Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

GERMANY

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FRANKFURT
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SWITZERLAND

SINGAPORE

LUXEMBOURG

FINANCIAL STATEMENTS AND OPERATIONS REPORT – 2014

DZ PRIVATBANK

CONTENTS

REPORT OF THE SUPERVISORY BOARD

In 2014, the Supervisory Board, and Presidential Committee appointed by it, advised and supervised the members of the Board of Management in accordance with legal requirements and the provisions of the Articles of Association. Decisions on the transactions presented for their approval were also made.

COOPERATION WITH BOARD OF MANAGEMENT

The Board of Management reported regularly, promptly and extensively in verbal and written form to the Supervisory Board regarding the position and performance of the Company and the Group regarding day-to-day business. Furthermore, the Board of Management informed the Supervisory Board on a regular basis concerning the future business policy, including the strategic and organisational direction of DZ PRIVATBANK. The commercial position of the Company, the corporate planning and strategy, as well as key financial data and risk management, were highlighted in the reporting.

The Supervisory Board's activities focused particularly on supporting the scheduled continued change of the business model and developing the sectors of private banking, loans and fund services. In particular, the progress of the private banking market initiative in Germany under the brand “VR-PrivateBanking” and the expansion of subsidiary market entry with cooperative banks in Germany were discussed and approved by the Supervisory Board. On the basis of the successful subsidiary cooperation with the cooperative partner banks thus far, sales activities have been intenisified.

The Supervisory Board held intensive discussions with the Board of Management over the challenging business environment in which profits had not met expectations. In 2014, the European debt crisis, geopolitical trouble spots, global weakening of the momentum for growth, and the interest rate policy of the European Central Bank had major repercussions on the movements of the financial markets and client behaviour. The Supervisory Board also dealt in detail with the effects of persistently low interest rates in the capital markets and of regulations at all locations on the growth of business activities, in addition to the profit situation during the financial year.

The actions undertaken to improve the structure and management of the Group, and a raft of measures to increase profitability, reflect these developments. The associated aims are to pool forces and increase synergies with even stronger common growth across four countries and twelve locations. In future, major production areas are to be centralised, particularly at the head office in Luxembourg. Sales activities are to be decentralised and bolstered on the basis of targets and potential. With this decision, the Supervisory Board expects the first gains in effectiveness and efficiency to soon have a positive impact on the results. The resulting investments in infrastructure and resources are still intended to expand the market share of the cooperative financial network in the target customer segment of high-net-worth private clients and companies. The Supervisory Board welcomed and supported the measures taken.

DRAWING UP OF THE ANNUAL FINANCIAL STATEMENTS

The Presidential Committee and the Supervisory Board discussed in detail the annual financial statements and the operations report for the 2014 financial year. The audit report of Ernst & Young S. A. was also available. Representatives of the auditors attended the meeting of the Presidential Committee, at which the annual financial statements were discussed. They reported extensively on the results of the audit and were available to give additional explanations and opinions. The auditor issued an unreserved audit report.

The Supervisory Board did not raise any objections to the annual financial statements drawn up by the Board of Management for the 2014 financial year and endorsed the auditor's report. There are plans to continue increasing the reserves and to distribute a dividend of two euros per share to the shareholders.

The Supervisory Board thanked the Board of Management and all the employees of DZ PRIVATBANK S. A. for their work in 2014.

Luxembourg, 20 February 2015

DZ PRIVATBANK S. A.
Lars Hille
Chairman of the Supervisory Board

OPERATIONS REPORT

GENERAL PERFORMANCE

DZ PRIVATBANK S. A. reported earnings after taxes of EUR 45.5 million for the 2014 financial year. The result is still considered satisfactory given the persistently difficult economic environment on the one hand, and the ongoing reorganisation of the Bank's business model, on the other hand. The total assets fell by EUR 0.8 billion, as the result of a further scheduled reduction in risk assets and the market situation, amounting to EUR 13.0 billion as at 31 December 2014.

ASSETS

Amounts due from banks totalled EUR 2.6 billion (2013: EUR 3.3 billion), with EUR 0.8 billion (2013: EUR 0.7 billion) originating from currency loans to cooperative banks.

Loans and advances to customers decreased to EUR 5.7 billion (2013: EUR 6.2 billion).
EUR 5.4 billion (2013: EUR 5.8 billion) originated from customer loans guaranteed by local cooperative banks (LuxCredit).

Investments in securities rose by EUR 0.3 billion to EUR 4.0 billion; these included EUR 2.3 billion with banks, particularly Pfandbriefe (mortgage bonds), and EUR 1.5 billion with public bodies. 88.6 % of fixed-income securities originated from certificates eligible for refinancing with the European Central Bank.

LIABILITIES

Securitised liabilities fell by EUR 0.1 billion to EUR 3.3 billion. As at the balance sheet date, amounts due to banks decreased by EUR 0.5 billion to EUR 3.1 billion.

Total assets fell by EUR 0.3 billion to EUR 5.5 billion. These included deposits from legal entities amounting to EUR 3.8 billion and deposits from natural persons amounting to EUR 1.7 billion. Together with securitised liabilities, these deposits represent 68 % of the total refinancing funds.

The appeal of cooperative private banking was also confirmed in 2014 by the fact that a gross amount of EUR 2.9 billion in new funds was posted across all locations. This successful growth is mainly down to close subsidiary collaboration in the cooperative financial network. Subsequently, the DZ PRIVATBANK assets under management rose to EUR 14.2 billion (2013: EUR 13.5 billion), offsetting the regulated outflows to foreign locations.

According to the calculation regulations of the Luxembourg solvency guidelines, the Bank held equity capital totalling EUR 743 million. The equity-to-capital ratio of DZ PRIVATBANK S. A. as at the balance sheet date was significantly higher at 23.8 % than the statutory prescribed minimum standard of 8 % in relation to the risks assumed. Through the addition of collective general valuation adjustments of EUR 11.5 million, the tier 1 capital was further strengthened by EUR 8.1 million. In the current financial year, the bank continued its policy of regorously optimising and managing risk positions.

DZ PRIVATBANK S. A. is a member of the protection scheme of the German Volksbanken Raiffeisenbanken cooperative financial network e. V. (BVR). In the current financial year, the Bank provided EUR 3.0 million (2013: EUR 4.0 million) in reserves for the Luxembourg deposit guarantee system (AGDL). The total reserves for AGDL therefore stand at EUR 7.0 million. The Bank has therefore fulfilled the minimum specifications of the Luxembourg regulatory authority (CSSF), which requires reserves of one percent of the deposits secured by AGDL.

PROFIT AND LOSS ACCOUNT

The interest income dropped by 14.4% to EUR 81.5 million (2013: EUR 95.2 million) following the decrease in the interest rates, reduced risk margins and the limited availability of market opportunities. The expiry of high-interest securities also had a burdening effect.

As regards commissions, the 4.6% decrease to EUR 129.0 million (2013: EUR 135.3 million) is significant, despite a higher business volume resulting from the structural change of the private banking business combined with continuous pressure on margins. Commissions for fund services increased in the course of the further expansion of business activities. EUR 76 million was paid in commissions and bonuses to cooperative banks.

Out of financial transaction income of EUR 17.0 million (2013: EUR 17.9 million), EUR 10.5 million mainly resulted from disposals of securities held as liquidity reserves and from currency brokerage.

Through further investment in expanding market business structures and compliance with increasing supervisory requirements, general administrative expenses (excluding depreciation of tangible fixed assets) saw an increase of around EUR 147.0 million (2013: EUR 143.2 million). General administrative expenditure rose by EUR 3.9 million to EUR 54.5 million (2013: EUR 50.6 million). Personnel expenses remained steady at EUR 92.5 million (2013: EUR 92.7 million).

