Volksbanken Raiffeisenbanken
cooperative financial network

HALF-YEAR FINANCIAL REPORT

2012

DZ BANK Group

KEY FIGURES

DZ BANK GROUP

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
FINANCIAL PERFORMANCE		
Operating profit[1]	723	773
Allowances for losses on loans and advances	-208	-135
Profit before taxes	515	638
Net profit	404	449
Cost/income ratio (percent)	65.6	63.0

€ million	Jun. 30, 2012	Dec. 31, 2011
FINANCIAL POSITION		
Assets		
Loans and advances to banks	81,180	80,035
Loans and advances to customers	123,689	120,760
Financial assets held for trading	68,661	71,858
Investments	60,146	61,690
Investments held by insurance companies	62,428	59,348
Remaining assets	10,726	12,235
Equity and liabilities		
Deposits from banks	104,922	106,919
Deposits from customers	92,120	92,871
Debt certificates issued including bonds	60,242	55,114
Financial liabilities held for trading	62,097	67,371
Insurance liabilities	60,643	57,437
Remaining liabilities	15,511	15,439
Equity	11,295	10,775
Total assets / total equity and liabilities	**406,830**	**405,926**
Volume of business[2]	**616,561**	**605,255**
REGULATORY CAPITAL RATIOS UNDER SOLVENCY REGULATION (SOLVV)		
Total capital ratio (percent)	12.2	11.5
Tier 1 capital ratio (percent)	12.2	10.1

	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
AVERAGE NUMBER OF EMPLOYEES DURING THE PERIOD	**28,168**	**27,700**
LONG-TERM RATING		
Standard & Poor's	AA-	AA-
Moody's Investors Service	A1	Aa3
Fitch Ratings	A+	A+

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

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Wolfgang Kirsch, Chief Executive Officer

Dear Shareholders,

The European sovereign debt crisis maintained its firm hold on the financial sector in the first half of 2012. Following on from Greece, Ireland, and Portugal, two of the euro zone's major players – Spain and Italy – are now in the spotlight. This reinforces the opinion among politicians and in the international financial markets that the European Monetary Union has reached a historical watershed, almost 14 years after the euro was introduced.

The unprecedented efforts by all member countries and institutions in the euro zone to overcome these challenges with monetary and fiscal policy as well as structural measures deserve recognition. They are driven by the firm objective of continuing the successful story of European integration. But it is also noticeable that skepticism is growing among European citizens owing to the magnitude of the bailouts and the considerable burden they face as a result of the changes needed to consolidate budgets.

This sovereign debt crisis is directly reflected in the risk premiums on the bonds of the countries hit by the crisis. The resulting pricing fluctuations have also had a huge impact on earnings in our sector over the past six months. At the same time, the banking industry is continuing to work flat out to satisfy extensive regulatory obligations that will bring about radical change, particularly in the requirements relating to capital adequacy and liquidity. Moreover, there is still a great deal of uncertainty surrounding these regulatory requirements in terms of their precise content, the timing of their implementation, and the interdependencies between individual requirements.

Against this backdrop, the DZ BANK Group again proved itself to be a reliable and stable partner to its customers and owners during the first half of 2012. Our business model once more proved its lasting operational strength, as can be seen from our profit before taxes. Even after temporary write-downs of around half a billion euros in our portfolio of government bonds of countries affected by the euro crisis, a portfolio that is being phased out, we still recorded a profit of €515 million. This figure compares with €638 million in the first half of 2011, which had not been affected by the sovereign debt crisis to the same extent.

Net interest income was especially encouraging in the first six months of this year, rising by 11.1 percent to €1.66 billion in the DZ BANK Group. The positive trend in the corporate customer lending business that we observed during 2011 continued this year. Allowances for losses on loans and advances increased from €135 million to €208 million. Net fee and commission income declined by 9.7 percent to €445 million. Gains on trading activities grew from €362 million to €496 million. The level of gains and losses on investments improved from a loss of €231 million to a loss of €185 million. Owing to the aforementioned write-downs on government bonds, other gains and losses on the valuation of financial instruments amounted to losses of €540 million, compared with losses of €135 million in the first half of 2011. Net income from insurance business almost doubled, reaching €193 million. Administrative expenses grew by 4.6 percent to €1.38 billion. These impressive achievements reflect the high levels of commitment demonstrated by the DZ BANK Group's employees. My colleagues on the Board of Managing Directors and I would like to thank them.

We are also making good progress in our efforts to strengthen our capital base. As at June 30, 2012, our Tier 1 capital ratio stood at 12.2 percent (December 31, 2011: 10.1 percent) despite the more stringent requirements imposed by the rules now in place ('Basel 2.5'). Our ability to accumulate the necessary funds was a significant factor in this improvement in our level of capital. Moreover, we took steps related to our long-term equity investments and to the portfolios of the DZ BANK Group that are being phased out. As a result, at the end of the first half of 2012 it was possible to more than compensate for the capital requirement of €350 million identified for the DZ BANK Group in the most recent capital exercise carried out by the European Banking Authority (EBA). As at June 30, 2012, we comfortably exceeded the minimum requirement of 9.0 percent for the core Tier 1 capital ratio defined by the EBA. As before, it is necessary for the DZ BANK Group to compensate, as far as possible, for the future demands on our level of capital, which remain unclear in many aspects but will certainly be more stringent. We will continue to do so by carefully managing risk-weighted assets, by further focusing our business activities on the cooperative financial network, and by retaining profits. Based on the significant progress we have made so far, we believe that we are on the right track.

In view of this situation, we have thoroughly reviewed our capital markets business at DZ BANK AG. This business is an integral element of our strategy as a network-oriented central institution and essentially comprises own-account and customer-account securities business for the local cooperative banks, support for corporate banking, and treasury activities. In line with the guiding principle of greater customer focus, sales activities in our capital markets business will concentrate on two areas in the future: business with cooperative banks, institutional customers, and corporate customers on the one hand and business with retail customers on the other. As a result, the number of divisions in our capital markets business will fall from eight to five. This will enable us to reduce our risk-weighted assets and improve earnings as well as give us greater weight in the capital markets.

We are also continuing to work hand in hand with the National Association of German Cooperative Banks, BVR, and WGZ BANK on key topics for the future of our cooperative financial network, such as a joint internet strategy. In the first half of 2012, we signed the contracts with WGZ BANK in relation to the merger of the private equity units of DZ BANK and WGZ BANK to create the new entity VR Equity Partner. This represented further, encouraging progress in intensifying our partnership.

The general economic challenges that we will face in the second half of 2012 will not be any less: The sovereign debt crisis in the euro zone still awaits a sustainable long-term solution. At the same time, economic growth in the major economic areas is slowing down. Consequently, pressure on the German economy has also greatly intensified. In a recent representative survey of 1,000 small and medium-sized enterprises in Germany carried out by DZ BANK AG, almost three quarters of those surveyed were of the opinion that the crisis would lead to a pan-European recession. Furthermore, one in two companies expected the problems in southern Europe to have a negative impact on their business performance in the German market over the next twelve months. The outlook for foreign trade in particular is now less positive than it was a few months ago. Our economists have therefore revised their economic outlook for Germany and now anticipate growth of just 0.8 percent in 2013, as opposed to their earlier forecast of 1.5 percent. We believe that, at best, the euro zone's economy will stagnate next year.

This economic and regulatory situation means that the financial sector will look fundamentally different within just a few years. The process of change will be all the more difficult as news of dubious business practices in some areas of the financial sector continues to emerge. Regaining public acceptance will be a significant task for our profession in the long term.

As the cooperative financial network, we need to work on more clearly emphasizing our sustainable performance for our more than 30 million customers and thus our importance for the German economy. After all, many factors indicate that we are on the right path in terms of our market positioning and our joint efforts – and we can allow ourselves to take a small amount of pride in the successful development of our organization. We are the others.

Kind regards,

Chief Executive Officer

INTERIM GROUP MANAGEMENT REPORT

I. Business performance

1. ECONOMIC CONDITIONS

German gross domestic product (GDP) in the first half of 2012 grew by an average price-adjusted amount of roughly 0.6 percent compared with the second half of 2011.

The generous amounts of liquidity provided by the European Central Bank (ECB) eased the situation in the financial markets during the first few months of the year. Germany's economic output expanded by 0.5 percent in the first quarter of 2012. In contrast, the country's economic growth slowed down to a rate of 0.3 percent in the second quarter owing to the revival of the European sovereign debt crisis, which gathered pace throughout the first half of this year.

Economic growth again varied significantly **from one European country to another** in the first 6 months of 2012. With stagnation in the first quarter and a decrease of 0.2 percent in the second quarter, the combined economic output of the countries in the euro zone contracted by 0.3 percent in the period under review. Whereas the economic output of some of the euro zone's core countries remained largely stable, the economies of countries in southern Europe showed a trend toward recession against the backdrop of the far-reaching changes they have made to deal with their significant budget deficits.

Economic growth in the **United States** also tailed off in the first 6 months of 2012. Consumer spending, which is a key driver of the US economy, continued to be held back by the ongoing unsatisfactory situation in the labor market and by the continued difficult conditions in the US real-estate market. The challenge for financial policy is to contain the high budget deficit and prevent further growth of government debt without hindering the growth of economic drivers, which remain weak.

The **emerging markets of Asia and Latin America** once again delivered a comparatively high rate of growth but lost a little of their momentum as the main growth engines of the global economy. Stimulus measures were initiated in some countries in an attempt to counteract the faltering pace of growth across these regions.

Nonetheless, demand from the emerging markets continued to bolster strong exports from **Germany**, which has one of the highest levels of economic growth in the euro zone. However, the repercussions of weakening demand from euro-zone countries affected by the sovereign debt crisis are now becoming apparent in the form of increasingly slower growth of German foreign trade. A sharp increase in construction investment stimulated the German economy in the first half of 2012. In contrast, the rate of growth for capital expenditure on machinery, equipment, and vehicles decreased slightly. The period under review saw a significant rise in government spending and private consumer demand, the latter fueled by a robust labor market and higher disposable income.

Despite weaker economic growth during the first half of the year, Germany's prospects for stabilizing its net government borrowing at a relatively low level this year are good.

2. THE BANKING INDUSTRY AND THE RENEWED ESCALATION OF THE EUROPEAN SOVEREIGN DEBT CRISIS

In the first quarter of 2012, the performance of the financial markets was influenced by a **€1 trillion injection of liquidity by the ECB** and the **approval of a second rescue package and an accompanying 'haircut' for Greek debt**. The **sovereign debt crisis in the euro zone's periphery countries** reared its head again at the start of the second quarter, peaking at the end of the period under review.

The heads of state and government of the euro-zone countries attended an **EU summit in Brussels on February 20/21, 2012** at which they promised **Greece** a **second bailout loan of €130 billion** until 2014, which had first been decided on at the EU summit in July 2011 and was in addition to the €110 billion package that had already been approved in May 2010. Under this bailout package, **private creditors would have to waive 53.5 percent of the nominal value of their debt repayment**. Once the debt rescheduling – the largest since the Second World War – was largely complete, the euro-zone countries released the €130 billion bailout loan in mid-March 2012. In the end, the **International Monetary Fund (IMF) also put up around 14 percent** of the loan.

At their **summit meeting on March 1/2, 2012, the heads of state and government** of the euro-zone countries plus a number of other EU member states – with the exception of the United Kingdom and the Czech Republic – signed the **fiscal pact** on which they had agreed in January 2012. **This pact is designed to ensure strict compliance with the stability and growth pact**. It also stipulates the **initiation of a deficit-reduction procedure in the event of non-compliance and the inclusion of a debt brake in national law**. It was further agreed that the **permanent rescue package for the euro zone, the European Stability Mechanism (ESM) would come into effect as early as mid-2012**, running alongside the EFSF (European Financial Stability Facility) bailout fund, which expires in June 30, 2013.

At their meeting in Copenhagen on March 30, 2012, the **EU finance ministers agreed an effective lending volume of €500 billion for the ESM**. To actually be able to lend this volume, the ESM requires subscribed capital of €700 billion in view of the AAA rating preferred for funding requirements. This subscribed capital is split into guarantees of €620 billion and cash of €80 billion. Germany put up a guarantee of €168 billion and undertook to make a cash contribution of €22 billion.

An **announcement** made **by the Spanish Prime Minister Rajoy in early April that Spain would fall far short of its 2012 budget deficit target** turned attention back to the as yet unresolved **sovereign debt crisis on the euro zone's periphery**. Italy's high level of government debt and the trend toward recession in its economy also increasingly came into focus. Sharp falls in the price of Italian and Spanish government bonds significantly boosted yields on these bonds at the start of April.

The outcome of the **elections in Greece on May 6, 2012**, which did not result in a workable majority, revived the discussion about a Greek exit from the euro zone. Even after **elections on June 17, 2012**, when a **government majority involving a significant number of the previous political groupings** was formed, uncertainty remained about whether Greece was willing and able to implement the agreed reforms reliably.

After **political power had changed hands in France at the start of May 2012**, newly elected President Hollande's support for the **introduction of eurobonds as a means of overcoming the sovereign debt crisis** was at odds with the German government's own position. German politicians stressed that introducing eurobonds would take away the incentive to implement adequate reforms in crisis-hit countries on the euro zone's periphery and should only be considered at a later stage in establishing an effective EU-level control mechanism based on joint liability.

Differences in opinion on the eurobond issue were not resolved at the **special summit of heads of state and government held in Brussels on May 23/24, 2012** either. However, they did agree to push through the implementation of individual growth initiatives by the end of June 2012. These included agreeing structural reforms in the labor market, speeding up individual bills for new EU legislation, and extending the funding options for capital expenditure.

Following the **downgrading of Spain's credit rating by three levels to BBB by rating agency Fitch at the start of June 2012** and the forecast published by Fitch that a considerable amount of funding would be required to rescue crisis-stricken Spanish banks, **Spain's government asked the European Union for a credit line of €100 billion to support the Spanish bank restructuring fund on June 9, 2012**. EU finance ministers granted the loans to the Spanish bank rescue fund in early June 2012 in view of the support needed by troubled Spanish banks. This avoided stipulations being made regarding Spain's economic and financial policy that would have been imposed in the event of a direct government bailout. However, even this 'soft rescue' obliges the Spanish government to fulfill the requirements that have been imposed directly on the banking sector.

Rating agency **Moody's downgraded the credit rating of 15 major international banks on June 21, 2012**. On June 7, 2012, **Moody's** had **lowered the long-term rating for a number of German banks**, with **DZ BANK's rating being reduced by one level to A1**.

At the **meeting of EU finance ministers on June 21/22, 2012 in Luxembourg**, it was ascertained that nine or more EU countries would be willing to implement a **financial transaction tax** if the majority of the 27 EU countries were willing for them to do so. The heads of state and government of Germany, France, Spain, and Italy also announced their intention to implement a financial transaction tax in their countries.

In light of **Moody's decision on June 26, 2012 to downgrade 28 Spanish banks to speculative grade**, yields rose sharply in an auction of Spanish money market papers held that day. Yields on 24-month Italian papers also went up in an auction on June 26, 2012.

At their **summit meeting in Brussels on June 27/28, 2012**, the EU heads of state and government asked the European Commission to develop a proposal for a **stronger European banking regulatory body in which the European Central Bank (ECB) would play a key role**. The plan is for this centralized euro-zone banking regulator to be in place by the end of this year. Under these conditions, the **EFSF (European Financial Stability Facility) bailout fund and the ESM** are permitted **to supply crisis-hit banks with capital directly**. It was also agreed that, **in the case of Spain**, which has requested the aforementioned support from the euro-zone bailout fund, **the ESM would waive its preferred creditor status**.

In addition, **countries in the euro zone** that comply with the agreed debt and budget rules **would no longer be subjected to a special program of savings and reforms and monitoring by the troika** – consisting of the European Commission, ECB, and IMF – **if they received financial assistance from the rescue package** or the EFSF or ESM had to intervene in their bond markets.

A **growth package for the euro zone with a volume of €120 billion** was also approved, consisting of EU structural funds and project funds from the European Investment Bank.

With the aim of safeguarding the measures taken so far to contain the European sovereign debt crisis in the long term, the heads of state and government at the aforementioned summit also asked the President of the European Council Herman Van Rompuy, European Commission President José Manuel Barroso, President of the Eurogroup Jean-Claude Juncker, and ECB President Mario Draghi to come up with a **concept by October 2012** with which to **implement a fiscal management unit at European level with clearly defined control mechanisms and the ability to impose sanctions**.

On July 23, 2012, Moody's announced that it wanted to review the top ratings of **Germany, Netherlands, and Luxembourg**. The rating agency revised the **outlook for these 3 countries to 'negative'**.

In the first few months of the year, the performance of the **capital markets** was influenced by the monetary policy of the ECB, which made liquidity totaling €1 trillion available to the markets in the form of two three-year tenders shortly before the start of 2012 and at the end of February 2012. A distinct recovery by the capital markets in the first quarter was followed by noticeably gloomier market conditions in the second quarter of the year, when economic imbalances in the euro zone and the unresolved funding problems of crisis-stricken euro-zone countries took center stage.

Despite the escalating sovereign debt crisis, the ECB kept its key lending rate at 1.0 percent throughout the first half of 2012 and did not make any further injections of liquidity of more than 3 years. It did not revive its bond purchase program either. The ECB has bought barely any government bonds since the start of the year. On July 5, 2012, the ECB cut its key lending rate by 25 basis points to 0.75 percent.

In the first half of 2012, hardly any of the **major German banks** were able to generate the same high levels of operating income that they had in the first half of 2011. Allowances for losses on loans and advances were predominantly above the levels seen in the first 6 months of last year, while administrative expenses rose moderately overall.

3. CORPORATE STRATEGY OF THE DZ BANK GROUP

The DZ BANK Group's strategy is to be a financial services provider focused on the needs of the cooperative financial network. It ensures an appropriate balance between this focus and growth while continuing to step up collaboration within the DZ BANK Group and in the Volksbanken Raiffeisenbanken cooperative financial network.

As regulatory capital requirements will become ever tighter in the future, the DZ BANK Group regularly analyzes all business activities to ensure they are oriented to the cooperative financial network and scales back those that are not.

The aim of the DZ BANK Group is to work hand in hand with the cooperative banks to offer needs-based and innovative products, impeccable customer service, and efficient processes so that it can continue to position itself as a leading financial services group in the years to come.

3.1. NETWORK-RELATED GROWTH

Network-related growth encompasses the strategic business lines of Retail Banking, Corporate Banking, and Transaction Banking.

The DZ BANK Group's retail banking business performed positively in the first half of this year, above all thanks to greater cooperation with the local cooperative banks.

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) was able to sustain its market share for business in investment certificates during the first half of the year. The volume that it sold of its core product in this range – capital preservation investment certificates – remained constant at some €9 billion, enabling DZ BANK to secure a further increase in market share and become the absolute market leader for capital preservation investment certificates (market share of 52 percent as at March 2012 compared with 45 percent in 2010).

DZ BANK also continued to expand its range of web-based products. The rollout of VR-ProfiBroker has laid the foundations for the complete integration of online securities business into the branches of the local cooperative banks. This enables the banks to offer an attractive and competitive product to the growing number of customers who make their own decisions when it comes to securities business.

Joint marketing with the cooperative banks enabled the Union Investment Group to consolidate its market-leading position for guarantee funds, which are popular with customers who attach particular importance to security.

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH) contributes to increasing the energy efficiency of residential real estate by offering an innovative selection of products tailored to customer needs. BSH is also in an excellent strategic position as far as other key trends are concerned, such as the sympathetic renovation of older housing.

Growth initiatives in private banking and corporate banking are also paying off. In the long term, this will lead to a sustained increase in the cooperative banks' share of the private banking and corporate banking markets. During the period under review, a key phase of the investment in private banking was completed and a number of other significant marketing milestones were reached. The necessary infrastructure and employee numbers were put in place according to plan. Additional branches were established in Frankfurt, Hamburg, and Nuremberg at the start of the year, joining the existing ones in Hannover, Munich, and Stuttgart. Furthermore, the private banking unit of WGZ BANK AG, Westdeutsche Genossenschafts-Zentralbank, Düsseldorf, (WGZ BANK) became the Düsseldorf branch of DZ PRIVATBANK.

