Consolidated Financial Statements 2009

of the Cooperative Financial Services Network

The Cooperative Financial Services Network
Facts and figures at a glance

Ratings	FitchRatings (network rating)	Standard & Poor's
Long-term issuer default rating:	A+	A+
Short-term issuer default rating:	F1+	A-1
Outlook:	Stable	Stable
Individual rating:	B	*
Support rating:	1	*

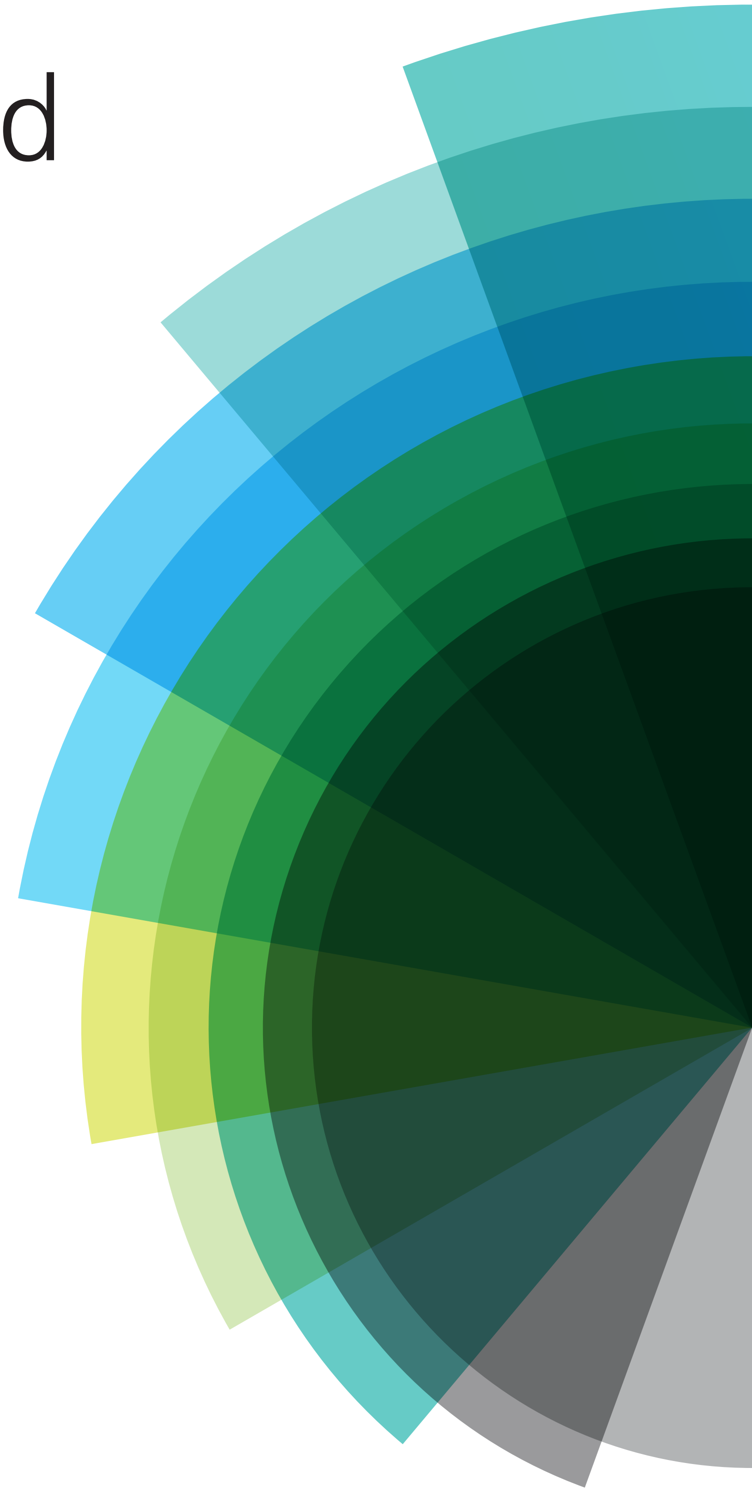
* S&P does not provide this kind of rating

Cooperative Financial Services Network	2009 Euro M	2008 Euro M	Change (percent)
Financial performance			
Net interest income	17,375	15,946	9.0
Net fee and commission income	4,574	4,708	–2.8
Profit/loss on financial and commodities trasactions[1,2]	1,537	–5,247	>100.0
Net income from insurance business[3]	498	425	17.2
Profit/loss before taxes[2]	6,649	–2	>100.0
Net profit/loss[2]	4,638	75	>100.0
Cost/income ratio (percent)[2]	63.3	90.3	
Net assets			
Loans and advances to banks[2]	40,411	55,694	–27.4
Loans and advances to customers	560,433	547,882	2.3
Financial assets held for trading	93,857	118,267	–20.6
Investments	240,460	222,120	8.3
Investments held by insurance companies	50,475	48,481	4.1
Other assets[2]	30,877	32,345	–4.5
Financial position			
Deposits from banks	107,170	101,736	5.3
Amounts owed to other depositors[2]	588,033	567,687	3.6
Debt certificates including bonds	107,462	121,902	–11.8
Financial liabilities held for trading	75,499	104,815	–28.0
Insurance liabilities	52,351	48,205	8.6
Other liabilities	28,420	27,486	3.4
Cooperative network's capital[2]	57,578	52,958	8.7
Total assets / total equity and liabilities[2]	**1,016,513**	**1,024,789**	**–0.8**
Volume of business[2,4]	**1,250,820**	**1,243,692**	**0.6**
Regulatory capital ratios under SolvV			
Tier 1 capital ratio (percent)	8.3	7.8	
Total capital ratio (percent)	13.0	12.3	
Employees as at Dec, 31	**186,719**	**186,479**	**0.1**

1 Gains and losses on trading activities, gains and losses on investments, and other gains and losses on valuation of financial instruments
2 Prior-year amount restated
3 Premiums earned, gains and losses on investments held by insurance companies and other insurance company gains and losses, insurance benefit payments. and insurance business operating expenses
4 Total assets / total equity and liabilities, including financial guarantee contracts and loan commitments, trust activities. And the assets under management of the Union Investment Group

Annual Consolidated Financial Statements 2009

of the Cooperative
Financial Services Network



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Introduction by the Board of Managing Directors

"How much government regulation does the German banking sector need?" – This question was central to the debate around the financial market crisis and its implications in 2009, and it still is. Does the state do banking better? What should be done? And what should not be done?

Whatever the answers to these questions will be: they should differentiate. The answers need to be based on sound judgment and distinguish between banks jeopardizing the banking system and those stabilizing it.

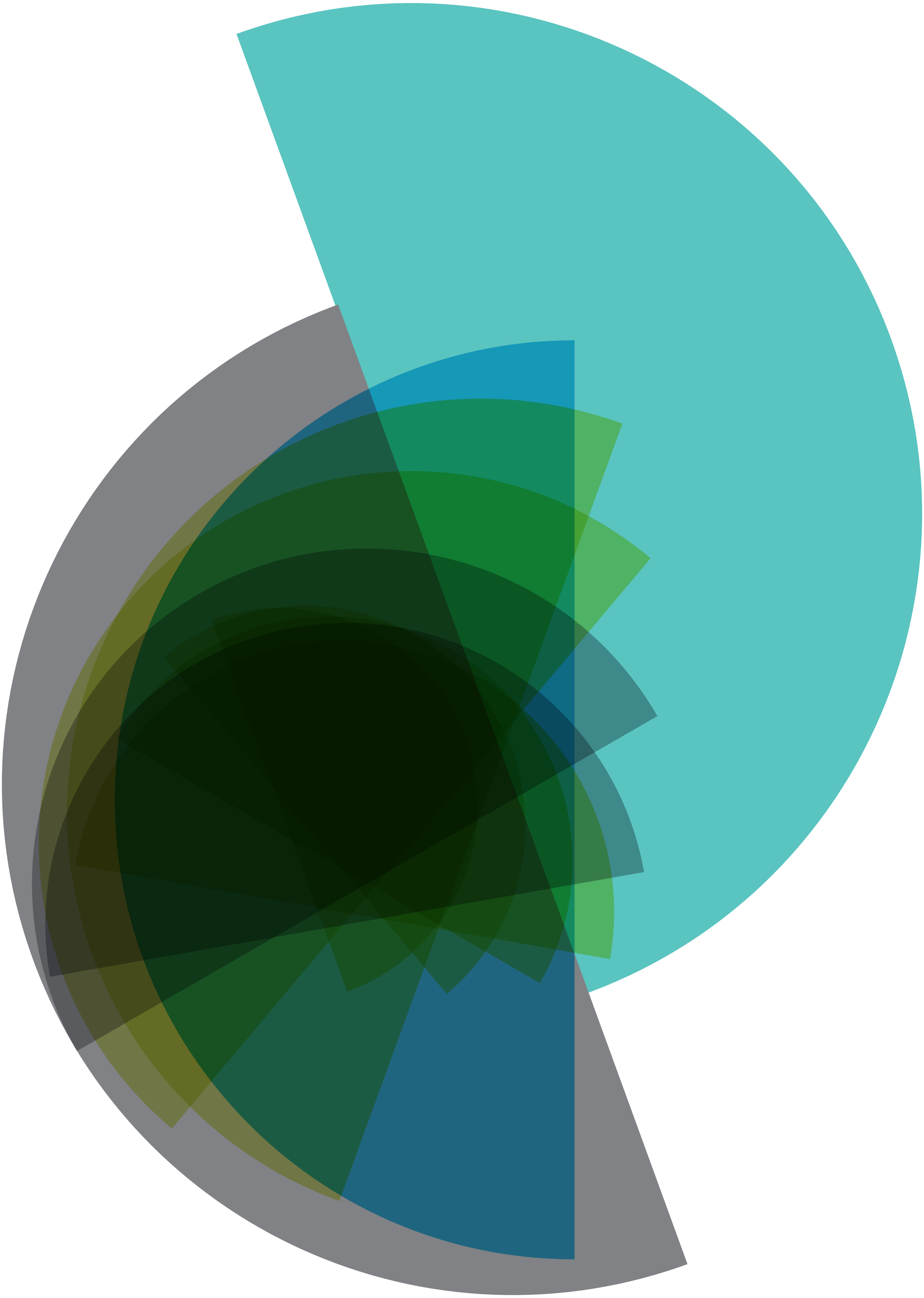
The results of these consolidated financial statements of the Cooperative Financial Services Network are an impressive example of the stability of the local cooperative banks and their specialized institutions. They present strong and unambiguous results. A profit before taxes of Euro 6.6 billion, the solid growth of the cooperative network's capital and market share gains in the customer business show that the Cooperative Financial Services Network grasps its market opportunities in a systematic manner. At the same time, the cooperative network undertakes responsibility. Moreover, the cooperative network significantly contributes to the funding of the public spending through a Euro 1.8 billion payment of current income taxes in 2009. With a ratio of trainees to other employees of 7.7 percent, it is also one of the largest institutions in the banking sector offering vocational training.

Proximity, service, confidence, local commitment – these aspects have never been more important. Our local cooperative banks live up to these values. Any sort of exaggerated government regulation – that ignores the nature of the cooperative banks and prevents these cooperative banks to fulfil their purposes – would be counterproductive.

Local cooperative banks should not be co-blamed for the impact of the financial market crisis. The 2009 consolidated financial statements also confirm the strength and stability of the entire network. It is especially this fact that needs to be taken into account in the continuing debate around a new EU-wide deposit guarantee scheme directive and also in the issue regarding a uniform bank tax or levy.

It is important to learn the right lessons from the financial market crisis, which also means that the significant role of the cooperative banks, which are strictly organized on the basis of private-sector principles, will be taken into account more thoroughly. The Cooperative Financial Services Network acknowledges its responsibility for the region and Germany as a financial center. However, we argue for the necessity to learn the right lessons from the financial market crisis to be able to decide where and how regulation has the greatest impact in order to address the roots of the aberrations and to avoid any future burdens for the taxpayers – which substantially includes us. These consolidated financial statements represent a strong argument for this point of view.

Uwe Fröhlich
Gerhard Hofmann
Dr. Andreas Martin



Management Report

Business Performance
Economic conditions

2009 saw the German economy mired in the worst recession since the Second World War, with price-adjusted gross domestic product (GDP) falling by 5.0 percent. This sharp contraction in economic activity was triggered by a slump in demand from abroad, which hit the export-driven German economy particularly hard. Although business activity gradually started to recover in the second quarter of the year, this rally nowhere near compensated for the previous production losses. Consumer prices rose by only 0.4 percent in 2009. The last time that Germany had experienced a similarly low annual rate of inflation was in 1999, when prices had risen by 0.6 percent.

The abrupt and severe slump in foreign demand, which had started in the wake of the insolvency of the US investment bank Lehman Brothers in the autumn of 2008, lasted until the spring of 2009. Germany was affected by this trend in the form of a sharp contraction in its exports of goods and services, which decreased by 14.2 percent in real terms. Its imports also fell owing to the economic downturn and were 8.9 percent lower year on year, although its foreign trade balance remained in surplus. Finally, the deterioration in the macroeconomic outlook weakened the domestic propensity to invest. Spending on capital equipment fell dramatically, whereas construction investment remained relatively stable – partly owing to measures taken by the government.

Both private and government consumption grew on a price-adjusted basis, contrary to the general economic trend. Disposable incomes were bolstered by slightly higher gross wages, the German government's decision to lower social security contributions, and other measures. The restrained level of inflation boosted purchasing power in real terms. The savings ratio edged up to 11.3 percent in 2009.

Despite the severity of the recession, the labor market fared surprisingly well in 2009. Although unemployment increased year on year, it rose by much less than originally feared. The average number of people registered as jobless last year increased by 155,000 to 3.42 million, while the unemployment rate rose from 7.8 percent in 2008 to 8.2 percent in 2009. The adjustment of employment levels to the lower demand was mainly achieved by a reduction in working hours.

Business Performance
Performance of the Cooperative Financial Services Network

The structure of the Cooperative Financial Services Network once again proved to be stable and sustainable in 2009. The network passed the 'stress test' of the ongoing crisis during the reporting year. In its traditional banking business of lending and deposit-taking the network constantly and robustly expanded its market share, while over the same period the volume of loans granted by the German *Landesbanken* (regional central banks), big commercial banks, regional commercial banks, and branches of foreign banks decreased.

The Cooperative Financial Services Network provides a substantial proportion of the loans and capital made available to small and medium-sized enterprises in Germany. More than one in every four euros lent to small businesses and self-employed people now comes from the primary banks. In addition, the network offers a one-stop range of products and services consisting of equity capital and subordinated funding that is tailored to the specific needs of small and medium-sized enterprises.

The economic strength of the Cooperative Financial Services Network is illustrated by the growth in net profit and capital. The level of the network's capital enabled it to strengthen its reserves and pay distributions in line with market rates. As in previous years, the Cooperative Financial Services Network also turned out to be one of Germany's largest taxpayers. The primary banks alone paid more than twice as much tax as in the previous year and almost ten times more than Germany's major commercial banks paid in 2009. Consequently, they once again made a substantial contribution to the funding of Germany's public finances.

Despite this impressive performance, the Cooperative Financial Services Network continued to feel the effects of the financial and economic crisis, but it did manage to mitigate them by drawing on its own resources. It is well equipped to cope with the further intensification of price competition in its customer-facing business and with the persistently challenging operating environment.

2009 was a successful year in which the member-oriented business model proved highly lucrative. The Cooperative Financial Services Network impressively demonstrated its earnings power by reporting a profit of Euro 6.649 billion before taxes.

Net interest income rose by 9.0 percent year on year to Euro 17.375 billion in 2009. This strong growth was mainly attributable to the steeper yield curve and the European Central Bank's expansionary monetary policy, although it was also due to the cooperative network having increased its market share of lending to small businesses and to a growth in lending across all client groups that bucked the market trend. Whereas borrowers generated growing demand for medium- and long-term financing, investors preferred short maturities. This situation was exacerbated by the lower interest income earned from variable-yield securities, the higher cost of capital, and the issuance of longer-term liabilities. There was also a decrease in the current income and expense from long-term equity investments that forms part of net interest income.

The increase in **allowances for losses on loans and advances** from Euro 1.589 billion in 2008 to Euro 2.176 billion in 2009 was attributable to the higher level of allowances required for both private and corporate customers – especially those from export-oriented sectors such as manufacturing. In addition to specific loan loss allowances, the bleak economic situation also required further transfers to be made to portfolio loan loss allowances. Overall, however, the level of allowances for losses on loans and advances remained well below the negative forecasts.

Net fee and commission income fell by a modest 2.8 percent from Euro 4.708 billion in 2008 to Euro 4.574 billion in 2009. This result was largely due to a decrease in fee and commission income from securities business and asset management owing to private clients' reluctance to invest their money in the wake of the financial crisis.

Following the severe market turmoil that occurred in 2008, the **gains on trading activities** of Euro 1.692 billion reported for 2009 were a significant improvement on the losses of Euro 1.366 billion incurred in 2008, which were heavily influenced by the financial crisis. In addition to a sharp narrowing of credit spreads, which considerably increased the value of bonds and promissory notes held by the central institutions, the cooperative network's buoyant customer-related business in capital products – especially investment certificates and interest-rate products – significantly boosted earnings.

The figure reported for **gains and losses on investments** also improved during the reporting period. The total losses of Euro 3.143 billion incurred in 2008 contracted to a loss of Euro 107 million in 2009 largely as a result of the decrease in impairment losses. While substantial reversals of impairment losses on a number of bonds were recognized in 2009, allowances were charged on asset-backed securities.

The **other losses on valuation of financial instruments** amounting to Euro 738 million in 2008 improved significantly to a loss of Euro 48 million in 2009. The losses incurred in 2008 resulted largely from impairment losses on securities designated as at fair value through profit or loss, which are held in the Real Estate Finance operating segment.

