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG[1]	Norderfriedrichskoog	94.00	49.00	0	95
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG[1]	Norderfriedrichskoog	94.00	49.00	0	22
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
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		20	-1
NOVA Neunte GmbH[1]	Eschborn	100.00		40	15
NOVA Siebte GmbH[1]	Eschborn	100.00		41	16
NTK Immobilien GmbH[1]	Hamburg	100.00		41	0
NTK Immobilien GmbH & Co. Management KG[2]	Hamburg	100.00		723	-498
Ocean Container II[1]	Oslo, Norway	0.00		0	0
Ocean Giant LLC[1]	Majuro, Marshall Islands	0.00		0	0
Odin LLC[1]	Majuro, Marshall Islands	0.00		0	0
Old Winterport Corp.[1]	Portland, USA	100.00		0	0
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		54	29
PCAM Issuance II SA Issue RV AVL 001[1]	Luxembourg, Luxembourg	0.00		0	0
PDZ Personaldienste & Zeitarbeit GmbH[5]	Darmstadt	100.00		60	0
Pension Consult-Beratungsgesellschaft für Altersvorsorge mbH[1]	Munich	100.00		1,188	85
Philip Trading Opco LLC[1]	Majuro, Marshall Islands	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	88.00	100.00	25,540	15,699
Quoniam Funds Selection SICAV - Global Credit Libor EUR 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 Dienstleistungs GmbH[1]	Wiesbaden	100.00		30	3
R+V Direktversicherung AG[1,5]	Wiesbaden	100.00		13,000	0
R+V Erste Anlage GmbH[1]	Wiesbaden	100.00		1,072	-4
R+V Gruppenpensionsfonds Service GmbH[1]	Munich	100.00		72	3
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		1,053	-1,986
R+V KOMPOSIT Holding GmbH[1,5]	Wiesbaden	100.00		1,801,622	0
R+V Krankenversicherung AG[1]	Wiesbaden	100.00		63,485	5,500
R+V Kureck Immobilien GmbH[1]	Wiesbaden	100.00		85	4
R+V Leben Wohn GmbH & Co. KG[1]	Wiesbaden	100.00		93,057	978
R+V Lebensversicherung Aktiengesellschaft[1,5]	Wiesbaden	100.00		404,981	0
R+V Luxembourg Lebensversicherung S.A.[1]	Strassen, Luxembourg	100.00		277,502	37,905
R+V Mannheim P2 GmbH[1]	Wiesbaden	94.00		62,154	2,166
R+V Pensionsfonds AG[1]	Wiesbaden	100.00		85,372	400
R+V Pensionskasse AG[1]	Wiesbaden	100.00		59,972	500
R+V Personen Holding GmbH[1,5]	Wiesbaden	100.00		679,064	0
R+V Real Estate Belgium N.V./S.A.[1]	Brussels, Belgium	100.00		2,067	-69

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
R+V Rechtsschutz-Schadenregulierungs-GmbH[1]	Wiesbaden	100.00		84	31
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		41	4
R+V Versicherung AG[5]	Wiesbaden	77.02		2,149,774	0
RAS Grundstücksverwaltungsgesellschaft mbH[1]	Eschborn	100.00		55	0
RAS Grundstücksverwaltungsgesellschaft mbH & Co. Objektbeteiligungs KG[1 6]	Eschborn	100.00		-23	5
Rathlin Airfinance Ltd.[1]	Tokyo, Japan	100.00		0	0
RC II S.a.r.l.[1]	Luxembourg, Luxembourg	90.00		9,136	94
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		160	135
RUV Agenturberatungs GmbH[1]	Wiesbaden	100.00		405	138
S1 Offshore Pte. Ltd.[1]	Singapore, Singapore	100.00		0	0
S2 Shipping and Offshore Ptd Ltd[1]	Singapore, Singapore	0.00		0	0
SAREMA GmbH[1]	Eschborn	100.00		46	21
Scheepvaartschappij Ewout B.V.[1]	Rotterdam, Netherlands	0.00		0	0
Schuster Versicherungsmakler GmbH[1]	Bielefeld	51.00		163	41
Schuster Versicherungsservice GmbH[1]	Bielefeld	100.00		26	0
Schwäbisch Hall Facility Management GmbH[1]	Schwäbisch Hall	51.00		3,921	34
Schwäbisch Hall Kreditservice GmbH[1 5]	Schwäbisch Hall	100.00		27,775	0
Schwäbisch Hall Wohnen GmbH Gesellschaft für wohnwirtschaftliche Dienstleistungen[1]	Schwäbisch Hall	100.00		644	11
SECURON Hanse Versicherungsmakler GmbH[1]	Hamburg	51.00		28	-2
SECURON Versicherungsmakler GmbH[1]	Munich	51.00		660	317
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		22,901	-1
SHT Schwäbisch Hall Training GmbH[1]	Schwäbisch Hall	100.00		5,331	590
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		53	28
SINALOA Aircraft Leasing Limited[1]	Floriana, Malta	0.00		0	0
Sprint Sanierung GmbH[1]	Cologne	100.00		31,003	1,234
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
TeamBank AG Nürnberg[2 5]	Nuremberg	92.06		489,725	0
Technology DZ Venture Capital Fund I GmbH & Co. KG i.L.[1]	Munich	68.29		9,611	7,295
TEGANON GmbH[1]	Eschborn	100.00		41	16
TEGANON GmbH & Co. Immobilien KG[1 6]	Eschborn	100.00		21	19
Terra Maris I LLC[1]	Majuro, Marshall Islands	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
TOPAS GmbH[1]	Eschborn	100.00		48	23
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		8	-2
UII Verwaltungsgesellschaft mbH[1]	Hamburg	100.00		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

