Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

June 30, 2017

Regulatory Risk Report of the DZ BANK Banking Group

DZ BANK Gruppe

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1. Basis of regulatory risk reporting and its scope of application

The Basel Committee on Banking Supervision has created a global regulatory framework called Basel III setting out international standards for the capital adequacy and liquidity of banks. This framework was implemented into European law by Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive, CRD IV) and Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR).

The quantitative and qualitative requirements in respect of regulatory disclosure are defined in articles 431 to 455 (Part 8) CRR. As well as the CRR, the provisions in section 26a of the German Banking Act (KWG) apply, as do the various implementation and regulation standards that are relevant to disclosure.

As the parent company of the DZ BANK banking group, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) has fulfilled this disclosure requirement at group level by publishing this consolidated **regulatory risk report** as at June 30, 2017.

The **frequency of disclosure** and the scope of the regulatory risk report are determined by the specifications in circular 05/2015 (BA) of the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [German Federal Financial Supervisory Authority] regarding implementation of the guidelines of the European Banking Authority (EBA) on the disclosure of material, proprietary, and confidential information and on disclosure frequency dated December 23, 2014 (EBA/GL/2014/14). The publication of this regulatory risk report complies with the requirements pursuant to article 429 CRR regarding interim disclosure applicable to institutions whose total exposure exceeds €200 billion. As at June 30, 2017, the DZ BANK banking group's total exposure measure was more than €440 billion.

On this basis, the DZ BANK banking group provides qualitative and quantitative information on the following items in this report:

- Own funds (article 437 CRR)
- Capital requirements (article 438 CRR)
- Capital ratios
- Credit risk (article 452 CRR)
- Leverage ratio (LR; (article 451 CRR), and
- Liquidity coverage ratio (LCR).

In line with article 434 CRR, the regulatory risk report for the period ended June 30, 2017 is published on DZ BANK's website in the Investor Relations section under Reports.

The figures in this risk report are based on International Financial Reporting Standards (IFRS). They are rounded to the nearest whole million euros. This may give rise to small discrepancies between the totals shown in the tables and totals calculated from the individual values shown. Table cells with a gray background are not relevant for disclosure purposes.

Pursuant to article 436 sentence 1 letter b CRR, the entities that are significant for internal risk management purposes are classified in Fig. 1 according to the nature of their business, the nature of their treatment for regulatory purposes, and the nature of their consolidation for commercial-law purposes. These companies are classified on the basis of the definitions contained in article 4 (1) CRR.

FIG. 1 – CONSOLIDATION MATRIX – DIFFERENCES BETWEEN ENTITIES CONSOLIDATED FOR REGULATORY PURPOSES AND THOSE CONSOLIDATED FOR THE PURPOSES OF COMMERCIAL LAW

Classification under CRR	Name (abbreviation)	Treatment for regulatory purposes				Treatment for commercial-law purposes	
		Consolidation					
		Full	Pro-rata	Deduction method	Risk-weighted equity investment	Full	Equity-accounted
Significant entities							
Credit institutions	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK)	●				●	
	Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (BSH)	●				●	
	Deutsche Genossenschafts-Hypothekenbank AG, Hamburg, (DG HYP)	●				●	
	DVB Bank SE, Frankfurt am Main, (DVB)	●				●	
	DZ PRIVATBANK S.A., Luxembourg-Strassen, (DZ PRIVATBANK)	●				●	
	TeamBank AG Nürnberg, Nuremberg, (TeamBank)	●				●	
	WL BANK AG Westfälische Landschaft Bodenkreditbank, Münster, (WL BANK)	●				●	
Financial institutions	Union Asset Management Holding AG, Frankfurt am Main, (UMH)	●				●	
	VR-LEASING Aktiengesellschaft, Eschborn, (VR LEASING)	●				●	
Insurance companies	R+V Versicherung AG, Wiesbaden, (R+V)				●	●	

The following entities were **fully consolidated for regulatory purposes** pursuant to articles 11 to 22 CRR on June 30, 2017, including the entities listed in Fig. 1:

– 16 banks
(December 31, 2016: 17)
– 9 financial services institutions
(December 31, 2016: 9)
– 10 investment management companies
(December 31, 2016: 10)
– 392 finance companies
(December 31, 2016: 398)
– of which 354 project companies belonging to VR-IMMOBILIEN-LEASING GmbH, Eschborn,
(December 31, 2016: 360), and
– 6 providers of related services
(December 31, 2016: 8).

In addition, the following entities were consolidated on a pro-rata basis:

– 4 banks
(December 31, 2016: 4)
– 1 finance company
(December 31, 2016: 2), and
– 1 asset management company
(December 31, 2016: 1).

Fig. 2 shows how the entities with relevance for regulatory purposes in the DZ BANK banking group are integrated into quantitative regulatory disclosures. The subsidiaries identified as significant are also incorporated into the DZ BANK banking group's risk management system as management units. The disclosures take into account the effects of intragroup consolidation.

FIG. 2 – INCLUSION OF ENTITIES IN THE DZ BANK BANKING GROUP IN QUANTITATIVE REGULATORY DISCLOSURES

Entity	Structure of own funds	Capital requirements	Capital ratios	IRBA exposure	Leverage ratio	Liquidity ratios
DZ BANK	•	•	•	•	•	•
BSH	•	•	•	•	•	•
DG HYP	•	•	•	•	•	•
DVB	•	•	•	•	•	•
DZ PRIVATBANK	•	•	•	•	•	•
TeamBank	•	•	•	•	•	•
UMH	•	•	•		•	•
VR LEASING	•	•	•		•	•
WL BANK	•	•	•	•	•	•
Other subsidiaries and investees of relevance for regulatory purposes	•	•	•	•	•	(•)[1]

[1] Liquidity ratios do not have to be calculated and disclosed for all subsidiaries and investees that are relevant for regulatory purposes (e.g. providers of related services).

2. Own funds, capital requirements, and capital ratios

2.1. Own funds

(ARTICLE 437 CRR)

The DZ BANK banking group's total **regulatory own funds** as at June 30, 2017 amounted to €22,290 million (December 31, 2016: €22,066 million).

The regulatory own funds of the DZ BANK banking group are derived from the provisions of the CRR/CRD IV. Pursuant to the provisions of the CRR (article 72 in conjunction with article 25), regulatory eligible own funds consist of common equity Tier 1 capital, additional Tier 1 capital, and Tier 2 capital. They are based on the carrying amounts recognized under IFRS and essentially comprise the equity reported on the balance sheet, hybrid capital instruments, and subordinated liabilities.

Fig. 3 shows the DZ BANK banking group's aggregate own funds as defined by article 437 (1) CRR in conjunction with Title VII of Commission Implementing Regulation (EU) No. 1423/2013 dated December 20, 2013. These disclosures relate to all the entities consolidated for regulatory purposes in the DZ BANK banking group as at June 30, 2017.

FIG. 3 – STRUCTURE OF OWN FUNDS DURING TRANSITION PERIOD AS AT JUNE 30, 2017 (ARTICLE 437 (1) CRR IN CONJUNCTION WITH ANNEX VI OF IMPLEMENTING REGULATION (EU) NO. 1423/2013)

The dots in the table below indicate cells that the EBA specifies must be left empty. The dashes (-) indicate that DZ BANK has no value to disclose.

	€ million	(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts	(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts
		Jun. 30, 2017		Dec. 31, 2016	
	Common equity Tier 1: instruments and reserves				
1	Capital instruments and related share premium accounts	10,477	-	9,562	-
1a	of which: financial instrument type 1	-	●	-	●
1b	of which: financial instrument type 2	-	●	-	●
1c	of which: financial instrument type 3	-	●	-	●
2	Retained earnings	5,668	●	5,503	●
3	Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	1,972	*See row 26a*	1,828	*See row 26a*
3a	Fund for general banking risks	-	●	-	●
4	Amount of qualifying items referred to in article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	●	-	●
4a	Public-sector capital injections grandfathered until January 1, 2018	-	●	-	●
5	Non-controlling interests (amount allowed in consolidated CET1)	238	79	319	126
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	230	●	1,144	●
6	**Common equity Tier 1 (CET1) before regulatory adjustments**	**18,585**	●	**18,356**	●
7	Additional value adjustments (negative amount)	-297	●	-329	●
8	Intangible assets (net of related tax liability) (negative amount)	-508	-127	-385	-257
9	Empty set in the EU	●	●	●	●
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) CRR are met) (negative amount)	-10	-2	-25	-16
11	Fair value reserves related to gains and losses on cash flow hedges	-1	●	10	●
12	Negative amounts resulting from the calculation of expected loss amounts	-102	-26	-4	-2
13	Any increase in equity arising from securitized assets (negative amount)	-	●	-	●
14	Gains or losses on liabilities recognized at fair value resulting from changes in own credit standing	-4	0	23	-5
15	Defined benefit pension fund assets (negative amount)	-	-	-	-

