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Income statement
for the period January 1 to June 30, 2018

€ million	(Note)	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Net interest income	(8)	1,422	1,427
Net fee and commission income	(9)	958	977
Gains and losses on trading activities	(10)	206	304
Gains and losses on investments	(11)	98	88
Other gains and losses on valuation of financial instruments	(12)	-48	34
Premiums earned	(13)	8,115	7,403
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(14)	1,215	1,847
Insurance benefit payments	(15)	-7,709	-7,543
Insurance business operating expenses	(16)	-1,322	-1,256
Loss allowances	(17)	44	-396
Administrative expenses	(18)	-2,018	-2,000[1]
Other net operating income	(19)	73	54
Profit before taxes		1,034	939
Income taxes	(20)	-303	-451
Net profit		**731**	**488**
Attributable to:			
Shareholders of DZ BANK		648	430
Non-controlling interests		83	58

1 Amount restated (see note 2).

Statement of comprehensive income for the period January 1 to June 30, 2018

€ million	(Note)	Jan. 1 – Jun. 30, 2018
Net profit		731
Other comprehensive income/loss		-93
Items that may be reclassified to the income statement		**-170**
Gains and losses on debt instruments measured at fair value through other comprehensive income	(21)	-304
Gains and losses on cash flow hedges	(21)	-7
Exchange differences on currency translation of foreign operations	(21)	7
Gains and losses on hedges of net investments in foreign operations	(21)	-3
Income taxes	(22)	137
Items that will not be reclassified to the income statement		**77**
Gains and losses on equity instruments for which the fair value OCI option has been exercised		93
Gains and losses attributable to changes in the own credit risk of financial liabilities for which the fair value option has been exercised		13
Gains and losses arising from remeasurement of defined benefit plans		-4
Income taxes	(22)	-25
Total comprehensive income		**638**
Attributable to:		
Shareholders of DZ BANK		595
Non-controlling interests		43

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

€ million	Jan. 1 – Jun. 30, 2017
Net profit	488
Other comprehensive income/loss	-197
Items that may be reclassified to the income statement	**-199**
Gains and losses on available-for-sale financial assets	-312 [1]
Gains and losses on cash flow hedges	17
Exchange differences on currency translation of foreign operations	-22
Gains and losses on hedges of net investments in foreign operations	12
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-9
Income taxes	115
Items that will not be reclassified to the income statement	**2**
Gains and losses arising from remeasurement of defined benefit plans	4
Income taxes	-2
Total comprehensive income	**291**
Attributable to:	
Shareholders of DZ BANK	249
Non-controlling interests	42

1 Amount restated (see note 2 in the consolidated financial statements as at December 31, 2017).

Balance sheet as at June 30, 2018

ASSETS

€ million	(Note)	Jun. 30, 2018	Dec. 31, 2017
Cash and cash equivalents	(23)	69,240	43,910[1]
Loans and advances to banks	(24)	92,791	89,414[1]
Loans and advances to customers	(25)	177,601	174,376
Hedging instruments (positive fair values)	(26)	1,131	1,096
Financial assets held for trading	(27)	40,900	38,709
Investments	(28)	49,816	57,486
Investments held by insurance companies	(29)	101,112	96,416
Property, plant and equipment, and investment property	(30)	1,458	1,498
Income tax assets		1,151	1,127
Other assets	(31)	5,074	4,546
Loss allowances	(32)	-2,606	-2,794
Non-current assets and disposal groups classified as held for sale	(33)	120	84
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		446	-274
Total assets		**538,234**	**505,594**