DZ BANK stepped up its cooperation with the local cooperative banks on corporate banking, including the Reverse Meta business. As part of its strategy for growth in corporate banking, DZ BANK pooled its advisory and sales activities for corporate customers' international business in a new department. This interface to the relevant product and customer areas will enable corporate customers of DZ BANK and of the local cooperative banks throughout Germany to receive comprehensive advice on their international business at every point along their value chain. Cross-selling activities within the DZ BANK Group were also stepped up.

Besides regulatory matters relating to securities processing, the main task at hand in transaction banking was the expansion of payments processing services, from supporting the changeover to SEPA to gradually rolling out the cash service and running the Profi-ZV initiative in corporate banking. Other innovations and pilot projects included 'contactless payments'.

3.2. CONTINUED FOCUS

The capital markets business of DZ BANK centers on assisting the local cooperative banks in their own-account investing, retail banking, and corporate banking activities as well as on direct business with specialized service providers in the DZ BANK Group and with corporate customers. DZ BANK also uses the products and services it needs for this strategic core business to support its institutional clients. In view of the changes to the regulatory situation and to customer demand, DZ BANK will focus even more strongly on its core business and on business with institutional clients, the two being closely linked. This, combined with various efficiency measures and pooling of organizational aspects, will increase profitability and reduce capital tie-up in the capital markets business.

Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP) continues to concentrate on commercial real-estate loans business in Germany while expanding its joint credit business with the local cooperative banks.

VR-LEASING AG, Eschborn, (VR-LEASING AG) remained on schedule with the implementation of its new strategy, at the heart of which are small and medium-sized enterprises with potential leasing business.

3.3. STRONG INTEGRATION OF THE DZ BANK GROUP WITHIN THE COOPERATIVE FINANCIAL NETWORK

Collaboration with WGZ BANK continues to intensify. In the first half of 2012, the contracts were signed in relation to the merger of the private equity units of DZ BANK and WGZ BANK. The new entity, VR Equity Partner, is a joint venture for the equity financing of small and medium-sized family businesses. The final resolutions are expected to be adopted and the new company entered in the commercial register in August 2012. At the same time, DZ BANK is working hand in hand with WGZ BANK, the special committees of the Bundesverband der Deutschen Volksbanken Raiffeisenbanken e.V. (BVR) [National Association of German Cooperative Banks], and all cooperative enterprises on key topics for the future, such as the cooperative financial network's internet strategy and a project to standardize and optimize advisory processes in the local cooperative banks.

3.4. CAPITAL MANAGEMENT

The capital exercises carried out by the European Banking Authority (EBA) among European banks last year revealed that DZ BANK's recapitalization requirement was approximately €350 million. This additional amount of capital was required to achieve the minimum ratio of 9.0 percent specified by the EBA for core Tier 1 capital.

The recapitalization requirement was met, in particular by retaining profits, taking steps in relation to long-term equity investments, and reducing the capital tied up in connection with portfolios that are being phased out. According to internal calculations, the core Tier 1 capital ratio computed according to the EBA's rules was well above 9.0 percent as at the end of June 2012 (December 31, 2011: 8.9 percent).

4. FINANCIAL POSITION AND FINANCIAL PERFORMANCE

4.1. FINANCIAL PERFORMANCE

4.1.1. Financial performance at a glance

The DZ BANK Group successfully overcame the tough market conditions and the many challenges facing its business in the first half of 2012.

The year-on-year changes in the key figures that make up the net profit or loss generated by the DZ BANK Group in the first half of 2012 were as described below.

Operating income in the DZ BANK Group amounted to €2,099 million (first half of 2011: €2,088 million). This figure includes net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

In the reporting period, **allowances for losses on loans and advances** amounted to €208 million (first half of 2011: €135 million).

The DZ BANK Group's **administrative expenses** rose by €61 million, or 4.6 percent, to €1,376 million (first half of 2011: €1,315 million).

Profit before taxes for the first 6 months of the year amounted to €515 million compared with €638 million in the first half of 2011.

4.1.2. Financial performance in detail

In detail, the earnings performance of the DZ BANK Group in the first half of 2012 was as follows:

FIG. 1 – INCOME STATEMENT

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011	Change (%)
Net interest income	**1,657**	1,491	11.1
Allowances for losses on loans and advances	**-208**	-135	54.1
Net fee and commission income	**445**	493	-9.7
Gains and losses on trading activities	**496**	362	37.0
Gains and losses on investments	**-185**	-231	-19.9
Other gains and losses on valuation of financial instruments	**-540**	-135	> 100.0
Net income from insurance business	**193**	100	93.0
Administrative expenses	**-1,376**	-1,315	4.6
Staff expenses	-727	-699	4.0
Other administrative expenses[1]	-649	-616	5.4
Other net operating income	**33**	8	> 100.0
Profit before taxes	515	638	-19.3
Income taxes	**-111**	-189	-41.3
Net profit	**404**	449	-10.0

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

Net interest income (including income from long-term equity investments) in the DZ BANK Group increased by 11.1 percent year on year to €1,657 million.

Net interest income rose by €90 million at DZ BANK (excluding income from long-term equity investments), by €31 million at TeamBank AG Nürnberg, Nuremberg, (TeamBank), and by €28 million in the BSH subgroup. It advanced by €11 million at DZ PRIVATBANK and by €7 million in the subgroup DVB Bank SE, Frankfurt am Main, (DVB). Furthermore, net interest income increased by €2 million in the VR LEASING subgroup and declined by €3 million at DG HYP.

At DZ BANK, net interest income from operating business (excluding income from long-term equity investments) climbed by 44.6 percent to €292 million. This growth resulted from an increase in loans and advances, a slightly larger securities portfolio held in the banking book, and improved funding conditions.

In the first half of 2012, DZ BANK again expanded the corporate banking business that it conducts jointly with the local cooperative banks and its direct business with medium-sized companies and major corporate customers.

The positive trend in the corporate customer lending business observed during 2011 continued this year. Contrary to the faltering demand seen in general in the lending market, the number and volume of new applications from corporate customers was higher in the first 6 months of this year than it had been in the same period of last year. This was also particularly true for joint credit business with the local cooperative banks. Overall, net operating interest income in corporate banking increased year on year.

Loans in the fast-growing market of renewable energies are an important aspect of the cooperative financial network's SME financing business. Significant growth was generated again in the first half of 2012, following on from a successful 2011. Since the start of this year, DZ BANK has further expanded its customer-support capacity in this area in order to support the local cooperative banks even more effectively in unlocking their business potential in this strategically important market segment.

DZ BANK supported the local cooperative banks' development lending by effectively deploying experts with regional responsibility and by conducting sales activities directed at specific target groups. Overall, the volume of new business remained at the level seen in the first half of last year. The cooperative financial network succeeded in increasing its market share in relation to the development programs run by Germany's KfW development bank (KfW) during the period under review. This sound business performance was above all attributable to programs for energy-efficient renovations and for capital expenditure on renewable energies.

Besides acquisition finance, project finance was particularly popular with medium-sized companies and major corporate customers in the reporting period. Moreover, these customers' comfortable levels of liquidity meant that demand for medium-term investment products went up sharply. Another focus of business activities in this customer segment in the first 6 months of the year was the stepping up of marketing carried out in cooperation with companies in the cooperative financial network.

The structured finance business offers sophisticated financing solutions that meet corporate clients' needs. Activities primarily take place at headquarters in Frankfurt, but employees at international branches in London, New York, Hong Kong, and Singapore also sell the innovative range of products in all the major financial centers. This ensures that we are able to meet the needs of our German customers and provide support for corporate customers in other countries.

In the first half of 2012, the structured finance business successfully concluded numerous transactions. With margins increasing slightly, net operating interest income rose sharply year on year.

There was strong demand for acquisition finance in Europe, whereas the German market generated significantly fewer transactions. Net interest income was maintained at the high level seen in the first half of 2011, and slightly exceeded it.

International trade and export finance concentrated on the small and medium-sized corporate customer segment in Germany. Widening of the base credit spread for euro/US-dollar cross currency swaps, combined with the fact that new business did not fully make up for the decline in the portfolio volume, caused net interest income to fall year on year.

Renewable energies products were the focus of project finance business in both the German and the US markets. With the number of new transactions completed increasing compared with the first half of 2011, net operating interest income rose sharply year on year.

The net interest income generated by TeamBank jumped by 15.0 percent to €237 million in the first half of 2012.

Despite highly competitive conditions, the cooperative financial network's consumer finance specialist again succeeded in significantly expanding the nominal volume of its easyCredit portfolio in the first 6 months of the year with growth of 4.9 percent, which was higher than the market average.

This success is attributable in particular to TeamBank's collaboration – a central cooperative value – with around 80 percent of all local cooperative banks in Germany. Moreover, TeamBank's 'fair credit' products are now sold by 57 partner banks throughout Austria.

Customers showed even greater interest in the fair and flexible easyCredit consumer finance product as awareness of the brand increased. The number of customers as at June 30, 2012 had risen to 584,000 (December 31, 2011: 562,000).

easyCredit's innovative financial reserve feature, which was launched last year, continued on its growth trajectory in the first 6 months of this year. By the end of June 2012, around 43,000 customers were enjoying the benefits of the only credit card available so far with a consumer finance function.

Significant progress was made in concentrating even more on consumers' needs with the introduction of the new easyCredit liquidity advisor concept. It enables customers to tailor the scope of their loan even more closely to their individual requirements. The easyCredit liquidity advisor has been available in all partner banks in Germany and Austria since June 20, 2012.

Net interest income in the BSH subgroup grew by 5.9 percent to €500 million in the first 6 months of the year.

The main factor in the change in net interest income compared with the first half of 2011 was considerably higher interest income resulting from brisk demand for building loans and from the investment of available funds. The fall in the investment interest rate was essentially more than compensated for by the increase in volume on the back of the high level of new business over the past few years.

As the European sovereign debt crisis escalates again, residential real estate is taking on an important sociopolitical role besides its traditional function as a safe and stable investment: The targeted savings and the fixed interest rate over the term of the home savings loan are not only hallmarks of a stable financing system, but also provide a secure means of capital accumulation based on prudent collateral valuations. The tried-and-tested formula of wealth accumulation on the basis of home savings plans is therefore a compelling alternative to the often risky financing options on the crisis-stricken real-estate markets of individual countries on the euro zone's periphery.

The Schwäbisch Hall Tarif Fuchs scale of rates and charges, which is now well established in the market, offers attractive options for customers wishing to make use of government subsidies for owner-occupied housing. The popularity with customers of this scale of rates and charges underpinned BSH's leading market position in building society operations during the first half of the year.

The net interest income earned by DZ PRIVATBANK rose by 10.8 percent to €113 million compared with the first half of 2011.

As a consequence of the merger with WGZ BANK Luxembourg S.A., Luxembourg, (WGZ Luxembourg) in mid-2011, the figure reported for the first half of 2012 was higher than it had been a year earlier because of the resulting additional contribution to net interest income. At the same time, DZ PRIVATBANK benefited from the favorable funding situation brought about by the continued low level of interest rates.

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' customers stabilized at €7.0 billion as at June 30, 2012 (December 31, 2011: €7.1 billion).

The merged DZ PRIVATBANK, boosted by a greater presence in the market, continued with its core activities in the private banking, fund services, credit, and treasury/brokerage product lines.

Net interest income in the DVB subgroup increased by 6.2 percent to €120 million in the first half of 2012.

During the period under review, global freight and passenger transport in all areas of the transport sector were influenced by the economic downturn in the euro zone and the United States resulting from the sovereign debt crisis and by a slowdown in economic growth in the major emerging markets.

The DVB subgroup, a leading provider in the international transport finance business with a tried-and-tested business model focusing on stable new business, successfully overcame these difficult conditions by systematically managing risk.

A credit portfolio that was strongly diversified across various types of transport, geographical regions, and users enabled the DVB subgroup to maintain its volume of new business in the half year under review at almost the same level as in the comparable period of 2011. A total of 63 transactions with a volume of €2.2 billion were concluded in the first 6 months of 2012. The like-for-like volume in the first half of 2011 was €2.4 billion with a total of 75 transactions.

Net interest income in the VR LEASING subgroup (VR LEASING) was slightly higher than it had been in the first half of 2011 at €118 million, a year-on-year rise of 1.7 percent.

The increase in net interest income was largely driven by business in Germany, whereas international business recorded a decline in interest income. This trend is in line with VR LEASING's new business strategy, under which it only originates leases outside Germany if this business brings tangible benefits for the Volksbanken Raiffeisenbanken cooperative financial network.

During the reporting period, VR LEASING continued to support the local cooperative banks in its core domestic business with the aim of better exploiting the as yet unutilized business potential that exists in the SME target group – by focusing on offering them leases, factoring, centralized settlement, and innovative products. VR LEASING no longer focuses on leasing through automotive dealerships, vehicle fleet business, or real-estate leasing.

The substantial rise in capital expenditure in the Germany economy and the accompanying increase in demand for leasing did not materialize in the magnitude expected at the start of 2012. Favorable interest rates and the continued stable level of consumer demand had a positive impact on the investment behavior of companies in industries benefiting from these factors. However, the increasing slowdown in the global economy, declining exports and, above all, uncertainty caused by the euro crisis in the first half of 2012 acted as a drag on the German economy's willingness to invest. Companies therefore continued to take a cautious approach in their investing activities during the first 6 months of 2012.

The net interest income generated by DG HYP fell by 2.3 percent to €125 million in the period under review, slightly lower than it had been in the first half of 2011.

The planned expansion of commercial real-estate finance, DG HYP's target business, pushed up interest income in the first 6 months of 2012. This increase in net interest income did not quite fully compensate for the decrease in interest income resulting from the ongoing scaling back of non-strategic business.

Whereas the economic situation in the euro zone continued to worsen in the first half of 2012, the German economy performed better than expected. Investors' wish for stability of value and low interest rates, combined with the robust health of the German economy, resulted in the volume of commercial real-estate finance transactions consolidating at a high level during the first half of the year.

Against this backdrop, DG HYP was able to sustain its positive performance in commercial real-estate finance business. New business totaled €2,091 million in the first half of 2012, a year-on-year increase of 14.6 percent (first half of 2011: €1,825 million). Of this total, €2,009 million was generated in the German market, equating to a rise of 16.3 percent (first half of 2011: €1,728 million). This enabled DG HYP to reaffirm its position as one of Germany's leading commercial real-estate banks. DG HYP generated new business worth €82 million outside Germany (first half of 2011: €97 million).

Within the cooperative financial network, collaboration with the local cooperative banks continued to intensify in the first half of 2012 and was successfully expanded compared with the corresponding period of 2011. DG HYP's IMMO META offering is a range of products with which the cooperative banks can cater to the needs of their small and medium-sized commercial real-estate customers as well as participate in commercial loans to customers of DG HYP. During the first half of 2012, the volume of joint credit business with the local cooperative banks amounted to €729 million, an increase of 15.5 percent (first half of 2011: €631 million).

In the interests of the cooperative financial network, DG HYP assists the local cooperative banks with public-sector funding inquiries. This enables the cooperative banks to highlight their presence in the market and enter into additional business relations with local authorities. DG HYP extended local authority loans with a total volume of €106 million in the first half of 2012 (first half of 2011: €185 million).

The DZ BANK Group's income from long-term equity investments came to €73 million, almost the same as the income of €71 million reported for the comparable period of 2011.

In the reporting period, **allowances for losses on loans and advances** in the DZ BANK Group came to €208 million (first half of 2011: €135 million).

DZ BANK's allowances for losses on loans and advances in the first half of 2012 amounted to a net addition of €22 million compared with a net reversal of €9 million in the first 6 months of 2011.

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

Net fee and commission income in the DZ BANK Group fell by 9.7 percent to €445 million.

DZ BANK and the BSH subgroup each reported a small improvement in net fee and commission income of €1 million, while the figure for the DVB subgroup was unchanged year on year. It decreased by €46 million in the Union Investment Group, by €8 million at TeamBank, and by €1 million at DZ PRIVATBANK.

DZ BANK's net fee and commission income advanced slightly, by 0.7 percent, to €137 million.

The income generated from lending business and trust activities as well as payments processing including card processing was higher than in the first half of 2011, while the income from securities business was lower. Income from international business was almost at the level reported for the first 6 months of last year.

The structured finance business segment achieved a substantial increase in net fee and commission income compared with the first half of 2011.

Net fee and commission income from acquisition finance almost attained the same high level seen in the first half of last year.

New deals closed in structured trade finance and in export finance covered by government credit insurance were the main reasons for the rise in fee and commission income from international trade and export finance.

There was also a considerable year-on-year increase in net fee and commission income from project finance business.

As expected, the very brisk demand for loan syndication in the first half of 2011 tailed off in the first 6 months of this year. This meant net fee and commission income was lower than it had been in the corresponding period of last year.

DZ BANK's own corporate customers and companies advised by the cooperative banks were once again able to access DZ BANK's expertise in primary markets for equities as well as its related product range. The primary market for equities in Germany was characterized by the more stringent capital requirements that were also placed on listed companies.

BSH pays fees and commissions to the cooperative banks and to the integrated, bank-supported field sales force on the basis of BSH contracts signed with customers. The associated fee and commission expense resulted in a negative figure for net fee and commission income in the BSH subgroup, which amounted to minus €121 million in the half-year under review compared with minus €122 million in the corresponding period of 2011.

In its home savings business, Schwäbisch Hall was able to maintain its market-leading position in the first half of 2012, again achieving an impressive level of new business amounting to €17.0 billion with around 522,000 new home savings contracts. As a result, fee and commission expenses incurred from new business during the period under review were almost at the same level reported for the corresponding period of last year.

In the home finance business, the volume of lending to clients jointly brokered with the cooperative banks grew to €5.7 billion, growing above the forecast rate. This figure does not include the €3.0 billion accounted for by home finance supported by a home savings contract from Schwäbisch Hall.

Increasing the energy efficiency of buildings and decreasing CO_2 emissions are gaining importance owing to the shift in German energy policy that took place last year. At the same time, the general public have become far more interested in reducing energy consumption in residential buildings, above all because of the increasing amount they are having to spend on energy. Schwäbisch Hall has an innovative range of products with which it is well placed to cater to these changing requirements and to the other major trend of sympathetically renovating older residential real estate. Some two thirds of all funds from home savings contracts with BSH are now spent on renovating or extending real estate. The growing number of completed new builds also pushed up demand for home finance in the half year under review.

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

In the DVB subgroup, net fee and commission income amounted to €54 million in the first half of 2012, remaining the same as it had been in the first half of 2011 (€54 million) despite difficult economic conditions.

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

The DVB subgroup's core fields of aviation, shipping, and land transport in its transport finance business were affected by the increasing weakness of the global economy and the accompanying difficulties for international goods and transport markets.

In the first half of 2012, net fee and commission income in the Union Investment Group decreased by 10.8 percent year on year to €379 million. The main reason was the lower performance fee.

The first half of 2012 was dominated by high volatility in the financial markets and continued investor uncertainty resulting from the ongoing sovereign debt crisis. Against this backdrop, Union Investment continued to step up its retail client business. Despite the difficult conditions, it generated net inflows of €436 million thanks to the cooperative partner banks' strong sales capability.

For their government-subsidized pensions, a total of 1.9 million customers have now opted for UniProfiRente/4P from Union Investment – the established market leader for fund-based Riester solutions. The volume of UniProfiRente/4P pensions grew to €7.1 billion in the first 6 months of the year.

Open-ended real-estate funds were a source of stability as part of a diversified investment strategy in the period under review. Union Investment has achieved net inflows of €1.2 billion from business with retail clients since the start of the year.

In the half year under review, the innovative PrivatFonds (private-client funds) concept generated net inflows of almost €100 million.

Customers who are predominantly looking for safe investments focused on capital preservation funds. These included 'UniGarant: Erneuerbare Energien (2018)' and 'UniGarantExtra: Deutschland (2019)', which were both launched in the first half of 2012. Union Investment maintained its market leadership in this asset class with a market share of 49.8 percent.

Making regular savings is an important way for retail customers to accumulate wealth. In the first half of 2012, 73,000 new savings plans were set up, advancing the total number of savings plans to 813,000 as at June 30, 2012. Net inflows from this form of savings amounted to almost €0.5 billion.

In its fast-growing institutional business, Union Investment increased the assets under management for institutional clients by €6.2 billion to €98.0 billion during the reporting period. Investments in convertible bonds, corporate bonds, and emerging markets bonds were especially popular.

In an investment environment characterized by reduced risk budgets, the tried-and-proven IMMUNO capital preservation concept, combined with the flexible KONVEXO concept, became more important.