€ million		(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts	(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts
		Jun. 30, 2017		Dec. 31, 2016	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-	-	-
17	Holdings of the CET1 instruments of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to artificially inflate the institution's own funds (negative amount)	-3	0	-2	-1
18	Direct and indirect holdings by the institution of CET1 capital instruments of financial-sector entities where the institution does not have a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)	-	-	-	-
19	Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial-sector entities where the institution has a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)	-	-	-	-
20	Empty set in the EU	●	●	●	●
20a	Exposure arising from the following items qualifying for a risk weighting of 1,250 percent, where the institution opts for the deduction alternative	-	●	-	●
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	●	-	●
20c	of which: securitization exposures (negative amount)	-	●	-	●
20d	of which: free deliveries (negative amount)	-	●	-	●
21	Deferred tax assets that rely on future profitability, arising from temporary differences (amount above 10 percent threshold, net of related tax liability where the conditions in article 38 (3) CRR are met) (negative amount)	-	-	-	-
22	Amount exceeding the 15 percent threshold (negative amount)	-	-	-	-
23	of which: direct and indirect holdings by the institution of CET1 instruments of financial-sector entities where the institution has a significant investment in those entities	-	-	-	-
24	Empty set in the EU	●	●	●	●
25	of which: deferred tax assets that rely on future profitability, arising from temporary differences	-	-	-	-
25a	Losses for the current financial year (negative amount)	-	-	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-	-	-
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	-	●	-	●
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to articles 467 and 468 CRR	-188	●	-443	●
26a.1	of which: filter for unrealized loss 1	-	●	-	●
26a.2	of which: filter for unrealized loss 2	-	●	-	●
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR	-	●	-	●
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	●	-	●
27a	Other capital elements or deductions from common equity Tier 1	-11	●	-47	●
28	**Total regulatory adjustments to common equity Tier 1 (CET1)**	**-1,124**	●	**-1,202**	●
29	**Common equity Tier 1 (CET1)**	**17,461**	●	**17,154**	●
Additional Tier 1 capital (AT1): instruments					
30	Capital instruments and related share premium accounts	750	●	750	●
31	of which: classified as equity under applicable accounting standards	750	●	750	●
32	of which: classified as liabilities under applicable accounting standards	-	●	-	●
33	Amount of qualifying items referred to in article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	1,232	●	1,410	●
33a	Non-controlling interests in subsidiaries	-	●	-	●

€ million		(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts	(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts
		Jun. 30, 2017		Dec. 31, 2016	
34	Qualifying Tier 1 capital instruments included in consolidated AT1 capital (including non-controlling interests not included in row 5) issued by subsidiaries and held by third parties	20	-5	-2	-2
35	of which: instruments issued by subsidiaries subject to phase out	-5	●	-2	●
36	**Additional Tier 1 capital (AT1) before regulatory adjustments**	**2,002**	●	**2,158**	●
Additional Tier 1 capital (AT1): regulatory adjustments					
37	Direct and indirect holdings by an institution of its own AT1 instruments (negative amount)	-65	-	-65	-
38	Holdings of AT1 instruments of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to artificially inflate the institution's own funds (negative amount)	-	-	-	-
39	Direct and indirect holdings by the institution of AT1 capital instruments of financial-sector entities where the institution does not have a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)	-	-	-	-
40	Direct and indirect holdings by the institution of AT1 capital instruments of financial-sector entities where the institution has a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)	-	-	-	-
41	Regulatory adjustments to additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out pursuant to Regulation (EU) No. 575/2013 (CRR residual amounts)	-140	●	-258	●
41a	of which: residual amounts deducted from additional Tier 1 capital with regard to deduction from common equity Tier 1 during the transition period pursuant to article 472 of Regulation (EU) No. 575/2013	-140	●	-258	●
41a.1	of which: losses for the current financial year (net)	-	●	-	●
41a.2	of which: intangible assets	-127	●	-257	●
41a.3	of which: shortfall in provisions for expected losses	-13	●	-1	●
41a.4	of which: direct holdings by the institution of its own CET1 instruments	-	●	-	●
41a.5	of which: reciprocal cross-holdings	0	●	-	●
41a.6	of which: own funds instruments of financial-sector entities where the institution does not have a significant investment in those entities	-	●	-	●
41a.7	of which: own funds instruments of financial-sector entities where the institution has a significant investment in those entities	-	●	-	●
41b	of which: residual amounts deducted from additional Tier 1 capital with regard to deduction from Tier 2 capital during the transition period pursuant to article 475 of Regulation (EU) No. 575/2013	-	●	-	●
41b.1	of which: direct holdings of non-significant investments in the capital of other financial-sector entities	-	●	-	●
41b.2	of which: direct holdings of significant investments in the capital of other financial-sector entities	-	●	-	●
41c	of which: amount to be deducted from or added to additional Tier 1 capital with regard to additional filters and deductions required pre CRR	-	●	-	●
41c.1	of which: possible filters for unrealized losses	-	●	-	●
41c.2	of which: possible filters for unrealized gains	-	●	-	●
41c.3	of which: other	-	●	-	●
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	●	-	●
43	**Total regulatory adjustments to additional Tier 1 capital (AT1)**	**-205**	●	**-323**	●
44	**Additional Tier 1 capital (AT1)**	**1,797**	●	**1,835**	●
45	**Tier 1 capital (T1 = CET1 + AT1)**	**19,258**	●	**18,989**	●
Tier 2 capital (T2): instruments and reserves					

€ million		(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts	(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts
		Jun. 30, 2017		Dec. 31, 2016	
46	Capital instruments and related share premium accounts	3,558	●	3,843	●
47	Amount of qualifying items referred to in article 484 (5) CRR and the related share premium accounts subject to phase out from T2	15	●	22	●
48	Qualifying own funds instruments in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	233	1	251	43
49	of which: instruments issued by subsidiaries subject to phase out	1	●	43	●
50	Credit risk adjustments	514	●	406	●
51	**Tier 2 capital (T2) before regulatory adjustments**	**4,320**	●	**4,522**	●
Tier 2 capital (T2): regulatory adjustments					
52	Direct and indirect holdings by an institution of its own T2 instruments and subordinated loans (negative amount)	-51	-	-51	-
53	Holdings of T2 instruments and subordinated loans of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to artificially inflate the institution's own funds (negative amount)	-	-	-	-
54	Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial-sector entities where the institution does not have a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)	-	-	-	-
54a	of which: new holdings not subject to transitional arrangements	-	-	-	-
54b	of which: holdings existing before January 1, 2013 and subject to transitional arrangements	-	-	-	-
55	Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial-sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	-	-
56	Regulatory adjustments to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out pursuant to Regulation (EU) No. 575/2013 (CRR residual amounts)[1]	-1,237	●	-1	●
56a	of which: residual amounts deducted from Tier 2 capital with regard to deduction from common equity Tier 1 capital during the transition period pursuant to article 472 of Regulation (EU) No. 575/2013	-13	●	-1	●
56a.1	of which: shortfall in provisions for expected losses	-13	●	-1	●
56a.2	of which: common equity Tier 1 instruments of financial-sector entities where the institution does not have a significant investment in those entities	-	●	-	●
56a.3	of which: common equity Tier 1 instruments of financial-sector entities where the institution has a significant investment in those entities	-	●	-	●
56b	of which: residual amounts deducted from Tier 2 capital with regard to deduction from additional Tier 1 capital during the transition period pursuant to article 475 of Regulation (EU) No. 575/2013	-	●	-	●
56b.1	of which: additional Tier 1 capital instruments of financial-sector entities where the institution does not have a significant investment in those entities	-	●	-	●
56b.2	of which: additional Tier 1 capital instruments of financial-sector entities where the institution has a significant investment in those entities	-	●	-	●
56c	of which: amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	●	-	●
56c.1	of which: possible filters for unrealized losses	-	●	-	●
56c.2	of which: possible filters for unrealized gains	-	●	-	●
56d	of which: other capital elements or deductions from Tier 2 capital	-1,224	●	-1,393	●
57	**Total regulatory adjustments to Tier 2 capital (T2)**	**-1,288**	●	**-1,445**	●
58	**Tier 2 capital (T2)**	**3,032**	●	**3,077**	●