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
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
UIN Union Investment Institutional Fonds Nr. 817[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 825[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 833[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 834[1]	Frankfurt am Main	0.00		0	0
UIN Union Investment Institutional Fonds Nr. 839[1]	Frankfurt am Main	0.00		0	0
UIR FRANCE 1 S.a.r.l.[1]	Paris, France	100.00		33	2
UIR FRANCE 2 S.a.r.l.[1]	Paris, France	100.00		35	2
UIR Verwaltungsgesellschaft mbH[1]	Hamburg	100.00		86	1
UMB Unternehmens-Managementberatungs GmbH[1]	Wiesbaden	100.00		1,452	528
UniAkcje Biopharma[1]	Warsaw, Poland	0.00		0	0
UniAkcje Globalny Dywidendowy[1]	Warsaw, Poland	0.00		0	0
UniAkcje Long Short FIZ[1]	Warsaw, Poland	0.00		0	0
UniAktywny Pieniezny[1]	Warsaw, Poland	0.00		0	0
UNIBESSA[1]	Warsaw, Poland	0.00		0	0
UniDynamiczna Alokacja Aktywow[1]	Warsaw, Poland	0.00		0	0
UniInstitutional European Mixed Trend[1]	Luxembourg, Luxembourg	0.00		0	0
UniInstitutional Global Bonds Select[1]	Luxembourg, Luxembourg	0.00		0	0
UniObligacje High Yield FIZ[1]	Warsaw, Poland	0.00		0	0
Union Asset Management Holding AG[2]	Frankfurt am Main	78.76		758,179	369,046
Union Investment Austria GmbH[1]	Vienna, Austria	100.00		10,816	5,724
Union Investment Financial Services S.A.[1]	Luxembourg, Luxembourg	100.00		17,954	2,899
Union Investment Institutional GmbH[1 5]	Frankfurt am Main	100.00		63,970	0
Union Investment Institutional Property GmbH[1]	Hamburg	90.00		14,960	2,683
Union Investment Luxembourg S.A.[1]	Luxembourg, Luxembourg	100.00		226,147	94,478
Union Investment Privatfonds GmbH[1 5]	Frankfurt am Main	100.00		285,842	0
Union Investment Real Estate Asia Pacific Pte. Ltd.[1]	Singapore, Singapore	100.00		1,910	729
Union Investment Real Estate France S.A.S.[1]	Paris, France	100.00		2,934	1,315
Union Investment Real Estate GmbH[2]	Hamburg	94.50		151,881	77,125
Union Investment Service Bank AG[1 5]	Frankfurt am Main	100.00		42,115	0
Union Investment Towarzystwo Funduszy Inwestycyjnych S. A.[1]	Warsaw, Poland	100.00		26,740	7,072
Union IT-Services GmbH[1 5]	Frankfurt am Main	100.00		3,348	0
Union Service-Gesellschaft mbH[1 5]	Frankfurt am Main	100.00		7,060	0
UniStrategia Opcja na Zysk[1]	Warsaw, Poland	0.00		0	0
UniStrategii Dluznych FIZ[1]	Warsaw, Poland	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		1,181	486
VAUTID Austria GmbH[1]	Marchtrenk, Austria	100.00		628	135
VAUTID GmbH[1]	Ostfildern	82.51		3,176	635
Vautid North America, Inc.[1]	Carnegie, USA	0.00	100.00	-268	-44
VB Mündel-Rent für VB-Nostro 1[1]	Vienna, Austria	0.00		0	0
VisualVest GmbH[1]	Frankfurt am Main	100.00		2,525	-4,165
VMB Vorsorgemanagement für Banken GmbH[1]	Overath	90.00		116	48
VR BKE Beratungsgesellschaft für Klima & Energie GmbH i.L.[1]	Wiesbaden	66.67		140	-327
VR DISKONTBANK GmbH[1 5]	Eschborn	100.00		71,147	0
VR Equitypartner Beteiligungskapital GmbH & Co. KG UBG[2]	Frankfurt am Main	100.00		8,240	596
VR Equitypartner GmbH[3]	Frankfurt am Main	78.00		84,836	21,021
VR Equitypartner Management GmbH[1]	Frankfurt am Main	100.00		440	-49
VR FACTOREM GmbH[1 5]	Eschborn	100.00		39,385	0
VR GbR[2]	Frankfurt am Main	88.75		235,942	90,975
VR Hausbau AG[1]	Stuttgart	94.48		2,750	0
VR HYP GmbH[1]	Hamburg	100.00		25	0
VR Kreditservice GmbH[1 5]	Hamburg	100.00		25	0
VR Real Estate GmbH[1]	Hamburg	100.00		24	0
VR WERT Gesellschaft für Immobilienbewertung mbH[1 5]	Hamburg	100.00		100	0
VR-IMMOBILIEN-LEASING GmbH[1 5]	Eschborn	100.00		14,123	0
VRL-Beteiligungs GmbH[1]	Eschborn	100.00		31	2