In the same way, the quantitative expertise provided by Quoniam Asset Management GmbH, Frankfurt am Main, one of the companies in the group, helped strengthen Union Investment's market position in asset management with net sales of €0.7 billion.

The net fee and commission income earned by TeamBank in the first half of 2012 fell by 23.5 percent to a net expense of €42 million (first half of 2011: net expense of €34 million).

These increased fee and commission expenses resulted from larger payments for trailer fees to the primary banks on the back of the positive performance of easyCredit.

Despite the challenging market environment, DZ PRIVATBANK's net fee and commission income amounted to €38 million in the first half of 2012, almost the same as the income of €39 million reported for the same period of 2011.

As a consequence of the merger with WGZ BANK Luxembourg in mid-2011, the figure reported for the first half of 2012 was higher than it had been in the same period a year earlier because of the resulting additional contribution to net fee and commission income.

The funds of high-net-worth individuals managed by the merged DZ PRIVATBANK had grown by €0.1 billion to €13.0 billion by the end of the period under review. One of the reasons for this rise was the continued expansion of cooperation with the partner banks as part of the increased market presence in cooperative private banking.

Furthermore, DZ PRIVATBANK continued to expand its business in services for investment funds in the first 6 months of 2012. The value of funds under management had grown to €65.8 billion by June 30, 2012, €2.3 billion more than at December 31, 2011.

Foreign-currency lending business, together with intensified marketing of private banking, resulted in a €2 million increase in commission payments to cooperative banks acting as intermediaries in the first 6 months of 2012, taking the total to €41 million (first half of 2011: €39 million).

The DZ BANK Group's **gains and losses on trading activities** in the first half of 2012 came to a net gain of €496 million compared with a figure of €362 million for the corresponding period of last year.

This result was largely attributable to the trading profit of €499 million earned by DZ BANK (first half of 2011: €294 million), which was considerably influenced in the first quarter of 2012 by narrowing credit spreads caused by the markets in relation to bonds held as part of capital markets business.

The group's gains on trading activities during the reporting period were reduced by increases of €48 million in the value of DZ BANK's liabilities (first half of 2011: €100 million), which resulted from the recognition of higher carrying amounts for the fair value of liabilities owing to narrower spreads. Asset-backed securities (ABS) accounted for €49 million of the group's gains on trading activities (first half of 2011: loss of €18 million).

As in previous years, gains and losses on trading activities in the DZ BANK Group in the period under review stemmed mainly from DZ BANK's customer business in investment and hedging products involving the asset classes of equities, interest rates, foreign exchange, and commodities. DZ BANK continued to meet its clients' needs in its business with these products for banks, corporate customers, and institutional clients and with structured products for retail banking.

In view of the sovereign debt crisis in the euro zone, which escalated over the course of the period under review, investors' utmost priority was the security and reliability of investments. DZ BANK performed well in the investment certificates business with its top-quality AKZENT Invest brand. It again expanded its market share with the core product in this range – capital preservation investment certificates – and again successfully proved that it is the undisputed leader in this market.

Besides bank bonds and corporate bonds, customers predominantly opted for traditional Pfandbriefe and interest-rate products with simple structures in light of the volatile market environment and sustained low level of interest rates.

In business with institutional investors, customers were mainly interested in good credit ratings for agency bonds and covered bonds. Insurers' and pension funds' high levels of liquidity stimulated demand for long-dated bonds, especially new issues.

Small and medium-sized customers looked for interest-rate hedging products with long maturities. As a result of sharply falling capital market interest rates, corporate customers preferred to take out traditional hedging products such as payer swaps. In foreign-exchange business, small and medium-sized enterprises opted for products with optional components alongside classic hedges.

In the primary market for new bond issues, DZ BANK's significant placing power ensured it was able to meet demand from the cooperative banks and institutional investors in Germany and abroad. The additional liquidity resulting from the two aforementioned ECB tenders was invested, above all, in issues from public-sector issuers.

Gains and losses on investments in the DZ BANK Group amounted to a loss of €185 million (first half of 2011: loss of €231 million).

Losses of €71 million resulted from the long-term equity investment in the Österreichische Volksbanken-AG Group. The pro-rata recognition of this investment using the equity method ended in the period under review as the DZ BANK Group ceased to be in a position to exercise significant influence over it.

In addition, gains and losses on investments included losses totaling €16 million resulting from disposals of Greek bonds; the figure reported for the first half of 2011 had included impairment losses of €216 million.

There were also losses from disposals and impairment losses on ABSs amounting to €87 million in the period under review (first half of 2011: losses of €5 million).

Other gains and losses on valuation of financial instruments in the DZ BANK Group amounted to a loss of €540 million in the reporting period (first half of 2011: loss of €135 million).

Of the loss reported for the first half of 2012, €528 million related to DG HYP and was above all the result of write-downs in the portfolio of government bonds of countries affected by the euro crisis, a portfolio that is being phased out.

The **net income from insurance business** earned by the DZ BANK Group in the reporting period amounted to €193 million compared with €100 million in the first half of 2011. It was reduced by €35 million by the recognition of disposal losses on government bonds of countries on the euro zone's periphery that have been hit particularly hard by the sovereign debt crisis. On the other hand, however, there were positive effects in the revaluation reserve. 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.

Against a background of persistently stiff competition in the insurance industry, R+V is benefiting from its extensive strategic integration in the cooperative financial network. Close collaboration with the local cooperative banks was crucial to the high level of insurance premiums achieved by R+V.

Premiums earned rose by 4.7 percent to €5,694 million (first half of 2011: €5,439 million), exceeding the excellent level of premiums earned in the first half of 2011.

Forecasts that R+V would outperform the general sectoral trend in terms of premium growth in its non-life insurance business were confirmed, with growth driven above all by vehicle insurance.

R+V generated higher premium income in its life insurance business, especially in its one-off premium pension insurance business and from its R+V-PrivatRente IndexInvest product.

Despite the adverse impact of the ongoing debate about the future structure of the healthcare system in Germany, R+V Krankenversicherung was able to increase its premium income at an above-average rate, largely because of the encouraging growth in regular premiums.

Premiums earned (net) from inward reinsurance rose moderately year on year.

Gains and losses on investments held by insurance companies and other insurance company gains and losses amounted to a net gain of €1,418 million (first half of 2011: gain of €1,076 million). With interest rates lower than they had been in the first half of 2011, there was an increase in unrealized gains that was partly offset by higher losses from the disposal of investments. The euro strengthened in the first half of 2011, while in the first half of 2012 it weakened, which resulted in lower exchange rate losses.

Owing to countervailing effects from the recognition of reserves for deferred policyholder participation in life insurance and claims from policyholders in fund-linked life insurance business in the 'insurance benefit payments' line item presented below, however, the change in the level of gains on investments held by insurance companies only partially affects the level of net income from insurance business in the period under review.

Insurance benefit payments increased by 8.4 percent from €5,433 million in the first half of 2011 to €5,887 million in the first 6 months of 2012.

Non-life insurance was particularly affected by the cold weather in February 2012 and by major fire insurance claims. Overall however, the claims rate (net) in non-life insurance fell by more than one percentage point.

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

By contrast, losses in inward reinsurance in the first half of 2012 were significantly lower than in the corresponding period of 2011. Overall, the claims rate (net) in this division declined by over 10 percentage points. The higher losses in the first half of 2011 had largely been the result of the earthquake disasters in Japan and New Zealand.

Insurance business operating expenses incurred in the course of ordinary business activities rose from €982 million in the first half of 2011 to €1,032 million in the first 6 months of 2012.

Administrative expenses in the DZ BANK Group rose by 4.6 percent year on year to €1,376 million (first half of 2011: €1,315 million), including an increase in staff expenses of €28 million (4.0 percent) to €727 million (first half of 2011: €699 million) and an increase in other administrative expenses of €33 million (5.4 percent) to €649 million (first half of 2011: €616 million).

The DZ BANK Group's other administrative expenses advanced by €12 million to €51 million and by €8 million to €198 million at TeamBank and DZ BANK respectively, while those in the VR LEASING subgroup went up by €7 million to €39 million. The main reasons for these increases were higher project costs and tighter regulatory requirements.

The increase in the DZ BANK Group's staff expenses was primarily attributable to the fact that DZ PRIVATBANK's staff expenses rose by €11 million to €57 million owing to the merger with WGZ Luxembourg and its entry into the German market.

Other net operating income earned by the DZ BANK Group in the reporting period climbed by €25 million to €33 million (first half of 2011: €8 million). This rise is above all due to DVB's improved income, which rose by €31 million to €37 million, largely as a result of the sale of 60 percent of DVB's shares in TES Holdings Ltd., Bridgend, United Kingdom, in the 6 months under review.

The **cost/income ratio** for the DZ BANK Group came to 65.6 percent in the first half of 2012 (first half of 2011: 63.0 percent).

The DZ BANK Group's **income taxes** in the first half of the year amounted to €111 million compared with a figure of €189 million for the comparable period of 2011.

Net profit for the first half of 2012 amounted to €404 million compared with €449 million in the first half of 2011.

4.1.3. Segment performance

The **business segment** breakdown of the **DZ BANK Group's profit before taxes** of €515 million for the first half of 2012 was as follows:

FIG. 2 – PERFORMANCE OF THE BUSINESS SEGMENTS

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Bank	842	506
Retail	196	200
Real Estate Finance	-312	47
Insurance	167	87
Consolidation/reconciliation	-378	-202

Profit before taxes increased by €336 million in the Bank business segment and by €80 million in the Insurance business segment compared with the first six months of 2011. Profit before taxes fell by €4 million and €359 million respectively in the Retail and Real Estate Finance business segments. The net effect of consolidation/reconciliation decreased by €176 million.

The income statements for the individual business segments are shown in detail in note 4 of the notes to the interim consolidated financial statements.

4.2. NET ASSETS

As at June 30, 2012, the DZ BANK Group's **total assets** had increased to €406.8 billion, a small rise of €0.9 billion (December 31, 2011: €405.9 billion). Total assets went up by €2.1 billion in the DVB subgroup and by €2.0 billion in the BSH subgroup. In contrast, they fell by €1.8 billion at DG HYP, by €0.4 billion at DZ PRIVATBANK, and by €0.4 billion at DZ BANK Ireland plc, Dublin, (DZ BANK Ireland).

The DZ BANK Group's **loans and advances to banks** rose by €1.2 billion to €81.2 billion, an increase of 1.4 percent. Loans and advances to domestic banks grew by €0.4 billion, or 0.5 percent, to €68.6 billion; loans and advances to foreign banks were up by €0.8 billion, or 7.1 percent, to €12.6 billion.

Loans and advances to customers in the DZ BANK Group had gone up by €2.9 billion, or 2.4 percent, to €123.7 billion as at June 30, 2012. The increase in loans and advances to customers in the DVB subgroup (up €1.7 billion), at DZ BANK (up €1.1 billion), and in the BSH subgroup (up €0.8 billion) more than compensated for the fall in loans and advances to customers at DG HYP (down €0.8 billion).

As at June 30, 2012, **financial assets held for trading** amounted to €68.7 billion, a decrease of €3.2 billion (4.4 percent) on the figure as at December 31, 2011. Whereas the amount of derivatives (positive fair values) went up by €2.9 billion to €35.8 billion, holdings of bonds and other fixed-income securities fell by €5.6 billion to €11.8 billion.

Investments reduced by €1.6 billion or 2.5 percent to €60.1 billion. This was primarily attributable to a decrease of €1.2 billion in the volume of bonds and other fixed-income securities.

The DZ BANK Group's **deposits from banks** as at June 30, 2012 amounted to €104.9 billion, which was €2.0 billion or 1.9 percent lower than the figure reported as at December 31, 2011, with deposits from domestic banks contracting by €4.4 billion and deposits from foreign banks rising by €2.4 billion.

Deposits from customers declined by €0.8 billion, or 0.8 percent, to €92.1 billion. Deposits from customers rose by €1.4 billion in the BSH subgroup, while these amounts declined by €1.1 billion at

DZ BANK and by €1.0 billion at DZ PRIVATBANK compared with the figures reported at December 31, 2011.

At the end of the period under review, the carrying amount of **debt certificates issued including bonds** in the DZ BANK Group had reached €60.2 billion (December 31, 2011: €55.1 billion). This amount increased by €2.7 billion at DZ BANK, by €2.5 billion at DZ PRIVATBANK, and by €1.3 billion in the DVB subgroup, whereas the carrying amount of debt certificates issued including bonds at DG HYP fell by €2.4 billion.

Financial liabilities held for trading declined by €5.3 billion, or 7.8 percent, to €62.1 billion. The carrying amount attributable to holdings of issued bonds and other debt certificates fell by €3.1 billion while money market deposits decreased by €2.9 billion.

As at June 30, 2012, the **equity** reported by the DZ BANK Group was €11,295 million (December 31, 2011: €10,775 million), with the revaluation reserve for available-for-sale financial assets improving by €452 million to €649 million (December 31, 2011: €1,101 million). This decrease was above all due to gains in the value of securities held.

The DZ BANK Group's **equity and solvency situation** is described in this interim group management report in III. Opportunities and risks associated with forecast development, section 2 Risk capital management.

4.3. FINANCIAL POSITION

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

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

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

The DZ BANK Group's main **sources of funding** on the unsecured money markets as at June 30, 2012 were as follows:

FIG. 3 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

(%)	Jun. 30, 2012	Dec. 31, 2011
Local cooperative banks	45	51
Other banks, central banks	21	15
Corporate customers, institutional customers	20	21
Commercial papers (institutional investors)	14	13

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

Structural liquidity is one of the factors used in the assessment of the long-term funding structure. Both for the DZ BANK Group and each individual group company, structural liquidity is measured daily on the basis of total cash flows. In addition, the long-term ratio is used at DZ BANK to support the management of structural liquidity.

DZ BANK's **long-term ratio** as at June 30, 2012 was 77 percent (December 31, 2011: 79 percent). This meant that the items tying up liquidity with residual maturities of over one year were largely funded by liabilities that also had residual maturities of more than one year.

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

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

Further information on the **DZ BANK Group's liquidity risk** is provided in this interim group management report in III. Opportunities and risks associated with forecast development, section 5 Liquidity risk. The year-on-year changes in cash flows from operating activities, investing activities, and financing activities are shown in the **statement of cash flows** in the interim consolidated financial statements.

II. Outlook

The prospects for the global economy continue to be subdued by the uncertainty surrounding the European sovereign debt crisis. The unsettled financial markets are also impacting on the performance of the real economy. Now that 'firewalls' have been put in place, Greece's exit from the euro zone is no longer a taboo subject for the other countries in Europe. Nevertheless, turbulence in the financial markets would be virtually unavoidable under this scenario, at least in the short term.

The growth impetus for the global economy at the start of 2012 emanated above all from the emerging economies in Asia and Latin America. This trend will continue into 2013. In contrast, economic growth in industrialized countries is more likely to stabilize, with the outlook through to next year remaining cautious.

Global growth is therefore predicted to be no more than 3 percent this year and around 4 percent next year – considerably lower than in previous years.

Economic indicators in the **United States** show that conditions remain challenging. The US economy lost considerable momentum at the start of this year. Moreover, decisions regarding the public sector – especially at state and local government level – are causing a contraction: many public-sector investment projects are being cancelled or postponed as a result of spending cuts.

Consumer spending has also tailed off significantly. Many consumers are behaving more cautiously, mainly owing to the slowdown in the labor market. Another negative influence is the fact that the public sector itself is trying to reduce its workforce.

On the positive side, the housing market bottomed out during the last few months. Weak growth of gross domestic product (GDP) has to be expected in 2012 and 2013, and the risk that GDP will shrink is likely to increase owing to numerous political uncertainties. Inflation will remain moderate for now, particularly as capacity continues to be underutilized and the pressure on wage costs is still at a reasonable level.

Economic output in the **euro zone** began to stagnate in the first quarter. Among the large countries, only Germany succeeded in increasing its GDP compared with the previous quarter. The deepening crisis in many EU member states has rippled out to the economy of the euro zone as a whole and will continue to affect it in the remaining months of this year as well as next year.

A further decline in overall economic output was prevented, above all, by Germany's positive performance. Sentiment indicators show that the real economy is starting to lose confidence again.

However, there are also factors at the moment that should ease economic tensions in Europe. For example, oil prices remained on a downward trajectory in the first half of this year. Over the rest of the year and in 2012 the effect of of these lower prices in terms of inflation is likely to reverse. Furthermore, exports are receiving a boost from the euro, which has weakened against the US dollar. The euro zone's economic output is predicted to decline slightly over the course of the year.

Economic growth is likely to remain subdued in 2013 owing to ongoing uncertainty among consumers and businesses alike. As a result, GDP will only increase slightly year on year. Alongside Spain and Italy, Portugal and Greece are also expected to remain in recession next year.

Inflation will remain below its 2011 level in 2012 and 2013. If the European Central Bank (ECB) implements expansionary monetary policies again, it will do so primarily by taking special measures such as buying government bonds, introducing further longer-term refinancing operations, or lowering deposit rates.

The situation in the European labor markets has turned bleaker, leading to an unemployment rate for the euro zone of 11 percent. More than half a million people in Italy alone have lost their job over the past 12 months. This negative trend will continue in the euro zone through to 2013 and will be compounded if the sovereign debt crises escalate further.

The economy in **Germany** defied the negative fallout from the European sovereign debt crisis at the start of 2012 and has so far avoided slipping into recession, although more and more indications point to an imminent slowdown in economic performance. Exports have remained strong until now, especially for Germany's small and medium-sized enterprises, but are now exposed to the risk posed by the economic crisis in southern Europe as well as the weaker global economy.

The favorable situation in the labor market, plus the good prospects for earnings and consumers' increased willingness to make purchases, will continue to have a positive impact on consumption. This should particularly benefit companies that focus on the domestic market, which will remain a central pillar of Germany's future economic performance.

The European sovereign debt crisis and the increasing uncertainty about the economy may depress the mood among German companies during the rest of the year and will therefore remain a major risk factor in 2013 too.

Germany's economic uptrend is expected to continue throughout the rest of this year and in 2013 even though the euro-zone crisis is certain to create new difficulties.

Already experiencing tough macroeconomic conditions, the **financial sector** continues to be the focus of considerations on whether to impose additional regulatory and statutory requirements. The necessary details are often not provided, creating further uncertainty that makes planning difficult. What we would like to see here is a stable and transparent basis for planning, particularly of capital ratios and capital definitions.

DZ BANK is endeavoring to meet current requirements and gauge future ones through rigorous capital management and integrated capital planning as regulatory requirements have a far-reaching impact on the banks' equity situation and financial performance.

The DZ BANK Group believes that its focused strategy executed in close partnership with the local cooperative banks continues to offer sustained potential for growth.

It uses a strategic planning process to regularly identify growth potential and implement measures to capitalize on this potential, taking account of risk trends and capital requirements.

DZ BANK anticipates that the local cooperative banks will continue to hold high levels of deposits this year and in 2013, which will help with its management of operational liquidity. Corporate customers, institutional investors, and foreign central banks will make a further sustained contribution to the diversification of funding.

The structural funding of the DZ BANK Group will continue to be underpinned by stable sales of secured and unsecured funding products as a result of the broad customer base.

Overall, business performance during the rest of this year and in 2013 is expected to be positive even if it is not as high as originally anticipated owing to the sovereign debt crisis.

Net interest income will benefit from improving economic conditions in Germany throughout the rest of 2012 and in 2013. This will be supported by expansion of corporate banking and the targeted development of private banking. Further stimulus is predicted to come from the positive mood among German consumers.

Uncertainty about economic prospects over the next few years and another reduction of the key interest rate may have a negative impact on net interest income.

Allowances for losses on loans and advances in the DZ BANK Group will remain at a stable level as a result of the general improvement in economic conditions. There will be one-off items this year resulting from strategic adjustments to leasing activities in the form of additional charges caused by recognizing additional allowances for losses on loans and advances. The level of specific loan loss allowances is expected to rise over the further course of this year owing to the deterioration in economic and market conditions on the back of the European sovereign debt crisis.

According to current estimates, risks would arise if an escalation in the sovereign debt crisis were to trigger a severe downturn in the real economy, which might then impact on allowances for losses on loans and advances in 2013.

Uncertainty about the progress of and possible solutions to Europe's sovereign debt crisis are depressing fee and commission income. Reticence on the part of private and institutional investors will limit the growth of **net fee and commission income** this year, particularly in asset management and capital markets business. Net fee and commission income will rise in 2013, but only once private and institutional investors have regained their confidence and the markets have settled down for a longer period.