Net income from insurance business amounted to Euro 498 million in 2009 compared with Euro 425 million in 2008. Increases in the level of new business generated by life and pension insurance providers, a significant improvement in the figure reported for gains and losses on investments owing to the narrowing of credit spreads, rising stock market indices, and a moderate level of loss claims all had a positive effect.

The **administrative expenses** for the Cooperative Financial Services Network rose by 3.1 percent from Euro 14.771 billion in 2008 to Euro 15.231 billion during the reporting period. Despite the fact that the primary banks' general, administrative and staff expenses increased, these institutions managed to slightly reduce their administrative expense margins year on year. In addition, the contributions paid to the Pension Security Association needed to be increased in 2009.

Euro 1.796 billion of the Euro 2.011 billion in total **income taxes** recognized for 2009 was attributable to current taxes. The Cooperative Financial Services Network therefore made a substantial contribution to Germany's public finances. The expenses of Euro 691 million incurred for current income taxes in 2008 were more than compensated for by income of Euro 768 million from deferred taxes owing to the capitalization of deferred tax assets for temporary differences and tax loss carryforwards.

The **net profit/loss** for 2009 after tax amounted to a profit of Euro 4.638 billion compared with a net profit of Euro 75 million in 2008.

The **cost/income ratio** improved significantly from 90.3 percent in 2008 to 63.3 percent in 2009 despite the increase in administrative expenses.

Financial position

The **total assets** of the Cooperative Financial Services Network decreased slightly from Euro 1,024.8 billion as at December 31, 2008 to Euro 1,016.5 billion at the end of 2009. The **total volume** of business transacted – which includes the network's total assets, financial guarantee contracts and loan commitments, trust activities, and the asset management conducted by the Union Investment Group – grew to Euro 1,250.8 billion at the end of 2009 (December 31, 2008: Euro 1,243.7 billion).

56.7 percent of the total assets in the Cooperative Financial Services Network are attributable to the primary banks (December 31, 2008: 54.1 percent). The DZ BANK Group accounts for 32.3 percent of total assets (December 31, 2008: 35.2 percent) and the WGZ BANK Group for 8.0 percent (December 31, 2008: 7.6 percent).

On the **assets side** of the balance sheet, loans and advances to customers grew from Euro 547.9 billion as at December 31, 2008 to Euro 560.4 billion at the end of 2009. This was largely a result of the growth in the volume of loans granted by the primary banks. Whereas the volume of short-term lending contracted, the volume of medium-term loans and advances increased. Long-term loans and advances remained the principal drivers of the growth in lending. In addition, the larger volume of new lending to the government and local authorities had a corresponding effect on loans and advances to customers.

The total value of loans and advances granted to banks decreased from Euro 55.7 billion as at December 31, 2008 to Euro 40.4 billion at the end of 2009. This relates to the interbank operations conducted by both the central institutions and the primary banks. Whereas the volume of bonds and other fixed-income securities held by the DZ BANK Group as financial assets for trading purposes contracted sharply, the volume of investments held by the primary banks grew significantly. The total volume of financial assets held for trading fell from Euro 118.3 billion to Euro 93.9 billion, while the total value of investments grew from Euro 222.1 billion to Euro 240.5 billion.

On the **equity and liabilities side** of the balance sheet, the amounts owed to other depositors increased from Euro 567.7 billion as at December 31, 2008 to Euro 588.0 billion at the end of 2009. The improvement in the primary banks' position in the market for customer deposits enabled them to achieve a sharp increase in their volume of savings deposits and their liabilities that are payable on demand. The primary banks' customers revealed a pronounced liquidity preference by switching many of their short-term time deposits into demand deposits. More than 40 percent of the customer deposits held by primary banks are now liabilities that are payable on demand. Customers also revealed the greater importance they now attach to security by investing more of their money in savings deposits.

The total volume of financial liabilities held for trading fell from Euro 104.8 billion as at December 31, 2008 to Euro 75.5 billion at the end of 2009, which was largely a result of the decrease in short-term liabilities arising from money market deposits held by DZ BANK AG.

The Cooperative Financial Services Network has a sound level of **capital** resources. Its strong financial performance enabled it to pay attractive distributions to its shareholders while strengthening its reserves. The decrease of temporary impairment losses on available-for-sale securities helped to further improve the cooperative network's capital in the revaluation reserve. The cooperative network's total capital grew by Euro 4.6 billion to Euro 57.6 billion during the reporting period.

Regulatory capital

The capital held by the Cooperative Financial Services Network as required by the Solvency Regulation (SolvV) grew by Euro 1.4 billion, or 2.3 percent, to Euro 62.1 billion.

The corresponding total capital ratio rose from 12.3 percent to 13.0 percent. The Tier 1 capital ratio as defined by the SolvV also improved, increasing from 7.8 percent at the end of 2008 to 8.3 percent at year-end 2009. These key ratios continued to comfortably exceed the regulatory minimum of 8.0 percent for the total capital ratio and 4.0 percent for the Tier 1 capital ratio.

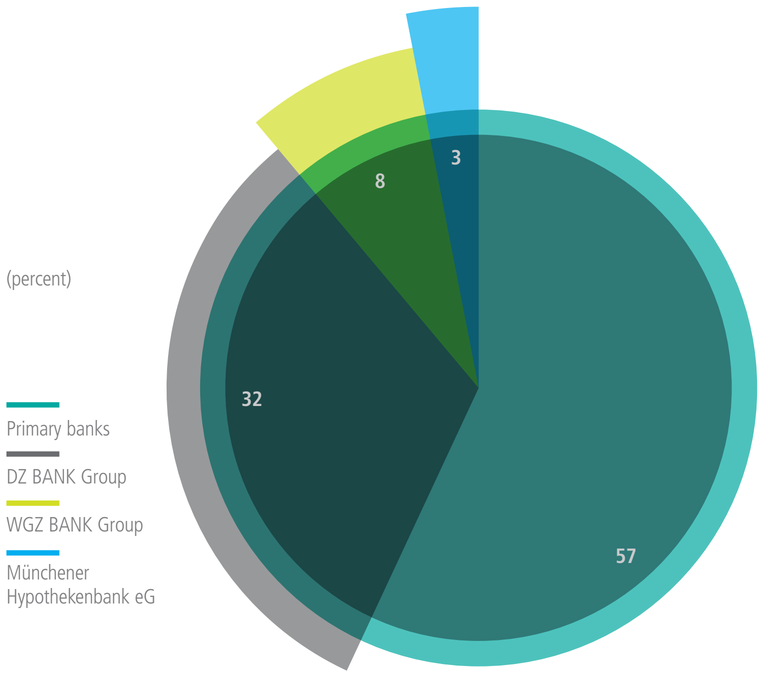
The corresponding figures for the primary banks decreased marginally (Tier 1 capital ratio down from 10.6 percent to 10.5 percent and total capital ratio down from 14.2 percent to 14.0 percent), which was mainly attributable to the significant increase in their counterparty risk exposures as part of their capital requirements.

Earnings performance

	2009 Euro M	2008 Euro M	Change (percent)
Net interest income	17,375	15,946	9.0
Allowances for losses on loans and advances	–2,176	–1,589	36.9
Net fee and commission income	4,574	4,708	–2.8
Gains and losses on trading activities	1,692	–1,366	>100.0
Gains and losses on investments	–107	–3,143	–96.6
Other gains and losses on valuation of financial instruments	–48	–738[1]	–93.5
Net income from insurance business	498	425	17.2
Administrative expenses	–15,231	–14,771	3.1
Other net operating income	72	526	–86.3
Profit/loss before taxes	**6,649**	**–2**	**>100.0**
Income taxes	–2,011	77[1]	>100.0
Net profit/loss	**4,638**	**75**	**>100.0**

1 Amount restated

Breakdown of the total assets held in the Cooperative Financial Services Network as at December 31, 2009



Change between 2008/2009 in selected items of the income statement

Business Performance

Operating segments in the Cooperative Financial Services Network

Bank operating segment

The **net interest income** earned in the Bank operating segment fell from Euro 1.831 billion in 2008 to Euro 1.326 billion in 2009. The adverse factors affecting the central institutions here were the higher cost of capital, the issuance of longer-term liabilities, and the interest-related decrease in income from lending, money market placements, and variable-yield bonds. This trend was reinforced by the planned reduction of interest-bearing securities holdings. Income from long-term equity investments, which forms part of net interest income, performed particularly poorly because – since the equity method was applied – it included the pro rata losses of Euro 242 million incurred by the Österreichische Volksbanken-AG Group in 2009 (2008: profit of Euro 46 million). Net interest income was boosted by both the traditional syndicated loan business and the Standard-Meta and Agrar-Meta standardized risk transfer products, whose unit sales and business volumes once again increased year on year despite the difficult market situation. The expansion of business in the highly promising agriculture, nature and energy sectors generated a large number of financing enquiries and commitments and far exceeded expectations. By offering a range of structured finance products and services, the Bank operating segment managed to maintain its net operating interest income at an impressive level given the adverse fallout from the financial and economic crisis. It selectively expanded its financing activities in the field of public-private partnerships (PPP) in Germany. However, the economic situation meant that it was not possible for net operating interest income from this business to reach the demanding levels set in 2008. The net interest income earned from leasing and transport finance remained virtually unchanged year on year. New business generated in 2009 using innovations such as the VR-LeasyOnline tool was increased compared with 2008. The Bank operating segment managed to pass on most of the increase in the cost of funding for its transport finance operations to its customers.

Allowances for losses on loans and advances amounted to Euro 553 million in 2009 compared with Euro 344 million in the previous year. The Bank operating segment was affected more than most by higher specific loan loss allowances in lending to its customers and by substantial additional portfolio loan loss allowances for future latent risks against the backdrop of a gloomy economic outlook.

Net fee and commission income rose slightly year on year from Euro 480 million in 2008 to Euro 516 million in 2009. The net income earned from securities business rose sharply. High-quality product suppliers with a well-developed understanding of the need to protect their investors managed to strengthen their position in the market, which also benefited the Bank operating segment. As interest rates worldwide fell to low levels, demand for interest-rate products was particularly brisk. There was strong growth in primary banks' demand for interest-rate hedging instruments for their corporate clients as part of the VR Cross Selling model. The Bank operating segment significantly increased the net fee and commission income it earned from renewable energies, infrastructure, and PPP finance projects thanks to its structuring expertise. The net income generated from payments processing (including card processing) fell just short of the figure achieved in 2008. The net income earned from lending, trust activities, and international business declined in each case. Net fee and commission income was increased by the fact that VR FACTOREM GmbH, which is a factoring company, was consolidated for the full year for the first time in 2009.

The net **gains on trading activities** in the Bank operating segment improved by an impressive Euro 2.962 billion year on year to Euro 1.443 billion (2008: net losses of Euro 1.519 billion). The performance of its trading activities reflected the recovery in the international financial markets during the reporting year. The significant write-downs recognized on portfolios of securities and promissory notes held as financial assets for trading purposes in 2008 as a result of the financial crisis – despite their good and, in some cases, excellent credit ratings – fell sharply in 2009 as credit spreads narrowed. By contrast, the narrowing of credit spreads increased the value of financial liabilities measured at fair value and held for trading. Primary and secondary market business in bonds was considerably increased. By exploiting its top-quality AKZENT Invest brand, DZ BANK focused on the market for guaranteed and secure investments, which was the predominant customer segment, and generated a commensurate level of income from these services. The Cooperative Financial Services Network (with a market share of 17.6 percent) occupied second place in the overall market statistics for all structured products.

The **losses on investments** totaling Euro 490 million in 2008 deteriorated further to a loss of Euro 516 million in 2009. The net losses reported for 2009 include allowances of Euro 502 million on asset-backed securities held by DZ BANK. Lower allowances charged in other areas improved the overall result reported. The net losses on investments incurred in 2008 also included an allowance of Euro 269 million charged on the long-term equity investment in NATIXIS S.A.

As in previous years, the Bank operating segment's **administrative expenses** remained largely stable. The slight rise was attributable to the larger contributions paid to the Pension Security Association, collectively agreed salary increases, jubilee bonuses paid at WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank (WGZ BANK), and higher operating costs.

'Programm 2011: Network-oriented central institution', a project launched by DZ BANK in April 2009 that is partly aimed at reducing staff expenses and operating costs, incurred restructuring costs that depressed **other net operating income**.

The Bank operating segment's **profit before taxes** improved by Euro 2.201 billion to Euro 717 million, mainly because the impact of the financial crisis had decreased.

Retail operating segment

The Retail operating segment achieved an excellent result in its **net interest income**, which grew from Euro 13.388 billion in 2008 to Euro 15.223 billion in 2009. The primary banks considerably increased their share of the lending and deposit-taking market. Despite the low level of economic activity, lending to German corporate customers – companies outside the financial sector and self-employed individuals – bucked the market trend by continuing to grow steadily over the course of the year. The operating segment also used its easyCredit product to further expand its consumer loan portfolio in what was a highly competitive market for consumer finance, while the LuxCredit foreign-currency lending business offered by the DZ PRIVATBANK Group also generated significant volume growth.

Allowances for losses on loans and advances rose from Euro 737 million in 2008 to Euro 1.375 billion in the reporting year. However, the level of loan loss allowances remained well below what had been expected in view of the most severe financial and economic crisis in over 50 years.

Although **net fee and commission income** fell by Euro 183 million from Euro 4.846 billion in 2008 to Euro 4.663 billion in the reporting period, the net fee and commission income margin earned by the primary banks declined only slightly year on year. The level of net fee and commission income earned by the cooperative sector's specialized service providers in Luxembourg and Switzerland was also depressed by the reluctance of individuals to invest. The Union Investment Group managed to maintain its net fee and commission income at close to the high level of the previous year. Despite the ongoing financial and economic crisis, encouraging sales figures were a key factor in this impressive result. By working closely with the primary banks, as in previous years, the Union Investment Group managed to reverse the trend of significant net outflows of funds from its assets under management and to turn these into substantial net inflows.

The gains and losses on commodities trading conducted by the primary banks account for a significant proportion of the **gains and losses on trading activities** in the Retail operating segment. Although the net result from commodities trading deteriorated slightly year on year, the net gains earned from trading in financial instruments improved, which meant that the overall net gains on trading activities came to an encouraging Euro 272 million in 2009 compared with Euro 157 million in the previous year.

Gains on investments recovered considerably from a loss of Euro 2.532 billion in 2008 – which was heavily affected by allowances charged in response to the financial crisis – to a net gain of Euro 378 million in the reporting year. Impairment losses on bonds held by the primary banks were reversed. A similar trend occurred in respect of **other gains and losses on the valuation of financial instruments** which, having posted a loss of Euro 150 million in 2008, almost broke even in 2009 with only a minor loss of Euro 10 million.

The Retail operating segment's **administrative expenses** rose from Euro 12.970 billion in 2008 to Euro 13.481 billion in 2009. Despite an increase in their general, administrative and staff expenses, the primary banks slightly improved their administrative expense margin owing to the growth in their total assets. The Union Investment Group's operating costs were reduced by the timely introduction of cost-cutting measures.

The Retail operating segment's **profit before taxes** rose from Euro 2.469 billion in 2008 to Euro 5.701 billion in 2009. Its cost/income ratio improved from 80.2 percent in 2008 to 65.6 percent in the reporting year.

Real Estate Finance operating segment

The level of **net interest income** generated by the Real Estate Finance operating segment in 2009 remained virtually unchanged year on year at Euro 1.323 billion (2008: Euro 1.327 billion). The interest income earned by Bausparkasse Schwäbisch Hall AG (BSH) fell mainly because of the decline in interest rates paid on cash put on deposit for short periods as part of its day-to-day business, but this was partly offset by the positive effect of an early introduction of new tariffs with higher interest margins on collective business. On the basis of its Schwäbisch Hall Tarif Fuchs scale of rates and charges, which has become successfully established in the marketplace, BSH sustained its leading position in the building society market in 2009. The strategy of pooling strengths in consumer home finance initiated in early 2008 significantly strengthened its competitive position in this area. The business model applied by Deutsche Genossenschafts-Hypothekenbank AG (DG HYP) in 2008 aims to focus on the core commercial real estate finance business, so consumer home finance contracts that expired in 2009 were replaced by higher-margin commercial real estate loans. Net interest income subsequently increased during the reporting year. The net interest income earned by WL BANK AG Westfälische Landschaft Bodenkreditbank (WL BANK) fell year on year.

The level of **allowances for losses on loans and advances** improved from Euro 254 million in 2008 to Euro 187 million in 2009. The figure for 2008 was increased by the large amounts transferred to the portfolio loan loss allowances recognized at DG HYP. WL BANK's allowances for losses on loans and advances were increased from a relatively low level during the reporting year.

The **net fee and commission income** earned by the Real Estate Finance operating segment is usually a negative figure and in 2009 amounted to a loss of Euro 204 million compared with a loss of Euro 235 million in the previous year. The fee and commission expenses incurred by BSH decreased because, as expected, the number of new home savings contracts signed in 2009 fell short of the impressive figure achieved in the prior year. In 2008 the business was affected by a one-off factor, namely that home savings customers had until the end of 2008 to take advantage of the flexible options available for home savings funds that benefited from the government's homebuyer subsidy. BSH pays fees and commissions to the primary banks – which form part of the Retail operating segment – and to the integrated bank-supported field sales force for BSH contracts signed with customers. The improvement in net fee and commission income generated by DG HYP was largely the result of higher fee and commission income earned for services in the core business of commercial real estate finance. It should also be noted that the figure for 2008 still included fee and commission payments for the brokering of home loans. Net fee and commission income also improved year on year as a result of a fall in issuance fees and commissions. WL BANK incurred higher fee and commission expenses owing to a change in the way that fees and commissions are charged in consumer home finance business and an increase in the brokerage activities performed for the primary banks.