In the 2013 financial year, the depreciation period on acquired customer bases was shortened from 10 to 5 years and the proportional depreciation of the previous years was offset. This led to a 21.6% reduction in depreciation of EUR 16.2 million during the reporting year, compared to the previous year.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND APPROPRIATION OF PROFIT

The Board of Management suggested that the Ordinary General Meeting approve the annual financial statements and, as in the previous year, distribute a dividend of two euros per share to the shareholders from the previous year's profit (EUR 45.5 million).

STAFF

On the balance sheet date, the Bank had 850 employees, 778 of which were full-time staff.

RISK MANAGEMENT SYSTEM

An important feature of banking control is to ensure an effective system of risk management, which is the precondition for quantifying and controlling market and default risk, while at the same time enabling business opportunities to be seized. This should be regarded in particular against the backdrop of overlapping operations, sophisticated products and multi-layered risk factors.

The methods and procedures used within the risk management system and the stages of the process for identifying, quantifying, analysing, monitoring and controlling risk are regularly updated and improved. The Bank has an integrated risk-monitoring and control system to accomplish these tasks. All the risk limits and the Bank's ability to bear risk are monitored at fixed intervals and the Bank's risk strategy is adjusted when necessary.

Functioning independently, the Risk Control Department continuously ensures that all the measured risks remain within the limits approved by the Supervisory Board. All forms of risk are monitored and aggregated daily throughout the entire Bank and at Group level. All relevant committees and departments are kept up to date regarding the Bank's risk situation.

In addition to the balance sheet assets and liabilities, the Bank also uses derivative financial instruments to control risk. These essentially comprise currency and interest futures transactions. Apart from controlling assets and liabilities, these instruments are also used, to a very limited extent, for trading. All these instruments are taken into account in full when controlling and monitoring market price, default and liquidity risks.

Over the past year, the Bank complied, without exception, with the supervisory regulations relating to equity capital cover, liquidity and credit limits. It has made all the necessary preparations in order to comply with the requirements pertaining to Basel III/CRD4.

OUTLOOK

No significant events relating to the 2014 financial year occurred after the balance sheet date.

In the light of completely different growth expectations in the key economic regions, DZ PRIVATBANK is entering the new financial year with cautious optimism. The economic indicators in the opportunities and risks section do not provid consistent signals. The low oil price sparked mixed feelings in the financial markets. On the one hand, the slump in prices implies major risks for the economies and stability of oil-producing countries, but on the other hand a sustained low price of crude oil would have a positive effect on the economic growth of buyer countries. Given that low crude oil prices push prices down and are likely to intensify the deflation debate, the European Central Bank views the development in oil price with concern. Global economic growth should accelerate slightly in 2015, although the rate of growth in the traditional economic regions should be noticeable only in the USA. In Japan and the eurozone, a moderate economic recovery is likely. in the eurozone, further growth stimulus is expected among the former crisis countries, which are now reaping the rewards of the restructuring measures.

The mood among investors is subdued in the face of the tense geopolitical situation and the concern of another flare-up of the euro crisis. It remains to be seen to what extent the investors again cast aside their risk aversion following poor returns on financial investments and debt instruments and take on further commitments in shares. Without noticeable reductions in the high liquidity resources in riskier investment forms, only slight growth momentum for commission income is expected.

The Swiss National Bank's abandonment of the minimum rate and introduction of negative interest rates caused surprise in the currency markets, and the effect of this on the capital markets remains to be seen. The Swiss economy is therefore facing new challenges, which our subsidiaries in Zurich will also confront.

Regulatory expenses will also impact business operations in the current year. The actions already undertaken in 2014 to improve the structure and management of the Group, and a raft of measures to increase profitability, reflect these developments.

In the private banking sector, DZ PRIVATBANK continues to embrace its subsidiary growth strategy. The broader and deeper collaboration with cooperative banks in Germany is at the heart of the activities. Expanding the common customer base and business volumes in the target customer segment of high-net-worth private clients, companies and institutional asset holders such as foundations and family offices should contribute to offsetting the development of margins in the current interest rate environment. In a DZ PRIVATBANK satisfaction survey on private banking, roughly 70 % of cooperative banks indicated that the private banking sector is today either important, or very important. 83 % consider that it will grow further in significance, and 73 % of the banks surveyed which are currently very or extremely satisfied with the partnership with DZ PRIVATBANK, stated that conditions are ripe for the overall market share of cooperative private banking to grow further. To this end, DZ PRIVATBANK will continually strive to improve sales and processing for greater efficiency and integration of processes.

Various independent auditing bodies have stated that for 2015, DZ PRIVATBANK has made lasting improvements to its "local, national and international" competences. As a result, it is among the qualitively superior private banks/asset managers in German-speaking areas.

In 2015, lending operations continue to focus on foreign currency lending through LuxCredit, although the demand for classic foreign currency loans in Swiss francs is due to recede owing to recent developments in the currency market. The euro and other currencies are thus taking centre stage in relation to sales activities. With the wide-ranging offering of international currencies such as the US dollar as the most important export currency, the Russian rouble, the Japanese yen or the Chinese yuan, corporate customers of cooperative banks can, with the help of LuxCredit, achieve simple, flexible and cost-effective security from an amount of EUR 50,000 against exchange rate risk when investing abroad or financing exports.

The customers of ooperative banks benefit particularly from the flexibility of short-term and variable product variants. For foreign currency transactions, various reporting requirements under the European Market Infrastructure Regulation (EMIR) are leading to high consultation and documentation costs. LuxCredit is a cost-effective and flexible alternative to this, owing to its low administrative expenses.

In 2015, the fund services market sector is aiming for further profitable growth on the basis of DZ PRIVATBANK's solid competitive standing. This has been steadily built up over previous years with extensive fund services and the technical expertise recognised across the market among companies in the cooperative financial network, as well as by banks and independent asset managers. The intensive collaboration with Union Investment is reflected for example in the broad awareness of the custodian bank function, and also extends to monitoring and supporting their international growth strategy.

In the third-party fund segment, DZ PRIVATBANK, together with its IPConcept subsidiaries in Luxembourg and Switzerland, is planning to further expand market leadership in its core German-speaking markets. By constantly improving their procedures, modern and powerful IT infrastructure and the skills of their employees, customised service packages are offered across the entire value-added fund management chain, providing demanding fund initiators with major added value. In 2015, the central challenge remains the adaptation to new regulatory conditions. The reform of the European Directive on publicly offered funds (UCITS V), which should be in force until March 2016, is central to this. In addition, the updated rules for markets in financial instruments (MiFID II) are important in terms of its aim for increased market transparency, investor protection and harmonisation across the EU in the oversight of financial service companies.

The Board of Management would like to thank all employees for their dedication and the corporate success achieved together in 2014; its thanks also go to the cooperative banks, as well as the private and institutional customers, for their trust.