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING ABYDOS GmbH[1]	Eschborn	100.00		56	31
VR-LEASING AKANTHUS GmbH[1]	Eschborn	100.00		42	17
VR-LEASING AKANTHUS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		22	20
VR-LEASING Aktiengesellschaft[5]	Eschborn	83.46		211,070	0
VR-LEASING ALDEBARA GmbH[1]	Eschborn	100.00		42	16
VR-LEASING AMETRIN GmbH[1]	Eschborn	100.00		49	24
VR-LEASING AMETRIN GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		30	29
VR-LEASING ANDROS GmbH[1]	Eschborn	100.00		47	22
VR-LEASING ANDROS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		27	27
VR-LEASING ARINA GmbH[1]	Eschborn	100.00		47	22
VR-LEASING ARKI GmbH[1]	Eschborn	100.00		88	65
VR-LEASING ARRIANUS GmbH[1]	Eschborn	100.00		40	15
VR-LEASING ASARO GmbH[1]	Eschborn	100.00		47	1
VR-LEASING ASINE GmbH[1]	Eschborn	100.00		47	22
VR-LEASING ASOPOS GmbH[1]	Eschborn	100.00		29	2
VR-LEASING ASOPOS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		3	16
VR-LEASING ATRIA GmbH[1]	Eschborn	100.00		40	15
VR-LEASING AVENTURIN GmbH[1]	Eschborn	100.00		40	15
VR-LEASING BETA GmbH[1]	Eschborn	100.00		44	19
VR-LEASING BETA GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		24	23
VR-Leasing Beteiligungs GmbH[1]	Eschborn	100.00		54,631	9,431
VR-LEASING DELOS GmbH[1]	Eschborn	100.00		45	20
VR-LEASING DELOS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		26	24
VR-LEASING DIVO GmbH[1]	Eschborn	100.00		55	30
VR-LEASING DIVO GmbH & Co. Immobilien KG[1,6]	Eschborn	6.00	76.00	41	37
VR-LEASING DOBAS GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		47	46
VR-LEASING ERIDA GmbH[1]	Eschborn	100.00		37	4
VR-LEASING FABIO GmbH[1]	Eschborn	100.00		37	11
VR-LEASING FACTA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING FAGURA GmbH & Co. Erste Immobilien KG[1,6]	Eschborn	100.00		13	11
VR-LEASING FAGUS GmbH[1]	Eschborn	100.00		25	0
VR-LEASING FARINA GmbH[1]	Eschborn	100.00		37	12
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[1,6]	Eschborn	100.00		-1,465	-48
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		53	28
VR-LEASING IKANA GmbH & Co. Immobilien KG[1,6]	Eschborn	6.00	76.00	7	30
VR-LEASING Immobilien-Holding GmbH & Co. KG[1,6]	Eschborn	94.80	95.91	151	203
VR-LEASING IRIS GmbH[1]	Eschborn	100.00		38	13
VR-LEASING ISORA GmbH[1]	Eschborn	100.00		39	14
VR-LEASING KOSMOS GmbH[1,5]	Eschborn	100.00		89	0
VR-LEASING LEROS GmbH[1]	Eschborn	100.00		38	13
VR-LEASING LIMNOS GmbH[1]	Eschborn	100.00		42	17
VR-LEASING LOTIS GmbH[1]	Eschborn	100.00		57	32
VR-LEASING LYRA GmbH[1]	Eschborn	100.00		53	28
VR-LEASING LYRA GmbH & Co. Immobilien KG[1,6]	Eschborn	6.00	76.00	33	39
VR-LEASING MADIUM GmbH[1]	Eschborn	100.00		48	23
VR-LEASING MADIUM GmbH & Co. Immobilien KG[1,6]	Eschborn	100.00		23	28
VR-LEASING MADRAS GmbH[1]	Eschborn	100.00		323	129
VR-LEASING MADURA GmbH[1]	Eschborn	100.00		126	101
VR-LEASING MAGADIS GmbH[1]	Eschborn	100.00		70	45
VR-LEASING MALAKON GmbH[1]	Eschborn	100.00		36	11
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[1,6]	Eschborn	100.00		-43	51
VR-LEASING MAROS GmbH[1]	Eschborn	100.00		41	16
VR-LEASING MARTES GmbH[1]	Eschborn	100.00		39	13

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING MAXIMA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING MELES GmbH[1]	Eschborn	100.00		40	14
VR-LEASING MENTHA GmbH[1]	Eschborn	100.00		35	9
VR-LEASING MENTUM GmbH[1]	Eschborn	100.00		47	21
VR-LEASING MERGUS GmbH[1]	Eschborn	100.00		44	19
VR-LEASING METIS GmbH[1]	Eschborn	100.00		252	227
VR-LEASING METRO GmbH & Co. Objekte Rhein-Neckar KG[16]	Eschborn	100.00		-759	187
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		160	134
VR-LEASING MORIO GmbH[1]	Eschborn	100.00		128	102
VR-LEASING MUNDA GmbH[1]	Eschborn	100.00		71	45
VR-LEASING MUNDA GmbH & Co. Immobilien KG[16]	Eschborn	100.00		55	68
VR-LEASING MUSCAN GmbH[1]	Eschborn	100.00		35	9
VR-LEASING MUSCARI GmbH[1]	Eschborn	100.00		213	188
VR-LEASING MUSTELA GmbH[1]	Eschborn	100.00		52	27
VR-LEASING NALANDA GmbH[1]	Eschborn	100.00		43	17
VR-LEASING NAPOCA GmbH[1]	Eschborn	100.00		39	14
VR-LEASING NARUGO GmbH[1]	Eschborn	100.00		25	0
VR-LEASING NATANTIA GmbH[1]	Eschborn	100.00		27	2
VR-LEASING NAVARINO GmbH[1]	Eschborn	100.00		65	39
VR-LEASING NAVARINO GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-579	128
VR-LEASING NEKTON GmbH[1]	Eschborn	100.00		226	200
VR-LEASING NESTOR GmbH[1]	Eschborn	100.00		48	23
VR-LEASING NETTA GmbH[1]	Eschborn	100.00		56	24
VR-LEASING NETTA GmbH & Co. Immobilien KG[16]	Eschborn	94.00	51.00	11	31
VR-LEASING NOVA Fünfte GmbH[1]	Eschborn	100.00		55	30
VR-LEASING NOVA Vierte GmbH[1]	Eschborn	100.00		55	30
VR-LEASING ONDATRA GmbH[1]	Eschborn	100.00		54	29
VR-LEASING ONYX GmbH[1]	Eschborn	100.00		39	14
VR-LEASING ONYX GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-1,310	352
VR-LEASING OPAL GmbH[1]	Eschborn	100.00		28	3
VR-LEASING OPAVA GmbH[1]	Eschborn	100.00		152	125
VR-LEASING OPAVA GmbH & Co. Immobilien KG[16]	Eschborn	100.00		-2,824	133
VR-LEASING OPHIR GmbH[1]	Eschborn	100.00		32	6
VR-LEASING OPHIR GmbH & Co. Immobilien KG[16]	Eschborn	100.00	75.50	-8,057	607
VR-LEASING OPTIMA GmbH[1]	Eschborn	100.00		72	46
VR-LEASING ORDO GmbH[1]	Eschborn	100.00		38	12
VR-LEASING OSMERUS GmbH[1]	Eschborn	100.00		31	6
VR-LEASING PAROS GmbH[1]	Eschborn	100.00		35	10
VR-LEASING RUSSLAND Holding GmbH[1]	Eschborn	100.00		538	0
VR-LEASING SALA GmbH[1]	Eschborn	100.00		10	0
VR-LEASING SALIX GmbH[1]	Eschborn	100.00		75	49
VR-LEASING SALMO GmbH[1]	Eschborn	100.00		176	150
VR-LEASING SALONA GmbH[1]	Eschborn	100.00		35	9
VR-LEASING SALTA GmbH[1]	Eschborn	100.00		25	0
VR-LEASING SALVIA GmbH[1]	Eschborn	100.00		46	20
VR-LEASING SALVIS GmbH[1]	Eschborn	100.00		22	0
VR-LEASING SAMARA GmbH[1]	Eschborn	100.00		87	61
VR-LEASING SANAGA GmbH[1]	Eschborn	100.00		45	20
VR-LEASING SANAGA GmbH & Co. Immobilien KG[16]	Eschborn	100.00		25	23
VR-LEASING SANIDOS GmbH[1]	Eschborn	100.00		43	18
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		31	5
VR-LEASING SIGUNE GmbH[1]	Eschborn	100.00		42	17
VR-LEASING SIMA GmbH[1]	Eschborn	100.00		49	23
VR-LEASING SINABIS GmbH[1]	Eschborn	100.00		34	8
VR-LEASING SIRIUS GmbH[1]	Eschborn	100.00		49	24

