Volksbanken Raiffeisenbanken
cooperative financial network

HALF-YEAR FINANCIAL REPORT 2015

DZ BANK Group

KEY FIGURES

DZ BANK GROUP

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
FINANCIAL PERFORMANCE		
Operating profit[1]	1,468	1,780[2]
Allowances for losses on loans and advances	-41	-66
Profit before contributions to the resolution fund and before taxes	1,427	1,714[2]
Net profit	913	1,283
Cost/income ratio (percent)	51.5	44.8[2]

	Jun. 30, 2015	Dec. 31, 2014
FINANCIAL POSITION		
Assets		
Loans and advances to banks	77,625	79,317
Loans and advances to customers	126,136	122,437
Financial assets held for trading	57,670	54,449
Investments	54,282	57,283[2]
Investments held by insurance companies	82,490	79,632
Remaining assets	10,758	9,564[2]
Equity and liabilities		
Deposits from banks	86,740	89,254
Deposits from customers	100,829	96,428
Debt certificates issued including bonds	56,160	55,609
Financial liabilities held for trading	53,006	51,702
Insurance liabilities	77,818	74,670
Remaining liabilities	15,978	16,774
Equity	18,430	18,245[2]
Total assets/total equity and liabilities	**408,961**	**402,682[2]**
Volume of business	**693,209**	**665,648[2]**

	Jun. 30, 2015	Dec. 31, 2014
ECONOMIC CAPITAL ADEQUACY AND LIQUIDITY ADEQUACY (DZ BANK GROUP)		
Economic capital adequacy[3] (percent)	163.0	167.3
Stress scenario with the lowest minimum liquidity surplus (€ billion)	12.7	11.4
REGULATORY CAPITAL ADEQUACY (DZ BANK BANKING GROUP)		
Total capital ratio (percent)	16.5	16.8
Tier 1 capital ratio (percent)	13.6	13.7
Common equity Tier 1 capital ratio (percent)	12.6	12.2
Leverage ratio (percent)[4]	4.0	
AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD	**29,911**	**29,501**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	Aa2	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 Amounts for the period January 1–June 30, 2014 and as at December 31, 2014 restated.
3 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.
4 Leverage ratio pursuant to the delegated act (based on Delegated Regulation (EU) 2015/62), applying the transitional guidance.

CONTENTS

Wolfgang Kirsch, Chief Executive Officer

Dear Shareholders,

The first six months of the year were encouraging for the DZ BANK Group. Taking account of the bank levy of €143 million, we achieved a profit before taxes of €1.28 billion. This can be attributed to the strong operating performance delivered by the entire DZ BANK Group. We have therefore laid a strong foundation to achieve our target of a profit before taxes for the year as a whole of €1.5 billion – and it has the potential to be higher. This financial success is also reflected in our high-quality credit ratings. Fitch recently raised our credit rating from A+ to AA-. Other rating agencies have also improved our credit ratings. As a result, the cooperative financial network is now one of the best-rated banking groups in Europe. And we intend to stay that way.

We are optimistic that our success will continue, despite the turbulent economic conditions. The overall European economy – especially that of Germany – is stable, partly due to the monetary policy of the ECB. However, China's economic woes and the negotiations with Greece about its debts are keeping the capital markets on tenterhooks. Consequently, there is a great deal of uncertainty. The example of Greece reaffirms the urgency of structural reforms in the eurozone in order to accelerate the pace of innovation and growth. These reforms are essential if the high level of youth unemployment seen in many countries is to be brought down.

Let us look at our business performance in detail. In the first half of 2015, the DZ BANK Group generated net interest income of €1.44 billion, slightly less than the €1.50 billion reported in the corresponding period of the previous year. Allowances for losses on loans and advances remained at a very low level, falling from €66 million in the first half of 2014 to €41 million in the reporting period.

Net fee and commission income rose by 9.9 percent to €768 million, primarily because of the further increase in assets under management at Union Investment. Gains and losses on trading activities declined to a gain of €226 million, compared with a gain of €242 million in the first half of 2014. The weak interest-rate environment caused sales of structured products to fall slightly, from €2.4 billion in the first six months of 2014 to €2.1 billion in the reporting period. Gains and losses on investments amounted to a gain of €21 million, whereas there had been a gain of €140 million in the prior-year period thanks to a boost from one-off items. Other gains and losses on valuation of financial instruments declined to a gain of €127 million (first half of 2014: gain of €275 million) as a result of further negative valuation effects arising on the bond portfolios of DG HYP. Net income from insurance business rose from €390 million to €405 million. Administrative expenses grew by 8.1 percent to €1.56 billion due to the cost of regulatory requirements, market-related capital expenditure, and other factors.

These achievements, which are very positive overall, reflect the high levels of commitment demonstrated by our employees. My colleagues on the Board of Managing Directors and I would like to offer them our sincere thanks.

Each group company made a positive contribution to this strong business performance. Here are some examples. Union Investment achieved net new business of €14.0 billion, its best-ever result for the first half of any year. Its assets under management rose to an all-time record of €251.9 billion. R+V Versicherung's premiums earned were at virtually the same high level as in the first half of 2014. Bausparkasse Schwäbisch Hall signed approximately 441,000 new contracts, generating a volume of €17.4 billion in new home savings business. TeamBank continued on its successful trajectory with its results around the same level year on year.

Having implemented a capital increase last year, we made good progress in strengthening our capital base from our own resources. Not applying the CRR transitional guidance, our preliminary common equity Tier 1 capital ratio rose from 12.2 percent as at December 31, 2014 to 12.6 percent as at June 30, 2015.

As encouraging as these results are, we cannot afford to sit back. Low interest rates, the consequences of regulation and digitization are the key themes dominating our industry. These even put very robust business models to the test. They present all kinds of challenges, which we are tackling within the DZ BANK Group and as part of the cooperative financial network. This includes broadening our sources of income and increasing process efficiency, strict cost management, and a continued focus on collaboration within the cooperative financial network.

Our joint efforts as a group are focused in particular on digitization, which is bringing about radical changes in the financial sector. New competitors, changing customer requirements, and the rapid pace of innovation in the field of 'FinTech' are creating challenges for us. The DZ BANK Group is working with WGZ BANK and the BVR on strategic solutions. The KundenFokus 2020 project is aimed at integrating sales channels. One tangible example is the FinanzHeimat app. In the area of payments processing, we are currently piloting Paydirekt. This integrated online payment system is scheduled for launch at the end of this year.

In addition, we have established groupwide innovation management, modified our structures, and recruited new staff. We take our ideas from a variety of sources. For example, we are cooperating with Axel Springer Plug and Play Accelerator, which helps and encourages start-ups to implement their innovative digital business ideas.

The existing risk factors will remain with us in the second half of the year. Most eurozone countries have seen a slight improvement in economic conditions lately. However, the economic recovery is still on an uncertain footing, not only in former crisis-stricken countries such as Portugal and Spain but also in France and Italy. With its stable economic environment, in particular its robust labor market and strong consumer confidence, Germany is a positive exception. Our economists expect German gross domestic product to rise by 2.0 percent in 2015 as a whole, and economic growth across the eurozone as a whole to improve to approximately 1.5 percent. However, the situation in the financial markets is likely to remain highly volatile. The ECB's bond purchases have tended to increase market volatility.

The fact that the cooperative organization has done so well in this environment can be attributed to the backing and confidence that we receive from 30 million customers. Of these customers, 18 million are also co-owners of their cooperative bank. The continual increase in this number confirms that we are on the right track. However, we cannot rest on our laurels. Although we can approach the restructuring of our sector from a position of strength, social acceptance is not enough by itself to achieve lasting business success. Ultimately, we too rely on commercial parameters such as revenue, profitability, market share, and innovative strength. "We will make every effort to further improve our competitiveness," said the BVR President Uwe Fröhlich recently. It is this aspiration that can secure our place as one of the most successful banking groups in Europe.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer

INTERIM GROUP MANAGEMENT REPORT

NOTE

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK), as the parent company in the DZ BANK Group, implements the transparency requirements as specified in sections 37w and 37y of the German Securities Trading Act (WpHG) and section 315 of the German Commercial Code (HGB) in conjunction with the relevant German accounting standard (GAS 16 Interim Financial Reporting) with the publication of this interim group management report. The opportunity and risk report also satisfies the applicable international requirements of International Accounting Standard (IAS) 34 (Interim Financial Reporting) with respect to risk-related disclosure requirements.

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

I. DZ BANK Group fundamentals

Fundamental information about the DZ BANK Group is provided in detail on page 20 onwards of the 2014 Annual Report. Those disclosures are also applicable to the first half of 2015.

II. Business report

1. ECONOMIC CONDITIONS

The German economy continued to recover in the first 6 months of 2015. Adjusted for inflation, average overall economic output in the first half of the year was 0.9 percent higher than in the second half of 2014.

German economic output in the first quarter of 2015 was up by 0.3 percent compared with the preceding quarter, although foreign trade failed to contribute to domestic economic growth owing to very buoyant demand for imports. This trend was reversed in the second quarter of 2015, when exports grew at a marginally stronger rate than imports. As a result, gross domestic product (GDP) rose by 0.4 percent in the second quarter compared with the first quarter of this year.

Although the picture was mixed in the individual countries, the eurozone as a whole saw its economic growth gather pace in the first 6 months of 2015. Following economic expansion of 0.4 percent in the second half of 2014 compared with the first half of 2014, the eurozone's economic output in the period under review rose by 0.8 percent. The rate of growth in the first quarter of 2015 was 0.4 percent. In the second quarter, the economy grew by 0.3 percent compared with the previous quarter.

The economy in the United States remained subdued in the first half of 2015, primarily because of the severe winter weather at the start of the year. Consumer spending, the main engine of growth, increased only moderately during the reporting period. The industrial sector was held back by the weakness of the oil industry, which in itself was caused by a sharp fall in the price of oil in the global market. Moreover, US products became more expensive worldwide owing to the strength of the dollar. Nevertheless, the US economy was underpinned by a steadily improving situation in the labor market and the sustained recovery of the US real-estate market.

Economic difficulties persisted in some emerging economies, particularly in Latin America, during the reporting period. These were mostly attributable to structural problems and a reluctance to implement reforms. China's economy felt the effects of a slowdown in its economic growth. In addition, political crises and military conflicts again contributed to gloomier international economic prospects in the first half of 2015.

Nonetheless, demand from emerging markets continued to bolster exports from Germany, which also benefited from the strengthening pace of economic growth in the eurozone.

An increase in consumer and government spending provided a major boost to the German economy in the first half of 2015. The stability of the labor market and higher private purchasing power on the back of lower energy prices, combined with the low level of interest rates, resulted in consumers showing greater willingness to spend. Construction investment was also a major growth factor at the start of the year.

Given the buoyancy of the economy and strong increases in tax revenues, German public finances are likely to finish the current year with a small budget surplus.

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

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

The euro area maintained its rate of economic growth during the reporting period, while growth in the global economy held steady at a low level overall.

Against a backdrop of ongoing economic recovery in the eurozone and in view of the program of European government bond buying launched by the European Central Bank (ECB) as a means of quantitative easing, ECB President Mario Draghi appealed to the euro countries to keep up their efforts in implementing the necessary structural reforms.

In the eurozone as a whole, only limited progress was made in reducing new and total borrowing. At the end of the first quarter of 2015, the total borrowing of the 19 eurozone countries equated to 92.9 percent of their GDP, a year-on-year increase of 1 percentage point (March 31, 2014: 91.9 percent).

Eurozone countries Ireland, Portugal, and Spain have already notched up significant successes on their path of economic renewal and fiscal recovery. In mid-March 2015, the rating agency FERI EuroRating Services AG, Bad Homburg, therefore raised the credit ratings of Ireland (from BBB+ to A), Spain (from BBB+ to A), and Portugal (from BBB- to BBB). Compared with the first half of 2014, all three countries saw their economic output increase at a far higher rate than the average 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. Companies in these two countries are not delivering sufficient profitability, which is resulting in too little capital spending. This was the main reason why the pace of growth in France and Italy was again below the European average during the first half of 2015.

Greece, which in 2014 had managed to increase its real economic output by 0.8 percent year on year, saw its GDP stagnate in the first quarter of 2015 following the shift in economic policy introduced by the radical alliance between the left and the right formed under Prime Minister Alexis Tsipras after the parliamentary elections. Standard & Poor's lowered Greece's credit rating from B to CCC+ in mid-April 2015. The Greek economy achieved growth of 0.8 percent in the second quarter of 2015.

Greece's negotiations with its creditors on the conditions for receiving the remaining €7.2 billion under the second Greek bailout of €130 billion (decided upon in February 2012) did not result in an agreement being reached by June 30, 2015, the deadline for negotiating a solution. As a result, the creditors did not pay this installment to Greece.

The country's crisis spiraled as capital controls were decided upon for Greece at the end of June 2015, including a limit on cash withdrawals of €60 per account and per day. On June 29, 2015, Standard & Poor's reduced Greece's credit rating to CCC in view of the increased likelihood of default and of a Greek exit from the eurozone.

At their summit in Brussels on July 12/13, 2015, the heads of state and government of the European Monetary Union (EMU) countries agreed to enter into negotiations on a third bailout for Greece. Expected to amount to €86 billion, the bailout was made conditional on the Greek parliament approving the proposed reforms. Greece accepted these terms on July 15, 2015. In the days that followed, the required qualified approval was obtained from a number of EMU countries, including Germany. The prospect of a third bailout prompted Standard & Poor's to raise Greece's credit rating to CCC+.

On August 14, 2015, the EMU finance ministers approved the €86 billion bailout for Greece that had been negotiated by the country's creditors.

During the first half of the year, the international capital markets were influenced by various efforts on the part of the Eurogroup, the International Monetary Fund (IMF), and the ECB to reach agreement with representatives of Greece on how to secure the country's economic future. In addition, the financial markets were dominated by the expansionary monetary policies of the central banks, with interest rates at historically low levels. Equity markets were buoyant with further gains in average prices compared with the first half of 2014.

The US Federal Reserve (Fed) maintained a target range for its federal funds rate near to 0 percent over the whole of the period under review. The ECB kept the rate for its main refinancing operations at 0.05 percent, the rate decided upon at its meeting in early September 2014. The rate for the deposit facility for banks of minus 0.2 percent, which had been decided upon at the same time, also remained unchanged.

On January 22, 2015, the ECB decided to begin a bond buying program in an amount of up to €60 billion per month in the period March 2015 to September 2016 in order to counteract the deflationary trend and return the rate of inflation in the eurozone to close to 2 percent. This decision was also aimed at stimulating greater lending by the banks in the eurozone, thereby strengthening growth in these countries.

In the first two months of 2015, there were sharp price rises in the equities markets in anticipation of the start of the ECB's buying program. These increases continued once bond buying began at the beginning of March 2015. The considerable amounts of liquidity injected into the markets by the monthly government bond buying sought out higher-risk forms of investment, above all shares. At the same time, brisker trading in bonds led to rising prices and falling interest rates. Thanks to their stimulating effect on overall economic growth, the low interest rates continued to have a positive impact on prices in the equities markets that lasted into April 2015.

One of the main consequences of the considerable injection of liquidity from the ECB was a weakening of the euro. This boosted companies' exports and thus overall economic output in the euro area.

Share prices fell dramatically at the end of April 2015, having risen almost without interruption since the start of the year. On April 29, 2015, Germany's main share index, the DAX, experienced its greatest one-day drop for a year. The main reasons for this were undoubtedly the unexpectedly weak US economic data published for the first quarter of 2015 and the subsequent gain of the euro against the US dollar.

The appreciation of the euro against the US dollar was given further momentum at the start of June 2015 when it was announced that the eurozone's inflation rate in May 2015 had been 0.3 percent. This marked the end of a period of several months in which the eurozone's rate of inflation had been 0 percent or even slightly lower. In Germany, the inflation rate climbed to 0.7 percent in May 2015, the fourth monthly increase in succession from minus 0.5 percent in January 2015.

These inflation figures led to sharp increases in yields on government bonds. Returns on ten-year German government bonds reached 1 percent at the start of June 2015. This ended the expectation of deflation that had prevailed in some parts.

In the weeks following the DAX's tumble at the end of April 2015, the equities markets were characterized by significantly increased volatility. Similarly, the European bond markets experienced substantial price volatility following publication of the aforementioned inflation figures at the start of June 2015. This effect was compounded by contradictory information about the possibility of an agreement between Greece and its creditors.

The ECB's efforts to bring the rate of inflation close to its long-term target range of almost 2 percent for the first time were helped by the oil price in the first 6 months of 2015. From the middle of 2014 through to the start of this year, the price of North Sea Brent Crude had fallen by almost 60 percent to below US$ 50 per barrel but had gone back up to US$ 64 per barrel by the end of June 2015 after a period of recovery. However, this meant oil prices were still considerably lower than in previous years.

A gradual normalization of the credit markets is discernible. There was a small increase in lending to companies in the eurozone during the first half of 2015, with loan terms and conditions also becoming less restrictive.

Most of the large German banks generated year-on-year increases in their operating income in the period under review. Allowances for losses on loans and advances were largely at the same level as in the corresponding prior-year period. Administrative expenses were up compared with the first half of 2014.

3. FINANCIAL PERFORMANCE

3.1. FINANCIAL PERFORMANCE AT A GLANCE

In the opinion of the Board of Managing Directors of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK), the DZ BANK Group has successfully consolidated its position in a challenging market environment that is dominated by the extremely low level of interest rates.

The year-on-year changes in the key figures that make up the net profit generated by the DZ BANK Group compared with the first half of 2014 were as described below.

Operating income in the DZ BANK Group amounted to €3,027 million (first half of 2014: €3,222 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 3.9 percent year on year to €1,441 million (first half of 2014: €1,499 million).

DZ BANK's net interest income (excluding income from long-term equity investments) fell by €57 million. Net interest income was up by €5 million at Team-Bank AG Nürnberg, Nuremberg, (TeamBank), by €3 million at Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP), and by €1 million in the subgroup Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (Bausparkasse Schwäbisch Hall; subgroup abbreviated to BSH). In the subgroup DVB Bank SE, Frankfurt am Main, (DVB Bank; subgroup abbreviated to DVB), net interest income was down by €11 million; in the subgroup VR-LEASING Aktiengesellschaft, Eschborn, (VR-LEASING AG; subgroup abbreviated to VR LEASING), it was down by €10 million. At DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK S.A.; subgroup abbreviated to DZ PRIVATBANK), net interest income decreased by €2 million.

The DZ BANK Group's income from long-term equity investments rose by €7 million to €45 million in the reporting period (first half of 2014: €38 million), primarily due to an increase of €3 million at DVB and an increase of €2 million at Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding; subgroup abbreviated to UMH).

Allowances for losses on loans and advances amounted to €41 million in the first half of 2015 (first half of 2014: €66 million).

The specific loan loss allowances recognized for the DZ BANK Group came to a net addition of €64 million (first half of 2014: net addition of €77 million). Under portfolio loan loss allowances for the group, there was a net reversal amounting to €13 million (first half of 2014: net reversal of €16 million).

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

Net fee and commission income in the DZ BANK Group increased by 9.9 percent to €768 million (first half of 2014: €699 million).

DZ BANK's net fee and commission income advanced by €11 million. There were also increases for UMH of €75 million, for DZ PRIVATBANK of €3 million, and for DVB of €1 million. At TeamBank and DG HYP, net fee and commission income declined by €9 million and €8 million respectively. BSH's net fee and commission income was up by €1 million.

The DZ BANK Group's **gains and losses on trading activities** came to a net gain of €226 million compared with a net gain of €242 million in the first half of 2014.

This was largely attributable to the gains and losses on trading activities at DZ BANK amounting to a net gain of €214 million (first half of 2014: €230 million).

Gains and losses on investments in the DZ BANK Group declined by €119 million to a gain of €21 million (first half of 2014: gain of €140 million).

This year-on-year change was mainly due to the fact that DZ BANK's gains and losses on investments in the first half of 2014 had been significantly influenced by a gain of €80 million from the disposal of NATIXIS shares, which had been classified as available-for-sale financial assets.

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a gain of €127 million in the first half of 2015 (first half of 2014: gain of €275 million).

Of the figure reported for the group for the reporting period, a gain of €77 million was accounted for by DG HYP (first half of 2014: gain of €242 million).

The DZ BANK Group's **net income from insurance business** comprises premiums earned, gains and losses on investments held by insurance companies and other insurance company gains and losses, insurance benefit payments, and insurance business operating expenses. It grew by €15 million to €405 million in the first half of 2015 (first half of 2014: €390 million).

This change was attributable to the reduced level of insurance benefit payments, which more than made up for the lower premium income, the smaller gain under gains and losses on investments held by insurance companies, and other negative items.

Administrative expenses in the DZ BANK Group rose by €117 million (8.1 percent) year on year to €1,559 million (first half of 2014: €1,442 million), including an increase in staff expenses of €30 million (3.9 percent) to €799 million (first half of 2014: €769 million) and an increase in other administrative expenses of €87 million (12.9 percent) to €760 million (first half of 2014: €673 million). Of the increase in other administrative expenses, around €26 million was the result of the parent company, BSH, DVB, TeamBank, and VR LEASING each recognizing their expense for the contribution to the guarantee fund of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR) [National Association of German Cooperative Banks] in full in the first half of 2015, whereas they had only recognized the corresponding expense on a pro-rata basis in the first half of 2014.

The DZ BANK Group's **other net operating income** came to €39 million (first half of 2014: net expense of €23 million).

The main reasons for the change in other net operating income compared with the first half of 2014 were the factors described in the details for the operating segments DZ BANK, DVB, UMH, and VR LEASING.

FIG. 1 – INCOME STATEMENT

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014	Change (%)
Net interest income	**1,441**	1,499	-3.9
Allowances for losses on loans and advances	**-41**	-66	-37.9
Net fee and commission income	**768**	699	9.9
Gains and losses on trading activities	**226**	242	-6.6
Gains and losses on investments	**21**	140	-85.0
Other gains and losses on valuation of financial instruments	**127**	275	-53.8
Net income from insurance business	**405**	390	3.8
Administrative expenses[1]	**-1,559**	-1,442	8.1
Staff expenses	-799	-769	3.9
Other administrative expenses[2]	-760	-673	12.9
Other net operating income	**39**	-23	>100.0
Profit before contributions to the resolution fund and before taxes	1,427	1,714	-16.7
Contributions to the resolution fund	**-143**	-14	>100.0
Profit before taxes	1,284	1,700	-24.5
Income taxes	**-371**	-417	-11.0
Net profit	**913**	1,283	-28.8

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

Profit before contributions to the resolution fund and before taxes for the first 6 months of the year amounted to €1,427 million compared with €1,714 million in the first half of 2014.

The DZ BANK Group's **cost/income ratio** (i.e. the ratio of administrative expenses to total operating income) for the reporting period came to 51.5 percent (first half of 2014: 44.8 percent).

The **regulatory return on risk-adjusted capital (RORAC)** was 26.6 percent (first half of 2014: 33.4 percent).

Contributions to the resolution fund totaled €143 million (first half of 2014: €14 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 are expected to constitute a significant amount, the contributions collected as the new European bank levy will be presented in a separate line item in the income statement called 'contributions to the resolution fund'. Consequently, the bank levy of €14 million recognized under administrative expenses was reclassified to the 'contributions to the resolution fund' line item in the income statement for the first half of 2014.

Profit before taxes for the first 6 months of the year came to €1,284 million compared with €1,700 million in the first half of 2014.

The DZ BANK Group's **income taxes** amounted to €371 million in the first half of 2015 (first half of 2014: €417 million).

Net profit for the first half of 2015 amounted to €913 million compared with €1,283 million in the first half of 2014.

3.2. FINANCIAL PERFORMANCE IN DETAIL

Figure 2 shows the details of the financial performance of the DZ BANK Group's operating segments in the first half of this year compared with the corresponding period of 2014.

3.2.1. DZ BANK

Net operating interest income (excluding income from long-term equity investments) at DZ BANK decreased by 21.5 percent to €208 million (first half of 2014: €265 million).

With the net interest margin contribution in corporate banking down by €9 million to €131 million compared with the first half of 2014, net interest income from group finance fell by €8 million to €49 million. Net interest income from hedges in lending and capital markets business went down by €69 million. By contrast, net interest income resulting from higher early redemption payments climbed by €19 million. Money market business generated net interest income of €26 million, a year-on-year increase of €5 million that was due to normalization of interest rates at the short end of the yield curve.

The Corporate Banking 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 looked after jointly by DZ BANK and the local cooperative banks or directly by DZ BANK, depending on their size, and have access to a comprehensive range of products and services.

Overall, net operating interest income in the Corporate Banking business line came to €131.4 million, which was 6.3 percent down on the figure for the first half of 2014 of €140.3 million.

This latest financial performance reflects the fierce competition that currently prevails in the market. Although the volume of lending in corporate banking in the first 6 months of 2015 was higher than in the corresponding period of last year, this increase was unable to offset the negative impact of narrower credit margins caused by the highly competitive market situation. The average credit ratings of corporate customers remain at a stable level as they currently have ample income and liquidity. Companies generally used their own funds for their capital expenditure, taking advantage of their good financial situation. However, the lack of stimulus from the United States and China weakened the global economy, which in turn resulted in a slight weakening of German companies' growth in exports and capital spending.

The material year-on-year changes in the product fields below were as follows.

In the development loans/agriculture product field, development lending expanded significantly, particularly in the second quarter of 2015, following a cautious start to the year. Besides the sustained demand for loans for private house-building, there was also a slight increase in commercial development lending for the first time in 2 years, albeit with regional variations due to different economic structures and development lending models.

Nonetheless, the fall in margins meant that net operating interest income in this product field, which amounted to €25.4 million, was virtually the same (decline of 0.3 percent) as in the corresponding prior-year period (first half of 2014: €25.5 million).