Luxembourg, 20 February 2015

The Board of Management

Dr Stefan Schwab
Dr Bernhard Früh

Ralf Bringmann
Richard Manger

Dr Frank Müller

ANNUAL FINANCIAL STATEMENTS

Balance sheet as at 31 December 2014

ASSETS

	EUR	31/12/2014 EUR	31/12/2013 EUR '000
Cash, credit balances at central issuing banks and post office cheque accounts		45,153,791	25,748
Due from banks		2,558,643,350	3,313,053
a) Due on demand	1,569,688,414		1,110,336
b) Other receivables	988,954,936		2,202,717
Due from clients		5,722,642,859	6,200,364
Bonds and other fixed-interest securities		4,036,011,722	3,689,947
a) Public issuers	1,457,757,284		925,397
b) Other issuers	2,578,254,438		2,764,550
Equities and other variable-interest securities		3,716,246	7,985
Shares in affiliated companies		238,451,970	238,670
Intangible assets		19,516,724	25,854
Tangible fixed assets		51,359,045	51,263
Other assets		105,726,956	102,898
Accruals and deferrals		168,655,130	109,875
Total assets		**12,949,877,793**	**13,765,657**

LIABILITIES

	EUR	31/12/2014 EUR	31/12/2013 EUR '000
Liabilities to banks		3,051,767,742	3,559,278
a) Due on demand	212,604,810		233,616
b) With an agreed maturity or notice period	2,839,162,932		3,325,662
Liabilities to clients		5,540,703,236	5,781,564
Other liabilities	5,540,703,236		5,781,564
a) Due on demand	4,578,327,456		4,464,506
b) With an agreed maturity or notice period	962,375,780		1,317,058
Securitised liabilities		3,307,710,751	3,353,262
a) Issued debt instruments	1,323,352,730		1,138,979
b) Other	1,984,358,021		2,214,283
Sundry liabilities		41,791,515	51,692
Accruals and deferrals		114,058,020	137,756
Provisions		94,133,728	82,392
a) Provisions for pensions and similar obligations	2,226,518		2,484
b) Provision for taxation	38,240,169		28,837
c) Other provisions	53,667,041		51,071
Subordinated loans (external)		15,000,000	15,000
Fund for general banking risks		111,000,000	111,000
Subscribed capital		116,554,819	116,555
Offering premium		426,973,274	426,973
Provisions		84,655,482	84,655
a) Statutory reserves	11,655,482		11,655
b) Other reserves	73,000,000		73,000
Result brought forward		0	485
Profit for the year		45,529,226	45,045
Total liabilities		12,949,877,793	13,765,657

BALANCE SHEET ITEMS

Contingent liabilities		38,007,805	37,025
incl.: Liabilities from sureties and liability from the placing of securities	38,007,805		37,025
Credit risks		35,149,676	25,005
Trust transactions		867,390	867

Profit and loss account 2014

	EUR	2014 EUR	2013 EUR '000
Interest income and similar income		297,841,196	325,259
incl. fixed-interest securities	97,250,178		101,618
Interest expenditure and similar costs		–219,057,646	–233,302
Income from securities		2,721,690	3,291
a) Income from equities, shares and other variable-interest securities	31,708		54
b) Income from holdings in affiliated companies	2,689,982		3,237
Commission income		161,562,819	165,889
Commission expenses		–32,560,900	–30,620
Result from financial transactions		16,991,301	17,905
Other operating income		10,521,875	10,532
General administrative costs		–146,964,108	–143,249
a) Personnel expenses	–92,454,270		–92,674
incl.:			
– Wages and salaries	–75,090,553		–74,285
– Social insurance	–15,402,797		–16,206
incl.: Social insurance for pensions	–6,423,801		–7,273
b) Other administrative costs	–54,509,838		–50,576
Depreciation and value adjustments on intangible and tangible assets		–16,185,478	–20,653
Other operating expenditure		–9,002,722	–15,392
Depreciation and value adjustments on receivables and additions to provisions for contingent liabilities and credit risks		–11,500,000	–1,096
Depreciation and value adjustments on securities expenses in relation to financial assets, on equity interests and shares in affiliated companies		–218,000	–853
Income from the release of value adjustments on securities expenses in relation to financial assets, on equity interests and shares in affiliated companies		309,715	0
Additions to the fund for general banking risks		0	–16,536
Tax on the result of ordinary activities		–8,844,902	–16,071
Operating income on ordinary activities after tax		45,614,840	45,103
Other taxes, provided they are not included under the items above		–85,614	–58
Profit for the year		**45,529,226**	45,045

NOTES ON THE ANNUAL REPORT

A. General information

DZ PRIVATBANK S.A. (the Bank) was incorporated as a Société Anonyme under Luxembourg law on 28 December 1977. The duration of the Company is unlimited.

The registered office of DZ PRIVATBANK S.A. is located at:
4, rue Thomas Edison, L-1445 Luxembourg-Strassen in the Grand Duchy of Luxembourg.

In accordance with the Articles of Association, the object of the Company is to conduct banking and financial operations of all kinds, for its own account and that of third parties, in and outside the Grand Duchy of Luxembourg, and all operations directly or indirectly connected therewith.

The Bank operated seven branches in Germany as at 31 December 2014. These branches coordinate the subsidiary cooperation with the cooperative banks in the private banking sector.

As at 31 December 2014, 70% of the Bank's capital was held by DZ BANK AG, Frankfurt am Main, and 19% by WGZ BANK AG, Düsseldorf. 11% is held by 371 cooperative banks in Germany.

In accordance with Article 81 of the Law of 17 June 1992 with respect to annual financial statements and consolidated financial statements of banks operating under Luxembourg law, the Bank is released from the obligation to prepare consolidated accounts and a Group annual report. The annual financial statements of DZ PRIVATBANK S.A. are included in the consolidated financial statements of DZ BANK AG. DZ BANK AG's consolidated financial statements are lodged with the Commercial Register in Frankfurt am Main.

In the current financial year, the Bank changed the presentation of the profit and loss account from the horizontal display conforming to Article 42 to the vertical display conforming to Article 41.

The financial year corresponds to the calendar year. The balance sheet currency is the euro.

DZ BANK AG has issued a comfort letter for DZ PRIVATBANK S.A., confirming that it can meet its contractual obligations, apart from political risks, within the scope of its investment quota.

DZ PRIVATBANK S.A. has been a member of the protection scheme of the German Volksbanken Raiffeisenbanken cooperative financial network e.V. (BVR) since November 2011. DZ PRIVATBANK S.A. is also a member of the “Deposit Guarantee Association, Luxembourg” (AGDL).

B. Valuation principles

The annual financial statements are prepared on the basis of statutory regulations in Luxembourg and, in particular, in accordance with the provisions of the current version of the Law of 17 June 1992 on annual financial statements and consolidated financial statements of banks operating under Luxembourg law. Balance sheet policy and valuation methods are determined by the Group. The Bank applies the following accounting principles and methods:

A) CURRENCY CONVERSION

Assets and liabilities in foreign currencies are posted in the relevant currency and are converted into the balance sheet currency according to the average spot price on the balance sheet date. Expenditure and income in foreign currencies are entered in the balance sheet currency on a daily basis at the respective day's middle rate.

As yet unsettled forward exchange transactions are valued at the forward rate for the remaining term applicable on the balance sheet date.

Insofar as balance sheet items are hedged with forward exchange deals, the valuation results are neutralised by allocating the items to accruals and deferrals. The difference between spot and forward rates (swap premiums) is recorded with a pro rata temporis effect on net income.

Currency losses from unhedged forward transactions are accounted for in the profit and loss account. Currency gains, however, are not reported.

B) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments (swaps, options, futures, etc.) are valued individually at the market price according to the realisation and imparity principle. However, valuation gains occurring at the same time as valuation losses are offset in one and the same currency. There are also derivative positions for hedging purposes.

C) TANGIBLE AND INTANGIBLE ASSETS

The valuation is carried out at acquisition or production cost, less regular depreciation, if the service life of these assets is limited. Minor value assets are posted directly as expenditure in the year of acquisition.