SUBSIDIARIES

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
VR-LEASING SIRIUS GmbH & Co. Immobilien KG[1 6]	Eschborn	100.00		30	29
VR-LEASING SOLIDUS Dreizehnte GmbH[1]	Eschborn	100.00		45	20
VR-LEASING SOLIDUS Dritte GmbH[1]	Eschborn	100.00		25	0
VR-LEASING SOLIDUS Elfte GmbH[1]	Eschborn	100.00		45	20
VR-LEASING SOLIDUS Erste GmbH[1]	Eschborn	100.00		111	86
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 Sechzehnte GmbH[1]	Eschborn	100.00		41	16
VR-LEASING SOLIDUS Siebte GmbH[1]	Eschborn	100.00		137	112
VR-LEASING SOLIDUS Vierzehnte GmbH[1]	Eschborn	100.00		40	15
VR-LEASING SOLIDUS Zehnte GmbH[1]	Eschborn	100.00		24	0
VR-LEASING SOLIDUS Zweite GmbH[1]	Eschborn	100.00		50	25
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		46	21
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
Wasps Aircraft Leasing (Ireland) Limited i.L.	Dublin, Ireland	0.00		0	0
Waverley Shipping Opco LLC[1]	Majuro, Marshall Islands	0.00		0	0
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH[1]	Stuttgart	94.90		14,224	1,626
Weilchensee 779. V V GmbH[1]	Munich	100.00		25	0
Weinmann GmbH & Co. Objekt Eichwald KG[1 6]	Eschborn	100.00		50	48
ZPF Asia Pacific Pte. Ltd.[1]	Singapore, Singapore	100.00		0	0
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 i.L[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		11,244	885
BEA Union Investment Management Limited[1]	Hong Kong, Hong Kong	49.00		57,449	7,483
Capital Equipment Management Holding GmbH[1]	Hamburg	50.00		17	-2
Ceskomoravska stavebni sporitelna a.s.[1]	Prague, Czech Republic	45.00		364,442	42,926
D8 Product Tankers I LLC[1]	Majuro, Marshall Islands	0.00		0	0
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		212,335	1,131
DGVR Alpha Mobilien-Verwaltungsgesellschaft mbH[1]	Eschborn	50.00		26	-1
DUO PLAST Holding GmbH[1]	Lauterbach	47.43		12,860	358
DZ BANK Galerie im Städel Kunstverwaltungsgesellschaft mbH	Frankfurt am Main	50.00		19	0
First BD Feederships Shipping Limited[1]	St. John's, Antigua and Barbuda	0.00		0	0
GMS Holding GmbH[1]	Hamburg	58.89	45.00	0	0
Herakleitos 3050 LLC[1]	Majuro, Marshall Islands	50.00		0	0
Intermodal Investment Fund IV LLC[1]	Majuro, Marshall Islands	0.00		0	0
Intermodal Investment Fund VIII LLC[1]	Majuro, Marshall Islands	50.00	0.00	0	0
IZD-Holding S.à.r.l.[1]	Luxembourg, Luxembourg	50.30	50.00	39,251	-88
Leuna Tenside Holding GmbH[1]	Leuna	50.00		0	0
MS Oceana Schifffahrtsgesellschaft mbH & Co. KG[1]	Hamburg	50.00	0.00	0	0
MS Octavia Schifffahrtsgesellschaft mbH & Co. KG[1]	Hamburg	50.00	0.00	0	0
Prvá stavebná sporitel'na, a.s.[1]	Bratislava, Slovakia	32.50		237,168	22,415
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig[1]	Wiesbaden	50.00		8,328	572
Raiffeisen Banca Pentru Locuinte S.A.[1]	Bucharest, Romania	33.32		15,401	390
TAG ASSET Management LLC[1]	Majuro, Marshall Islands	0.00		0	0
VB-Leasing International Holding GmbH[1]	Vienna, Austria	50.00		212,490	143,017
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH[1]	Dresden	50.00		180	21
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V. (VVB)[1]	Neubrandenburg	50.00		149	8
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Brandenburg (VVB)[1]	Teltow	50.00		33	3
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V. (VVB)[1]	Magdeburg	50.00		26	1
VR Consultingpartner GmbH[2]	Frankfurt am Main	90.00		989	-820
VR Corporate Finance GmbH	Düsseldorf	50.00		2,086	-187
Zhong De Zuh Fang Chu Xu Yin Hang (Sino-German-Bausparkasse) Ltd.[1]	Tianjin, China	24.90		349,250	24,960

