Genossenschaftliche FinanzGruppe
Volksbanken Raiffeisenbanken

GERMANY

BERLIN
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FRANKFURT
HAMBURG
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LEIPZIG
MUNICH
NUREMBERG
OLDENBURG
STUTTGART

LUXEMBOURG

SWITZERLAND

SINGAPORE

LUXEMBOURG

FINANCIAL STATEMENTS AND OPERATIONS REPORT – 2015

DZ PRIVATBANK

CONTENTS

REPORT OF THE SUPERVISORY BOARD

In 2015, 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 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, including all supervisory tests required in regulations, were highlighted in the reporting.

A major focus of the work of the Supervisory Board was to help develop the private banking, loans and fund services business, as well as sites facing overall difficult conditions and the generally challenging market and interest rate situation. This included, in particular, projects in business lines aiming to exploit all growth potential and a programme to increase efficiency, effectiveness and profitability throughout the entire bank. The purpose of this was to further improve the group's structure and management across four countries and 13 sites, to step up the close cooperation with the Volksbanken and Raiffeisenbanken through subsidiary provision of competitive products and services and to further strengthen the market position of cooperative banks. The Supervisory Board supports the current measures which further reduce the complexity that sometimes exists in processes, products and services, and should accelerate the restructuring of foreign sites.

The Supervisory Board discussed in detail the effects during the financial year of low-interest phases, negative interest rates, margin pressure and regulations, the slackening growth worldwide and the interest-rate policies of central banks on the development of the financial markets, customer behaviour, site performance and the profit situation. The strategic planning affected by these various developments and the related restructuring of the business model meant that the value per share had to be adjusted to EUR 46.88.

The Supervisory Board also dealt with the scrapping of the lower limit of the exchange rate for the Swiss franc and its effects on business lines, especially loans, and on the DZ PRIVATBANK location in Switzerland. The Supervisory Board also dealt with the introduction of negative interest rates in the loan, fund services and treasury/brokerage business lines and the digitalisation strategy, which is being implemented through an innovation and digitalisation programme.

The Supervisory Board discussed and implemented the German Regulations on Institutional Remuneration after DZ PRIVATBANK S. A. was classified as a subordinate company of DZ BANK AG and therefore as an "institution of significance". Among other things, this included anchoring the duties of appointments and remunerations committees within the Presidential Committee. The Supervisory Board is regularly informed about the progress of implementation, which is being carried out in accordance with a work plan agreed upon with DZ BANK AG.

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 2015 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 synoptically 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 2015 financial year and endorsed the auditor's report. The operating profit is within the parameters of the plans. The profit situation was, however, negatively affected by specific factors. These included, in particular, the investment depreciation of our subsidiary, DZ PRIVATBANK (Schweiz) AG, following a change in the company value. The adjustment had become necessary because the long-term earnings forecast at the Zurich site had weakened because of the sustained strength of the Swiss franc against the euro, the distinctive negative interest environment and amended fiscal and regulatory framework conditions. In this context, a reduced dividend of EUR 0.5 per share is earmarked to be paid out to the shareholders.

The Supervisory Board thanked the Board of Management and all the employees of DZ PRIVATBANK S. A. for their work in 2015.

Luxembourg, 19 February 2016

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 11.4 million for the 2015 financial year. The healthy operating profit of EUR 65.5 million, which is above expectations, is substantially affected by a number of specific effects. In particular, the depreciation on the investment book value of a subsidiary reduced the financial year performance by almost EUR 38 million. The balance sheet total increased due to the EUR 2.8 billion expansion of the deposit business outside of the funds segment to EUR 15.7 billion by 31 December 2015.

ASSETS

Amounts due from banks totalled EUR 4.3 billion (2014: EUR 2.6 billion), with EUR 0.6 billion (2014: EUR 0.8 billion) originating from currency loans to cooperative banks.

Loans and advances to customers have remained unchanged at EUR 5.7 billion (2014: EUR 5.7 billion). EUR 5.2 billion (2014: EUR 5.4 billion) originated from customer loans guaranteed by local cooperative banks (LuxCredit).

Investments in securities remain unchanged at EUR 4.1 billion. These included EUR 2.3 billion with banks, and EUR 1.4 billion with public bodies. Fixed-income securities at 87 %, originated from certificates eligible for refinancing with the European Central Bank.

LIABILITIES

Securitised liabilities increased by EUR 0.3 billion to EUR 3.6 billion. As at the balance sheet date, amounts due to banks decreased by EUR 0.5 billion to EUR 2.6 billion; this included 16 %, attributable to cooperative banks.

Total assets increased by EUR 2.8 billion to EUR 8.3 billion. These included deposits from legal entities under private law amounting to EUR 6.6 billion and deposits from natural persons amounting to EUR 1.7 billion. Together with securitised liabilities, these deposits represent 75.8 % of the total refinancing funds.