€ million		(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts	(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts
		Jun. 30, 2017		Dec. 31, 2016	
59	**Total capital (TC = T1 + T2)**	**22,290**	●	**22,066**	●
59a	Risk-weighted assets relating to amounts subject to pre-CRR treatment and transitional treatments subject to phase out pursuant to Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	357	●	-	●
59a.1	of which: items not deducted from common equity Tier 1 capital (Regulation (EU) No. 575/2013, residual amounts)	-	●	-	●
59a.1.1	of which: deferred tax assets that rely on future profitability, net of related tax liabilities	2	●	-	●
59a.1.2	of which: indirect holdings by the institution of its own CET1 instruments	-	●	-	●
59a.1.3	of which: items not deducted from common equity Tier 1 (Regulation (EU) No. 575/2013, residual amounts)	-	●	-	●
59a.1.4	of which: reciprocal cross-holdings in common equity Tier 1 instruments, direct holdings of non-significant investments in the capital of other financial-sector entities	-	●	-	●
59a.2	of which: items not deducted from additional Tier 1 capital (Regulation (EU) No. 575/2013, residual amounts)	-	●	-	●
59a.2.1	of which: indirect holdings by the institution of its own additional Tier 1 capital instruments	-	●	-	●
59a.2.2	of which: indirect holdings of non-significant investments in the AT1 capital of other financial-sector entities	-	●	-	●
59a.2.3	of which: indirect holdings of significant investments in the AT1 capital of other financial-sector entities	-	●	-	●
59a.3	of which: items not deducted from Tier 2 capital (Regulation (EU) No. 575/2013, residual amounts)	-	●	-	●
59a.3.1	of which: indirect holdings by the institution of its own Tier 2 capital instruments	-	●	-	●
59a.3.2	of which: indirect holdings of non-significant investments in the capital of other financial-sector entities	-	●	-	●
59a.3.3	of which: indirect holdings of significant investments in the capital of other financial-sector entities	-	●	-	●
60	**Total risk weighted assets**	**133,266**	●	**118,462**	●
Capital ratios and buffers					
61	Common equity Tier 1 capital ratio (as a percentage of total exposure)	13.1	●	14.5	●
62	Tier 1 capital ratio (as a percentage of total exposure)	14.5	●	16.0	●
63	Total capital ratio (as a percentage of total exposure)	16.7	●	18.6	●
64	Institution-specific capital buffer requirement (minimum CET1 requirement pursuant to article 92 (1) letter a CRR, plus capital conservation and anti-cyclical capital buffer requirements, systemic risk buffer and systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total exposure)[2]	7.8	●	9.5	●
65	of which: capital conservation buffer	1.3	●	0.6	●
66	of which: countercyclical capital buffer	0.0	●	0.0	●
67	of which: systemic risk buffer	0.3	●	-	●
67a	of which: buffer for global systemically important institutions (G-SII) or other systemically important institutions (O-SII)	0.3	●	-	●
68	Common equity Tier 1 available to meet buffers (as a percentage of total exposure)	5.3	●	5.0	●
69	[not relevant in EU regulation]	●	●	●	●
70	[not relevant in EU regulation]	●	●	●	●
71	[not relevant in EU regulation]	●	●	●	●
Amounts below threshold for deductions (before risk weighting)					

€ million		(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts	(A) Amount on disclosure reporting date	(C) Amounts subject to pre-CRR treatment, or prescribed CRR residual amounts
		Jun. 30, 2017		Dec. 31, 2016	
72	Direct and indirect holdings by the institution of capital instruments of financial-sector entities where the institution does not have a significant investment in those entities (less than 10 percent and net of eligible short positions)	1,123	●	1,177	●
73	Direct and indirect holdings by the institution of CET1 instruments of financial-sector entities where the institution holds a significant investment in those entities (above 10 percent and net of eligible short positions)	424	●	401	●
74	Empty set in the EU	●	●	●	●
75	Deferred tax assets that rely on future profitability, arising from temporary differences (amount below 10 percent threshold, net of related tax liability where the conditions in article 38 (3) CRR are met)	690	●	802	●
Applicable caps on the inclusion of provisions in Tier 2 capital					
76	Credit risk adjustments included in Tier 2 capital in respect of exposures subject to the standardized approach (prior to application of cap)	-	●	-	●
77	Cap on inclusion of credit risk adjustments in Tier 2 capital under standardized approach	324	●	373	●
78	Credit risk adjustments included in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap)	834	●	486	●
79	Cap on inclusion of credit risk adjustments in Tier 2 capital under internal ratings based approach	514	●	406	●
Capital instruments subject to phase-out arrangements (only applicable between January 1, 2013 and January 1, 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	-	●	-	●
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	●	-	●
82	Current cap on AT1 instruments subject to phase-out arrangements	1,232	●	1,478	●
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	178	●	-	●
84	Current cap on T2 instruments subject to phase-out arrangements	34	●	41	●
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	●	-	●

[1] As at June 30, 2017, item 56 is the sum of sub-items 56a to 56d.
The method of calculation has been adjusted from that used for the disclosure as at December 31, 2016.
[2] As at June 30, 2017 including the Pillar II requirement of 1.75 percent;
as at December 31, 2016 SREP minimum capital requirement.

As at June 30, 2017, **common equity Tier 1 capital** (CET1) amounted to €17,461 million (December 31, 2016: €17,154 million). It largely consisted of paid-in capital, the capital reserve, and retained earnings, minus various capital deductions.

The €307 million increase in **common equity Tier 1 capital** was primarily attributable to the earnings for the first half of the year, as recognized by the regulator, and a 20 percent increase in the eligibility of the revaluation reserve in accordance with the CRR transitional guidance.

The total amount of eligible **additional Tier 1 capital** (**AT1**) was €1,797 million as at June 30, 2017 (December 31, 2016: €1,835 million). It comprises, in particular, open-ended own funds instruments without redemption incentives with a value of €2,160 million (December 31, 2016: €2,160 million). This value included instruments totaling €750 million (December 31, 2016: €750 million) that fully comply with the CRR requirements. These instruments have further loss-bearing characteristics, e.g. a write-down mechanism that can be used to absorb losses when a trigger event occurs. Additional Tier 1 capital also included instruments with a volume of €1,410 million (December 31, 2016: €1,410 million) that are subject to phase-out arrangements pursuant to articles 484 and 486 CRR. Consequently, the total eligibility cap for these instruments was €1,232 million as at June 30, 2017 (December 31, 2016: €1,478 million). The eligible amounts were reduced by the deductions applied to additional Tier 1 capital. The CRR transitional provisions have required a further reduction of these deductions, by 20 percent, since January 1, 2017.

Fig. 4 shows the **features and terms and conditions** of **additional Tier 1 capital (AT1)**.

FIG. 4 – ADDITIONAL TIER 1 CAPITAL INSTRUMENTS (PURSUANT TO ANNEX II OF IMPLEMENTING REGULATION (EU) NO. 1423/2013)

Issuer	Volume € million	Interest rate (%)[1]	Start date	Maturity	Next call date
DZ BANK Capital Funding LLC, Wilmington[2]	300	3m EURIBOR + 250bp	Nov. 7, 2003	Perpetual	Aug. 7, 2017
DZ BANK Capital Funding LLC II, Wilmington[2]	500	3m EURIBOR + 160bp	Nov. 22, 2004	Perpetual	Aug. 22, 2017
DZ BANK Capital Funding LLC III, Wilmington[2]	350	3m EURIBOR + 150bp	Jun. 6, 2005	Perpetual	Sep. 6, 2017
DZ BANK Perpetual Funding (Jersey) Limited, St. Helier[2]	45	3m EURIBOR + 110bp	Jan. 9, 2006	Perpetual	Jul. 10, 2017
DZ BANK Perpetual Funding (Jersey) Limited, St. Helier[2]	84	3m EURIBOR + 80bp	Feb. 13, 2006	Perpetual	Aug. 14, 2017
DZ BANK Perpetual Funding (Jersey) Limited, St. Helier[2]	4	3m EURIBOR + 100bp	Mar. 17, 2006	Perpetual	Sep. 18, 2017
DZ BANK Perpetual Funding (Jersey) Limited, St. Helier[2]	87	3m EURIBOR + 80bp	Sep. 4, 2006	Perpetual	Sep. 4, 2017
DZ BANK Perpetual Funding (Jersey) Limited, St. Helier[2]	40	3m EURIBOR + 50bp	Apr. 16, 2007	Perpetual	Jul. 17, 2017
Subtotal I	**1,410**				
DZ BANK	221	12m EURIBOR + 420bp	Nov. 11, 2015	Perpetual	Aug. 1, 2021
DZ BANK	221	12m EURIBOR + 420bp	Nov. 11, 2015	Perpetual	Aug. 1, 2021
DZ BANK	74	4.85%, from Aug. 1, 2021 12m EURIBOR + 420bp	Nov. 11, 2015	Perpetual	Aug. 1, 2021
DZ BANK	134	5.5%, from Aug. 1, 2026 12m EURIBOR + 420bp	Nov. 11, 2015	Perpetual	Aug. 1, 2026
DZ BANK	100	4.85%, from Aug. 1, 2021 fixed rate based on 5-year euro mid-swap rate + 440bp	Nov. 11, 2015	Perpetual	Aug. 1, 2021
Subtotal II	**750**				
Total	**2,160**				

1 bp = basis points.
2 Instruments subject to phase-out arrangements pursuant to articles 484 and 486 CRR.

As at June 30, 2017, **Tier 2 capital (T2) before capital deductions** amounted to €4,320 million (December 31, 2016: €4,522 million). A significant component of the Tier 2 capital was represented by **subordinated capital** pursuant to article 63 CRR, which amounted to €4,346 million (December 31, 2016: €4,602 million) before application of the eligibility limit pursuant to CRR on instruments with a term to maturity of 5 years or less.

There were no **new issues** of Tier 2 capital instruments in the first half of the year.

The decrease in Tier 2 capital is largely attributable to CRR-related effects, including the transitional guidance.

Fig. 5 provides an overview of the items, features, and terms and conditions related to subordinated capital pursuant to article 63 CRR.