Gains and losses on investments amounted to a net loss of Euro 88 million in 2009 owing to lower allowances (2008: net loss of Euro 130 million).

Other gains and losses on the valuation of financial instruments in 2009 amounted to a net loss of Euro 21 million, which was a significant improvement on the net loss of Euro 519 million reported for the previous year. The figure reported for 2008 was mainly increased by write-downs on DG HYP's securities portfolio, which had been affected by price falls triggered by credit rating downgrades during the financial crisis.

Administrative expenses in the Real Estate Finance operating segment were reduced year on year to Euro 568 million (2008: Euro 582 million). Operating costs fell as a result of the restructuring program implemented at DG HYP.

Having incurred a pre-tax loss of Euro 396 million in 2008, the Real Estate Finance operating segment reported a **profit before taxes** of Euro 270 million for 2009.

Insurance operating segment

The profit before taxes earned by the Insurance operating segment of the Cooperative Financial Services Network rose by Euro 110 million year on year to Euro 339 million in 2009. This is entirely attributable to the R+V Group (R+V) and comprises premiums earned, gains and losses on investments held by insurance companies and other insurance company gains and losses, insurance benefit payments, and insurance business operating expenses. The amounts shown include figures for the Condor insurance group, which was acquired in the autumn of 2008, whose full-year results are shown for the first time.

The **premiums earned** in 2009 grew by Euro 1.030 billion to Euro 10.418 billion. Against the backdrop of the financial and economic crisis R+V fully exploited its significant competitive advantage of being able to use the primary banks as a distribution channel, raising the gross premiums received to Euro 10.521 billion.

In its life insurance business R+V also benefited from the sustained high level of demand for cover from its customers. The volume of R+V's new life and pensions insurance business rose sharply, particularly its one-off premium insurance business. As well as traditional life and pension insurance policies, the highest demand was for occupational pension products. R+V increased its share in the stagnating non-life insurance market with significant growth in gross premiums written. A welcome rise in premium income in the automotive sector also ensured that R+V consolidated its position as the third largest provider of vehicle insurance. In its health insurance business R+V again experienced impressive growth, most of which stemmed from the new customers it had gained. R+V also continued on its income-oriented growth trajectory in the inward reinsurance market, gaining a large number of new customers in the process.

As credit spreads narrowed during the year under review and stock market indices steadily recovered from March 2009 onward, **gains and losses on investments held by insurance companies and other insurance company gains and losses** rose by Euro 1.881 billion year on year to Euro 2.695 billion.

A marked improvement in gains and losses on investments held by insurance companies and a rise in premiums received meant that there was an increase in additions to insurance liabilities in companies offering personal insurance. Consequently, **insurance benefit payments** of Euro 10.989 billion for the reporting year were Euro 2.643 billion higher than the corresponding figure for 2008 (Euro 8.346 billion). The cost of premium refunds rose from Euro 149 million in 2008 to Euro 806 million in the reporting year. As in 2008, losses in the property and casualty insurance business and in inward reinsurance were moderate in the year under review.

The rise in **insurance business operating expenses** from Euro 1.625 billion in 2008 to Euro 1.782 billion in 2009 was disproportionately low compared with the level of growth achieved.

Human Resources Report

The profitability achieved by the local cooperative banks in 2009 was largely derived from the hard work and enthusiasm of their highly skilled and committed workforce. Their long-term customer service strategy, which has the concept of sustainability at its heart, enabled these institutions to increase their share of the lending and deposit-taking market in 2009. The consumer protection legislation recently passed provides confirmation of the systematic training and development systems that they have been successfully using for years. The system of vocational training offered by the cooperative academies is broken down into various competency levels. The type of financial services on which employees are allowed to offer advice to a customer depends on the competencies that they have acquired. They have to prove that they possess these competencies by passing the necessary examinations. Audits are conducted by the BVR and the banks' internal audit departments to ensure that these competency levels are complied with according to the skills and qualifications of the employees concerned.

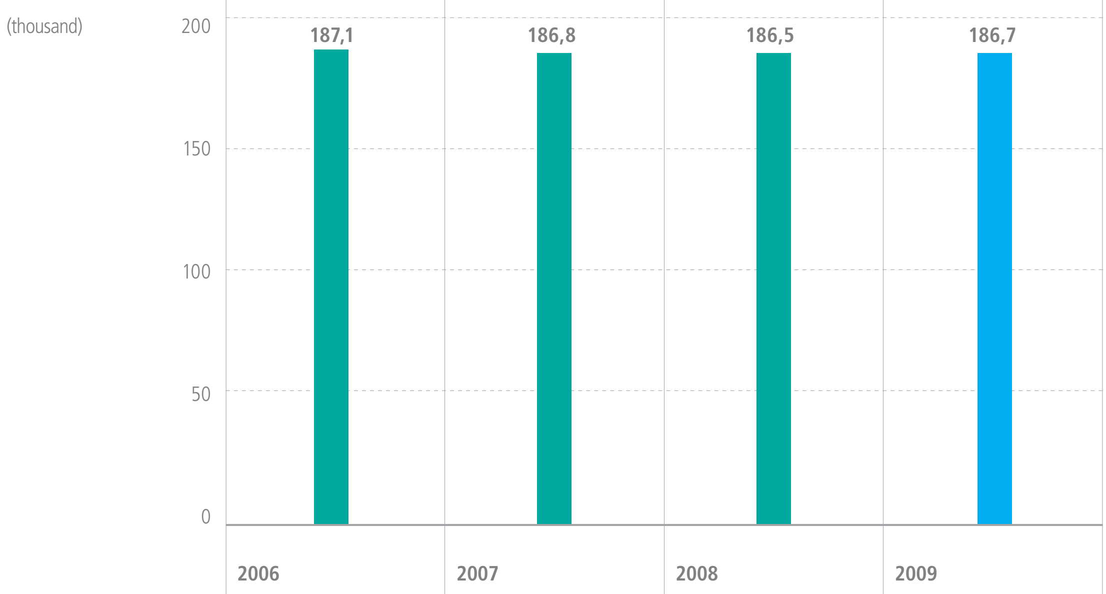
The various entities in the Cooperative Financial Services Network employed some 186,719 people at the end of 2009 and therefore continue to be a major employer in Germany's regions. The chart on page 21 illustrates that the network's headcount has remained fairly constant in recent years despite the financial crisis.

The local cooperative banks took or continued to implement a number of measures last year to ensure that in future they are still able to draw on a pool of suitably qualified staff.

The ratio of trainees to other employees rose to 7.5 percent in 2009. The local cooperative banks therefore improved on what was already an impressive system of training and apprenticeships. The number of trainees studying part-time also continued to increase. This form of study combines vocational training with a degree course in business administration. This special type of initial vocational training is becoming increasingly important for the local cooperative banks because they need growing numbers of employees with graduate-level skills.

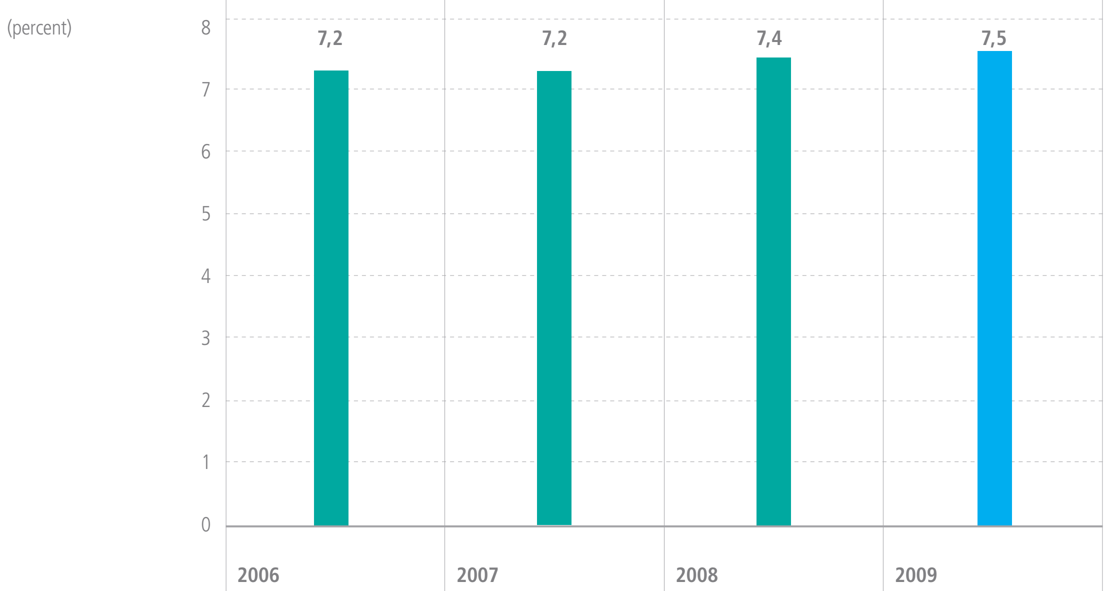
Once apprentices have successfully completed their training, they continue to have excellent prospects at the local cooperative banks. In 2009, more than 75 percent of trainees continued to be employed by their local cooperative bank after they had passed their exams. This means that the number of trainees who were offered permanent employment contracts actually rose slightly on the previous year. In order to attract young people as potential future recruits, the local cooperative banks continued their nationwide marketing campaigns at schools, training colleges, and universities in 2009 – and with some success: surveys of schoolchildren, students and university graduates reveal that the local cooperative banks are among the most popular employers. In addition, the VR-KarriereStart student support program launched in 2008 continued to be rolled out during the reporting year.

Number of employees[1]



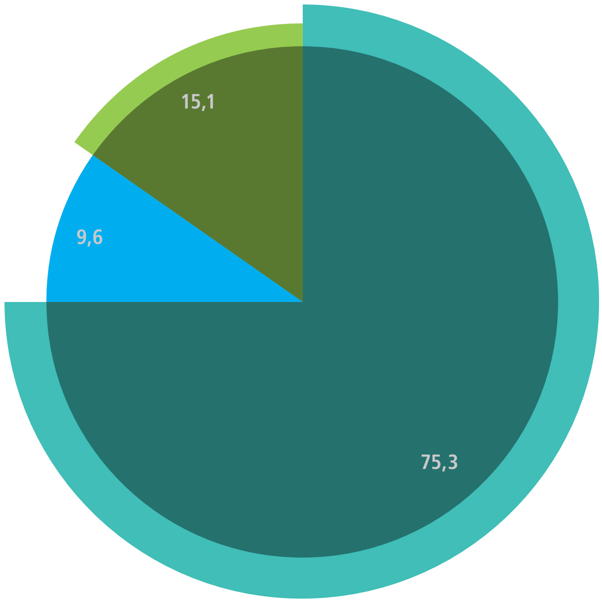
1 Cooperative Financial Services Network

Ratio of trainees to other employees[1]



1 Local cooperative banks and central institutions

Transfer of trainees to employment contracts on successful completion of training in 2009[1]



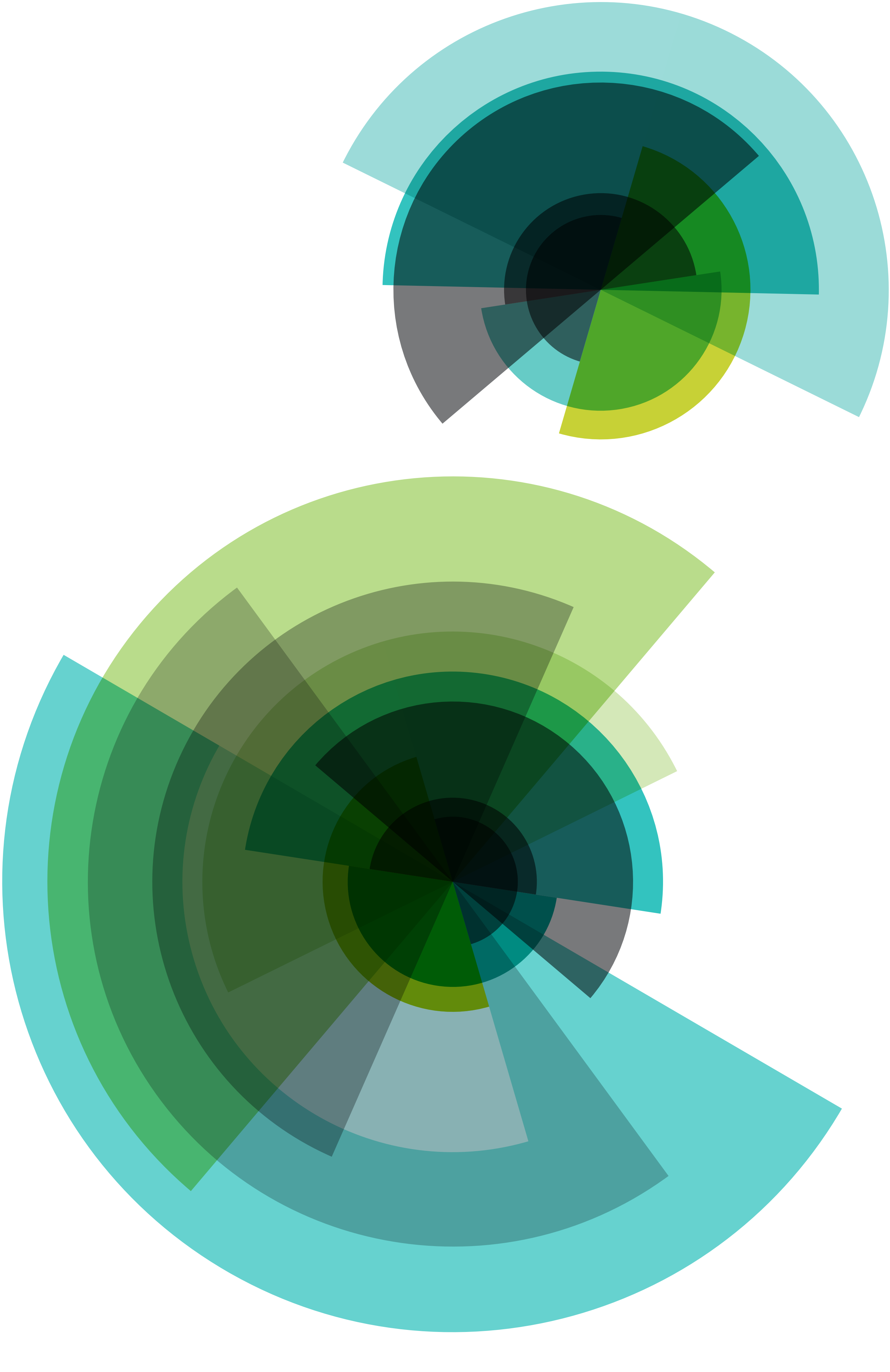
(percent)

Employment contracts offered

Employment contracts not offered

Possibility of an employment contract is being reviewed

1 Local cooperative banks and central institutions



Risk Report
Bank management

Network business line income statement

By preparing a network business line income statement, the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks] has created the structured basis for a management accounting and reporting system for the Cooperative Financial Services Network. The various profit contributions under this model are allocated to the individual business lines of private clients, corporate customers, other customers, and treasury. The business line income statement for 2009 was again based on data collected from the primary banks. The figures from the business line income statement are factored into the BVR's framework planning, which involves analyzing and assessing the current position in the Cooperative Financial Services Network based on both a balance sheet and income statement perspective. This view is extrapolated as a trend scenario to produce a two-year forecast. Scenario techniques are used as forecasting methods to calculate scenarios for the performance of the profit contributions made by the individual business lines, and these scenarios include margin fluctuations and interest-rate simulations. The use of this system for the entire Cooperative Financial Services Network provides the basis for determining specific recommendations for action and strategies for the individual business lines. The system also reveals where there are strategic performance risks.

The standard business line income statement model also makes it possible to generate benchmark values right down to the level of individual banks. These values can then serve as a basis for an organized strategic discussion about risk/return structures in the Cooperative Financial Services Network.

MaRisk amendment

Banking regulators amended the Minimum Requirements for Risk Management (MaRisk) for banks and financial services institutions in 2009 in response to the financial crisis. The Cooperative Financial Services Network has issued nationwide guidance on this matter. This guidance offers practical support on how to implement the new legislation at the local cooperative banks. Key material aspects are liquidity risk management and the development of stress scenarios. The relevance of remuneration policies is also discussed. A self-assessment strategy for banks has been devised and made available for this purpose.

Bank-wide risk allocation concept devised

VR-Control provides the banks with a comprehensive set of treasury management tools. The risk-bearing capacity of the bank as a whole is calculated across all quantifiable types of risk (counterparty risk and market risk) and then allocated to the primary bank's individual portfolios through an established process. This calculation has so far been based on a correlation of +1.

This set of tools is now being supplemented to include a diversification approach that the BVR calls VR-EUROS – risk/return-optimized management. VR-EUROS enables the primary banks to use portfolio theory to identify diversification effects and utilize them selectively in order to allocate and manage bank-wide risks. Correlations between risk categories can then be used to derive arithmetically optimized portfolio mixes. This opens up the prospect of higher returns for the same risk or the same returns for less risk.

This approach provides a bank-wide risk management option that offers an added strategic dimension. In the past, only diversification effects within the individual management areas or books have been considered. This approach now enables the primary banks to actually generate sustainable levels of income from their treasury operations by diversifying risk across several categories and stabilizing the earnings power of assets. The primary banks will be trialing this approach in 2010 as part of a nationwide pilot scheme that will include the central institutions and the network's regional banking associations.

The implementation of a value-based method of calculating and managing interest-rate risk was demonstrated to be a practicable solution as part of a preliminary project for the management of the interest-rate book. The management of the interest-rate book using present value was successfully implemented at pilot banks in collaboration with the network's regional banking associations and the central institutions. Particular importance was also attached to the successful application of this method within lean processes. By using the VR-Control tools to manage the interest-rate book, the banks are able to quantify empirical values for previous interest-rate adjustments. This also puts them in a better position to validate and manage their cash flows.