There will be an overall positive trend for **gains and losses on trading activities** this year and in 2013. However, they will be affected by changes to credit spreads, particularly for Pfandbriefe, sovereign bonds, and government bonds. Overall, it is expected that the predominant effect will be stimulus from narrowing credit spreads with a positive impact on gains and losses on trading activities. The high level of volatility in the financial markets, coupled with reluctance on the part of private and institutional investors, will continue to affect gains and losses on trading activities. Only once the financial markets have normalized will stable growth be possible, and this is forecast for 2013.

Following the negative impact of impairment losses in 2011 triggered by the sovereign debt crisis, net **gains and losses on investments** will improve because impairment losses on securitization exposures are expected to decline this year and in 2013.

There will be a positive trend for **net income from insurance business** this year and in 2013, fueled by increasing growth in premiums in non-life insurance. Gains and losses on investments held by insurance companies and other insurance company gains and losses will also improve in 2012, with a further increase forecast for 2013.

Insurance business operating expenses will go up as a result of additional regulatory requirements. They will also rise in 2012 and subsequent years due to increases under collective pay agreements, the planned expansion of headcount, and IT projects. However, the rate at which expenses grow will be limited by the rate at which premiums are anticipated to rise.

Unusual events on the capital markets caused by the sovereign debt crisis or changes to underwriting can affect earnings targets.

Administrative expenses will go up this year and in future years, reflecting the higher expenses caused by tighter regulatory and statutory requirements. They will also be pushed up by increases under collective pay agreements and inflationary rises in general and administrative expenses.

The aim is to improve the cost/income ratio, despite additional regulatory pressures, by rigorously managing costs and, above all, by expanding operating business.

As the sovereign debt crisis is likely to be contained, the situation on the capital markets is expected to ease, and economic growth is predicted to slow down only slightly, the DZ BANK Group anticipates that its earnings will rise this year and in 2013. Strategic positioning and further development in the business lines will encourage growth and boost earnings.

Earnings performance may be adversely affected by the turmoil in the financial markets that could be generated by the sovereign debt crisis in the euro zone.

III. Opportunities and risks associated with forecast development

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

1. OPPORTUNITY AND RISK MANAGEMENT

The objectives of the DZ BANK Group's risk management system and the types of risk relevant to the group are set out in the disclosures on page 76 onwards of the opportunity and risk report in the group management report for 2011.

All DZ BANK Group companies are integrated into the groupwide opportunity and risk management system. The following companies form the core of the financial services 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:

- DZ BANK
- BSH
- DG HYP
- DVB
- DZ BANK Ireland
- DZ BANK Polska S.A., Warsaw (DZ BANK Polska)
- DZ PRIVATBANK
- R+V
- TeamBank
- Union Asset Management Holding AG, Frankfurt am Main (Union Asset Management Holding)
- VR-LEASING AG

The other companies are included in the system as part of equity risk.

Apart from the details described in this opportunity and risk report, there have been no material modifications to the opportunity and risk management system or the potential opportunities since December 31, 2011. The details in this regard set out in the opportunity and risk report within the 2011 group management report therefore continue to apply.

2. RISK CAPITAL MANAGEMENT

2.1. MANAGEMENT OF ECONOMIC CAPITAL ADEQUACY

2.1.1. Modifications to risk capital management methods

In the first half of 2012, DZ BANK switched over to using a portfolio model based on the CreditMetrics™ concept to calculate the risk capital required for its credit risk. This change only had a minor impact on the total amount of risk capital required.

In addition, further improvements were made to the methods for recording market risk, in particular spread and migration risk, and centralized, groupwide recording of these risks was established.

Previously considered as a business risk, Union Asset Management Holding's asset management risk has been classified as a market risk since March 2012.

2.1.2. Analysis of economic capital adequacy

As part of risk-bearing-capacity analysis, the risk capital requirement is compared with the aggregate risk cover in order to determine the economic capital adequacy. The Board of Managing Directors determines the upper loss limits for the year on the basis of the aggregate risk cover.

Aggregate risk cover comprises equity and hidden reserves. It is reviewed in full on a quarterly basis and also partly updated on a monthly basis.

The DZ BANK Group's available aggregate risk cover for 2012 was measured at €11,141 million with effect from December 31, 2011 (December 31, 2010 for 2011: €11,474 million).

FIG. 1 – UPPER LOSS LIMITS AND RISK CAPITAL REQUIREMENT

€ million	Upper loss limit Jun. 30, 2012	Upper loss limit Dec. 31, 2011	Risk capital requirement Jun. 30, 2012	Risk capital requirement Dec. 31, 2011
Credit risk	4,316	4,309	3,425	3,526
Equity risk	1,335	1,107	936	911
Market risk	4,035	3,638	2,873	2,713
Building society risk	593	585	593	585
Actuarial risk	2,170	2,000	1,977	1,967
Operational risk	795	710	722	651
Business risk	529	611	365	516
Total after diversification	11,238	10,665	8,989	8,953

As at June 30, 2012, the total upper loss limit for the group calculated on the basis of the aggregate risk cover amounted to €11,238 million (December 31, 2011: €10,665 million). The DZ BANK Group's total risk capital requirement has risen slightly, from €8,953 million as at December 31, 2011 to €8,989 million as at June 30, 2012, although DZ BANK recorded a sharp decline. Figure 1 shows a breakdown of the **upper loss limit** by type of risk and the **capital requirement** for each type of risk compared with 2011.

The DZ BANK Group had adequate economic capital available at all times during the first half of 2012. From the current perspective, this will also be ensured during the remaining 6 months of the year.

2.1.3. Risk capital requirement stress tests

The DZ BANK Group's general stress-testing strategy comprises hypothetical stress tests, a historical stress test, and an inverse stress test. Tests are conducted for specific risk types and for generic risk. The risk-type-specific stress tests are supplemented by a stress scenario that models the correlations between different types of risk.

Internal risk measurement methods are used to carry out the stress tests. The initial parameters for measuring risk are scaled in such a way as to reflect extremely negative hypothetical or historical economic situations. A scenario was developed for the inverse stress test that simulates a threat to the bank's capacity to bear risk. The procedure for aggregating risk types into a stress test result covering all companies in the DZ BANK Group is similar to the regular procedure used for risk measurement.

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

2.2. MANAGEMENT OF REGULATORY CAPITAL ADEQUACY

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

2.2.1. DZ BANK financial conglomerate

The German Federal Financial Supervisory Authority has classified the DZ BANK Group as a financial conglomerate, in which DZ BANK acts as the parent in the conglomerate. The DZ BANK financial conglomerate comprises the DZ BANK banking group and the R+V insurance group.

The calculation of financial conglomerate solvency as at June 30, 2012 demonstrates that the DZ BANK financial conglomerate significantly exceeds the minimum regulatory requirements.

2.2.2. DZ BANK banking group

REGULATORY CAPITAL RATIOS

As in prior years, the DZ BANK banking group's **regulatory capital** was calculated on the basis of the HGB single-entity financial statements of the companies included within the scope of consolidation and amounted to a total of €11,383 million as at June 30, 2012 (December 31, 2011: €11,475 million).

Tier 1 capital as at June 30, 2012 had grown by €1,327 million since the end of 2011. This increase is, above all, the result of the reclassification in 2011 of the contingency reserves pursuant to section 340f HGB – previously classified as Tier 2 capital – to the special provision for general banking risks pursuant to section 340g HGB, which is classified as Tier 1 capital. This measure was only recognized by the regulators when the financial statements were adopted, which means it only impacted on the amounts of capital in the first half of 2012. Additional contributions from net income to the special provision for general banking risks pursuant to section 340g HGB also caused Tier 1 capital to increase.

Owing in particular to the aforementioned reclassification and to the expiry of fixed-term elements of Tier 2 capital with a total volume of €442 million, which was only partly replaced by new issues, the remaining amount of Tier 2 capital was less than the deductions from Tier 2 capital. As a result, Tier 2 capital was completely used up and Tier 1 capital had to be reduced by the amount of the excess deductions. Capital therefore declined by €92 million overall.

As at June 30, 2012, regulatory **capital requirements** were calculated at €7,483 million (December 31, 2011: €7,970 million). This decrease of €487 million can be broken down into a €292 million fall in credit risk exposures and a €280 million decline in market risk exposures. The decrease was partly offset by an increase of €85 million in capital requirements for operational risk.

The **total capital ratio** rose from 11.5 percent as at December 31, 2011 to 12.2 percent at the balance sheet date. As at June 30, 2012, the **Tier 1 capital ratio** was also 12.2 percent, a significant increase on the ratio of 10.1 percent as at December 31, 2011. Both these key ratios therefore exceeded the regulatory minimum ratios (8.0 percent for the total capital ratio and 4.0 percent for the Tier 1 capital ratio).

Figure 2 provides an overview of the DZ BANK banking group's regulatory capital ratios.

FIG. 2 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP

€ million	Jun. 30, 2012	Dec. 31, 2011
Capital		
Tier 1 capital	11,383	10,056
Total Tier 2 capital after capital deductions	–	1,419
Total	**11,383**	**11,475**
Capital requirements		
Credit risk (including equity risk)	5,937	6,229
Market risk	870	1,150
Operational risk	676	591
Total	**7,483**	**7,970**
Capital ratios		
Total capital ratio	12.2%	11.5%
Tier 1 capital ratio	12.2%	10.1%

STRESS TESTS

At banking group level, DZ BANK conducts the quarterly regulatory stress tests that are required to verify that the group satisfies the solvency requirements in crisis situations. In these tests, a deterioration in credit ratings and collateral values is applied, depending on the bank and asset class concerned. In addition to this stress scenario, regulatory capital adequacy is tested by means of a standard scenario in which an even more significant deterioration in credit ratings is assumed. As at June 30, 2012, the solvency requirements were satisfied without qualification in both stress scenarios, as had also been the case as at December 31, 2011.

The recapitalization survey (capital exercise) carried out by the EBA among European banks last year revealed that DZ BANK's recapitalization requirement was approximately €350 million. This additional amount of capital was required to achieve the minimum ratio of 9.0 percent specified by the EBA for core Tier 1 capital. This requirement is above and beyond the statutory stipulations in the Solvency Regulation.

The recapitalization requirement was easily met, in particular by retaining profits, taking steps in relation to long-term equity investments, and reducing the capital tied up in connection with portfolios that are being phased out. According to internal calculations, the core Tier 1 capital ratio computed according to the EBA's rules was well above 9 percent as at the end of June 2012 (December 31, 2011: 8.9 percent).

BASEL III

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

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

2.2.3. R+V insurance group

In the first half of 2012, the R+V insurance group and all its constituent companies satisfied the minimum regulatory solvency requirements.

Analysis of the capital market scenarios applied in the internal planning shows that the R+V insurance group's solvency ratio will continue to exceed the minimum statutory requirement as at December 31, 2012.

3. CREDIT RISK

3.1. MODIFICATIONS TO RISK STRATEGY

The following key aspects of DZ BANK's credit risk strategy were modified in the first half of 2012:

- Adjustment of growth targets: DZ BANK aims to increase its lending volume, above all in its business with small and medium-sized enterprises.
- Adoption of the principle that loans provided to customers with revenue of €50 million or less may only be extended jointly with other parties.
- Expansion of the generally accepted minimum credit rating and the credit quality requirements for limits on trading activities with institutional customers.
- Strategic realignment in corporate banking: whereas business with SMEs focuses exclusively on jointly extended loans, corporate banking concentrates on medium-sized companies and large companies.
- More precise definition of portfolio targets in project finance business in terms of a particular focus for growth in the collaboration within the cooperative financial network centers on achieving growth.

Moreover, a limit was imposed on the accepted minimum credit rating for TeamBank's consumer finance business.

3.2. LENDING VOLUME

3.2.1. Changes and structure in the total lending volume

The total lending volume of the DZ Bank Group fell slightly in the first half of the year, declining by just under 1 percent to €312.4 billion as at June 30, 2012 (December 31, 2011: €314.5 billion).

There was a significantly reduction in the lending volume in **traditional lending business**, which had decreased to €205.9 billion as at June 30, 2012. The lending volume in the **securities business** declined more sharply, down by almost 6 percent compared with the end of 2011. As at June 30, 2012, credit exposure in the securities business amounted to €85.6 billion (December 31, 2011: €90.7 billion). This was a continuation of the contraction that had begun back in 2009. The biggest contraction was seen in the financial sector, as had been the case in 2011. This development is a result of the strategy pursued since the start of the financial crisis in 2007 to continuously reduce the bond portfolio (the reduction focusing increasingly on financial industry securities).

In contrast to the decline in securities business, the lending volume in the **derivatives and money market business** expanded from €17.5 billion as at December 31, 2011 to €20.9 billion as at June 30, 2012. This growth largely related to DZ BANK and was the re-

FIG. 3 – LENDING VOLUME BY INDUSTRY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Financial sector	73.0	74.9	39.9	44.5	16.8	14.0	129.7	133.4
Public sector	8.2	8.5	33.2	32.9	0.8	0.6	42.2	42.0
Corporates	79.7	78.1	3.3	3.7	2.7	2.2	85.6	84.0
Retail	40.7	40.4	5.7	6.1	–	–	46.5	46.5
Industry conglomerates	3.3	3.3	3.5	3.6	0.7	0.6	7.4	7.5
Other	1.1	1.1	–	–	–	–	1.1	1.1
Total	205.9	206.3	85.6	90.7	20.9	17.5	312.4	314.5

FIG. 4 – LENDING VOLUME BY COUNTRY GROUP

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Germany	162.5	162.4	49.8	50.9	13.1	9.6	225.4	222.9
Other industrialized nations	38.4	38.3	33.5	37.7	7.4	7.4	79.3	83.4
Non-industrialized nations	5.1	5.6	2.2	2.1	0.4	0.5	7.7	8.1
Total	205.9	206.3	85.6	90.7	20.9	17.5	312.4	314.5

FIG. 5 – LENDING VOLUME BY RESIDUAL MATURITY

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
≤ 1 year	48.7	50.0	15.2	19.9	13.4	10.9	77.3	80.8
> 1 year to ≤ 5 years	53.1	52.0	35.9	36.1	2.7	2.5	91.7	90.7
> 5 years	104.1	104.3	34.5	34.7	4.8	4.1	143.4	143.0
Total	205.9	206.3	85.6	90.7	20.9	17.5	312.4	314.5

sult of money market business involving very good credit ratings in the first quarter of 2012.

The **sectoral** breakdown of the credit portfolio presented in figure 3 shows that the total volume of lending as at June 30, 2012 remained highly concentrated in the financial sector (42 percent), a situation that had changed little since December 31, 2011. In addition to the local cooperative banks, the borrowers in this customer segment comprised banks from other sectors of the credit industry and other financial institutions.

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

Figure 4 shows the geographical distribution of the credit portfolio by **country group**. As at June 30, 2012, more than 98 percent of the total lending volume continued to be concentrated in Germany and in other industrialized countries. Supranational institutions such as the World Bank and European Investment Bank are included in the figures for non-industrialized countries. Loans and advances to non-industrialized countries reduced by €0.4 billion to €7.7 billion in the first half of 2012.

The breakdown of the credit portfolio by **residual maturity** presented in figure 5 shows that the lending volume as at June 30, 2012 had shrunk by €3.5 billion in the short maturity band (up to 1 year) compared with December 31, 2011, which was largely attributable to DZ BANK. In contrast, there was a slight increase of €1.0 billion in the mid-maturity band (longer than 1 year but not more than 5 years) and of €0.4 billion in the longer maturity band (over 5 years). These increases were also mainly accounted for by DZ BANK.

Figure 6 shows the DZ BANK Group's lending volume by **rating class** according to the VR master scale.

FIG. 6 – LENDING VOLUME BY RATING CLASS

		Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion		Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Investment grade	1A	9.7	11.1	37.3	39.0	5.8	3.1	52.8	53.3
	1B	0.8	0.7	5.8	5.2	0.5	0.5	7.0	6.5
	1C	65.6	65.3	10.8	12.1	6.0	5.1	82.4	82.5
	1D	1.1	1.1	2.9	3.8	0.9	0.9	4.9	5.7
	1E	1.0	1.2	0.4	1.2	0.3	0.7	1.7	3.1
	2A	6.1	6.9	2.8	4.2	1.4	0.9	10.3	12.0
	2B	12.1	12.9	6.9	7.9	1.4	1.9	20.3	22.7
	2C	7.1	6.8	7.3	6.9	1.9	1.7	16.3	15.4
	2D	9.7	9.5	2.6	2.7	0.5	0.6	12.8	12.8
	2E	12.2	11.1	1.8	2.1	0.8	0.8	14.9	14.0
	3A	11.2	11.6	2.6	1.0	0.2	0.3	14.0	12.8
Non-investment grade	3B	16.8	15.7	0.6	0.8	0.2	0.1	17.5	16.7
	3C	10.8	10.2	0.9	1.1	0.1	0.1	11.8	11.5
	3D	8.3	8.4	0.7	0.3	0.1	0.2	9.1	8.9
	3E	8.1	9.3	0.4	0.3	0.1	–	8.5	9.6
	4A	2.5	2.2	0.3	0.3	–	–	2.8	2.5
	4B	1.4	1.6	0.2	0.2	–	–	1.6	1.8
	4C	5.3	4.8	0.2	0.1	–	–	5.5	5.0
	4D	4.8	5.3	0.1	–	–	–	4.9	5.3
	4E	4.9	4.4	1.0	0.9	0.1	0.1	5.9	5.4
Default		5.0	4.7	0.1	0.3	0.1	–	5.2	5.1
Not rated		1.5	1.5	0.1	0.1	0.4	0.4	2.1	2.0
Total		**205.9**	**206.3**	**85.6**	**90.7**	**20.9**	**17.5**	**312.4**	**314.5**

FIG. 7 – INVESTMENTS HELD BY INSURANCE COMPANIES BY BORROWER GROUP AND RATING CATEGORY

	Investment grade		Non-investment grade		Default		Not rated[1]		Total	
€ billion	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Financial sector	25.8	25.5	0.8	0.6	–	–	0.6	–	27.2	26.1
Public sector	12.7	11.9	0.7	0.7	–	–	–	–	13.4	12.6
Corporates	3.9	3.4	0.1	0.1	–	–	3.5	–	7.5	3.5
Other	6.4	5.9	–	–	–	–	1.0	4.6	7.4	10.4
Total	**48.8**	**46.7**	**1.6**	**1.3**	**–**	**–**	**5.1**	**4.6**	**55.5**	**52.6**

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

FIG. 8 – COLLATERALIZED LENDING VOLUME BY TYPE OF COLLATERAL

	Traditional lending business		Securities business		Derivatives and money market business		Total	
€ billion	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Guarantees, indemnities, risk subparticipation	15.8	16.5	–	–	0.3	0.3	16.1	16.8
Credit insurance	1.3	1.3	–	–	–	–	1.3	1.3
Land charges, mortgages, ship mortgages	54.4	53.4	–	–	0.1	0.1	54.5	53.5
Pledged loans and advances, assignments, other pledged assets	1.2	1.3	–	–	–	–	1.2	1.3
Financial collateral	0.9	0.8	–	–	0.4	0.4	1.2	1.2
Other collateral	5.3	5.1	–	–	–	–	5.3	5.1
Collateralized lending volume	**78.9**	**78.4**	**–**	**–**	**0.8**	**0.8**	**79.7**	**79.1**
Gross lending volume	205.9	206.3	85.6	90.7	20.9	17.5	312.4	314.5
Uncollateralized lending volume	**127.1**	**127.9**	**85.6**	**90.7**	**20.1**	**16.7**	**232.8**	**235.3**

'Not rated' comprises counterparties for which a rating classification is not required.

The proportion of the total credit portfolio accounted for by rating classes 1A to 3A (investment grade) remained almost unchanged at 76 percent between December 31, 2011 and June 30, 2012. The proportion of the total lending volume accounted for by rating classes 3B to 4E (non-investment grade) was also practically unchanged at 22 percent between December 31, 2011 and June 30, 2012. Defaults as at June 30, 2012 accounted for 2 percent of the DZ BANK Group's total lending volume and thus remained at the low level reported at the end of 2011.

As at June 30, 2012, the **10 counterparties associated with the largest lending volumes** accounted for 8 percent of the DZ BANK Group's total lending exposure – as they had at December 31, 2011. These counterparties comprised exclusively financial-sector and public-sector borrowers domiciled in Germany. All these exposures consisted of investment-grade lending with a rating of 2D or better.