According to the calculation regulations of the European CRR/CRD IV solvency guidelines, the Bank held equity capital totalling EUR 755.6 million. The equity-to-capital ratio of DZ PRIVATBANK S. A. as at the balance sheet date was significantly higher at 22.5 % than the statutory prescribed minimum standard in relation to the risks assumed.

PROFIT AND LOSS STATEMENT

Interest income fell by 4.4 % to EUR 77.9 million, owing to the reduction of risks and the sustained, very low level of interest rates. The expiry of high-interest securities also had a burdening effect.

As regards commissions income, the 1.7 % decrease to EUR 126.8 million (2014: EUR 129.0 million), chiefly from private customers, was due to the risk aversion of investors, with major assets increasingly being hold in liquid investments and securities being avoided. Commissions for fund services, on the other hand, have risen slightly.

Of the financial transaction income of EUR 20.2 million (2014: EUR 17.0 million), EUR 13.1 million mainly resulted from currency brokerage and from profits made on the disposal of securities from the cash reserve (EUR 6.2 million).

General administration costs (excluding depreciation on tangible assets) increased by approximately EUR 148.3 million (2014: EUR 147.0 million). Personnel expenses rose by EUR 2.1 million to EUR 94.6 million

(2014: EUR 92.5 million). The increase is the result of an extra contribution of EUR 2.3 million to the GENO pension fund as a result of the low interest phase. By contrast, a general administrative expenses fell by EUR 0.8 million to EUR 53.7 million (2014: EUR 54.5 million).

Scheduled depreciation on intangible and tangible assets increased by 8 % to EUR 17.5 million (2014: EUR 16.2 million).

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 distribute to the shareholders a dividend of 0.5 EUR per share from the previous year's profit (EUR 11.4 million).

STAFF

As at the balance sheet date, the bank had 863 employees; this is equivalent to 794 full-time employees.

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, liquidity, default and operational risk, while at the same time enabling business opportunities to be seized. This should be regarded in particular against the backdrop of overall 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. 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.

OUTLOOK

No significant events relating to the 2015 financial year occurred after the balance sheet date.

DZ PRIVATBANK views the major economic regions of the world with cautious optimism approaching the new financial year, due to of varying growth prospects. Economic indicators provide a mixed picture, the best example of which is the dramatic collapse in oil prices. 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, the low price of crude oil stimulates the economic growth of buyer countries through greater opportunities for consumption.

In Europe, the weak euro and a monetary policy, which continues to be extremely expansive, are boosting economic performance. The growth rate is also expected to increase in the USA and Japan. However, the change in interest rates in the USA will also affect the economic performance of emerging economies in 2016. The extent of the tailing off of growth in China and the possible exit of the UK from the EU could also be troublesome. A renewed flave-up of the euro crisis and the escalation of the geopolitical crises remain significant burdensome factors overall for the financial markets.

In view of this situation, investor mood is also cautiously optimistic. Since promising investments are still not available for interest income, it remains to be seen to what extent investors are able to shed their risk aversion and make additional commitments in equities. Without noticeable reductions in the high liquidity resources in riskier investment forms, only slight growth momentum for commission income is expected.

We are expecting continued growth in our business lines in the current year. At the same time, however, we – and the financial industry as a whole – will have to come to terms with the effects of the negative interest phase, negative interest rates, margin pressure and regulations. These stress factors will continue to have an impact on our earnings situation, in addition to the costs for restructuring the foreign sites of DZ PRIVATBANK, which is already under way. We have therefore already started to step up the centralisation of downstream sales functions to Germany and Luxembourg. At the same time, initiatives under the digitalisation strategy drawn up last year for DZ PRIVATBANK, and for the development of innovation management across all sites, are being implemented.

PRIVATE BANKING

DZ PRIVATBANK has managed in recent years, as subsidiary partner of the cooperative banks, to establish itself as the private banking competence centre of the Volksbanken Raiffeisenbanken cooperative finance group. To this end, tailor-made partnership models for the cooperative banks have been set up across all locations, and facilities have been established so that customer and bank supervisors can provide sales support to local banks across Germany. The competitiveness and appeal of the range of services required by customers was strengthened by the acquisition of new gross assets of EUR 3.3 billion across all sites in 2015.

As a consequence, cooperative private banking is now associated with high quality “local, national and international” support services in the relevant target customer group of high net worth customers, private banking customers, entrepreneurs and asset managers and has become a key growth area for more than 500 cooperative partnership banks. It has therefore been a major feat to increase market share in the private banking business area in subsidiary cooperation with the cooperative banks. A single competence centre focused on customers and cooperative bank partners has been successfully completed.