Validation of VR rating systems

One of the quality features of mathematical and statistical rating systems is that these systems are subject to regular quality assurance checks in the form of a regulated validation process. The integration of each of the eleven VR rating systems into the coordinated network-wide validation process has now been accomplished. All six retail rating systems are managed by the BVR, while the wholesale and specialized systems are managed by the central institutions. Virtually any customer can now be assessed by a rating system. The systems are usually made available via the cooperative network's computing centers. The wholesale and specialized rating systems are made available via a rating desk solution offered by the central institutions. The primary banks' core business can usually be assessed by the retail rating systems, which provide sustainable support for the appropriate recording of potential risks in the SME lending business. More than 80 percent of primary banks as well as the central institutions and their subsidiaries have been using these systems since 2003.

The VR rating systems for SMEs, large and medium-sized companies, and private customers (home finance) are especially used in conjunction with the central institutions and WL BANK. Because the WGZ BANK Group has been officially authorized to use an internal ratings-based (IRB) approach, all primary banks can rely on the fact that these VR rating systems have been thoroughly validated by Germany's banking regulators. WGZ BANK and WL BANK acted as the master banks when these VR rating systems were validated for the IRB approach.

VR rapid rating for corporate customers developed and implemented throughout Germany

The introduction of the VR rapid rating for corporate customers in 2009 successfully completed the portfolio of VR rating systems. This rating is specially designed for the needs of small-ticket corporate customer business and is fully automated. It is now possible for every primary bank to assign the latest ratings to roughly 98 percent of its corporate customer portfolio. Because of its transparency, among other things, this system is especially popular with users and it is being used by a steadily and rapidly growing number of banks.

Core activities outlook

Building on the subject areas described above, risk-relevant databases – especially a counterparty risk database – will be established to improve the current validation processes. The functional aspects of a network-wide risk reporting system are currently being developed, and this system will also be based on more extensive data pools. The objective of this type of reporting is not only to meet the requirements of section 10c of the German Banking Act (KWG) but also to facilitate the development of early-warning indicators that can detect the emergence of concentration risk and other potential risks in the cooperative network. Due to the advanced stage of implementation work on VR-Control in the cooperative network, the BVR protection scheme is therefore able not only to use data from annual financial statements but also to process financial planning and reporting data on the individual types of risk. The focus will be on strategic aspects in 2010.

Risk Report
BVR protection scheme

The purpose of the protection scheme run by the National Association of German Cooperative Banks (BVR) is to avert and rectify imminent or existing financial difficulties faced by the institutions that are affiliated to the BVR's guarantee fund and to prevent any impairment of confidence in the cooperative institutions. The BVR manages a guarantee fund and a guarantee network to assist with any necessary restructuring measures.

A total of 1,169 members of the Cooperative Financial Services Network belonged to the BVR protection scheme as at December 31, 2009 (December 31, 2008: 1,209 members). The net decrease in the number of members was attributable solely to mergers of member banks.

2009 was one of the most difficult, crisis-ridden years in financial history. At least as far as the German financial markets were concerned, the Cooperative Financial Services Network successfully performed its stable and stabilizing function. The network owes this success to factors such as its sustainable business model and its clear commitment to its fundamental values of self-reliance, personal responsibility and autonomy and, especially, to the BVR protection scheme, which acts as the financial and organizational linchpin in the solidarity-based system of local cooperative banks. Apart from the protection scheme's joint obligation to provide support for the HypoRealEstate (HRE) Group, which was terminated at the end of the year without effectively having been utilized, it was able to concentrate solely on the functions it performs for and within the Cooperative Financial Services Network. A key issue in 2009 was the revision of the protection scheme's statutes; the new statutes were adopted by a large majority of the general meeting of members of the BVR in September 2009. Otherwise, 2009 was a more-than-satisfactory year for the BVR protection scheme despite the financial crisis and the support provided to two major member institutions in this context. The protection scheme's capital base was strengthened further.

The encouraging overall outlook for the cooperative network's rating was confirmed by the positive credit ratings awarded by Standard & Poor’s and Fitch Ratings, and this can once again be at least partly attributed to the successful activities of the protection scheme as a bank-related protection system.

Legal basis
§ 4 of the BVR's articles of association states that the BVR manages a protection scheme. This facility is specified expressly as a bank-protection scheme in section 12 of the legislation implementing the EU deposit guarantee schemes and investor compensation schemes directives. Since August 1, 1998, the protection scheme has therefore been subject to monitoring by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [Federal Financial Supervisory Authority] (section 12 (1) in conjunction with section 7 (3) of the German Deposit Guarantee and Investor Compensation Act); as a result, the member institutions do not need to participate in any statutory compensation scheme.

In 2009 the protection scheme met, without qualification, all its responsibilities as a bank-protection scheme in accordance with statutory requirements and the articles of association.

Classification process
The classification system uses eight key figures relating to financial position, financial performance, and risk position to assign the member institutions to one of eight credit rating categories (A+, A, A-, B+, B, B-, C and D) reflecting their individual creditworthiness. The classification system is based on quantitative key figures, most of whose data is taken from the member institutions' audited annual financial statements and audit reports.

The results of this annual classification provide an early-warning indicator, which the protection scheme uses to take specific preventive action as part of its bank management and support activities. The discriminant power of this classification system remains consistently high even over periods of several years. The banks assigned to the A+ rating category are the least likely to need restructuring, while the institutions classified as rating category D are the most likely to require restructuring.

The success of the protection scheme model requires the scheme to regularly review the appropriateness and effectiveness of its tools and the way in which they are used and, if necessary, to adjust or update them. In 2009, more than seven years after the introduction of the classification system and the related creditworthiness-based system for assessing contributions to the guarantee fund, the next step was taken to modernize the protection scheme and a reform of its statutes was adopted by the general meeting of members of the BVR in September 2009. The main part of this reform concerns the basis for assessing the contributions paid into the guarantee fund by member institutions. The new arrangements are based on the counterparty risk exposures specified in the Solvency Regulation. Consequently, the basis for assessing the contributions paid into the guarantee fund – in addition to the previous figures – constitutes a much more risk-oriented figure because this is the first time that this basis for assessment has included the credit risks arising from securities exposures which, especially during the years of the ongoing financial crisis, were identified as a factor for quantifying a bank's risk. Overall, this measure will mean that the contributions paid will more accurately reflect the level of risk involved. In order to avoid an increase in contributions implied by the broader basis of assessment, a reduction in the basic levy rate from 0.5 ‰ to 0.4 ‰ was written into the new statutes. This should ensure in future that – all other conditions remaining equal – the contributions paid into the guarantee fund by the vast majority of primary banks either remain constant or even decrease slightly.

Further material amendments to the statutes are as follows:

- In order to ensure that the protection scheme continues to be recognized as a bank-related protection system within the meaning of section 10c (2) KWG and, consequently, that loans and advances within the cooperative network continue to be given a zero weighting in solvency calculations, this point was included in the protection scheme's statutes.
- The statutes now also include the option of extending the cover offered by the protection scheme to non-deposit-taking banks, provided that this is in the interest of the solidarity-based system of local cooperative banks.
- By introducing a new A++ category, the BVR has responded to the widely held preference for particularly highly classified institutions to receive a double discount of 20 percent on the annual contributions that they pay into the guarantee fund. This represents a significant step toward a fairer system of contribution payments.

By amending the protection scheme's statutes, the Cooperative Financial Services Network has once again demonstrated its ability to embrace reform.

Preventive management

The results of the classification process provide the basis for systematic preventive management of the protection scheme. This procedure, which has been used since 2003 to levy contributions and is universally accepted, is a key component of preventive management. It supplies the protection scheme with important information on the member institutions' financial position, financial performance, and risk position and gives the institutions themselves substantial incentives to improve these figures of their own accord, not least so that they can reduce their payments to the guarantee fund.

Another crucial component of preventive management is the comprehensive support offered to those member institutions whose main problems have been flagged up by the findings of the classification process. The classification process is therefore also used as an introduction to preventive management. The focus of the protection scheme's work has been steadily shifting toward preventive management and averting the potential need for support measures.

Restructuring management

The work of the protection scheme in restructuring member institutions is aimed at ensuring that these institutions' annual financial statements are able to receive an unqualified auditors' opinion. It does so by providing restructuring assistance and, in particular, by ensuring that the member institutions remain competitive and fit for purpose in future.

Fortunately there were no cases of any initial restructuring in 2009, and the restructuring amounts in need of protection remained well below the original, cautious estimates. This meant that the protection scheme's capital base was strengthened in 2009 and the funds at its disposal were increased. The counterguarantee for Euro 600 million provided as part of the restructuring assistance given to HRE, which is not affiliated to the Cooperative Financial Services Network, expired on schedule – as originally agreed – on December 31, 2009 without having been utilized.

Owing to their exposure to complex structured financial products, which were particularly severely affected by the financial market turmoil following the bankruptcy of Lehman Brothers, two major member institutions required support and assistance in 2009 in the form of indemnity bonds for protected securities portfolios worth a low single-digit billion Euro amount in order to stabilize these institutions' capital ratios. These guarantees were not effectively utilized in 2009 and, by the end of that year, the protection scheme's exposure had even been significantly reduced by regular contractual repayments and non-scheduled redemptions.

Outlook for the protection scheme

At present there is no sign of any scenarios resulting from the BVR protection scheme's remit – as defined in its statutes – that might present a material threat to the stability of the scheme. The level of support and assistance provided by the protection scheme is expected to increase in 2010, primarily because of the persistently tough economic situation and the need to ensure that the protection scheme is able at all times to provide and fund unlimited amounts of support and assistance that are needed. However, the protection scheme has already addressed this issue adequately by raising the rate of contributions paid into the guarantee fund from 1.0 ‰ for 2009's contributions to 1.2 ‰ (new basis of assessment) or 1.5 ‰ (old basis of assessment) for 2010.

Nonetheless, the debate initiated by politicians, regulators and competitors – which has been raging for some time and has carried on well into 2010 – as to whether the existing deposit guarantee structures in Germany and Europe should be changed might cause lasting damage to the bank-related protection system operated by the Cooperative Financial Services Network. The BVR will express its views on this issue – which is of crucial importance to the well-being of the Cooperative Financial Services Network – extremely forcefully to both the German government and the EU Commission to ensure that no changes are permitted that are uniquely harmful to the interests of the cooperative protection system. Because, as the preamble to its statutes states, the scope of the cover currently offered by the protection scheme gives it a key role in safeguarding the credit standing of the (cooperative) institutions that are affiliated to it. The growth of deposits in the Cooperative Financial Services Network during the financial crisis impressively demonstrated that customers too have unlimited confidence in this protection scheme.

Risk Report
Further risk management tools

In addition to the risk management and risk hedging tools made available at the level of the entire Cooperative Financial Services Network, the cooperative central institutions have devised further tools that allow the primary banks to transfer risk on an individual basis. This transfer of risk enables the local cooperative banks to transact additional new business without taking on significantly greater risk overall, even though the credit lines available to individual customers, sectors, or risk groups have already been exhausted, and to invest in customer segments to which their access was previously either non-existent or limited. The transfer of credit risk can help reduce unexpected losses, thereby disburdening capital for the local cooperative banks.

For many years, the members of the cooperative financial services network have been using traditional instruments such as syndicated loans, credit insurance, guarantees and sureties as ways of transferring their credit risk to third parties. However, the range of products used has been considerably extended over the years. Credit derivatives are playing an increasingly important role in this process.

The VR Circle platform for transferring risk is designed to draw on the strengths of the cooperative financial services network, minimize credit risk and facilitate new business. The packaging of credit portfolios provides the primary banks with an effective tool for replacing and mitigating material individual credit risks that arise from their lending business with SMEs. This disburdens the credit lines available to the cooperative banks concerned and provides them with further potential for generating new business with corporate clients of excellent credit quality. It also makes them much less reliant on regional and sectoral market trends. The sixth VR Circle transaction for the transfer of credit risk was completed in 2009. Brisk demand from the primary banks confirmed the importance of this product. This transaction was conducted for the first time in conjunction with WGZ BANK. Primary banks from WGZ BANK's area of activity were also involved.

Outlook

Real economy and banking industry

Following a strong recovery by the German economy in the first half of 2010, the current indications are that economic growth will remain robust in the second half of the year. Whereas the survey conducted by the German government in the spring of this year predicted real growth of 1.5 percent in gross domestic product (GDP), the EU Commission's latest forecast expects to see growth of more than 3 percent in Germany. Significant macroeconomic risks are being created by the public-sector cost-cutting programs being imposed in response to the mounting budget deficits in virtually all Western industrialized nations. The effects of this debt burden will be felt by the end of this year. The expiry of fiscal and economic stimulus packages at the end of 2010 will remove a key support for the economy. We can then expect to see tax revenues fall further as transfer payments increase.

Consumer spending in Germany continues to be bolstered by the extremely robust labor market. Both unemployment and the number of those in work will remain largely stable in 2011. Although there is insufficient growth stimulus to trigger a sharp expansion in employment, there is sufficient growth to keep employment stable. Whilst the reduction in the number of jobs in industry should come to an end, the growth in employment in the service sector is likely to slow given the current consolidation of the public finances. Developments in the foreign-exchange and money markets have become a hot topic this year. Although the European Central Bank (ECB) has so far managed to maintain confidence in the euro, sentiment among private and institutional investors was severely shaken in the first few months of 2010. Whereas a fall in the euro's exchange rate provides a boost to export-led sectors, the risk of inflation and higher prices suffered by investors and consumers owing to the rapid rise in import prices should not be underestimated. Investments in supposedly inflation-proof assets are experiencing lively demand, which could cause the prices of individual asset classes to surge to excessive levels. Although the capital markets have recently been characterized by either flat or falling interest rates and sound credit ratings, a resurgence of inflation might well cause key lending rates to be adjusted accordingly. When a country's public finances are in a parlous state, however, they face the additional burden of sharp rises in credit spreads.

Because risks are increasingly being shifted onto the loan books of banks and financial institutions in the wake of the sharp economic downturn, we should expect to see higher default rates among private and corporate customers. More stringent capital requirements for banks, a banking levy, and the introduction of a financial transactions tax are being thrown into increasingly sharp relief in the public debate. A banking levy would primarily penalize stable banks and financial institutions, while those who took the biggest risks and had to be bailed out by the taxpayer would probably be unable to pay the levy either now or in the near future. This could create difficulties for the Cooperative Financial Services Network as price competition continues to intensify.

Outlook
Cooperative Financial Services Network

The net interest income earned by the primary banks is initially expected to remain flat. How the yield curve develops over time will impact on this key performance indicator. Allowances for losses on loans and advances will rise as the adverse effects of credit risks increasingly take their toll over the course of the year. Net fee and commission income is expected to achieve modest growth. A key factor here will be investors' confidence in the stability of the financial markets. The Euro crisis could have a negative impact here. Given the number of productivity improvement initiatives that are in place, growth in administrative expenses will be only moderate.

Both cooperative central institutions will continue to direct their strategic focus at the primary banks and have launched wide-ranging collaboration projects. ‘Verbund First’ is the guiding principle behind DZ BANK and means providing the primary banks with a decentralized, innovative range of financial products and services at competitive prices and commissions. Programm 2011 is further sharpening the focus on the primary banks and, in addition to gradually reducing the amount of non-network business, has identified three market-based initiatives in SME business, private banking, and transaction banking. As an initiative-led institution, WGZ BANK sees itself – through the prism of its cooperative banking remit to provide development finance – as a driving force in the development of innovative products, services and technological processes.

Both central institution groups expect to increase their operating profits. However, a higher level of allowances for losses on loans and advances will make the fallout from the economic slump more tangible. Growth in assets under management and performance fees will boost net fee and commission income. Higher fee and commission income will also be earned from the greater private banking exposure in the DZ PRIVATBANK Group. Higher administrative expenses resulting from inflation will be more than offset by increases in operating income, which will improve the cost/income ratio.

The decentralized business model used by the Cooperative Financial Services Network has proved resilient in times of crisis. Given its strong financial position and financial performance and its above-average capital adequacy, especially in the form of equity, the Cooperative Financial Services Network believes that it is excellently placed to meet the challenges ahead.