FIG. 5 – SUBORDINATED CAPITAL (PURSUANT TO ANNEX II OF IMPLEMENTING REGULATION (EU) NO. 1423/2013)

Issuer	Volume		Interest rate (%)[1]	Start date	Maturity
	€ million	Currency million			
DZ BANK	211	EUR 211	7,400/EURIBOR + 350bp	1997 to 1999	2018
DZ BANK	63	EUR 63	7.1000	2008	2020
DZ BANK	366	EUR 366	3.250 to 6.000	2007 to 2012	2017
DZ BANK	114	CHF 125	EURIBOR + 240bp	2012	2017
DZ BANK	681	EUR 681	3.600 to 7.500/EURIBOR + 350bp	2003 to 2008	2018
DZ BANK	26	EUR 26	1.900 to 3.175/EURIBOR + 1.650	2013	2018
DZ BANK	340	EUR 340	2.433 to 7.410	1999 to 2009	2019
DZ BANK	285	EUR 285	2.200 to 3.00	2013	2019
DZ BANK	7	USD 8	4.000	2013	2019
DZ BANK	371	EUR 371	3.574 to 7.150	2004 to 2010	2020
DZ BANK	20	EUR 20	3.100 to 3.200	2013	2020
DZ BANK	15	EUR 15	7.000 to 7.070	2009	2021
DZ BANK	224	EUR 224	3.640 to 5.000	2013	2021
DZ BANK	156	EUR 156	3.300 to 6.350	2009 to 2013	2022
DZ BANK	30	EUR 30	4.039 to 7.250	2003	2023
DZ BANK	281	EUR 281	3.230 to 4.370	2013	2023
DZ BANK	110	CHF 120	3.240	2013	2023
DZ BANK	6	USD 7	2.600	2015	2021
DZ BANK	38	EUR 38	1.7500	2015	2023
DZ BANK	72	EUR 72	6.500	2009	2024
DZ BANK	3	EUR 3	5.700	2010	2025
DZ BANK	278	EUR 278	2.25 to 2.89/EURIBOR + 1.25 to 1.75	2015	2025
DZ BANK	1	EUR 1	3.080	2015	2027
DZ BANK	64	EUR 64	3.085 to 3.300	2015	2030
DZ BANK	50	EUR 50	3.5 fixed, then 6m EURIBOR + 1.3 variable	2015	2030
DZ BANK	88	USD 100	4.800 to 4.900	2015	2030
DZ PRIVATBANK	15	EUR 15	6.100	1999	2019
DVB	10	EUR 10	6.000 to 6.110	2003	2018
DVB	79	EUR 79	3.950 to 4.000	2013	2018
DVB	40	EUR 40	2.640 to 2.750	2014	2019
DVB	75	EUR 75	2.200	2014	2019
DVB	100	EUR 100	2.000	2015	2021
DVB	77	EUR 77	2.300 to 2.560	2015	2022
DVB	50	EUR 50	2.000	2015	2023
Total	**4,346**				

1 bp = basis points.

Another component of own funds derives from the **comparison of loan loss allowances** pursuant to article 159 CRR, which DZ BANK carries out at both individual institution level and banking group level. In this comparison, the expected losses computed on the IRBA exposure classes of central governments and central banks, institutions, corporates, and retail business are compared with the amounts that can effectively be recognized in the annual or interim financial statements for actual or potential impairment losses (split into receivables that are past due and not past due).

The bank classifies the **write-down surplus** computed both for DZ BANK and at banking group level **for receivables that are past due and not past due** as Tier 2 capital in accordance with article 62 sentence 1 letter d CRR. This classification is capped at 0.6 percent of the risk-weighted IRBA exposure.

As at the reporting date, there was a **write-down deficit** totaling €128 million (December 31, 2016: €6 million) for **long-term equity investments** that was deducted from common equity Tier 1 capital pursuant to article 36 (1) letter d CRR. The **write-down deficit** for long-term equity investments resulted in a deduction of €102 million from common equity Tier 1 capital pursuant to article 36 (1) letter h CRR as at June 30, 2017 (December 31, 2016: €4 million). During the transition period, the residual amount of €26 million (December 31, 2016: €2 million) is treated in accordance with CRD III rules and therefore half is deducted from Tier 1 capital and half from Tier 2 capital.

With very few exceptions, all capital deductions have to be made in their full amount from common equity Tier 1 capital when the CRR is applied in full. According to the CRR transitional guidance, 80 percent of the deduction from CET1 has to be recognized in 2017 (phase-in) and the full deduction has to be recognized from 2018 onward.

By contrast, the comparison of loan loss allowances for **receivables that are past due and not past due** pursuant to article 62 sentence 1 letter d CRR produced a **write-down surplus**. In the DZ BANK banking group, this resulted in a total amount eligible as Tier 2 capital of €514 million as at June 30, 2017 (December 31, 2016: €406 million).

Consequently, the allowances for losses on loans and advances recognized for the IRBA exposures in the central governments and central banks, institutions, corporates, and retail business exposure classes exceeded the expected losses for these exposures.

Other deductions largely result from **prudent valuation**, **intangible assets** including goodwill, **deferred income tax assets**, and **reciprocal cross-holdings**.

Pursuant to article 437 (1) letter b CRR, DZ BANK is obliged to disclose a description of the **main features of the common equity Tier 1, additional Tier 1, and Tier 2 capital instruments issued** in accordance with Implementing Regulation (EU) No. 1423/2013. This description is published in a separate annex on DZ BANK's website in the Investor Relations section under Bondholder Information, subsection Capital Instruments, together with the **full terms and conditions connected with these capital instruments**, whose publication is required pursuant to article 437 (1) letter c CRR.

The reconciliation of equity reported under IFRS with equity reported for companies consolidated for regulatory purposes (Financial Reporting, FINREP) and regulatory own funds (Common Reporting, COREP) as at June 30, 2017 is shown in Fig. 6 below:

FIG. 6 – RECONCILIATION OF EQUITY REPORTED ON THE BALANCE SHEET WITH REGULATORY OWN FUNDS (ARTICLE 437 (1) LETTER C CRR IN CONJUNCTION WITH ANNEX I OF IMPLEMENTING REGULATION (EU) NO. 1423/2013)

€ million	Consolidated balance sheet in accordance with financial reporting (IFRS)	Consolidation/ deconsolidation of entities	Balance sheet according to regulatory scope of consolidation (FINREP)	Regulatory law (COREP)	Reference to fig. 3 – Structure of own funds during transition period
			Jun. 30, 2017		
Assets					
Cash and cash equivalents	12,703	438	13,141	-	
Loans and advances to banks	117,624	368	117,992	-	
Loans and advances to customers	176,048	4,556	180,604	-	
Allowances for losses on loans and advances	-2,651	-106	-2,757	-	
Derivatives used for hedging (positive fair values)	1,434	-5	1,429	-	
Financial assets held for trading	43,851	-220	43,631	-	
Investments	63,285	5,666	68,951	0	
Investments held by insurance companies	93,425	-93,425	0	-	
Property, plant and equipment, and investment property	1,567	-178	1,389	-	
Tax assets	1,153	-348	805	453	
Other assets	5,032	-3,217	1,815	536	
Non-current assets and disposal groups classified as held for sale	157	0	157	-	
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	-270	0	-270	-	
Total assets	**513,358**	**-86,471**	**426,887**	**-**	
Equity and liabilities					
Deposits from banks	131,565	570	132,135	-	
Deposits from customers	129,075	6,129	135,204	-	
Debt certificates issued including bonds	71,296	435	71,731	-	
Derivatives used for hedging (negative fair values)	3,310	0	3,310	-	
Financial liabilities held for trading	52,403	64	52,467	-	
Provisions	3,712	61	3,773	-	
Insurance liabilities	87,430	-87,430	0	-	
Income tax liabilities	746	-348	398	28	
Other liabilities	6,438	-4,942	1,496	-	
Subordinated capital	4,459	82	4,541	-	
Liabilities included in disposal groups classified as held for sale	0	0	0	-	
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	129	0	129	-	
Common equity Tier 1 (CET1) before regulatory adjustments					
Subscribed capital	4,926	0	4,926	4,926	*1*
Capital reserve	5,551	0	5,551	5,551	*1*
Retained earnings	6,927	-333	6,594	6,656	*2/3*
Revaluation reserve	1,270	212	1,482	940	*3*
Cash flow hedge reserve	1	0	1	1	*3*
Currency translation reserve	48	-5	43	43	*3*
Non-controlling interests	2,794	-973	1,821	238	*5*
Unappropriated earnings	430	7	437	230	*5a*
Total common equity Tier 1 (CET1) before regulatory adjustments				**18,585**	**6**

€ million	Consolidated balance sheet in accordance with financial reporting (IFRS)	Consolidation/ deconsolidation of entities	Balance sheet according to regulatory scope of consolidation (FINREP)	Regulatory law (COREP)	Reference to fig. 3 – Structure of own funds during transition period
			Jun. 30, 2017		
Common equity Tier 1 (CET1): regulatory adjustments					
Capital deductions				-	
Intangible assets (negative amount)	-654	-8	-663	-536	*8*
Deferred taxes related to other intangible assets (negative amount)	24	4	28	28	*8*
Deferred tax assets that rely on future profitability, not arising from temporary differences (negative amount)	-26	14	-12	-10	*10*
Deductible deferred tax assets that rely on future profitability, arising from temporary differences (negative amount)	-680	239	-441	-	*21*
Hedge reserve (cash flow hedge reserve)	-	-	-1	-1	*11*
Loan loss allowances resulting from prudent valuation requirements (negative amount)				-297	*7*
Negative amounts resulting from the calculation of expected loss amounts				-102	*12*
Effects resulting from measurement of own liabilities				-5	*14*
Holdings of the CET1 instruments of financial-sector entities where those entities have reciprocal cross-holdings with the institution				-2	*17*
Other capital elements or deductions from common equity Tier 1				-11	*27a*
Adjustments (transitional guidance)				-188	*26a*
Total regulatory adjustments to common equity Tier 1 (CET1)				-1,124	28
Common equity Tier 1 (CET1) after regulatory adjustments:				**17,461**	
Additional Tier 1 capital (AT1) before regulatory adjustments: instruments					
Capital instruments and related share premium accounts	848	0	848	750	*30*
Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1	1,410	0	1,410	1,232	*33*
Non-controlling interests in subsidiaries				-	*33a*
Qualifying Tier 1 capital instruments included in consolidated AT1 capital (including non-controlling interests not included in row 5) issued by subsidiaries and held by third parties				20	*34*
Additional Tier 1 capital (AT1) before regulatory adjustments				**2,002**	**36**
Additional Tier 1 capital (AT1): regulatory adjustments					
Direct and indirect holdings by an institution of its own AT1 instruments (negative amount)	23	-21	2	-65	*37*
Holdings of AT1 instruments of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to artificially inflate the institution's own funds (negative amount)				-	*38*
Direct and indirect holdings by the institution of AT1 capital instruments of financial-sector entities where the institution does not have a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)				-	*39*