With the constant expansion of customised services, such as integrated services also aimed at entrepreneurs with private loan requests, or timely investment solutions in an unprecedented capital market environment, DZ PRIVATBANK will also steadfastly pursue its goals in the face of continued competitive and margin pressure. This also includes the digitalisation of private banking, which should further improve the quality of business relationships with all customer groups, especially within the Volksbanken Raiffeisenbanken cooperative finance group, and which should also strengthen its overall competitive position.

The strong performance and first-class expertise of DZ PRIVATBANK across all of its locations have once again been tested by independent auditing bodies, showing it not only as a top-level company in wealth management, but also as one with outstanding services, such as a family office and solutions to meet the growing demand for foundations.

LOANS

The focus of the loan industry in 2016 is on varied solutions with LuxCredit foreign currency financing. The share of loans in Swiss francs is set to continue to decline, even though new and existing customers could benefit from the continued low interest rate environment. The euro and other currencies are increasingly taking centre stage in sales activities. Business customers of the cooperative banks use LuxCredit for foreign investments or export financing to hedge future incoming payments equivalent to upwards of EUR 10,000 against exchange risks in a simple, flexible and cost-effective way by taking out credit in the respective currency. Focus is particularly placed on flexible financing variants for pre- and intermediate financing, as seasonal or EURIBOR loans – and this in euros and in all common currencies.

Private customers of the cooperative banks particularly make use of the flexibility of the short-term and variable product variants, for example, as variable elements for long-term housing finance. Our customers will also be able to make the most of the historically low interest rate environment in euros.

Our support structure at LuxCredit is constantly improving and developing. It entails strategy meetings, sales meetings, on-the-job training sessions and regular telephone and email contact. At regular intervals, we inform our partner banks via our media “Sales information”, “Sales practice” and the “Newsletter” on sales and service matters. The new possibilities afforded by digitalisation will provide major benefits for targeted and timely communication. Also in 2016, the most important requirement for our loans business will continue to be: LuxCredit financing to expand the range of products of the Volksbanken Raiffeisenbanken cooperative finance group with low administrative effort, both cost-efficiently and flexibly.

FUND SERVICES

In fund services in 2016, the bank intends to continue on the path of success and growth of the previous years. The main aim in the long term is to develop the already strong market position of companies in the Volksbanken Raiffeisenbanken cooperative finance group, with banks and independent wealth managers as reliable partners offering comprehensive fund services and market-recognised technical expertise. For example, the constantly increased cooperation with Union Investment over recent years has been reflected in its perception as Depository and will also be complemented through support for its growth strategy abroad.

Throuhg the current improvement of our procedures, modern and powerful IT infrastructure and the skills of our employees, we offer customised service packages across the entire value-added fund management chain, providing our demanding fund initiators with major added value. Meanwhile, the capital market environment, the historically low interest rates and the associated consistent pressure on performance make alternative asset investments increasingly interesting for investors.

In this environment, DZ PRIVATBANK plans to work with its IPConcept subsidiaries in Luxembourg and Zurich to further expand the offer to fund initiators, with the investment focus on renewable energy, real estate, infrastructure and microcredit. The fund services business line will put its many years of experience to use for this target group and will provide innovation and professional expertise to create an investment vehicle for these asset classes. The main challenge in 2016 remains adapting to a plethora of regulatory provisions. First and foremost is the reform of the European guidelines on mutual funds (UCITS V), which must be transposed into each country’s investment laws by 18 March 2016. These guidelines relate in particular to custodians, manager remuneration and a uniform catalogue of sanctions.

Measures will also be developed further as part of the bank-wide digitalisation strategy so that the fund services business line can prepare sufficiently early for the changes of increasing digitalisation in portfolio management, in processes and especially in sales structures.

In addition, the updated rules for markets in financial instruments (MiFID II) are important for our private banking and fund services business in terms of their aim for increased market transparency, investor protection and harmonisation across the EU in relation to the oversight of financial service companies.

THANKS

We thank our employees for their tireless service and outstanding commitment, which significantly contributed to the company's success and to the achievement of our common goals in 2015. Our sincere thanks also go to the cooperative banks and to our institutional customers for their trust.

Luxembourg, 19 February 2016

The Board of Management

Dr Stefan Schwab	Ralf Bringmann
Richard Manger	Dr Frank Müller

ANNUAL FINANCIAL STATEMENTS

Balance sheet as at 31 December 2015

ASSETS

	EUR	31/12/2015 EUR	31/12/2014 EUR '000
Cash, credit balances at central issuing banks and post office cheque accounts		1,273,719,519	45,154
Due from banks		4,269,291,545	2,558,643
a) Due on demand	2,250,697,313		1,569,688
b) Other receivables	2,018,594,232		988,955
Due from clients		5,672,666,637	5,722,643
Bonds and other fixed-interest securities		4,060,692,630	4,036,012
a) Public issuers	1,403,232,917		1,457,757
b) Other issuers	2,657,459,713		2,578,255
Equities and other variable-interest securities		3,974,509	3,716
Shares in affiliated companies		200,851,970	238,452
Intangible assets		11,528,684	19,517
Tangible fixed assets		48,338,073	51,359
Other assets		109,201,801	105,727
Accruals and deferrals		99,623,442	168,655
Total assets		**15,749,888,810**	12,949,878