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]	Newark, USA	0.00		0	0
Aer Lucht Limited[1]	Dublin, Ireland	0.00		0	0
Artemis Gas 1 Shipping Inc.[1]	Piraeus, Greece	0.00		0	0
Aviateur Capital Limited[1]	Dublin, Ireland	20.00		1,990	208
bbv-service Versicherungsmakler GmbH[1]	Munich	25.20		1,618	409
Box TopCo AS - 635554[1]	Oslo, Norway	0.00		0	0
Cassa Centrale Banca – Credito Cooperativo del Nord Est Società per Azioni	Trento, Italy	25.00	26.47	247,105	18,906
Danae Gas Shipping Inc[1]	Piraeus, Greece	0.00		0	0
Epic Pantheon International Gas Shipping Ltd.[1]	Tortola, Virgin Islands	0.00		0	0
Equens SE	Utrecht, Netherlands	31.05		321,246	-7,776
European Property Beteiligungs-GmbH[1]	Frankfurt am Main	38.90	33.20	1,050	-25
GHM Holding GmbH[1]	Regenstauf	40.00		17,261	-31
GHM MPP Reserve GmbH[1]	Regenstauf	50.00		364	-3
GHM MPP Verwaltungs GmbH[1]	Regenstauf	50.00		22	0
Global Asic GmbH[1]	Dresden	30.80		18,476	-388
Global Offshore Services B.V.[1]	Amsterdam, Netherlands	32.00	0.00	0	0
Goldeck Zetti Beteiligungsgesellschaft mbH[1]	Leipzig	39.23		33,200	688
Gram Car Carriers Holdings Pte. Ltd.[1]	Singapore, Singapore	0.00		0	0
Hör Technologie GmbH[1]	Weiden i.d.OPf.	61.54	49.99	6,808	483
ismet Holding GmbH[1]	Villingen-Schwenningen	57.50	49.00	8,953	849
Janz IT AG[1]	Paderborn	40.12		2,094	-1,348
KCM Bulkers Ltd.[1]	Tortola, Virgin Islands	0.00		0	0
KOTANI JV CO. BV[1]	Amsterdam, Netherlands	0.00		0	0
KTP Holding GmbH[1]	Bous	49.82		27,455	5,147
Mandarin Containers Limited[1]	Tortola, Virgin Islands	0.00		0	0
Modex Holding Limited (BVI)[1]	Tortola, 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
MSEA Aframax Holdings LLC[1]	Majuro, Marshall Islands	0.00		0	0
Neida Holding AG[1]	Appenzell, Switzerland	35.00		1,273	-1,232
Piller Entgrattechnik GmbH[1]	Ditzingen	26.25	35.00	7,273	2,045
SCL GmbH[1]	Butzbach	49.00		5,784	1,408
Sementis GmbH Stephan Behr Vermögensverwaltung[1]	Eisenach	24.90	0.00	12,130	-162
SRF Railcar Leasing Limited[1]	Cashel, Ireland	100.00	0.00	0	0
TES Holding Ltd.[1]	Bridgend, UK	40.00		29,780	-5,105
Touax Rail Finance 3 Ltd[1]	Bracetown, Ireland	0.00		0	0
TREVA Entertainment GmbH[1]	Hamburg	32.70		1,269	-529
United MedTec Holding GmbH[1]	Bückeburg	41.01		8,570	924
vohtec Qualitätssicherung GmbH[1]	Aalen	49.15		8,373	2,399
Weisshaar Holding GmbH[1]	Frankfurt am Main	84.94	49.92	25	0
Wessel-Werk Beteiligungsverwaltung GmbH i.L.[1]	Karlsruhe	45.00		-2,088	-1,527
WÜRTT. GENO-HAUS GmbH & Co. KG	Stuttgart	29.70		39,499	1,522