€ million	Consolidated balance sheet in accordance with financial reporting (IFRS)	Consolidation/ deconsolidation of entities	Balance sheet according to regulatory scope of consolidation (FINREP)	Regulatory law (COREP)	Reference to fig. 3 – Structure of own funds during transition period
			Jun. 30, 2017		
Direct and indirect holdings by the institution of AT1 capital instruments of financial-sector entities where the institution has a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)				-	40
Regulatory adjustments to additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out pursuant to Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)				-140	41
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)				-	42
Total regulatory adjustments to additional Tier 1 capital (AT1)				-205	43
Additional Tier 1 capital (AT1) after regulatory adjustments:				**1,797**	***44***
Tier 2 capital (T2): instruments and reserves					
Capital instruments and related share premium accounts	4,459	82	4,541	3,558	*46*
Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2				15	*47*
Qualifying own funds instruments in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties				233	*48*
of which: instruments issued by subsidiaries subject to phase out				1	*49*
Credit risk adjustments				514	*50*
Tier 2 capital (T2) before regulatory adjustments				**4,320**	**51**
Tier 2 capital (T2): regulatory adjustments					
Direct and indirect holdings by an institution of its own T2 instruments and subordinated loans (negative amount)				-51	*52*
Holdings of T2 instruments and subordinated loans of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to artificially inflate the institution's own funds (negative amount)				-	*53*
Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial-sector entities where the institution does not have a significant investment in those entities (above 10 percent and net of eligible short positions) (negative amount)				-	*54*
of which: new holdings not subject to transitional arrangements				-	*54a*
of which: holdings existing before January 1, 2013 and subject to transitional arrangements				-	*54b*
Direct and indirect holdings by the institution of T2 instruments and subordinated loans of financial-sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)				-	*55*

€ million	Consolidated balance sheet in accordance with financial reporting (IFRS)	Consolidation/ deconsolidation of entities	Balance sheet according to regulatory scope of consolidation (FINREP)	Regulatory law (COREP)	Reference to fig. 3 – Structure of own funds during transition period
			Jun. 30, 2017		
Regulatory adjustments to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out pursuant to Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)				-1,237	*56*
of which: residual amounts deducted from Tier 2 capital with regard to deduction from common equity Tier 1 capital during the transition period pursuant to article 472 of Regulation (EU) No. 575/2013				-13	*56a*
of which: other capital elements or deductions from Tier 2 capital				-1,224	*56d*
Total regulatory adjustments to Tier 2 capital (T2)				**-1,288**	*57*
Tier 2 capital (T2) after regulatory adjustments				**3,032**	*58*
Equity (IFRS/FINREP)/ own funds (COREP)	**22,795**	**-1,092**	**21,703**	**22,290**	*59*
Total equity and liabilities	**513,358**	**-86,471**	**426,887**	**-**	**-**

The differences between the assets and the equity and liabilities reported in the IFRS consolidated financial statements and the DZ BANK banking group's assets and equity and liabilities under FINREP largely arose from different entities being included in each scope of consolidation and from different consolidation methods.

The difference in the consolidation methods essentially relates to R+V Versicherung, which is consolidated using the equity method in the banking group's financial statements under FINREP but is fully consolidated in the consolidated financial statements. As a result, the figure for non-controlling interests is lower.

The differences between the equity under FINREP and the common equity Tier 1 capital under CRR/ COREP arise solely from the provisions of the CRR. The reconciliation figures shown in Fig. 6 are explained below.

– The **retained earnings** according to FINREP includes the losses arising from revaluation of defined benefit pension plans in an amount of €544 million. Under COREP, in accordance with the transitional guidance as at June 30, 2017, 80 percent of the total volume of this item is recognized in the revaluation reserve.
– Under the CRR transitional provisions as at June 30, 2017, the **revaluation reserve** on equity instruments and debt instruments may only be recognized at 80 percent of the total volume. As a result, an amount of €296 million does not count as common equity Tier 1 capital.
– Furthermore, the CRR provisions state that **cash flow hedge reserves** cannot be recognized as equity, as a result of which the positive amount of €1 million has not been added to common equity Tier 1 capital.
– The additional equity components of €750 million have to be recognized as additional Tier 1 capital (AT1) under COREP.
– The **non-controlling interests** contain further AT1 capital instruments of €1,410 million that, under COREP, have to be shown as additional Tier 1 capital in an amount of €1,232 million according to the transitional guidance.
– The **Tier 2 capital** (T2) mainly consists of subordinated capital instruments. These are reported as subordinated capital under IFRS and as deposits or debt securities, split into 'fair value option', 'held for trading', and 'at amortized cost', under FINREP. The eligibility of the instruments is limited if their term to maturity is less than five years. The reduction, by a total of €735 million, of the amount eligible for regulatory purposes is largely due to this restriction and also to the pro-rata interest reported on the balance sheet.

2.2. Capital requirements

(ARTICLE 438 CRR)

The **DZ BANK banking group's** regulatory **capital requirements** amounted to €10,661 million as at June 30, 2017 (December 31, 2016: €9,477 million).

Fig. 7and fig. 8 show the capital requirements in relation to the risk types of relevance for regulatory purposes (credit risk, market risk, and operational risk). These disclosures cover all the entities consolidated for regulatory purposes in the DZ BANK banking group.

The marked rise in capital requirements compared with December 31, 2016 resulted mainly from the discontinuation of grandfathering arrangements at various long-term equity investments (particularly R+V). With regard to the long-term equity investments acquired as a result of the merger with the former WGZ BANK Group, DZ BANK no longer applies the Standardized Approach to credit risk with 100 percent risk weighting in accordance with the transitional guidance in article 495 CRR, but instead uses the internal-ratings based (IRB) approach pursuant to article 155 (2) CRR with 190 percent and 370 percent risk weightings. Furthermore, DZ BANK has decided to discontinue the grandfathering arrangements in relation to its long-term equity investment in R+V pursuant to article 155 (2) CRR and to apply a 370 percent risk weighting to this entity. The increase in capital requirements can also be attributed to the first-time inclusion of the interest-rate ‘smile’ in the internal market risk modeling.

FIG. 7 – CAPITAL REQUIREMENTS (PART 1)

	Jun. 30, 2017		Dec. 31, 2016	
€ million	Capital requirements	Risk-weighted assets	Capital requirements	Risk-weighted assets
1 Credit risk				
1.1 Standardized Approach to credit risk				
Central governments or central banks	141	1,763	158	1,980
Regional or local authorities	18	228	20	255
Other public-sector entities	8	104	7	89
Multilateral development banks	-	-	-	-
International organizations	-	-	-	-
Institutions	58	728	34	420
Covered bonds	3	40	5	63
Corporates	710	8,870	732	9,156
Retail business	213	2,664	198	2,470
Institutions and entities with short-term credit ratings	0	0	0	1
Exposures collateralized by real estate	204	2,546	89	1,110
Units or shares in collective investment undertakings ('CIUs')	140	1,753	122	1,525
Particularly high-risk exposures	90	1,121	34	420
Other exposures	115	1,444	124	1,553
Exposures in default	20	248	22	278
Total credit risk under the Standardized Approach	**1,721**	**21,508**	**1,545**	**19,318**
1.2 IRB approaches				
Central governments or central banks	109	1,365	87	1,084
Institutions	652	8,149	708	8,848
Corporates	3,238	40,476	3,298	41,229
of which: SMEs	174	2,174	235	2,939
Retail business	1,006	12,575	938	12,291
of which: mortgage-backed	588	7,349	574	7,177
qualified revolving	-	-	-	-
other retail business	418	5,226	409	5,114
Other non-credit-obligation assets	169	2,117	191	2,385
Total under IRB approaches	**5,175**	**64,682**	**5,267**	**65,836**
1.3 Securitizations				
Securitizations under the Standardized Approach to credit risk	271	3,382	349	4,365
of which: re-securitizations	0	1	0	2
Securitizations under IRB approaches	242	3,027	260	3,250
of which: re-securitizations	3	33	32	405
Total securitizations	**513**	**6,409**	**609**	**7,615**
1.4 Long-term equity investments				
Long-term equity investments under IRB approaches	1,599	19,985	88	1,100
of which: internal modeling approach	-	-	-	-
PD/LGD approaches	2	29	2	28
simple risk-weighting approach	1,578	19,730	70	879
of which: exchange-traded equity investments	0	1	0	0
equity investments not exchange-traded, but part of a diversified portfolio	2	25	-	-
other equity investments	1,576	19,704	70	879
Equity investments exempted from IRB approaches and included in Standardized Approach to credit risk	81	1,017	494	6,173
of which: grandfathering	11	134	416	5,194
Total long-term equity investments	**1,680**	**21,002**	**582**	**7,273**
1.5 Exposure amount for contributions to default fund of a central counterparty (CCP)	17	206	18	228
1.6 Credit valuation adjustments (CVA charge)	122	1,525	131	1,641
1.7 Exposure amount for counterparty and settlement risk	0	0	0	2
1.8 Large exposure excess amounts in the trading book	-	-	-	-
Total credit risk	**9,227**	**115,333**	**8,153**	**101,913**