In the syndicated business/renewable energies product field, net operating interest income climbed by 19.3 percent to €9.9 million in the first half of 2015 (first half of 2014: €8.3 million). Despite growing competition, there was an increase in renewable energies business during the reporting period, particularly the funding of wind turbines.

In the acquisition finance product field, debt finance is arranged and structured to support the acquisition of large and medium-sized companies, primarily in the German-speaking countries. Large numbers of customers have made use of the high degree of liquidity in lending and bond markets to fund their loans. Loan redemptions in combination with a selective approach to the granting of new loans led to a reduction in the size of the portfolio, and net operating interest income declined by 20.2 percent year on year to €12.0 million (first half of 2014: €15.0 million).

The emphasis in the international trade and export finance product field is very much on providing support for German large and medium-sized corporate customers involved in international business. Net operating interest income advanced from €15.8 million in the first half of 2014 to €16.3 million in the reporting period, an increase of 2.9 percent.

Overall, there was encouraging growth in the project finance field during the period under review, with net operating interest income increasing by 7.5 percent to €11.7 million (first half of 2014: €10.9 million).

Allowances for losses on loans and advances amounted to a net reversal of €26 million (first half of 2014: net reversal of €21 million), including a net reversal of specific loan loss allowances of €26 million (first half of 2014: net reversal of 21 million).

Net fee and commission income rose by 8.4 percent to €142 million (first half of 2014: €131 million).

The lion's share of this increase was accounted for by the lending business, which was up by €9 million to €54 million. The income contributed by the securities business, which amounted to €42 million, was €4 million below the level of the comparable prior-year period. Income from payments processing grew by €4 million year on year, reaching €29 million. International business was on a par with the first half of 2014, with income of €3 million. Other net fee and commission income came to €14 million (first half of 2014: €12 million).

The Corporate Banking business line saw its net fee and commission income go up by 18.2 percent to

FIG. 2 – SEGMENT INFORMATION

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2015

€ million	DZ BANK	BSH	DG HYP
Net interest income	479	470	154
Allowances for losses on loans and advances	26	-12	34
Net fee and commission income	142	-44	13
Gains and losses on trading activities	214	–	-17
Gains and losses on investments	6	5	-33
Other gains and losses on valuation of financial instruments	16	–	77
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	-530	-223	-52
Other net operating income	13	18	5
Profit/loss before contributions to the resolution fund and before taxes	**366**	**214**	**181**
Contributions to the resolution fund	-100	-3	-25
Profit/loss before taxes	**266**	**211**	**156**
Cost/income ratio (%)	60.9	49.7	26.1
RORAC (regulatory, %)	12.3	53.3	31.6
Total assets/total equity and liabilities as at Jun. 30, 2015	222,727	59,530	48,048

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2014

€ million	DZ BANK	BSH	DG HYP
Net interest income	508	469	151
Allowances for losses on loans and advances	21	-9	22
Net fee and commission income	131	-45	21
Gains and losses on trading activities	230	–	-3
Gains and losses on investments	112	2	7
Other gains and losses on valuation of financial instruments	11	–	242
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	-456	-235	-51
Other net operating income	-31	19	6
Profit/loss before contributions to the resolution fund and before taxes	**526**	**201**	**395**
Contributions to the resolution fund	-2	–	-9
Profit/loss before taxes	**524**	**201**	**386**
Cost/income ratio (%)	47.5	52.8	12.0
RORAC (regulatory, %)	26.0	55.3	63.9
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**
96	77	–	263	7	85	-190	1,441
-40	–	–	-42	–	-4	-3	-41
52	57	–	-55	631	12	-40	768
8	15	–	–	–	–	6	226
38	–	–	–	–	1	4	21
42	4	–	–	4	-2	-14	127
–	–	6,981	–	–	–	–	6,981
–	–	1,976	–	–	–	-32	1,944
–	–	-7,400	–	–	–	–	-7,400
–	–	-1,196	–	–	–	76	-1,120
-93	-111	–	-97	-327	-81	-45	-1,559
-19	-5	-5	3	25	2	2	39
84	**37**	**356**	**72**	**340**	**13**	**-236**	**1,427**
-10	–	–	-4	–	–	-1	-143
74	**37**	**356**	**68**	**340**	**13**	**-237**	**1,284**
42.9	75.0	–	46.0	49.0	82.7	–	51.5
33.0	22.0	27.7	36.6	>100.0	8.2	–	26.6
25,343	16,796	89,065	6,969	1,779	5,095	-66,391	408,961

DVB	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
107	79	–	258	5	95	-173	1,499
-28	–	–	-47	–	-12	-13	-66
51	54	–	-46	556	14	-37	699
4	4	–	–	–	2	5	242
1	1	–	–	–	12	5	140
-11	4	–	-1	13	4	13	275
–	–	7,101	–	–	–	–	7,101
–	–	2,089	–	–	–	-32	2,057
–	–	-7,667	–	–	–	–	-7,667
–	–	-1,172	–	–	–	71	-1,101
-90	-104	–	-90	-292	-86	-38	-1,442
2	-2	-4	–	6	-18	-1	-23
36	**36**	**347**	**74**	**288**	**11**	**-200**	**1,714**
-2	–	–	-1	–	–	–	-14
34	**36**	**347**	**73**	**288**	**11**	**-200**	**1,700**
58.4	74.3	–	42.7	50.3	78.9	–	44.8
16.3	22.9	30.2	38.4	>100.0	5.6	–	33.4
24,463	14,785	85,663	6,736	1,840	5,241	-65,246	402,682

€81.0 million in the first half of 2015 (first half of 2014: €68.5 million). The material year-on-year changes in the product fields below were as follows.

In the syndicated business/renewable energies product field, there was a small 3.7 percent decline in net fee and commission income from €2.3 million in the first half of 2014 to €2.2 million in the period under review.

In the acquisition finance product field, the reporting period saw substantially greater competition, in particular from banks outside Germany and debt funds. Net fee and commission income therefore fell by 35.4 percent to €6.4 million (first half of 2014: €10.0 million).

In the international trade and export finance product field, net fee and commission income reduced by 5.1 percent to €6.1 million in the first 6 months of the year owing to increased competition (first half of 2014: €6.4 million).

There was strong growth in net fee and commission income in the international documentary product field (letters of credit, guarantees, collections), which climbed by 21.9 percent to €6.4 million (first half of 2014: €5.3 million) primarily due to an increase in guarantees.

In the project finance product field, net fee and commission income was up by 42.6 percent to €5.7 million (first half of 2014: €4.0 million).

The asset securitization product field comprises structured investments and receivables financing for defined asset types. In the first half of the year, net fee and commission income rose by €15.9 million to €31.5 million, mainly due to increased income in this business segment at the New York branch (boosted by the euro/US dollar exchange rate, among other factors).

In the Capital Market/Institutional Clients business line, the comprehensive range of shares and advice available in relation to equity products again proved popular with customers of the primary 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 primary banks and direct customers particularly rely on DZ BANK's expertise in ensuring the necessary security when fulfilling their specific equity transaction requirements.

Gains and losses on trading activities declined by €16 million to a gain of €214 million (first half of 2014: €230 million).

This figure included interest-rate-related changes in the market value of cross-currency basis swaps used to hedge currency risk. These changes amounted to a gain of €28 million (first half of 2014: loss of €4 million).

DZ BANK's gains for the reporting period were also affected by the balance of unrealized and realized gains and losses relating to ABSs, which amounted to a loss of €4 million (first half of 2014: gain of €14 million).

The decline in gains and losses on trading activities compared with the first half of 2014 was caused by the negative impact of the widening of spreads on bank bonds and by the developments described below.

The products and services of DZ BANK's customer-oriented capital markets business are geared to the needs of 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, foreign exchange, and commodities. These products are complemented by a broad range of advisory and research services, structuring expertise, and platforms.

The key factors that influenced trends in the capital markets in the first half of 2015 were the ECB's monetary policy measures (quantitative easing) in view of the high level of indebtedness of various EU countries. At the same time, the financial markets were particularly affected by the ongoing uncertainty surrounding Greece's problems. The regulatory environment also impacted on the markets and market players, which had to cope with the demanding requirements imposed by the banking regulator.

The clear priority for German retail investors continues to be security and capital protection for their personal investments. Catering to this customer need, DZ BANK managed to again significantly expand its share of the German investment certificates market – which was in decline overall – thanks to close collaboration with the local cooperative banks. Its market share rose from 14.8 percent at the end of June 2014 to 16.8 percent (preliminary) at the end of June 2015. Sales of structured products fell from €2.4 billion in the first six months of 2014 to €2.1 billion in the reporting period as a consequence of the weak interest-rate environment. DZ BANK continued to step up its activities in relation to selling exchange-traded derivative securities products during the reporting period. Its share of this market also climbed substantially, from 7.6 percent at the end of June 2014 to 9.3 percent at the end of June 2015.

DZ BANK's online brokerage applications VR-ProfiBroker and VR-ProfiTrader (available in the territory of Fiducia IT AG, Karlsruhe) provide the primary banks with cutting-edge e-brokerage platforms that offer independent retail investors comprehensive market data, real-time push prices, and a broad range of stock market expertise from a single source. These applications, which are fully integrated with bank processes, enable the local cooperative banks to operate successfully and position themselves in the highly attractive segment of investors who conduct transactions online.

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

In the capital markets business with institutional customers, investor demand was concentrated on bank bonds and corporate bonds. Investors were also interested in subordinated, emerging market, and high-yield bonds. There was an increase in deals involving interest-rate structures. The volume of business with derivative equity products also grew, thanks to a rise in sales of individually designed products.

In securities business with corporate customers, demand from major investors for short-term investments continued to be dominated by commercial paper issues. Distortion of the interest-rate curve made interest-rate hedges with long maturities especially popular. In project business (real estate finance and structured finance), interest-rate management activities were further integrated and implemented using tailored solutions. The deposit-taking business with corporate customers suffered as a result of falling interest rates. Funding for corporate customers on the basis of collateralizing a sound and valuable pool of receivables continued to be systematically expanded.

The considerable devaluation of the euro, coupled with the generally high level of market volatility, resulted in an above-average increase in trading volumes in the management of currencies for corporate and institutional customers. Large and medium-sized companies, in particular, increased their hedge ratios.

New bond issuance business was dominated by the ECB's extensive program of bond buying, which began in March, and its impact on the primary and secondary markets. Against this backdrop, DZ BANK's primary bond markets business performed well; domestic business with companies (bond and promissory note mandates) and financial institutions was brisk. Issuing business with financial institutions particularly benefited from the high level of issuing activity among cooperative issuers.

Gains and losses on investments amounted to a gain of €6 million (first half of 2014: gain of €112 million).

The figure for the first half of 2014 had included a gain of €80 million from the disposal of NATIXIS shares, which had been classified as available-for-sale financial assets.

There had also been an ABS-related gain of €20 million in the prior-year period, largely from disposals of ABSs that had been written down in previous periods. There was a corresponding gain of €5 million in the reporting period.

Administrative expenses climbed by 16.2 percent, or €74 million, to €530 million (first half of 2014: €456 million). Within this amount, staff expenses were pushed up by the increase in headcount and salary adjustments. The main reasons for the rise in general and administrative expenses were higher consultancy costs in connection with projects aimed at meeting stricter regulatory requirements and the recognition in full of the expense for the contribution to the BVR guarantee fund, whereas this expense had only been included on a pro-rata basis in the first half of 2014.

Other net operating income for the first 6 months of 2015, which totaled €13 million (first half of 2014: net expense of €31 million), largely comprised income from the reversal of provisions.

The figure for the first half of 2014 had primarily consisted of an expense relating to the recognition of a provision by DZ BANK for the expected write-down of €30 million at DZ Beteiligungsgesellschaft mbH Nr. 11, Frankfurt am Main, in relation to legal disputes and the threat of mandatory conversion of customer loans denominated in Swiss francs in connection with Volksbank Romania, Bucharest.

Profit before contributions to the resolution fund and before taxes for the period under review amounted to €366 million. This decline of €160 million compared with the figure o f €526 million reported for the first half of 2014 was mainly a consequence of the changes described above.

DZ BANK's **cost/income ratio** came to 60.9 percent in the first half of this year (first half of 2014: 47.5 percent).

RORAC (regulatory) was 12.3 percent (first half of 2014: 26.0 percent).

3.2.2. BSH

Net interest income in the BSH subgroup came to €470 million, which was up by 0.2 percent on the €469 million reported for the first half of 2014.

This increase, which resulted from growth in the volume of new business, more than made up for the negative impact of the further decline in the investment interest rate compared with the first half of 2014.

Net interest income was boosted by a sharp rise in demand for non-collective business during the reporting period. The growth in advance and interim financing generated an increase in interest income, despite average interest rates falling. By contrast, the lower level of interest rates meant the contribution to income from available funds was virtually unchanged even though the volume invested was larger. Furthermore, interest income from home savings loans business declined, mainly because of the smaller portfolio and a drop in average interest rates.

Accompanied by a higher interest cost, the volume of home savings deposits at BSH continued to grow and reached €50.2 billion, up by €1.9 billion compared with December 31, 2014. The increase in home savings deposits reflects the importance of home savings in times of historically low interest rates. In the same way as a home savings loan that can be drawn down at the designated time, offering the customer financial certainty thanks to a fixed interest rate that has been agreed in advance, a home savings contract is a secure and transparent way to finance a home. Moreover, home ownership is becoming increasingly important as an anchor of stability that provides a sense of self-determination at a time when uncertainty prevails in the financial markets.

In the period 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.

The BSH subgroup's **net fee and commission income** improved marginally, increasing by €1 million to a net expense of €44 million (first half of 2014: net expense of €45 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. Taking account of changes to fee and commission accruals and deferrals, net fee and commission income was at the same level as in the first half of 2014.

In the home savings business, BSH signed approximately 441,000 new home savings contracts, thereby generating new home savings business of €17.4 billion, up by 11.0 percent on the impressive volume registered in the first half of 2014.

In the home finance business, the volume of lending to clients jointly brokered with the cooperative banks grew to a record €7.1 billion in the reporting period, representing an increase of 9.5 percent. This figure does not include the €3.1 billion accounted for by cooperative bank home finance supported by a home savings contract from BSH.

The impressive rate of growth in home savings and home finance is a reflection of demand for real estate, which has been buoyed by a favorable economic climate. However, there continues to be a shortage of available housing, especially in urban conurbations, compared with the increasing number of households and the desire for more living space.

There is potential for additional demand in the two core business areas of home savings and home finance, firstly owing to the large amount of housing in need of modernization in light of the steady, long-term rise in energy costs and, secondly, as a result of climate change targets, which have become the focus of international initiatives again in recent times.

The expansion of Riester savings provisions to include the conversion of homes to make them accessible to the elderly and disabled, which came into effect with the German Pensions Improvement Act (AltvVerbG) at the start of 2014, is leading to greater interest in Schwäbisch Hall's attractive product portfolio. In the first 6 months of 2015 alone, BSH, the market leader for Riester home savings products, registered demand of 50,000 new contracts for its Fuchs WohnRente product.

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 insurance policies from R+V Versicherung AG, Wiesbaden, (R+V Versicherung; subgroup abbreviated to R+V).

The decrease in **administrative expenses** in the BSH subgroup, which fell by €12 million to €223 million (first half of 2014: €235 million), was largely attributable to cost-cutting measures introduced in 2014 and to projects aimed at increasing efficiency.

Profit before contributions to the resolution fund and before taxes for the period under review rose to €214 million (first half of 2014: €201 million), mainly because of the changes described above.

The **cost/income ratio** in the period under review came to 49.7 percent (first half of 2014: 52.8 percent).

RORAC (regulatory) was 53.3 percent (first half of 2014: 55.3 percent).

3.2.3. DG HYP

Net interest income at DG HYP of €154 million was up by 2.0 percent compared with the figure of €151 million for the first half of last year.

This rise was predominantly due to the negative one-off effect of repurchasing own issues in the first half of 2014 and to the sharp increase in early redemption payments received in March 2015.

Demand remained high in the German investment market for commercial real estate in the first half of 2015. The volume of transactions was €24.0 billion (excluding housing investments), representing a significant year-on-year increase of around 42 percent.

The investment climate was boosted by historically low interest rates during the reporting period. This limited the choice of alternative investments that still offered ample returns, thereby providing additional stimulus for demand for commercial real-estate investments. The increased volume was also indicative of the stable economic environment, with a weak euro, low energy prices, and a rising rate of employment.

A further heightening of interest among German and international investors in the reporting period led to a shortage of supply at the top locations for commercial real estate, thereby pushing up prices.

Against this backdrop, investments in commercial real estate located in less central areas of major cities and in regional centers with potential for development continued to gain in importance during the first 6 months of 2015. Almost half of the volume of transactions was generated outside the top locations.

Consequently, DG HYP's long-standing and close collaboration with the well-established local cooperative banks proved to be a particular advantage. The local cooperative banks' extensive knowledge and strong network of contacts in their region are 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 the first 6 months of 2015, DG HYP generated a volume of new business that was virtually unchanged year on year at €2,153 million (first half of 2014: €2,128 million) despite the challenging competitive situation.

Based on effective mutual support and greater information-sharing with the local cooperative banks, jointly generated new business was sustained at a high level, the volume in the reporting period amounting to €972 million (first half of 2014: €932 million).

In the interests of the cooperative financial network, DG HYP assists the local cooperative banks with public-sector funding inquiries. Taking account of borrowers' credit ratings, DG HYP prepares finance offers that the cooperative banks then present to local authorities. In the period under review, DG HYP generated a financing volume of €132 million (first half of 2014: €157 million).

Allowances for losses on loans and advances amounted to a net reversal of €34 million (first half of 2014: net reversal of €22 million), including a net reversal of specific loan loss allowances of €8 million (first half of 2014: net reversal of €1 million) and a net reversal of portfolio loan loss allowances of €24 million (first half of 2014: net reversal of €21 million).

The €8 million decline in **net fee and commission income** to €13 million (first half of 2014: €21 million) was attributable not only to the reduction in fee and commission income in the lending business, which is dependent on the product mix, but also to increased issuance fees and commissions for two benchmark transactions that were successfully placed in the period under review, each with a volume of €500 million.

Gains and losses on trading activities deteriorated by €14 million year on year to a net loss of €17 million (first half of 2014: net loss of €3 million) as a result of market conditions. The decrease was mainly attributable to a change in the euro/US dollar exchange rate.

Gains and losses on investments, which amounted to a loss of €33 million (first half of 2014: gain of €7 million), included an impairment loss of €25 million equating to 50 percent of a bond of HETA Asset Resolution AG, Klagenfurt, and impairment losses of €10 million on MBSs. The figure for the first half of 2014 had included a gain of €5 million from disposals of MBSs that had been written down in previous periods.

Other gains and losses on valuation of financial instruments amounting to a net gain of €77 million (first half of 2014: net gain of €242 million) reflected the weaker narrowing of credit spreads compared with the first half of 2014 on bonds from the peripheral countries of the eurozone.

Administrative expenses of €52 million (first half of 2014: €51 million) were virtually unchanged year on year.

Profit before contributions to the resolution fund and before taxes for the period under review was down by a substantial 54.2 percent to €181 million (first half of 2014: €395 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.

DG HYP's **cost/income ratio** came to 26.1 percent in the first half of this year (first half of 2014: 12.0 percent).

RORAC (regulatory) was 31.6 percent (first half of 2014: 63.9 percent).

3.2.4. DVB

The DVB subgroup's **net interest income** decreased by 10.3 percent to €96 million (first half of 2014: €107 million).

Net operating interest income included expenses relating to investment management funds that are required to be consolidated and risk costs for ships held by the bank in connection with restructuring. The rise in interest income was unable to make up for the negative impact of these items, which meant that net operating interest income fell by €14 million to €93 million (first half of 2014: €107 million).

Income from long-term equity investments went up by €3 million to €3 million (first half of 2014: €0 million), predominantly because of the first-time consolidation of Gram Car Carriers Holdings Pte Ltd, Singapore, using the equity method, as required by IAS 28. The entity was previously measured at cost.

During the period under review, global freight and passenger transport in all areas of the transport sector was influenced by the strengthening economy of the eurozone, only a muted rate 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. The aviation industry benefited overall from the fall in fuel costs, appreciation of the US dollar, and improved capacity utilization.

In these challenging economic conditions, the DVB subgroup continued to strengthen the focus of its business activities on stable new business and strict 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 100 deals in transport finance business in the reporting period (first half of 2014: 78 deals) with a new business volume of €3.6 billion (first half of 2014: €2.2 billion).

The year-on-year increase in **allowances for losses on loans and advances** of €12 million to €40 million (first half of 2014: €28 million) largely related to the shipping finance business, in which the net addition to allowances for losses on loans and advances rose by €7 million to €28 million (first half of 2014: €21 million).

Net fee and commission income advanced by 2.0 percent to €52 million (first half of 2014: €51 million).

This change comprised an increase of €1 million in fee and commission income from new transport finance to €29 million compared with the first half of 2014, a fall of €2 million in the fees and commissions from the current lending business to €9 million, a drop of €1 million in consulting fees and commissions to €8 million, and growth of €3 million in fees and commissions from asset management to €6 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 first half of the year by a stable, albeit muted, global economy and the associated impact on international freight and passenger transport markets.

Gains and losses on investments improved by €37 million to a gain of €38 million (first half of 2014: gain of €1 million). This increase was predominantly attributable to the sale of some of the shares held in Wizz Air Holding Plc.

The improvement in **other gains and losses on valuation of financial instruments** of €53 million to a gain of €42 million (first half of 2014: loss of €11 million) was primarily attributable to a positive year-on-year change of €40 million in gains and losses on valuation of non-derivative financial instruments using the fair-value option and a positive change of €5 million in gains and losses on derivatives used for purposes other than trading. Other gains and losses on valuation of financial instruments also included measurement gains on cross-currency swaps amounting to €17 million (first half of 2014: measurement gains of €1 million).

The growth in **administrative expenses** of €3 million to €93 million (first half of 2014: €90 million) was primarily a consequence of the €6 million increase in other administrative expenses to €41 million. This rise in turn was primarily due to the recognition in full of the expense for the contribution to the BVR guarantee fund, whereas this expense had only been included on a pro-rata basis in the first half of 2014. Staff expenses fell by €3 million to €52 million.

Other net operating income for the first 6 months of 2015, which amounted to a net expense of €19 million (first half of 2014: net income of €2 million), included an impairment loss of €28 million on the goodwill of the DVB subgroup.

Profit before contributions to the resolution fund and before taxes for the period under review amounted to €84 million. This rise of €48 million compared with the figure of €36 million reported for the first half of 2014 was mainly a consequence of the changes described above.

The **cost/income ratio** in the period under review came to 42.9 percent (first half of 2014: 58.4 percent).

RORAC (regulatory) was 33.0 percent (first half of 2014: 16.3 percent).

3.2.5. DZ PRIVATBANK

Net interest income at DZ PRIVATBANK contracted by a marginal 2.5 percent year on year to €77 million (first half of 2014: €79 million).

The main reasons behind this decline in net interest income were the still 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 period. Besides an improvement in the situation for funding denominated in Swiss francs compared with the first half of 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 €5.5 billion as at June 30, 2015 (December 31, 2014: €5.4 billion).

Net fee and commission income rose by 5.6 percent to €57 million (first half of 2014: €54 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.

The value of funds under management had grown to €97.5 billion as at June 30, 2015, €11.6 billion more than at December 31, 2014. The number of fund-related mandates as at June 30, 2015 had risen by 8 to 620 (December 31, 2014: 612).

At the end of the reporting period, 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). Two new offices, in Berlin and Leipzig, were opened in Germany in the first half of 2015 in order to facilitate DZ PRIVATBANK's collaboration with the cooperative banks.

Gains and losses on trading activities were up by €11 million to a gain of €15 million (first half of 2014: gain of €4 million), largely because of an improvement in gains and losses on exchange differences that, in turn, was primarily a consequence of the Swiss National Bank's unpegging of the Swiss franc exchange rate.

Administrative expenses in the first half of the year amounted to €111 million (first half of 2014: €104 million). This increase of €7 million was essentially due to currency effects, also resulting from the Swiss National Bank's unpegging of the Swiss franc exchange rate.

Other net operating income amounted to a net expense of €5 million (first half of 2014: net expense of €2 million) and included an amortization expense of €8 million in respect of acquired customer relationships.

Against the background of the factors explained above, **profit before taxes** came to €37 million (first half of 2014: €36 million).

DZ PRIVATBANK's **cost/income ratio** came to 75.0 percent in the first half of this year (first half of 2014: 74.3 percent).

RORAC (regulatory) was 22.0 percent (first half of 2014: 22.9 percent).

3.2.6. R+V

Premiums earned contracted by 1.7 percent to €6,981 million (first half of 2014: €7,101 million). However, this was only marginally below the impressive level of premiums earned in the first half of 2014.

Premium income in the life insurance and health insurance business of R+V decreased by 9.5 percent.

In the life insurance business, premium income was down by 10.6 percent. The decline in premiums from IndexInvest and pV Klassisch was only partly offset by increased sales of fund products.

By contrast, R+V Krankenversicherung was able to increase its premium income from health insurance by 8.7 percent, largely due to the encouraging uptrend in regular premiums.

Premium income from non-life insurance advanced by 3.7 percent. This growth was predominantly driven by the vehicle insurance and residential building insurance sectors.

In the first 6 months of 2015, there was also a sharp year-on-year rise of 29.2 percent in premiums earned (net) from inward reinsurance. The main drivers were the vehicle insurance sectors (up by €69 million), the fire sector (up by €66 million), and the storm sector (up by €12 million) in the UK, US, German, and South African markets. Currency effects contributed an increase of €35 million.