Irrespective of whether or not they have a limited service life, tangible and intangible assets are subject to value adjustments, with a view to quoting them at the lower value applicable on the balance sheet date, if the value depreciation can be assumed to be permanent. Value adjustments are dissolved if the reasons for their formation no longer apply.

The scheduled depreciation and impairments are as follows:

» Buildings	2 %
» Installations	10 %
» Furniture, fittings and equipment	
» Head office in Luxembourg	25 %
Branches in Germany	7–33 %
» Intangible assets	
Customer bases	20 %
Software and licences	25 %

D) FINANCIAL ASSETS

Financial assets include equity interests, shareholdings in affiliated undertakings, bonds and other fixed-interest securities, the purpose of which is to serve the Bank's business operations on a long-term basis, and which are expressly allocated to financial assets by the Board of Management.

The Bank's financial assets are valued at the acquisition cost. The cost prices are calculated according to the average method. Value adjustments are applied if the value depreciation can be assumed to be permanent.

Premiums are amortised for a proportional period of time. Discounts are recognised as income when due or sold. Discounts on securities, which are linked to an asset swap, are amortised for a proportional period of time.

E) SECURITIES

Securities in the trading portfolio and liquidity investment holdings are classed as current assets. Unlike financial assets, these holdings are not intended to serve the Bank's business activities on a long-term basis.

The trading portfolio includes securities held for resale. The Bank has set a maximum retention period of 12 months for individual portfolios.

The Bank regards as liquid assets all shares purchased either to further its medium and long-term investment strategy, or to secure liquidity or boost its earnings, as well as securities that cannot be shown either in the trading or the investment portfolios.

Securities shown as current assets are valued according to the strict principle of lowest value, whereby stock exchange prices generally apply to securities with an active market. If no active market was available, the fair values would have been calculated on the basis of discounted cash models.

F) RECEIVABLES

Receivables are shown on the balance sheet at their acquisition cost. The Bank's policy is to make itemised allowances wherever appropriate to hedge interest and default risks.

G) VALUE ADJUSTMENTS AND PROVISIONS

Provisions are formed to the amount required, based on a reasonable commercial assessment.

H) LIABILITIES

Liabilities are reported at the amount repayable. Discounts and premiums are shown against pro rata income.

C. Notes on individual items 2014

A) BALANCE SHEET

(Balance sheet figures refer to 31 December of each year).

BREAKDOWN OF RECEIVABLES BY RESIDUAL MATURITY

The following breakdown of receivables (apart from those payable on demand) is shown according to residual maturity:

	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years		Total	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Other receivables from banks	522	1,566	130	174	269	359	67	103	988	2,202
Due from clients	4,650	4,990	404	440	395	468	35	41	5,484	5,939

Amounts due on demand from clients totalled EUR 238 million (2013: EUR 261 million).

BONDS AND OTHER FIXED-INTEREST SECURITIES

Bonds and other fixed-income securities totalling EUR 348 million (2013: EUR 584 million) are due within the next year.

In accordance with the retention option, the Bank has maintained value adjustments totalling EUR 21.6 million (2013: EUR 22.5 million).

Bonds and other fixed-income securities amounting to EUR 2,345 million (2013: EUR 1,842 million) are attributable to current assets. EUR 1,691 million (2013: EUR 1,848 million) form part of fixed assets. They include debt instruments approved for refinancing of EUR 3,716 million (2013: EUR 3,387 million).

LISTED AND UNLISTED SECURITIES

	Listed		Unlisted		Total	
in EUR million	2014	2013	2014	2013	2014	2013
Bonds and other fixed-interest securities	3,953	3,617	83	73	4,036	3,690
Equities and other variable-interest securities	0	0	4	8	4	8
Shares in affiliated companies	0	0	239	239	239	239
Total	3,953	3,617	326	320	4,279	3,937

As at the balance sheet date, securities totalling EUR 55 million (2013: EUR 44 million) were pledged as collateral.

SHARES IN AFFILIATED COMPANIES

The Bank holds shares in affiliated credit institutions totalling EUR 235 million (2013: EUR 236 million), and in affiliated financial institutions amounting to EUR 3 million (2013: EUR 3 million).

Affiliated companies in which the Bank has a stake of not less than 20 % of the equity capital:

	Registered office	Holding in %	Book value	Equity	Latest net profit figure
in EUR '000			2014	2013	2013
DZ PRIVATBANK (Schweiz) AG	Zurich	100	215,100	169,827	2,165
DZ PRIVATBANK Singapore Ltd.	Singapore	100	9,002	9,173	–933
Europäische Genossenschaftsbank S. A.	Luxembourg	100	11,350	12,435	38
IPConcept (Luxemburg) S. A.	Luxembourg	100	3,000	3,580	2,652

OTHER ASSETS

Composition according to the most important items:

in EUR million	31/12/2014	31/12/2013
Option premiums paid	70	66
Other receivables	24	27
Tax assets	11	11

Paid premiums relate principally to an option which was concluded with affiliated companies for the hedging of an issued index certificate. The other receivables mainly include commission claims.

ACCRUALS AND DEFERRALS

Prepayments and accrued income amounting to EUR 168.7 million are mainly comprised of EUR 76.9 million in deferred interest, as well as foreign currency adjustment items of EUR 72.6 million and deferred swaps of EUR 7.7 million.

Accruals and deferred income amounting to EUR 114.1 million are mainly comprised of EUR 66.5 million in deferred interest, as well as upfront payments and discounts of EUR 47.5 million.

FINANCIAL ASSETS

The development of financial assets over the course of the year can be shown as follows:

	Shares in affiliated companies		Bonds and other fixed-interest securities		Financial assets total	
in EUR million	2014	2013	2014	2013	2014	2013
Gross value as at 1 January	**244**	243	**1,848**	1,790	**2,092**	2,033
Acquisitions	0	1	96	228	96	229
Disposals	0	0	252	170	252	170
Foreign exchange adjustments	0	0	1	0	1	0
Gross value as at 31 December	**244**	244	**1,693**	1,848	**1,937**	2,092
Accumulated additions to valuation adjustments	5	5	1	0	6	5
Collective general valuation adjustment	0	0	1	0	1	0
Accumulated releases of valuation adjustments	0	0	0	0	0	0
Net value as at 31 December	**239**	239	**1,691**	1,848	**1,930**	2,087

TANGIBLE FIXED ASSETS

The performance of the tangible assets during the year can be shown as follows:

	Land and Buildings		Furniture, fittings and equipment		Tangible fixed assets Total	
in EUR million	2014	2013	2014	2013	2014	2013
Gross value as at 1 January	83	82	49	46	132	128
Acquisitions	0	1	3	3	3	4
Disposals	0	0	0	0	0	0
Repostings	0	0	0	0	0	0
Gross value as at 31 December	83	83	52	49	135	132
Accumulated additions for value adjustments	40	40	44	41	84	81
Net value as at 31 December	43	43	8	8	51	51

The share of real property and buildings used by the Bank for its own business operations amounts to EUR 39 million.

INTANGIBLE ASSETS

The development of intangible assets over the course of the year can be shown as follows:

	Goodwill acquired against payment		Software/licences		Intangible assets Total	
in EUR million	2014	2013	2014	2013	2014	2013
Gross value as at 1 January	37	33	36	34	73	67
Acquisitions	0	4	5	2	5	6
Disposals	0	0	0	0	0	0
Repostings	0	0	0	0	0	0
Gross value as at 31 December	37	37	41	36	78	73
Accumulated additions for value adjustments	26	19	32	28	58	47
Net value as at 31 December	11	18	9	8	20	26

The gross value of the customer bases as at 1 January 2014 relates to private customer portfolios acquired in 2011, 2012 and 2013.