LIABILITIES

	EUR	31/12/2015 EUR	31/12/2014 EUR '000
Liabilities to banks		2,583,521,317	3,051,768
a) Due on demand	348,253,436		212,605
b) With an agreed maturity or notice period	2,235,267,881		2,839,163
Liabilities to clients		8,297,744,895	5,540,703
Other liabilities	8,297,744,895		5,540,703
a) Due on demand	7,453,313,836		4,578,327
b) With an agreed maturity or notice period	844,431,059		962,376
Securitised liabilities		3,641,601,889	3,307,711
a) Issued debt instruments	1,562,847,119		1,323,353
b) Other	2,078,754,770		1,984,358
Sundry liabilities		29,886,508	41,792
Accruals and deferrals		330,943,207	114,058
Provisions		100,625,112	94,134
a) Provisions for pensions and similar obligations	2,965,664		2,227
b) Provision for taxation	37,965,939		38,240
c) Other provisions	59,693,509		53,667
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
Profit for the year		11,382,307	45,529
Total liabilities		**15,749,888,810**	12,949,878

BALANCE SHEET ITEMS

Contingent liabilities		44,621,109	38,008
incl.: Liabilities from sureties and liability from the placing of securities	44,621,109		38,008
Credit risks		25,779,111	35,150
Trust transactions		0	867

Profit and loss account 2015

	EUR	2015 EUR	2014 EUR '000
Interest income and similar income		**296,041,193**	297,841
incl. fixed-interest securities	91,707,739		97,250
Interest expenditure and similar costs		**–220,330,655**	–219,058
Income from securities		**2,203,622**	2,722
a) Income from equities, shares and other variable-interest securities	0		32
b) Income from holdings in affiliated companies	2,203,622		2,690
Commission income		**165,645,177**	161,563
Commission expenses		**–38,863,453**	–32,561
Result from financial transactions		**20,191,394**	16,991
Other operating income		**8,801,577**	10,522
General administrative costs		**–148,279,184**	–146,964
a) Personnel expenses	–94,599,239		–92,454
incl.:			
– Wages and salaries	–75,430,846		–75,091
– Social insurance	–18,051,812		–15,403
incl.: Social insurance for pensions	–8,890,344		–6,424
b) Other administrative costs	–53,679,945		–54,510
Depreciation and value adjustments on intangible and tangible assets		**–17,494,616**	–16,185
Other operating expenditure		**–11,268,310**	–9,003
Depreciation and valuation adjustments on receivables and additions to provisions for contingent liabilities and credit risks		**0**	–11,500
Depreciation and value adjustments on securities expenses in relation to financial assets, on equity interests and shares in affiliated companies		**–37,600,000**	–218
Income from the release of valuation adjustments on securities expenses in relation to financial assets, on equity interests and shares in affiliated companies		**406,887**	310
Tax on the result of ordinary activities		**–8,001,152**	–8,845
Operating income on ordinary activities after tax		**11,452,480**	45,615
Other taxes, provided they are not included under the items above		**–70,173**	–86
Profit for the year		**11,382,307**	45,529

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.

As at 31 December 2015, the bank maintained eight branches represented across ten sites in Germany. The branches are used to coordinate subsidiary cooperation with the cooperative banks in Germany.

As at 31 December 2015, 70.5 % of the Bank's capital was held by DZ BANK AG, Frankfurt am Main, and 19 % by WGZ BANK AG, Düsseldorf. The percentage held by 366 cooperative banks in Germany was 10.5 %.

Under Article 81 of the Law of 17 June 1992 covering the 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.

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. In addition, under the Law of 18 December 2015 on the application of EU Directive 2014/49/UE on deposit guarantee schemes and investor compensation, DZ PRIVATBANK S.A remains a member of the Garantie des Dépôts, Luxembourg, (Association pour la Garantie des Depôts, Luxembourg, AGDL).

B. Valuation principles

The annual financial statements are prepared on the basis of the statutory provisions 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. In addition, 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	
at the 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 2015

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		More than 5 years		Total	
in EUR million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Other receivables from banks	1,369	522	330	130	228	269	91	67	2,018	988
Due from clients	4,456	4,650	306	404	440	395	104	35	5,306	5,484

Amounts due on demand from clients totalled EUR 367 million (2014: EUR 238 million).

BONDS AND OTHER FIXED-INTEREST SECURITIES

Bonds and other fixed-income securities totalling EUR 681 million (2014: EUR 348 million) are due within the next year.

In accordance with the retention option, the Bank has maintained value adjustments totalling EUR 16.5 million (2014: EUR 21.6 million).