Gains and losses on investments held by insurance companies and other insurance company gains and losses declined by 5.4 percent to a gain of €1,976 million (first half of 2014: gain of €2,089 million).

Long-term interest rates rose during the first half of 2015, whereas they had fallen in the corresponding prior-year period. Equities markets relevant to R+V did better over the course of the reporting period than they had in the first half of last year. And exchange rate movements were more favorable to R+V during the first 6 months of this year than in the prior-year period.

Overall, these trends resulted in lower unrealized gains, primarily in the life insurance and health insurance businesses, although there were higher realized gains and an increase in net foreign exchange gains.

Owing to the countervailing effects from the recognition of provisions for premium refunds (particularly in the life insurance and health insurance business) and claims by policyholders in the fund-linked life insurance business in the 'insurance benefit payments' line item presented below, the associated change in the level of gains on investments held by insurance companies only partially affected the level of net income from insurance business before taxes in the period under review.

Insurance benefit payments decreased by 3.5 percent to €7,400 million, compared with €7,667 million in the first 6 months of 2014.

In line with the drop in premium income and lower gains on investments held by insurance companies, lower additions were made to insurance liabilities at companies offering personal insurance. Furthermore, an amount of €433 million was added to the supplementary change-in-discount-rate reserve.

Both in non-life insurance and in inward reinsurance, losses caused by major claims were within expectations for this year.

Insurance business operating expenses incurred in the course of ordinary business activities went up by 2.0 percent to €1,196 million (first half of 2014: €1,172 million).

Other net operating income in the reporting period amounted to a net expense of €5 million (first half of 2014: net expense of €4 million).

Given the factors described above, **profit before taxes** for the first half of the year improved by €9 million to €356 million (first half of 2014: €347 million).

RORAC (regulatory) was 27.7 percent (first half of 2014: 30.2 percent).

3.2.7. TeamBank

The **net interest income** generated by TeamBank was up by 1.9 percent year on year to €263 million (first half of 2014: €258 million).

TeamBank is the consumer finance specialist in the cooperative financial network. It delivered a strong performance in a consumer finance market that was dominated by increasingly predatory pricing and cut-throat competition, benefiting from more favorable funding.

TeamBank again generated solid growth of 4.2 percent in the volume of its easyCredit business (at nominal values), which rose to €7,092 million as at June 30, 2015 (December 31, 2014: €6,808 million).

This encouraging increase was achieved by systematically focusing TeamBank's business activities on the cooperative values shared by all entities in the cooperative financial network and on its related positioning as an all-round fair lender, and by successfully developing its quality strategy.

TeamBank's tried-and-tested collaboration with 853 of the 1,048 local cooperative banks in Germany and the growth in the number of its partner banks in Austria to 76 cooperative banks underline the sustainability of the TeamBank business model, which is founded on fairness and partnership.

To meet the changes in customer requirements resulting from digitization, TeamBank stepped up the easyCredit product's omnichannel presence. Customers are offered identical product variants and services offline and online, i.e. regardless of whether they are receiving face-to-face advice at a cooperative bank or using the internet. A new easyCredit customer portal and an easyCredit app for mobile devices were introduced as part of the bank's efforts to expand its online presence, enabling customers to quickly and easily adjust the scope of their products to suit their individual needs.

In the first half of 2015, TeamBank continued to build its market presence for the product variants that are already successfully established in its customer business. As at June 30, 2015, a total of 409 partner banks and around 79,000 customers were using easyCredit-Finanzreserve, which is still the only credit card on the market incorporating a consumer finance function.

The innovative advisory concept known as 'easyCredit-Liquiditätsberater' has been helping the cooperative idea to gain more prominence. Approximately 69,000 members benefited from advice in the reporting period, and this included around 14,000 new members for the cooperative financial network.

Allowances for losses on loans and advances decreased by €5 million to €42 million (first half of 2014: €47 million) as a result of an improvement in the age structure of outstanding receivables.

Net fee and commission income dropped by 19.6 percent to a net expense of €55 million (first half of 2014: net expense of €46 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.

Administrative expenses climbed by 7.8 percent to €97 million (first half of 2014: €90 million), above all due to higher staff expenses on the back of increases under collective pay agreements as well as to additional IT costs and project costs.

Profit before contributions to the resolution fund and before taxes fell by €2 million to €72 million (first half of 2014: €74 million).

TeamBank's **cost/income ratio** in the period under review came to 46.0 percent (first half of 2014: 42.7 percent).

RORAC (regulatory) was 36.6 percent (first half of 2014: 38.4 percent).

3.2.8. UMH

Net fee and commission income in the UMH subgroup climbed by 13.5 percent to €631 million (first half of 2014: €556 million).

The average volume of assets under management in the Union Investment Group went up by a substantial €35.0 billion to €247.2 billion in the reporting period. This exceptional increase was mainly attributable to the net new business generated and the good performance of both the market and the group during the first half of 2015. The contribution generated with the average assets under management in the reporting year accounted for 77.8 percent of the net fee and commission income.

During the reporting period, market conditions were influenced by moderate growth in the US economy, economic expansion in the eurozone, and an economic slowdown in the emerging markets.

The considerable injection of liquidity provided by the ECB's extensive bond buying program triggered marked price rises in the equities and bond markets over the first 4 months of the year. In the 2 months that followed, however, prices fell below the average that had been achieved in the first 4 months of 2015 as a result of significant volatility in the financial markets that was, in turn, caused by a return to rising inflation rates in the euro area and the spiraling crisis in Greece.

Against this backdrop, 84.5 percent of all of the Union Investment Group's mutual funds outperformed their benchmark in the reporting period.

The successful sales partnership with the local cooperative banks enabled the Union Investment Group to generate net inflows of €4.4 billion from its retail client business.

The multi-asset solutions offered by the Union Investment Group enjoyed rising demand in the period under review. These solutions have proven themselves to be an investment instrument of choice in the present period of low interest rates. The 6 variants in the range of private-client fund products, which are oriented to customers' need for security, together attracted net inflows of €2.8 billion (first half of 2014: €1.9 billion) based on their combination of active asset allocation and risk elements.

Many retail clients are now more interested in assets with a greater intrinsic value, as could be seen from the high level of demand for open-ended real estate funds, which offer an attractive risk/return profile. This asset class generated net inflows of €1.4 billion in the private clients business in the first 6 months of 2015.

In periods of low interest rates, fund-linked savings plans represent an extremely rewarding type of investment. They exploit the opportunities presented by attractive markets, skirting the problem of finding the perfect entry timing, and offer a flexible means of wealth accumulation, particularly for high-net-worth customers. In this case, fund-linked savings plans can provide customized solutions, allowing clients to scale back liquidity and gradually structure capital accumulation. The 12-month savings volume stood at €1.7 billion as at June 30, 2015, up by €0.3 billion (21.4 percent) compared with the end of last year (December 31, 2014: €1.4 billion).

Remaining a cornerstone of lasting private capital preservation, the Riester products attracted net investment of €0.6 billion in the first half of 2015. The Union Investment Group maintained its position as market leader with its fund-based Riester-Rente products (UniProfiRente and UniProfiRente Select) and increased the volume of its Riester-Rente solution portfolios in the period under review by €1.4 billion to €13.3 billion.

Institutional business accounted for the largest proportion of total net inflows in the first half of 2015 at €9.6 billion.

Given the further reduction in interest rates compared with the first half of 2014, institutional investors were increasingly interested in solutions that help to create a balanced investment structure in their portfolios by making greater use of existing diversification options. During the reporting period, this led to demand for the expertise of the Union Investment Group in relation to equity strategies, real-estate investments, fixed-income investments with longer maturities, high-yield bonds, and convertible bonds.

Moreover, the Union Investment Group's outstanding reputation as a professional risk and portfolio manager was particularly reflected in the popularity of capital preservation strategies that avoid losses yet are not forced to maintain a minimum floor at all times. At the end of June 2015, the volume managed by the Union Investment Group in these more flexible solutions stood at €7.6 billion, compared with the total volume managed under capital preservation strategies of €22.0 billion.

Socially responsible investments also generated strong growth, with the value of funds amounting to €10.1 billion as at June 30, 2015 (December 31, 2014: €7.9 billion). The Union Investment Group is therefore one of Germany's leading providers of funds in this segment.

Within the €9 million decrease in **other gains and losses on valuation of financial instruments** to a gain of €4 million (first half of 2014: gain of €13 million), €8 million was attributable to fair value gains and losses and the realized gains and losses on financial instruments measured at fair value. The figure was primarily the result of increases in the market price of units in Union funds that were held and sold.

Administrative expenses rose by 12.0 percent to €327 million (first half of 2014: €292 million). Within this figure, the increase in staff expenses was mainly caused by average salary increases and appointments to new and vacant posts. The growth in other administrative expenses largely resulted from higher IT, property, and occupancy costs.

Other net operating income came to €25 million in the reporting period (first half of 2014: €6 million), primarily reflecting the reversal of a provision of €13 million 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 €52 million to €340 million (first half of 2014: €288 million), above all due to the changes described above.

The **cost/income ratio** came to 49.0 percent in the first half of this year (first half of 2014: 50.3 percent).

RORAC (regulatory) was greater than 100.0 percent (first half of 2014: greater than 100.0 percent).

3.2.9. VR LEASING

The VR LEASING subgroup's **net interest income** decreased by 10.5 percent to €85 million (first half of 2014: €95 million).

Net operating interest income (excluding income from long-term equity investments) in Germany fell by €6 million to €74 million (first half of 2014: €80 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. This meant that net interest income from international business also declined; it fell by €1 million to €7 million (first half of 2014: €8 million) and related to the Hungarian subsidiary Lombard Lizing.

The decline in income from long-term equity investments of €3 million to €4 million (first half of 2014: €7 million) was mainly attributable to lower income from the long-term equity investments in VB-Leasing International Holding GmbH, Vienna, (VBLI), which operates in central and eastern Europe. The lower income from this company was caused by the disposal of the national companies in Poland, Romania, and the Czech Republic in the second half of 2014 and the associated deconsolidation effects at VBLI.

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

A particular advantage for customers created by this strategic realignment at VR LEASING is that financing decisions can be made quickly using the tried-and-tested VR LeasyOnline tool. The entire application and arrangement process, which is available for financing applications of up to €200,000, is automated and digital, making it quick and easy to use. This is complemented by a key online product for hire-purchasing, VR Leasing express, which was launched in 2013. Another online product, VR Leasing flexibel, is currently being piloted. It includes 6 additional options with which credit facilities can be tailored to customers' individual needs and should therefore open up further market potential.

Against an economic backdrop of persistently low interest rates, growing competition, and greater pressure on margins, VR LEASING increased the volume of new business in equipment leasing with banks by roughly 9 percent compared with the first half of 2014. This rise is all the more remarkable in that it was achieved despite cautious levels of capital spending by customers across the leasing sector and despite the growing proportion of companies funding their capital expenditure from their own resources.

The year-on-year decrease in the **allowances for losses on loans and advances** of €8 million to €4 million (first half of 2014: €12 million) was primarily attributable to the improved economic environment in Germany and to the lower requirement for allowances as a consequence of the reduction of the portfolio at Lombard Lizing.

In the first half of 2014, **gains and losses on investments** had amounted to a gain of €12 million (first half of 2015: gain of €1 million), this figure being influenced 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 owing to the fair value measurement carried out by VR-LEASING AG.

Other gains and losses on valuation of financial instruments declined by €6 million to a loss of €2 million (first half of 2014: gain of €4 million). The comparative prior-year period had been influenced by positive valuation effects arising on interest-rate swaps in the equipment leasing business. There were no such valuation gains in the period under review because of the early termination of these interest-rate swaps in December 2014.

Administrative expenses decreased by €5 million to €81 million in the reporting period (first half of 2014: €86 million), the result of the rigorous continuation of the cost savings program.

In the first half of 2014, **other net operating income** had amounted to a net expense of €18 million (first half of 2015: net income of €2 million), primarily due to the recognition of a provision of €27 million for the repayment of margins at Lombard Lizing.

VR LEASING's **profit before contributions to the resolution fund and before taxes** totaled €13 million (first half of 2014: €11 million), mainly because of the factors specified above.

The **cost/income ratio** in the period under review came to 82.7 percent (first half of 2014: 78.9 percent).

RORAC (regulatory) was 8.2 percent (first half of 2014: 5.6 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 June 30, 2015, the DZ BANK Group's **total assets** had increased by €6.3 billion, or 1.6 percent, to €409.0 billion (December 31, 2014: €402.7 billion). This rise was largely attributable to the growth in total assets at R+V (up by €3.4 billion), DZ BANK (up by €2.2 billion), DZ PRIVATBANK (up by €2.0 billion), and BSH (up by €1.9 billion). By contrast, DG HYP's total assets fell by €2.9 billion.

The DZ BANK Group's **loans and advances to banks** declined to €77.6 billion, a reduction of €1.7 billion or 2.1 percent. Loans and advances to banks in Germany decreased by €2.2 billion to €66.1 billion, but loans and advances to foreign banks increased by €0.5 billion to €11.5 billion.

The DZ BANK Group's **loans and advances to customers** rose to €126.1 billion, an increase of €3.7 billion or 3.0 percent. This figure included an increase in the loans and advances to customers at DVB (up by €1.9 billion), BSH (up by €1.5 billion), DZ BANK (up by €0.4 billion), DZ PRIVATBANK (up by €0.3 billion), and

TeamBank (up by €0.3 billion) but also a decrease in the loans and advances to customers at DG HYP (down by €0.8 billion).

As at June 30, 2015, **financial assets held for trading** amounted to €57.7 billion, an advance of €3.2 billion (5.9 percent) on the figure as at December 31, 2014. Whereas money market placements went up by €7.5 billion, holdings of shares and other variable-yield securities by €0.6 billion, and holdings of bonds and other fixed-income securities by €0.4 billion, there was a decrease in derivatives (positive fair values) of €5.3 billion.

Investments fell by €3.0 billion, or 5.2 percent, to €54.3 billion. The volume of bonds and other fixed-income securities contracted by €2.8 billion, while shares and other variable-yield securities were down by €0.2 billion.

The DZ BANK Group's **deposits from banks** as at June 30, 2015 amounted to €86.7 billion, which was €2.5 billion (2.8 percent) below the figure reported as at December 31, 2014. Deposits from domestic banks declined by €2.4 billion to €78.0 billion, and deposits from foreign banks declined by €0.1 billion to €8.7 billion.

Deposits from customers advanced by €4.4 billion, or 4.6 percent, to €100.8 billion. The increase in deposits from customers was particularly strong at DZ PRIVATBANK (up by €2.6 billion) and BSH (up by €1.8 billion).

At the end of the reporting period, the carrying amount of **debt certificates issued including bonds** in the DZ BANK Group had reached €56.2 billion (December 31, 2014: €55.6 billion). The change, amounting to an increase of €0.6 billion in the group, was largely attributable to the increase in debt certificates issued including bonds at DZ BANK in an amount of €2.3 billion and a corresponding decrease at DG HYP in an amount of €0.9 billion. The rise in debt certificates issued including bonds at DZ BANK was largely explained by an increase in commercial paper, which by some way more than offset the reduction in the portfolio of capital markets securities.

Financial liabilities held for trading advanced by €1.3 billion, or 2.5 percent, to €53.0 billion. Money market deposits and bonds issued were up by €2.1 billion and €1.1 billion respectively; the amount of derivatives (negative fair values) decreased by €2.3 billion.

As at June 30, 2015, the **equity** reported by the DZ BANK Group was €18.4 billion (December 31, 2014: €18.2 billion). This change essentially reflects the net profit generated during the period under review of €698 million. However, the amount attributable to non-controlling interests fell by €0.5 billion.

The **DZ BANK Group's capital and solvency situation** is described in this interim group management report in chapter V. (Opportunity and risk report), section 5. (Risk capital management).

5. FINANCIAL POSITION

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

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

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

The DZ BANK Group's main **sources of funding** on the unsecured money markets as at June 30, 2015 were as follows:

FIG. 3 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING OF THE DZ BANK GROUP

%	Jun. 30, 2015	Dec. 31, 2014
Local cooperative banks	38	42
Other banks, central banks	12	14
Corporate customers, institutional customers	18	18
Commercial paper (institutional investors)	32	26

Money market funding also includes collateralized money market activities, which DZ BANK has centralized in Group Treasury and which form the basis for risk-mitigating cash pooling. To this end, key repo and securities lending activities, together with the collateral management process, are managed centrally in Group Treasury. Group Treasury also has at its disposal a portfolio of investment-grade liquid securities (liquidity 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 1 year on a cash flow basis.

DZ BANK's **long-term ratio** as at June 30, 2015 was 93 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 currency swap markets, ensuring matching maturities.

To complement the description of the funding structure, further information on **liquidity risk** can be found in this interim group management report in chapter V. (Opportunity and risk report), section 12. (Liquidity risk in the Bank sector). The year-on-year changes in cash flows from operating activities, investing activities, and financing activities are shown in the **statement of cash flows** in the interim consolidated financial statements.

III. Events after the balance sheet date

In 2009, DZ BANK Perpetual Funding Private Issuer (Jersey) Ltd. had issued securities in an amount of €500 million, which were reported as non-controlling interests under equity. The securities were cancelled by means of a redemption notice on May 29, 2015 and reclassified to subordinated capital as at the reporting date. They were redeemed on July 1, 2015.

In addition, DZ BANK Perpetual Funding Issuer (Jersey) Ltd. had issued securities in an amount of €250 million in 2008. These securities were cancelled by means of a redemption notice on August 12, 2015. As at the reporting date, they were included as non-controlling interests under equity. They were reclassified from non-controlling interests to subordinated capital on the date on which the redemption notice was published.

IV. Outlook

1. ECONOMIC CONDITIONS

1.1. GLOBAL ECONOMIC TRENDS

Various factors, including some temporary ones, meant that global economic growth fell short of expectations in the winter months of 2014/2015. Whereas industrialized countries are anticipated to return to higher growth rates over the remainder of 2015, worldwide economic growth is being hampered by structural problems and by financial and macroeconomic imbalances in emerging markets. The global economy overall is likely to expand at a rate of roughly 3 percent this year. A small rise in global growth to approximately 3.5 percent is predicted for 2016. Similarly, global trade is only expected to grow by around 2 percent in 2015, before returning to a higher rate of growth next year.

1.2. TRENDS IN THE USA

The US economy is likely to have returned to its path of growth in the second quarter, as indicated by factors such as the sustained upturn in employment. The sharp fall in unemployment is providing a particular boost to demand for housing, as a result of which prices for owner-occupied residential real estate are on track to rise for the fourth year in a row in 2015. Household debt levels are generally falling, which is having a stabilizing effect. Nonetheless, a significant hike in interest rates would pose a risk for the US housing market.

The sustained recovery of the labor market continues to ensure a robust level of consumer spending. Because the industrial sector is still feeling the impact of the weakness in the oil industry and the momentum in the construction industry primarily stems from pent-up demand, the US economy is only expected to generate moderate growth of around 2 percent this year. The US economy's growth trajectory is set to continue in 2016, albeit at an only slightly higher rate. Consumer prices will rise by less than 0.5 percent in 2015 but are forecast to go up by more than 2 percent next year on the back of increasing wage pressure as employment continues to increase.

1.3. TRENDS IN THE EUROZONE

The eurozone's economic recovery strengthened in the first half of this year. An uptrend fueled by domestic demand is beginning to prevail, particularly in France and Italy, and is also receiving a boost from low energy prices at the moment. Uncertainties surrounding Greece's financial future did not significantly dampen sentiment in the euro area.

In the second half of the year, the non-recurring factors providing an economic boost for the eurozone – the lower oil price and a weaker euro – are likely to gradually disappear. Economic output is forecast to rise by 1.6 percent over 2015 as a whole. Without any significant stimulus from capital spending, the economy is unlikely to gain momentum any time soon, which means that economic growth will be at roughly the same level next year.

The rate of inflation in the EMU reached 0.3 percent in May 2015, the first time it had been in positive figures since November 2014. As commodity prices continue to fall, normalization of the inflation rate is likely to be delayed and average inflation for 2015 is predicted to be only slightly above zero. Next year, the rate of inflation is anticipated to increase to around 1 percent.

1.4. TRENDS IN GERMANY

Following an unexpected slowdown in its growth at the start of the year, the German economy made a good start to the second quarter. Industrial production and the construction industry both generated considerably higher growth. The level of orders was even more encouraging. Exports, too, made a positive contribution to growth. The favorable labor market and growth in income point to a stable level of consumer spending. However, capital expenditure continues to lack momentum.

The pace of growth is unlikely to accelerate in the second half of the year owing to the turbulent situation for foreign trade. Against this backdrop, growth is predicted to be approximately 2 percent in 2015, falling to roughly 1.6 percent next year. With the mitigating effect of lower prices for mineral oil products, consumer prices in Germany will only rise by less than 0.5 percent in 2015. Partly as a consequence of the current devaluation of the euro, the rate of inflation is forecast to increase to slightly higher than 1 percent in 2016.

1.5. TRENDS IN THE FINANCIAL SECTOR

Escalation of the dispute between Greece and the Eurogroup shook the financial markets in the middle of this year. If Greece were to default, the German government would incur significant losses as one of Greece's creditors. For the private sector, however, the direct consequences of a Greek default would be fairly small. Many companies and banks have already responded to the Greek crisis, which has been smoldering for years, and scaled back their business relations with the country.

2. CHANGES IN FINANCIAL PERFORMANCE

Beyond the factors mentioned below, the outlook for the expected business performance of the DZ BANK Group has not changed substantially – including in respect of the operating segments. Performance in 2015 and 2016 must still be assessed against the background of the excellent financial performance delivered in 2014.

Compared with this exceptional year, **profit before taxes** – excluding one-off items – in 2015, and particularly in 2016, is likely to decline to a significantly lower level consistent with the core earnings power of the DZ BANK Group. Our target of a profit before taxes for the year as a whole of €1.5 billion therefore represents a solid level of profit – and it has the potential to be higher.

The extremely low interest rates, the increase in costs driven by regulatory requirements, and the European bank levy will have an adverse effect on future financial performance.

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

Net interest income for 2015 will probably be down slightly year on year, despite the non-recurring effect of income from long-term equity investments (advance dividend from EURO Kartensysteme GmbH) in the Bank operating segment. The ongoing phase of low interest rates will severely affect net interest income, however. In particular, income from the interest-rate-dependent business models within the DZ BANK Group will continue to come under increasing pressure this year and in 2016.

Net interest income could be negatively impacted in 2016 by any renewed deterioration in sentiment regarding the prospects for economic growth in the eurozone and by discussion of further monetary policy measures in the eurozone.

Expenses for **allowances for losses on loans and advances** in 2015 are anticipated to rise substantially compared with 2014. Consequently, there is likely to be an addition to specific loan loss allowances during the remaining months of 2015, particularly in the DZ BANK AG operating segment. 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 and the long-term standard risk costs.

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

Net fee and commission income is expected to be slightly higher this year than it was in 2014. A further small increase is predicted for 2016. The reason for this assessment is that, in the current capital market environment, it is likely that the UMH operating segment will be able to generate income from performance fees at the level achieved in 2014.

Any renewed uncertainty in capital and financial markets, particularly as a result of effects from the sovereign debt crisis, could have a negative impact on confidence and sentiment among private and institutional investors, thereby depressing net fee and commission income.

In all probability, net gains under **gains and losses on trading activities** will be lower in 2015 than in 2014 as a result of reduced momentum from the customer-driven capital markets business. The DZ BANK Group will continue to forge ahead with strategic measures in the capital markets business in 2016, so there should be a sustained improvement in net gains.

The prerequisites for this improvement in gains and losses on trading activities are that there must be no further fall in interest rates, capital markets must remain stable overall, and the defined strategic measures must be implemented.

Net gains under **gains and losses on investments** are expected to decline this year, simply because of the absence of positive one-off items. In 2016, they are anticipated to fall again, reaching a very low level.

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

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

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

A substantial rise in **administrative expenses** is likely this year and in 2016. This increase will be in response to tighter regulatory and statutory provisions, particularly the European bank levy. These regulatory-related increases are likely to be mainly reflected in rising staff expenses and increased project costs.

One of the continued strategic aims within the DZ BANK Group is to improve the cost/income ratio, despite additional pressures, 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 2015. A decrease is only expected in 2016 as a consequence of the forecast income growth.

In 2015, **RORAC** (regulatory) will be down following the excellent financial performance in 2014. The decline will be caused by the significant reduction in expected earnings combined with a small rise in the regulatory base rate of return. Nevertheless, it will be at a very respectable level that compares well with the rest of the sector. In 2016, RORAC will rise substantially compared with this lower level, based on the expected improvement in earnings.

Over the last few years, DZ BANK has strengthened its capital base from its own resources. It will continue to make significant progress in this regard in

2015, mainly by retaining profits from the net profit generated in 2014 and by further reducing securitization exposures.

In order to achieve a sharper regional focus, DZ BANK Ireland's business operations are likely to be closed down at the start of 2016. The material assets were sold to DZ BANK AG in 2015.

3. CHANGES IN FINANCIAL POSITION

The DZ BANK Group anticipates that the local cooperative banks will continue to hold stable levels of deposits this year, 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 the DZ BANK Group is expected to continue to be underpinned by stable sales of a wide variety of funding products as a result of the broad, well-established customer base.

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

V. Opportunity and risk report

DZ BANK Group

1. SUMMARY

1.1. OPPORTUNITY AND RISK MANAGEMENT SYSTEM

The features of the DZ BANK Group's opportunity and risk management system are described in detail in the opportunity and risk report in the 2014 group management report. Those disclosures are also applicable to the first half of this year, unless otherwise indicated in this report. The main features of the opportunity and risk management system are summarized below.