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		4,165	951
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		348	21
ATRION Immobilien GmbH & Co. KG[1]	Grünwald	31.63		40,519	999
BCC RISPARMIO & PREVIDENZA S.G.R.P.A.[1]	Milan, Italy	25.00		34,945	9,460
BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH[1]	Munich	20.00		399	0
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		24,988	1,680
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	30.38		15,956	162
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	29.73		14,856	74
Bürgschaftsbank Thüringen GmbH	Erfurt	22.13		23,397	910
CardProcess GmbH	Karlsruhe	29.70		31,250	1,315
Credit Suisse Global Infrastructure SCA SICAR[1]	Luxembourg, Luxembourg	30.09		222,765	53,415
Dacos Software GmbH[1]	Saarbrücken	29.96		0	0
DZ BANK Mikrofinanzfonds eG[2]	Frankfurt am Main	32.09	0.90	242	1
European Convenience Food GmbH[1]	Borken	41.75		1,580	539
Finatem II GmbH & Co. KG[1]	Frankfurt am Main	20.20		27,824	-6,833
FREUNDE DER EINTRACHT FRANKFURT Aktiengesellschaft[1]	Frankfurt am Main	32.05		2,891	-3
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		29	1
GENO-Haus Stuttgart GmbH & Co. KG Verwaltungsgesellschaft	Stuttgart	45.45		13	0
German Equity Partners III GmbH & Co. KG[1]	Frankfurt am Main	24.19		22,559	155
Gesellschaft für ernährungswirtschaftliche Beteiligungen mbH	Ochsenfurt	49.90		5,429	86
Golding Mezzanine SICAV IV[1]	Munsbach, Luxembourg	49.98		88,455	9,973
GTIS Brazil II S-Feeder LP[1]	Edinburgh, UK	100.00	0.00	15,367	-3,032
HGI Immobilien GmbH[1]	Frankfurt am Main	50.00		102	-19
HGI Immobilien GmbH & Co. GB I KG[1]	Frankfurt am Main	73.91	73.21	14,267	428
Kredit-Garantiegemeinschaft des bayerischen Handwerks Gesellschaft mit beschränkter Haftung	Munich	20.00		4,846	0
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH	Stuttgart	20.00		1,023	0
Laetitia Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG	Pullach	39.00		0	-15
Locanis AG[1]	Unterföhring	41.28		-1,824	864
MB Asia Real Estate Feeder (Scot.) L.P.[1]	Edinburgh, UK	39.20	0.00	29,439	601
Medico 12 GmbH & Co. KG[1]	Frankfurt am Main	99.98		5,307	599
Mercateo Beteiligungsholding AG[1]	Taufkirchen	32.83		4,248	-219
P 21 GmbH – Power of the 21st Century i.L.[1]	Brunnthal	27.00	22.23	0	0
paydirekt GmbH	Frankfurt am Main	37.50		9,965	-3,435
PWR Holding GmbH[1]	Munich	33.33		117	87
RV-CVIII Holdings, LLC[1]	Camden, USA	100.00		38,750	-2,371
Schroder Italien Fonds GmbH & Co. KG[1]	Frankfurt am Main	23.08	19.74	2,261	-850
Schroder Property Services B.V.[1]	Amsterdam, Netherlands	30.00		301	249
Seguros Generales Rural S.A. de Seguros y Reaseguros[1]	Madrid, Spain	30.00		176,454	16,929
TFH Technologie-Finanzierungsfonds Hessen GmbH	Frankfurt am Main	33.33		645	0
Tishman Speyer Brazil Feeder (Scots/D), L.P.[1]	Edinburgh, UK	100.00		18,964	5,010
Tishman Speyer European Strategic Office Fund Feeder, L.P.[1]	London, UK	97.18		16,216	1,005
TXS GmbH[1]	Ellerau	24.50		832	287
VAUTID Arabia Coating & Treatment of Metals LLC[1]	Ras Al Khaimah, United Arab Emirates	24.50	0.00	200	-46
VAUTID HUIFENG (WUHU) Wear Resistant Material Co. Ltd.[1]	Wuhu, China	50.00		1,385	685
VAUTID-SHAH HARDFACE Pvt. Ltd.[1]	Navi Mumbai, India	37.49		313	21
VR FinanzDienstLeistung GmbH	Berlin	24.50		1,868	7
VR-LEASING MORIO GmbH & Co. Immobilien KG[1]	Eschborn	94.00	24.50	0	61
VR-NetWorld GmbH[2]	Bonn	39.05		4,832	876
VV Immobilien GmbH & Co. United States KG[1]	Munich	25.00		10	7,754
Zarges Tubesca Finance GmbH[1]	Weilheim	26.67		7	55
ZhangJiaGang Vautid Yao Yu Wear Resistance Material Co., Ltd[1]	Yangshe Town, China	50.00		0	0

MORE THAN 5% OF VOTING RIGHTS (LARGE CORPORATIONS)

Name	Location	Shareholding	Voting rights, if different	Equity in € '000	Profit/loss in € '000
Banco Cooperativo Español S.A.	Madrid, Spain	12.02		384,139	46,322
ConCardis Gesellschaft mit beschränkter Haftung	Eschborn	19.60		52,213	13,628
DEPFA BeteiligungsHolding II Gesellschaft mit beschränkter Haftung[1]	Düsseldorf	10.00		0	0
EDEKABANK Aktiengesellschaft	Hamburg	8.35		88,436	3,630
EURO Kartensysteme GmbH	Frankfurt am Main	19.60		329,722	1,003,604
PANELLINIA BANK SOCIETE ANONYME (under special liquidation)	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		35,674	1,633
SCHUFA Holding AG[1]	Wiesbaden	17.94		45,442	15,921

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, February 29, 2016

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, 2015. 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 7, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Freiling	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

In 2015, developments in the eurozone's financial markets were initially dominated by the bond-buying program of the European Central Bank (ECB). Prices rose strongly, and the euro weakened. However, a surprising increase in yields on long-dated bonds then revealed the vulnerability of liquidity-driven markets. In equity markets, too, market participants acted more cautiously after this, particularly as fundamental pressures also increased with the renewed escalation of the Greece crisis and weaker US economic data. But share prices did not fall until bad news emerged from China. The subsequent recovery was largely attributable to hopes raised by the ECB of further monetary policy easing. Toward the end of the year, however, the reversal of interest-rate policy in the US and another slump in the price of crude oil signaled renewed market turmoil. This trend must also be seen in the context of a global economy that was already ailing in 2015, whereby a very positive economic environment in industrialized countries was offset by the slowdown in economic growth in China and problems in numerous emerging markets.

The Supervisory Board took this general economic climate into account in its work in 2015. As part of its remit, the Supervisory Board also 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. Another emphasis of the work of the Supervisory Board was the strategic focus, both of DZ BANK as a network-oriented central institution and of the financial services group. The overarching strategy is marked by a high degree of continuity and only underwent a few minor changes in 2015. These were predominantly aimed at maintaining and sharpening the strategic focus of both DZ BANK and its subsidiaries. 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 2015, as had been the case in previous years. It was able to use the encouraging net profit generated in 2015 to further strengthen its capital base. Overall, the retention of profit laid the foundations for ongoing compliance with the increased regulatory capital requirements.

On November 19, 2015, DZ BANK and WGZ BANK made a public announcement regarding the planned merger of the two central institutions in 2016 and the resulting final consolidation in the superstructure of the cooperative financial network. A corresponding Memorandum of Understanding was signed by the Boards of Managing Directors and the Chairmen of the Supervisory Boards of both institutions and was approved by their supervisory bodies. This sets out the intention to merge WGZ BANK into DZ BANK by way of acquisition. The planned start date for the merged institution is August 1, 2016. The aim is for the joint central institution to expand the collaboration with the cooperative banks – which number more than 1,000 – on a forward-looking basis with all services from a single source, driven by the consistent focus on the cooperative financial network. The next step in the process, which is due to be completed by the end of the decade, is to establish a holding company structure by splitting the joint central institution into a strategic and management holding company and a centralized institution/corporate bank and to create a central advisory council with representatives of the cooperative banks at holding company level. The joint central institution's main sites will be in Frankfurt and Düsseldorf. The head-office support and management functions will be successively consolidated in Frankfurt, where the joint institution will have its registered office. The name of the joint central institution will be DZ BANK. It will use the corporate slogan 'Die Initiativbank' and, as 'DZ BANK. Die Initiativbank', will unite elements of both institutions. Once the integration has been completed, it is estimated that the joint institution will immediately be able to exploit income and cost synergies amounting to at least €100 million per year. As regards calculation of the joint institution's capital, the merger may have positive effects on the capital ratios in connection with the implementation of the Basel III requirements. These effects will strengthen the capital base for the long term and will result mainly from deductions no longer having to be made from the regulatory capital.