Figure 7 shows the volume of **investments held by insurance companies** by borrower group and rating category.

As at December 31, 2011, investments totaling €4.6 billion were not categorized in R+V's rating system and were shown in the 'Other' borrower group. The vast majority of these investments were assigned to corporates as at June 30, 2012 and related to equities (€2.5 billion) and investment fund units (€1.0 billion). Changes to exposures in the financial sector (up by 4 percent) and the public sector (up by 7 percent) were in step with the overall growth in investments of 6 percent.

Figure 8 shows the breakdown of **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 reported before the application of any offsetting agreements, whereas the lending volume in the securities business and derivatives and money market business are shown net.

FIG. 9 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY SECTOR

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days to 1 month		Past due > 1 month to 2 months		Past due > 2 months to 3 months		Past due > 3 months		Total	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Financial sector	312	44	3	3	–	1	1	1	15	7	331	56
Public sector	42	17	1	–	–	1	–	–	–	–	43	19
Corporates	471	212	212	429	94	502	144	55	242	226	1,162	1,425
Retail	508	500	89	72	34	27	10	11	45	42	686	653
Industry conglomerates	1	–	–	6	–	–	–	–	–	–	1	6
Other	–	–	5	4	1	2	1	1	2	2	9	10
Total	**1,333**	**774**	**310**	**515**	**129**	**534**	**156**	**68**	**304**	**278**	**2,232**	**2,168**

FIG. 10 – LENDING VOLUME PAST DUE BUT NOT IMPAIRED, BY COUNTRY GROUP

	Lending volume past due but not impaired											
	Past due up to 5 days		Past due > 5 days to 1 month		Past due > 1 month to 2 months		Past due > 2 months to 3 months		Past due > 3 months		Total	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Germany	1,202	732	135	103	52	196	35	44	169	167	1,594	1,241
Other industrialized nations	131	43	116	387	46	337	121	24	135	87	548	877
Non-industrialized nations	–	–	59	25	31	1	–	–	–	24	90	50
Total	**1,333**	**774**	**310**	**515**	**129**	**534**	**156**	**68**	**304**	**278**	**2,232**	**2,168**

Collateralized lending volume saw a small year-on-year increase of approximately 1 percent. As the underlying gross lending volume also grew by almost 1 percent, the collateralization rate of 26 percent as at June 30, 2012 was higher than the equivalent figure of 25 percent as at December 31, 2011.

In traditional lending business, the greatest proportion of collateralized lending volume – 69 percent as at June 30, 2012 (December 31, 2011: 68 percent) – was again accounted for by lending secured by charges over physical assets such as land charges, mortgages, and registered ship mortgages. These types of collateral are particularly important for BSH, DG HYP, and DVB. In contrast, charges over physical assets are of lesser importance at DZ BANK because DZ BANK bases its lending decisions primarily on borrower credit quality. Other collateral mostly comprised asset collateral at VR-LEASING AG.

In the securities business, the companies in the DZ BANK Group generally do not carry out any further collateralization to supplement the hedging activities already taken into account. Equally, in derivatives and money market business, collateral received under collateral agreements is already factored into the calculation of gross lending volume with the result that only a comparatively low level of collateral (personal and financial collateral) is then additionally reported.

3.2.2. Lending volume past due and impaired

Figures 9 and 10 show the **portion of the lending volume that is past due but not impaired**. The disclosures largely relate to traditional lending business. Because of the conservative risk provisioning policy of the companies in the DZ BANK Group, the past-due lending volume only accounted for a relatively small proportion of the overall credit portfolio as at June 30, 2012.

The lending volume that was past due but not impaired went up by 3 percent between December 31, 2011 and June 30, 2012. This rise related, above all, to exposure that was past due by fewer than 5 days.

FIG. 11 – IMPAIRED LENDING VOLUME, BY SECTOR

	Impaired lending volume					
	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Financial sector	247	300	206	235	41	65
Public sector	–	–	–	–	–	–
Corporates	2,697	2,443	1,116	1,083	1,580	1,360
Retail	1,021	992	459	429	561	562
Industry conglomerates	3	3	–	–	3	3
Other	7	18	4	14	2	4
Total	**3,974**	**3,755**	**1,786**	**1,761**	**2,188**	**1,994**

FIG. 12 – IMPAIRED LENDING VOLUME, BY COUNTRY GROUP

	Impaired lending volume					
	Amount before specific loan loss allowances		Specific loan loss allowances		Amount after specific loan loss allowances	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Germany	2,151	2,160	1,072	1,045	1,078	1,115
Other industrialized nations	1,653	1,386	579	587	1,074	799
Non-industrialized nations	170	209	135	128	36	81
Total	**3,974**	**3,755**	**1,786**	**1,761**	**2,188**	**1,994**

FIG. 13 – ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES FOR THE ENTIRE CREDIT 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	1st half of 2012	1st half of 2011	1st half of 2012	1st half of 2011	1st half of 2012	1st half of 2011	1st half of 2012	1st half of 2011
Balance as at Jan. 1	1,761	1,899	539	346	2,299	2,245	174	181
Additions	369	368	109	201	478	569	14	19
Utilizations	-160	-118	–	–	-160	-118	–	–
Reversals	-189	-357	-76	-91	-265	-448	-31	-31
Interest income	-20	-16	–	–	-20	-16		
Other changes	25	-16	–	–	25	-16	–	-2
Balance as at Jun. 30	1,787	1,760	572	457	2,358	2,217	157	167
Directly recognized impairment losses	36	47	–	–	36	47		
Receipts from loans and advances previously impaired	-26	-22	–	–	-26	-22		

1 Including specific loan loss allowances evaluated on a group basis

As at June 30, 2012, the lending volume past due by more than 3 months amounted to €304 million (December 31, 2011: €278 million) and was predominantly secured by physical collateral. The internal limit for these loans was €267 million (December 31, 2011: €213 million).

Figures 11 and 12 show the **impaired lending volume**. The disclosures largely relate to traditional lending business. As at June 30, 2012, the lending volume after allowances and impairment losses was €2,188 million (December 31, 2011: €1,994 million). The increase compared with the end of 2011 was largely attributable to corporate business at DZ BANK.

3.3. ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES FOR THE ENTIRE CREDIT PORTFOLIO

Figure 13 shows the changes in allowances (specific loan loss allowances – including the specific loan loss allowances evaluated on a group basis – and portfolio loan loss allowances), in the provisions for loan commitments, and in liabilities arising on financial guarantee contracts in the first half of 2012 and in the corresponding period of 2011.

The components of the loan loss allowances shown in the tables are also disclosed in the notes to the interim consolidated financial statements. Discrepancies between the amounts shown in the opportunity and risk report and those reported in the notes are primarily attributable to differences in the scope of consolidation.

Total specific loan loss allowances in the DZ BANK Group were increased by €26 million in the first half of 2012. These allowances had decreased by a net €139 million in the corresponding period of 2011. The level of specific loan loss allowances required for DZ BANK's lending operations was better than expected in the first 6 months of 2012.

However, the level of specific loan loss allowances is expected to rise over the further course of this year owing to the deterioration in economic and market conditions on the back of the euro crisis.

The DZ BANK Group needed to recognize additional portfolio loan loss allowances amounting to a net €33 million in the first 6 months of 2012 (first half of 2011: net additional allowances of €111 million).

The level of provisions recognized by the entities in the DZ BANK Group was reduced by €17 million in the first half of 2012 (first half of 2011: decrease of €14 million).

Provisions for loan commitments form part of the provisions reported on the face of the balance sheet. Liabilities arising from financial guarantee contracts are reported as other liabilities on the balance sheet. The provisions shown in the opportunity and risk report are attributable almost entirely to DZ BANK.

3.4. CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

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

3.4.1. European sovereign debt crisis

CHANGES IN ECONOMIC CONDITIONS

For some time now, substantial budget deficits have been a feature of the euro-zone economies of Portugal, Ireland, Italy, Greece, and Spain, and these deficits are accompanied by government debt levels that are high in relation to gross domestic product.

Despite a partial debt repayment waiver by foreign creditors in March 2012, **Greece** has been unable to return to solvency. Further debt restructuring may therefore be necessary. There is a high risk that Greece will default in disorderly fashion and exit the currency union. Default scenarios are not being predicted for the other countries in this group, even though economic conditions remain tough. Nevertheless, the austerity measures introduced to restore budgetary stability involve significant risk for future economic growth, which in turn is likely to have a negative impact on further budget consolidation.

The **Portuguese government** has demonstrated its determination to implement the consolidation policy agreed with the European Union and IMF. Portugal's economy is continuing to suffer from major structural weaknesses and its poor level of competitiveness. Although structural reforms to the labor market, public sector, and judiciary agreed as part of the rescue package are expected to improve Portugal's competitiveness, they are only likely to deliver success in the medium term.

The **Irish government** is also pursuing a strict policy of consolidation and the spending cuts that it has imposed are beginning to bear fruit. However, the possibility of a further burden on public finances caused by a potential need for more financial support in the banking sector cannot be ruled out.

Unlike Greece, **Italy** has a broad industrial base. The policy of consolidation pursued by Mario Monti's new government has strengthened confidence in financial markets. However, if the parliamentary elections – which must take place by April 2013 at the latest – do not produce a stable government, Italy may suffer a loss of confidence in the markets.

By European standards, government debt in **Spain** is still at modest levels, although this debt is increasing. The Spanish government has made initial progress in its policy of consolidation by reducing the budget deficit. Owing to the high demand for funding in the banking sector however, the cost of government borrowing in the financial markets has now risen to a level that will be unsustainable in the long term. Spain is therefore reliant on financial support from the European Union to rescue its banking system and was promised rescue loans of up to €100 billion at the beginning of June 2012. This means government debt will rise further when this money is distributed to the banks via the state.

Based on information currently available, it does not appear that the other countries in the euro zone will be faced with a situation similar to that in Greece. However, if confidence fails to return to the financial markets, there is likely to be a negative impact on the funding options for these countries in international financial markets. Against this backdrop, DZ BANK continued to significantly scale back its exposures with counterparties in countries affected by the European sovereign debt crisis during the first 6 months of 2012. Given the persistent uncertainty, DZ BANK's loans and advances to borrowers in these countries also continue to be closely monitored.

Among the EU accession countries, developments in **Hungary** remain in focus. The country slid into recession in the first quarter of 2012, although the Hungarian government's political argument with the lending troika – the European Central Bank (ECB), EU, and IMF – has died down. The Hungarian government's intervention in the change to the disputed central bank law, plus the introduction of steps to consolidate the budget, has paved the way for talks about financial assistance. The EU has already re-released money from the cohesion fund, and negotiations with the IMF began again in July 2012. Hungary hopes to receive financial support of €20 billion with which to ensure its solvency. If the aid is granted soon, it should not have any payment problems. Overall though, negotiations are expected to be difficult.

As far as a further escalation of the sovereign debt crisis is concerned, it cannot be ruled out that **Slovenia** will also need funds from the ESM rescue package. Although Slovenia's fiscal data is still good, the two largest Slovenian banks – which are both majority-owned by the state – have equity shortfalls. To coun-

FIG. 14 – LOANS AND ADVANCES TO BORROWERS IN THE COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

	Traditional lending business[1]		Securities business		Derivatives and money market business		Total	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Portugal	128	131	775	984	4	7	907	1,121
of which: public sector	–	–	509	464	–	–	509	464
of which: non-public sector	128	131	265	520	4	7	397	657
of which: financial sector	1	–	160	384	4	7	164	391
Italy	354	443	3,386	3,675	100	192	3,840	4,310
of which: public sector	–	–	1,926	1,760	–	–	1,926	1,760
of which: non-public sector	354	443	1,460	1,915	100	192	1,914	2,550
of which: financial sector	58	78	907	1,320	89	181	1,053	1,579
Ireland	927	867	407	635	196	417	1,531	1,918
of which: public sector	–	–	51	50	–	–	51	50
of which: non-public sector	927	867	356	585	196	417	1,480	1,868
of which: financial sector	–	–	208	391	195	416	403	807
Greece	525	939	113	465	–	–	638	1,405
of which: public sector	–	–	61	265	–	–	61	265
of which: non-public sector	525	939	52	200	–	–	578	1,140
of which: financial sector	1	7	4	64	–	–	5	71
Spain	471	448	5,485	7,128	46	50	6,002	7,627
of which: public sector	64	65	2,572	3,086	–	–	2,636	3,151
of which: non-public sector	407	383	2,913	4,042	46	50	3,366	4,475
of which: financial sector	65	70	1,446	2,419	46	50	1,558	2,539
Total	**2,406**	**2,827**	**10,165**	**12,888**	**346**	**666**	**12,917**	**16,381**
of which: public sector	64	65	5,119	5,626	–	–	5,182	5,691
of which: non-public sector	2,342	2,762	5,046	7,262	346	666	7,735	10,690
of which: financial sector	125	156	2,726	4,577	333	654	3,183	5,387

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

teract this, the Slovenian government has already taken steps to consolidate the budget and has announced a restructuring of the banking sector.

EXPOSURE OF THE DZ BANK GROUP

The DZ BANK Group's exposure to the countries hit by the sovereign debt crisis in the euro zone – Portugal, Italy, Ireland, Greece, and Spain – continued to contract in the period under review. The proportion of lending attributable to this subportfolio further decreased from 5 percent of total exposure as at December 31, 2011 to 4 percent as at June 30, 2012. Loans and advances amounted to a total of €12,917 million as at June 30, 2012 (December 31, 2011: €16,381 million), which constituted a decrease of 21 percent (first half of 2011: decrease of 16 percent).

The lending volumes extended to counterparties in Hungary and Slovenia both stood at less than 1 percent of the DZ BANK Group's total lending volume as at June 30, 2012, the same low level as at December 31, 2011.

Figure 14 shows the borrower structure (by credit-risk-bearing instrument) for DZ BANK Group loans and advances affected by the sovereign debt crisis.

TARGETED MANAGEMENT ACTION

Since the start of the financial crisis, the DZ BANK Group has stepped up the monitoring of its credit portfolio, with attention focused on exposure to the financial sector and to selected countries and regions of the world. Individual exposures are subject to intensified loan management using standard processes within the workout management system. The risks in subportfolios are monitored and analyzed with regular reports.

The entities in the DZ BANK Group have recognized adequate levels of allowances for losses on loans and advances in respect of the exposures in countries hit hard by the European sovereign debt crisis.

3.4.2. Impact of the financial crisis on the securitization portfolio

OBJECTIVES AND SCOPE OF SECURITIZATION

The DZ BANK Group uses securitization as a credit portfolio management tool and to optimize its risk/return profile. DZ BANK's objective in its role as an originator of long-term funded securitizations is to transfer risk, thereby releasing economic and regulatory capital. DZ BANK also sponsors special-purpose entities (conduits), which fund themselves by issuing money market-linked asset-backed commercial paper. These conduits are predominantly made available to DZ BANK customers who then use these companies to securitize their own assets.

Details of the securitizations are shown on page 101 of the opportunity and risk report in the 2011 group management report. As at June 30, 2012, the volume of these transactions in which DG HYP or VR-LEASING AG was originator had declined from €0.7 billion to €0.5 billion.

CHANGES IN THE OVERALL SECURITIZATION PORTFOLIO

During the first 6 months of 2012, the securitization portfolio developed largely as expected – in terms of repayments, rating migrations, and performance of the portfolio. The numerous rating migrations were dominated by the downgrading – sometimes drastic – of country ratings on the back of the sovereign debt crisis in the euro zone. Nevertheless, a falloff in performance of the exposures held was not observed.

The fair value of the DZ BANK Group's securitization exposure as at June 30, 2012 amounted to €12.0 billion after having been as high as €12.6 billion as at December 31, 2011. This equates to a decrease of 5 percent (first half of 2011: decrease of 13 percent). The reduction in the securitization exposure was largely the result of redemptions reducing the size of the portfolio.

As at June 30, 2012, 51 percent (December 31, 2011: 53 percent) of loans and advances in the reference portfolios were from European countries, in particular from Germany, the United Kingdom, Spain, and the Netherlands. 42 percent (December 31, 2011: 39 percent) of borrowers in the reference portfolios were domiciled in the United States. As at June 30, 2012, credit insurance was in place for the underlying transactions in the bulk of RMBSs based in Australia, as had also been the case at the end of 2011.

The credit rating awarded to each securitization is based on the lowest available rating issued by the rating agencies Standard & Poor's, Moody's, and Fitch. As at June 30, 2012, 30 percent (December 31, 2011: 40 percent) of the **securitization exposure on the balance sheet** consisted of AAA tranches rated by external credit agencies. A further 23 percent of the exposure (December 31, 2011: 19 percent) was in the external rating classes AA+ to AA-.

The proportion accounted for by the A+ to A- and BBB+ to B- rating classes increased by 1 percent and 2 percent to 19 percent and 17 percent respectively (December 31, 2011: 17 percent and 16 percent respectively). The sharp fall in the AAA rating class was attributable both to the shorter redemption periods for these securities and, in particular, to the rating downgrades of Spain and Italy.

Within the total exposure at the end of June 2012, €3.3 billion (December 31, 2011: €3.5 billion) was related to **exposures to conduits**. Of this amount, 68 percent (December 31, 2011: 66 percent) was accounted for by undrawn liquidity lines to conduits. As at June 30, 2012, 81 percent (December 31, 2011: 82 percent) of securitization exposure to conduits was in external rating class A or higher.

Securitization exposure classified as AAA accounted for 8 percent of the total exposure to conduits as at June 30, 2012 (unchanged since December 31, 2011). As at December 31, 2011, a further 15 percent was rated AA. Rating classes BBB+ to B- made up 18 percent (December 31, 2011: 16 percent) of the total exposure to conduits as at June 30, 2012.

CHANGES IN THE SECURITIZATION SUBPORTFOLIOS

Securitization exposures in the **CDO** product category remained unchanged at €1.1 billion as at June 30, 2012. Loans and advances in the **subprime portfolio** totaled €1.0 billion as at June 30, 2012, a slight increase compared with December 31, 2011 (€0.8 billion). Investments in this segment of the market were

FIG. 15 – CHANGES IN THE COMPOSITION AND VALUE OF THE SECURITIZATION PORTFOLIO

€ million	Fair value as at Jan. 1, 2012 before changes in composition and value	Changes in composition due to purchases, sales, redemptions, and exchange-rate fluctuations	Changes in value	Fair value as at Jun. 30, 2012 after changes in composition and value
Receivables from retail credits	6,093	-423	193	**5,863**
of which: RMBSs[1]	5,674	-389	197	**5,483**
of which: assets classified as subprime	826	70	121	**1,017**
of which: assets classified as Alt-A	240	-1	33	**272**
Receivables from corporate credits[2]	379	-56	7	**330**
Receivables from CMBSs[1]	1,629	-215	75	**1,489**
Receivables from CDOs[1]	1,069	-35	49	**1,083**
Total exposures reported on the balance sheet	9,170	-729	325	**8,765**
Exposures to conduits[3]	3,471	-199	–	**3,272**
Total	**12,641**	**-928**	**325**	**12,037**

1 RMBSs = residential mortgage-backed securities, CMBSs = commercial mortgage-backed securities, CDOs = collateralized debt obligations
2 Including receivables from purchased leased assets amounting to €48 million (December 31, 2011: €56 million)
3 Including reported receivables from conduits, especially ABCP conduits, and liquidity facilities provided for ABCP conduits

discontinued with the onset of the financial crisis in 2007. As at June 30, 2012, the portfolio volume insured by **monoliners** was negligible, as was also the case at the end of 2011.

CHANGES IN THE COMPOSITION AND VALUE OF THE OVERALL SECURITIZATION PORTFOLIO

Figure 15 shows the changes in the securitization portfolio in the first half of 2012, broken down by changes in portfolio composition and changes in value.

There were positive changes in the fair value of the securitization portfolio amounting to €325 million in the first 6 months of 2012 (first half of 2011: negative changes in fair value of €863 million). Reversals of impairment losses in the securitization portfolio during the first half of 2012 resulted from narrowing credit spreads and the decline in the difference between the bond price and the par value over time. This more than compensated for the rating effects.

The companies in the DZ BANK Group have recognized adequate allowances for the securitization portfolio.

3.5. 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, 2012, the risk capital requirement in the DZ BANK Group amounted to €3,425 million (December 31, 2011: €3,526 million). The DZ BANK Group also set an upper loss limit of €4,316 million (December 31, 2011: €4,309 million).