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 insolvency.

The **management of opportunities** in the DZ BANK Group is integrated into the annual strategic planning process. Strategic planning enables the group to identify and analyze market discontinuities 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 to the Board of Managing Directors on future business development opportunities are based on the outcome of the strategic planning. As part of the general communication of business strategy, employees are kept up to date about potential opportunities that have been identified.

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

The risk management system is more detailed than the system for the management of opportunities because risk management is subject to comprehensive statutory requirements and is also of critical importance to the continued existence of the DZ BANK Group as a going concern. The management of opportunities is based on a qualitative approach and is tightly integrated into the strategic planning process.

The purpose of the groupwide **risk capital management** system is to ensure that the risks in the risk types backed by capital are calculated consistently. Risk management also covers a further type of risk, liquidity risk, which is not covered by capital owing to the nature of the risk involved.

Efficient management and control tools are used in all areas of risk. These tools are subject to continual further development and refinement. The development of these tools is guided by business management requirements and, in terms of risk management, takes account of regulatory requirements. The methods used for the measurement of risk are integrated into the risk management system. Risk model calculations are used for the management of the DZ BANK Group and the entities included within the group.

Given the methods that it has implemented and the organizational arrangements and IT systems that it has put in place, DZ BANK and its subsidiaries are, to the greatest possible extent, in a position to identify material opportunities and risks at an early stage and to initiate appropriate control measures, both at the group level and at the level of the individual group entities. This applies in particular to the early detection of risks that could affect the group's survival as a going concern.

The tools used for the purposes of risk management also enable the DZ BANK Group to respond appropriately to significant market movements. Changes in risk factors, such as a deterioration in credit ratings or the widening of credit spreads on securities, are reflected in adjusted risk parameters in the mark-to-model measurement of credit risk and market risk. Conservative crisis scenarios for short-term liquidity are intended to ensure that liquidity risk management also takes adequate account of market crises. A risk limit system based on risk-bearing capacity, stress testing encompassing all material risk types, and a flexible internal reporting system generally ensure that the management is in a position to initiate targeted corrective action if required.

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

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

Insurance sector:
- R+V

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

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

The other subsidiaries and investee entities are included in the system indirectly as part of equity investment risk.

The management units ensure that their respective subsidiaries and investees are also included in the DZ BANK Group's risk management system – indirectly via the majority-owned entities – and meet the minimum standards applicable throughout the group.

1.2. RISK FACTORS, RISKS, AND OPPORTUNITIES

RISK FACTORS

The risk factors described in the opportunity and risk report in the 2014 group management report continued to be relevant to the DZ BANK Group in the first 6 months of this year. There were material developments affecting some **risk factors relating to the economy as a whole** during the reporting period, and these are described below.

Because of their high levels of government debt, eurozone countries **Portugal, Ireland, Italy, and Spain** remain vulnerable to investors changing their risk assessment. These countries have now made impressive progress in consolidating their budgets and stabilizing their economies. However, the stabilization policies that they are pursuing are controversial from a social perspective because of the austerity that they create and are therefore likely to be a key issue that will determine the outcome in upcoming parliamentary elections.

Portugal and Spain are due to go to the polls in autumn and winter 2015. **Spain**, in particular, is likely to see strong gains by two protest parties: the populist left-wing Podemos and the conservative Ciudadanos. If Podemos secures an influential role in the future Spanish government, Spain could undergo a fundamental shift in its economic policy with potentially serious consequences for the euro and the stability of the eurozone. Not least, Spain's international cooperation on matters of financial policy could be called into question.

The financial position of **Greece** is still considered to be extremely precarious. In 2014, Greek national debt equated to roughly 177 percent of GDP and could rise to 186 percent this year. This remains one of the highest ratios in the world. Cooperation with the EU became very difficult following the victory of the left-wing and anti-reform Syriza party in the parliamentary elections in January 2015 and its formation of a coalition with the populist right-wing Anel party.

After rejecting the bailout plan, which expired on June 30, 2015, and the related offer of €15.5 billion in funding for Greece, the Greek government was forced to close the banks and impose capital controls in July 2015. Also in that month, negotiations between Greece and its creditors began on the provision of financial assistance, expected to be in an amount of €86 billion. However, the prospects for the success of this new rescue package are unclear. In particular, there continue to be doubts about the political feasibility of pushing through the spending cuts and reforms demanded by the creditors. The IMF, which believes Greece's debt burden is no longer sustainable, is therefore calling for a haircut on the country's debt. Some form of restructuring of Greek debt therefore appears unavoidable. The risk of a possible Greek exit from the eurozone also cannot be ruled out. This could result in turmoil in the international financial markets, which in turn would adversely affect the countries of the eurozone.

The risk factors described have an impact on various risks to which the DZ BANK Group is 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 the type of risk most affected by the risk factors relating to the economy as a whole. 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.

RISKS

The DZ BANK Group remained within its economic **risk-bearing capacity** in the first half of 2015 and also complied with regulatory requirements for capital adequacy at all times. The **solvency** of the DZ BANK Group was never in jeopardy at any point during the reporting period. By holding ample liquidity reserves, the group ensures that it is able to protect its liquidity against any potential crisis-related threats. There are no indications that the continued existence of the DZ BANK Group or individual group entities as **going concerns** might be at risk.

OPPORTUNITIES

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

2. RISK STRATEGY

The exploitation of business opportunities and the systematic, controlled assumption of risk in relation to target returns form an integral part of corporate control in the DZ BANK Group. The activities resulting from the business model require the ability to identify, measure, assess, manage, monitor, and communicate opportunities and risks.

The need to cover risks with adequate capital and to hold appropriate reserves of cash is also recognized as an essential prerequisite for the operation of the business and is of fundamental importance. In all their activities, the DZ BANK Group and DZ BANK therefore abide by the principle of only taking on risk to the extent absolutely necessary to achieve their business objectives and to the extent that the risk appears manageable.

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

3. POTENTIAL OPPORTUNITIES

3.1. CORPORATE STRATEGY

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

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

Furthermore, it is planned to enhance **corporate governance** in the DZ BANK Group with the aim of integrating the local cooperative banks even more closely. Over the last few years, DZ BANK has also stepped up its collaboration with WGZ BANK in order to leverage synergies for the entire cooperative financial network, besides improving the range of products and services offered.

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

The strategic focus of the DZ BANK Group on network-based business is a significant contributing factor in helping the **cooperative banks to strengthen their market position**. The local cooperative banks therefore not only receive substantial financial support in the form of fees, commissions, and profit distributions, they also enjoy the transfer of cost benefits and the availability of competitive products and services.

The core activities referred to above are supplemented by **complementary activities** using existing products, platforms, and services, for which DZ BANK acts as a corporate bank vis-à-vis third parties. These activities do not compete directly with those of the cooperative banks and they enable further economies of scale to be created for the entire cooperative financial network.

The **Outlook** section of the interim group management report describes expected developments in the market and business environment together with the DZ BANK Group's business strategy and the implications for the financial performance forecast for the second half of the year. These are crucial factors in the DZ BANK Group's strategic positioning and the resulting opportunities for increasing revenue and cutting costs during the remainder of the year.

3.2. CREDIT RATINGS

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

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

During the first half of 2015, 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 credit ratings from Standard & Poor's for both the long-term and the short-term credit ratings remained unchanged. However, the credit rating for DZ BANK BRIEFE went down one notch to AA+ in July 2015 following a change in methodology at Standard & Poor's. Figure 4 provides an overview of DZ BANK's credit ratings as at June 30, 2015.

As at June 30, 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 long-term rating of the cooperative financial network from A+ to AA- at the same time that it adjusted DZ BANK's long-term rating.

FIG. 4 – DZ BANK RATINGS

	Standard & Poor's		Moody's		Fitch	
	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Covered bonds (DZ BANK BRIEFE)	AAA	AAA	–	–	AA+	AA
Long-term rating	AA-	AA-	Aa2	A1	AA-	A+
Short-term rating	A-1+	A-1+	P-1	P-1	F1+	F1+

4. RISK CAPITAL MANAGEMENT

4.1. ECONOMIC CAPITAL ADEQUACY

4.1.1. Measurement methods

Economic capital management is based on internal risk measurement methods, which take into account all key types of risk with the exception of liquidity risk. The risk capital requirement is determined by aggregating the relevant risk types of all management units. The methods selected serve to meet the statutory requirements for a groupwide integrated risk capital management system. DZ BANK uses a sectoral approach in its risk management, distinguishing between the Bank sector and the Insurance sector.

As part of **risk-bearing-capacity analysis**, the risk capital requirement is compared with the available internal capital (reduced by a capital buffer) in order to determine the economic capital adequacy. The Board of Managing Directors determines the upper loss limits for the year on the basis of the available internal capital and bearing in mind the necessary capital buffer. These limits then restrict the risk capital requirement.

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

- The available internal capital from the **Bank sector** is predominantly calculated on the basis of the IFRS data prepared for financial reporting (FinRep), but excludes R+V.
- The available internal capital from the **Insurance sector** is based on the capital of the R+V Versicherung AG insurance group in accordance with Solvency II.

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

The term 'recalculation' refers to the new calculation of the overall solvency requirement and the available internal capital as at the end of 2014 using the final data from the annual 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 have not been completely updated in the in-year calculation and an appropriate projection has been made.

4.1.2. Capital buffer

The purpose of the capital buffer is to cover the lack of some precision in risk measurement as well as account for risks that are not measured as part of the risk capital requirement and not managed using risk limits (upper loss limits). This applies to **migration risk on traditional loans**, for example. The individual components of the capital buffer are quantified using a method based on scenarios and models with input from experts.

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

The risks arising in connection with the assets and liabilities are regularly assessed by a DZ BANK investment committee; corrective action to eliminate risk is taken where necessary. Changes in decisions by the courts, in legislation, or in accounting standards may make it necessary to adjust existing provisions for pensions and other post-employment benefits.

4.1.3. Risk-bearing capacity

The DZ BANK Group's **available internal capital** as at June 30, 2015 was measured at €21,360 million (December 31, 2014: €19,893 million). The capital buffer as at June 30, 2015 was determined as €1,302 million (December 31, 2014: €2,644 million). This substantial decrease was largely due to exposures being transferred from the capital buffer to the regular risk calculation. The corresponding increase in the risk capital requirement was offset by the increase in the level of available internal capital.

Derived from the available internal capital minus the capital buffer, the **upper loss limit** totaled €16,840 million as at the reporting date (December 31, 2014: €15,284 million). The rise in the upper loss limit and risk capital requirement during the reporting period was mainly the result of various exposures being transferred from the capital buffer to the risk capital requirement.

As at June 30, 2015, the **economic capital adequacy ratio** was calculated at 163.0 percent (December 31, 2014: 167.3 percent). This ratio fell slightly despite the growth in free available internal capital (available internal capital after deduction of the capital buffer minus the risk capital requirement).

Figure 5 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 6. The effects of diversification are taken into account when calculating the overall risk capital requirement. This gives rise to discrepancies between the totals shown in the tables and the mathematical totals.

FIG. 5 – ECONOMIC CAPITAL ADEQUACY OF THE DZ BANK GROUP

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

Figure 7 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.

4.2. REGULATORY CAPITAL ADEQUACY

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

The main key figures for regulatory capital adequacy are given below. Additional information on the

FIG. 6 – UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT IN THE BANK SECTOR

	Upper loss limits			Risk capital requirement		
€ million	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Credit risk	4,928	4,550	3,942	3,705	3,858	3,056
Equity investment risk	951	951	974	832	861	788
Market risk[1]	5,870	5,942	6,422	3,597	3,972	2,769
Technical risk of a home savings and loan company[2]	550	550	500	549	549	496
Operational risk	1,150	1,150	689	829	846	628
Business risk[3]	754	745	436	628	648	361
Total (after diversification)	**13,040**	**12,742**	**11,784**	**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. 7 – UPPER LOSS LIMITS AND OVERALL SOLVENCY REQUIREMENT IN THE INSURANCE SECTOR

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

solvency of the DZ BANK financial conglomerate is available in the DZ BANK banking group's regulatory risk report for 2014. Detailed data on the solvency of the DZ BANK banking group will be published in the DZ BANK banking group's regulatory risk report for the first half of 2015.

4.2.1. DZ BANK financial conglomerate

The Supervision of Financial Conglomerates Act (FKAG) essentially forms the legal basis for the supervision of the DZ BANK financial conglomerate. Financial conglomerate solvency is the amount equating to the difference between the total of eligible capital in the financial conglomerate and the total of solvency requirements for the conglomerate. The coverage ratio is calculated by dividing capital by the solvency requirement. The resulting ratio must be at least 100 percent.

The solvency ratios as at December 31, 2014 were finalized in the first half of this year. The DZ BANK financial conglomerate's eligible capital as at December 31, 2014 amounted to €19,201 million (provisional figure given in the 2014 opportunity and risk report: €18,836 million). On the other side of the ratio, the solvency requirement amounted to €11,011 million (unchanged on the provisional figure given in the 2014 opportunity and risk report). This produced a final coverage ratio of 174.4 percent (provisional figure given in the 2014 opportunity and risk report: 171.1 percent), significantly in excess of the regulatory minimum requirement. The change in capital compared with the provisional figure is due to the final calculation being based on the equity reported in the adopted consolidated financial statements for the year ended December 31, 2014.

4.2.2. DZ BANK banking group

REGULATORY CAPITAL RATIOS IN ACCORDANCE WITH THE CRR

Calculated in accordance with the Capital Requirements Regulation (CRR), the DZ BANK banking group's regulatory **capital** as at June 30, 2015 amounted to a total of €16,670 million (December 31, 2014: €16,508 million).

As at June 30, 2015, **Tier 1 capital** totaled €13,802 million (December 31, 2014: €13,407 million) and comprised common equity Tier 1 capital of €12,792 million (December 31, 2014: €11,913 million) plus additional Tier 1 capital of €1,010 million (December 31, 2014: €1,494 million).

There was an increase of €879 million in common equity Tier 1 capital as at June 30, 2015, compared with December 31, 2014. The increase particularly resulted from interim profit of €489 million that is eligible as regulatory capital and the revaluation reserve of €487 million that, with effect from January 1, 2015, became eligible as regulatory capital on a pro-rata basis for the first time under the CRR. This increase was offset by the higher proportion of capital deductions that have had to be recognized under the CRR since January 1, 2015 and further effects of the CRR totaling minus €97 million. The reduction in additional Tier 1 capital, which totaled €484 million, was largely attributable to the termination of equity instruments in this class with a total volume of €750 million. As a result of the provisions in the CRR, this termination also had an impact on some components of Tier 2 capital.

Tier 2 capital stood at €2,868 million. This fall of €233 million compared with the end of 2014 was primarily due to the aforementioned termination of instruments of additional Tier 1 capital and to other CRR-related effects.

As at June 30, 2015, regulatory **capital requirements** were calculated at €8,090 million (December 31, 2014: €7,846 million). The rise was predominantly attributable to the increase in the capital requirements for market risk calculated using the internal model. Among other factors, the multiplier went up during the reporting period due to backtesting anomalies. Furthermore, the minimum capital requirement for operational risk increased on the basis of the Standardized Approach owing to revenue growth in the DZ BANK banking group. The equity-accounted carrying amount of R+V was higher as at June 30, 2015 than at the end of last year, resulting in an increase in the capital requirements for credit risk.

The **total capital ratio** of the DZ BANK banking group declined from 16.8 percent as at December 31, 2014 to 16.5 percent as at the balance sheet date. As at June 30, 2015, the **Tier 1 capital ratio** was 13.6 percent, a small

FIG. 8 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP IN ACCORDANCE WITH CRR

€ million	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Capital			
Common equity Tier 1 capital	12,792	12,750	11,913
Additional Tier 1 capital	1,010	1,360	1,494
Tier 1 capital	**13,802**	**14,110**	**13,407**
Total Tier 2 capital after capital deductions	2,868	3,429	3,101
Total capital	**16,670**	**17,539**	**16,508**
Capital requirements			
Credit risk (including long-term equity investments)	6,328	6,589	6,309
Market risk	1,049	917	873
Operational risk	713	713	664
Total	**8,090**	**8,219**	**7,846**
Capital ratios			
Total capital ratio (minimum ratio: 8.0 percent)	16.5%	17.1%	16.8%
Tier 1 capital ratio (minimum ratio: 5.5 percent)	13.6%	13.7%	13.7%
Common equity Tier 1 capital ratio (minimum ratio: 4.0 percent)	12.6%	12.4%	12.2%

decrease on the ratio of 13.7 percent as at December 31, 2014. The **common equity Tier 1 capital ratio** stood at 12.6 percent as at the reporting date, which was significantly above the ratio as at December 31, 2014 of 12.2 percent.

The ratios were well above the regulatory minimum values at all times during the first half of the year.

Figure 8 provides an overview of the DZ BANK banking group's regulatory capital ratios in accordance with the regulations in force in the first half of this year.

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.

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 DZ BANK banking group's leverage ratio was 4.0 percent as at June 30, 2015. It had been calculated at 3.9 percent as at March 31, 2015. The increase in this ratio in the second quarter of 2015 was mainly the result of decreases in on-balance-sheet exposures and derivative exposures at DZ BANK.

FUTURE BASEL III REGULATORY CAPITAL RATIOS

According to the regulations that will apply from 2019 (also known as 'fully loaded'), the DZ BANK banking group would have the following solvency ratios as at June 30, 2015:

- Total capital ratio: 15.9 percent (December 31, 2014: 12.8 percent); minimum ratio: 10.5 percent
- Tier 1 capital ratio: 11.8 percent (December 31, 2014: 11.2 percent); minimum ratio: 8.5 percent
- Common equity Tier 1 capital ratio: 11.8 percent (December 31, 2014: 11.1 percent); minimum ratio: 7.0 percent

During the first 6 months of 2015, the ratios were in excess of the regulatory minimum values at all times.

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 the two stress scenarios that are used, a deterioration in credit ratings and collateral values is applied that depends on the scenario selected, the bank in question, and the asset class concerned. The capital requirements for the internal market risk model are also stress-tested in one of the scenarios.

ADDITIONAL SOLVENCY REQUIREMENTS SET BY THE ECB

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), the DZ BANK banking group's total capital ratio and common equity Tier 1 capital ratio must at all times be above the statutory requirements currently in force.

The DZ BANK banking group met these requirements during the first half of year. According to current projections, this will also be assured throughout the remainder of the year.

4.2.3. R+V Versicherung AG insurance group

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

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

Analysis of the capital market scenarios applied in the internal planning shows that the R+V Versicherung AG insurance group's solvency ratio will continue to exceed the minimum statutory requirement as at December 31, 2015.

Bank sector

5. CREDIT RISK

5.1. LENDING VOLUME

5.1.1. 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.

5.1.2. Change in lending volume

The **total lending volume** as at June 30, 2015 was €304.0 billion, which was virtually unchanged on the volume as at December 31, 2014 of €303.7 billion.

Looking at the individual credit-risk-bearing instruments, the volume of **traditional lending business** totaled €208.7 billion as at June 30, 2015 (December 31, 2014: €206.8 billion). This small increase was primarily attributable to DVB and BSH. The credit quality breakdown within this type of business was almost unchanged compared with the end of 2014.

FIG. 9 – BANK SECTOR: LENDING VOLUME, BY SECTOR

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Financial sector	70.2	73.3	32.9	34.5	9.3	8.6	112.3	116.3
Public sector	6.4	6.7	40.5	41.9	1.2	1.0	48.1	49.7
Corporates	82.9	80.0	2.7	2.6	2.5	2.2	88.1	84.8
Retail	44.8	42.6	3.6	3.9	–	–	48.4	46.5
Industry conglomerates	4.0	3.6	1.1	1.3	1.3	0.9	6.5	5.7
Other	0.5	0.6	–	–	–	–	0.5	0.6
Total	**208.7**	206.8	**80.9**	84.1	**14.3**	12.7	**304.0**	303.7

FIG. 10 – BANK SECTOR: LENDING VOLUME, BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Germany	167.6	167.4	52.2	54.5	9.3	8.7	229.1	230.6
Other industrialized countries	27.4	26.6	25.1	26.2	4.5	3.4	57.0	56.2
Advanced economies	4.5	4.1	0.5	0.4	0.1	–	5.1	4.6
Emerging markets	9.2	8.7	0.8	0.8	0.2	0.2	10.1	9.7
Supranational institutions	–	–	2.4	2.2	0.3	0.3	2.7	2.6
Total	**208.7**	206.8	**80.9**	84.1	**14.3**	12.7	**304.0**	303.7

The lending volume in the **securities business** was down by 4 percent, from €84.1 billion as at December 31, 2014 to €80.9 billion as at June 30, 2015. This change was largely due to disposals at DZ BANK and price falls in DG HYP's portfolios.

By contrast, the lending volume in the **derivatives and money market business** rose by 13 percent in the first half of this year, from €12.7 billion as at December 31, 2014 to €14.3 billion as at June 30, 2015. This change was largely attributable to derivatives and money market business at DZ BANK and to exchange rate effects and methodology changes at DVB.

5.1.3. Sector structure of the credit portfolio

Figure 9 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 June 30, 2015, the lending volume was concentrated in the financial sector (37 percent; December 31, 2014: 38 percent) and among corporates (29 percent; December 31, 2014: 28 percent). In addition to the local cooperative banks, the borrowers in this customer segment comprised banks from other sectors of the banking industry and other financial institutions.

In its role as a central institution for the Volksbanken Raiffeisenbanken cooperative financial network, DZ BANK provides funding for the entities in the DZ BANK Group and for the cooperative banks. For this reason, the cooperative banks account for one of the largest receivables items in the DZ BANK Group's credit portfolio. DZ BANK also supports the cooperative banks in the provision of larger-scale funding to corporate customers.

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

5.1.4. Geographical structure of the credit portfolio

Figure 10 shows the geographical distribution of the credit portfolio by country group. The lending volume is assigned to the individual country groups using the International Monetary Fund's breakdown, which is updated annually. This also applies to the other country-group breakdowns related to credit risk in this opportunity and risk report.

As at June 30, 2015, 94 percent of total lending was concentrated in Germany and other industrialized countries. This figure was unchanged from December 31, 2014.

5.1.5. 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 11 as at June 30, 2015 shows that the lending volume had increased by €3.1 billion in the short-maturity band compared with December 31, 2014. This was largely attributable to shifts from the medium-maturity band at DG HYP and DZ BANK. The €2.1 billion decrease in lending volume in the longer-term maturity band

FIG. 11 – BANK SECTOR: LENDING VOLUME, BY RESIDUAL MATURITY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
≤ 1 year	46.4	47.5	17.4	14.9	9.3	7.6	73.1	70.0
> 1 year to ≤ 5 years	50.3	49.5	28.1	30.1	2.3	1.7	80.6	81.3
> 5 years	112.1	109.9	35.4	39.1	2.8	3.3	150.3	152.3
Total	**208.7**	**206.8**	**80.9**	**84.1**	**14.3**	**12.7**	**304.0**	**303.7**

primarily arose because of effects at DZ BANK and falls in the market values of the exposure to countries in south-east Europe at DG HYP.

LENDING VOLUME PAST DUE BUT NOT IMPAIRED

Figures 12 and 13 show the portion of the lending volume that is past due but not impaired. The disclosures relate to traditional lending business.

No valuation allowances were recognized for these loans because the amounts past due were generally repaid promptly, or were expected to be repaid promptly. Furthermore, it can be assumed that the entire amounts due under the lending agreements concerned could be collected by recovering collateral.

Because of the conservative risk provisioning policy of the entities in the 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 was primarily attributable 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 €297 million (December 31, 2014: €410 million) were predominantly loans secured by mortgages. The growth in the volume of loans that were past due by between more than 5 days and up to a month was mainly attributable to individual shipping finance transactions at

FIG. 12 – 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	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Financial sector	14	2	22	–	–	1	–	–	2	2	38	6
Public sector	–	–	–	–	–	1	–	–	–	–	1	1
Corporates	170	36	183	34	20	75	20	43	274	381	668	571
Retail	26	730	21	10	5	11	4	3	21	25	76	778
Industry conglomerates	3	1	–	–	–	–	–	–	–	–	3	1
Other	–	–	–	–	–	1	–	–	–	1	1	2
Total	**213**	**770**	**228**	**45**	**26**	**88**	**24**	**47**	**297**	**410**	**788**	**1,360**

FIG. 13 – 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	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Germany	140	761	103	39	20	77	16	16	83	141	363	1,033
Other industrialized countries	69	8	17	5	–	3	8	13	85	132	179	161
Advanced economies	–	1	–	–	–	–	–	9	52	58	52	69
Emerging markets	4	–	108	–	5	8	–	10	77	79	194	97
Supranational institutions	–	–	–	–	–	–	–	–	–	–	–	–
Total	**213**	**770**	**228**	**45**	**26**	**88**	**24**	**47**	**297**	**410**	**788**	**1,360**

DVB, both in the corporates sector and in the emerging markets country group. These exposures are very well collateralized, which means there is no need to recognize specific loan loss allowances at present.

5.1.6. Rating structure of the credit portfolio

RATING STRUCTURE OF THE TOTAL LENDING VOLUME

Figure 14 shows the 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 available.

The proportion of the total lending volume accounted for by rating classes 1A to 3A (investment grade) remained unchanged at 74 percent between December 31, 2014 and June 30, 2015. 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 rating classes 5A to 5E accounted for 2 percent of the total lending volume as at June 30, 2015 and thus remained at the low level reported as at December 31, 2014.

SINGLE BORROWER CONCENTRATIONS

As at June 30, 2015, the 10 counterparties associated with the largest lending volumes accounted for 9 percent of the total lending exposure (December 31, 2014: 11 percent).

These counterparties largely comprised financial-sector and public-sector borrowers domiciled in Germany. All these exposures consisted of investment-grade lending.