Bonds and other fixed-income securities amounting to EUR 2,544 million (2014: EUR 2,345 million) are attributable to current assets, with EUR 1,517 million (2014: EUR 1,691 million) forming part of fixed assets. They include debt instruments approved for refinancing totalling EUR 3,611 million (2014: EUR 3,716 million).

REPURCHASE AGREEMENTS

As at the balance sheet date, securities with a market value of EUR 344 million (2014: EUR 511 million) were loaned.

LISTED AND UNLISTED SECURITIES

	Listed		Unlisted		Total	
in EUR million	2015	2014	2015	2014	2015	2014
Bonds and other fixed-interest securities	3,974	3,953	87	83	4,061	4,036
Equities and other variable-interest securities	0	0	4	4	4	4
Shares in affiliated companies	0	0	201	239	201	239
Total	**3,974**	**3,953**	**292**	**326**	**4,266**	**4,279**

As at the balance sheet date, securities totalling EUR 194 million (2014: EUR 55 million) were pledged as collateral.

SHARES IN AFFILIATED COMPANIES

The Bank holds shares in affiliated credit institutions totalling EUR 198 million (2014: EUR 235 million), and in affiliated financial institutions amounting to EUR 3 million (2014: EUR 3 million).

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

	Registered office	Stake in %	Book value	Equity	Latest net profit figure
In EUR '000			2015	2014	2014
DZ PRIVATBANK (Schweiz) AG	Zurich	100	177,500	169,799	517
DZ PRIVATBANK Singapore Ltd.	Singapore	100	9,002	8,996	–175
Europäische Genossenschaftsbank S. A.	Luxembourg	100	11,350	12,435	38
IPConcept (Luxemburg) S. A.	Luxembourg	100	3,000	3,580	3,181

OTHER ASSETS

Composition according to the most important items:

in EUR million	31/12/2015	31/12/2014
Option premiums paid	71	70
Other receivables	25	24
Tax assets	13	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 99.6 million are mainly comprised of EUR 73.0 million in deferred interest, as well as foreign currency accruals of EUR 16.1 million and upfront payments of EUR 10.6 million.

Deferrals amounting to EUR 330.9 million are mainly comprised of EUR 64.6 million in deferred interest, as well as foreign currency adjustment items of EUR 216.3 million, upfront payments of EUR 25.3 million and discounts of EUR 22.4 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	2015	2014	2015	2014	2015	2014
Gross value as at 1 January	244	244	1,693	1,848	1,937	2,092
Additions	0	0	0	96	0	96
Disposals	0	0	176	252	176	252
Foreign exchange adjustments	0	0	1	1	1	1
Gross value as at 31 December	244	244	1,518	1,693	1,762	1,937
Accumulated additions to valuation adjustments	43	5	0	1	43	6
Collective general valuation adjustment	0	0	1	1	1	1
Accumulated releases of valuation adjustments	0	0	0	0	0	0
Net value as at 31 December	201	239	1,517	1,691	1,718	1,930

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 assets Total	
in EUR million	2015	2014	2015	2014	2015	2014
Gross value as at 1 January	83	83	52	49	135	132
Additions	0	0	2	3	2	3
Disposals	0	0	3	0	3	0
Repostings	0	0	0	0	0	0
Gross value as at 31 December	83	83	51	52	134	135
Accumulated additions for value adjustments	42	40	44	44	86	84
Net value as at 31 December	41	43	7	8	48	51

The share of real property and buildings used by the Bank for its own business operations amounts to EUR 38 million.

INTANGIBLE ASSETS

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

	Customer bases acquired for due consideration		Software/licences		Intangible assets Total	
in EUR million	2015	2014	2015	2014	2015	2014
Gross value as at 1 January	**37**	**37**	**41**	**36**	**78**	**73**
Additions	2	0	3	5	5	5
Disposals	0	0	0	0	0	0
Repostings	0	0	0	0	0	0
Gross value as at 31 December	**39**	**37**	**44**	**41**	**83**	**78**
Accumulated additions for value adjustments	35	26	36	32	71	58
Net value as at 31 December	**4**	**11**	**8**	**9**	**12**	**20**

The gross value of the customer bases as at 1 January 2015 relates to private customer portfolios acquired in 2011, 2012 and 2013.

The payment for the acquisition of customer bases is to be amortised over 5 years.

As at the balance sheet date, a net book value of EUR 2.4 million applies to software and EUR 4.8 million to licences.