Figure 16 shows the gross lending volume and the associated risk capital requirement.

FIG. 16 – CAPITAL REQUIREMENT FOR CREDIT RISK BY RISK-BEARING INSTRUMENT

	Risk capital requirement (€ million)		Lending volume (€ billion)	
	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Traditional lending business	2,270	2,354	205.9	206.3
Securities business	939	1,032	85.6	90.7
Derivatives and money market business	216	140	20.9	17.5
Total	3,425	3,526	312.4	314.5

4. MARKET RISK

Throughout the first 6 months of 2012, the **economic capital requirement** for market risk remained within the upper loss limits in both the group's banking business and the group's building society and insurance businesses.

Figure 17 shows the figures as at June 30, 2012 compared with December 31, 2011.

The slight increase in the risk capital requirement for banking business was largely attributable to the inclusion of Union Asset Management Holding's asset management risk in the calculation of market risk for the first time. The rise in risk in the building society and insurance businesses was a consequence of the fall in interest rates.

Figure 18 shows the changes in **value-at-risk** for the different types of market risk in respect of the trading and non-trading portfolios in the banking business since the beginning of the year under review.

Figure 19 shows the changes in value-at-risk and the results of daily backtesting of DZ BANK's trading portfolios.

FIG. 17 – UPPER LOSS LIMITS AND CAPITAL REQUIREMENT FOR MARKET RISK BY TYPE OF BUSINESS

	Upper loss limit		Risk capital requirement	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Banking	2,098	2,044	1,776	1,728
Building society operations and insurance business	1,937	1,594	1,098	985
Total	4,035	3,638	2,873	2,713

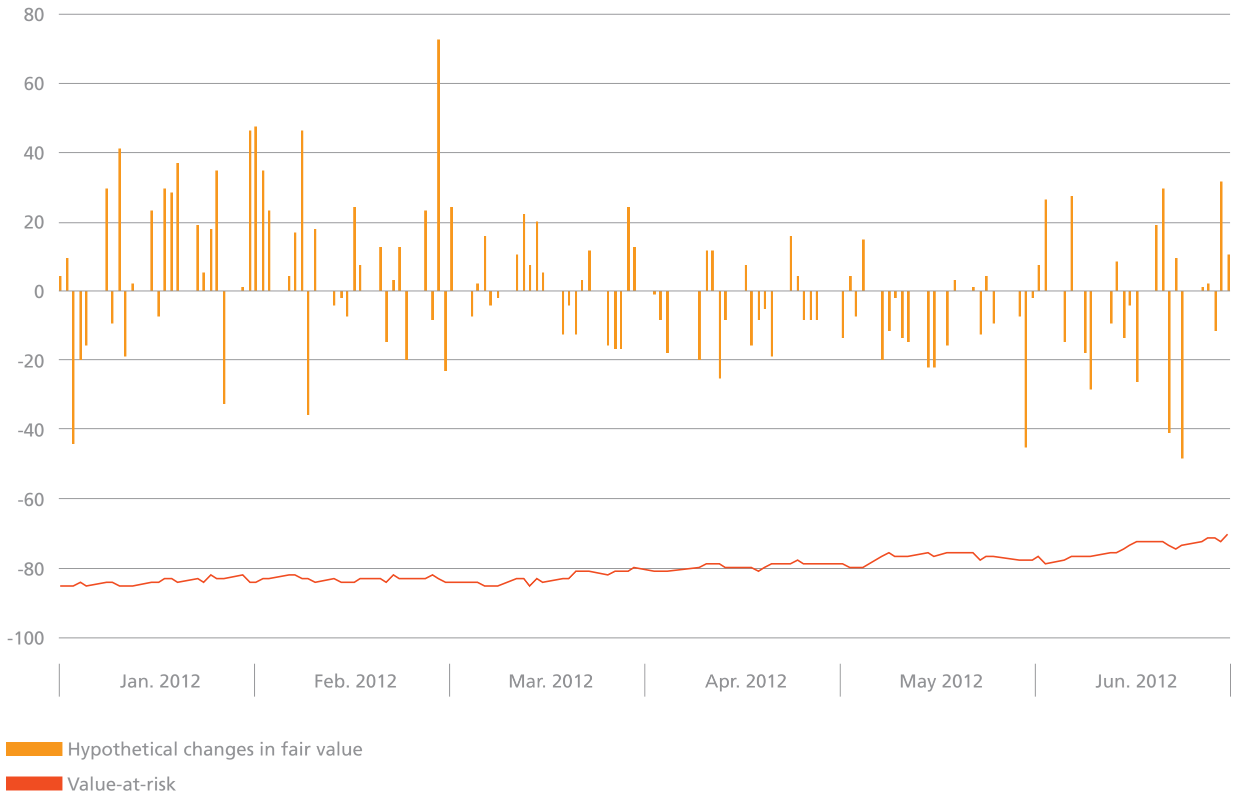
FIG. 18 – VALUE-AT-RISK IN THE BANKING BUSINESS[1]

€ million	Interest-rate risk	Spread risk	Equity price risk	Currency risk	Commodity risk	Diversifica-tion effect[2]	Total
Trading portfolios							
Jun. 30, 2012	**6**	**71**	**3**	**8**	**–**	**-18**	**71**
Average	6	77	3	9	–	-15	81
Maximum	8	80	4	11	1	-22	86
Minimum	5	70	3	7	–	-11	71
Dec. 31, 2011	7	77	3	10	–	-12	85
Non-trading portfolios							
Jun. 30, 2012	**7**	**9**	**6**	**5**	**–**	**-9**	**18**
Average	6	9	6	3	–	-6	18
Maximum	7	10	6	5	–	-9	20
Minimum	5	7	6	1	–	-4	16
Dec. 31, 2011	5	6	6	2	–	-5	16

1 Value-at-risk with 99.00 percent confidence level, 1-day holding period, 1-year observation period, based on company-specific modeling. The banking business is an aggregation of the following management units: DZ BANK, DG HYP, DVB, DZ BANK Ireland, DZ BANK Polska, DZ PRIVATBANK, TeamBank, and Union Asset Management Holding (only fund price risk, which is shown under equity price risk).
2 Total effects of diversification between the types of market risk for all consolidated group companies

FIG. 19 – VALUE-AT-RISK FOR MARKET RISK AND HYPOTHETICAL CHANGES IN FAIR VALUE IN DZ BANK'S TRADING PORTFOLIOS

€ million, 99.00% confidence level, 1-day holding period



With an overall downward trend, there was no major volatility in value-at-risk during the first half of 2012. The fall in risk as at the end of June 2012 was largely a result of the decline in risk exposure in the sovereign bonds of European public authorities (mainly Spanish and Italian regional governments).

In the first half of 2012, there were no changes in the fair value of DZ BANK's trading portfolio that would have led to the forecast risk values being exceeded. Backtesting in the first half of 2011 had revealed that the values would have been exceeded on one trading day.

Market liquidity risk arises principally at DZ BANK, BSH, and DG HYP. Given the sustained economic crisis, the decline in the market liquidity that had already been evident in 2011 persisted in the first half of this year and even affected classes of securities that had previously been considered highly liquid.

5. LIQUIDITY RISK

Figure 20 shows the results from the measurement of liquidity risk in the risk scenario and in the stress scenarios subject to limits (limit scenarios) as at June 30, 2012 and December 31, 2011. The values reported are the values that occur on the day on which the liquidity surplus calculated over the forecast period of one year is at a minimum level.

The trend in forward cash exposure, counterbalancing capacity, and liquidity surplus in the risk scenario as calculated at June 30, 2012 is shown in figure 21.

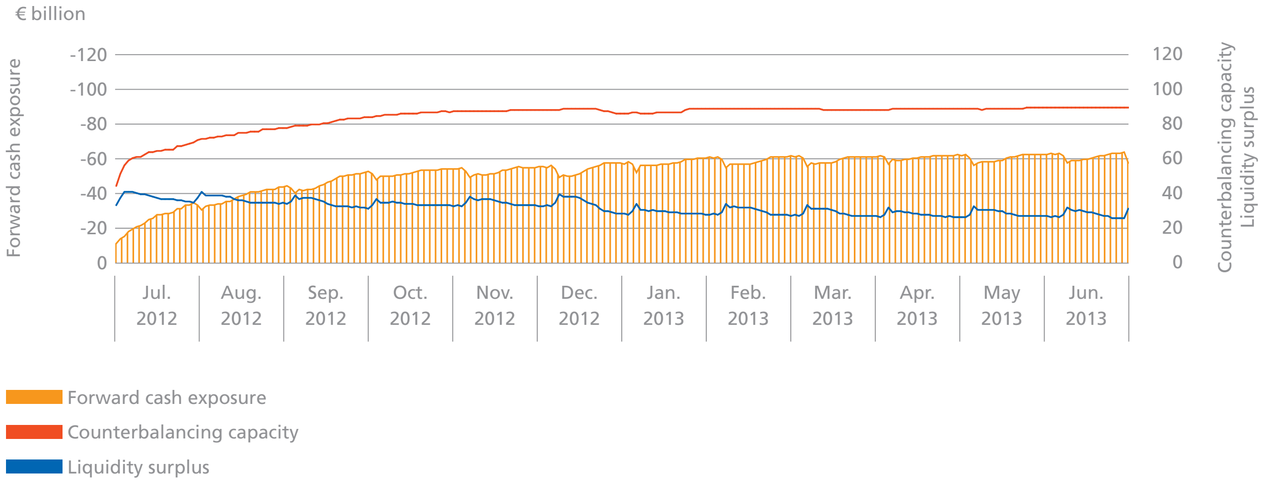
The overviews take into account the effect on liquidity of the measures that can be implemented to generate liquidity in the individual scenarios. These measures include the collateralized funding of securities via central banks or in the repo market.

The **minimum liquidity surplus** of the DZ BANK Group in the risk scenario measured as at June 30, 2012 amounted to €25.8 billion (December 31, 2011: €24.9 billion). The DZ BANK Group's liquidity did not fall below the observation threshold or limit for the minimum liquidity surplus in any of the limit scenarios during the reporting period.

FIG. 20 – LIQUIDITY UP TO 1 YEAR IN RISK SCENARIO AND IN THE STRESS SCENARIOS SUBJECT TO LIMITS (LIMIT SCENARIOS): FIGURES FOR THE DAY WITH THE LOWEST LIQUIDITY SURPLUS

	Forward cash exposure		Counterbalancing capacity		Liquidity surplus	
€ billion	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Risk scenario (base scenario)	-63.5	-49.6	89.3	74.5	25.8	24.9
Stress scenarios						
Downgrading	-63.5	-52.7	79.7	67.5	16.2	14.8
Corporate crisis	-56.7	-60.2	67.3	66.9	10.6	6.7
Market crisis	-61.7	-44.8	81.7	60.7	20.0	15.8
Combination crisis	-64.1	-66.2	75.7	77.3	11.6	11.1

FIG. 21 – LIQUIDITY FORECAST IN RISK SCENARIO



6. ACTUARIAL RISK

6.1. SITUATION IN THE LIFE INSURANCE BUSINESS

Owing to current interest-rate levels, the long-term funding of guarantee commitments made to customers is a challenge, especially for **life insurers**. R+V proactively fulfills these requirements by building up adequate reserves and offering attractive products.

6.2. CLAIMS RATE TREND

During the first half of 2012, the non-life insurance business of the companies in the R+V group achieved sustained high growth at a rate above that of the market. Losses were affected by, on the one hand, a higher level of major losses in the fire sector and, on the other, a decline in high-volume minor claims, especially vehicle insurance claims. There were no high individual claims. The effect of steps to improve earnings, such as restructuring, claims settlement management, and adjustment of premiums, led to an improvement in the operating claims rate. There was no particular risk resulting from natural disasters in the first half of 2012, and adequate reinsurance cover for the exposure was in place.

As before, the level of reserves in non-life insurance as at June 30, 2012 was ample.

Major claims in **inward reinsurance** returned to an average level in the first 6 months of 2012 and were within expectations. As anticipated, the situation began to normalize again in 2012, although the events of 2011 will continue to have a small impact this year.

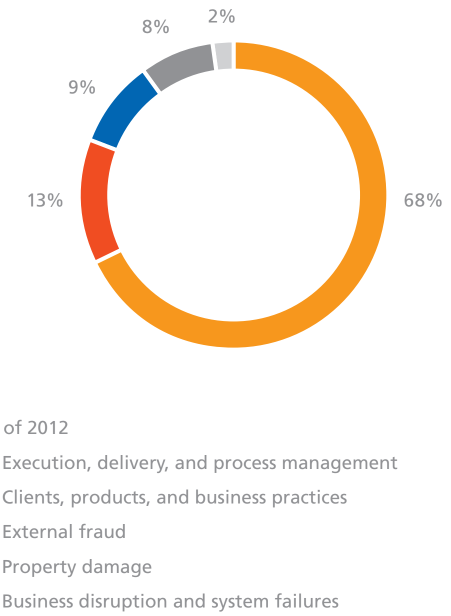
6.3. CREDIT INSURANCE

The value of limits issued in the credit insurance business was €25.5 billion as at June 30, 2012, a slight increase on the figure of €24.9 billion as at December 31, 2011. This was attributable to the stable level of business activity in the construction industry, the consequent stronger demand for guarantees, and the general economic recovery.

Take-up amounted to €20.7 billion as at June 30, 2012, which was largely unchanged compared with December 31, 2011 (€20.5 billion). By contrast, the volume of supply contracts insured declined slightly during the reporting period owing to economic and seasonal factors.

The business lines in R+V's Banking & Credit division were not affected by the turmoil in the financial markets. R+V has no business lines in which it has covered guarantees for coupon payments or repayment of principal on bonds, default risks on debt instruments, or credit risks of commercial or mortgage banks.

FIG. 22 – NET LOSSES BY EVENT CATEGORY[1]



1 In accordance with SolvV, losses caused by operational risks that are associated with risks such as credit risk are also shown. The event categories 'internal fraud' and 'employment practice and workplace safety' accounted for less than 0.5 percent of total net losses as at June 30, 2012 and are therefore not shown in the chart.

7. OPERATIONAL RISK

The collection of loss data enables the DZ BANK Group's entities to identify, analyze, and evaluate loss events, thereby highlighting trends and concentrations of operational risk. The data history collected also provides the basis for the risk-sensitive allocation of capital. Losses are recorded if they are above a threshold value of €1,000.

Figure 22 shows the losses reported in the first half of 2012 classified by **loss event category.** Over the course of time, there are regular fluctuations in the pattern of losses as the probability of relatively large losses occurring in individual cases is very low.

Losses did not reach a critical level relative to the upper loss limit at any point during the first 6 months of the year. The 'execution, delivery, and process management' category was affected by a settlement resulting from legal disputes and by provisions for process risk.

8. SUMMARY

The DZ BANK Group has a range of sophisticated risk management tools at its disposal that have also allowed it to respond appropriately to market turmoil. Changes in risk factors, such as a deterioration in the credit rating of counterparties or the widening of spreads on securities, are reflected in adjusted risk parameters in the mark-to-model measurement of credit risk and market risk. Conservative crisis scenarios for short-term liquidity ensure that liquidity risk management also takes adequate account of market crises. A risk limit system based on risk-bearing capacity, stress testing encompassing all risk types, and a flexible internal reporting system ensure that the management is always in a position to initiate targeted corrective action if required.

The DZ BANK Group remained within its economic risk-bearing capacity in the first half of 2012 and also complied with regulatory requirements at all times. Despite the persistent disruption in the markets, the solvency of the DZ BANK Group was never in jeopardy at any point in the period under review. The DZ BANK Group was able to cope adequately with the effects of the financial crisis and sovereign debt crisis on its liquidity position by using the existing organizational arrangements available in its liquidity risk management system. It plans to revise its methods for managing risk capital in the second half of 2012.

The opportunities presented by the forecast development of the DZ BANK Group are reasonable in relation to the risks that will be incurred. There are no indications that the DZ BANK Group's continued existence as a going concern might be at risk in the second half of this year.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement
for the period January 1 to June 30, 2012

€ million	(Note)	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Net interest income	(5)	1,657	1,491
Allowances for losses on loans and advances	(6)	-208	-135
Net fee and commission income	(7)	445	493
Gains and losses on trading activities	(8)	496	362
Gains and losses on investments	(9)	-185	-231
Other gains and losses on valuation of financial instruments	(10)	-540	-135
Premiums earned	(11)	5,694	5,439
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(12)	1,418	1,076
Insurance benefit payments	(13)	-5,887	-5,433
Insurance business operating expenses	(14)	-1,032	-982
Administrative expenses	(15)	-1,376	-1,315
Other net operating income	(16)	33	8
Profit before taxes		515	638
Income taxes	(17)	-111	-189
Net profit		**404**	**449**
Attributable to:			
Shareholders of DZ BANK		302	344
Non-controlling interests		102	105

Statement of comprehensive income for the period January 1 to June 30, 2012

€ million	(Note)	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Net profit		404	449
Gains and losses on available-for-sale financial assets	(18)	648	183
Gains and losses on cash flow hedges	(18)	4	14
Exchange differences on currency translation of foreign operations		6	14
Gains and losses on hedges of net investments in foreign operations		-4	–
Actuarial gains and losses on defined benefit plans		-257	–
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	(18)	76	3
Other comprehensive income before taxes		473	214
Income taxes relating to components of other comprehensive income	(19)	-59	-56
Other comprehensive income		414	158
Total comprehensive income		**818**	**607**
Attributable to:			
Shareholders of DZ BANK		608	481
Non-controlling interests		210	126

Balance sheet as at June 30, 2012

ASSETS

€ million	(Note)	Jun. 30, 2012	Dec. 31, 2011
Cash and cash equivalents	(20)	828	2,556
Loans and advances to banks	(21)	81,180	80,035
Loans and advances to customers	(22)	123,689	120,760
Allowances for losses on loans and advances	(23)	-2,333	-2,278
Derivatives used for hedging (positive fair values)	(24)	1,161	901
Financial assets held for trading	(25)	68,661	71,858
Investments	(26)	60,146	61,690
Investments held by insurance companies	(27)	62,428	59,348
Property, plant and equipment, and investment property	(28)	1,973	2,219
Income tax assets		2,676	2,916
Other assets	(29)	5,821	5,453
Non-current assets and disposal groups classified as held for sale	(30)	139	113
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		461	355
Total assets		**406,830**	**405,926**

EQUITY AND LIABILITIES

€ million	(Note)	Jun. 30, 2012	Dec. 31, 2011
Deposits from banks	(31)	104,922	106,919
Deposits from customers	(32)	92,120	92,871
Debt certificates issued including bonds	(33)	60,242	55,114
Derivatives used for hedging (negative fair values)	(34)	3,199	2,598
Financial liabilities held for trading	(35)	62,097	67,371
Provisions	(36)	2,061	1,823
Insurance liabilities	(37)	60,643	57,437
Income tax liabilities		805	1,001
Other liabilities	(38)	5,240	5,848
Subordinated capital	(39)	3,904	3,935
Liabilities included in disposal groups classified as held for sale	(30)	7	9
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		295	225
Equity		11,295	10,775
Subscribed capital		3,160	3,160
Capital reserve		1,111	1,111
Retained earnings		3,020	3,188
Revaluation reserve		-649	-1,101
Cash flow hedge reserve		-19	-25
Currency translation reserve		16	-3
Non-controlling interests		4,354	4,384
Unappropriated earnings		302	61
Total equity and liabilities		**406,830**	**405,926**

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, 2011	3,160	1,111	2,833	-680	-17	8	6,415	4,312	10,727
Net profit	–	–	344	–	–	–	344	105	449
Other comprehensive income	–	–	–	111	9	17	137	21	158
Total comprehensive income	**–**	**–**	**344**	**111**	**9**	**17**	**481**	**126**	**607**
Capital increase	–	–	–	–	–	–	–	11	11
Changes in scope of consolidation	–	–	181	19	–	-10	190	189	379
Acquisition/disposal of non-controlling interests	–	–	2	–	–	–	2	-1	1
Dividends paid	–	–	-146	–	–	–	-146	-182	-328
Equity as at Jun. 30, 2011	**3,160**	**1,111**	**3,214**	**-550**	**-8**	**15**	**6,942**	**4,455**	**11,397**
Equity as at Jan. 1, 2012	3,160	1,111	3,249	-1,101	-25	-3	6,391	4,384	10,775
Net profit	–	–	302	–	–	–	302	102	404
Other comprehensive income/loss	–	–	-171	452	6	19	306	108	414
Total comprehensive income	**–**	**–**	**131**	**452**	**6**	**19**	**608**	**210**	**818**
Capital repaid	–	–	–	–	–	–	–	-6	-6
Acquisition/disposal of non-controlling interests	–	–	3	–	–	–	3	5	8
Dividends paid	–	–	-61	–	–	–	-61	-239	-300
Equity as at Jun. 30, 2012	**3,160**	**1,111**	**3,322**	**-649**	**-19**	**16**	**6,941**	**4,354**	**11,295**

In the first half of 2012 a dividend of €0.05 per share was paid for the 2011 financial year (first half of 2011: €0.12).