The payment for the acquisition of customer relationships is to be amortised over 5 years. Following the shortening of the depreciation period on acquired customer bases from 10 to 5 years and the offsetting of the proportional depreciation in the previous year, there was a decline in depreciations.
As at the balance sheet date, a net book value of EUR 3.0 million applied to software and EUR 6.0 million to licences.

RECEIVABLES AND LIABILITIES TO/FROM AFFILIATED COMPANIES AND SUBORDINATED ASSETS

	Affiliated companies	
in EUR million	2014	2013
Receivables	**486**	**1,864**
Due from banks	359	1,769
Due from clients	12	3
Bonds and other fixed-interest securities	41	21
Equities and other variable-interest securities	4	4
Other assets	70	67
Liabilities	**1,624**	**1,352**
Liabilities to banks	1,535	1,227
Liabilities to clients	89	125

As at the balance sheet date, there are two subordinated bonds with a book value of EUR 0.2 million in the portfolio.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The countervalue totals of balance sheet items in foreign currency:

in EUR million	2014	2013
Assets	6,707	6,838
Liabilities	5,407	4,990

Open currency positions in the balance sheet are offset by corresponding off balance sheet foreign currency transactions.

REPURCHASE AGREEMENTS

As at the balance sheet date, the real repurchase agreements in securities total EUR 511 million (2013: EUR 1,025 million).

ACCUMULATED WRITE-OFFS ON PREMIUMS AND DISCOUNTS

Write-offs accumulated since the day of purchase on premiums and discounts charged/paid on bonds and other fixed-interest securities forming part of the financial assets amount to EUR 15.2 million and EUR –5.7 million respectively (2013: EUR 11.7 million and EUR –6.5 million).

BREAKDOWN OF LIABILITIES ACCORDING TO RESIDUAL MATURITY

The following breakdown of liabilities (apart from those payable on demand) is shown according to residual maturity:

	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years		Total	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Liabilities to banks	2,333	2,338	221	705	285	283	0	0	2,839	3,326
Other amounts due to clients	771	1,059	155	189	37	69	0	0	963	1,317
Bonds issued	0	0	150	63	1,173	1,076	0	0	1,323	1,139
Other securitised liabilities	1,612	1,594	302	290	70	65	0	0	1,984	1,949

The other securitised liabilities relate, inter alia, to the ECP programme. The volume of these declined during the reporting year due to the market situation. There are no securitised liabilities payable on demand.

SUNDRY LIABILITIES

Composition according to the most important items:

in EUR million	31/12/2014	31/12/2013
Preferential liabilities	14	19
Redemption liabilities	16	17
Sundry liabilities	12	15

The redemption liabilities essentially relate to maturing fund coupons. Sundry liabilities relate, inter alia, to open commission payments (EUR 2.1 million), outstanding administrative expenses (EUR 2.4 million) and liabilities towards pension funds (EUR 4.5 million).

SUBORDINATED LOANS (EXTERNAL)

As at the balance sheet date, the Bank reported subordinated external funds totalling EUR 15 million. The interest expense relating to these amounted to EUR 915,000 during the financial year. The subordinated bearer bonds are to be assigned to the additional capital.

In EUR '000	Amount	Interest rate in %	Maturity date
Bearer bonds	15,000	6.1	05/07/2019

FUND FOR GENERAL BANKING RISKS

The fund is endowed with EUR 111 million for general banking risks.

SUBSCRIBED CAPITAL

The subscribed capital amounts to EUR 116.6 million. The capital is divided into 18,281,925 registered ordinary shares and 4,482,688 registered preference shares of no par value.

PROVISIONS

Statutory reserves amount to EUR 11.7 million. In accordance with Article 72 of the law of 10 August 1915, five per cent of the annual profit is required to be transferred to the reserve until it is equal to 10 per cent of the subscribed capital. Statutory reserves may not be distributed.

Free reserves amounting to EUR 73 million are for the purpose of settling the wealth tax.

DEPOSIT GUARANTEE SYSTEM

The Bank is a member of the "Deposit Guarantee Association, Luxembourg" (AGDL). The purpose of the AGDL is to establish a scheme whereby member institutions provide mutual guarantees for deposits and for securities held in safekeeping for third parties – natural persons as well as small EU-based companies that are neither financial institutions nor insurance companies. These deposits are guaranteed up to an amount of EUR 100,000; assets under custody up to an amount of EUR 20,000. In the event of a guarantee claim being made, the annual payment obligation of each member of the AGDL is limited to 5 % of the equity capital.

DZ PRIVATBANK S. A. is a member of the protection scheme, which comprises a guarantee fund and guarantee network, of the German Volksbanken Raiffeisenbanken cooperative financial network e. V. (BVR). In order to meet guarantee obligations that are accepted by BVR for the collective guarantee scheme, DZ PRIVATBANK S. A. has assumed a guarantee obligation of EUR 1.4 million pursuant to the statute of the protection scheme.

B) OFF-BALANCE SHEET ITEMS

(Figures refer to 31 December of each year).

CONTINGENT LIABILITIES

The following contingent liabilities exist:

in EUR million	2014	2013
Guarantees and other credit substitutes	38	37

As at 31 December 2014, the contingent liabilities in relation to affiliated companies amounted to EUR 10.0 million (2013: EUR 9.0 million).

CREDIT RISKS

Credit risk is as follows:

in EUR million	2014	2013
Company loan commitments	35	25
incl.: Forward purchases of assets	1	2

As at the balance sheet date, there were no fixed lending commitments with affiliated companies (2013: EUR 0 million).

CURRENT FORWARD TRANSACTIONS (BY RESIDUAL MATURITY)

Exchange rate linked transactions (nominals)	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years		Total	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Forward exchange transactions on organised markets (Futures/options)	876	232	0	0	0	0	0	0	876	232
Options on non-organised markets	197	1	0	0	0	0	0	0	197	1
Forward exchange transactions OTC (swaps/outrights)	15,152	14,236	3,924	1,600	245	187	0	0	19,321	16,023
Interest rate and currency swaps	0	0	390	844	1,298	1,280	154	103	1,843	2,227
Non-value dated spot transactions	175	1,038	0	0	0	0	0	0	175	1,038

These include transactions with affiliated companies amounting to EUR 3,903 million (2013: EUR 2,720 million).

Interest rate-linked transactions (nominals)	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years		Total	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Interest rate swaps	210	148	321	260	2,753	2,311	1,326	1,339	4,610	4,058
Interest rate futures	3,986	8,214	501	3,913	4,311	1,705	0	0	8,798	13,832
Options on organised markets	1,814	0	0	3,786	0	0	0	0	1,814	3,786
Options on non-organised markets	0	0	0	0	25	0	0	0	25	0
Interest limit agreements (Caps)	5	8	0	1	100	100	0	0	105	109

Interest rate linked transactions that are not for hedging purposes include open positions amounting to EUR 431 million (2013: EUR 60 million). EUR 409 million (2013: EUR 237 million) relates to transactions with affiliated companies.