FIG. 8 – CAPITAL REQUIREMENTS (PART 2)

€ million	Jun. 30, 2017		Dec. 31, 2016	
	Capital requirements	Risk-weighted assets	Capital requirements	Risk-weighted assets
2 Market risk				
Standardized approach	122	1,522	128	1,601
of which: trading book risk exposures	12	155	25	310
of which: interest-rate risk	7	97	25	310
of which: general and specific price risk (net interest-rate exposure)	7	97	25	310
of which: specific price risk for securitization exposures in trading book	4	46	10	122
specific price risk in correlation trading portfolio	1	13	1	16
equity risk	0	0	0	1
Special approach for position risk from CIUs	3	39	4	54
currency risk	110	1,374	98	1,222
commodity risk	1	12	1	15
Internal modeling approach	426	5,327	382	4,780
Total market risk	**548**	**6,849**	**510**	**6,381**
3 Operational risk				
Operational risk under Basic Indicator Approach	109	1,366	102	1,270
Operational risk under Standardized Approach	713	8,918	712	8,900
Operational risk under Advanced Measurement Approach (AMA)	-	-	-	-
Total operational risk	**823**	**10,284**	**814**	**10,169**
4 Other				
Additional exposure pursuant to article 3 CRR	64	800	-	-
Total other exposures	**-**	**-**	-	-
Sum total	**10,661**	**133,266**	**9,477**	**118,462**

FIG. 9 – EXPOSURES FOR SPECIALIZED LENDING SUBJECT TO THE SIMPLE RISK-WEIGHTING METHOD (ARTICLE 438 SENTENCE 2 CRR)

Risk weighting (%)	**Exposures**	
€ million	Jun. 30, 2017	Dec. 31, 2016
0	34	50
50	175	137
70	601	617
of which with a residual maturity of less than 2.5 years	515	553
90	1,184	1,162
115	198	200
250	14	14
Total	**2,207**	**2,180**

FIG. 10 – EXPOSURES FOR LONG-TERM EQUITY INVESTMENTS UNDER THE IRB APPROACH USING THE SIMPLE RISK-WEIGHTING METHOD (ARTICLE 438 SENTENCE 2 CRR)

Risk weighting (%)	**Exposures**	
€ million	Jun. 30, 2017	Dec. 31, 2016
190	13	-
290	0	0
370	5,325	238
Other risk weightings	-	-
Total	**5,339**	**238**

Fig. 9 contains the banking group's exposures as at the reporting date for specialized lending using the simple risk-weighting method (article 438 sentence 2 CRR).

In addition, exposures for specialized lending based on the probability of default (PD) and loss given default (LGD) approach – the PD/LGD approach – are presented in Fig. 13.

Fig. 10, however, shows exposures for long-term equity investments under the IRB approach using the simple risk-weighting method.

2.3. Capital ratios

The regulatory capital ratios for the DZ BANK banking group presented below illustrate the relationship between risk-weighted exposures and the regulatory capital components.

FIG. 11 – REGULATORY CAPITAL RATIOS OF THE DZ BANK BANKING GROUP IN ACCORDANCE WITH THE CRR

%	Jun. 30, 2017	Dec. 31, 2016
Total capital ratio	16.7	18.6
Tier 1 capital ratio	14.5	16.0
Common equity Tier 1 capital ratio	13.1	14.5

Applying the CRR transitional provisions and including recognition of the results for the first half of 2017, the capital ratios of the **DZ BANK banking group** had fallen as at June 30, 2017.
The main reason for this reduction is the sharp rise in capital requirements, which is explained in section 2.2. of the regulatory risk report.

2.4. SREP minimum capital requirements

The ECB is using a modified approach to determine the SREP minimum capital requirements for this year. With the additional Pillar 2 capital requirement (Pillar 2 requirement), it is specifying a mandatory add-on that is factored into the basis of calculation for the maximum distributable amount (MDA). The add-on will be determined from the findings of the Supervisory Review and Evaluation Process (SREP). In addition to this mandatory component, there is a recommended own funds amount under Pillar 2 (Pillar 2 guidance), which likewise is determined from the SREP, but unlike the mandatory component relates only to common equity Tier 1 capital. Failure to comply with the own funds guidance under Pillar 2 does not constitute a breach of regulatory capital requirements. Nevertheless, this figure is relevant as an early warning indicator for capital planning.

The mandatory SREP minimum capital requirements for the DZ BANK banking group, and their components, are shown in Fig. 12.

FIG. 12 – SREP MINIMUM REQUIREMENTS

	Jun. 30, 2017
Minimum requirement for common equity Tier 1 capital	4.50%
Additional Pillar 2 capital requirement	1.75%
Capital conservation buffer	1.25%
Countercyclical capital buffer	0.02%
O-SII buffer	0.33%
Mandatory minimum requirement for common equity Tier 1 capital	**7.85%**
Minimum requirement for additional Tier 1 capital	1.50%
Mandatory minimum requirement for Tier 1 capital	**9.35%**
Minimum requirement for Tier 2 capital	2.00%
Mandatory minimum requirement for total capital	**11.35%**

In the first half of 2017, the group complied both with the mandatory capital requirements and with the guidance under Pillar 2.

2.5. Financial conglomerate solvency

Financial conglomerate solvency is reported to the regulatory authority annually. Consequently, solvency ratios for the DZ BANK financial conglomerate as at June 30, 2017 have not been disclosed.

The solvency ratios as at December 31, 2016 were finalized in the first half of this year.
The DZ BANK financial conglomerate's eligible own funds as at December 31, 2016 amounted to €26,368 million (provisional figure given in the 2016 regulatory risk report: €25,637 million). On the other side of the ratio, the solvency requirement was €14,624 million (provisional figure given in the 2016 regulatory risk report: €14,358 million). This gives a coverage ratio of 180.3 percent (provisional figure given in the 2016 regulatory risk report: 178.6 percent), which is significantly in excess of the regulatory minimum requirement of 100 percent.

3. Credit risk

This part of the report presents the IRBA lending volumes for borrowers and transactions that are classified on the basis of internal credit ratings.

3.1. Exposure broken down by PD category (excluding retail) under the foundation IRB approach

(ARTICLE 452 SENTENCE 1 LETTER D CRR)

Fig. 13 shows the following key figures:

- The total exposures and, in particular, the exposures relating to unutilized loan commitments
- The average risk weightings weighted according to their exposures.

The disclosures are based on the IRBA exposure classes (central governments or central banks, institutions, corporates, and long-term equity investments) and are also broken down by the investment grade, non-investment grade, and default risk categories. The exposure for undrawn credit lines is calculated by applying the credit conversion factors to the carrying amount. The average risk weightings reveal borrowers' credit ratings and the extent to which transactions are collateralized.

FIG. 13 – LENDING VOLUME BROKEN DOWN BY PD CATEGORY (EXCLUDING RETAIL) UNDER THE FOUNDATION IRB APPROACH

€ million	Investment grade (PD ≤ 0.5%)			Non-investment grade (0.5% < PD ≤ 30%)			Default (PD = 100%)			Total		
	Exposures		Average risk weighting (%)	Exposures		Average risk weighting (%)	Exposures		Average risk weighting (%)	Exposures		Average risk weighting (%)
Exposure class	Total	of which: undrawn loan commitments		Total	of which: undrawn loan commitments		Total	of which: undrawn loan commitments		Total	of which: undrawn loan commitments	
Central governments and central banks	14,270	32	0.12	607	15	1.85	-	-	-	14,877	47	-
Institutions	31,063	128	0.77	1,346	22	24.56	89	-	-	32,498	150	-
Corporates	57,084	9,421	3.36	11,740	2,643	28.90	1,693	28	-	70,517	12,092	-
of which: SMEs	6,279	604	0.86	1,066	148	48.77	93	2	-	7,438	754	-
Specialized lending	17,680	2,370	10.27	3,546	450	1.85	588	3	-	21,813	2,823	-
Receivables purchased	110	-	0.27	17	-	1.75	-	-	-	127	0	-
Long-term equity investments	24		0.09	1		5.57	0		-	25		-
Total as at Jun. 30, 2017	**102,441**	**9,580**		**13,695**	**2,681**		**1,782**	**28**		**117,917**	**12,289**	
Total as at Dec. 31, 2016	99,614	10,146		12,966	2,630		1,980	51		114,560	12,827	

3.2. Exposure broken down by PD category (excluding retail) under the advanced IRB approach

(ARTICLE 452 SENTENCE 1 LETTER E CRR)

Fig. 14 comprises the following disclosures:

- The sum total of unutilized loan commitments, which is presented as the carrying amount of undrawn loan commitments shown on the balance sheet
- The total exposures and, in particular, the exposures relating to unutilized loan commitments
- The average exposure for undrawn loan commitments
- The average risk weightings weighted according to their exposures
- The average LGD.