FIG. 14 – BANK SECTOR: LENDING VOLUME, BY RATING CLASS

		Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion		Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Investment grade	1A	1.9	2.3	26.7	37.1	1.6	1.4	30.2	40.7
	1B	1.4	2.3	10.7	4.2	1.6	1.2	13.8	7.7
	1C	64.8	65.6	11.7	11.9	3.3	4.0	79.8	81.5
	1D	2.1	1.8	2.8	1.8	0.3	0.1	5.2	3.7
	1E	2.1	2.1	1.1	1.0	0.2	0.1	3.3	3.2
	2A	8.3	8.1	1.5	0.9	1.8	1.2	11.6	10.3
	2B	6.1	6.2	7.9	7.1	1.3	0.7	15.3	13.9
	2C	12.0	11.6	4.6	5.1	1.3	1.3	17.9	17.9
	2D	9.1	8.3	1.9	2.4	0.7	0.9	11.7	11.6
	2E	17.3	14.1	3.8	4.2	1.0	0.7	22.2	19.0
	3A	12.8	13.7	1.5	1.3	0.2	0.2	14.5	15.3
Non-investment grade	3B	15.6	15.4	1.2	1.1	0.2	0.1	17.0	16.6
	3C	11.5	11.2	2.1	1.6	0.1	0.1	13.7	12.9
	3D	13.0	8.8	1.0	1.0	0.1	0.1	14.0	9.8
	3E	3.2	8.6	0.1	0.7	0.1	0.1	3.4	9.4
	4A	2.7	2.1	0.1	0.1	–	–	2.8	2.2
	4B	5.5	1.7	0.1	0.2	–	–	5.6	1.9
	4C	6.9	5.4	0.1	0.2	–	–	7.0	5.6
	4D	0.5	5.4	–	–	–	–	0.6	5.5
	4E	4.5	4.2	0.2	0.2	0.1	0.1	4.8	4.5
Default		4.9	5.7	0.2	0.2	–	–	5.1	5.9
Not rated		2.4	2.5	1.5	1.9	0.5	0.4	4.4	4.8
Total		**208.7**	206.8	**80.9**	84.1	**14.3**	12.7	**304.0**	303.7

5.1.7. Collateralized lending volume

Figure 15 shows the breakdown of the collateralized lending volume at overall portfolio level by type of collateral and class of risk-bearing instrument. In the case of traditional lending business, figures are generally reported before the application of any offsetting agreements, whereas the collateralized exposures in the securities business and derivatives and money market business are shown net.

As at June 30, 2015, the collateralized lending volume had risen to €94.3 billion from €88.9 billion as at December 31, 2014. The collateralization rate was 31 percent (December 31, 2014: 29 percent).

In **traditional lending business**, the greatest proportion of the collateralized lending volume – 76 percent as at June 30, 2015 (December 31, 2014: 74 percent) – continued to be accounted for by lending secured by charges over physical assets such as land charges, mortgages, and registered ship mortgages. These types of collateral are particularly important for BSH, DG HYP, and DVB. In contrast, charges over physical assets are of lesser importance at DZ BANK because DZ BANK bases its lending decisions primarily on borrower credit quality.

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

In terms of traditional collateral, **securities transactions** are generally conducted on an unsecured basis. A low level of personal collateral and financial collateral is used to mitigate risk in **derivatives and money market business**.

FIG. 15 – BANK SECTOR: COLLATERALIZED LENDING VOLUME, BY TYPE OF COLLATERAL

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Guarantees, indemnities, risk subparticipation	12.8	13.0	–	–	0.3	0.4	13.2	13.3
Credit insurance	2.3	1.9	–	–	–	–	2.3	1.9
Land charges, mortgages, ship mortgages	71.2	65.6	–	–	0.1	0.1	71.2	65.6
Pledged loans and advances, assignments, other pledged assets	5.0	5.2	–	–	–	–	5.1	5.2
Financial collateral	1.5	1.3	–	–	0.4	0.4	1.9	1.6
Other collateral	0.6	1.3	–	–	–	–	0.6	1.3
Collateralized lending volume	**93.4**	**88.1**	**–**	**–**	**0.9**	**0.8**	**94.3**	**88.9**
Gross lending volume	208.7	206.8	80.9	84.1	14.3	12.7	304.0	303.7
Uncollateralized lending volume	**115.3**	**118.8**	**80.9**	**84.1**	**13.5**	**11.9**	**209.6**	**214.8**
Collateralization rate	**44.8%**	**42.6%**	**–**	**–**	**6.1%**	**6.4%**	**31.0%**	**29.3%**

5.1.8. Securitizations

The easing of the situation in the securitizations markets that has been discernible for some time has also impacted on the DZ BANK Group'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, starting with this opportunity and risk report, a detailed breakdown of the securitization exposure in section 5.3. and the disclosures on allowances for losses on loans and advances (section 5.4.2.) and credit value-at-risk (section 5.5.) 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 €4,353 million as at the reporting date (December 31, 2014: €4,721 million). This includes the ABS portfolio dating back to the period before the financial crisis, which is being progressively phased out and had a fair value of €3,511 million (December 31, 2014: €3,851 million).

In the first half of 2015, the changes in the portfolio being phased out were largely in line with expectations, whether in terms of redemptions, rating changes, or the performance of the portfolio.

In addition, DZ BANK is a sponsor in ABCP programs that are funded by issuing money market-linked asset-backed commercial paper (ABCP) or liquidity lines. The ABCP programs are made available for DZ BANK customers who then securitize their own assets via these companies.

5.2. 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., page 130), are not provided here.

5.2.1. Eurozone periphery countries and other global trouble spots

CHANGE IN LENDING VOLUME

As at June 30, 2015, the loans and advances to borrowers in the countries directly affected by the **European sovereign debt crisis** amounted to €10,997 million (December 31, 2014: €11,609 million). This fall was largely attributable to lower market values and to maturities and disposals of bonds.

In the first half of the year, negative political and macroeconomic developments resulted in a further deterioration in the credit quality of **Russia**. The lending exposure to Russian counterparties was reduced from €764 million as at December 31, 2014 to €728 million as at June 30, 2015.

Figure 16 shows the borrower structures broken down by credit-risk-bearing instrument.

5.2.2. Shipping finance

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 June 30, 2015, the Bank sector's shipping finance portfolio had a value of €12,603 million (December 31, 2014: €11,124 million). Figure 17 shows the portfolio structure by country group and credit-risk-bearing instrument.

As at June 30, 2015, **DVB**'s shipping finance portfolio comprised finance provided for 1,248 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 €39 million (December 31, 2014: €36 million) and the largest single exposure was €220 million (December 31, 2014: €213 million).

FIG. 16 – BANK SECTOR: LENDING VOLUME IN EUROZONE PERIPHERY COUNTRIES

	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
€ million	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Portugal	**120**	123	**794**	806	**–**	1	**915**	930
of which: public sector	–	–	680	664	–	–	680	664
of which: non-public sector	120	123	115	142	–	1	235	266
of which: financial sector	–	–	4	23	–	1	4	24
Italy	**242**	215	**3,171**	3,465	**26**	20	**3,439**	3,700
of which: public sector	–	–	2,579	2,787	–	–	2,579	2,787
of which: non-public sector	242	215	592	678	26	20	860	913
of which: financial sector	31	36	229	275	23	17	283	327
Ireland	**1,088**	897	**178**	201	**250**	294	**1,517**	1,392
of which: public sector	–	–	3	–	–	–	3	–
of which: non-public sector	1,088	897	175	201	250	294	1,514	1,392
of which: financial sector	5	5	145	172	250	294	400	471
Greece	**62**	156	**2**	4	**–**	–	**64**	160
of which: public sector	–	–	–	–	–	–	–	–
of which: non-public sector	62	156	2	4	–	–	64	160
of which: financial sector	–	–	1	1	–	–	1	1
Spain	**301**	372	**4,719**	5,042	**23**	12	**5,042**	5,426
of which: public sector	35	43	2,376	2,427	–	–	2,411	2,470
of which: non-public sector	266	329	2,342	2,616	23	12	2,631	2,956
of which: financial sector	26	26	1,366	1,553	22	11	1,414	1,590
Total	**1,813**	1,763	**8,865**	9,518	**300**	327	**10,977**	11,609
of which: public sector	35	43	5,638	5,878	–	–	5,673	5,921
of which: non-public sector	1,778	1,720	3,227	3,640	300	327	5,304	5,687
of which: financial sector	62	67	1,745	2,024	296	323	2,102	2,414

1 Unlike the other presentations of lending volume, traditional lending business in this case includes equity investments.

FIG. 17 – BANK SECTOR: SHIPPING FINANCE LENDING VOLUME, BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives business		Total	
€ million	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Germany	1,655	1,594	–	–	14	34	1,670	1,628
Other industrialized countries	6,310	5,741	–	–	21	23	6,331	5,764
Advanced economies	2,272	2,191	–	–	1	2	2,273	2,193
Emerging markets	1,760	1,512	22	20	7	8	1,789	1,539
Total	**11,997**	11,037	**22**	20	**44**	66	**12,063**	11,124

DVB's total exposure as at June 30, 2015 amounted to €11,031 million compared with €10,122 million as at December 31, 2014. The increase was attributable to exchange rate fluctuations (appreciation of the US dollar). The shipping finance portfolio was broadly diversified in terms of geographical region, type of

FIG. 18 – 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	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Financial sector	151	217	64	121	87	96	51	69
Public sector	–	–	–	–	–	–	–	–
Corporates	3,202	3,238	1,239	1,236	1,963	2,002	1,216	1,141
Retail	1,111	1,146	474	490	637	656	578	595
Industry conglomerates	18	–	7	–	11	–	11	–
Other	28	61	28	61	–	–	–	–
Total	**4,511**	**4,663**	**1,812**	**1,908**	**2,699**	**2,755**	**1,857**	**1,805**

FIG. 19 – 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	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Germany	2,668	2,698	1,250	1,298	1,418	1,400	1,018	969
Other industrialized countries	634	934	248	258	386	676	353	324
Advanced economies	351	401	86	119	265	282	159	180
Emerging markets	858	631	228	233	630	398	327	332
Supranational institutions	–	–	–	–	–	–	–	–
Total	**4,511**	**4,663**	**1,812**	**1,908**	**2,699**	**2,755**	**1,857**	**1,805**

vessel, borrower, charterer, and shipping activity. The largest proportion of the volume lent was attributable to the financing of tankers. As at June 30, 2015, this proportion had risen by 2 percentage points to 45 percent of the total volume of shipping finance. This increase related to the crude oil tanker and gas tanker segments of the shipping market, whereas the proportion of the portfolio attributable to product tankers and chemical tankers declined slightly. The portfolio was almost fully collateralized in compliance with DVB strategy.

DZ BANK's shipping finance exposures amounted to €1,032 million as at June 30, 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.

In the first half of 2015, DZ BANK's shipping finance portfolio continued to be mainly concentrated in Germany but broadly diversified by type of vessel, borrower, charterer, and shipping activity.

5.3. NON-PERFORMING LENDING VOLUME

5.3.1. Impaired lending volume

Figures 18 and 19 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 June 30, 2015, the lending volume after loan loss allowances stood at €2,699 million (December 31, 2014: €2,755 million), a decrease that was mainly attributable to DZ BANK's exposure to corporates.

FIG. 20 – BANK SECTOR: KEY FIGURES FOR THE VOLUME OF NON-PERFORMING LOANS

€ billion	Jun. 30, 2015	Dec. 31, 2014
Total lending volume	304.0	303.7
Volume of non-performing loans[1]	5.1	5.9
Balance of allowances for losses on loans and advances[2]	2.5	2.4
Loan loss allowance ratio[3]	0.8%	0.8%
Risk cover ratio[4]	48.8%	44.5%
NPL ratio[5]	1.7%	1.9%

1 Volume of non-performing loans excluding collateral.
2 Total of specific loan loss allowances, portfolio loan loss allowances, provisions for loan commitments, and liabilities under financial guarantee contracts.
3 Balance of allowances for losses on loans and advances as a proportion of total lending volume.
4 Balance of allowances for losses on loans and advances as a proportion of the volume of non-performing loans.
5 Volume of non-performing loans as a proportion of total lending volume.

5.3.2. Volume of non-performing loans

Because the volume of non-performing loans (NPL) fell from €5.9 billion as at December 31, 2014 to €5.1 billion as at June 30, 2015, while the total lending volume increased marginally from €303.7 billion to €304.0 billion, the NPL ratio was only slightly lower compared with the end of 2014 at 1.7 percent.

Figure 20 shows key figures relating to the volume of non-performing loans.

5.4. ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

5.4.1. Allowances for losses on loans and advances in the total portfolio

Figure 21 shows 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 the first 6 months of 2015 and in the corresponding period of 2014 for the entire credit portfolio of the entities in the Bank sector. Provisions for loan commitments are a component of the 'Provisions' line item on the balance sheet. Liabilities from financial guarantee contracts are reported as other liabilities on the balance sheet. The components of the allowances for losses on loans and advances shown in figure 21 are also disclosed in the notes to the interim consolidated financial statements (note 23).

The **volume of specific loan loss allowances** contracted by €96 million during the first half of the year. This largely resulted from disposals to reduce exposure and from the ending of exposures following successful restructuring work at DZ BANK. These allowances had also decreased in the corresponding prior-year period, by €64 million.

FIG. 21 – 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	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014
Balance as at Jan. 1	**1,908**	2,010	**480**	530	**2,388**	2,540	**167**	146
Additions	243	302	56	46	299	348	16	19
Utilizations	-191	-125	–	–	-191	-125	–	–
Reversals	-160	-225	-68	-62	-228	-287	-14	-18
Interest income	-25	-17	–	–	-25	-17	1	1
Other changes	37	1	2	-1	39	–	2	–
Balance as at Jun. 30	**1,812**	1,946	**470**	513	**2,282**	2,459	**172**	148
Directly recognized impairment losses	32	28	–	–	32	28		
Receipts from loans and advances previously impaired	-52	-28	–	–	-52	–		

1 Including specific loan loss allowances evaluated on a group basis.

A similar picture emerged for the **volume of portfolio loan loss allowances**, which declined by €10 million in the reporting period due, above all, to reversals at DG HYP (first half of 2014: decrease of €17 million).

By contrast, the volume of **provisions for loan commitments and liabilities under financial guarantee contracts** increased by €5 million in the first half of 2015 (first half of 2014: rise of €2 million).

Consequently, there is likely to be an addition to specific loan loss allowances during the remaining months of 2015.

5.4.2. Allowances for losses on loans and advances in portfolios with increased risk content

The small decrease in specific loan loss allowances recognized in the first half of 2015 for the Bank sector's exposure to **eurozone periphery countries** was largely attributable to DVB. The loans and advances in question are fully collateralized. DG HYP made the largest contribution to the net reversal of portfolio loan loss allowances.

Portfolio loan loss allowances for the **crisis portfolio for Russia**, which were virtually unchanged, largely related to DZ BANK.

The specific loan loss allowances for the **shipping finance portfolios** were increased in the first half of this year. These changes essentially related to DVB. The small increase in portfolio loan loss allowances corresponds to the slight growth in the lending volume in the shipping finance portfolio and was attributable to DZ BANK.

Changes in the individual components of the allowances for losses on loans and advances for portfolios with increased risk content for the first half of 2015 and the corresponding prior-year period are shown in figure 22.

5.5. 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 June 30, 2015, the risk capital requirement amounted to €3,705 million (December 31, 2014: €3,056 million) with an upper loss limit of €4,928 million (December 31, 2014: €3,942 million). The risk capital requirement was within the applicable upper loss limit at all times during the first half of 2015.

FIG. 22 – 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	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014	Jan. 1-Jun. 30, 2015	Jan. 1-Jun. 30, 2014
Eurozone periphery countries								
Balance as at Jan. 1	36	31	22	38	58	69	1	1
Balance as at Jun. 30	39	30	16	29	55	59	–	1
Russia								
Balance as at Jan. 1	–	–	7	3	7	3	–	1
Balance as at Jun. 30	–	–	7	6	7	6	1	–
Shipping finance								
Balance as at Jan. 1	349	280	38	63	388	343	4	4
Balance as at Jun. 30	358	276	43	54	401	329	5	4

1 Including specific loan loss allowances evaluated on a group basis.

FIG. 23 – BANK SECTOR: FACTORS DETERMINING THE CREDIT VALUE-AT-RISK

	Average probability of default		Expected loss (€ million)		Risk capital requirement (€ million)	
	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Traditional credit risk	0.7%	0.7%	416	401	2,140	1,587
Issuer risk	0.4%	0.4%	104	99	1,274	1,228
Replacement risk	0.2%	0.1%	10	10	292	242
Total			**529**	**510**	**3,705**	**3,056**
Average	**0.6%**	**0.5%**				

FIG. 24 – BANK SECTOR: VALUE-AT-RISK FOR MARKET RISK IN THE TRADING AND NON-TRADING PORTFOLIOS[1]

€ million	Interest-rate risk	Spread risk	Equity risk[2]	Currency risk	Commodity risk	Diversification effect[3]	Total
Aggregate risk[4]							
Jun. 30, 2015	27	98	13	2	–	-31	**109**
Dec. 31, 2014	16	78	5	1	–	-10	91
Trading portfolios							
Jun. 30, 2015	3	27	–	2	–	-6	**26**
Average	3	27	1	1	–	-8	24
Maximum[5]	5	29	1	2	–	-6	28
Minimum	3	24	–	–	–	-12	20
Dec. 31, 2014	3	24	–	–	–	-7	21
Non-trading portfolios							
Jun. 30, 2015	26	67	13	2	–	-29	**79**
Average	24	59	7	2	–	-10	82
Maximum	27	67	13	3	–	-3	88
Minimum	20	54	4	2	–	-29	76
Dec. 31, 2014	17	53	5	2	–	-8	68

1 Value-at-risk with 99.00% confidence level, 1-day holding period, 1-year observation period, based on a central market risk model for the DZ BANK Group. Concentrations and effects of diversification were taken fully into account when calculating the risks.
2 Including funds.
3 Total effects of diversification between the types of market risk for all consolidated group entities.
4 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.
5 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.

Figure 23 shows the credit value-at-risk together with the average probability of default and expected loss.

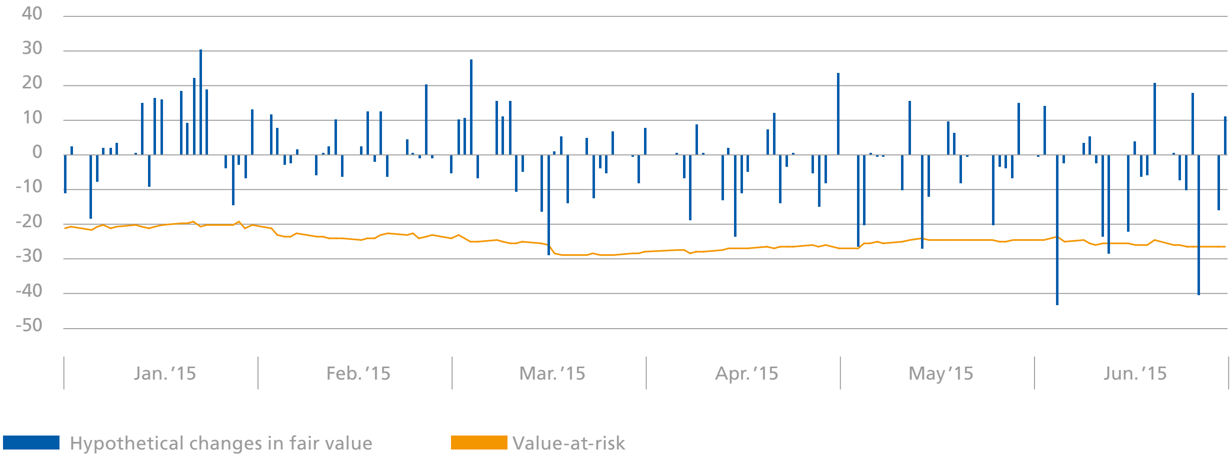
6. EQUITY INVESTMENT RISK

The **carrying amounts of long-term equity investments** relevant for the measurement of equity investment risk amounted to €3,461 million as at June 30, 2015 (December 31, 2014: €3,270 million).

As at June 30, 2015, the **economic capital requirement** for equity investment risk was measured at €832 million, an increase on the corresponding figure of €788 million as at December 31, 2014. The upper loss limit was €951 million (December 31, 2014: €974 million). The upper loss limit was not exceeded at any time during the first half of 2015.

FIG. 25 – 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



7. MARKET RISK

7.1. RISK CAPITAL REQUIREMENT

As at June 30, 2015, the economic capital requirement for market risk, which is used to determine the risk-bearing capacity, amounted to €3,597 million (December 31, 2014: €2,769 million) with an upper loss limit of €5,870 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 economic capital requirement includes **asset-management risk**. The asset-management risk for guarantee funds was measured at €61 million as at June 30, 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 €28 million (December 31, 2014: €33 million).

The risk capital requirement remained within the upper loss limit at all times during the first half of the year.

7.2. VALUE-AT-RISK

Value-at-risk is used for short-term risk management in the Bank sector. Figure 24 shows changes in value-at-risk in the first 6 months of 2015. The figures are broken down by trading portfolio, non-trading portfolio, and type of market risk.

Figure 25 also shows the daily changes in risk and the results of daily backtesting of trading portfolios.

The value-at-risk for the **trading portfolios** as at June 30, 2015 was €26 million (December 31, 2014: €21 million). The small increase in risk in the middle of the reporting period was largely attributable to lower euro interest rates and higher credit spreads for government bonds. Risk subsequently declined, primarily due to rising euro interest rates.

Backtesting revealed that the risk values were overshot on 5 occasions in the first half of 2015. They were mainly due to the exceptional widening of credit spreads on bonds as well as significant movements in interest rates, interest-rate volatility, and significant movements in exchange rates.

As at June 30, 2015, the value-at-risk for the **non-trading portfolios** was calculated at €79 million (December 31, 2014: €68 million). This increase was due, in particular, to a continual rise in credit spread risk in connection with the Greek sovereign debt crisis.

8. TECHNICAL RISK OF A HOME SAVINGS AND LOAN COMPANY

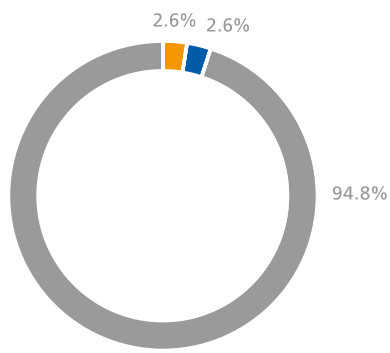
As at June 30, 2015, the capital requirement for the technical risk of a home savings and loan company amounted to €549 million (December 31, 2014: €496 million) with an upper loss limit of €550 million (December 31, 2014: €500 million). The risk capital requirement did not exceed the applicable upper loss limit at any point during the first half 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.

9. BUSINESS RISK AND REPUTATIONAL RISK

As at June 30, 2015, the capital requirement for business risk amounted to €628 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 raised accordingly and stood at €754 million as at the reporting date (December 31, 2014: €436 million).

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 damage to the group's reputation is specifically taken into account in liquidity risk management.

FIG. 26 – BANK SECTOR: NET LOSSES BY EVENT CATEGORY IN THE FIRST HALF OF 2015[1]



- Execution, delivery, and process management
- Internal fraud
- External fraud
- Clients, products, and business practices
- Property damage
- Business disruption and system failures
- Employment practice and workplace safety

1 In accordance with the CRR, losses caused by operational risks that are associated with risks such as credit risk are also shown.

10. OPERATIONAL RISK

10.1. LOSS EVENTS

Figure 26 shows the losses reported in the first half of 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 majority (95 percent) of the net losses were in the 'Clients, products, and business practices' event category as at June 30, 2015 (December 31, 2014: 77 percent). This high proportion was attributable to losses resulting from changes in legal precedent and in how the law is interpreted.

Losses did not reach a critical level relative to the expected loss at any point during the reporting period.

10.2. RISK POSITION

At the start of 2015, the **calculation of the risk capital requirement for operational risk** in the Bank sector was switched from the Standardized Approach specified in the CRR to an economic portfolio model, in which losses are monitored on the basis of the expected loss calculated by the model.

Using the economic portfolio model, the **capital requirement for operational risk** as at June 30, 2015 was calculated as €829 million. The upper loss limit was €1,150 million. Because of the change in methodology, these amounts are not comparable with the disclosures in the 2014 opportunity and risk report (December 31, 2014: risk capital requirement of €628 million and upper loss limit of €689 million), which were calculated in accordance with the Standardized Approach specified in the CRR.

The risk capital requirement was within the applicable upper loss limit at all times during the first half of 2015.

FIG. 27 – BANK SECTOR: LIQUID SECURITIES

€ billion	Jun. 30, 2015	Dec. 31, 2014
Liquid securities eligible for GC Pooling (ECB Basket)[1]	**38.6**	**34.7**
Securities in own portfolio	30.4	33.8
Securities received as collateral	19.7	43.3
Securities provided as collateral	-11.4	-42.3
Liquid securities eligible as collateral for central bank loans	**16.5**	**10.7**
Securities in own portfolio	12.0	10.2
Securities received as collateral	8.0	7.5
Securities provided as collateral	-3.5	-7.0
Other liquid securities	**5.9**	**4.1**
Securities in own portfolio	5.4	3.9
Securities received as collateral	0.5	1.7
Securities provided as collateral	-0.1	-1.5
Total	**61.0**	**49.5**
Securities in own portfolio	47.9	47.8
Securities received as collateral	28.2	52.6
Securities provided as collateral	-15.1	-50.8

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

11. LIQUIDITY RISK

11.1. QUANTITATIVE VARIABLES IN LIQUIDITY RISK

11.1.1. 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 Bank sector or in the portfolios held by DZ BANK's capital markets trading units. Only bearer bonds are eligible as liquid securities.