Transactions linked to other market rates (nominals)	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years		Total	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Futures on variable-interest securities	4	7	2	13	2	2	0	0	8	22
Options on variable-interest securities	1,129	1,821	402	2,251	118	144	0	0	1,649	4,216

MANAGEMENT AND AGENCY SERVICES

The Bank provides the following management and agency services to third parties:

- Investment advice or asset management
- Securities deposit and management
- Safe deposit box rental
- Trusteeship services
- Payment agent function
- Custodian bank function
- Services to cooperative banks
- Business procurement

C) PROFIT AND LOSS ACCOUNT

Other operating expenditure:

In EUR '000

Operating expenditure	2014	2013
Addition to provision for staff costs	4,600	0
Addition AGDL deposit guarantee system reserves	3,000	4,000
Off-period expenditure	952	954
Other expenses	451	440
Addition to fund provision	0	5,268
Addition to provision for private banking	0	4,731
Total	**9,003**	**15,393**

Other operating income:

In EUR '000

Operating income	2014	2013
Writing back of provisions	4,379	6,177
Rental income	2,576	1,362
Reimbursement of insurance on continued payment of wages	1,465	0
Off-period income	1,378	1,740
Other income	724	1,163
Income from tax refunds previous years	0	90
Total	**10,522**	**10,532**

D) STAFF AND CORPORATE BODIES

AVERAGE NUMBER OF STAFF

In the year under review, the Bank's staff numbers averaged:

Group	2014	2013
Board of Management, Chief Representatives, Directeurs and Directeurs-Adjoints	41	39
Senior management	65	63
Employees	757	747
Total	**863**	**849**

EMOLUMENTS, PENSION COMMITMENTS AND LOANS TO THE BANK'S GOVERNING BODIES

Group	Board of Management, Chief Representatives, Directeurs and Directeurs-Adjoints		Supervisory Board without members of the Managing Board	
In EUR '000	2014	2013	2014	2013
Salaries, emoluments, benefits	8,467	7,380	279	274
Social insurance for pensions	1,272	1,144	0	0
Loans, guarantees	819	590	600	600

Loans and guarantees consist of short-term loans as well as collateral loans and rental guarantees.

E) MISCELLANEOUS

BREAKDOWN OF EARNINGS ACCORDING TO GEOGRAPHICAL MARKETS

	Luxembourg		Germany		Rest of Europe		Other Counties		Total	
in EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Interest and similar income	10	12	223	248	47	51	18	14	298	325
Commission income	103	100	51	59	3	4	5	3	162	166
Other operating income	10	9	1	2	0	0	0	0	11	11
Total	**123**	**121**	**275**	**309**	**50**	**55**	**23**	**17**	**471**	**502**

AUDITORS' FEES

The audit fee for Ernst & Young for the 2014 financial year consists of auditing fees of EUR 444,000 and other audit services of EUR 124,000 (all amounts are exclusive of VAT).

OTHER GUARANTEES AND COMMITMENTS

The Bank signed an unlimited and irrevocable guarantee for its subsidiary DZ PRIVATBANK Singapore Ltd in favour of the Monetary Authority of Singapore in order to fulfil its contractual obligations and to guarantee an appropriate level of liquidity.

In the 2009 financial year, the Bank converted its company pension scheme from a cash flow based scheme into the newly-founded GENO pension fund Assep. As at 31 December 2014, the plan assets of the fund for employees of the Bank amounted to EUR 58.7 million. The Bank has undertaken to guarantee the solvency and financing as well as the hedging of all actuarial provisions by allocating additional funds. The provisions for pensions and similar obligations reported on the Bank's balance sheet primarily relate to the assumption of a provision of the Düsseldorf branch amounting to EUR 1.2 million, and flat-rate income taxes adopted by the Bank amounting to EUR 0.9 million.

Future expenses resulting from rental liabilities, due over the remaining term of the lease, amount to EUR 40.4 million.

INTEGRATED COMPANY

On 1 January 2007, a taxable integrated company was founded between the Bank, as the controlling company, and the Europäische Genossenschaftsbank S. A. and IPConcept (Luxemburg) S. A. as the subsidiary companies.

F) ANALYSIS OF PRIMARY FINANCIAL INSTRUMENTS

The following tables subdivide the Bank's primary financial instruments into assets and trading portfolios and into balance sheet items and residual maturities as at 31 December 2014.

	Primary financial instruments in the investment portfolio (split by residual maturity)					Trading portfolio	
Class of instrument (financial asset items) Book value in EUR million	**Up to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**no final maturity**		**Total**
Cash, credit balances with central banks and postal accounts	45.2	–	–	–	–	–	**45.2**
Due from banks	2,092.1	130.6	268.9	67.0	–	–	**2,558.6**
Due from non-banks	4,888.5	403.8	395.3	35.1	–	–	**5,722.7**
Bonds and other fixed-interest securities	61.5	287.2	2,310.9	1,341.2	–	35.2	**4,036.0**
Equities and other variable-interest securities	–	–	–	–	3.7	–	**3.7**
Total financial assets							**12,366.2**
Other assets							**583.7**
Total assets							**12,949.9**

	Primary financial instruments in the investment portfolio (split by residual maturity)					Trading portfolio	
Class of instrument (financial liability items) Book value in EUR million	**Up to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 5 years**	**Over 5 years**	**no final maturity**		**Total**
Due from banks	2,545.8	221.1	284.9	–	–	–	**3,051.8**
Due from non-banks	5,349.3	154.8	36.5	–	–	–	**5,540.6**
Securitised liabilities – Bonds	–	150.0	1,173.4	–	–	–	**1,323.4**
– Other	1,612.3	301.8	70.2	–	–	–	**1,984.3**
Subordinated loans	–	–	15.0	–	–	–	**15.0**
Sundry liabilities	41.8	–	–	–	–	–	**41.8**
Total financial liabilities							**11,957.0**
Other liabilities							**992.9**
Total liabilities							**12,949.9**

Explanation: The amounts provided are net figures, i. e. charges for bad and doubtful debts have already been deducted.

G) ANALYSIS OF FINANCIAL DERIVATIVES

The following tables provide a summary of the Bank's derivative financial instruments. The transactions are subdivided into hedging and trading business, and the various underlying transactions and residual maturities as at 31 December 2014.
The classification of derivative financial instruments into assets or liabilities depends on whether the transaction has a positive or a negative market value. A positive market value corresponds to the expenses incurred by the Bank for a substitute transaction if the contracting party defaults. Options are classified according to maturity.

DERIVATIVE INSTRUMENTS IN HEDGE ACCOUNTING

Nominals in EUR million	Nominals	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years		Total	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Class of instruments											
Interest – OTC											
Swaps	4,595.5	121.6	88.2	31.6	289.8	328.1	2,425.2	24.7	1,286.3	**506.0**	**4,089.5**
Swaptions	25.0	–	–	–	–	–	25.0	–	–	**–**	**25.0**
Caps/floors	160.6	2.1	–	–	0.4	53.7	103.8	–	0.6	**55.8**	**104.8**
Interest – listed											
Futures	20.2	–	–	–	–	8.2	6.2	–	5.8	**8.2**	**12.0**
Foreign currencies/precious metals – OTC											
Forwards	15,017.4	5,801.2	5,785.5	1,689.9	1,630.6	55.1	55.1	–	–	**7,546.2**	**7,471.2**
Swaps (FX/CCS)	6,046.8	2,662.0	824.7	766.6	201.2	377.0	1,060.9	–	154.4	**3,805.6**	**2,241.2**
Total										**11,921.8**	**13,943.7**

DERIVATIVE INSTRUMENTS OF THE TRADING PORTFOLIO (MARKET VALUE IN EUR MILLION)

Nominals in EUR million	Nominals	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		Over 5 years		Total	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Class of instruments											
Interest – OTC											
Swaps	15.0	–	–	–	–	–	–	–	15.0	–	15.0
Interest – listed											
Futures	7.3	–	–	–	–	–	–	–	7.3	–	7.3
Total										–	22.3

The table contains all the derivatives traded in the trading book. The classification into assets or liabilities depends on whether the transaction has a positive or a negative market value. Options are classified according to maturity.