Statement of cash flows

€ million	2012	2011
Cash and cash equivalents as at January 1	2,556	579
Cash flows from operating activities	105	5,785
Cash flows from investing activities	-1,357	-5,498
Cash flows from financing activities	-476	74
Cash and cash equivalents as at June 30	**828**	**940**

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. 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 2012 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 2011 financial year. The amendments to IFRS 7 – *Financial Instruments: Disclosures – Transfers of Financial Assets* have resulted in enhanced disclosure requirements that will need to be applied for the first time in the consolidated financial statements for the year ended December 31, 2012.

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 interim 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 in business combinations. Furthermore, assumptions and estimates affect the measurement of insurance liabilities, provisions for employee benefits, and other provisions as well as the recognition and measurement of income tax assets and income tax liabilities.

» 03
SCOPE OF CONSOLIDATION

During the first half of 2012, TES Holding Ltd., Bridgend, United Kingdom, (TES Holding) was deconsolidated. The DZ BANK Group lost control over the company following its disposal of 60 percent of the shares. As an associate TES Holding is now accounted for using the equity method.

During the reporting period, the DZ BANK Group lost its significant influence over Österreichische Volksbanken-Aktiengesellschaft, Vienna, (ÖVAG). As a result this company no longer meets the criteria for an associate. ÖVAG is therefore no longer included in the entities accounted for using the equity method.

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, 2012

€ million	Bank	Retail	Real Estate Finance	Insurance	Consolida-tion/recon-ciliation	**Total**
Net interest income	924	361	626	–	-254	1,657
Allowances for losses on loans and advances	-120	-51	-37	–	–	-208
Net fee and commission income	229	375	-107	–	-52	445
Gains and losses on trading activities	495	4	-8	–	5	496
Gains and losses on investments	-74	-28	-7	–	-76	-185
Other gains and losses on valuation of financial instruments	10	-7	-528	–	-15	-540
Premiums earned	–	–	–	5,694	–	5,694
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	1,458	-40	1,418
Insurance benefit payments	–	–	–	-5,887	–	-5,887
Insurance business operating expenses	–	–	–	-1,093	61	-1,032
Administrative expenses	-652	-456	-271	–	3	-1,376
Other net operating income	30	-2	20	-5	-10	33
Profit/loss before taxes	**842**	**196**	**-312**	**167**	**-378**	**515**
Cost/income ratio (%)	40.4	64.9	> 100.0	–	–	65.6

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2011

€ million	Bank	Retail	Real Estate Finance	Insurance	Consolida-tion/recon-ciliation	**Total**
Net interest income	695	313	600	–	-117	1,491
Allowances for losses on loans and advances	-50	-8	-77	–	–	-135
Net fee and commission income	229	430	-112	–	-54	493
Gains and losses on trading activities	329	10	22	–	1	362
Gains and losses on investments	-73	-146	2	–	-14	-231
Other gains and losses on valuation of financial instruments	18	8	-142	–	-19	-135
Premiums earned	–	–	–	5,439	–	5,439
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	1,132	-56	1,076
Insurance benefit payments	–	–	–	-5,433	–	-5,433
Insurance business operating expenses	–	–	–	-1,047	65	-982
Administrative expenses	-627	-426	-263	–	1	-1,315
Other net operating income	-15	19	17	-4	-9	8
Profit before taxes	**506**	**200**	**47**	**87**	**-202**	**638**
Cost/income ratio (%)	53.0	67.2	68.0	–	–	63.0

» 05 NET INTEREST INCOME

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**4,430**	**4,487**
Interest income from	**4,305**	**4,340**
Lending and money market business	3,845	3,831
Fixed-income securities	664	646
Portfolio hedges of interest-rate risk	-204	-137
Current income from	**66**	**83**
Shares and other variable-yield securities	33	29
Investments in subsidiaries	9	4
Operating leases	24	50
Income from using the equity method for	**40**	**48**
Interests in joint ventures	36	41
Investments in associates	4	7
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	**19**	**16**
INTEREST EXPENSE ON	**-2,773**	**-2,996**
Deposits from banks and customers	-2,057	-2,140
Debt certificates issued including bonds	-635	-759
Subordinated capital	-104	-121
Portfolio hedges of interest-rate risk	30	37
Provisions and other liabilities	-7	-13
Total	**1,657**	**1,491**

» 06 ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Allowances for losses on loans and advances to banks	**15**	**-7**
Additions	–	-13
Reversals	15	6
Allowances for losses on loans and advances to customers	**-236**	**-137**
Additions	-473	-551
Reversals	247	440
Directly recognized impairment losses	-36	-48
Recoveries on previously impaired loans and advances	26	22
Changes in provisions for loan commitments, in other provisions for loans and advances, and in liabilities from financial guarantee contracts	**13**	**9**
Total	**-208**	**-135**

» 07 NET FEE AND COMMISSION INCOME

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Fee and commission income	**1,263**	**1,329**
Securities business	773	838
Asset management	14	16
Payments processing including card processing	76	71
Lending business and trust activities	127	112
Financial guarantee contracts and loan commitments	21	17
International business	7	7
Building society operations	167	177
Other	78	91
Fee and commission expenses	**-818**	**-836**
Securities business	-281	-294
Asset management	-9	-12
Payments processing including card processing	-40	-38
Lending business	-114	-100
Financial guarantee contracts and loan commitments	-2	-1
Building society operations	-301	-313
Other	-71	-78
Total	**445**	**493**

» 08 GAINS AND LOSSES ON TRADING ACTIVITIES

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Gains and losses on non-derivative financial instruments and embedded derivatives	762	627
Gains and losses on derivatives	-258	-254
Gains and losses on exchange differences	-8	-11
Total	**496**	**362**

» 09
GAINS AND LOSSES ON INVESTMENTS

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Gains and losses on bonds and other fixed-income securities	**-107**	-220
Disposals	-76	-11
Impairment losses	-41	-273
Reversals of impairment losses	10	64
Gains and losses on shares and other variable-yield securities	**-7**	-11
Disposals	–	1
Impairment losses	-7	-12
Gains and losses on investments in associates	**-71**	–
Transitional accounting	-71	–
Total	**-185**	-231

As DZ BANK ceased to have significant influence over ÖVAG during the reporting period, the investment in this company is no longer accounted for using the equity method; instead, it is recognized in accordance with the requirements of IAS 39. The share of cumulative other comprehensive loss for the ÖVAG Group amounting to €71 million was reclassified to gains and losses on investments as part of transitional accounting arrangements.

» 10 OTHER GAINS AND LOSSES ON VALUATION OF FINANCIAL INSTRUMENTS

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
GAINS AND LOSSES ARISING ON HEDGING TRANSACTIONS	**4**	**2**
Gains and losses on fair value hedges	**–**	**3**
Gains and losses on hedging instruments	82	-101
Gains and losses on hedged items	-82	104
Gains and losses on portfolio fair value hedges	**5**	**-2**
Gains and losses on hedging instruments	-481	73
Gains and losses on hedged items	486	-75
Gains and losses on cash flow hedges	**-1**	**1**
GAINS AND LOSSES ON DERIVATIVES USED FOR PURPOSES OTHER THAN TRADING	**-16**	**3**
GAINS AND LOSSES ON FINANCIAL INSTRUMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-528**	**-140**
Gains and losses on non-derivative financial instruments and embedded derivatives	-607	-149
Gains and losses on derivatives	79	9
Total	**-540**	**-135**

» 11 PREMIUMS EARNED

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Net premiums written	**6,268**	**5,969**
Gross premiums written	6,289	5,998
Reinsurance premiums ceded	-21	-29
Change in provision for unearned premiums	**-574**	**-530**
Gross premiums	-571	-525
Reinsurers' share	-3	-5
Total	**5,694**	**5,439**

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

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Income from investments held by insurance companies	**2,151**	**1,791**
Interest income and current income	1,288	1,266
Income from reversals of impairment losses and unrealized gains	94	37
Gains on valuation through profit or loss of investments held by insurance companies	308	71
Gains on disposals	461	417
Expenses in connection with investments held by insurance companies	**-742**	**-790**
Administrative expenses	-53	-56
Depreciation/amortization expense, impairment losses and unrealized losses	-146	-362
Losses on valuation through profit or loss of investments held by insurance companies	-65	-109
Losses on disposals	-478	-263
Other gains and losses of insurance companies	**9**	**75**
Other insurance gains and losses	52	68
Other non-insurance gains and losses	-43	7
Total	**1,418**	**1,076**

» 13 INSURANCE BENEFIT PAYMENTS

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Expenses for claims	**-3,860**	**-4,016**
Gross expenses for claims	-3,882	-4,041
Reinsurers' share	22	25
Changes in benefit reserve, provision for premium refunds, and in other insurance liabilities	**-2,027**	**-1,417**
Changes in gross liabilities	-2,000	-1,384
Reinsurers' share	-27	-33
Total	**-5,887**	**-5,433**

» 14 INSURANCE BUSINESS OPERATING EXPENSES

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Gross expenses	-1,042	-998
Reinsurers' share	10	16
Total	**-1,032**	**-982**

» 15 ADMINISTRATIVE EXPENSES

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Staff expenses	-727	-699
Other administrative expenses	-593	-560
Depreciation and amortization	-56	-56
Total	**-1,376**	**-1,315**

» 16 OTHER NET OPERATING INCOME

€ million	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Other income from leasing business	12	8
Gains and losses on non-current assets and disposal groups classified as held for sale	-4	-11
Residual other net operating income	25	11
Total	**33**	**8**

In the reporting period, residual other net operating income included a gain on deconsolidation amounting to €37 million. This arose from the disposal of shares in TES Holding, as a result of which DZ BANK lost control over this company.

» 17 INCOME TAXES

IAS 34 states that the methods used to calculate income taxes in interim financial statements should be the same as those applied in the annual financial statements. Income taxes is therefore computed based on the best estimate of the annual income tax rate expected 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, 2012	Jan. 1 – Jun. 30, 2011
Gains and losses on available-for-sale financial assets	**648**	183
Gains (+)/losses (-) arising during the reporting period	525	-65
Gains (-)/losses (+) reclassified to the income statement	123	248
Gains and losses on cash flow hedges	**4**	14
Gains (+)/losses (-) arising during the reporting period	-6	14
Gains (-)/losses (+) reclassified to the income statement	10	–
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	**76**	3
Gains (+)/losses (-) arising during the reporting period	5	3
Gains (-)/losses (+) reclassified to the income statement	71	–

» 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:

	Jan. 1 – Jun. 30, 2012			Jan. 1 – Jun. 30, 2011		
€ million	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Gains and losses on available-for-sale financial assets	648	-138	510	183	-52	131
Gains and losses on cash flow hedges	4	-1	3	14	-4	10
Exchange differences on currency translation of foreign operations	6	–	6	14	–	14
Gains and losses on hedges of a net investment in a foreign operation	-4	1	-3	–	–	–
Actuarial gains and losses on defined benefit plans	-257	79	-178	–	–	–
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	76	–	76	3	–	3
Total	**473**	**-59**	**414**	214	-56	158

C Balance sheet disclosures

» 20 CASH AND CASH EQUIVALENTS

€ million	Jun. 30, 2012	Dec. 31, 2011
Cash on hand	157	164
Balances with central banks and other government institutions	569	2,313
Treasury bills and non-interest-bearing treasury notes	102	79
Total	**828**	**2,556**

» 21 LOANS AND ADVANCES TO BANKS

	Repayable on demand		Other loans and advances		Total	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Domestic banks	**6,105**	6,680	**62,454**	61,571	**68,559**	68,251
Affiliated banks	2,701	3,268	49,239	49,075	51,940	52,343
Other banks	3,404	3,412	13,215	12,496	16,619	15,908
Foreign banks	**7,732**	6,199	**4,889**	5,585	**12,621**	11,784
Total	**13,837**	**12,879**	**67,343**	**67,156**	**81,180**	**80,035**

» 22 LOANS AND ADVANCES TO CUSTOMERS

€ million	Jun. 30, 2012	Dec. 31, 2011
Loans and advances to domestic customers	88,063	87,016
Loans and advances to foreign customers	35,626	33,744
Total	**123,689**	**120,760**

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

€ million	Jun. 30, 2012	Dec. 31, 2011
Local authority loans	14,128	14,973
Mortgage loans	20,592	20,748
Loans secured by ship mortgages or other loans secured by mortgages on real estate	1,837	1,294
Building loans advanced by building society	24,629	23,975
Finance leases	5,759	5,590
Money market placements	2,198	490
Other loans and advances	54,546	53,690
Total	**123,689**	**120,760**

» 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, 2011	145	26	1,736	317	2,224
Additions	5	8	358	193	564
Utilizations	–	–	-118	–	-118
Reversals	-5	-1	-350	-90	-446
Interest income	-1	–	-15	–	-16
Other changes	5	–	-21	–	-16
Balance as at Jun. 30, 2011	**149**	**33**	**1,590**	**420**	**2,192**
Balance as at Jan. 1, 2012	163	37	1,576	502	2,278
Additions	–	–	364	109	473
Utilizations	-16	–	-145	–	-161
Reversals	-7	-8	-179	-68	-262
Interest income	–	–	-20	–	-20
Other changes	-9	–	34	–	25
Balance as at Jun. 30, 2012	**131**	**29**	**1,630**	**543**	**2,333**

Interest income arose 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, 2012	Dec. 31, 2011
Derivatives used as fair value hedges	1,158	900
Derivatives used as cash flow hedges	3	1
Total	1,161	901

» 25 FINANCIAL ASSETS HELD FOR TRADING

€ million	Jun. 30, 2012	Dec. 31, 2011
DERIVATIVES (POSITIVE FAIR VALUES)	**35,791**	**32,904**
Interest-linked contracts	31,953	28,005
Currency-linked contracts	615	923
Share-/index-linked contracts	905	881
Other contracts	958	1,008
Credit derivatives	1,360	2,087
BONDS AND OTHER FIXED-INCOME SECURITIES	**11,771**	**17,390**
Money market instruments	**170**	**115**
from public-sector issuers	40	30
from other issuers	130	85
Bonds	**11,601**	**17,275**
from public-sector issuers	2,302	3,149
from other issuers	9,299	14,126
SHARES AND OTHER VARIABLE YIELD SECURITIES	**443**	**446**
Shares	259	274
Investment fund units	72	69
Other variable-yield securities	112	103
LOANS AND ADVANCES	**20,656**	**21,118**
Money market placements	**18,616**	**18,926**
with banks	17,585	17,602
of which: with affiliated banks	4,459	2,899
with other banks	13,126	14,703
with customers	1,031	1,324
Promissory notes, registered bonds, and other loans and advances	**2,040**	**2,192**
from banks	1,442	1,318
of which: from affiliated banks	950	834
from other banks	492	484
from customers	598	874
Total	68,661	71,858

» 26 INVESTMENTS

€ million	Jun. 30, 2012	Dec. 31, 2011
BONDS AND OTHER FIXED-INCOME SECURITIES	**56,952**	**58,246**
Money market instruments	**10**	**110**
from other issuers	10	110
Bonds	**56,942**	**58,136**
from public-sector issuers	19,570	20,228
from other issuers	37,372	37,908
SHARES AND OTHER VARIABLE YIELD SECURITIES	**1,159**	**1,301**
Shares and other shareholdings	209	232
Investment fund units	683	793
Other variable-yield securities	267	276
INVESTMENTS IN SUBSIDIARIES	**1,117**	**1,265**
INTERESTS IN JOINT VENTURES	**657**	**660**
INVESTMENTS IN ASSOCIATES	**261**	**218**
Total	**60,146**	**61,690**

The carrying amount of interests in joint ventures accounted for using the equity method totaled €606 million (December 31, 2011: €609 million). €260 million of the investments in associates has been accounted for using the equity method (December 31, 2011: €217 million).

» 27 INVESTMENTS HELD BY INSURANCE COMPANIES

€ million	Jun. 30, 2012	Dec. 31, 2011
Investment property	1,409	1,402
Investments in subsidiaries	379	378
Interests in joint ventures	19	19
Investments in associates	32	34
Mortgage loans	6,100	5,722
Promissory notes and loans	10,233	10,544
Registered bonds	9,805	10,033
Other loans	1,639	1,718
Variable-yield securities	4,256	4,254
Fixed-income securities	23,101	19,949
Derivatives (positive fair values)	200	198
Deposits with ceding insurers	172	152
Assets related to unit-linked contracts	5,083	4,945
Total	**62,428**	**59,348**

The carrying amount of interests in joint ventures accounted for using the equity method totaled €19 million (December 31, 2011: €19 million).

» 28 PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

€ million	Jun. 30, 2012	Dec. 31, 2011
Land and buildings	448	462
Office furniture and equipment	106	107
Assets subject to operating leases	1,158	1,353
Investment property	115	117
Payments in advance	146	180
Total	**1,973**	**2,219**

» 29 OTHER ASSETS

€ million	Jun. 30, 2012	Dec. 31, 2011
Other assets held by insurance companies	3,594	3,433
Goodwill	271	280
Other intangible assets	355	365
of which: software	179	195
acquired customer relationships	144	145
Other receivables	135	136
Residual other assets	1,466	1,239
Total	**5,821**	**5,453**

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

€ million	Jun. 30, 2012	Dec. 31, 2011
Intangible assets	161	161
Reinsurance assets	328	369
Receivables	857	1,055
Credit balances with banks, checks, and cash on hand	282	218
Residual other assets	1,966	1,630
Total	**3,594**	**3,433**

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

The non-current assets and disposal groups classified as held for sale include shares in companies and individual items of real estate, together with assets and liabilities of a consolidated special fund.

» 31 DEPOSITS FROM BANKS

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Domestic banks	**18,975**	20,553	**69,307**	72,132	**88,282**	92,685
Affiliated banks	12,207	14,423	32,263	35,901	44,470	50,324
Other banks	6,768	6,130	37,044	36,231	43,812	42,361
Foreign banks	**2,382**	2,139	**14,258**	12,095	**16,640**	14,234
Total	**21,357**	22,692	**83,565**	84,227	**104,922**	106,919

» 32 DEPOSITS FROM CUSTOMERS

€ million	Jun. 30, 2012	Dec. 31, 2011
DEPOSITS FROM DOMESTIC CUSTOMERS	**82,501**	83,465
Home savings deposits	**38,724**	37,500
Other deposits	**43,777**	45,965
Repayable on demand	6,913	7,357
With agreed maturity or notice period	36,864	38,608
DEPOSITS FROM FOREIGN CUSTOMERS	**9,619**	9,406
Home savings deposits	**1,386**	1,245
Other deposits	**8,233**	8,161
Repayable on demand	4,269	4,136
With agreed maturity or notice period	3,964	4,025
Total	**92,120**	92,871

» 33 DEBT CERTIFICATES ISSUED INCLUDING BONDS

€ million	Jun. 30, 2012	Dec. 31, 2011
Bonds issued	**48,050**	**47,369**
Mortgage Pfandbriefe	7,367	6,690
Public-sector Pfandbriefe	9,493	11,383
Other bonds	31,190	29,296
Other debt certificates issued	**12,192**	**7,745**
Total	**60,242**	**55,114**

All other debt certificates issued are commercial paper.