The disclosures are again broken down according to the above IRBA exposure classes and by risk category.

FIG. 14 – EXPOSURE BROKEN DOWN BY PD CATEGORY (EXCLUDING RETAIL) UNDER THE ADVANCED IRB APPROACH

Exposure class	Investment grade						Non-investment grade					
	Total undrawn loan commitments	**Exposures**				**Average risk weighting (%)**	**Total undrawn loan commitments**	**Exposures**				**Average risk weighting (%)**
€ million		Total	of which: undrawn loan commitments	Average exposure (%)	Average LGD (%)			Total	of which: undrawn loan commitments	Average exposure (%)	Average LGD (%)	
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	969	-	-	81.00	26.00	-	-	-	-	-	-
Corporates	343	5,956	343	100.00	5.66	6.85	541	14,696	541	100.00	5.78	25.83
Long-term equity investments		-			-	-		-			-	-
Total as at Jun. 30, 2017	**343**	**6,925**	**343**				**541**	**14,696**	**541**			
Total as at Dec. 31, 2016	382	8,829	382				937	16,778	937			

Exposure class	Default						Total					
	Total undrawn loan commitments	**Exposures**				**Average risk weighting (%)**	**Total undrawn loan commitments**	**Exposures**				**Average risk weighting (%)**
€ million		Total	of which: undrawn loan commitments	Average exposure (%)	Average LGD (%)			Total	of which: undrawn loan commitments	Average exposure (%)	Average LGD (%)	
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	969	-	-	81.00	26.00
Corporates	3	2,343	3	100.00	32.26	-	886	22,994	886	100.00	8.45	18.28
Long-term equity investments		-			-	-		-			-	-
Total as at Jun. 30, 2017	**3**	**2,343**	**3**				**886**	**23,963**	**886**			
Total as at Dec. 31, 2016	14	2,195	14				1,334	27,802	1,334			

3.3. Loan utilizations and loan commitments for retail portfolios – EL-based retail IRB approach

(ARTICLE 452 SENTENCE 1 LETTERS E AND F CRR)

Fig. 15 shows the total exposures for the IRBA retail business exposure class broken down in each case by risk category.

The expected loss (EL) categories reflect the range of the expected loss in basis points (bp).

FIG. 15 – LOAN UTILIZATIONS AND LOAN COMMITMENTS FOR RETAIL PORTFOLIOS – EL-BASED RETAIL IRB APPROACH

€ million	Exposure for EL category 1 (EL = 0 to 30bp)		Exposure for EL category 2 (EL = 31 to 70bp)	
Exposure class	**Jun. 30, 2017**	Dec. 31, 2016	**Jun. 30, 2017**	Dec. 31, 2016
Mortgage-backed retail IRBA receivables	45,983	45,112	3,133	3,227
Qualified revolving retail IRBA receivables	-	-	-	-
Other retail IRBA receivables	8,528	8,400	3,417	3,090
Total	**54,511**	53,512	**6,550**	6,317

€ million	Exposure for EL category 3 (EL > 70bp)		Total	
Exposure class	**Jun. 30, 2017**	**Dec. 31, 2016**	**Jun. 30, 2017**	**Dec. 31, 2016**
Mortgage-backed retail IRBA receivables	2,596	2,755	51,712	51,094
Qualified revolving retail IRBA receivables	-	-	-	-
Other retail IRBA receivables	2,934	3,214	14,880	14,704
Total	**5,530**	5,969	**66,592**	65,798

4. Leverage ratio (LR)

4.1. Leverage ratio pursuant to the CRR framework

(ARTICLE 451 (1) LETTERS A, B, C, D, AND E CRR)

The leverage ratio shows the ratio of a banking group's or bank's Tier 1 capital to its total exposure measure and thus represents an additional, non-risk-weighted capital ratio.

In contrast to risk-based capital requirements for which the assumptions are derived from models, the individual exposures in the leverage ratio are not given their own risk weighting but are generally included in the total exposure without a weighting. The aim is to limit leverage in the banking industry. A low leverage ratio therefore indicates a high level of debt in relation to Tier 1 capital.
The leverage ratio for institutions and banking groups is expected to amount to at least 3 percent from January 1, 2019.

Disclosure is based on Delegated Regulation (EU) No. 2015/62 and Implementing Regulation (EU) No. 2016/200 and has been carried out at consolidated level.

The **DZ BANK banking group's leverage ratio** pursuant to the CRR transitional guidance was 4.37 percent as at June 30, 2017 (December 31, 2016: 4.37 percent). Applying the CRR in full, the ratio was 4.11 percent (December 31, 2016: 4.11 percent).

Fig. 16 shows a reconciliation of the total assets of the DZ BANK Group to the leverage ratio total exposure measure of the DZ BANK banking group.

FIG. 16 – SUMMARY RECONCILIATION OF BALANCE SHEET LINE ITEMS TO LEVERAGE RATIO EXPOSURES

Summary reconciliation of total assets and total exposure measure		Applicable amounts	
€ million		Jun. 30, 2017	Dec. 31, 2016
1	Total assets as per published financial statements	513,358	509,447
2	Adjustment for entities that are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-86,471	-83,537
3	(Adjustment for trust assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with article 429 (13) of Regulation (EU) No. 575/2013)	-	-
4	Adjustment for derivatives	-12,343	-16,170
5	Adjustment for securities financing transactions (SFTs)	299	207
6	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	26,843	27,714
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (7) of Regulation (EU) No. 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (14) of Regulation (EU) No. 575/2013)	-	-
7	Other adjustments	-1,066	-2,768
8	**Leverage ratio total exposure measure**	**440,621**	434,893

Fig. 17 shows individual components of the total exposure measure, Tier 1 capital, and the DZ BANK banking group's resulting leverage ratio as at June 30, 2017, applying the CRR transitional guidance.

FIG. 17 – LEVERAGE RATIO COMMON DISCLOSURE

€ million

Leverage ratio exposures		Jun. 30, 2017	Dec. 31, 2016
On-balance-sheet exposures (excluding derivatives and SFTs)			
1	On-balance-sheet items (excluding derivatives, SFTs, and trust assets but including collateral)	392,929	385,359
2	(Asset amounts deducted in determining Tier 1 capital)	-766	-1,112
3	**Total on-balance-sheet exposures (excluding derivatives, SFTs, and trust assets) (sum of lines 1 and 2)**	**392,163**	384,247
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7,491	8,682
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	9,097	8,980
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-6,871	-7,675
8	(Exempted CCP leg of client-cleared SFT exposure)	-1,662	-979
9	Adjusted effective notional amount of written credit derivatives	18,344	19,578
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-13,789	-14,514
11	**Total derivatives exposures (sum of lines 4 to 10)**	**12,611**	14,072
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	13,230	13,561
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	-
14	Counterparty credit risk exposure for SFT assets	328	363
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with articles 429b (4) and 222 of Regulation (EU) No. 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**13,559**	13,924
Other off-balance-sheet exposures			
17	Off-balance-sheet exposures at gross notional amount	59,219	60,449
18	(Adjustments for conversion to credit equivalent amounts)	-36,931	-37,799
19	Other off-balance-sheet exposures (sum of lines 17 and 18)	**22,288**	22,650
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-	-
EU-19b	Exempted exposures in accordance with article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)	-	-
Capital and total exposure measure			
20	Tier 1 capital	19,258	18,989
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a, and EU-19b)	**440,621**	434,893
Leverage ratio			
22	Leverage ratio according to CRR transitional guidance (%)	**4.37**	4.37
Choice of transitional guidance and amount of derecognized trust items			
EU-23	Choice of transitional guidance for the definition of the capital measure	**Transitional guidance**	
EU-24	Amount of derecognized trust assets in accordance with article 429 (13) of Regulation (EU) No. 575/2013	-	-

Fig. 18 shows the leverage ratio both applying the transitional guidance and applying the CRR in full.

FIG. 18 – DISCLOSURE OF LEVERAGE RATIO PURSUANT TO DELEGATED ACT

€ million	Jun. 30, 2017		Dec. 31, 2016	
Choice of transitional arrangements				
Choice of transitional arrangements for the definition of the capital measure	**Transitional arrangements**	**Full application of CRR**	Transitional arrangements	Full application of CRR
Tier 1 capital and total exposure				
Tier 1 capital	19,258	18,122	18,989	17,876
Total exposure	440,621	440,605	434,893	435,313
Leverage ratio				
Leverage ratio (%)	4.37	4.11	4.37	4.11

Fig. 19 provides an alternative breakdown by regulatory category of the exposures reported on the balance sheet.