DERIVATIVE INSTRUMENTS BY MARKET VALUE

Instrument in EUR million	Market value adjusted	Deferred interest	Market value total
Bond futures	–0.2	–	–0.2
Interest rate futures	–	–	–
Caps/floors	–	–	–
Currency forwards	1.2	–	1.2
Swaps – foreign currencies	71.2	–	71.2
Swaps – interest rates	–255.6	–53.8	–309.4
Swaps – cross currency	8.7	0.5	9.2
Swaptions	–	–	–
Total	**–174.4**	**–53.3**	**–228.0**

H) ANALYSIS OF THE CREDIT RISK FROM FINANCIAL DERIVATIVES

The following table provides an overview of the credit risk resulting from derivative instruments. In addition to the current market value, the credit risk also covers potential market values that could arise from future market price fluctuations.

CREDIT RISK FOR DERIVATIVE INSTRUMENTS
(applying the market risk method)

Type of derivative in EUR million	Nominals (1)	Current market value (2)	Potential future changes in market value (3)	Provisions (4)	Global market value (5) = (2) + (3) – (4)	Collateral (6)	Net risk commit-ment (7) = (5) – (6)
Interest rate swaps	4,201.9	7.4	31.7	–	39.1	–	**39.1**
Bond futures	21.3	0.1	0.2	–	0.3	–	**0.3**
Interest rate futures	6.2	0.0	0.0	–	0.0	–	**0.0**
Currency swaps/CCS/forwards	17,235.8	361.7	238.1	–	599.8	–	**599.8**
Caps/floors/swaptions	180.3	0.0	0.9	–	0.9	–	**0.9**
Total							**640.1**

The credit risk calculated here does not take internal transactions into account.

D. Risk report

A) RISK MONITORING

Effective risk management is essential for long-term development and as a strategic safeguard for the success of DZ PRIVATBANK S.A. To direct and monitor the risks arising from banking business, the Bank has set up monitoring systems that are constantly upgraded. The Bank's risk control tools and analyses were expanded further during the financial year. Risk monitoring extends continuously to the DZ PRIVATBANK Group, which comprises DZ PRIVATBANK S.A., DZ PRIVATBANK (Schweiz) AG, DZ PRIVATBANK Singapore Ltd., Europäische Genossenschaftsbank S.A., IPConcept (Luxemburg) S.A. and IPConcept (Schweiz) AG.

The Bank's risk management covers all actions taken by the divisions responsible for implementing a chosen risk strategy. Such actions mainly comprise conscious decisions to take on or limit risk. The Risk Control department is responsible, in particular, for ensuring that risks undertaken are transparent in all risk categories. This entails making a daily risk report to members of the Board of Management and various departments, focusing on the following points:

- Market price risk on a value-at-risk basis (VaR) (group level and various sub-portfolios)
- Credit-VaR (group level and various sub-portfolios)
- Daily portfolio performance
- Operating risk and business risk
- Overview of the liquidity position

In addition, various risk reports are submitted to the Supervisory Board, the Board of Management and specific departments based on monthly and quarterly reports. These include stress test presentations and sensitivity matrices.

B) BASIC PRINCIPLES OF INTEGRATED RISK AND INVESTMENT CONTROL

It was agreed that an economic integrated risk and investment management system (IRKS) be introduced in order to comply with supervision rules on best practice management approaches in financial institutions. This has created a solid basis for uniform and strategic planning that takes account of risk strategy.

The purpose of the IRKS is to create transparency regarding the:

- basic risk structure,
- the appropriateness of the ratio between the identified risk and available funds to hedge unexpected losses (ability to bear risk), and
- risk-adjusted profitability (RAP).

The IRKS focuses on combining the following four elements into a single framework concept:

- Risk measurement: the adequate definition of the Bank's risk position is a core element of the IRKS. This requires risk to be classified into types, for all material risks and minimum requirements, in terms of quantifying these risks.
- Ability to bear risk: An analysis of the risk-bearing capacity contrasts the upper loss limit and the risks measured centrally by DZ Bank AG against the reduced risk cover amount around the capital buffer needs.
- Risk-adjusted profitability: the figures for Economic Value Added (EVA) and Return on Risk-Adjusted Capital (RORAC) create transparency regarding the Bank's added value based on the assumed risks.
- Risk and investment management: the IRKS is applied in practice through continuous involvement in the planning process, standardised monitoring for KPIs and regular reporting with clear responsibilities and escalation levels.

RISK MEASUREMENT

Value-at-Risk (VaR) and performance changes included in stress tests are used for measuring financial risk. The VaR indicates the loss which will not be exceeded within a predefined period according to a defined probability (confidence level). Stress tests indicate the analysis of performance changes under suitably defined crisis scenarios. The result of the Value-at-Risk measurement and suitable stress tests is known as the risk capital requirement. All types of risks are measured at individual institution level and at subgroup level.

C) DEFINITION OF RISK TYPES

RISK MANAGEMENT IN IRKS

In IRKS material risks are divided into six risk types:

- Market price risk
- Credit risk
- Operational risk
- Business risk
- Investment risk
- Liquidity risk

MARKET PRICE RISK

The Bank incurs market price risks in order to take advantage of business opportunities. A market price risk is defined as a potential loss that can arise through changes in interest rates, spreads, ratings (migration risk), exchange rates, share prices or volatilities. Spread and migration risks are measured and limited centrally by DZ Bank both for the Group and the individual management units. All remaining market price risks are restricted by a local limit and, at the same time, measured and monitored within DZ PRIVATBANK on the basis of a Value-at-Risk approach.

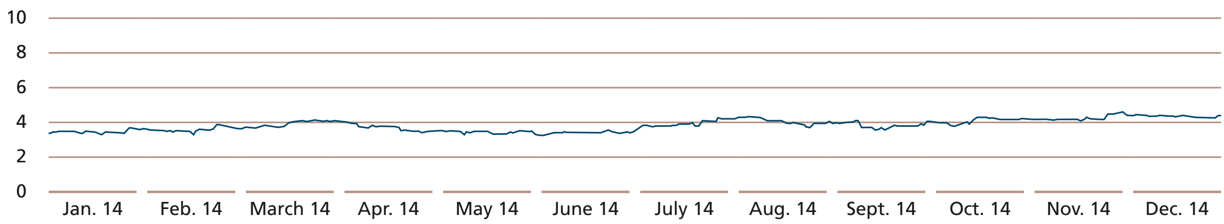
The historical simulation approach is based on a confidence level of 99 % and an assumed holding period of one trading day over an observation period of 300 days. The limit was applied on the basis of a confidence level of 99.9 % and a holding period of one year.

Back testing is carried out daily in order to check the reliability of the Value-at-Risk approach. This involves comparing the daily profits and losses with the Value-at-Risk figures calculated on the basis of risk modelling. Basis point value procedures, together with stress-test procedures, in which various market movements are simulated, widen the monitoring of market price risk.

MARKET PRICE RISK DEVELOPMENT OF DZ PRIVATBANK S. A.

99 % confidence level, 10-day holding period.

in EUR million, development from 01/01/14 to 31/12/14



CREDIT RISK

Credit risk indicates the risk of unexpected losses caused by counterparty insolvency. The risk capital requirement for the credit risk is quantified by means of a portfolio model (Creditmetrics). This procedure determines the loss distribution on the basis of simulation calculations which can then be used to estimate the unexpected loss and thus the risk capital requirement.