Consolidated financial statements 2009

of the Cooperative Financial Services Network

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General disclosures

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Review Report (Translation)

Income statement for the period January 1 to December 31, 2009

	Note/No.	2009 Euro M	2008 Euro M	Change (percent)
Net interest income	55	17,375	15,946	9.0
Interest income and current income and expense		*37,989*	*41,499*	*–8.5*
Interest expense		*–20,614*	*–25,553*	*–19.3*
Allowances for losses on loans and advances	56	–2,176	–1,589	36.9
Net fee and commission income	56	4,574	4,708	–2.8
Fee and commission income		5,805	5,962	–2.6
Fee and commission expenses		–1,231	–1,254	–1.8
Gains and losses on trading activities	57	1,692	–1,366	>100.0
Gains and losses on investments	57	–107	–3,143	–96.6
Other gains and losses on valuation of financial instruments	57	–48	–738[1]	–93.5
Premiums earned	58	10,418	9,388	11.0
Gains and losses on investments held by insurance companies and other insurance company gains and losses	58	2,449	629	>100.0
Insurance benefit payments	58	–10,989	–8,346	31.7
Insurance business operating expenses	59	–1,380	–1,246	10.8
Administrative expenses	59	–15,231	–14,771	3.1
Other net operating income	59	72	526	–86.3
Profit/loss before taxes		**6,649**	**–2**	**>100.0**
Income taxes	60	–2,011	77[1]	>100.0
Net profit/loss		**4,638**	**75**	**>100.0**
Attributable to:				
Shareholders of the Cooperative Financial Services Network		4,541	132[1]	>100.0
Minority interest		97	–57[1]	>100.0

1 Amount restated

Statement of comprehensive income for the period January 1 to December 31, 2009

	2009 Euro M	2008 Euro M	Change (percent)
Net profit/loss	**4,638**	**75[1]**	**>100.0**
Gains and losses on available-for-sale financial assets	1,083	–1,649	>100.0
Gains and losses on cash flow hedges	11	–55	>100.0
Exchange differences on currency translation of foreign operations	–7	6	>100.0
Actuarial gains and losses on defined benefit plans	–375	986	>100.0
Share in other comprehensive income/loss of joint ventures and associates accounted for using the equity method	–28	–25	12.0
Other comprehensive income/loss before taxes	**684**	**–737**	**>100.0**
Income taxes relating to components of other comprehensive income	–132	8	>100.0
Other comprehensive income/loss	**552**	**–729**	**>100.0**
Total comprehensive income/loss	**5,190**	**–654**	**>100.0**
Attributable to:			
Shareholders of the Cooperative Financial Services Network	4,998	–450[1]	>100.0
Minority interest	192	–204[1]	>100.0

1 Amount restated

Balance sheet as at December 31, 2009

Assets

	Note/No.	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Cash and cash equivalents	61	15,602	16,948	–7.9
Loans and advances to banks	61	40,411	55,694[1]	–27.4
Loans and advances to customers	61	560,433	547,882	2.3
Allowances for losses on loans and advances	62	–12,475	–12,124	2.9
Derivatives used for hedging (positive fair values)	62	1,605	942	70.4
Financial assets held for trading	63	93,857	118,267	–20.6
Investments	63	240,460	222,120	8.3
Investments held by insurance companies	64	50,475	48,481	4.1
Property, plant and equipment, and investment property	64	10,075	10,378	–2.9
Income tax assets	65	6,065	7,160[1]	–15.3
Other assets	66	10,005	9,041	10.7
Total assets		**1,016,513**	**1,024,789**	**–0.8**

Equity and liabilities

	Note/No.	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Deposits from banks	66	107,170	101,736	5.3
Amounts owed to other depositors	66	588,033	567,687[1]	3.6
Debt certificates including bonds	67	107,462	121,902	–11.8
Derivatives used for hedging (negative fair values)	67	2,056	2,429	–15.4
Financial liabilities held for trading	67	75,499	104,815	–28.0
Provisions	68	8,908	7,993	11.4
Insurance liabilities	70	52,351	48,205	8.6
Income tax liabilities	65	2,150	1,419	51.5
Other liabilities	70	7,878	7,698	2.3
Subordinated capital	70	7,428	7,947	–6.5
Cooperative network's capital		57,578	52,958	8.7
Subscribed capital		*9,037*	*8,974*	*0.7*
Capital reserves		*769*	*770*	*–0.1*
Retained earnings		*40,497*	*41,094*[1]	*–1.5*
Revaluation reserve		*–183*	*–901*	*–79.7*
Cash flow hedge reserve		*–24*	*–32*	*–25.0*
Currency translation reserve		*–20*	*–3*	*>100.0*
Minority interest		*2,961*	*2,924*[1]	*1.3*
Unappropriated earnings		*4,541*	*132*[1]	*>100.0*
Total equity and liabilities		**1,016,513**	**1,024,789**	**–0.8**

1 Amount restated

Changes in the Cooperative Network's Capital

Euro M	Subscribed capital	Capital reserves	Capital earned by the Cooperative Financial Services Network	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	Cooperative network's capital before minority interest	Minority interest	Total cooperative network's capital
Cooperative network's capital as at Jan. 1, 2008	**8,986**	**780**	**40,961[1]**	**296**	**8**	**–1**	**51,030**	**3,171[1]**	**54,201**
Net profit/loss	–	–	132[1]	–	–	–	132	–57[1]	75
Other comprehensive income/loss	–	–	657	–1,197	–40	–2	–582	–147	–729
Total comprehensive income/loss	**–**	**–**	**789**	**–1,197**	**–40**	**–2**	**–450**	**–204**	**–654**
Cooperative network's capital issued and repaid	–12	–10	–	–	–	–	–22	124	102
Changes in the scope of consolidation	–	–	–38	–	–	–	–38	–13	–51
Dividends paid	–	–	–486	–	–	–	–486	–154	–640
Cooperative network's capital as at Dec. 31, 2008	**8,974**	**770**	**41,226**	**–901**	**–32**	**–3**	**50,034**	**2,924**	**52,958**
Net profit/loss	–	–	4,541	–	–	–	4,541	97	4,638
Other comprehensive income/loss	–	–	–252	718	8	–17	457	95	552
Total comprehensive income/loss	**–**	**–**	**4,289**	**718**	**8**	**–17**	**4,998**	**192**	**5,190**
Cooperative network's capital issued and repaid	63	–1	–	–	–	–	62	–51	11
Changes in the scope of consolidation	–	–	14	–	–	–	14	18	32
Dividends paid	–	–	–491	–	–	–	–491	–122	–613
Cooperative network's capital as at Dec. 31, 2009	**9,037**	**769**	**45,038**	**–183**	**–24**	**–20**	**54,617**	**2,961**	**57,578**

1 Amount restated

The table below gives a breakdown of subscribed capital.

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Cooperative shares	8,513	8,469	0.5
Share capital	207	207	-
Capital of silent partners	317	298	6.4
Total	**9,037**	**8,974**	**0.7**

Cash flow statement

	2009 Euro M	2008 Euro M
Net profit	**4,638**	**75**[1]
Non–cash items included in net profit/loss and reconciliation to cash flows from operating activities		
Depreciation, amortization, impairment losses, and reversal of impairment losses on assets, and changes in valuation of financial assets and liabilities	1,516	7,324[1]
Non–cash changes in provisions	915	–1,432
Changes in insurance liabilities	6,128	3,222
Other non–cash income and expenses	2,483	–206[1]
Gains and losses on the disposal of assets and liabilities	110	3,069
Other adjustments (net) on interest and dividends	–17,645	–16,590[1]
Subtotal	**–1,855**	**–4,538**
Cash changes relating to assets and liabilities from operating activities		
Loans and advances to banks and customers	987	–26,869
Other assets from operating activities	–151	–174[1]
Derivatives used for hedging (positive and negative fair values)	–1,233	237
Financial assets and financial liabilities held for trading	–3,686	–3,947
Deposits from banks and amounts owed to other depositors	25,183	38,915
Debt certificates including bonds	–14,212	–7,646
Other liabilities from operating activities	–1,917	–3,479
Interests, dividends and operating lease payments received	38,076	39,209[1]
Interest paid	–20,205	–22,174
Income taxes paid	–326	–176
Cash flows from operating activities	**20,661**	**9,358**

1 Amount restated

	2009 Euro M	2008 Euro M
Proceeds from the disposal of investments	30,932	27,358
Proceeds from the disposal of investments held by insurance companies	22,055	15,551
Payments for the acquisition of investments	–49,373	–32,330
Payments for the acquisition of investments held by insurance companies	–23,568	–17,229
Net payments for the acquisition of property, plant and equipment, and investment property (excl. assets subject to operating leases)	–746	–862[1]
Changes in the scope of consolidation	1	–264
Net change in cash and cash equivalents from other investing activities	–62	–121
Cash flows from investing activities	**–20,761**	**–7,897**
Proceeds from additions to cooperative network's capital	63	124
Dividends paid to shareholders of the Cooperative Financial Services Network and minority interest	–613	–640
Other payments to shareholders of the Cooperative Financial Services Network and minority interest	–52	–22
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	–644	403
Cash flows from financing activities	**–1,246**	**–135**
Cash and cash equivalents as at January 1	**16,948**	**15,622**
Cash flows from operating activities	20,661	9,358
Cash flows from investing activities	–20,761	–7,897
Cash flows from financing activities	–1,246	–135
Cash and cash equivalents as at December 31	**15,602**	**16,948**

1 Amount restated

The cash flow statement shows the changes in cash and cash equivalents during the reporting period. Cash and cash equivalents consist of the cash reserve, which primarily includes cash on hand as well as balances with central banks and other government institutions. The cash reserve does not include any financial investments with a maturity of more than three months at the date of acquisition. Changes in cash and cash equivalents are broken down into operating, investing and financing activities.

Cash flows from operating activities comprise cash flows arising in connection with the principal revenue-generating activities of the Cooperative Financial Services Network, and other activities that cannot be classified as investing or financing activities. Cash flows related to the acquisition and disposal of non-current assets are allocated to investing activities. Cash flows from financing activities include cash flows arising from transactions with cooperative network capital holders and from other borrowings to finance business activities.

Notes to the consolidated financial statements

General disclosures

Basis of preparation

The consolidated financial statements prepared by the Federal Association of German Cooperative Banks (BVR) are based on the regulations applicable to publicly traded companies in the European Union (EU). The BVR is under no legal obligation to prepare such consolidated financial statements. The cooperative shares and share capital of the local cooperative banks are held by their members. The local cooperative banks own the share capital of the central institutions either directly or through intermediate holding companies. The Cooperative Financial Services Network does not qualify as a corporate group as defined by the International Financial Reporting Standards (IFRS), the German Commercial Code (HGB) or the German Stock Corporation Act (AktG).

These consolidated financial statements have been prepared solely for informational purposes and to present the business development and performance of the Cooperative Financial Services Network, which is treated as a single economic entity in terms of its risks and strategies. These consolidated financial statements are not a substitute for analysis of the consolidated entities' financial statements.

The accounting policies applied in these consolidated financial statements are generally based on the International Financial Reporting Standards.

The underlying data presented in these consolidated financial statements is provided by the separate and consolidated financial statements of the entities in the Cooperative Financial Services Network and also includes data from supplementary surveys of the local cooperative banks. The consolidated financial statements of the DZ BANK Group and of the WGZ BANK Group included in these consolidated financial statements have been prepared on the basis of IFRS as adopted by the European Union.

As part of the preparation of these consolidated financial statements, the financial statements of the local cooperative banks and of the BVR protection scheme which were prepared in accordance with German commercial codes have been brought into line with the IFRS. Thus, using a simplified approach, assets, liabilities, equity, income and expenses are reconciled to the carrying amounts that would have resulted from consistent application of IFRS.

As in the previous year, certain assumptions and simplifications have been used to prepare these consolidated financial statements. These assumptions and simplifications have been made using tried-and-tested methods and have been properly verified. These assumptions and simplifications have been used to eliminate intra-network line items in a way that reflects the unique structure of the Cooperative Financial Services Network.

The revised version of IAS 1 (IAS 1R) introduces a statement of comprehensive income as a component of the financial statements. In the consolidated financial statements of the Cooperative Financial Services Network, net profit or loss for the reporting period is shown in a separate income statement, directly preceding the statement of comprehensive income. The application of IAS 1R does not result in any changes with respect to the recognition and measurement of assets and liabilities nor with the determination of gains, losses, income and expenses. The valuation of a limited number of issued registered bonds and promissory notes has been restated in accordance with IAS 8. The changes were indicated accordingly. In this context, we refer to the consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK).

In the interest of clarity, some items on the face of the balance sheet and the income statement have been aggregated and are explained by additional disclosures in the notes. Unless stated otherwise, all amounts are shown in millions of euros (euro million). All figures are rounded to the nearest whole number. This may result in very small discrepancies in the calculation of totals and percentages in these consolidated financial statements.

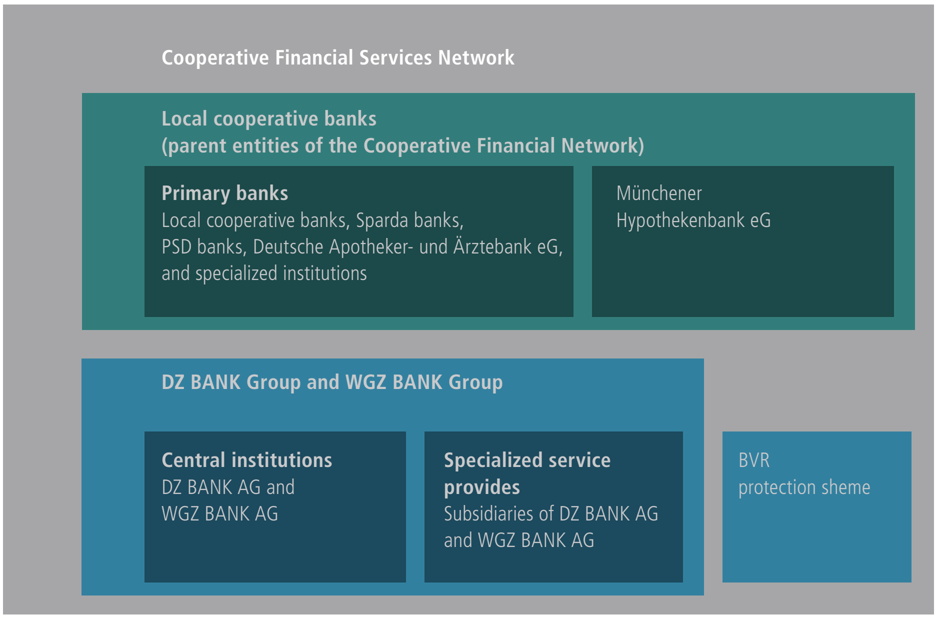
Scope of consolidation

The consolidated entities included in these consolidated financial statements are the 1,149 primary banks (2008: 1,189), the DZ BANK Group, the WGZ BANK Group, Münchener Hypothekenbank eG (MHB), and the BVR protection scheme. The consolidated primary banks include Deutsche Apotheker- und Ärztebank eG, the Sparda banks, the PSD banks, and specialized institutions such as BAG Bankaktiengesellschaft.

The primary banks and MHB are the legally independent, equally placed parent entities in the consolidated financial statements, whereas the other corporate groups and entities are consolidated as subsidiaries. The two cooperative central institutions and a total of 1,018 subsidiaries (2008: 1,058) have been consolidated in the DZ BANK Group and WGZ BANK Group.

The consolidated financial statements include 20 joint ventures between a consolidated entity and at least one other non-network entity (2008: 14) and twelve associates (2008: 13) over which a consolidated entity has significant influence. These entities are consolidated using the equity method.

In order to improve the quality of information provided by the financial statements, the number of subsidiaries, joint ventures, and associates in multilevel investment fund vehicles is based on the total number of legal entities. Such vehicles were each counted as one subsidiary in the consolidated financial statements of the previous year. The previous year's figures were restated accordingly.



Procedures of consolidation

Similarly to IFRS 3 in conjunction with IAS 27, business combinations are accounted for using the purchase method by offsetting the acquisition cost of a subsidiary against the share of the equity that is attributable to the parent entities and remeasured at fair value on the acquisition date. Any positive difference between these two amounts is recognized as goodwill under other assets and subjected to an annual impairment test. Any negative goodwill is recognized immediately in profit or loss. Any share of subsidiaries' net assets not attributable to the parent entities is reported as minority interest within the cooperative network's capital. We did not opt for an early analogue application of the revised versions of IFRS 3 and IAS 27. Early application will be made starting in the financial year 2010.

Interests in joint ventures and investments in associates are accounted for using the equity method and reported under investments. With six exceptions (2008: two exceptions), the separate financial statements of the entities accounted for using the equity method are prepared to the same balance sheet date as that of the consolidated financial statements.

Assets and liabilities as well as income and expenses arising within the Cooperative Financial Services Network are offset against each other on the basis of certain assumptions and simplifications. Significant gains and losses arising from transactions between entities within the Cooperative Financial Services Network are eliminated.

Financial instruments

Financial instruments within the scope of IAS 39 are designated upon initial recognition to one of the categories defined in IAS 39 on the basis of their characteristics and intended use. The categories defined by IAS 39 are described below.

Financial instruments at fair value through profit or loss

Financial instruments in this category are recognized at fair value through profit or loss. This category is broken down into two subcategories, as shown below.

Financial instruments held for trading

The "financial instruments held for trading" subcategory covers financial assets and financial liabilities that are acquired or incurred for the purpose of selling or repurchasing them in the near term, that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or that are derivatives, except for derivatives that are designated as effective hedging instruments as defined by IAS 39.

Financial instruments designated as at fair value through profit or loss

Generally, all financial assets and financial liabilities may be designated to the "financial instruments designated as at fair value through profit or loss" subcategory by exercising the fair value option, provided that the application of this option eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch), the financial assets and liabilities are managed as a portfolio on a fair value basis or they include one or more embedded derivatives required to be separated from the host contract. The Cooperative Financial Services Network uses this category on the basis of all the specified application criteria.

Held-to-maturity investments

The "held-to-maturity investments" category consists of non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These investments are measured at amortized cost.

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or classified as "available-for-sale financial assets". Loans and receivables are measured at amortized cost.

Available-for-sale financial assets

"Available-for-sale financial assets" are financial assets that cannot be classified in any other category. In principle, they are measured at fair value. Any changes in fair value occurring between two reporting dates are recognized in other comprehensive income. The fair value changes are reported in the cooperative network's capital under the "revaluation reserve". If financial assets included in this category are sold, gains and losses recognized in the revaluation reserve are reclassified to the income statement.

Financial liabilities measured at amortized cost
This category includes all financial liabilities within the scope of IAS 39 that are measured at amortized cost.

Other financial instruments
Separate regulations apply to other financial instruments, such as insurance-related financial assets and financial liabilities, liabilities under financial guarantee contracts, and assets and liabilities arising from finance leases.

Cash and cash equivalents
This item comprises the cash and cash equivalents held by the Cooperative Financial Services Network. These include cash on hand denominated in euros and other currencies, balances held with central banks and other government institutions, and bills of exchange eligible for refinancing by central banks.

Cash denominated in euros is measured at its face value; cash in foreign currency is translated at the buying rate. Balances held with central banks and other government institutions as well as bills of exchange are measured at amortized cost.