Liquid securities comprise highly liquid securities that are suitable for collateralizing funding in private markets, securities eligible as collateral for central bank loans and other securities that can be liquidated in the 1-year forecast period that is relevant for liquidity risk.

Securities are only eligible provided they are not pledged as collateral, e.g. for secured funding. Securities that have been borrowed or taken as collateral for derivatives business or in connection with secured funding only become eligible when they are freely transferable. Eligibility is recognized on a daily basis and also takes into account factors such as restrictions on the period in which they are freely available.

Figure 27 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 this year. 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 June 30, 2015.

The total liquidity value as at June 30, 2015 amounted to €61.0 billion (December 31, 2014: €49.5 billion). This change between the two reported figures is predominantly the result of seasonal effects.

Consequently, liquid securities represent the largest proportion of the counterbalancing capacity and make a major contribution to ensuring that the Bank sector remains solvent in the stress scenarios underlying the limits at all times during the relevant forecast period. In the first month, which is a particularly critical period in a crisis, liquid securities are almost exclusively responsible for maintaining solvency in the stress scenarios underlying the limits.

11.1.2. Additional contractual obligations

Some OTC collateral agreements that entities in the Bank sector have concluded contain rating-based triggers. A downgrade in an entity's own credit rating would trigger collateral calls by counterparties. Because this collateral would no longer be available to generate liquidity if it were called in, the stress scenarios also include deductions arising from these additional contractual obligations.

Figure 28 shows the additional collateral across all currencies that DZ BANK would have to provide to counterparties should its credit rating be downgraded.

The other entities that are relevant to liquidity risk in the Bank sector do not have obligations to pay additional capital in the event of a change in their credit rating.

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 (as shown in figure 28, for example), would require collateral in an amount of €75 million to be provided again. Other reasons for the differences compared with December 31, 2014 are changes in market value, reductions in notional amounts, and the inclusion of short-term credit ratings as a trigger.

Additional contractual obligations are of minor significance to liquidity risk. Their risk contribution is already covered by the stress scenarios on which the limits are based.

11.1.3. Funding and liquidity maturities

The level of liquidity risk is largely determined by the short- and medium-term funding structure. Further details are given in the business report (interim group management report, section 5. (financial position)).

FIG. 28 – BANK SECTOR: ADDITIONAL CONTRACTUAL OBLIGATIONS

	One-notch deterioration in credit rating		Two-notch deterioration in credit rating		Three-notch deterioration in credit rating	
€ million	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Additional contractual obligations based on collateral agreements	105	11	116	155	565	576

FIG. 29 – BANK SECTOR: LIQUIDITY UP TO 1 YEAR IN RISK SCENARIO AND IN THE STRESS SCENARIOS ON WHICH THE LIMITS ARE BASED – FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ billion	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Risk scenario (base scenario)	-44.1	-16.4	72.2	45.6	28.1	29.2
Stress scenarios						
Downgrading	-44.8	-40.4	70.5	63.4	25.7	23.0
Corporate crisis	-47.0	-48.3	59.7	60.7	12.7	12.4
Market crisis	-36.7	-30.9	61.4	51.0	24.7	20.1
Combination crisis	-35.5	-30.1	50.5	41.5	15.0	11.4

11.2. RISK POSITION

11.2.1. Minimum liquidity surplus

Figure 29 shows the results of measuring the liquidity risk as at June 30, 2015 (as well as the corresponding figures as at December 31, 2014) in the risk scenario and in the four stress scenarios on which the limits are based. The results are based on a daily calculation and comparison of forward cash exposure and counterbalancing capacity. The values reported are the values that occur on the day on which the liquidity surplus calculated over the forecast period of 1 year is at its lowest point.

In the risk scenario, the minimum liquidity surplus measured as at the reporting date on the basis of a forecast period of 1 year amounted to €28.1 billion (December 31, 2014: €29.2 billion). The value calculated for the stress scenario on which the limit is based that had the lowest minimum liquidity surplus was €12.7 billion (December 31, 2014: €11.4 billion). The DZ BANK Group's liquidity did not fall below the observation threshold of €4.0 billion or the limit of €1.0 billion for the minimum liquidity surplus in any of the limited stress scenarios during the reporting period. The observation threshold and limit were unchanged compared with December 31, 2014.

The results show that the minimum liquidity surplus as at June 30, 2015 was positive in all of the stress scenarios underlying the limits that are based on the risk tolerance. This is due to the fact that the counterbalancing capacity was greater than the cumulative cash outflows on each day of the defined forecast period for each scenario, which indicates that the cash outflows assumed to take place in a crisis can be comfortably covered.

11.2.2. Regulatory liquidity ratios

DZ BANK has submitted the quantitative data for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) specified by the EBA to the regulator on a monthly (LCR) and quarterly (NSFR) basis since March 31, 2014. The forms used for this purpose do not show the resulting ratios because they are subsequently calculated by the regulatory body on the basis of the data reported by DZ BANK. However, DZ BANK calculates the liquidity ratios in accordance with the Basel framework and the delegated regulation on the LCR for its own purposes and for the ECB's quarterly short-term exercise.

The average quarterly LCR calculated in accordance with the delegated regulation was 139 percent for the first half of 2015. The average NSFR calculated in accordance with the stipulations of the Basel Committee on Banking Supervision was 99 percent (December 31, 2014: 98 percent).

Insurance sector

12. ACTUARIAL RISK

As at June 30, 2015, the overall solvency requirement for **life actuarial risk** amounted to €476 million (December 31, 2014: €423 million). The upper loss limit was set at €490 million as at the reporting date (December 31, 2014: €450 million). The upper loss limit was not exceeded at any time during the first half of the year.

As at the reporting date, the overall solvency requirement for **health actuarial risk** was measured at €57 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 first half of 2015.

In the reporting period, the claims rate trend in the **direct non-life insurance** business was unremarkable overall. The claims rate for major and cumulative claims was above the 5-year average during the first 6 months of the year, primarily because of two storms that occurred one after the other in late March/early April. As part of the regular review of risk-bearing capacity, reinsurance cover for losses from natural disasters was increased with effect from January 1, 2015. The underlying cost of claims (excluding major and cumulative claims) was below the 5-year average during the first 6 months of the year.

The level of claims incurred from **inward reinsurance** was at the budgeted level; there were no extraordinary large claims.

As at June 30, 2015, the overall solvency requirement for **non-life actuarial risk** amounted to €2,414 million (December 31, 2014: €2,334 million). This increase was largely attributable to the rise in premium and reserve risk resulting from the growth in business volume. The upper loss limit was set at €2,485 million as at the reporting date (December 31, 2014: €2,300 million). It was not exceeded at any time during the first half of 2015. The overall solvency requirement for the various types of non-life actuarial risk is shown in figure 30.

13. MARKET RISK

13.1. LENDING VOLUME

As at June 30, 2015, the total lending volume of R+V had advanced by 3 percent to €73.3 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 June 30, 2015 (December 31, 2014: €8.6 billion). Of this amount, 90 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 71 percent of the total lending volume at the reporting 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 31 shows the sectoral breakdown of the lending volume in the Insurance sector.

An analysis of the **geographical breakdown** of lending in figure 32 reveals that Germany and other

FIG. 30 – INSURANCE SECTOR: OVERALL SOLVENCY REQUIREMENT FOR NON-LIFE ACTUARIAL RISK

€ million	Jun. 30, 2015	Dec. 31, 2014
Premium and reserve risk	1,238	1,172
Non-life catastrophe risk	1,786	1,746
Lapse risk	2	50
Total (after diversification)	**2,414**	**2,334**

FIG. 31 – INSURANCE SECTOR: LENDING VOLUME, BY SECTOR

€ billion	Jun. 30, 2015	Dec. 31, 2014
Financial sector	35.3	35.5
Public sector	16.8	16.8
Corporates	11.6	10.4
Retail	9.0	8.1
Industry conglomerates	0.6	0.6
Other	–	–
Total	**73.3**	**71.4**

FIG. 32 – INSURANCE SECTOR: LENDING VOLUME, BY COUNTRY GROUP

€ billion	Jun. 30, 2015	Dec. 31, 2014
Germany	32.8	32.8
Other industrialized countries	33.9	32.2
Advanced economies	1.1	1.0
Emerging markets	3.5	3.4
Supranational institutions	2.0	1.9
Total	**73.3**	**71.4**

FIG. 33 – INSURANCE SECTOR: LENDING VOLUME, BY RESIDUAL MATURITY

€ billion	Jun. 30, 2015	Dec. 31, 2014
≤ 1 year	2.2	2.6
> 1 year to ≤ 5 years	13.1	13.6
> 5 years	58.0	55.2
Total	**73.3**	**71.4**

industrialized countries accounted for the lion's share – unchanged at 91 percent – of the lending volume as at the reporting date. European countries dominated within the broadly diversified exposure in industrialized countries.

The high proportion of obligations in connection with the life insurance business requires invest ments with longer maturities. This is reflected in the breakdown of **residual maturities** shown in figure 33. As at June 30, 2015, 79 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 34. Of the total lending volume as at June 30, 2015, 78 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 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 creditworthiness, R+V uses external ratings that have received general regulatory 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 credit ratings calculated in this way are matched to the DZ BANK credit rating master scale using the methodology shown in section 8.4.1. of the 2014 opportunity and risk report.

As at the reporting date, the ten counterparties associated with the largest lending volumes accounted for 22 percent of R+V's total lending volume (December 31, 2014: 23 percent).

FIG. 34 – INSURANCE SECTOR: LENDING VOLUME, BY RATING CLASS

€ billion		Jun. 30, 2015	Dec. 31, 2014
Investment grade	1A	20.6	20.3
	1B	6.0	4.7
	1C	–	–
	1D	7.6	6.3
	1E	–	–
	2A	5.9	8.2
	2B	6.8	6.6
	2C	4.6	3.5
	2D	4.3	5.5
	2E	–	–
	3A	1.7	2.4
Non-investment grade	3B	0.9	0.5
	3C	0.6	0.6
	3D	–	–
	3E	0.1	0.1
	4A	0.2	0.2
	4B	0.1	0.1
	4C	0.2	0.1
	4D	–	–
	4E	0.1	–
Default		0.1	0.1
Not rated		13.6	12.2
Total		**73.3**	**71.4**

13.2. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

The disclosures in this section 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.

The risks in these subportfolios are observed, analyzed, and managed with the aid of a regular reporting system and discussions in the operational decision-making committees at R+V. In the first 6 months of 2015, no notable country risks were identified other than exposures to **eurozone periphery states**.

The investments in this subportfolio totaled €4,968 million as at June 30, 2015 (December 31, 2014: €4,859 million), a rise of 2 percent. Figure 35 shows the country breakdown of the exposure.

In addition to the lending volume presented in figure 35, R+V held additional exposures through its investments in the Italian subsidiaries Assimoco and Assimoco Vita. As at June 30, 2015, 2,535 million (December 31, 2014: €2,446 million) of these companies' total investments of €2,730 million (December 31, 2014: €2,716 million) were invested in Italian government bonds, corresponding to their liabilities.

13.3. RISK POSITION

As at June 30, 2015, the overall solvency requirement for market risk amounted to €2,707 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). This higher overall solvency requirement is attributable to an increase in equity risk resulting from changes in equity prices and to a rise in spread risk owing to the recognition of pre-emptive purchases. The upper loss limit was not exceeded at any time in the first half of the year.

Figure 36 shows the overall solvency requirement for the various types of market risk.

FIG. 35 – INSURANCE SECTOR: LENDING VOLUME IN EUROZONE PERIPHERY COUNTRIES

€ million	Jun. 30, 2015	Dec. 31, 2014
Portugal	**25**	**25**
of which: public sector	–	–
of which: non-public sector	25	25
of which: financial sector	18	15
Italy	**2,002**	**2,060**
of which: public sector	1,250	1,308
of which: non-public sector	752	752
of which: financial sector	324	342
Ireland	**995**	**845**
of which: public sector	90	92
of which: non-public sector	905	753
of which: financial sector	799	675
Greece	**–**	**1**
of which: public sector	–	–
of which: non-public sector	–	1
of which: financial sector	–	1
Spain	**1,946**	**1,929**
of which: public sector	1,276	1,204
of which: non-public sector	671	724
of which: financial sector	354	478
Total	**4,968**	**4,859**
of which: public sector	2,616	2,604
of which: non-public sector	2,353	2,255
of which: financial sector	1,494	1,512

FIG. 36 – INSURANCE SECTOR: OVERALL SOLVENCY REQUIREMENT FOR MARKET RISK

€ million	Jun. 30, 2015	Dec. 31, 2014
Interest-rate risk	855	899
Spread risk	992	864
Equity risk	1,236	1,067
Currency risk	222	232
Real-estate risk	77	95
Total (after diversification)	**2,707**	**2,489**

14. OTHER RISKS

14.1. COUNTERPARTY DEFAULT RISK

The overall solvency requirement for counterparty default risk was unchanged between December 31, 2014 and June 30, 2015 at €43 million, while the upper loss limit was €85 million (December 31, 2014: €80 million). The upper loss limit was not exceeded at any time in the reporting period.

14.2. OPERATIONAL RISK

As at June 30, 2015, the overall solvency requirement for operational risk amounted to €463 million (December 31, 2014: €438 million). The upper loss limit applicable as at June 30, 2015 was set at €520 million (December 31, 2014: €510 million). The upper loss limit was not exceeded at any time during the first 6 months of 2015.

14.3. ENTITIES IN OTHER FINANCIAL SECTORS

The overall solvency requirement for entities in other financial sectors was unchanged between December 31, 2014 and June 30, 2015 at €75 million, while the upper loss limit was €100 million (December 31, 2014: €80 million). The upper loss limit was not exceeded at any time in the reporting period.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES

Income statement for the period January 1 to June 30, 2015

€ million	(Note)	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Net interest income	(5)	1,441	1,499
Allowances for losses on loans and advances	(6)	-41	-66
Net fee and commission income	(7)	768	699
Gains and losses on trading activities	(8)	226	242
Gains and losses on investments	(9)	21	140
Other gains and losses on valuation of financial instruments	(10)	127	275
Premiums earned	(11)	6,981	7,101
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(12)	1,944	2,057
Insurance benefit payments	(13)	-7,400	-7,667
Insurance business operating expenses	(14)	-1,120	-1,101
Administrative expenses	(15)	-1,559	-1,442[1]
Other net operating income	(16)	39	-23
Profit before contributions to the resolution fund and before taxes		1,427	1,714
Contributions to the resolution fund		-143	-14[1]
Profit before taxes		1,284	1,700
Income taxes	(17)	-371	-417
Net profit		**913**	**1,283**
Attributable to:			
Shareholders of DZ BANK		698	1,084
Non-controlling interests		215	199

1 Amount restated.

Statement of comprehensive income for the period January 1 to June 30, 2015

€ million	(Note)	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Net profit		913	1,283
Other comprehensive income		142	480
Items that may be reclassified to the income statement		**27**	**527**
Gains and losses on available-for-sale financial assets	(18)	-147	742[1]
Gains and losses on cash flow hedges	(18)	3	-5
Exchange differences on currency translation of foreign operations		53	1
Gains and losses on hedges of net investments in foreign operations	(18)	-16	-4
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method		9	10
Income taxes	(19)	125	-217
Items that will not be reclassified to the income statement		**115**	**-47**
Gains and losses arising from remeasurement of defined benefit plans		167	-70
Income taxes	(19)	-52	23
Total comprehensive income		**1,055**	**1,763**
Attributable to:			
Shareholders of DZ BANK		855	1,419[1]
Non-controlling interests		200	344

1 Amount restated.

Income statement (quarterly breakdown)

€ million	Apr. 1– Jun. 30, 2015	Jan. 1– Mar. 31, 2015
Net interest income	677	764
Allowances for losses on loans and advances	-7	-34
Net fee and commission income	401	367
Gains and losses on trading activities	129	97
Gains and losses on investments	-12	33
Other gains and losses on valuation of financial instruments	-62	189
Premiums earned	3,432	3,549
Gains and losses on investments held by insurance companies and other insurance company gains and losses	-234	2,178
Insurance benefit payments	-2,578	-4,822
Insurance business operating expenses	-481	-639
Administrative expenses	-801	-758
Other net operating income	29	10
Profit before contributions to the resolution fund and before taxes	493	934
Contributions to the resolution fund	–	-143
Profit before taxes	493	791
Income taxes	-152	-219
Net profit	**341**	**572**
Attributable to:		
Shareholders of DZ BANK	252	446
Non-controlling interests	89	126

Statement of comprehensive income (quarterly breakdown)

€ million	Apr. 1– Jun. 30, 2015	Jan. 1– Mar. 31, 2015
Net profit	341	572
Other comprehensive income/loss	-505	647
Items that may be reclassified to the income statement	**-773**	**800**
Gains and losses on available-for-sale financial assets	-1,074	927
Gains and losses on cash flow hedges	23	-20
Exchange differences on currency translation of foreign operations	–	53
Gains and losses on hedges of net investments in foreign operations	6	-22
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-13	22
Income taxes	285	-160
Items that will not be reclassified to the income statement	**268**	**-153**
Gains and losses arising from remeasurement of defined benefit plans	384	-217
Income taxes	-116	64
Total comprehensive income/loss	**-164**	**1,219**
Attributable to:		
Shareholders of DZ BANK	-59	914
Non-controlling interests	-105	305

Balance sheet as at June 30, 2015

ASSETS

€ million	(Note)	Jun. 30, 2015	Dec. 31, 2014	Jan. 1, 2014
Cash and cash equivalents	(20)	3,932	3,033	3,812
Loans and advances to banks	(21)	77,625	79,317	74,214
Loans and advances to customers	(22)	126,136	122,437	120,158
Allowances for losses on loans and advances	(23)	-2,282	-2,388	-2,540
Derivatives used for hedging (positive fair values)	(24)	573	383	887
Financial assets held for trading	(25)	57,670	54,449	52,857
Investments	(26)	54,282	57,283[1]	57,085[1]
Investments held by insurance companies	(27)	82,490	79,632	70,237
Property, plant and equipment, and investment property	(28)	1,872	2,292	1,762
Income tax assets		853	1,044[1]	1,549[1]
Other assets	(29)	5,448	4,814[1]	5,213[1]
Non-current assets and disposal groups classified as held for sale	(30)	83	33	11
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		279	353	327
Total assets		**408,961**	**402,682**	**385,572**

EQUITY AND LIABILITIES

€ million	(Note)	Jun. 30, 2015	Dec. 31, 2014	Jan. 1, 2014
Deposits from banks	(31)	86,740	89,254	91,158
Deposits from customers	(32)	100,829	96,428	98,411
Debt certificates issued including bonds	(33)	56,160	55,609	52,754
Derivatives used for hedging (negative fair values)	(34)	1,606	2,556	2,387
Financial liabilities held for trading	(35)	53,006	51,702	45,768
Provisions	(36)	3,068	3,172	2,382
Insurance liabilities	(37)	77,818	74,670	67,365
Income tax liabilities		731	723	575
Other liabilities	(38)	5,925	6,244	5,960
Subordinated capital	(39)	4,385	3,784	4,201
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		263	295	249
Equity		18,430	18,245	14,362
Subscribed capital		3,646	3,646	3,160
Capital reserve		2,101	2,101	1,111
Retained earnings		5,835	5,739[1]	4,669[1]
Revaluation reserve		1,238	1,200[1]	569[1]
Cash flow hedge reserve		-15	-16	5
Currency translation reserve		66	24	7
Non-controlling interests		4,861	5,338	4,841
Unappropriated earnings		698	213	–
Total equity and liabilities		**408,961**	**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	**Equity before non-controlling interests**	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	–	–	1,084	–	–	–	1,084	199	1,283
Other comprehensive income/loss	–	–	-40	379	-4	–	335	145	480
Total comprehensive income/loss	**–**	**–**	**1,044**	**379**	**-4**	**–**	**1,419**	**344**	**1,763**
Capital repaid	–	–	–	–	–	–	–	-4	-4
Changes in scope of consolidation	–	–	-14	-14	–	–	-28	-6	-34
Dividends paid	–	–	-158	–	–	–	-158	-97	-255
Equity as at Jun. 30, 2014	**3,160**	**1,111**	**5,541**	**934**	**1**	**7**	**10,754**	**5,078**	**15,832**
Equity as at Jan. 1, 2015	3,646	2,101	5,952	1,200	-16	24	12,907	5,338	18,245
Net profit	–	–	698	–	–	–	698	215	913
Other comprehensive income/loss	–	–	101	13	1	42	157	-15	142
Total comprehensive income	**–**	**–**	**799**	**13**	**1**	**42**	**855**	**200**	**1,055**
Capital repaid	–	–	–	–	–	–	–	-463	-463
Acquisition/disposal of non-controlling interests	–	–	-8	25	–	–	17	-107	-90
Dividends paid	–	–	-210	–	–	–	-210	-107	-317
Equity as at Jun. 30, 2015	**3,646**	**2,101**	**6,533**	**1,238**	**-15**	**66**	**13,569**	**4,861**	**18,430**

In the first half of 2015, a dividend of €0.15 per share was paid for the 2014 financial year (first half of 2014: €0.13).

Statement of cash flows

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Net profit	**913**	**1,283**
Non-cash items included in net profit	644	2,893[1]
Subtotal	1,557	4,176
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks and customers	-2,195	-5,891
Other assets and liabilities from operating activities	-1,146	586[1]
Derivatives used for hedging (positive and negative fair values)	-801	-223
Financial assets and financial liabilities held for trading	-1,814	3,536
Deposits from banks and customers	2,644	-1,911
Debt certificates issued including bonds	689	2,646
Interest payments, dividends, and operating lease payments received (net cash flow)	1,608	1,400
Income taxes paid	-137	-127
Cash flows from operating activities	**405**	**4,192[1]**
Cash flows from investing activities	**360**	**-3,880[1]**
Cash flows from financing activities	**134**	**-1,072[1]**

€ million	2015	2014
Cash and cash equivalents as at January 1	3,033	3,812
Cash flows from operating activities	405	4,192[1]
Cash flows from investing activities	360	-3,880[1]
Cash flows from financing activities	134	-1,072[1]
Cash and cash equivalents as at June 30	**3,932**	**3,052**

1 Amount restated.

The statement of cash flows shows the changes in cash and cash equivalents during the reporting period. 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.

NOTES

A General disclosures

» 01
BASIS OF PREPARATION

Pursuant to section 37w of the German Securities Trading Act (WpHG) in conjunction with section 37y no. 2 WpHG, the interim consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) for the first half of 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). In particular, the requirements of IAS 34 *Interim Financial Reporting* have been taken into account.

» 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. The accounting policies used to prepare these financial statements were the same as those applied in the consolidated financial statements for the 2014 financial year, unless these policies are subject to the amendments described below.

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 interim consolidated financial statements for the first half of the 2015 financial year:
– IFRIC 21 *Levies*,
– *Annual Improvements to IFRSs 2011–2013 Cycle*.

IFRIC 21 *Levies* deals with the accounting treatment of levies imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations, but does not include income taxes within the meaning of IAS 12 *Income Taxes*, fines, or other penalties for infringements of laws. It specifically clarifies when to recognize obligations for the payment of such levies as liabilities or provisions in the financial statements. The clarifications provided in IFRIC 21 have 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 *Annual Improvements to IFRSs 2011–2013 Cycle* have no material impact on DZ BANK's consolidated financial statements.

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. Given that they are expected to constitute a significant amount, the contributions collected as the new European bank levy will be presented in a separate line item in the income statement called 'contributions to the resolution fund'. Consequently, the bank levy of €14 million recognized under administrative expenses was reclassified to the 'contributions to the resolution fund' line item in the income statement for the first half of 2014.

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 the first half of 2014 have been restated in the interim consolidated financial statements for the first half of 2015. The resulting effects are shown below.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30, 2014

€ million	Jan. 1–Jun. 30, 2014 before restatement	Amount of restatement	Jan. 1–Jun. 30, 2014 after restatement
(...)			
Other comprehensive income	499	-19	480
Items that may be reclassified to the income statement	**546**	**-19**	**527**
Gains and losses on available-for-sale financial assets	761	-19	742
(...)			
Total comprehensive income	**1,782**	**-19**	**1,763**
Attributable to:			
Shareholders of DZ BANK	1,438	-19	1,419
(...)			

BALANCE SHEET AS AT JANUARY 1, 2014

ASSETS

€ million	Jan. 1, 2014 before restatement	Amount of restatement	Jan. 1, 2014 after restatement
(…)			
Investments	56,892	193	57,085
(…)			
Income tax assets	1,544	5	1,549
Other assets	5,237	-24	5,213
(…)			
Total assets	**385,398**	**174**	**385,572**

EQUITY AND LIABILITIES

€ million	Jan. 1, 2014 before restatement	Amount of restatement	Jan. 1, 2014 after restatement
(…)			
Equity	14,188	174	14,362
(…)			
Retained earnings	4,685	-16	4,669
Revaluation reserve	379	190	569
(…)			
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**
(…)			
Investments	57,126	157	57,283
(…)			
Income tax assets	1,038	6	1,044
Other assets	4,838	-24	4,814
(…)			
Total assets	**402,543**	**139**	**402,682**

EQUITY AND LIABILITIES

€ million	Dec. 31, 2014 before restatement	Amount of restatement	**Dec. 31, 2014 after restatement**
(…)			
Equity	18,106	139	18,245
(…)			
Retained earnings	5,755	-16	5,739
Revaluation reserve	1,045	155	1,200
(…)			
Total equity and liabilities	**402,543**	**139**	**402,682**

STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2014

€ million	Jan. 1– Jun. 30, 2014 before restatement	Amount of restatement	**Jan. 1– Jun. 30, 2014 after restatement**
(…)			
Non-cash items included in net profit	2,898	-5	2,893
Subtotal	4,181	-5	4,176
Cash changes in assets and liabilities arising from operating activities			
(…)			
Other assets and liabilities from operating activities	562	24	586
(…)			
Cash flows from operating activities	**4,173**	**19**	**4,192**
Cash flows from investing activities	**-3,877**	**-3**	**-3,880**
Cash flows from financing activities	**-1,056**	**-16**	**-1,072**

€ 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	4,173	19	4,192
Cash flows from investing activities	-3,877	-3	-3,880
Cash flows from financing activities	-1,056	-16	-1,072
Cash and cash equivalents as at June 30	**3,052**	–	**3,052**

There was no impact on the income statement for the period January 1 to June 30, 2014.