» 34 DERIVATIVES USED FOR HEDGING (NEGATIVE FAIR VALUES)

€ million	Jun. 30, 2012	Dec. 31, 2011
Derivatives used as fair value hedges	3,171	2,571
Derivatives used as cash flow hedges	24	27
Derivatives used for hedges of net investments in foreign operations	4	–
Total	**3,199**	**2,598**

» 35 FINANCIAL LIABILITIES HELD FOR TRADING

€ million	Jun. 30, 2012	Dec. 31, 2011
DERIVATIVES (NEGATIVE FAIR VALUES)	**37,163**	**34,556**
Interest-linked contracts	31,950	28,171
Currency-linked contracts	629	983
Share-/index-linked contracts	1,475	1,816
Other contracts	1,774	1,430
Credit derivatives	1,335	2,156
SHORT POSITIONS	**1,009**	**2,977**
BONDS AND OTHER DEBT CERTIFICATES ISSUED	**13,537**	**16,555**
Commercial paper	36	3,163
Other bonds	13,501	13,392
DEPOSITS	**10,388**	**13,283**
Money market deposits	**10,317**	**13,244**
from banks	8,378	11,074
of which: from affiliated banks	3,125	3,841
from other banks	5,253	7,233
from customers	1,939	2,170
Promissory notes and registered bonds issued	**71**	**39**
to banks	57	30
of which: to affiliated banks	57	30
to customers	14	9
Total	**62,097**	**67,371**

Other bonds mainly comprise share- and index-linked certificates.

» 36 PROVISIONS

€ million	Jun. 30, 2012	Dec. 31, 2011
Provisions for employee benefits	**1,242**	**1,037**
Provisions for defined benefit obligations	1,078	845
Provisions for other long-term employee benefits	55	62
Provisions for termination benefits	89	89
Provisions for short-term employee benefits	20	41
Provisions for share-based payments	**4**	**7**
Other provisions	**815**	**779**
Provisions for onerous contracts	14	16
Provisions for restructuring	5	5
Provisions for loan commitments	69	61
Other provisions for loans and advances	37	31
Provisions relating to building society operations	438	423
Residual provisions	252	243
Total	**2,061**	**1,823**

The discount rate applied to defined benefit obligations had been reduced to 4.0 percent at the balance sheet date (December 31, 2011: 5.0 percent).

» 37 INSURANCE LIABILITIES

€ million	Jun. 30, 2012	Dec. 31, 2011
Provision for unearned premiums	1,626	1,053
Benefit reserve	41,873	40,344
Provision for claims outstanding	6,814	6,510
Provision for premium refunds	5,533	4,871
Other insurance liabilities	31	34
Reserve for unit-linked insurance contracts	4,766	4,625
Total	**60,643**	**57,437**

» 38 OTHER LIABILITIES

€ million	Jun. 30, 2012	Dec. 31, 2011
Other liabilities of insurance companies	3,843	4,063
Liabilities from financial guarantee contracts	88	113
Accruals	526	756
Other payables	366	491
Residual other liabilities	417	425
Total	**5,240**	**5,848**

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

€ million	Jun. 30, 2012	Dec. 31, 2011
Other provisions	261	229
Payables and residual other liabilities	3,582	3,834
Total	**3,843**	**4,063**

» 39 SUBORDINATED CAPITAL

€ million	Jun. 30, 2012	Dec. 31, 2011
Subordinated liabilities	2,804	2,740
Liabilities to dormant partners	–	103
Profit-sharing rights	648	647
Other hybrid capital	397	387
Share capital repayable on demand	55	58
Total	**3,904**	**3,935**

D Financial instruments disclosures

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument:

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

€ million	Jun. 30, 2012 Carrying amount	Jun. 30, 2012 Fair value	Dec. 31, 2011 Carrying amount	Dec. 31, 2011 Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**154,667**	**154,667**	**156,450**	**156,450**
Financial instruments held for trading	**68,861**	**68,861**	**72,056**	**72,056**
Financial assets held for trading	68,661	68,661	71,858	71,858
Investments held by insurance companies	200	200	198	198
Fair value option	**19,257**	**19,257**	**22,080**	**22,080**
Loans and advances to banks	925	925	1,483	1,483
Loans and advances to customers	5,752	5,752	6,462	6,462
Investments	11,459	11,459	13,156	13,156
Investments held by insurance companies	1,121	1,121	979	979
Derivatives used for hedging	**1,161**	**1,161**	**901**	**901**
Derivatives used for hedging (positive fair values)	1,161	1,161	901	901
Available-for-sale financial assets	**65,388**	**65,388**	**61,413**	**61,413**
Investments	37,947	37,947	37,059	37,059
Investments held by insurance companies	27,441	27,441	24,354	24,354
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**228,647**	**232,554**	**226,386**	**227,886**
Loans and receivables	**228,080**	**231,987**	**225,644**	**227,144**
Cash and cash equivalents	671	671	2,392	2,392
Loans and advances to banks	80,095	81,541	78,352	79,336
Loans and advances to customers	110,071	113,441	106,679	108,718
Investments	9,307	7,979	9,907	8,103
Investments held by insurance companies	26,983	27,863	27,299	27,935
Other assets	492	492	660	660
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	461		355	
Available-for-sale financial assets	**567**	**567**	**742**	**742**
Investments	567	567	742	742
OTHER FINANCIAL ASSETS	**5,693**	**6,155**	**5,541**	**5,873**
Finance leases	**5,693**	**6,155**	**5,541**	**5,873**
Loans and advances to customers	5,693	6,155	5,541	5,873

€ million	Jun. 30, 2012 Carrying amount	Jun. 30, 2012 Fair value	Dec. 31, 2011 Carrying amount	Dec. 31, 2011 Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**96,902**	**96,902**	**103,213**	**103,213**
Financial instruments held for trading	**62,134**	**62,134**	**67,481**	**67,481**
Financial liabilities held for trading	62,097	62,097	67,371	67,371
Other liabilities	37	37	110	110
Fair value option	**31,569**	**31,569**	**33,134**	**33,134**
Deposits from banks	7,169	7,169	7,420	7,420
Deposits from customers	10,017	10,017	11,490	11,490
Debt certificates issued including bonds	12,935	12,935	12,797	12,797
Subordinated capital	1,448	1,448	1,427	1,427
Derivatives used for hedging	**3,199**	**3,199**	**2,598**	**2,598**
Derivatives used for hedging (negative fair values)	3,199	3,199	2,598	2,598
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**231,419**	**234,047**	**227,467**	**228,592**
Deposits from banks	97,753	98,321	99,499	99,274
Deposits from customers	82,103	83,833	81,369	82,468
Debt certificates issued including bonds	47,307	47,780	42,317	42,718
Other liabilities	1,505	1,505	1,549	1,549
Subordinated capital	2,456	2,608	2,508	2,583
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	295		225	
OTHER FINANCIAL LIABILITIES	**120**	**125**	**157**	**161**
Finance leases	**32**	**37**	**44**	**48**
Deposits from customers	–	–	12	12
Other liabilities	32	37	32	36
Liabilities from financial guarantee contracts	**88**	**88**	**113**	**113**
Other liabilities	88	88	113	113

If there is an active market in financial assets and financial liabilities, the fair value is determined on the basis of the relevant market price as at the balance sheet date. This applies, for example, to exchange-traded futures and options as well as the vast majority of quoted shares, government bonds, bank bonds, corporate bonds, and Pfandbriefe held.

If no active market is available at the balance sheet date, generally accepted valuation models are used to determine fair value. Discounted cash flow methods are generally used for non-derivative financial instruments and non-option derivatives. Option derivatives are measured using generally accepted option pricing models such as the Black-Scholes model and the Garman-Kohlhagen model. The valuation models rely on valuation parameters that are primarily based on observable market data such as credit risk and liquidity risk premiums, and interest rates for matching maturities. In the case of non-observable parameters or of unreliable market prices in illiquid markets, input parameters are estimated for use in valuation models. For the purposes of valuation, structured products are broken down into their constituent components. The assessment of market inactivity is established by analyzing the transaction volumes supplied by market data providers.

The fair value of equity instruments that are not quoted in an active market is determined using discounted cash flow methods based on unobservable parameters such as beta factors or discount rates that reflect the risk involved. If fair value cannot be reliably determined largely owing to the unavailability of profit planning data, equity instruments that are not quoted in an active market are measured at cost.

The fair values of investment fund units are the redemption prices published by the relevant asset management companies.

The fair value of financial instruments repayable on demand is equivalent to their carrying amount. This applies specifically to current account balances and demand deposits.

The valuation methods described above are used to determine the fair values of all classes of financial instruments.

The fair values of financial assets and financial liabilities resulting from building society operations are shown at their carrying amounts. Given the complex structure of home savings contracts, these fair values cannot be reliably determined using either comparable market prices or suitable option pricing models. The purpose of the building society management models developed in practice is solely to support the overall management of the building society; these models do not provide an adequate basis for the determination of fair values as required by IFRS. On the basis of the models used for the overall management of building society, the overall performance of building society operations during the reporting period was positive.

The carrying amounts and fair values reported under investments held by insurance companies relate to fixed-income receivables and 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 lifetime of the financial assets balance each other out in full.

Fair values as measured and recognized on the balance sheet are broken down into the following hierarchy levels:

» 41
FAIR VALUE HIERARCHY

	Level 1		Level 2		Level 3	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Financial assets measured at fair value	**71,618**	**70,288**	**82,635**	**85,700**	**414**	**462**
Loans and advances to banks	–	–	925	1,483	–	–
Loans and advances to customers	–	–	5,752	6,462	–	–
Derivatives used for hedging (positive fair values)	–	–	1,161	901	–	–
Financial assets held for trading	8,872	12,923	59,712	58,758	77	177
Investments	37,607	35,011	11,726	15,188	73	16
Investments held by insurance companies	25,139	22,354	3,359	2,908	264	269
Financial liabilities measured at fair value	**4,525**	**6,753**	**91,288**	**95,352**	**1,089**	**1,108**
Deposits from banks	–	–	7,113	7,353	56	67
Deposits from customers	–	–	9,996	11,469	21	21
Debt certificates issued including bonds	2,289	2,201	9,842	9,751	804	845
Derivatives used for hedging (negative fair values)	–	–	3,199	2,598	–	–
Financial liabilities held for trading	2,230	4,494	59,659	62,702	208	175
Other liabilities	6	58	31	52	–	–
Subordinated capital	–	–	1,448	1,427	–	–

The following transfers took place between hierarchy levels during the reporting period:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	Jan. 1– Jun. 30, 2012	Jan. 1– Jun. 30, 2011	Jan. 1– Jun. 30, 2012	Jan. 1– Jun. 30, 2011
Financial assets measured at fair value	**610**	**2,467**	**1,946**	**3,269**
Financial assets held for trading	8	241	233	1,164
Investments	473	2,188	1,711	2,105
Investments held by insurance companies	129	38	2	–
Financial liabilities measured at fair value	**–**	**101**	**–**	**79**
Debt certificates issued including bonds	–	100	–	–
Financial liabilities held for trading	–	–	–	79
Other liabilities	–	1	–	–

	Transfers from Level 3 to Levels 1 and 2		Transfers from Levels 1 and 2 to Level 3	
€ million	Jan. 1– Jun. 30, 2012	Jan. 1– Jun. 30, 2011	Jan. 1– Jun. 30, 2012	Jan. 1– Jun. 30, 2011
Financial assets measured at fair value	**–**	**1,689**	**103**	**6**
Financial assets held for trading	–	1,180	–	6
Investments	–	281	103	–
Investments held by insurance companies	–	228	–	–
Financial liabilities measured at fair value	**–**	**2**	**–**	**–**
Debt certificates issued including bonds	–	2	–	–

» 42 RECLASSIFICATIONS

During the first half of 2012, financial assets with a carrying amount of €123 million were reclassified from the category 'financial instruments held for trading' to the category 'loans and receivables'. No financial assets were reclassified in the corresponding period in 2011.

The table below shows the carrying amounts and the fair values of all reclassified financial assets that were held at the balance sheet date:

€ million	Jun. 30, 2012	Dec. 31, 2011
Carrying amounts	2,937	3,038
Fair values	2,369	2,335

Only negligible gains and losses on financial assets reclassified in the current financial year were recognized in net profit in the first half of 2012 as well as in the equivalent period in 2011.

If all the reclassifications in the reporting period and in previous financial years had not taken place, an additional gain of €30 million before taxes would have been recognized in the income statement in the first half of 2012 as a result of the fair value measurement (first half of 2011: loss of €28 million). In addition, gains of €48 million in respect of the fair value measurement would have been recognized in other comprehensive income before taxes in the reporting period (first half of 2011: loss of €10 million).

In the first half of 2012, profit before taxes included an amount of €28 million from gains, losses, income, and expenses in connection with all the reclassified financial assets held (first half of 2011: €41 million).

The range of effective interest rates for the financial assets reclassified in the first half of 2012 was, at the date of reclassification, 2.2 to 5.8 percent. At the date of reclassification, cash flows amounting to €137 million were expected to be recovered for the financial assets reclassified in the first half of 2012.

» 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.

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.

» 44
EXPOSURES TO COUNTRIES PARTICULARLY AFFECTED BY THE SOVEREIGN DEBT CRISIS

€ million	Jun. 30, 2012	Dec. 31, 2011
Portugal	**330**	**336**
Financial instruments held for trading	10	12
Fair value option	235	202
Available-for-sale financial assets	36	73
Loans and receivables	49	49
Italy	**3,407**	**3,271**
Financial instruments held for trading	1	84
Fair value option	1,204	1,148
Available-for-sale financial assets	2,202	2,039
Ireland	**75**	**146**
Financial instruments held for trading	–	40
Fair value option	51	50
Available-for-sale financial assets	24	56
Greece	**1**	**169**
Fair value option	–	9
Available-for-sale financial assets	1	160
Spain	**2,183**	**2,657**
Financial instruments held for trading	53	111
Fair value option	1,774	2,036
Available-for-sale financial assets	356	510
Total	**5,996**	**6,579**

The fair value of Portuguese sovereign bonds categorized as 'loans and receivables' amounts to €25 million (December 31, 2011: €23 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 fair values of the bonds as measured and recognized on the balance sheet are broken down into the following hierarchy levels:

	Level 1		Level 2	
€ million	Jun. 30, 2012	Dec. 31, 2011	Jun. 30, 2012	Dec. 31, 2011
Portugal	**279**	**285**	**2**	**2**
Financial instruments held for trading	10	12	–	–
Fair value option	235	202	–	–
Available-for-sale financial assets	34	71	2	2
Italy	**2,514**	**2,261**	**893**	**1,010**
Financial instruments held for trading	1	84	–	–
Fair value option	866	733	338	415
Available-for-sale financial assets	1,647	1,444	555	595
Ireland	**75**	**145**	**–**	**1**
Financial instruments held for trading	–	40	–	–
Fair value option	51	50	–	–
Available-for-sale financial assets	24	55	–	1
Greece	**1**	**46**	**–**	**123**
Fair value option	–	–	–	9
Available-for-sale financial assets	1	46	–	114
Spain	**1,196**	**659**	**987**	**1,998**
Financial instruments held for trading	22	35	31	76
Fair value option	1,030	507	744	1,529
Available-for-sale financial assets	144	117	212	393
Total	**4,065**	**3,396**	**1,882**	**3,134**

PARTICIPATION IN THE DEBT RESTRUCTURING OFFER FOR GREEK GOVERNMENT BONDS

At a summit held on October 26, 2011, the heads of state and heads of government of the countries in the euro zone decided to include private creditors in the restructuring of Greece's debt. On February 24, 2012, the Greek government circulated a proposal with an offer to exchange Greek government bonds for new securities. The entities in the DZ BANK Group participated in this debt swap involving the Greek government bonds held by these entities. All bonds received were sold with the exception of an exposure with a carrying amount of €1 million.

The swap involved a waiver equivalent to 53.5 percent of the nominal value of the original bonds. Of the remaining 46.5 percent, 31.5 percent was exchanged for new Greek government bonds with various maturities ranging from 10 to 30 years, and 15 percent was exchanged for European Financial Stability Facility (EFSF) notes with maturities of 1 or 2 years. Bondholders also received GDP-linked notes, allowing these bondholders the opportunity to share in the growth of Greece's gross domestic product. The unpaid interest on the original bonds accrued up to February 24, 2012 was covered by 6-month EFSF notes.

IMPAIRMENT

No impairment losses were recognized to cover exposures in respect of the bonds from other countries particularly affected by the sovereign debt crisis (Portugal, Italy, Ireland, and Spain) because there was no objective evidence of impairment.

MATURITY ANALYSIS

AS AT JUNE 30, 2012

€ million	≤ 1 month	> 1 month - 3 months	> 3 months - 1 year	> 1 year - 5 years	> 5 years
Portugal	–	–	13	331	122
Italy	15	27	153	1,476	3,585
Ireland	–	5	58	7	21
Greece	–	–	–	1	10
Spain	31	13	335	1,832	1,710
Total	**46**	**45**	**559**	**3,647**	**5,448**

AS AT DECEMBER 31, 2011

€ million	≤ 1 month	> 1 month - 3 months	> 3 months - 1 year	> 1 year - 5 years	> 5 years
Portugal	–	–	18	333	235
Italy	14	26	122	1,400	3,844
Ireland	–	1	24	112	57
Greece	–	13	6	54	567
Spain	3	3	342	1,825	2,107
Total	**17**	**43**	**512**	**3,724**	**6,810**

The maturity analysis shows the contractually cash inflows. The amount reported at December 31, 2011 as having an indefinite maturity has been reclassified to the 'later than 5 years' time band.

E Other disclosures

» 45 FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

€ million	Jun. 30, 2012	Dec. 31, 2011
Financial guarantee contracts	**5,551**	**5,610**
Loan guarantees	2,739	2,754
Letters of credit	370	291
Other guarantees and warranties	2,442	2,565
Loan commitments	**20,239**	**20,834**
Credit facilities to banks	2,840	2,769
Credit facilities to customers	7,745	7,544
Guarantee credits	69	108
Letters of credit	55	80
Global limits	9,530	10,333
Total	**25,790**	**26,444**

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 €3,147 million at the balance sheet date (December 31, 2011: €2,609 million).

» 47 ASSET MANAGEMENT BY THE UNION INVESTMENT GROUP

The Union Investment Group had total assets under management of €180,794 million at the balance sheet date (December 31, 2011: €170,276 million).

» 48 EMPLOYEES

Average number of employees by employee group:

	Jan. 1 – Jun. 30, 2012	Jan. 1 – Jun. 30, 2011
Female employees	**13,018**	**12,807**
Full-time employees	8,804	8,725
Part-time employees	4,214	4,082
Male employees	**15,150**	**14,893**
Full-time employees	14,606	14,355
Part-time employees	544	538
Total	**28,168**	**27,700**

» 49
BOARD OF MANAGING DIRECTORS

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(Chief Executive Officer)

LARS HILLE

WOLFGANG KÖHLER

HANS-THEO MACKE

ALBRECHT MERZ

THOMAS ULLRICH

FRANK WESTHOFF

» 50
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Spokesman of the Board of Managing Directors
Volksbank Herrenberg-Rottenburg eG

WOLFGANG APITZSCH
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Attorney

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Lehrte-Springe-Pattensen-Ronnenberg

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(Member of the Supervisory Board
since July 1, 2012)
Senior Manager
R+V Allgemeine Versicherung AG

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DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

ULRICH BIRKENSTOCK
Employee
R+V Allgemeine Versicherung AG

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Chief Executive Officer
WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank

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Union Asset Management Holding AG

KARL EICHELE
Employee
Schwäbisch Hall Kreditservice AG

UWE FRÖHLICH
President
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V.

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Chief Executive Officer
Volksbank Baden-Baden · Rastatt eG
(until June 30, 2012)
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Baden-Württembergischer Genossenschafts-
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Managing Directors
Volksbank Worms-Wonnegau eG

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June 30, 2012)
Senior Manager
R+V Versicherung AG

SIGMAR KLEINERT
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

WILLY KÖHLER
(Member of the Supervisory Board until
May 23, 2012)
Chief Executive Officer
VR Bank Rhein-Neckar eG
(until December 31, 2011)

RAINER MANGELS
Employee
R+V Rechtsschutzversicherung AG

WALTER MÜLLER
Chief Executive Officer
Volksbank Raiffeisenbank Fürstenfeldbruck eG

GERHARD J. RASTETTER
(Member of the Supervisory Board
since May 23, 2012)
Chief Executive Officer
Volksbank Karlsruhe eG

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Managing Directors
VR-Bank Schwalm-Eder eG

STEPHAN SCHACK
Spokesman of the Board of Managing
Directors
Volksbank Raiffeisenbank eG, Itzehoe

GUDRUN SCHMIDT
Employee
ver.di Landesbezirk Hessen

UWE SPITZBARTH
National Group Director Banks
ver.di Bundesverwaltung

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, 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 21, 2012

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Kirsch

Hille | Köhler | Macke

Merz | Ullrich | Westhoff

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, 2012, 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 21, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Professor Dr. Pfitzer	Dombek
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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