Subject to the approval of the relevant committees, DZ BANK and WGZ BANK are in agreement about the following: Helmut Gottschalk is to be elected as the Chairman of the Supervisory Board, with Werner Böhnke serving as Deputy Chairman alongside the Deputy Chairman required to be elected from among the ranks of the employee representatives in accordance with the German Codetermination Act (MitbestG). The distribution of shareholders' mandates on the Supervisory Board is to reflect the new shareholder structure; as such, the positions of three shareholder representatives are to be filled by individuals representing the WGZ BANK business. Wolfgang Kirsch will be Chief Executive Officer, with Hans-Bernd Wolberg serving as Deputy Chief Executive Officer. The Board of Managing Directors will also include the following members: Uwe Berghaus, Dr. Christian Brauckmann, Lars Hille, Wolfgang Köhler, Karl-Heinz Moll, Dr. Cornelius Riese, Michael Speth, Thomas Ullrich, Frank Westhoff, and Stefan Zeidler. On March 23, 2016 the Supervisory Board adopted resolutions regarding the corresponding appointments to the Board of Managing Directors of Mr. Wolberg, Mr. Berghaus, Dr. Brauckmann, Mr. Moll, and Mr. Speth; the appointments to the Board of Managing Directors will come into effect – subject to the condition precedent – when the merged institution comes into being.

SUPERVISORY BOARD AND COMMITTEES

In 2015, 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) MitbestG. In line with the requirements of the German Banking Act (KWG), the Supervisory Board conducted a self-evaluation on February 26, 2015. It 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. There were changes to the employee representatives on the Supervisory Board with effect from May 28, 2015. As a result, the target for the proportion of female Supervisory Board members of between 15 and 20 percent by 2016, which was agreed in the resolution adopted on April 2, 2014 as part of the strategy to promote the nomination of women, who are under-represented on the DZ BANK Supervisory Board, was achieved ahead of schedule.

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. 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. In 2015, training was also provided internally to the Supervisory Board on subjects relating to the monitoring and control of banking activities and the associated reporting and control processes.

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. 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.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The Supervisory Board held five meetings in 2015, with average attendance of 94 percent.

At its meetings, the Supervisory Board 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 as well as the consolidated financial statements and group management report for the year ended December 31, 2014 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 28, 2015 and examined and noted the operational and strategic planning. Following changes to its composition, the Supervisory Board adopted resolutions on the election of a Supervisory Board Chairman and his Deputy and the election of additional members to various committees, and on proposed resolutions regarding the election of chairpersons of committees and, where applicable, their deputies. It also dealt with and approved various requests for long-term equity investments and loans. Furthermore, the Supervisory Board discussed the extension of the mandates and contracts of two members of the Board of Managing Directors, matters relating to promoting better female representation on the Board of Managing Directors, and the evaluation of the Board of Managing Directors and Supervisory Board before making decisions in line with the Nominations Committee's recommendation. Finally, 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 2015. During this period, the Nominations Committee held three meetings, the Remuneration Control Committee two 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 2015.

The Nominations Committee mainly discussed the evaluation of the Board of Managing Directors and Supervisory Board and matters relating to promoting better female representation on the Board of Managing Directors before making recommendations on these matters to the Supervisory Board.

The main topics covered at the Remuneration Control Committee meetings were the extension of the mandates and contracts of two members of the Board of Managing Directors, the variable remuneration of all members of the Board of Managing Directors, and the setting of the overall amount of variable remuneration at DZ BANK before proposing resolutions to the Supervisory Board (pursuant to section 15 in conjunction with section 7 of the German Regulation Governing Remuneration at Institutions [InstitutsVergV]). The Remuneration Control Committee also examined the structure of the employee remuneration systems (section 3 (1) sentence 2 InstitutsVergV) and the remuneration control report that had been presented by the remuneration officer (section 24 (3) InstitutsVergV) and acknowledged these. The committee established that the remuneration systems of DZ BANK are appropriate (section 15 (2) InstitutsVergV) and recommended that the Supervisory Board acknowledge the result of the appropriateness test. Moreover, the Remuneration Control Committee appointed a Chairman and Deputy in accordance with the recommendation of the Supervisory Board and recommended that the Supervisory Board approve the Advisory Council mandate of a member of the Board of Managing Directors.

The main topics covered in the Audit Committee meetings were as follows: 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, 2014 by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (Ernst & Young); the half-year financial report of DZ BANK Group for the six months ended June 30, 2015 and the review of this by the auditor Ernst & Young; the audit report on the securities and investment services business in 2014/2015; the auditor's focuses for 2015; and key findings from the current audit. In this context, it also monitored the financial reporting process. The committee also discussed the appointment of the auditor of the single-entity financial statements and the auditor of the consolidated financial statements for 2015, the auditor for the group's half-year financial report and, in this context, the independence of the auditor. The report of the Supervisory Board to the Annual General Meeting for 2014 was also the subject of an Audit Committee meeting; where necessary, the committee proposed resolutions to the Supervisory Board in regard to the aforementioned points. In addition, the Audit Committee discussed the business performance and the capital/profitability situation and the regulatory audits in the DZ BANK Group, the enhancement of the Finance/Risk portfolio, the findings of the Audit division, the annual compliance report, the latest tax and regulatory developments, and the IT strategy of the DZ BANK Group and IT security at DZ BANK AG and acknowledged these; in this context, the committee also monitored the effectiveness of the internal control system and the audit system.