The relevant comparative disclosures in the notes to the financial statements have also been amended as a result of the retrospective restatements.

SOURCES OF ESTIMATION UNCERTAINTY

It is necessary to make assumptions and estimates in accordance with the relevant financial reporting standards in order to determine the carrying amounts of assets, liabilities, income, and expenses recognized in these consolidated financial statements. These assumptions and estimates are based on historical experience, planning, and expectations or forecasts regarding future events.

Assumptions and estimates are used primarily in determining the fair value of financial assets and financial liabilities and in identifying any impairment of financial assets. Estimates also have a material impact on determining the impairment of goodwill or intangible assets acquired as part of business combinations. Furthermore, assumptions and estimates affect the measurement of insurance liabilities, provisions for employee benefits, provisions for share-based payment transactions, and other provisions as well as the recognition and measurement of income tax assets and income tax liabilities.

» 03 SCOPE OF CONSOLIDATION

In the first half of 2015, there were no other material changes apart from the deconsolidation of Cash Express Gesellschaft für Finanz- und Reisedienstleistungen mbH, Frankfurt am Main, which is no longer included in the scope of consolidation owing to its minor significance to the financial position and financial performance of the DZ BANK Group.

B Disclosures relating to the income statement and the statement of comprehensive income

» 04 SEGMENT INFORMATION

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2015

€ million	DZ BANK	BSH	DG HYP
Net interest income	479	470	154
Allowances for losses on loans and advances	26	-12	34
Net fee and commission income	142	-44	13
Gains and losses on trading activities	214	–	-17
Gains and losses on investments	6	5	-33
Other gains and losses on valuation of financial instruments	16	–	77
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	-530	-223	-52
Other net operating income	13	18	5
Profit/loss before contributions to the resolution fund and before taxes	366	214	181
Contributions to the resolution fund	-100	-3	-25
Profit/loss before taxes	**266**	**211**	**156**
Cost/income ratio (%)	60.9	49.7	26.1
RORAC (regulatory, %)	12.3	53.3	31.6
Total assets/total equity and liabilities as at Jun. 30, 2015	222,727	59,530	48,048

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2014

€ million	DZ BANK	BSH	DG HYP
Net interest income	508	469	151
Allowances for losses on loans and advances	21	-9	22
Net fee and commission income	131	-45	21
Gains and losses on trading activities	230	–	-3
Gains and losses on investments	112	2	7
Other gains and losses on valuation of financial instruments	11	–	242
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	-456	-235	-51
Other net operating income	-31	19	6
Profit/loss before contributions to the resolution fund and before taxes	526	201	395
Contributions to the resolution fund	-2	–	-9
Profit/loss before taxes	**524**	**201**	**386**
Cost/income ratio (%)	47.5	52.8	12.0
RORAC (regulatory, %)	26.0	55.3	63.9
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
96	77	–	263	7	85	-190	1,441
-40	–	–	-42	–	-4	-3	-41
52	57	–	-55	631	12	-40	768
8	15	–	–	–	–	6	226
38	–	–	–	–	1	4	21
42	4	–	–	4	-2	-14	127
–	–	6,981	–	–	–	–	6,981
–	–	1,976	–	–	–	-32	1,944
–	–	-7,400	–	–	–	–	-7,400
–	–	-1,196	–	–	–	76	-1,120
-93	-111	–	-97	-327	-81	-45	-1,559
-19	-5	-5	3	25	2	2	39
84	37	356	72	340	13	-236	1,427
-10	–	–	-4	–	–	-1	-143
74	**37**	**356**	**68**	**340**	**13**	**-237**	**1,284**
42.9	75.0	–	46.0	49.0	82.7	–	51.5
33.0	22.0	27.7	36.6	>100.0	8.2	–	26.6
25,343	16,796	89,065	6,969	1,779	5,095	-66,391	408,961

DVB	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	Total
107	79	–	258	5	95	-173	1,499
-28	–	–	-47	–	-12	-13	-66
51	54	–	-46	556	14	-37	699
4	4	–	–	–	2	5	242
1	1	–	–	–	12	5	140
-11	4	–	-1	13	4	13	275
–	–	7,101	–	–	–	–	7,101
–	–	2,089	–	–	–	-32	2,057
–	–	-7,667	–	–	–	–	-7,667
–	–	-1,172	–	–	–	71	-1,101
-90	-104	–	-90	-292	-86	-38	-1,442
2	-2	-4	–	6	-18	-1	-23
36	36	347	74	288	11	-200	1,714
-2	–	–	-1	–	–	–	-14
34	**36**	**347**	**73**	**288**	**11**	**-200**	**1,700**
58.4	74.3	–	42.7	50.3	78.9	–	44.8
16.3	22.9	30.2	38.4	>100.0	5.6	–	33.4
24,463	14,785	85,663	6,736	1,840	5,241	-65,246	402,682

DEFINITION OF OPERATING SEGMENTS

As part of efforts to extend the strategic management of the group, the segment reporting process has been updated. The previous segmentation (Bank, Retail, Real Estate Finance, and Insurance) was amended with effect from December 31, 2014. Segmentation is now based on the integrated risk and capital management system, and the 9 management units are shown separately. They consist of DZ BANK, Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP), TeamBank AG Nürnberg, Nuremberg, (TeamBank), and the BSH, DVB, DZ PRIVATBANK, R+V, UMH, and VR LEASING subgroups. All other companies in the DZ BANK Group and the consolidations are reported on an aggregated basis under Other/Consolidation.

The disclosures on the operating segments for the first half of 2014 have been restated to reflect the amended process for reporting to the chief operating decision-makers.

» 05 NET INTEREST INCOME

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**3,365**	**3,665**
Interest income from	**3,312**	**3,602**
Lending and money market business	3,129	3,356
Fixed-income securities	455	489
Portfolio hedges of interest-rate risk	-265	-243
Financial assets with a negative effective interest rate	-7	–
Current income and expense from	**18**	**37**
Shares and other variable-yield securities	18	34
Investments in subsidiaries	3	2
Investments in associates	–	3
Operating leases	-3	-2
Income from using the equity method for	**34**	**24**
Investments in joint ventures	28	19
Investments in associates	6	5
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**1**	**2**
INTEREST EXPENSE ON	**-1,924**	**-2,166**
Deposits from banks and customers	-1,519	-1,652
Debt certificates issued including bonds	-354	-438
Subordinated capital	-78	-93
Portfolio hedges of interest-rate risk	16	24
Financial liabilities with a positive effective interest rate	14	–
Provisions and other liabilities	-3	-7
Total	**1,441**	**1,499**

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. These interest-rate effects had not yet materialized in the first half of 2014 and have therefore not been reported separately.

» 06 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Allowances for losses on loans and advances to banks	**–**	-11
Additions	-3	-14
Reversals	5	3
Directly recognized impairment losses	-2	–
Allowances for losses on loans and advances to customers	**-51**	-50
Additions	-296	-334
Reversals	223	284
Directly recognized impairment losses	-29	-28
Recoveries on loans and advances previously impaired	51	28
Other allowances for losses on loans and advances	**10**	-5
Change in provisions for loan commitments	-7	4
Change in other provisions for loans and advances	13	-4
Change in liabilities from financial guarantee contracts	4	-5
Total	**-41**	-66

» 07 NET FEE AND COMMISSION INCOME

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Fee and commission income	**1,595**	1,382
Securities business	1,166	1,003
Asset management	95	58
Payments processing including card processing	90	88
Lending business and trust activities	118	114
Financial guarantee contracts and loan commitments	21	20
International business	3	3
Building society operations	15	15
Other	87	81
Fee and commission expenses	**-827**	-683
Securities business	-438	-342
Asset management	-64	-36
Payments processing including card processing	-47	-48
Lending business	-120	-111
Financial guarantee contracts and loan commitments	-2	-2
Building society operations	-71	-72
Other	-85	-72
Total	**768**	699

» 08 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Gains and losses on non-derivative financial instruments and embedded derivatives	52	-35
Gains and losses on derivatives	123	259
Gains and losses on exchange differences	51	18
Total	**226**	**242**

» 09 GAINS AND LOSSES ON INVESTMENTS

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Gains and losses on bonds and other fixed-income securities	**-27**	**53**
Disposals	4	25
Impairment losses	-36	-4
Reversals of impairment losses	5	32
Gains and losses on shares and other variable-yield securities	**54**	**73**
Disposals	54	80
Impairment losses	–	-8
Reversals of impairment losses	–	1
Gains and losses on investments in subsidiaries	**–**	**1**
Disposals	–	1
Gains and losses on investments in joint ventures	**1**	**12**
Impairment losses	-1	–
Reversals of impairment losses	2	12
Gains and losses on investments in associates	**-7**	**1**
Disposals	2	1
Impairment losses	-9	–
Total	**21**	**140**

» 10 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Gains and losses from hedge accounting	**26**	**5**
Gains and losses on derivatives used for purposes other than trading	**-17**	**16**
Gains and losses on financial instruments designated as at fair value through profit or loss	**118**	**254**
Gains and losses on non-derivative financial instruments and embedded derivatives	272	76
Gains and losses on derivatives	-154	178
Total	**127**	**275**

Gains and losses on derivatives used for purposes other than trading result from gains and losses on valuation of derivatives that are used for economic hedging but are not included in hedge accounting.

» 11 PREMIUMS EARNED

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Net premiums written	**7,712**	7,784
Gross premiums written	7,770	7,840
Reinsurance premiums ceded	-58	-56
Change in provision for unearned premiums	**-731**	-683
Gross premiums	-745	-696
Reinsurers' share	14	13
Total	**6,981**	7,101

» 12 GAINS AND LOSSES ON INVESTMENTS HELD BY INSURANCE COMPANIES AND OTHER INSURANCE COMPANY GAINS AND LOSSES

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Income from investments held by insurance companies	**3,088**	2,342
Interest income and current income	1,329	1,330
Income from reversals of impairment losses and unrealized gains	457	82
Gains on valuation through profit or loss of investments held by insurance companies	840	675
Gains on disposals	462	255
Expenses in connection with investments held by insurance companies	**-1,126**	-303
Administrative expenses	-59	-53
Depreciation/amortization expense, impairment losses, and unrealized losses	-193	-69
Losses on valuation through profit or loss of investments held by insurance companies	-685	-31
Losses on disposals	-189	-150
Other gains and losses of insurance companies	**-18**	18
Other insurance gains and losses	86	78
Other non-insurance gains and losses	-104	-60
Total	**1,944**	2,057

» 13 INSURANCE BENEFIT PAYMENTS

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Expenses for claims	**-4,607**	**-4,422**
Gross expenses for claims	-4,620	-4,440
Reinsurers' share	13	18
Changes in the benefit reserve and in other insurance liabilities	**-2,543**	**-2,607**
Gross changes in provisions	-2,540	-2,600
Reinsurers' share	-3	-7
Expenses for premium refunds	**-250**	**-638**
Gross expenses for premium refunds	106	-97
Expenses for deferred premium refunds	-356	-541
Total	**-7,400**	**-7,667**

» 14 INSURANCE BUSINESS OPERATING EXPENSES

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Gross expenses	-1,130	-1,112
Reinsurers' share	10	11
Total	**-1,120**	**-1,101**

» 15 ADMINISTRATIVE EXPENSES

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Staff expenses	-799	-769
General and administrative expenses	-691	-610[1]
Depreciation and amortization	-69	-63
Total	**-1,559**	**-1,442**

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.

» 16 OTHER NET OPERATING INCOME

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Other income from leasing business	6	-19
Gains and losses on non-current assets and disposal groups classified as held for sale	–	1
Impairment losses on goodwill	-28	–
Residual other net operating income	61	-5
Total	**39**	**-23**

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 led to an impairment loss of €28 million, which meant that no goodwill was allocated to the DVB subgroup operating segment as at the balance sheet date.

» 17 INCOME TAXES

IAS 34 states that income taxes in interim financial statements are to be calculated on the basis of the best possible estimate of the weighted average tax rate for the year as a whole. This tax rate is based on the legislation that is in force or has been adopted at the relevant balance sheet date.

» 18 AMOUNTS RECLASSIFIED TO THE INCOME STATEMENT

€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Gains and losses on available-for-sale financial assets	**-147**	**742**
Gains (+)/losses (-) arising during the reporting period	-95	871
Gains (-)/losses (+) reclassified to the income statement	-52	-129
Gains and losses on cash flow hedges	**3**	**-5**
Gains (+)/losses (-) arising during the reporting period	-21	-1
Gains (-)/losses (+) reclassified to the income statement	24	-4
Gains and losses on hedges of net investments in foreign operations	**-16**	**-4**
Gains (+)/losses (-) arising during the reporting period	-17	-3
Gains (-)/losses (+) reclassified to the income statement	1	-1

» 19 INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

The table below shows the income taxes on the various components of other comprehensive income:

€ million	Jan. 1–Jun. 30, 2015 Amount before taxes	Jan. 1–Jun. 30, 2015 Income taxes	Jan. 1–Jun. 30, 2015 Amount after taxes	Jan. 1–Jun. 30, 2014 Amount before taxes	Jan. 1–Jun. 30, 2014 Income taxes	Jan. 1–Jun. 30, 2014 Amount after taxes
Items that may be reclassified to the income statement	**-98**	**125**	**27**	744	-217	527
Gains and losses on available-for-sale financial assets	-147	121	-26	742	-219	523
Gains and losses on cash flow hedges	3	-2	1	-5	1	-4
Exchange differences on currency translation of foreign operations	53	1	54	1	–	1
Gains and losses on hedges of net investments in foreign operations	-16	5	-11	-4	1	-3
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	9	–	9	10	–	10
Items that will not be reclassified to the income statement	**167**	**-52**	**115**	-70	23	-47
Gains and losses arising from remeasurement of defined benefit plans	167	-52	115	-70	23	-47
Total	**69**	**73**	**142**	674	-194	480

C Balance sheet disclosures

» 20 CASH AND CASH EQUIVALENTS

€ million	Jun. 30, 2015	Dec. 31, 2014
Cash on hand	198	239
Balances with central banks and other government institutions	3,734	2,794
Total	**3,932**	**3,033**

» 21 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Domestic banks	**6,616**	**7,385**	**59,478**	**60,934**	**66,094**	**68,319**
Affiliated banks	4,022	3,881	48,555	50,112	52,577	53,993
Other banks	2,594	3,504	10,923	10,822	13,517	14,326
Foreign banks	**7,793**	**8,143**	**3,738**	**2,855**	**11,531**	**10,998**
Total	**14,409**	**15,528**	**63,216**	**63,789**	**77,625**	**79,317**

» 22 LOANS AND ADVANCES TO CUSTOMERS

€ million	Jun. 30, 2015	Dec. 31, 2014
Loans and advances to domestic customers	91,234	89,965
Loans and advances to foreign customers	34,902	32,472
Total	**126,136**	**122,437**

The following table shows the breakdown of loans and advances to customers by type of business:

€ million	Jun. 30, 2015	Dec. 31, 2014
Local authority loans	13,377	13,261
Mortgage loans and other loans secured by mortgages on real estate	20,545	20,926
Loans secured by ship mortgages	1,239	1,222
Home savings loans advanced by building society	31,541	29,960
Finance leases	3,889	4,088
Money market placements	1,044	550
Other loans and advances	54,501	52,430
Total	**126,136**	**122,437**

» 23 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

The changes in allowances for losses on loans and advances recognized under assets were as follows:

	Allowances for losses on loans and advances to banks		Allowances for losses on loans and advances to customers		Total
€ million	Specific loan loss allowances	Portfolio loan loss allowances	Specific loan loss allowances	Portfolio loan loss allowances	
Balance as at Jan. 1, 2014	139	22	1,871	508	2,540
Additions	14	–	288	46	348
Utilizations	–	–	-125	–	-125
Reversals	–	-3	-225	-59	-287
Interest income	-2	–	-15	–	-17
Other changes	–	–	1	–	1
Balance as at Jun. 30, 2014	**151**	**19**	**1,795**	**495**	**2,460**
Balance as at Jan. 1, 2015	89	20	1,819	460	2,388
Additions	3	–	240	56	299
Utilizations	-38	–	-153	–	-191
Reversals	-3	-2	-157	-66	-228
Interest income	–	–	-25	–	-25
Other changes	–	–	37	2	39
Balance as at Jun. 30, 2015	**51**	**18**	**1,761**	**452**	**2,282**

The interest income arises from unwinding the discount on impaired loans and advances as specified in IAS 39.AG93.

» 24 DERIVATIVES USED FOR HEDGING (POSITIVE FAIR VALUES)

€ million	Jun. 30, 2015	Dec. 31, 2014
Derivatives used as fair value hedges	**568**	379
Interest-linked contracts	568	379
Derivatives used as cash flow hedges	**5**	4
Currency-linked contracts	5	4
Total	**573**	383

» 25 FINANCIAL ASSETS HELD FOR TRADING

€ million	Jun. 30, 2015	Dec. 31, 2014
DERIVATIVES (POSITIVE FAIR VALUES)	**22,536**	**27,828**
Interest-linked contracts	20,062	25,360
Currency-linked contracts	928	1,087
Share-/index-linked contracts	553	386
Other contracts	716	653
Credit derivatives	277	342
BONDS AND OTHER FIXED-INCOME SECURITIES	**13,029**	**12,651**
Money market instruments	**468**	**453**
from public-sector issuers	231	92
from other issuers	237	361
Bonds	**12,561**	**12,198**
from public-sector issuers	2,532	2,118
from other issuers	10,029	10,080
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,361**	**731**
Shares	1,323	660
Investment fund units	14	12
Other variable-yield securities	24	59
RECEIVABLES	**20,744**	**13,239**
Money market placements	**19,864**	**12,340**
with banks	14,831	10,804
of which: with affiliated banks	1,611	749
with other banks	13,220	10,055
with customers	5,033	1,536
Promissory notes, registered bonds, and other loans and advances	**880**	**899**
with banks	696	663
of which: with other banks	696	663
with customers	184	236
Total	**57,670**	**54,449**

» 26 INVESTMENTS

€ million	Jun. 30, 2015	Dec. 31, 2014
BONDS AND OTHER FIXED-INCOME SECURITIES	**51,819**	**54,618**
Money market instruments	**185**	**285**
from public-sector issuers	17	18
from other issuers	168	267
Bonds	**51,634**	**54,333**
from public-sector issuers	26,204	27,906
from other issuers	25,430	26,427
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,265**	**1,438**
Shares and other shareholdings	381	337
Investment fund units	876	1,093
Other variable-yield securities	8	8
INVESTMENTS IN SUBSIDIARIES	**239**	**218**
INVESTMENTS IN JOINT VENTURES	**548**	**623**
INVESTMENTS IN ASSOCIATES	**411**	**386**
Total	**54,282**	**57,283**

The carrying amount of investments in joint ventures accounted for using the equity method totaled €545 million (December 31, 2014: €620 million). Of the investments in associates, €393 million was accounted for using the equity method (December 31, 2014: €364 million).

» 27 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Jun. 30, 2015	Dec. 31, 2014
Investment property	1,981	1,924
Investments in subsidiaries	469	465
Investments in joint ventures	38	37
Investments in associates	1	1
Mortgage loans	8,358	8,047
Promissory notes and loans	8,938	8,935
Registered bonds	10,534	10,333
Other loans	781	962
Variable-yield securities	7,214	6,248
Fixed-income securities	35,589	34,611
Derivatives (positive fair values)	214	464
Deposits with ceding insurers	191	172
Assets related to unit-linked contracts	8,182	7,433
Total	**82,490**	**79,632**

The carrying amount of investments in joint ventures accounted for using the equity method totaled €22 million (December 31, 2014: €21 million).

» 28 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Jun. 30, 2015	Dec. 31, 2014
Land and buildings	842	844
Office furniture and equipment	153	155
Assets subject to operating leases	785	1,200
Investment property	92	93
Total	**1,872**	**2,292**

» 29 OTHER ASSETS

€ million	Jun. 30, 2015	Dec. 31, 2014
Other assets held by insurance companies	4,339	3,790
Goodwill	188	216
Other intangible assets	311	329
of which: software	197	207
acquired customer relationships	99	107
Other loans and advances	212	118
Residual other assets	398	361
Total	**5,448**	**4,814**

The breakdown of other assets held by insurance companies is as follows:

€ million	Jun. 30, 2015	Dec. 31, 2014
Intangible assets	160	163
Reinsurance assets	237	254
Receivables	1,237	876
Credit balances with banks, checks and cash on hand	650	337
Residual other assets	2,055	2,160
Total	**4,339**	**3,790**

» 30 NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The non-current assets and disposal groups classified as held for sale comprise investment fund units in various funds and investments in an associate. As at the reporting date, equity included a revaluation reserve on non-current assets and disposal groups classified as held for sale of €28 million (December 31, 2014: no revaluation reserve) and non-controlling interests of €12 million (December 31, 2014: no non-controlling interests).

» 31 DEPOSITS FROM BANKS

€ million	Repayable on demand		With agreed maturity or notice period		Total	
	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Domestic banks	**23,341**	23,713	**54,652**	56,707	**77,993**	80,420
Affiliated banks	18,462	18,009	16,904	18,710	35,366	36,719
Other banks	4,879	5,704	37,748	37,997	42,627	43,701
Foreign banks	**1,941**	1,823	**6,806**	7,011	**8,747**	8,834
Total	**25,282**	25,536	**61,458**	63,718	**86,740**	89,254

» 32 DEPOSITS FROM CUSTOMERS

€ million	Jun. 30, 2015	Dec. 31, 2014
DEPOSITS FROM DOMESTIC CUSTOMERS	**85,822**	83,713
Home savings deposits	**48,361**	46,633
Other deposits	**37,461**	37,080
Repayable on demand	8,844	6,026
With agreed maturity or notice period	28,617	31,054
DEPOSITS FROM FOREIGN CUSTOMERS	**15,007**	12,715
Home savings deposits	**1,775**	1,710
Other deposits	**13,232**	11,005
Repayable on demand	7,830	4,650
With agreed maturity or notice period	5,402	6,355
Total	**100,829**	96,428

» 33 DEBT CERTIFICATES ISSUED INCLUDING BONDS

€ million	Jun. 30, 2015	Dec. 31, 2014
Bonds issued	**37,543**	40,436
Mortgage Pfandbriefe	7,072	6,291
Public-sector Pfandbriefe	3,367	4,841
Other bonds	27,104	29,304
Other debt certificates issued	**18,617**	15,173
Total	**56,160**	55,609

All other debt certificates issued are commercial paper.

» 34 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Jun. 30, 2015	Dec. 31, 2014
Derivatives used as fair value hedges	**1,581**	**2,528**
Interest-linked contracts	1,581	2,528
Derivatives used as cash flow hedges	**25**	**27**
Currency-linked contracts	25	27
Derivatives used for hedges of net investments in foreign operations	**–**	**1**
Currency-linked contracts	–	1
Total	**1,606**	**2,556**

» 35 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Jun. 30, 2015	Dec. 31, 2014
DERIVATIVES (NEGATIVE FAIR VALUES)	**24,544**	**26,842**
Interest-linked contracts	19,139	22,982
Currency-linked contracts	1,051	799
Share-/index-linked contracts	836	714
Other contracts	3,371	2,156
Credit derivatives	147	191
SHORT POSITIONS	**1,299**	**877**
BONDS ISSUED	**15,007**	**13,939**
DEPOSITS	**12,156**	**10,044**
Money market deposits	**11,902**	**9,810**
from banks	9,140	7,781
of which: from affiliated banks	892	879
from other banks	8,248	6,902
from customers	2,762	2,029
Promissory notes and registered bonds issued	**254**	**234**
to banks	222	208
of which: to affiliated banks	222	208
to customers	32	26
Total	**53,006**	**51,702**

Bonds issued mainly comprise share- and index-linked certificates.

» 36 PROVISIONS

€ million	Jun. 30, 2015	Dec. 31, 2014
Provisions for employee benefits	**1,856**	**2,011**
Provisions for defined benefit plans	1,635	1,742
Provisions for other long-term employee benefits	101	121
of which: for preretirement part-time employment schemes	17	26
Provisions for termination benefits	94	108
of which: for early retirement schemes	17	14
for restructuring	49	62
Provisions for short-term employee benefits	26	40
Provisions for share-based payment transactions	**13**	**13**
Other provisions	**1,199**	**1,148**
Provisions for onerous contracts	11	11
Provisions for restructuring	8	10
Provisions for loan commitments	71	64
Other provisions for loans and advances	39	52
Provisions relating to building society operations	609	580
Residual provisions	461	431
Total	**3,068**	**3,172**

The discount rate applied to defined benefit plans had been raised to 2.25 percent at the balance sheet date (December 31, 2014: 2.0 percent).