RECEIVABLES AND LIABILITIES TO/FROM AFFILIATED COMPANIES AND SUBORDINATED ASSETS

	Affiliated companies	
in EUR million	2015	2014
Receivables	**1,315**	**486**
Due from banks	1,198	359
Due from clients	5	12
Bonds and other fixed-interest securities	41	41
Equities and other variable-interest securities	0	4
Other assets	71	70
Liabilities	**1,104**	**1,624**
Liabilities to banks	949	1,535
Liabilities to clients	155	89

As at the balance sheet date, there were no subordinated assets.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The countervalue of balance sheet items in foreign currency totals:

in EUR million	2015	2014
Assets	7,237	6,707
Liabilities	7,153	5,407

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

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 9.2 million and EUR –3.1 million respectively (2014: EUR 15.2 million and EUR –5.7 million respectively.

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		More than 5 years		Total	
in EUR million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Liabilities to banks	1,713	2,333	507	221	10	285	5	0	2,235	2,839
Other amounts due to clients	715	771	95	155	24	37	10	0	844	963
Bonds issued	0	0	164	150	1,328	1,173	71	0	1,563	1,323
Other securitised liabilities	1,773	1,612	204	302	0	70	0	0	1,977	1,984

The other securitised liabilities relate, inter alia, to the ECP programme. The volume of these slightly increased during the reporting year due to the market situation. An amount of EUR 101 million is reported under liabilities due on demand.

SUNDRY LIABILITIES

Composition according to the most important items:

in EUR million	31/12/2015	31/12/2014
Preferential liabilities	2	14
Redemption liabilities	15	16
Sundry liabilities	13	12

The redemption liabilities essentially relate to maturing fund coupons. Sundry liabilities relate, inter alia, to open commission payments (EUR 1.2 million), outstanding administrative expenses (EUR 2.4 million) and liabilities towards pension funds (EUR 6.4 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 of EUR 10.5 million are allocated to 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, which are fully paid up.

PROVISIONS

Statutory reserves amount to EUR 11.7 million. In accordance with Article 72 of the Law of 10 August 1915, 5% of the annual profit is required to be transferred to the reserve until it is equal to 10% 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.

LUXEMBOURG RESOLUTION FUNDS, DEPOSIT GUARANTEE SCHEMES AND INVESTOR COMPENSATION

Under the Law of 18 December 2015 on the implementation of the BRRD (Bank Recovery and Resolution Directive) in Luxembourg law, EU Directive 2014/49/EU on deposit guarantee schemes and investor compensation was also implemented. The Luxembourg Deposit Guarantee Fund (Fonds de garantie des dépôts Luxembourg, FGDL) was founded under article 154 of this Law, and the Luxembourg investor compensation scheme (Système d'indemnisation des investisseurs Luxembourg, SIIL) was created under article 156 of the same Law. These deposits are guaranteed up to an amount of EUR 100,000; assets under custody up to an amount of EUR 20,000. However, the law stipulates that deposits which result from specific transactions or serve specific social or other purposes are covered for twelve months once over EUR 100,000 is paid in.

The Luxembourg Resolution Fund (Fonds de résolution Luxembourg, FRL) was established under article 105 of the aforementioned Law. DZ PRIVATBANK S.A. paid a national bank levy of EUR 0.8 million from the AGDL provision in the reporting year.

DZ PRIVATBANK S.A. remains a member of the Deposit Guarantee Association, Luxembourg (AGDL). 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. has been a member of the protection scheme of the German Volksbanken Raiffeisenbanken cooperative financial network e.V. (BVR) since November 2011. 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 4.0 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	2015	2014
Guarantees and other credit substitutes	45	38

As at 31 December 2015, the contingent liabilities in relation to affiliated companies amounted to EUR 11.0 million (2014: EUR 10.0 million).

CREDIT RISKS

Credit risk is as follows:

in EUR million	2015	2014
Company loan commitments	26	35
incl.: Forward purchases of assets	3	1

As at the balance sheet date, there were no fixed lending commitments with affiliated companies (2014: EUR 0.0 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		More than 5 years		Total	
in EUR million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Currency futures on organised markets (futures/options)	836	876	0	0	0	0	0	0	836	876
Options on non-organised markets	0	197	0	0	0	0	0	0	0	197
Forward exchange transactions, OTC (swaps/outrights)	21,302	15,152	4,421	3,924	58	245	0	0	25,781	19,321
Interest rate and currency swaps	240	0	374	390	941	1,298	102	154	1,657	1,842
Non-value dated spot transactions	483	175	0	0	0	0	0	0	483	175

These include transactions with affiliated companies amounting to EUR 4,685 million (2014: EUR 3,903 million).