Loans and advances to banks and customers
All receivables attributable to registered debtors and not classified as "financial assets held for trading" are recognized as loans and advances to banks and customers. In addition to fixed-term receivables and receivables payable on demand in connection with lending, lease, and money market business, loans and advances to banks and customers include promissory notes and registered bonds.

On principle, loans and advances to banks and customers are measured at amortized cost. To avoid accounting anomalies, certain loans and advances are designated as at fair value through profit or loss. Finance lease receivables are initially recognized on the balance sheet at an amount equal to the net investment in the lease. When they are subsequently measured, financial income is calculated such that a constant periodic return on the net investment is recognized.

Interest income on loans and advances to banks and customers is recognized as interest income from lending and money market operations. This also includes gains and losses on the amortization of hedge adjustments to carrying amounts due to fair value hedges. Hedge adjustments are recognized within other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions. Gains and losses on loans and advances designated as at fair value through profit or loss are also recognized in other gains and losses on valuation of financial instruments.

Allowances for losses on loans and advances
Financial assets must be assessed at each balance sheet date to determine whether there is any objective evidence that these financial assets are impaired. If such objective evidence is available, specific loan loss allowances in the amount of the determined impairment loss requirement are recognized for financial assets.

Allowances for losses on loans and advances are recognized by using an allowance account shown on the asset side of the balance sheet.

In addition, financial assets with similar features for which impairment losses are not recognized on an individual basis are grouped into portfolios and assessed collectively for possible impairment. Impairment losses are calculated on the basis of historical default rates for comparable portfolios. If any impairment is identified, the portfolio loan loss allowances are recognized.

Furthermore, provisions for losses on loans and advances include provisions for loan commitments for which an appropriate allowances are recognized if the credit facility is drawn down. Liabilities are recognized for financial guarantee contracts and certain loan commitments; these liabilities are included in other liabilities. Additions to and reversals of these items are recognized in profit or loss.

Derivatives used for hedging (positive and negative fair values)

Derivative financial instruments designated as hedging instruments in an effective and documented hedging relationship are recognized in these balance sheet items in accordance with IAS 39.

Changes in the fair value of hedging instruments used to protect the fair value of hedged items are recognized in the income statement. If the hedging instruments are intended as a cash flow hedge, changes in fair value attributable to the effective portion of the hedge are recognized as other comprehensive income.

Financial assets and financial liabilities held for trading

Financial assets held for trading include securities, promissory notes, registered bonds and loans and advances, money market receivables, and inventories from commodities transactions, all of which are held for trading purposes.

Financial liabilities held for trading include share- and index-linked certificates, money market instruments, certificates of deposit, delivery commitments arising from the short sales of securities, money market deposits, and liabilities arising from commodities transactions, all of which are entered into for trading purposes.

Financial assets and financial liabilities held for trading also include derivatives with positive and negative fair values that were entered into for trading purposes or that do not meet the requirements for an accounting treatment as hedging instruments.

On principle, gains and losses on financial instruments reported as financial assets or financial liabilities held for trading are recognized as gains and losses on trading activities. Financial assets and financial liabilities held for trading are recognized at fair value through profit or loss.

Gains and losses on valuation of derivative financial instruments entered into for hedging purposes, but that do not meet the requirements for classification as a hedging instrument, are recognized under other gains and losses on valuation of financial instruments as gains and losses on derivative financial instruments not held for trading. If, to avoid accounting mismatches, hedged items are classified as 'financial instruments designated as at fair value through profit or loss', then the valuation gains and losses on the related derivatives concluded for economic hedging purposes are recognized under gains and losses on financial instruments designated as at fair value through profit or loss.

Investments

The following are recognized as investments: bearer bonds and other fixed-income securities, shares and other variable-yield securities, and other bearer or registered shareholdings in companies in which the Cooperative Financial Services Network has no significant influence, provided that these securities or shares are not held for trading purposes. Investments also include shares in non-consolidated subsidiaries, interests in joint ventures, and investments in associates.

Generally, investments are initially recognized at fair value. Shares, investments in subsidiaries, joint ventures and associates, and other shareholdings for which a fair value cannot be reliably determined or which are accounted for using the equity method are initially recognized at cost.

Property, plant and equipment, and investment property

Property, plant and equipment, and investment property comprises land and buildings, office furniture and equipment, and other fixed assets with an estimated useful life of more than one reporting period used by the Cooperative Financial Services Network. This item also includes assets subject to operating leases. Investment property is real estate held for the purposes of generating rental income or capital appreciation.

Property, plant and equipment, and investment property is measured at cost less cumulative depreciation and impairment losses in subsequent reporting periods.

Depreciation and impairment losses on property, plant and equipment, and investment property are recognized as administrative expenses. Reversals of impairment losses are reported under other net other operating income.

Income tax assets and liabilities
Current and deferred tax assets are shown under the income tax assets balance sheet item; current and deferred tax liabilities are reported under income tax liabilities. Current income tax assets and liabilities are recognized in the amount of any expected refund or future payment.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts recognized in the consolidated financial statements and those of assets and liabilities recognized in the financial statements for tax purposes. Deferred tax assets are also recognized in respect of as yet unused tax loss carryforwards, provided that utilization of these loss carryforwards is sufficiently probable. Deferred tax assets and liabilities are measured using the national and company-specific tax rates expected to apply at the time of realization.

Deferred tax assets and liabilities are not discounted. Where temporary differences arise in relation to items recognized directly in the cooperative network's equity, the resulting deferred tax assets and liabilities are recognized in the same way. Current and deferred tax income and expense to be recognized through profit or loss is reported under income taxes in the income statement.

Deposits from banks and amounts owed to other depositors
All liabilities attributable to registered creditors and not classified as "financial liabilities held for trading" are recognized as deposits from banks and amounts owed to other depositors. In addition to fixed-maturity liabilities and liabilities payable on demand arising from the deposit, home savings and money market businesses, these liabilities also include registered bonds and promissory notes issued.

Deposits from banks and amounts owed to other depositors are measured at amortized cost. To avoid accounting mismatches, certain liabilities are designated as at fair value through profit or loss.

Interest expense on deposits from banks and amounts owed to other depositors are recognized separately under net interest income. Interest expense also includes income and expense on early repayment and on the amortization of hedge adjustments to carrying amounts due to fair value hedges. Hedge adjustments are reported within other gains and losses on valuation of financial instruments under gains and losses arising on hedging transactions. Gains and losses on liabilities designated as at fair value through profit or loss are also recognized in other gains and losses on valuation of financial instruments.

Debt certificates including bonds
Debt certificates including bonds cover "Pfandbriefe", other bonds and other debt certificates for which transferable bearer certificates have been issued.

The valuation of debt certificates, the recognition of gains and losses as well as interest expenses are performed in the same way as for deposits from banks and amounts owed to other depositors.

Provisions
Provisions are recognized in the Cooperative Financial Services Network for pensions and other post-employment benefits, within the context of the lending and home savings businesses, as well as for other uncertain liabilities to third parties.

Actuarial reports are used to calculate the carrying amounts of provisions for pensions and other post-employment benefits. These include assumptions about long-term salary and pension trends and average life expectancy. Assumptions about salary and pension trends are based on past trends and take account of expectations about future labor market trends. Recognized biometric tables (mortality tables published by Professor Dr. Klaus Heubeck) are used to estimate average life expectancy. The discount rate used to discount future payment obligations is an appropriate market interest rate for long-term investments with a maturity equivalent to that of the defined benefit obligation. Actuarial gains and losses arising from changes in actuarial assumptions or from unexpected changes in the performance of plan assets are recognized in other comprehensive income and transferred to retained earnings in the financial year in which they occur.

Other provisions are measured based on the best estimate of the present value of their anticipated utilization, taking into account risks and uncertainties associated with the issues concerned as well as future events. The outflows of funds actually materializing in future may differ from the estimated utilization of provisions. Provisions for losses on loans and advances factor in the usual sector-specific level of uncertainty about amounts and maturity dates.

Subordinated capital

Subordinated capital comprises all debt instruments that, in the event of insolvency or liquidation, are repaid only after settlement of all unsubordinated liabilities but before distribution to shareholders of any proceeds from the insolvency or liquidation.

Besides subordinated liabilities and profit-sharing rights, subordinated capital includes regulatory core capital not included in the cooperative network’s capital, which is recognized as other hybrid capital. The share capital repayable on demand comprises the minority interest in partnerships controlled by companies in the Cooperative Financial Services Network. This minority interest must be classified as subordinated.

The valuation of subordinated capital, the recognition of gains and losses as well as interest expenses are performed in the same way as for deposits from banks and amounts owed to other depositors.

Cooperative network's capital

The cooperative network's capital represents the residual value of the network's assets minus its liabilities. The cooperative shares of the independent local cooperative banks and capital of silent partners are treated as economic equity in the consolidated financial statements and are recognized as cooperative network's capital. The cooperative network's capital thus comprises subscribed capital – consisting of cooperative shares or share capital and capital of silent partners – plus capital reserves of the local cooperative banks. It also includes the capital earned by the Cooperative Financial Services Network, the reserve resulting from the fair value measurement of available-for-sale financial assets (revaluation reserve), the cash flow hedge reserve, the currency translation reserve, and the minority interest in cooperative network's capital of fully consolidated subsidiaries.

Trust activities

Trust activities are defined as business transacted on one's own behalf for a third-party account. Assets and liabilities held as part of trust activities do not satisfy the criteria for recognition on the balance sheet.

Income and expenses arising from trust activities are recognized as fee and commission income or as fee and commission expenses. Income and expenses resulting from passing-through and administration of trust loans are netted and are included in the fee and commission income earned from lending and trust activities.

Insurance business

Insurance business in the Cooperative Financial Services Network is generally reported under specific insurance items on the face of the income statement and balance sheet.

Financial assets and financial liabilities

The financial assets and financial liabilities reported under the investments and the other assets and other liabilities of insurance companies are generally measured in accordance with IAS 39. In addition, certain financial assets and financial liabilities are held as part of the insurance business and, as required by IFRS 4.25(c), are recognized in accordance with the provisions of the HGB and other German accounting standards applicable to insurance companies. These financial assets and financial liabilities include deposits with ceding insurers, deposits received from reinsurers, receivables and payables arising out of direct insurance operations, and investments related to unit-linked contracts.

Insurance liabilities

Under IFRS 4.13, insurance companies are permitted to continue applying existing accounting policies to certain insurance-specific items during a transition period. Correspondent to IFRS 4.25(c), insurance liabilities are therefore recognized and measured in accordance with the provisions of the HGB and other German accounting standards applicable to insurance companies. Liabilities that do not meet the criteria for insurance contracts under IFRS 4 are reported under other liabilities. Insurance liabilities are shown before the deduction of the share of reinsurers, which is reported as an asset.

Leases

If a lease is classified as a finance lease, a receivable due from the lessee must be recognized at an amount equal to the net investment in the lease. Lease payments are apportioned into a payment of interest and repayment of principal. Revenue is recognized as interest income on an accrual basis.

The DVB Bank Group and the VR LEASING Group are active as finance lessors in the Cooperative Financial Services Network. The entities in the DVB Bank Group primarily enter into leases for ships, ship containers, aircraft, and aircraft engines. The leases entered into with customers by the entities in the VR LEASING Group refer to real estate and product leasing. They mainly comprise partial-payout leases, full-payout leases, cancelable leases, and hire purchase agreements.

Income statement disclosures

1. Segment information

Financial year 2009 Euro M	Bank	Retail	Real Estate Finance	Insurance	Other/ Consoli-dation	Total
Net interest income	1,326	15,223	1,323	–	–497	17,375
Allowances for losses on loans and advances	–553	–1,375	–187	–	–61	–2,176
Net fee and commission income	516	4,663	–204	–	–401	4,574
Gains and losses on trading activities	1,443	272	–17	–	–6	1,692
Gains and losses on investments	–516	378	–88	–	119	–107
Other gains and losses on valuation of financial instruments	–14	–10	–21	–	–3	–48
Premiums earned	–	–	–	10,418	–	10,418
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	2,695	–246	2,449
Insurance benefit payments	–	–	–	–10,989	–	–10,989
Insurance business operating expenses	–	–	–	–1,782	402	–1,380
Administrative expenses	–1,613	–13,481	–568	–	431	–15,231
Other net operating income	128	31	32	–3	–116	72
Profit/loss before taxes	**717**	**5,701**	**270**	**339**	**–378**	**6,649**
Segment assets	299,095	704,931	185,966	60,766	–234,245	1,016,513
Segment liabilities	285,263	649,644	180,601	57,637	–214,210	958,935
Cost/income ratio (percent)	55.9	65.6	55.4	–	–	63.3

Financial year 2008 Euro M	**Bank**	**Retail**	**Real Estate Finance**	**Insurance**	**Other/ Consoli-dation**	**Total**
Net interest income	1,831	13,388	1,327	–	–600	15,946
Allowances for losses on loans and advances	–344	–737	–254	–	–254	–1,589
Net fee and commission income	480	4,846	–235	–	–383	4,708
Gains and losses on trading activities	–1,519	157	–11	–	7	–1,366
Gains and losses on investments	–490	–2,532	–130	–	9	–3,143
Other gains and losses on valuation of financial instruments	–104[1]	–150	–519	–	35	–738
Premiums earned	–	–	–	9,388	–	9,388
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	814	–185	629
Insurance benefit payments	–	–	–	–8,346	–	–8,346
Insurance business operating expenses	–	–	–	–1,625	379	–1,246
Administrative expenses	–1,580	–12,970	–582	–	361	–14,771
Other net operating income	242	467	8	–2	–189	526
Profit/loss before taxes	**–1,484**	**2,469**	**–396**	**229**	**–820**	**–2**
Segment assets	329,143[1]	683,121	189,468	55,800	–232,743[1]	1,024,789
Segment liabilities	317,897[1]	631,207	184,487	53,108	–214,868[1]	971,831
Cost/income ratio (percent)	>100.0	80.2	>100.0	–	–	90.3

1 Amount restated

Definition of segments

The Cooperative Financial Services Network is founded on the underlying principle of decentralization. It is based on the local primary banks, whose business activities are supported by the two central institutions – DZ BANK AG and Westdeutsche Genossenschafts-Zentralbank AG (WGZ BANK) – and by specialized service providers within the cooperative sector. These specialized service providers are integrated into the central institutions. The main benefit derived by the primary banks from their collaboration with these specialized service providers and the central institutions is that they can offer a full range of financial products and services.

The Bank operating segment combines the activities in the Verbund division and in the corporate customers, institutional customers and investment banking businesses. The segment focuses on corporate customers. This operating segment essentially comprises DZ BANK, WGZ BANK, the VR LEASING Group, the DVB Bank Group, DZ BANK Ireland plc, WGZ BANK Ireland plc, VR Kreditwerk AG, and Reise-Bank AG.

The Retail operating segment covers private banking and activities relating to asset management. The segment focuses on retail customers. It mainly includes primary banks as well as the DZ PRIVATBANK Group, WGZ BANK Luxembourg S.A., TeamBank AG Nürnberg and Union Investment Group.

The Real Estate Finance operating segment encompasses the home savings and loan operations, mortgage banking, and real estate business. The entities allocated to this operating segment include Bausparkasse Schwäbisch Hall AG (BSH), Deutsche Genossenschafts-Hypothekenbank AG, WL BANK AG Westfälische Landschaft Bodenkreditbank, MHB, the WGZ Immobilien + Treuhand Group, and WGZ Immobilien + Management GmbH.

Insurance operations are reported under the Insurance operating segment. This segment consists solely of the R+V Group (R+V).

The Other/Consolidation segment contains the BVR protection scheme, whose task is to avert impending or existing financial difficulties faced by member institutions by taking preventive action or implementing restructuring measures. This segment also includes intersegmental consolidation items.

Presentation of segment information

The segment information presents the interest income generated by the segments and the associated interest expenses on a netted basis as net interest income.

Segment assets comprise all financial and non-financial assets for the member institutions within the cooperative sector that are aggregated within a segment.

Intersegment consolidation

The adjustments to the figure for net interest income result largely from the consolidation of dividends paid within the Cooperative Financial Services Network.

The figure under Other/Consolidation for net fee and commission income relates specifically to the fee and commission business transacted between the primary banks, TeamBank, BSH, and R+V.

The figure under Other/Consolidation for administrative expenses includes the contributions paid to the BVR protection scheme by member institutions of the Cooperative Financial Services Network.

The remaining adjustments are largely attributable to the consolidation of income and expenses.

2. Net interest income

	2009 Euro M	2008 Euro M	Change (percent)
Interest income and current income and expense	**37,989**	**41,499**	**–8.5**
Interest income from	***36,958***	***39,776***	***–7.1***
lending and money market operations	30,804	31,541	–2.3
of which: home savings loans	888	859	3.4
finance leases	382	372	2.7
fixed–income securities	6,335	8,191	–22.7
other assets	–181	44	>100.0
Current income from	**959**	**1,612**	**–40.5**
shares and other variable–yield securities	990	1,328	–25.5
investments in subsidiaries	49	28	75.0
interests in joint ventures	36	46	–21.7
investments in associates	–223	69	>100.0
other shareholdings	24	68	–64.7
operating leases	83	73	13.7
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	***72***	***111***	***-35.1***
Interest expense	**–20,614**	**–25,553**	**–19.3**
Interest expense on	***–20,285***	***–25,137***	***–19.3***
deposits from banks and amounts owed to other depositors	–16,620	–20,433	–18.7
of which: home savings deposits	–627	–674	–7.0
debt certificates including bonds	–3,417	–4,311	–20.7
subordinated capital	–313	–379	–17.4
other liabilities	65	–14	>100.0
other interest expense	***–329***	***–416***	***–20.9***
Total	**17,375**	**15,946**	**9.0**

Current income from interests in joint ventures and investments in associates includes income and expenses resulting from the application of the equity method amounting to Euro 27 million (2008: Euro 37 million) and (negative) Euro 223 million (2008: Euro 68 million) respectively.