» 37 INSURANCE LIABILITIES

€ million	Jun. 30, 2015	Dec. 31, 2014
Provision for unearned premiums	1,823	1,071
Benefit reserve	51,485	49,724
Provision for claims outstanding	8,975	8,352
Provision for premium refunds	7,868	8,568
Other insurance liabilities	57	40
Reserve for unit-linked insurance contracts	7,610	6,915
Total	**77,818**	**74,670**

» 38 OTHER LIABILITIES

€ million	Jun. 30, 2015	Dec. 31, 2014
Other liabilities of insurance companies	4,413	4,253
Liabilities from financial guarantee contracts	101	103
Accruals	673	921
Other payables	329	548
Residual other liabilities	409	419
Total	**5,925**	**6,244**

The table below gives a breakdown of insurance companies' other liabilities.

€ million	Jun. 30, 2015	Dec. 31, 2014
Other provisions	328	366
Payables and residual other liabilities	4,085	3,887
Total	**4,413**	**4,253**

» 39 SUBORDINATED CAPITAL

€ million	Jun. 30, 2015	Dec. 31, 2014
Subordinated liabilities	3,565	3,454
Profit-sharing rights	283	292
Other hybrid capital	500	–
Share capital repayable on demand	37	38
Total	**4,385**	**3,784**

D Financial instruments and fair value disclosures

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class (in accordance with IFRS 7) and by category of financial instruments (in accordance with IAS 39):

» 40
CLASSES, CATEGORIES, AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	Jun. 30, 2015		Dec. 31, 2014	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**157,372**	**157,372**	**154,811**	**154,811**
Financial instruments held for trading	**57,884**	**57,884**	**54,913**	**54,913**
Financial assets held for trading	57,670	57,670	54,449	54,449
Investments held by insurance companies	214	214	464	464
Fair value option	**18,199**	**18,199**	**18,899**	**18,899**
Loans and advances to banks	1,449	1,449	1,607	1,607
Loans and advances to customers	5,806	5,806	5,780	5,780
Investments	10,245	10,245	10,775	10,775
Investments held by insurance companies	699	699	737	737
Derivatives used for hedging	**573**	**573**	**383**	**383**
Derivatives used for hedging (positive fair values)	573	573	383	383
Available-for-sale financial assets	**80,716**	**80,716**	**80,616**	**80,616**
Loans and advances to customers	19	19	22	22
Investments	37,871	37,871	39,716	39,716
Investments held by insurance companies	42,826	42,826	40,878	40,878
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**228,855**	**238,284**	**225,401**	**235,654**
Loans and receivables	**228,550**	**237,979**	**224,962**	**235,215**
Cash and cash equivalents	3,734	3,734	2,794	2,794
Loans and advances to banks	76,027	77,772	77,601	78,884
Loans and advances to customers	114,274	117,490	110,331	113,803
Investments	5,007	5,059	5,469	5,587
Investments held by insurance companies	28,291	32,986	27,903	33,636
Other assets	938	938	511	511
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	279		353	
Available-for-sale financial assets	**305**	**305**	**439**	**439**
Investments	221	221	339	339
Investments held by insurance companies	84	84	100	100
FINANCE LEASES	**3,904**	**4,091**	**4,025**	**4,193**
Loans and advances to banks	80	106	–	–
Loans and advances to customers	3,824	3,985	4,025	4,193

€ million	Jun. 30, 2015 Carrying amount	Jun. 30, 2015 Fair value	Dec. 31, 2014 Carrying amount	Dec. 31, 2014 Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**80,342**	**80,342**	**79,977**	**79,977**
Financial instruments held for trading	**53,119**	**53,119**	**51,766**	**51,766**
Financial liabilities held for trading	53,006	53,006	51,702	51,702
Other liabilities	113	113	64	64
Fair value option	**25,617**	**25,617**	**25,655**	**25,655**
Deposits from banks	3,994	3,994	4,199	4,199
Deposits from customers	7,286	7,286	7,505	7,505
Debt certificates issued including bonds	12,805	12,805	12,652	12,652
Subordinated capital	1,532	1,532	1,299	1,299
Derivatives used for hedging	**1,606**	**1,606**	**2,556**	**2,556**
Derivatives used for hedging (negative fair values)	1,606	1,606	2,556	2,556
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**224,017**	**228,536**	**221,162**	**225,709**
Deposits from banks	82,746	84,543	85,055	86,251
Deposits from customers	93,543	95,849	88,923	91,631
Debt certificates issued including bonds	43,355	43,815	42,957	43,660
Other liabilities	1,257	1,257	1,447	1,447
Subordinated capital	2,853	3,072	2,485	2,720
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	263		295	
FINANCE LEASES	**28**	**32**	**28**	**35**
Other liabilities	28	32	28	35
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**172**	**172**	**167**	**167**
Financial guarantee contracts	**101**	**101**	**103**	**103**
Other liabilities	101	101	103	103
Loan commitments	**71**	**71**	**64**	**64**
Provisions	71	71	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 €29,366 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 €305 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 period, other shareholdings measured at cost with a carrying amount of €7 million were sold. This resulted in gains on disposal of €47 million.

In the first half of 2014, investments in associates measured at cost with a carrying amount of €1 million had been sold. This had resulted in gains on disposal of €1 million.

FAIR VALUE HIERARCHY

» 41
ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON THE BALANCE SHEET

RECURRING FAIR VALUE MEASUREMENTS

The recurring fair value measurements are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2		Level 3	
€ million	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Assets	**57,964**	53,284	**103,343**	103,244	**4,330**	5,749
Loans and advances to banks	–	–	1,449	1,607	–	–
Loans and advances to customers	–	–	5,193	5,207	632	595
Derivatives used for hedging (positive fair values)	–	–	573	383	–	–
Financial assets held for trading	1,639	934	55,776	53,130	255	385
Investments	14,084	11,835	32,644	35,970	1,388	2,686
Investments held by insurance companies	42,234	40,500	7,679	6,937	2,008	2,075
Non-current assets and disposal groups classified as held for sale	7	15	29	10	47	8
Liabilities	**8,400**	7,958	**74,770**	73,793	**5,246**	5,557
Deposits from banks	–	–	3,985	4,190	9	9
Deposits from customers	–	–	7,280	7,499	6	6
Debt certificates issued including bonds	2,231	2,230	10,080	9,811	494	611
Derivatives used for hedging (negative fair values)	–	–	1,606	2,556	–	–
Financial liabilities held for trading	745	661	47,526	46,111	4,735	4,930
Financial liabilities arising from fund-linked insurance products	5,410	5,063	2,664	2,268	–	–
Other liabilities	14	4	97	59	2	1
Subordinated capital	–	–	1,532	1,299	–	–

The investments held by insurance companies measured at fair value include assets related to unit-linked contracts. These are offset on the equity and liabilities side of the balance sheet by financial liabilities measured at fair value arising from fund-linked insurance products, which consist of the reserve for unit-linked insurance contracts and liabilities from capitalization transactions allocated to unit-linked life insurance.

TRANSFERS

Assets and liabilities held at the balance sheet date and measured at fair value on a recurring basis were transferred as follows between Levels 1 and 2 of the fair value hierarchy:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Assets measured at fair value	**1,493**	25,024	**3,533**	208
Financial assets held for trading	–	4,103	6	70
Investments	729	18,786	3,203	133
Investments held by insurance companies	764	2,135	324	5
Liabilities measured at fair value	**–**	184	**1**	78
Debt certificates issued including bonds	–	–	–	68
Financial liabilities held for trading	–	184	1	10

Transfers from Level 1 to Level 2 were due to quoted prices no longer being obtainable in active markets for identical assets. Transfers from Level 2 to Level 1 were due to the availability of quoted prices in active markets that had previously not existed.

In the DZ BANK Group, transfers between Levels 1 and 2 take place when there is a change in the inputs that is relevant to categorization in the fair value hierarchy.

FAIR VALUE MEASUREMENTS WITHIN LEVELS 2 AND 3

Fair value measurements within Level 2 of the fair value hierarchy either use prices available in active markets for similar, but not identical, financial instruments or use valuation techniques largely based on observable market data. If valuation techniques are used that include a significant valuation parameter that is not observable in the market, the relevant fair value measurements are categorized within Level 3 of the fair value hierarchy.

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 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. Depending on the type of collateral and the seniority of the paper, 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. Essentially, the fair value is measured using income capitalization approaches in which future income and dividends – calculated on the basis of forecasts and estimates – are discounted, taking risk parameters into account.

The fair value measurements of investment fund units are determined using the pro rata net asset value. This is adjusted for any outstanding performance-related remuneration entitlements of fund managers; risk adjustments are also taken into account. Some long-term equity investments in real-estate companies are also measured at net asset value. In this case, the liabilities are subtracted from the fair values of the real estate tied up in the company and the result is multiplied by the percentage of shareholding. The prices of units in real-estate funds that are not managed by the DZ BANK Group are provided by the asset management company that manages these funds. These units are measured regularly at net asset value. Fair value measurements are also based on valuations, current values, and prices in recent transactions.

The fair value measurement of OTC derivatives applies the option in IFRS 13.48, which enables the total net amount to be measured. In the first step, credit risk is not taken into account. The fair values of OTC option derivatives are measured using generally accepted option pricing models such as the Black-Scholes and Black 76 models or the one-factor and two-factor Hull-White models. Share/index options are measured on the basis of the local volatility model with constant forward skew using a Monte Carlo simulation. Non-option, interest-rate-based OTC derivatives are generally measured in accordance with the multiple-curve approach. Variable cash flows are projected using tenor-specific fixing curves. When future cash flows are discounted, liquidity-related adjustments are made to the relevant yield curves – similarly to the method applied to non-derivative interest-bearing financial instruments. In order to determine the fair value of forward forex transactions, the differences between translation at the spot rate and the agreed forward rate are calculated. In the second step, credit risk arising from derivatives is recognized after the total net amount has been determined. Credit valuation adjustments (CVA) are recognized to mitigate counterparty credit risk and debt valuation adjustments (DVA) are recognized to mitigate the group's own credit risk. Their measurement also takes account of collateral and uses market-implied parameters with matching maturities or internal parameters with matching maturities for the probability of default and loss given default.

The measurement of financial instruments also involves carrying out measurement adjustments to a suitable degree. This includes, among other things, model reserves that enable uncertainties in model selection, model parameters, and model configuration to be taken into account. The DZ BANK Group measures financial instruments at the price at which these financial instruments can be realized in the market. If this differs from the measurement of the individual instruments (e.g. measurement at middle rates), the bid/ask adjustments (close-out reserves) are determined on a net basis applying the option in IFRS 13.48. Measurement takes account of the group's funding structure. If the funding costs used for the measurement are different from the actual funding costs, this is recognized by making a measurement adjustment.

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.

Class according to IFRS 13	Assets/ liabilities	Fair value € million	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Loans and advances to customers	Loans	551	DCF method	Credit spread	–
	Loans	62	DCF method	Internal spread	–
	Silent partnerships	19	DCF method	Internal credit ratings	9
Financial assets held for trading	ABSs	108	DCF method	Credit spread	1.0 to 370
	Bearer securities	75	DCF method	Credit spread	6.7 to 1,139
	Equity/commodity basket products	52	DCF method	Correlation of the risk factors considered	-19 to 86
	Loans and advances to issuers in default	11	DCF method	Recovery rate	0 to 10
				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Collateralized loan obligations	5	DCF method	Conditional prepayment rate	15
	Syndicated loans	4	DCF method	Credit spread	–
Investments		352	DCF method	Credit spread	6.7 to 1,139
	Bearer securities	171	DCF method	Internal spread	-0.6 to 1.0
	VR Circle	485	DCF method	Multiple-year default probabilities	0 to 100
		220	Net asset value method	Markdown	–
		54	DCF method	Assumptions for measurement of risk parameters	8.9 to 11.1
		29	Income capitalization approach	Future income	–
	Equity instruments	17	Comparative approach	Markdown	–
	Investment fund units	51	Net asset value	–	–
	ABSs	5	DCF method	Credit spread	1.0 to 370
				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Collateralized loan obligations	4	DCF method	Conditional prepayment rate	15

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	1,238	Net asset value	–	–
		192	Income capitalization approach	Future income	5.5 to 7.5
	ABSs	452	Prices offered by external suppliers of market prices	–	–
	Fixed-income securities, shares	124	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	47	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	445	DCF method	Multiple-year default probabilities	0 to 100
	Nth-to-default credit-linked notes	49	DCF method	Credit correlation	55 to 80
Financial liabilities held for trading	Equity/commodity basket products	4,520	DCF method	Correlation of the risk factors considered	-19 to 86
	Nth-to-default credit-linked notes	170	DCF method	Credit correlation	55 to 80
	VR Circle	45	DCF method	Multiple-year default probabilities	0 to 100
Other liabilities	Derivatives (negative fair values)	2	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	101	DCF method	Internal spread	–
	Silent partnerships	21	DCF method	Internal credit ratings	8
Financial assets held for trading	ABSs	145	DCF method	Credit spread	0.8 to 370
	Bearer securities	142	DCF method	Credit spread	-0.3 to 5,200
	Equity/commodity basket products	56	DCF method	Correlation of the risk factors considered	-28 to 86
				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Collateralized loan obligations	16	DCF method	Conditional prepayment rate	15
	Syndicated loans	14	DCF method	Credit spread	–
	Loans and advances to issuers in default	12	DCF method	Recovery rate	0 to 10
Investments		1,531	DCF method	Internal spread	-1.2 to 2.2
	Bearer securities	447	DCF method	Credit spread	-0.3 to 5,200
	VR Circle	468	DCF method	Multiple-year default probabilities	0 to 100
		125	Net asset value method	Markdown	–
		27	DCF method	Assumptions for measurement of risk parameters	6.5 to 12.0
	Equity instruments	6	Income capitalization approach	Future income	–
	Investment fund units	72	Net asset value	–	–
				Liquidity spread for unsecured cash CDO bonds	1.6 to 2.6
	Collateralized loan obligations	6	DCF method	Conditional prepayment rate	15
	ABSs	4	DCF method	Credit spread	0.8 to 370

Class according to IFRS 13	Assets/ liabilities	Fair value € million	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Investments held by insurance companies	Investments in subsidiaries and associates, investment fund units, profit-participation certificates, long-term equity investments	1,130	Net asset value	–	–
		186	Income capitalization approach	Future income	5.5 to 7.5
	ABSs	444	Prices offered by external suppliers of market prices	–	–
		186	Asset swap method	Credit spread	–
	Profit-participation certificates	10	DCF method	Internal spread	–
	Fixed-income securities, shares	117	Prices offered by external suppliers of market prices	–	–
	Derivatives (positive fair values)	2	Prices offered by external suppliers of market prices	–	–
Non-current assets and disposal groups classified as held for sale	Long-term equity investments	8	Agreed minimum selling price	–	–
Deposits from banks and customers	Nth-to-default credit-linked notes	15	DCF method	Credit correlation	55 to 80
Debt certificates issued including bonds	VR Circle	469	DCF method	Multiple-year default probabilities	0 to 100
	Nth-to-default credit-linked notes	142	DCF method	Credit correlation	55 to 80
Financial liabilities held for trading	Equity/commodity basket products	4,747	DCF method	Correlation of the risk factors considered	-28 to 86
	Nth-to-default credit-linked notes	183	DCF method	Credit correlation	55 to 80
Other liabilities	Derivatives (negative fair values)	1	Prices offered by external suppliers of market prices	–	–

FAIR VALUE MEASUREMENTS WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY

The table below shows the changes in the recurring fair value measurements of assets within Level 3 of the fair value hierarchy:

€ million	Loans and advances to customers	Financial assets held for trading	Investments	Investments held by insurance companies	Non-current assets and disposal groups classified as held for sale
Balance as at Jan. 1, 2014 before restatements	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)	–	133	2	170	–
Transfers	–	-99	-826	459	–
from Level 3 to Levels 1 and 2	–	-100	-1,196	–	–
from Levels 1 and 2 to Level 3	–	1	370	459	–
Disposals (sales)	-67	-164	-5	-118	-3
Changes resulting from measurement at fair value	-28	27	121	-31	–
through profit or loss	–	27	55	-41	–
through other comprehensive income	-28	–	66	10	–
Other changes	-1	–	-5	39	7
Balance as at Jun. 30, 2014	**549**	**446**	**1,232**	**1,939**	**7**
Balance as at Jan. 1, 2015	595	385	2,686	2,075	8
Additions (purchases)	20	–	146	256	–
Transfers	–	-57	-1,464	27	–
from Level 3 to Levels 1 and 2	–	-57	-1,628	-34	–
from Levels 1 and 2 to Level 3	–	–	164	61	–
Disposals (sales)	-60	-67	-25	-380	–
Changes resulting from measurement at fair value	78	-6	43	15	39
through profit or loss	2	-6	-2	11	–
through other comprehensive income	76	–	45	4	39
Other changes	-1	–	2	15	–
Balance as at Jun. 30, 2015	**632**	**255**	**1,388**	**2,008**	**47**

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)	–	–	290	–	–
Transfers	–	–	–	-22	–
from Level 3 to Levels 1 and 2	–	–	–	-26	–
from Levels 1 and 2 to Level 3	–	–	–	4	–
Disposals (settlements)	-9	-1	–	-720	-1
Changes resulting from measurement at fair value through profit or loss	-1	–	2	16	–
Other changes	–	–	-2	-1	–
Balance as at Jun. 30, 2014	**9**	**7**	**637**	**5,543**	**–**
Balance as at Jan. 1, 2015	9	6	611	4,930	1
Additions (issues)	–	–	–	–	1
Disposals (settlements)	–	–	-114	-154	–
Changes resulting from measurement at fair value through profit or loss	–	–	-1	-41	–
Other changes	–	–	-2	–	–
Balance as at Jun. 30, 2015	**9**	**6**	**494**	**4,735**	**2**

The other changes relate to accrued interest and other reclassifications.

As part of the processes for fair value measurement, the DZ BANK Group reviews whether the valuation methods used for the measurement are typical and whether the valuation parameters used in the valuation methods are observable in the market. This review takes place at every balance sheet date, i.e. at least every six months. On the basis of this review, the fair value measurements are assigned to the levels of the fair value hierarchy. In the DZ BANK Group, transfers between the levels generally take place as soon as there is a change in the inputs that is relevant to categorization in the fair value hierarchy. In each step of 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 due to the availability of a price listed in an active market and to the inclusion in the valuation method of material valuation parameters observable in the market.

The amount recognized in profit or loss resulting from the recurring fair value measurements within Level 3 of assets and liabilities held at the balance sheet date constituted a profit of €56 million during the reporting period (first half of 2014: loss of €32 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 an €18 million loss in the income statement (December 31, 2014: loss of €17 million) and a loss of €1 million under other comprehensive income/loss. There would not have been any loss under other comprehensive income/loss as at December 31, 2014. In the case of the fair values of investments, the same change would lead to the recognition of a €30 million loss in the income statement (December 31, 2014: loss of €29 million) and a loss of €4 million under other comprehensive income/loss (December 31, 2014: loss of €3 million). The fair values of bonds without liquid markets that are reported within financial assets held for trading and under investments are given an individual adjustment spread. All other things being equal, an increase in the adjustment spread of 1 percent would lead to the recognition of a €1 million loss in the income statement (December 31, 2014: loss of €3 million) and a loss of €28 million under other comprehensive income/loss (December 31, 2014: loss of €45 million). Alternative assumptions about the correlations used could lead to significant changes in respect of the fair values of equity/commodity basket products reported under financial assets and financial liabilities held for trading. All other things being equal, a rise of 1 percent in correlation assumptions would lead to the recognition of a loss of €17 million in the income statement (December 31, 2014: loss of €11 million). Alternative assumptions about the credit spreads used could lead to significant changes 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 credit spreads would lead to the recognition of a loss of €4 million in the income statement (December 31, 2014: loss of €7 million).

Sensitivity analysis is used to calculate the aforementioned changes in the fair value measurements. Non-performing exposures and strategically held investments in subsidiaries and other shareholdings whose fair values are calculated using an income capitalization approach are not included in the sensitivity analysis.

EXERCISE OF OPTION PURSUANT TO IFRS 13.48

The option offered by IFRS 13.48 of measuring a net risk position for financial assets and financial liabilities is used for portfolios whose components are recognized under the balance sheet items loans and advances to banks, loans and advances to customers, financial assets held for trading, investments, and financial liabilities held for trading.

» 42 HEDGE ACCOUNTING

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	Jan. 1–Jun. 30, 2015	Jan. 1–Jun. 30, 2014
Gains and losses on fair value hedges	**7**	-6
Gains and losses on hedging instruments	-88	168
Gains and losses on hedged items	95	-174
Gains and losses on portfolio fair value hedges	**17**	11
Gains and losses on hedging instruments	207	-659
Gains and losses on hedged items	-190	670
Gains and losses on cash flow hedges	**2**	–
Total	**26**	5

» 43 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND INSURANCE CONTRACTS

Selected 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 interim group management report.

» 44 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	Jun. 30, 2015	Dec. 31, 2014
Portugal	**153**	**154**
Fair value option	103	105
Loans and receivables	50	49
Italy	**6,377**	**5,665**
Financial instruments held for trading	–	5
Fair value option	1,483	1,605
Available-for-sale financial assets	4,894	4,055
Ireland	**47**	**24**
Financial instruments held for trading	18	–
Available-for-sale financial assets	29	24
Spain	**3,015**	**2,465**
Financial instruments held for trading	124	38
Fair value option	1,729	1,782
Available-for-sale financial assets	1,162	645
Total	**9,592**	**8,308**

The fair value of Portuguese government bonds categorized as 'loans and receivables' amounts to €54 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	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014	Jun. 30, 2015	Dec. 31, 2014
Portugal	**103**	–	**–**	105	**–**	–
Fair value option	103	–	–	105	–	–
Italy	**3,743**	2,863	**2,494**	2,559	**140**	243
Financial instruments held for trading	–	–	–	5	–	–
Fair value option	739	–	676	1,516	68	89
Available-for-sale financial assets	3,004	2,863	1,818	1,038	72	154
Ireland	**29**	24	**18**	–	**–**	–
Financial instruments held for trading	–	–	18	–	–	–
Available-for-sale financial assets	29	24	–	–	–	–
Spain	**1,452**	229	**1,474**	1,192	**89**	1,044
Financial instruments held for trading	–	–	124	38	–	–
Fair value option	720	25	970	896	39	861
Available-for-sale financial assets	732	204	380	258	50	183
Total	**5,327**	3,116	**3,986**	3,856	**229**	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 JUNE 30, 2015

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years
Portugal	–	–	56	18	154
Italy	32	109	501	1,276	6,021
Ireland	–	–	3	25	23
Spain	246	254	153	691	2,584
Total	**278**	**363**	**713**	**2,010**	**8,782**

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.

E Other disclosures

» 45 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Jun. 30, 2015	Dec. 31, 2014
Financial guarantee contracts	**5,793**	**5,419**
Loan guarantees	2,788	2,812
Letters of credit	396	391
Other guarantees and warranties	2,609	2,216
Loan commitments	**25,387**	**24,264**
Credit facilities to banks	2,995	2,606
Credit facilities to customers	11,465	10,923
Guarantee credits	215	126
Letters of credit	1	–
Global limits	10,711	10,609
Total	**31,180**	**29,683**

The amounts shown for financial guarantee contracts and loan commitments are the nominal values of the exposure in each case.

» 46 TRUST ACTIVITIES

Trust assets and trust liabilities amounted to €1,188 million at the balance sheet date (December 31, 2014: €1,226 million).

» 47 EMPLOYEES

Average number of employees by employee group:

	Jan. 1– Jun. 30, 2015	Jan. 1– Jun. 30, 2014
Female employees	**13,827**	**13,654**
Full-time employees	8,915	8,867
Part-time employees	4,912	4,787
Male employees	**16,084**	**15,847**
Full-time employees	15,279	15,127
Part-time employees	805	720
Total	**29,911**	**29,501**

» 48 EVENTS AFTER THE BALANCE SHEET DATE

In 2009, DZ BANK Perpetual Funding Private Issuer (Jersey) Ltd. had issued securities in an amount of €500 million, which were reported as non-controlling interests under equity. The securities were cancelled by means of a redemption notice on May 29, 2015 and reclassified to subordinated capital as at the reporting date. They were redeemed on July 1, 2015.

In addition, DZ BANK Perpetual Funding Issuer (Jersey) Ltd. had issued securities in an amount of €250 million in 2008. These securities were cancelled by means of a redemption notice on August 12, 2015. As at the reporting date, they were included as non-controlling interests under equity. They were reclassified from non-controlling interests to subordinated capital on the date on which the redemption notice was published.

» 49 BOARD OF MANAGING DIRECTORS

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LARS HILLE
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Responsibilities: IT, Organisation, Operations/Services, Human Resources

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STEFAN ZEIDLER
Responsibilities: Corporate Banking, Structured Finance

» 50
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Attorney

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Volksbank eG
Lehrte-Springe-Pattensen-Ronnenberg

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Bundesverband der Deutschen Volksbanken
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Chief Executive Officer
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UWE SPITZBARTH
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DR. WOLFGANG THOMASBERGER
Chief Executive Officer
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HANS-BERND WOLBERG
Chief Executive Officer
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim 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 interim 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 for the remaining months of the financial year.

Frankfurt am Main, August 25, 2015

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch

Hille | Köhler | Dr. Riese

Ullrich | Westhoff | Zeidler

REVIEW REPORT (TRANSLATION)

To DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

We have reviewed the interim condensed consolidated financial statements, comprising the condensed income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the condensed statement of cash flows, and selected explanatory notes, and the interim group management report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, for the period from January 1 to June 30, 2015, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Eschborn/Frankfurt am Main, August 25, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Freiling	Dombek
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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This half-year financial report is available
in electronic form on our website at
www.halfyearreport.dzbank.com.

Volksbanken Raiffeisenbanken
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DZ BANK Group