Interest rate-linked transactions (nominals)	**Up to 3 months**		**Over 3 months to 1 year**		**Over 1 year to 5 years**		**More than 5 years**		**Total**	
in EUR million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Interest rate swaps	203	210	553	321	2,870	2,753	995	1,326	**4,621**	**4,611**
Interest rate futures	6,785	3,986	222,639	501	714	4,311	0	0	**230,139**	**8,798**
Options on organised markets	123	1,814	0	0	0	0	0	0	**123**	**1,814**
Options on non-organised markets	0	0	0	0	0	25	0	0	**0**	**25**
Interest limit agreements (Caps)	104	5	0	0	0	100	0	0	**104**	**105**

Interest rate linked transactions that are not for hedging purposes include open positions amounting to EUR 60 million (2014: EUR 431 million); EUR 650 million (2014: EUR 409 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**		**More than 5 years**		**Total**	
in EUR million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Futures on variable-interest securities	7	4	5	2	3	2	0	0	**15**	**8**
Options on variable-interest securities	1,165	1,129	400	402	135	118	0	0	**1,700**	**1,649**

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	2015	2014
Addition to provision for risks from the operational banking business	7,100	0
PBSG loss absorption	1,466	0
Off-period expenditure	1,465	952
Addition to provision for staff costs	8	4,600
Deposit guarantee scheme (AGDL, BVR)	0	3,000
Other expenses	1,229	451
Total	**11,268**	**9,003**

Other operating income:

In EUR '000

Operating income	2015	2014
Off-period income	3,406	1,378
Writing back of provisions	1,845	4,379
Wage continuation insurance	1,353	1,465
Rental income	865	2,576
Other income	1,333	724
Total	**8,802**	**10,522**

D) STAFF AND CORPORATE BODIES

AVERAGE NUMBER OF STAFF

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

Group	2015	2014
Board of Management, Chief Representatives, Directeurs and Directeurs-Adjoints	46	41
Senior management	62	65
Employees	751	757
Total	**859**	**863**

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

Group	Board of Management, Chief Representatives, Directeurs and Directeurs-Adjoints		Supervisory Board	
In EUR '000	2015	2014	2015	2014
Salaries, emoluments, benefits	8,255	8,467	284	279
Social insurance for pensions	1,261	1,272	0	0
Loans, guarantees	791	819	800	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 countries		Total	
in EUR million	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Interest and similar income	12	10	216	223	50	47	18	18	296	298
Commission income	109	103	50	51	3	3	4	5	166	162
Other operating income	7	10	2	1	0	0	0	0	9	11
Total	**128**	**123**	**268**	**275**	**53**	**50**	**22**	**23**	**471**	**471**

AUDITORS' FEES

The audit fee for Ernst & Young for the 2015 financial year consists of auditing fees of EUR 444,000 and other audit services of EUR 161,000 (all amounts are exclusive of VAT).

OTHER GUARANTEES AND COMMITMENTS

The Bank signed an unlimited and irrevocable guarantee for the DZ PRIVATBANK Singapore Ltd subsidiary in favour of the Monetary Authority of Singapore in order to fulfil its contractual obligations and to guarantee an appropriate level of liquidity.
The bank's corporate pension scheme is provided by the GENO pension fund Assep. As at 31 December 2015, the plan assets of the fund for employees of the Bank amounted to EUR 62.9 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 1.6 million, and flat-rate income taxes adopted by the Bank amounting to EUR 1.4 million.
Future expenses resulting from rental liabilities, due over the remaining term of the lease, amount to EUR 35.4 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 2015.

	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**	**More than 5 years**	**No maturity**		**Total**
Cash, balances with central banks and post office giro services	1,273.7	–	–	–	–	–	**1,273.7**
Due from banks	3,619.9	329.8	228.0	91.6	–	–	**4,269.3**
Due from non-banks	4,822.6	305.5	440.2	104.4	–	–	**5,672.7**
Bonds and other fixed-interest securities	177.6	502.5	2,524.6	856.0	–	–	**4,060.7**
Equities and other variable-interest securities	–	–	–	–	3.7	0.3	**4.0**
Total financial assets							**15,280.4**
Other assets							**469.5**
Total assets							**15,749.9**

	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**	**More than 5 years**	**Without maturity**		**Total**
Due from banks	2,061.3	507.1	9.6	5.5	–	–	**2,583.5**
Due from non-banks	8,168.8	95.4	23.6	10	–	–	**8,297.8**
Securitised liabilities – Bonds	–	163.8	1,327.7	71.3	–	–	**1,562.8**
– Other	1,583.7	495.1	–	–	–	–	**2,078.8**
Subordinated loans (external)	–	–	15.0	–	–	–	**15.0**
Total financial liabilities							**14,537.9**
Other liabilities							**1,212.0**
Total liabilities							**15,749.9**

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

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 2015.
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 OF THE INVESTMENT PORTFOLIO

Nominals in EUR million	Nominals	Up to 3 months		Over 3 months to 1 year		Over 1 year to 5 years		More than 5 years		Total	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Class of instruments											
Interest – OTC											
Swaps	4,621.1	–	203.0	1.9	549.3	611.6	2,260.3	124.2	870.8	**737.7**	**3,883.4**
Caps/floors	157.7	150.3	–	1.0	0.7	2.2	2.9	–	0.6	**153.5**	**4.2**
Interest – listed											
Futures	29.1	–	–	–	–	23.0	–	6.1	–	**29.1**	**0.0**
Foreign currencies/precious metals – OTC											
Forwards	18,381.8	7,406.3	7,404.1	1,735.3	1,780.9	27.6	27.6	–	–	**9,169.2**	**9,212.6**
Swaps (FX/CCS)	9,258.5	2,993.8	3,954.3	538.7	714.7	66.0	889.3	46.2	55.5	**3,644.7**	**5,613.8**
Total										**13,734.2**	**18,714.0**

There is also an option for 1-to-1 hedging of an issued index certificate with a nominal value of EUR 71.3 million, which expires in February 2016.