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. In addition, the Risk Committee focused on the review of the lending business, which had been brought forward, regulatory and organizational matters in connection with the audit of the annual financial statements for the year ended December 31, 2014, the change in specific loan loss allowances, and a follow-up of the ECB's asset quality review. The committee also examined the current aggregate risk and credit risk situation, the ABS portfolio, derivatives, risk strategies, the results of the economic stress tests, and the MaSan indicators, and in doing so monitored the effectiveness of the risk management system. Furthermore, the Risk Committee discussed current issues/transactions relating to long-term equity investments, the risk early-warning system of DZ BANK and the DZ BANK Group, conditions in the customer business, the methods for determining credit risk, and the structural limits, country limits, and limit lists of banks and insurers. The Risk Committee also set the overall bonus amount in accordance with section 25d (8) sentence 5 KWG in conjunction with section 7 InstitutsVergV.

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 2015.

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 2015 financial year complied with the applicable legal provisions. Ernst & Young 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, 2015 at its meeting on March 23, 2016 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

With effect from the end of the Annual General Meeting of DZ BANK on May 28, 2015, Mr. Wolfgang Apitzsch, Mr. Rüdiger Beins, Mr. Karl Eichele, Mr. Sigmar Kleinert, and Ms. Gudrun Schmidt stepped down from the Supervisory Board of DZ BANK. The Supervisory Board would like to thank Mr. Apitzsch, Mr. Beins, Mr. Eichele, Mr. Kleinert, and Ms. Schmidt for their many years of service. Ms. Andrea Hartmann, Ms. Pilar Herrero Lerma, Ms. Renate Mack, Ms. Sigrid Stenzel, and Dr. Dierk Hirschel were newly elected to the Supervisory Board with effect from the end of the Annual General Meeting on May 28, 2015.

The Supervisory Board wishes to thank the Board of Managing Directors and all employees of the DZ BANK Group for their valuable contribution in 2015.

Frankfurt am Main, March 23, 2016

DZ BANK AG	
Deutsche Zentral-Genossenschaftsbank,	Helmut Gottschalk
Frankfurt am Main	Chairman of the Supervisory Board

DZ BANK ADVISORY COUNCILS

As at December 2015

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
(until October 2015)

ULF BROTHUHN
Chief Executive Officer
Bremische Volksbank eG
Bremen
(since July 2015)

RICHARD ERHARDSBERGER
Chief Executive Officer
VR-Bank Vilsbiburg eG
Vilsbiburg

MARTIN HEINZMANN
Spokesman of the Board of
Managing Directors
Volksbank Kinzigtal eG
Wolfach

THOMAS JANSSEN
Member of the Board of
Managing Directors
Volksbank Braunlage eG
Braunlage

FRANZ-JOSEF JAUMANN
Chief Executive Officer
Volksbank Trossingen eG
Trossingen

KLAUS KRÖMER
Member of the Board of
Managing Directors
Emsländische Volksbank eG
Meppen

ANDREAS LORENZ
Chief Executive Officer
Volksbank Karlsruhe eG
Karlsruhe

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
Neustadt in Holstein

RUDOLF VEITZ
Member of the Board of
Managing Directors
Raiffeisenbank Holzheim eG
Holzheim

PROFESSOR JÜRGEN WEBER
Chief Executive Officer
Sparda-Bank Hessen eG
Frankfurt am Main

HEINZ-WALTER WIEDBRAUCK
Chief Executive Officer
Volksbank Hameln-Stadthagen eG
Hameln
(until May 2015)

REPRESENTATIVES OF THE BVR AND ITS SPECIAL COMMITTEES:

DR. WOLFGANG BAECKER
Chief Executive Officer
VR-Bank Westmünsterland eG
Coesfeld

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
(until September 2015)

DR. VEIT LUXEM
(member coopted
as Chairman of the
BVR Association Council)
Chief Executive Officer
Volksbank Erkelenz eG
Erkelenz
(since September 2015)

ROSEMARIE MILLER-WEBER
Chief Executive Officer
Leutkircher Bank –
Raiffeisen- und Volksbank – eG
Leutkirch im Allgäu

HORST SCHREIBER
Member of the Board of
Managing Directors
Volksbank Trier eG
Trier
(until May 2015)

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

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

JÜRGEN FRICKE
Chief Executive Officer
Volksbank Vorbach-Tauber eG
Weikersheim
(since March 2015)

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
(until March 2015)

WOLFGANG MAUCH
Chief Executive Officer
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 Regensburg eG
Regensburg

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

WOLFGANG GEBHARD
Member of the Board of
Managing Directors
Volksbank Raiffeisenbank
Bayern Mitte eG
Ingolstadt

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
VR-Bank Mittelfranken-West eG
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

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

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

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Spokesman of the Board of
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Kitzingen

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Gunzenhausen eG
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HERBERT ZOPP
Deputy Chief Executive Officer
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(until April 2015)

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PRINCIPAL SHAREHOLDINGS OF DZ BANK

BANKS

Name & registered office	Group company[1]	Shareholding (%)
Bausparkasse Schwäbisch Hall Aktiengesellschaft – Bausparkasse der Volksbanken und Raiffeisenbanken –, Schwäbisch Hall	•	81.9
Ceskomoravska stavebni sporitelna a.s., Prague		45.0
Fundamenta-Lakáskassza Zrt., Budapest	•	51.2
Prvá stavebná sporiteľna 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	•	95.5
DZ PRIVATBANK S.A., Strassen, Luxembourg[2]	•	70.5
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	•	72.7
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	•	73.7
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	•	77.0
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

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main
Platz der Republik
60325 Frankfurt am Main
Germany

Postal address:
60265 Frankfurt am Main
Germany

www.dzbank.com

Telephone: +49 (0)69 7447 01
Fax: +49 (0)69 7447 1685
Email: mail@dzbank.de

Board of Managing Directors:
Wolfgang Kirsch (Chief Executive Officer)
Lars Hille
Wolfgang Köhler
Dr. Cornelius Riese
Thomas Ullrich
Frank Westhoff
Stefan Zeidler

This annual report is available in
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www.annualreport.dzbank.com.


Volksbanken Raiffeisenbanken
cooperative financial network
DZ BANK Group