The interest income from other assets and the interest expense on other liabilities result from gains and losses on the amortization of fair value changes of the hedged items in portfolio hedges of interest-rate risk.

3. Allowances for losses on loans and advances

	2009 Euro M	2008 Euro M	Change (percent)
Additions	–3,894	–3,508	11.0
Reversals	1,944	1,979	–1.8
Directly recognized impairment losses	–350	–382	–8.4
Receipts from loans and advances previously impairmed	193	199	–3.0
Changes in the provisions for losses on loans and advances, as well as in the liabilities from financial guarantee contracts and loan commitments	–69	123	>100.0
Total	**–2,176**	**–1,589**	**36.9**

4. Net fee and commission income

	2009 Euro M	2008 Euro M	Change (percent)
Fee and commission income	**5,805**	**5,962**	**–2.6**
securities business	2,539	2,750	–7.7
asset management	140	170	–17.6
transaction banking including card processing	1,716	1,635	5.0
lending business and trust activities	215	206	4.4
financial guarantee contracts and loan commitments	162	156	3.8
foreign commercial business	107	118	–9.3
home savings and loan business	262	339	–22.7
Other	664	588	12.9
Fee and commission expenses	**–1,231**	**–1,254**	**–1.8**
Total	**4,574**	**4,708**	**–2.8**

5. Gains and losses on trading activities

	2009 Euro M	2008 Euro M	Change (percent)
Gains and losses on trading in financial instruments	1,565	–1,312	>100.0
Gains and losses on trading in foreign exchange, foreign notes and coins, and precious metals	–38	–238	–84.0
Gains and losses on commodities trading	165	184	–10.3
Total	**1,692**	**–1,366**	**>100.0**

6. Gains and losses on investments

The gains and losses on investments result from the valuation and disposal of the following financial instruments:

	2009 Euro M	2008 Euro M	Change (percent)
Bonds and other fixed-income securities, and shares and other variable-yield securities	–141	–3,179	–95.6
Investments in subsidiaries, joint ventures and associates, and other shareholdings	34	36	–5.6
Total	**–107**	**–3,143**	**–96.6**

7. Other gains and losses on valuation of financial instruments

	2009 Euro M	2008 Euro M	Change (percent)
Gains and losses arising on hedging transactions	**–5**	**–10**	**–50.0**
Fair value hedges	***–3***	***–11***	***–72.7***
Gains and losses on hedging instruments	–208	–948	–78.1
Gains and losses on hedged items	205	937	–78.1
Cash flow hedges	***–2***	***1***	***>100.0***
Gains and losses on derivatives conducted without trading purpose	**–3**	**–87**	**–96.6**
Gains and losses on financial instruments designated as at fair value through profit or loss	**–40**	**–641[1]**	**–93.8**
Total	**–48**	**–738**	**–93.5**

1 Amount restated

8. Premiums earned

	2009 Euro M	2008 Euro M	Change (percent)
Net premiums written	**10,335**	**9,386**	**10.1**
Gross premiums written	10,521	9,451	11.3
Reinsurance premiums ceded	–186	–65	>100.0
Change in provision for unearned premiums	**83**	**2**	**>100.0**
Gross premiums	79	20	>100.0
Reinsurers' share	4	–18	>100.0
Total	**10,418**	**9,388**	**11.0**

9. Gains and losses on investments held by insurance companies and other insurance company gains and losses

	2009 Euro M	2008 Euro M	Change (percent)
Interest income and current income	2,156	2,159	–0.1
Administrative expenses	–85	–96	–11.5
Gains and losses on valuation and disposals	242	–1,637	>100.0
Other gains and losses of insurance companies	136	203	–33.0
Total	**2,449**	**629**	**>100.0**

10. Insurance benefit payments

	2009 Euro M	2008 Euro M	Change (percent)
Claims expenses from insurance business	**–7,086**	**–6,408**	**10.6**
Gross claims expenses	–7,211	–6,487	11.2
Reinsurers' share	125	79	58.2
Changes in insurance liabilities	**–3,903**	**–1,938**	**>100.0**
Changes in gross liabilities	–3,898	–1,902	>100.0
Reinsurers' share	–5	–36	–86.1
Total	**–10,989**	**–8,346**	**31.7**

11. Insurance business operating expenses

	2009 Euro M	2008 Euro M	Change (percent)
Gross expenses	–1,422	–1,273	11.7
Reinsurers' share	42	27	55.6
Total	**–1,380**	**–1,246**	**10.8**

12. Administrative expenses

	2009 Euro M	2008 Euro M	Change (percent)
Staff expenses	–9,196	–8,668	6.1
General and administrative expenses	–5,134	–5,142	–0.2
Depreciation/amortization and impairment losses	–901	–961	–6.2
Total	**–15,231**	**–14,771**	**3.1**

13. Other net operating income

	2009 Euro M	2008 Euro M	Change (percent)
Gains and losses on non-current assets classified as held for sale and disposal groups	–	2	–100.0
Other operating income	865	1,271	–31.9
Other operating expenses	–793	–747	6.2
Total	**72**	**526**	**–86.3**

14. Income taxes

	2009 Euro M	2008 Euro M	Change (percent)
Current tax expense	–1,796	–691	>100.0
Deferred tax expense and income	–215	768[1]	>100.0
Total	**–2,011**	**77**	**>100.0**

1 Amount restated

Current taxes in relation to the German limited companies are calculated using an effective corporation tax rate of 15.825 percent based on a corporation tax rate of 15.0 percent plus the solidarity surcharge. The effective rate for trade tax is 14.000 percent based on an average trade tax multiplier of 400 percent. The tax rates correspond to those for the previous year.

Deferred taxes must be calculated using tax rates expected to apply when the tax asset or liability arises. The tax rates used are therefore those that are valid or have been announced for the periods in question as at the balance sheet date.

The following table shows a reconciliation from expected income taxes to reported income taxes based on application of the current tax law in Germany:

	2009 Euro M	2008 Euro M	Change (percent)
Profit/loss before taxes	**6,649**	**–2[1]**	**>100.0**
Notional rate of income tax in the Cooperative Financial Services Network (percent)	29.825	29.825	
Expected income taxes	**–1,983**	**1**	**>100.0**
Tax effects	**–28**	**76**	**>100.0**
Impact of tax-exempt income and non-deductible expenses	49	–25	>100.0
Adjustments resulting from other types of income tax, other trade tax multipliers, and changes in tax rates	52	24	>100.0
Tax rate differences on income subject to taxation in other countries	41	–8	>100.0
Current and deferred taxes relating to prior periods	85	116	–26.7
Impairment losses on deferred tax assets	–292	–178[1]	64.0
Other effects	37	147	–74.8
Recognized income taxes	–2,011	77	>100.0

1 Amount restated

Balance sheet disclosures

15. Cash and cash equivalents

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Cash on hand	5,268	5,377	–2.0
Balances with central banks and other government institutions	10,330	11,563	–10.7
of which: with Deutsche Bundesbank	10,235	10,955	–6.6
Bills of exchange eligible for refinancing by central banks	4	8	–50.0
Total	**15,602**	**16,948**	**–7.9**

16. Loans and advances to banks and customers

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Loans and advances to banks	**40,411**	**55,694**	**–27.4**
Payable on demand	***22,636***	***17,817***	***27.0***
Other loans and advances	***17,775***	***37,877***	***–53.1***
Mortgage loans	5,088	5,678	–10.4
Local authority loans	3,501	4,451	–21.3
Home savings loans	25	41	–39.0
Other loans and advances	9,161	27,707[1]	–66.9
Loans and advances to customers	**560,433**	**547,882**	**2.3**
Mortgage loans	202,085	195,050	3.6
Local authority loans	48,265	43,086	12.0
Home savings loans advanced by home savings and loan institution	20,663	19,310	7.0
of which: from allotment (home savings loans)	7,004	6,967	0.5
for advance and interim financing	12,726	11,521	10.5
other building loans	933	822	13.5
Finance leases	5,295	4,962	6.7
Other loans and advances	284,125	285,474	–0.5

1 Amount restated

17. Allowances for losses on loans and advances

Euro M	Specific loan loss allowances	Portfolio loan loss allowances	Total
Balance as at Jan. 1, 2008	**11,912**	**1,386**	**13,298**
Additions	3,267	241	3,508
Utilizations	–2,648	–40	–2,688
Reversals	–1,777	–225	–2,002
Other changes	8	–	8
Balance as at Dec. 31, 2008	**10,762**	**1,362**	**12,124**
Additions	3,687	207	3,894
Utilizations	–1,587	–	–1,587
Reversals	–1,784	–200	–1,984
Other changes	2	26	28
Balance as of Dec. 31, 2009	**11,080**	**1,395**	**12,475**

18. Derivatives used for hedging (positive and negative fair values)

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Derivatives used for hedging (positive fair values)	**1,605**	**942**	**70.4**
Fair value hedges	1,595	942	69.3
Cash flow hedges	10	–	–
Derivatives used for hedging (negative fair values)	**2,056**	**2,429**	**–15.4**
Fair value hedges	2,035	2,406	–15.4
Cash flow hedges	21	23	–8.7

19. Financial assets held for trading

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Bonds and other fixed-income securities	**39,544**	**55,737**	**–29.1**
Shares and other variable-yield securities	**571**	**437**	**30.7**
Derivatives (positive fair values)	**26,155**	**31,570**	**–17.2**
Interest-linked contracts	21,860	22,722	–3.8
Currency-linked contracts	817	2,280	–64.2
Share- and index-linked contracts	1,212	1,437	–15.7
Credit derivatives	1,199	3,347	–64.2
Other contracts	1,067	1,784	–40.2
Promissory notes, registered bonds and receivables	**2,921**	**2,987**	**–2.2**
Money market placements	**24,302**	**27,082**	**–10.3**
Inventories and trade receivables	**364**	**454**	**–19.8**
Total	**93,857**	**118,267**	**–20.6**

20. Investments

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Bonds and other fixed-income securities	198,778	183,365	8.4
Shares and other variable-yield securities	37,010	34,113	8.5
Investments in subsidiaries	1,941	1,926	0.8
Interests in joint ventures	395	367	7.6
Investments in associates	336	608	–44.7
Other shareholdings	2,000	1,741	14.9
Total	**240,460**	**222,120**	**8.3**

21. Investments held by insurance companies

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Investment property	1,003	991	1.2
Investments in subsidiaries and associates	387	365	6.0
Mortgage loans	4,351	3,847	13.1
Promissory notes and loans	9,821	10,620	–7.5
Registered bonds	9,113	8,838	3.1
Other loans	1,461	1,027	42.3
Variable-yield securities	3,846	5,116	–24.8
Fixed-income securities	15,610	12,419	25.7
Money market placements	–	225	–100.0
Derivatives (positive fair values)	96	859	–88.8
Deposits with ceding insurers	182	180	1.1
Investments related to unit–linked contracts	4,605	3,994	15.3
Total	50,475	48,481	4.1

22. Property, plant and equipment, and investment property

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Land and buildings	5,981	6,346	–5.8
Office furniture and equipment	1,330	1,367	–2.7
Assets subject to operating leases	1,181	1,329	–11.1
Investment property	118	93	26.9
Other fixed assets	1,465	1,243	17.9
Total	**10,075**	**10,378**	**–2.9**

23. Income tax assets and liabilities

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Income tax assets	**6,065**	**7,160**	**–15.3**
Current income tax assets	3,549	4,548	–22.0
Deferred tax assets	2,516	2,612[1]	–3.7
Income tax liabilities	**2,150**	**1,419**	**51.5**
Current income tax liabilities	1,080	604	78.8
Deferred tax liabilities	1,070	815	31.3

1 Amount restated

Deferred tax assets are recognized for tax loss carryforwards. Deferred tax assets and liabilities are also recognized for temporary differences in respect of the items shown below:

Euro M	Deferred tax assets Dec. 31, 2009	Deferred tax assets Dec. 31, 2008	Deferred tax liabilities Dec. 31, 2009	Deferred tax liabilities Dec. 31, 2008
Tax loss carryforwards	677	1,382[1]		
Loans and advances to banks and customers (net)	199	269	722	883
Financial assets and liabilities held for trading, derivatives used for hedging (positive and negative fair values)	1,362	2,282	1,032	2,041
Investments	663	784	358	352
Investments held by insurance companies	83	93	257	179
Deposits from banks and amounts owed to other depositors	619	886	186	525[1]
Debt certificates including bonds	127	29	55	216
Provisions	600	411	190	54
Insurance liabilities	287	265	436	422
Other balance sheet items	313	261	248	193
Total (gross)	**4,930**	**6,662**	**3,484**	**4,865**
Netting of deferred tax assets and deferred tax liabilities	–2,414	–4,050[1]	–2,414	–4,050[1]
Total (net)	**2,516**	**2,612**	**1,070**	**815**

1 Amount restated

24. Other assets

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Other assets held by insurance companies	3,672	3,253	12.9
Goodwill	185	124	49.2
Software and other intangible assets	278	276	0.7
Prepaid expenses	404	331	22.1
Other receivables	2,636	2,781	–5.2
Non-current assets classified as held for sale and disposal groups	68	70	–2.9
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	1,576	1,281	23.0
Residual other assets	1,186	925	28.2
Total	**10,005**	**9,041**	**10.7**

25. Deposits from banks and amounts owed to other depositors

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Deposits from banks	**107,170**	**101,736**	**5.3**
Payable on demand	8,064	5,245	53.7
With agreed maturity or notice period	99,106	96,491	2.7
Amounts owed to other depositors	**588,033**	**567,687**	**3.6**
Savings deposits and home savings deposits	***206,650***	***180,658***	***14.4***
Savings deposits with agreed notice period of three months	142,947	130,488	9.5
Savings deposits with agreed notice period of more than three months	31,744	19,652	61.5
Home savings deposits	31,959	30,518	4.7
Other amounts owed to other depositors	***381,383***	***387,029***	***–1.5***
Payable on demand	211,376	167,178	26.4
With agreed maturity or notice period	170,007	219,851[1]	–22.7

1 Amount restated

26. Debt certificates including bonds

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Bonds issued	**103,342**	**118,405**	**–12.7**
Mortgage Pfandbriefe	21,264	19,513	9.0
Public-sector Pfandbriefe	36,750	44,240	–16.9
Other bonds	45,328	54,652	–17.1
Other debt certificates	**4,120**	**3,497**	**17.8**
Total	**107,462**	**121,902**	**–11.8**

27. Financial liabilities held for trading

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Share- and index-linked certificates	**9,618**	**9,995**	**–3.8**
Money market instruments and certificates of deposit	**3,777**	**1,622**	**>100.0**
Derivatives (negative fair values)	**29,939**	**37,413**	**–20.0**
Interest-linked contracts	24,659	25,951	–5.0
Currency-linked contracts	952	1,766	–46.1
Share- and index-linked contracts	2,407	5,099	–52.8
Credit derivatives	1,197	3,544	–66.2
Other contracts	724	1,053	–31.2
Delivery commitments arising from short sales of securities	**2,934**	**4,146**	**–29.2**
Money market deposits	**29,197**	**51,601**	**–43.4**
Liabilities from commodities transactions and commodity lending	**34**	**38**	**–10.5**
Total	**75,499**	**104,815**	**–28.0**

28. Provisions

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Provisions for pensions and other post-employment benefits	5,081	4,689	8.4
of which: provisions for defined benefit obligations	5,028	4,607	9.1
Provisions for losses on loans and advances	366	288	27.1
Provisions relating to home savings business	345	311	10.9
Remaining provisions	3,116	2,705	15.2
Total	**8,908**	**7,993**	**11.4**

Provisions for defined benefit obligations

The following table shows the breakdown of provisions for defined benefit obligations:

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Present value of defined benefit obligations not funded by plan assets	5,020	4,612	8.8
Present value of defined benefit obligation funded by plan assets	937	817	14.7
Present value of defined benefit obligations	**5,957**	**5,429**	**9.7**
less fair value of plan assets	–1,034	–935	10.6
Present value of defined benefit obligations (net)	**4,923**	**4,494**	**9.5**
Recognized surplus	103	111	–7.2
Unrecognized surplus	2	2	–
Provisions for defined benefit obligations	**5,028**	**4,607**	**9.1**
Reimbursement rights recognized as assets	19	16	18.8

The changes in the present value of the defined benefit obligations were as follows:

	2009 Euro M	2008 Euro M	Change (percent)
Present value of defined benefit obligations as at Jan. 1	**5,429**	**6,585**	**–17.6**
Current service cost	134	125	7.2
Interest cost	320	371	–13.7
Benefits paid	–278	–266	4.5
Actuarial gains (–)/losses (+)	421	–1,019	>100.0
Plan curtailments	–73	–379	–80.7
Other changes	4	12	–66.7
Present value of defined benefit obligations as at Dec. 31	**5,957**	**5,429**	**9.7**

The reconciliation of the present value of the defined benefit obligation as of the beginning of the reporting period to the present value as of the end of the reporting period was revised in the financial year 2009. The previous year's figures were adjusted to enhance comparability.

The following table shows the changes in plan assets:

	2009 Euro M	2008 Euro M	Change (percent)
Fair value of plan assets as at Jan. 1	**935**	**978**	**–4.4**
Expected return on plan assets	39	43	–9.3
Contributions to plan assets	45	10	>100.0
Benefits paid	–44	–42	4.8
Actuarial gains (+)/losses (–)	59	–59	>100.0
Other changes	–	5	–100.0
Fair value of plan assets as at Dec. 31	**1,034**	**935**	**10.6**

The following actuarial assumptions were used:

	Dec. 31, 2009 (percent)	Dec. 31, 2008 (percent)
Discount rate	5.25–5.50	6.00– 6.25
Expected rate of return on plan assets	4.01	4.55
Expected rate of return on reimbursement rights recognized as assets	4.56	4.52
Salary increases	2.00–3.50	2.50–3.50
Pension increases	0.00–3.00	1.00–2.25
Staff turnover	1.40–10.00	0.00– 0.00

The percentage figure for the expected return on the plan assets of the Cooperative Financial Services Network is calculated starting from the 2009 financial year as the weighted average of the percentage figure of the expected return on the individual plan assets. Comparative figures for the previous year were adjusted.