FIG. 19 – BREAKDOWN OF ON-BALANCE-SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

€ million	Leverage ratio exposures		Jun. 30, 2017	Dec. 31, 2016
EU-1	**Total on-balance-sheet exposures (excluding derivatives, SFTs, and exempted exposures)**		**392,929**	**385,359**
EU-2	of which:	Trading book exposures	**13,041**	11,662
EU-3		Banking book exposures	**379,889**	373,697
EU-4	of which:	Covered bonds	**9,742**	8,860
EU-5		Exposures treated as sovereigns	**104,715**	95,983
EU-6		Exposures to regional governments, multilateral development banks, international organizations, and public-sector entities not treated as sovereigns	**1,379**	1,280
EU-7		Institutions	**88,489**	90,533
EU-8		Secured by mortgages on real estate	**71,915**	59,398
EU-9		Retail exposures	**19,201**	19,103
EU-10		Corporates	**64,418**	78,043
EU-11		Exposures in default	**3,428**	3,549
EU-12		Other exposures (e.g. long-term equity investments, securitizations, and other non-credit-obligation assets)	**16,601**	16,948

4.2. Process for managing the risk of excessive leverage

(ARTICLE 451 SENTENCE 1 LETTER D CRR)

In the strategic planning process, the Board of Managing Directors sets out the bank's overall strategy and the allocation of resources for the individual management units. Within these guidelines, the Asset Liability Committee/Treasury and Capital Committee operates with the aim of monitoring the optimization of resource efficiency during the year. To do so, it carries out detailed plan-versus-actual analysis for all relevant management units to determine where the actual resource situation has deviated from the original projection and highlights the factors driving these deviations. In its management role, the Asset Liability Committee/Treasury and Capital Committee identifies the action required and instigates mitigation steps or optimization measures. These tasks either are accomplished by means of a direct decision or a recommendation is made and, where necessary, the matter is referred to the Board of Managing Directors.

4.3. Description of the factors influencing the leverage ratio

(ARTICLE 451 SENTENCE 1 LETTER E CRR)

The leverage ratio as at June 30, 2017 was unchanged compared with December 31, 2016, both applying the CRR transitional guidance and applying the CRR in full.

However, countervailing effects arose: Tier 1 capital pursuant to the CRR transitional guidance rose by €269 million, from €18,989 million as at December 31, 2016 to €19,258 million as at June 30, 2017.

The main factors influencing the change in Tier 1 capital are presented in section 2.1. of this report.

The total exposure also increased, by €5,728 million, from €434,893 million as at December 31, 2016 to €440,621 million as at June 30, 2017.

The larger total exposure was primarily due to a rise in on-balance-sheet business focusing on the governments and central banks exposure class.

The following balance sheet assets, which DZ BANK believes should be exempted from the leverage ratio, represent a material proportion of the leverage ratio total risk exposure:

– **Pass-through development loans:** As they are passed through various institutions, development loans are weighted more than once in Germany in the context of the leverage ratio. This involvement of different institutions (including central institutions) is essential in multilevel banking systems, not only for reasons of efficiency but also to ensure that development funds are provided throughout the country. Multiple counting of one transaction obviously conflicts with the government's desire to provide development support, such as for renewable energies. Both trust loans and pass-through loans merely constitute transactions that are redirected to the primary institutions of a financial network, which disburse the development loans to end customers. An exemption, which would mitigate the described restrictive effects and has already been included in the most recent draft of CRR II (expected to come into force at the end of 2019 at the earliest), would change the leverage ratio as shown in Fig. 20.

FIG. 20 – CHANGE TO THE LEVERAGE RATIO IF PASS-THROUGH DEVELOPMENT LOANS ARE EXCLUDED

Leverage ratio of the DZ BANK banking group	Application of transitional guidance		Full application of CRR	
%	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Pursuant to the delegated act	**4.37**	4.37	**4.11**	4.11
If pass-through development loans are excluded	**4.91**	4.89	**4.62**	4.60
Change	**0.54**	0.52	**0.51**	0.49

– **Exposures within the cooperative financial network that are exempt from inclusion in risk-based capital requirements pursuant to article 113 (7) CRR**: In the interest of consistency between risk-based capital requirements and the leverage ratio – with the exception of items that by definition differ between these capital ratios (e.g. external credit ratings and internal valuation-model approaches) – these exposures should also be omitted from the leverage ratio. An exception would raise the leverage ratio – both applying the transitional guidance and applying the CRR in full – as shown in Fig. 21 below.

FIG. 21 – CHANGE TO THE LEVERAGE RATIO IF EXPOSURES WITHIN THE COOPERATIVE FINANCIAL NETWORK ARE EXCLUDED

Leverage ratio of the DZ BANK banking group	Application of transitional guidance		Full application of CRR	
%	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Pursuant to the delegated act	**4.37**	4.37	**4.11**	4.11
If exposures within the cooperative financial network are excluded	**5.32**	5.33	**5.01**	5.01
Change	**0.95**	0.96	**0.90**	0.90

Given the significant overlap between the two aforementioned exemptions (a very high proportion of the loans and advances in the pass-through development lending business are due from the Volksbanken Raiffeisenbanken cooperative financial network), the combined effect of the two items on the leverage ratio would be as shown in Fig. 22.

FIG. 22 – CHANGE TO THE LEVERAGE RATIO IF THE EXCLUSIONS IN FIG. 21 AND FIG. 22 ARE APPLIED CUMULATIVELY

Leverage ratio of the DZ BANK banking group	Application of transitional guidance		Full application of CRR	
%	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2017	Dec. 31, 2016
Pursuant to the delegated act	4.37	4.37	4.11	4.11
Cumulative effect of applying the exclusions in fig. 21 and fig. 22	5.32	5.33	5.01	5.01
Change	0.95	0.96	0.90	0.90

5. Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) for the DZ BANK banking group calculated in accordance with Delegated Regulation No. 2015/61 as at June 30, 2017 is shown in fig. 23.

FIG. 23 – LIQUIDITY COVERAGE RATIO OF THE BANKING GROUP

€ million	**Jun. 30, 2017**	Dec. 31, 2016
Total liquid assets	**75,529**	67,782
Total net cash outflows	**56,012**	44,896
Liquidity coverage ratio (%)	**134.8**	151.0

In the reporting period, the regulatory minimum requirement for the LCR of 80 percent was significantly exceeded on every reporting date at the level of the DZ BANK banking group.

6. Annex 1: Structure of own funds during transition period – column b

FIG. 24 – SUPPLEMENT TO FIG. 3, COLUMN B: REFERENCE TO ARTICLES IN THE CRR (ACCORDING TO ANNEX VI OF IMPLEMENTING REGULATION (EU) NO. 1423/2013)

Line	(B) Reference to CRR article
1	26 (1), 27, 28, 29 EBA list 26 (3)
1a	EBA list 26 (3)
1b	EBA list 26 (3)
1c	EBA list 26 (3)
2	26 (1) (c)
3	26 (1)
3a	26 (1) (f)
4	486 (2)
4a	483 (2)
5	84, 479, 480
5a	26 (2)
6	●
7	34, 105
8	36 (1) (b), 37, 472 (4)
9	●
10	36 (1) (c), 38, 472 (5)
11	33 (a)
12	36 (1) (d), 40, 159, 472 (6)
13	32 (1)
14	33 (1) (b)
15	36 (1) (e), 41, 472 (7)
16	36 (1) (f), 42, 472 (8)
17	36 (1) (g), 44, 472 (9)
18	36 (1) (h), 43, 45, 46, 49 (2) and (3), 79, 472 (10)
19	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 471 (11)
20	●
20a	36 (1) (k)
20b	36 (1) (k) (i), 89, 91
20c	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	36 (1) (k) (iii), 379 (3)
21	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	48 (1)
23	36 (1) (i), 48 (1) (b), 470, 472 (11)
24	●
25	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	36 (1) (a), 472 (2)
25b	36 (1) (l)
26	●
26a	467, 468
26a.1	467
26a.2	468
26b	481
27	36 (1) (j)
27a	●
28	●
29	●
30	51, 52
31	●
32	●
33	486 (3)
33a	85, 86, 480
34	85, 86, 480
35	486 (3)
36	●
37	52 (1) (b), 56 (a), 57, 475 (2)
38	56 (b), 58, 475 (3)
39	56 (c), 59, 60, 79, 475 (4)
40	56 (d), 59, 79, 475 (4)
41	●
41a	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
41a.1	472 (3) (a)
41a.2	472 (4)
41a.3	472 (6)
41a.4	472 (8) (a)
41a.5	472 (9)
41a.6	472 (10)
41a.7	472 (11)
41b	477, 477 (3), 477 (4) (a)
41b.1	●
41b.2	●
41c	467, 468, 481
41c.1	467
41c.2	468
41c.3	481
42	56 (e)
43	●
44	●
45	●
46	62, 63
47	486 (4)
48	87, 88
49	486 (4)
50	62 (c) and (d)
51	●
52	63 (b) (i), 66 (a), 67, 477 (2)
53	66 (b), 68, 477 (3)
54	66 (c), 69, 70, 79, 477 (4)
54a	●
54b	●
55	66 (d), 69, 79, 477 (4)
56	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (19) (a), 472 (11) (a)
56a	●
56a.1	●
56a.2	●
56a.3	●
56b	475, 475 (2) (a), 475 (3), 475 (4) (a)
56b.1	●
56b.2	●
56c	467, 468, 481
56c.1	467
56c.2	468
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58	●
59	●
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