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

As at the closing date of 31 December 2015, no derivative transactions were in the trading portfolio.

DERIVATIVE INSTRUMENTS BY MARKET VALUE

Instrument in EUR million	Market value Total	Deferred Interest	Market value adjusted
Swaps – cross currency	–161.7	1.7	–163.4
Currency – forwards	18.0	–	18.0
Swaps – foreign currencies	–48.2	–	–48.2
Swaps – interest rates	–251.2	–53.3	–197.9
Bonds – futures	0.2	–	0.2
Total	**–442.9**	**–51.6**	**–391.3**

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 market value (3)	Provisions (4)	Global market value (5) = (2) + (3) – (4)	Securities (6)	Net risk exposure (7) = (5) – (6)
Interest rate swaps	3,971.5	6.3	25.5	–	31.8	–	**31.8**
Bonds – futures	29.1	0.2	0.2	–	0.4	–	**0.4**
Currency swaps/CCS/forwards	22,845.3	247.3	272.4	–	519.7	–	**519.7**
Caps/floors/swaptions	154.6	–	–	–	–	–	–
Total							**551.9**

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

D. Risk report

A) RISK MONITORING

Effective risk management is a prerequisite for the long-term development and the strategic safeguarding of 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 the 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.

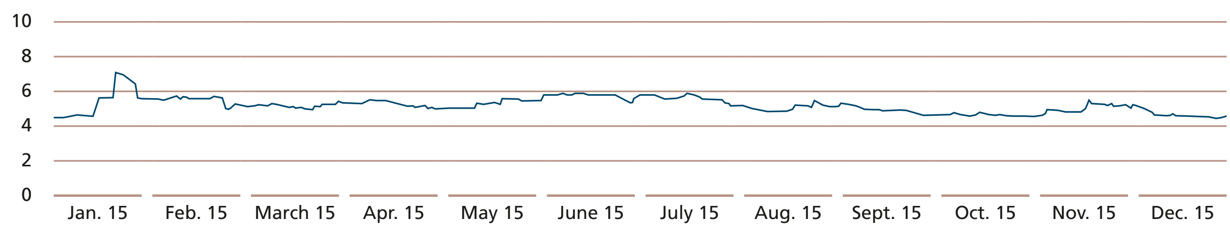
The historical simulation approach is based on a confidence level of 99 % and an assumed holding period of one trading day over an observation period of 300 days. The limit was applied on the basis of a confidence level of 99.9 % and a holding period of one year.

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 and stress-test procedures, in which various market movements are simulated, augment 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 01/01/2015 to 31/12/2015



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 Luxembourg regulatory authority (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.

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 reputational risks. Operational risks involve their own form of risk and correspondingly require extensive management, controlling and monitoring. 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 analysis. 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 the operational risk is determined centrally by DZ BANK AG each quarter. The economic model is affected both by the historical data on losses and the risk potential estimates from the risk self-assessment.

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 the 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 thus considered as insolvency risk. Refinancing risk refers to the risk of a loss that may arise from a deterioration in liquidity spread (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. Both a normal scenario and several stress scenarios are considered. The objective is a positive cash surplus in all relevant scenarios in the corresponding period. There will be 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, 09 February 2016

The Board of Management

Dr Stefan Schwab　　　　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 23 March 2015, we audited the accompanying annual financial statements of DZ PRIVATBANK S. A., which comprise the balance sheet as at 31 December 2015 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 AUDITOR

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 can be determined, with an adequate degree of certainty, whether the annual financial statements are free from material misstatement.

An audit involves conducting auditing procedures in order to issue an auditor's opinion on the valuations and information found 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 is included, whether due to fraud or error. As part of this risk assessment, the auditor examines the internal control system set up for the preparation and the fair presentation of the annual financial statements to determine the appropriate auditing procedures under these circumstances, and not to provide an evaluation of the effectiveness of said 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, as well as assessing the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2015, 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, 19 February 2016

Ernst & Young
Société Anonyme
Approved audit firm (*Cabinet de révision agréé*)

Christian BRÜNE

COMMITTEES

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(since 1 November 2015)

Dr Thomas Hirschbeck
(until 31 October 2015)

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