29. Insurance liabilities

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Provision for unearned premiums	984	1,061	–7.3
Benefit reserve	36,605	34,251	6.9
Provision for claims outstanding	5,465	5,079	7.6
Reserve for deferred policyholder participation	5,080	4,322	17.5
Other insurance liabilities	59	58	1.7
Reserve for unit-linked insurance contracts	4,158	3,434	21.1
Total	**52,351**	**48,205**	**8.6**

30. Other liabilities

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Other liabilities of insurance companies	4,250	4,059	4.7
Other liabilities and accruals	2,999	2,924	2.6
Liabilities included in disposal groups	13	13	–
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	–23	–73	–68.5
Residual other liabilities	639	775	–17.5
Total	**7,878**	**7,698**	**2.3**

31. Subordinated capital

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Subordinated liabilities	5,164	4,830	6.9
Profit-sharing rights	1,870	2,713	–31.1
Other hybrid capital	347	358	–3.1
Share capital repayable on demand	47	46	2.2
Total	**7,428**	**7,947**	**–6.5**

Other disclosures

32. Financial guarantee contracts and loan commitments

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Financial guarantee contracts	17,456	19,905	–12.3
Loan commitments	46,558	49,867	–6.6
Total	64,014	69,772	–8.3

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

33. Trust activities

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Trust assets	4,628	4,956	–6.6
of which: trust loans	3,241	3,567	–9.1
Trust liabilities	4,628	4,956	–6.6
of which: trust loans	3,241	3,567	–9.1

34. Asset management by Union Investment Group

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Fund assets	**153,603**	**132,730**	**15.7**
Other types of asset management	**17,201**	**12,516**	**37.4**
Unit-linked asset management	28	28	–
Institutional asset management	2,456	2,116	16.1
Advisory and outsourcing	13,055	8,678	50.4
Private banking	1,662	1,694	–1.9
Accounts managed by third parties	**–5,139**	**–1,071**	**>100.0**
Total	**165,665**	**144,175**	**14.9**

As at the balance sheet date, the Union Investment Group (through Union Asset Management Holding) had total assets under management ofEuro 165,665 million (December 31, 2008: Euro 144,175 million). The fund assets comprise equity funds, fixed-income funds, money market funds, mixed funds, other securities funds, capital preservation funds, real estate funds, alternative investment funds, hybrid funds and target funds issued by Union Investment Group.

Union Investment Group also manages assets as part of the following operations: unit-linked asset management, institutional asset management, advisory and outsourcing, and private banking. The fund volume of funds that have been issued by Union Investment Group but whose portfolio management has been outsourced is shown as a deduction. The definition of assets under management is based on the aggregate statistics from the Bundesverband Investment und Asset Management (BVI) [Federal Association of German Fund Management Companies].

It should be pointed out in this connection that advisory and outsourcing within Union Investment Group are shown neither under advisory and outsourcing nor under accounts managed by third parties. The comparative prior-year figures of Euro 59,352 million for advisory and outsourcing and a deduction of Euro 51,745 million for accounts managed by third parties have been restated accordingly.

35. Leases

The table below shows finance leases as part of the leasing business conducted by the Cooperative Financial Services Network:

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Gross investment	**6,087**	**5,787**	**5.2**
Up to 1 year	1,857	1,847	0.5
More than 1 year and up to 5 years	3,591	3,371	6.5
More than 5 years	639	569	12.3
less unearned finance income	**–809**	**–825**	**–1.9**
Net investment	**5,278**	**4,962**	**6.4**
less present value of unguaranteed residual values	**–81**	**–53**	**52.8**
Present value of minimum lease payment receivables	**5,197**	**4,909**	**5.9**
Up to 1 year	1,579	1,584	–0.3
More than 1 year and up to 5 years	3,101	2,885	7.5
More than 5 years	517	440	17.5

As at the balance sheet date, the accumulated allowance for uncollectable minimum lease payments at lessor companies amounted to Euro 32 million (December 31, 2008: Euro 11 million).

36. Capital requirements and capital ratios

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Total capital	**62,130**	**60,741**	**2.3**
Tier 1 capital	39,761	38,442	3.4
Tier 2 capital	24,270	23,986	1.2
Capital requirements	**38,340**	**39,650**	**–3.3**
Tier 1 capital ratio (percent)	**8.3**	**7.8**	
Total capital ratio (percent)	**13.0**	**12.3**	

37. Changes in the contract portfolios held by Bausparkasse Schwäbisch Hall

	Non-allocated		Allocated		Total	
	Number of contracts	Home savings sum Euro M	Number of contracts	Home savings sum Euro M	Number of contracts	Home savings sum Euro M
Balance as at Dec. 31, 2008	**5,806,552**	**177,461**	**1,210,865**	**30,570**	**7,017,417**	**208,031**
Additions in 2008 as a result of						
New contracts (activated contracts)[1]	812,540	24,885	–	–	812,540	24,885
Transfers	23,349	611	4,065	117	27,414	728
Allocation waivers and cancelled allocation	7,059	209	–	–	7,059	209
Splitting	193,307	–	483	–	193,790	–
Acceptance of allocation or splitting	–	–	420,920	9,450	420,920	9,450
Other	142,932	4,266	85	6	143,017	4,272
Total	**1,179,187**	**29,971**	**425,553**	**9,573**	**1,604,740**	**39,544**
Disposal in 2008 as a result of						
Acceptance of allocation or splitting	–420,920	–9,450	–	–	–420,920	–9,450
Reductions	–	–836	–	–	–	–836
Termination	–352,986	–7,136	–276,328	–5,126	–629,314	–12,262
Transfers	–23,349	–611	–4,065	–117	–27,414	–728
Combinations[1]	–139,592	–	–17	–	–139,609	–
Expiration	–	–	–188,774	–4,618	–188,774	–4,618
Allocation waivers and cancelled allocation	–	–	–7,059	–209	–7,059	–209
Other	–142,932	–4,266	–85	–6	–143,017	–4,272
Total	**–1,079,779**	**–22,299**	**–476,328**	**–10,076**	**–1,556,107**	**–32,375**
Net addition/disposal	99,408	7,672	–50,775	–503	48,633	7,169
Balance as of Dec. 31, 2009	**5,905,960**	**185,133**	**1,160,090**	**30,067**	**7,066,050**	**215,200**

1 Including increases

Portfolio of non-activated contracts

	Number of contracts	Home savings sum Euro M
Contracts concluded prior to Jan. 1, 2009	43,734	1,744
Contracts concluded in 2009	230,876	8,063

38. Changes in the allocation assets of Bausparkasse Schwäbisch Hall

	2009 Euro M
Additions	
Carryover from the previous year (surplus)	
Unpaid sums	24,513
Additions in the reporting year	
Savings deposits (including credited residential construction bonuses)	7,031
Repayable amount (including credited residential construction bonuses)[1]	2,157
Interest paid on home savings deposits	588
Building socienties guarantee fund[2]	90
Total	**34,379**
Withdrawals	
Withdrawals in the reporting year	
Allocated sums, if paid	
Home savings deposits	5,124
Building loans	2,171
Repayment of deposits on non-allocated home savings contracts	951
Surplus of additions	
(Non-paid amounts) at the end of the reporting year[3]	26,133
Total	**34,379**

1 Repayment amounts refer to the proportion of loan payments attributable solely to redemption of the principal amount.
2 Pursuant to Art. 6 of the German Act on Building and Loan Associations (BSpkG) gains from investment of allocation pool assets that temporarily cannot be allocated must be recognized under the special item "Building societies guarantee fund" in order to protect the interest of savers. Under IFRS, this fund is recognized within the cooperative network's capital under capital earned by the Cooperative Financial Services Network.
3 Items under surplus of addition include the following:
a) non-paid home savings deposits of allocated savers Euro 110 million
b) non-paid home savings loans from allocations Euro 3,116 million

39. Cover statement for the mortgages and local authority loans extended by the mortgage banks

	Mortgage Pfandbriefe			Public-sector Pfandbriefe		
	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Ordinary cover	**37,480**	**35,808**	**4.7**	**65,970**	**72,045**	**–8.4**
Loans and advances to banks	73	87	–16.1	6,604	9,265	–28.7
of which: mortgage loans	73	87	–16.1	–	8	–100.0
of which: local authority loans	–	–	–	6,604	9,257	–28.7
Loans and advances to customers	37,342	35,662	4.7	34,196	34,378	–0.5
of which: mortgage loans	37,342	35,662	4.7	1,377	1,580	–12.8
of which: local authority loans	–	–	–	32,819	32,798	0.1
Bonds and other fixed-income securities held as investments	–	–	–	16,374	20,363	–19.6
Property, plant and equipment	65	59	10.2	8,796	8,039	9.4
Extended cover	**4,779**	**1,438**	**>100.0**	**4,965**	**5,975**	**–16.9**
Loans and advances to banks	615	465	32.3	2,807	3,573	–21.4
Bonds and other fixed-income securities held as investments	4,162	974	>100.0	2,153	2,395	–10.1
Derivatives held as cover	2	–1	>100.0	5	7	–28.6
Total cover	**42,259**	**37,246**	**13.5**	**70,935**	**78,020**	**–9.1**
Coverable Pfandbriefe	**–34,787**	**–32,685**	**6.4**	**–66,129**	**–73,848**	**–10.5**
Nominal excess cover	**7,472**	**4,561**	**63.8**	**4,806**	**4,172**	**15.2**
Present value of excess cover	**9,052**	**5,660**	**59.9**	**5,354**	**5,463**	**–2.0**
Risk-weighted present value of excess cover	**7,714**	**4,318**	**78.6**	**5,021**	**5,574**	**–9.9**

The present value of excess cover is higher than the nominal excess cover because it includes an interest component.

Maturity structure of outstanding mortgage Pfandbriefe and public-sector Pfandbriefe

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Mortgage Pfandbriefe	**34,787**	**32,685**	**6.4**
Up to 1 year	6,756	6,259	7.9
More than 1 year and up to 5 years	17,125	17,710	–3.3
More than 5 years and up to 10 years	7,776	6,357	22.3
More than 10 years	3,130	2,359	32.7
Public-sector Pfandbriefe	**66,129**	**73,848**	**–10.5**
Up to 1 year	10,860	13,413	–19.0
More than 1 year and up to 5 years	28,083	29,821	–5.8
More than 5 years and up to 10 years	14,435	17,911	–19.4
More than 10 years	12,751	12,703	0.4

Fixed-interest period of cover assets

	Dec. 31, 2009 Euro M	Dec. 31, 2008 Euro M	Change (percent)
Mortgage Pfandbriefe	**42,259**	**37,246**	**13.5**
Up to 1 year	6,733	4,976	35.3
More than 1 year and up to 5 years	19,318	15,352	25.8
More than 5 years and up to 10 years	13,292	13,761	–3.4
More than 10 years	2,916	3,157	–7.6
Public-sector Pfandbriefe	**70,935**	**78,020**	**–9.1**
Up to 1 year	9,215	11,835	–22.1
More than 1 year and up to 5 years	30,946	30,591	1.2
More than 5 years and up to 10 years	16,954	22,015	–23.0
More than 10 years	13,820	13,579	1.8

591 properties were in forced administration at the balance sheet date (December 31, 2008: 633). The mortgage loans held as cover include past-due payments totaling Euro 77 million (December 31, 2008: Euro 100 million).

40. Board of Managing Directors of the Federal Association of German Cooperative Banks (BVR)

Uwe Fröhlich (President)
Gerhard P. Hofmann
Dr. Andreas Martin (from May 1, 2009)

Berlin, June 25, 2010

Federal Association of German Cooperative Banks
BVR

Board of Managing Directors

Uwe Fröhlich Gerhard P. Hofmann Dr. Andreas Martin

Review Report (Translation)

To the Federal Association of German Cooperative Banks (BVR)

For the period from January 1 to December 31, 2009, the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR) [Federal Association of German Cooperative Banks], Berlin, has voluntarily aggregated the data presented in the consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank and of WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and in the seperate financial statements of Münchener Hypothekenbank eG, the BVR protection scheme, and 1,149 primary banks, which have been prepared in accordance with German commercial law. The resultant aggregation of data is hereby referred to as the consolidated financial statements of the Cooperative Financial Services Network.

The BVR is under no legal obligation to prepare consolidated financial statements for the Cooperative Financial Services Network. The Cooperative Financial Services Network does not qualify as a corporate group as defined by IFRS, the German Commercial Code (HGB), or the German Stock Corporation Act (AktG). The consolidated financial statements of the Cooperative Financial Services Network have been prepared solely for information purposes and do not constitute consolidated financial statements either within the meaning of IAS 1.14 or as defined by German commercial law.

The consolidated financial statements of the Cooperative Financial Services Network incorporate the following components that have been aggregated on the basis of certain assumptions and simplifications: the consolidated income statement; the consolidated statement of comprehensive income; the consolidated balance sheet; the consolidated explanatory notes on changes in the cooperative network's capital; the consolidated cash flow statement; and the notes to the consolidated financial statements for the period from January 1 to December 31, 2009.

The consolidated financial statements of the Cooperative Financial Services Network have been prepared on the basis of the accounting policies presented in the notes to the consolidated financial statements. The separate financial statements of Münchener Hypothekenbank eG, the BVR protection scheme, and the primary banks, which have been prepared in accordance with German commercial law, have been aligned with the accounting policies presented in the notes to the consolidated financial statements and take account of appropriate and plausible assumptions. When the relevant data is aggregated, certain selected measures that reflect the unique structure of the Cooperative Financial Services Network are carried out to eliminate intra-network balance sheet and income statement items. The preparation of the consolidated financial statements of the Cooperative Financial Services Network is the responsibility of the BVR's Board of Managing Directors. Our responsibility is to issue a review report on the consolidated financial statements of the Cooperative Financial Services Network with respect to the aforementioned measures as part of the aggregation of the relevant data based on our review.

We reviewed the consolidated financial statements of the Cooperative Financial Services Network with respect to the measures and procedures used in the full consolidation of the aforementioned entities, the adequacy of the collection and aggregation of the data of the consolidated entities, the appropriateness of the measures taken based on certain assumptions and simplifications to eliminate intra-network transactions, the preparation of the consolidated financial statements in accordance with the accounting policies presented in the notes to the consolidated financial statements, and the transparent and appropriate presentation of the notes to the consolidated financial statements.

We conducted our review of the consolidated financial statements of the Cooperative Financial Services Network with respect to the aforementioned measures as part of the aggregation of the relevant data in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Those standards require that we plan and perform our review such that, having conducted a critical assessment, we can with reasonable certainty exclude the possibility that the aforementioned entities have not been fully consolidated, the methods and procedures used to collect and aggregate the data of the consolidated entities are inappropriate, the measures taken based on certain assumptions and simplifications to eliminate intra-network transactions have been carried out inappropriately, the consolidated financial statements have not been prepared in accordance with the accounting policies presented in the notes to the consolidated financial statements, and that the presentation of the notes to the consolidated financial statements is intransparent or inappropriate. Our review was essentially restricted to interviews of employees and to analytical assessments and therefore does not offer the degree of certainty provided by an audit. As we did not conduct an audit under the terms of our engagement, we cannot issue an audit opinion.

Our review of the aforementioned measures as part of the aggregation of the relevant data used to prepare the consolidated financial statements of the Cooperative Financial Services Network did not reveal any findings that might lead us to conclude that the aforementioned entities have not been fully consolidated, the methods and procedures used to collect and aggregate the data of the consolidated entities are inappropriate, the measures taken based on certain assumptions and simplifications to eliminate intra-network transactions have been carried out inappropriately, the consolidated financial statements have not been prepared in accordance with the accounting policies presented in the notes to the consolidated financial statements, or that the presentation of the notes to the consolidated financial statements is intransparent or inappropriate.

Eschborn/Frankfurt am Main, June 30, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Müller-Tronnier (German public auditor)
Wagner (German public auditor)

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Primary banks	2009 Euro M	2008 Euro M	Change (percent)
Financial performance			
Net interest income	14,709	12,874	14.3
Net fee and commission income	3,956	4,103	–3.6
Profit/loss on financial and commodities transactions[1]	628	–2,150	>100.0
Profit/loss before taxes	5,321	2,432	>100.0
Net profit/loss	3,878	1,947	99.2
Cost/income ratio (percent)	65.8	79.7	
Net assets			
Loans and advances to banks	77,093	98,052	–21.4
Loans and advances to customers	392,687	380,110	3.3
Investments	190,514	157,488	21.0
Other assets	21,082	21,540	–2.1
Financial position			
Deposits from banks	103,036	95,011	8.4
Amounts owed to other depositors	481,793	461,669	4.4
Debt certificates including bonds	29,749	38,317	–22.4
Remaining liabilities	13,153	11,783	11.6
Cooperative network's capital	53,645	50,410	6.4
Total assets / total equity and liabilities	**681,376**	**657,190**	**3.7**
Volume of business[2]	**724,350**	**699,196**	**3.6**
Regulatory capital ratios under SolvV			
Tier 1 capital ratio (percent)	10.5	10.6	
Total capital ratio (percent)	14.0	14.2	
Employees as at Dec, 31	**158,300**	**159,250**	**–0.6**

1 Gains and losses on trading activities plus gains and losses on investments
2 Total assets / total equity and liabilities, including financial guarantee contracts and loan commitments plus trust activities

BVR