– CONCENTRATION OF CREDIT RISKS

The credit department of DZ PRIVATBANK S. A. is responsible throughout the group for the German cooperative banks' lending business in foreign currencies. It covers the direct refinancing of cooperative banks and the guaranteed lending business of their customers. Other business activities include collateralised loans, money market operations and securities transactions.

In a letter dated 20 July 1994, the CSSF approved a request made by DZ PRIVATBANK S. A. to apply an overall weighting of zero to the risks against companies of the DZ BANK with regard to limiting major risks in accordance with the amended version of Part XVI, point 24 of CSSF Circular 06/273.

OPERATIONAL RISK

According to the banking supervision definition, the Bank defines operational risk as the risk of an unexpected loss, arising from human actions, process or project management weaknesses, technical failure or through external influences. The definition takes into account legal risk, but does not cover strategic and reputation risks. Operational risks are defined as a separate type of risk, positioned at the same level as the market and credit risk, and requiring extensive management, control and supervision activities, depending on the type of risk.
The goal is to identify, limit and avoid such risks.

– EARLY WARNING SYSTEM/RISK INDICATORS

Early warning systems are employed for the systematic detection and recognition of as many of the risks as possible involved in banking. Risk indicators, measured using fixed thresholds, are warning signals that indicate possible operational risks. They can therefore serve as an early warning system for the Bank, to indicate unwelcome trends or developments in banking operations.

– LOSS DATABASE

Data on losses is especially useful for identifying operational risks. The systematic collating and analysis of such data enables weak points to be identified so that measures can be undertaken for their improvement. To comply with the need for completeness, quality and security of auditing, the Bank uses VöB-ORC software to acquire data on losses. The loss database contains data from 2003 onwards.

– SELF-ASSESSMENT

The self-assessment of DZ PRIVATBANK S. A. serves as a risk potential estimate. It is conducted as part of the risk self-assessment of the DZ Bank Group. The basic scenarios are determined centrally by DZ Bank. The specific scenario descriptions and characteristics are based on this (evaluation of amount and frequency of losses). Here, a distinction is made between Group-wide, limited (across DZ PRIVATBANK) and individual scenarios.

To counter possible risks in staffing, the Bank sets great store by selecting, training, deploying, promoting and developing its employees. The Bank's structural and procedural organisation is characterised by the strict separation of tasks, the observance of the principle of dual control, strict access control, deputising and competence regulations. All corporate handbooks and work instructions are continually updated.

A standardised procedure ensures that operational and all other risks are adequately checked when new products or product variants are introduced. The identification and processing of legal risks are the task of the Bank's Legal Compliance and Money Laundering Department. The monitoring duties resulting from legal compliance requirements are also handled by this department. With its Business Recovery and Disaster Centres, the Bank's operations can be continued locally at another site in Luxembourg.

The risk capital requirement for operational risk is calculated as a share of gross proceeds in line with the standardised regulatory approach. According to this method, the average gross proceeds for individual areas of the market over the past three years are multiplied by the beta factors specified by the supervisory authority.

BUSINESS RISK

Business risk indicates the risk of losses through unexpected changes in the current and future business volumes or margins (e. g. due to a change in competition).

In accordance with the risk management and controlling concepts of other risks, the Bank measures its business risk as Value-at-Risk (VaR) based on a variance/co-variance approach. The capital required to secure business risks is determined by the volatility of both of these risk drivers (income and costs) and their correlation.

INVESTMENT RISK

Investment risks are calculated for investments that are not directly included in the risk management strategy of DZ PRIVATBANK S. A. Since all units of DZ PRIVATBANK are involved in risk management, this approach to the reporting date is irrelevant.

LIQUIDITY RISK

DZ PRIVATBANK S. A. interprets liquidity risk as the risk of there being insufficient funds available to meet payment obligations. Liquidity risk is therefore understood as insolvency risk. Refinancing risk refers to the risk of a loss that may arise from a deterioration in liquidity spreads (as part of the own issue spread) of DZ PRIVATBANK. With rising liquidity spreads, future liquidity requirements can only be met subject to additional costs.

The main sources of liquidity risks are identified on the basis of the Bank's business strategy and business activities.

The Bank uses an internal liquidity model for measuring and controlling liquidity risks. This ensures transparency for expected and unexpected liquidity flows (forward cash exposure) and for the liquidity reserves used to offset liquidity shortages (counterbalancing capacity) on a daily basis. In the process, both a normal scenario and several stress scenarios are considered. The aim is to achieve positive excess cash in all relevant scenarios within the corresponding period. There is no separate deposit with risk capital. A liquidity contingency plan is in place to allow the bank to respond to a crisis situation quickly and in a coordinated manner.

Luxembourg, 10 February 2015

The Board of Management

Dr Stefan Schwab Dr Bernhard Früh

Ralf Bringmann Richard Manger Dr Frank Müller

AUDITOR'S REPORT

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Following our appointment by the Board of Management on 29 April 2014, we have audited the accompanying annual financial statements of DZ PRIVATBANK S. A., which comprise the balance sheet as at 31 December 2014 and the profit and loss account for the year then ended, as well as the notes containing a summary of significant accounting methods and other explanatory information.

RESPONSIBILITY OF THE BOARD OF MANAGEMENT FOR THE ANNUAL FINANCIAL STATEMENTS

The Board of Management is responsible for the drafting and correct overall presentation of the annual financial statements in accordance with the legal provisions applicable in Luxembourg and the standards for the preparation of annual financial statements, and for any internal checks it deems necessary to ensure that the annual financial statements are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Our responsibility is to issue an auditor's opinion on the basis of our audit of these annual financial statements. We conducted our audit in accordance with the International Standards on Auditing for Luxembourg as adopted by the Commission de Surveillance du Secteur Financier. These standards stipulate that we observe professional requirements, and plan and conduct the audit in such a way that we can determine, with an adequate degree of certainty, whether the annual financial statements are free from material misstatement.

An audit involves performing auditing procedures in order to issue an auditor's opinion on the valuations and information provided in the annual financial statements. The procedures selected depend on the auditor's judgement, just as the assessment of the risks of material misstatement of the annual financial statements are included, whether due to fraud or error. Within the framework of this risk assessment, the auditor examines the internal control system set up for preparation of the annual financial statements and the accuracy of their descriptions. This is done in order to determine the appropriate auditing procedures for the circumstances and not, it should be noted, to provide an opinion on the effectiveness of the internal control system. An audit also involves assessing the appropriateness of the accounting principles and methods used and the acceptability of the estimates made by the Board of Management, and assessing the overall presentation of the annual financial statements.

It is our firm belief that adequate and appropriate evidence has been provided to arrive at an auditor's opinion.

AUDITOR'S OPINION

According to our assessment, the annual financial statements convey a realistic account of the finances and assets of DZ PRIVATBANK S. A. as at 31 December 2014, as well as its profits and growth for the financial year ending on this date, in accordance with the legal requirements and stipulations applicable in Luxembourg with regard to the preparation and presentation of annual financial statements.

REPORT ON OTHER LEGAL AND REGULATORY OBLIGATIONS

The operations report, which is the responsibility of the Board of Management, is consistent with the annual financial statements.

Luxembourg, 20 February 2015

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Christian BRÜNE

COMMITTEES

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PUBLISHED
April 2015

This annual report
can be downloaded from the
www.dz-privatbank.com
website.

Genossenschaftliche FinanzGruppe
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DZ PRIVATBANK S. A. is a member of the protection scheme of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks].
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