1 Amount restated (see note 2).

EQUITY AND LIABILITIES

€ million	(Note)	Jun. 30, 2018	Dec. 31, 2017
Deposits from banks	(34)	144,346	136,122
Deposits from customers	(35)	137,598	126,319
Debt certificates issued including bonds	(36)	69,881	67,327
Hedging instruments (negative fair values)	(37)	2,987	2,962
Financial liabilities held for trading	(38)	50,750	44,280
Provisions	(39)	3,153	3,372
Insurance liabilities	(40)	93,823	89,324
Income tax liabilities		969	848
Other liabilities	(41)	7,358	7,523
Subordinated capital	(42)	3,420	3,899
Liabilities included in disposal groups classified as held for sale	(33)	7	-
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		117	113
Equity	(43)	23,825	23,505
Shareholders' equity		21,008	20,690
Subscribed capital		4,926	4,926
Capital reserve		5,551	5,551
Retained earnings		8,139	7,597
Reserve from other comprehensive income		899	1,444
Additional equity components		845	848
Unappropriated earnings		648	324
Non-controlling interests		2,817	2,815
Total equity and liabilities		**538,234**	**505,594**

Statement of changes in equity

€ million	Sub-scribed capital	Capital reserve	Equity earned by the group	Reserve from other com-prehen-sive income	Addi-tional equity compo-nents	**Share-holders' equity**	Non-con-trolling interests	**Total equity**
Equity as at Jan. 1, 2017	4,657	4,904	8,148	1,460[1]	848	20,017	2,819	22,836
Net profit	-	-	430	-	-	430	58	488
Other comprehensive income/loss	-	-	2	-183[1]	-	-181	-16	-197
Total comprehensive income/loss	**-**	**-**	**432**	**-183**	**-**	**249**	**42**	**291**
Capital increase/capital repaid	269	647	-916	-	-	-	2	2
Changes in scope of consolidation	-	-	14	-14	-	-	-	-
Acquisition/disposal of non-controlling interests	-	-	1	-	-	1	-4	-3
Dividends paid	-	-	-322	-	-	-322	-73	-395
Equity as at Jun. 30, 2017	**4,926**	**5,551**	**7,357**	**1,263**	**848**	**19,945**	**2,786**	**22,731**
Equity as at Jan. 1, 2018	4,926	5,551	7,921	1,444	848	20,690	2,815	23,505
Adjustments due to first-time adoption of IFRS 9	-	-	529	-479	-	50	-5	45
Equity restated as at Jan. 1, 2018	4,926	5,551	8,450	965	848	20,740	2,810	23,550
Net profit	-	-	648	-	-	648	83	731
Other comprehensive income/loss	-	-	-2	-51	-	-53	-40	-93
Total comprehensive income/loss	**-**	**-**	**646**	**-51**	**-**	**595**	**43**	**638**
Capital increase/capital repaid	-	-	-1	-	-3	-4	4	-
Changes in scope of consolidation	-	-	-4	4	-	-	-	-
Acquisition/disposal of non-controlling interests	-	-	-1	-	-	-1	-2	-3
Reclassifications within equity	-	-	19	-19	-	-	-	-
Dividends paid	-	-	-322	-	-	-322	-38	-360
Equity as at Jun. 30, 2018	**4,926**	**5,551**	**8,787**	**899**	**845**	**21,008**	**2,817**	**23,825**

1 Amount restated (see note 2 in the consolidated financial statements as at December 31, 2017).

In the first half of 2018, a dividend of €0.18 per share was paid for the 2017 financial year (first half of 2017: €0.18). The composition of equity is explained in note 43.

Statement of cash flows

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Net profit	**731**	**488**
Non-cash items included in net profit	461	-1,659
Subtotal	1,192	-1,171
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks and customers	-7,197	866[1]
Other assets and liabilities from operating activities	1,267	2,305
Hedging instruments (positive and negative fair values)	-1,140	109
Financial assets and financial liabilities held for trading	5,016	8,282
Deposits from banks and customers	19,734	7,604
Debt certificates issued including bonds	2,585	-6,760
Interest payments, dividends, and operating lease payments received (net cash flow)	2,224	1,607
Income taxes paid	-115	-189
Cash flows from operating activities	**23,566**	**12,653**
Cash flows from investing activities	**1,617**	**3,464**
Cash flows from financing activities	**147**	**-350**

1 Amount restated (see note 2).

€ million	2018	2017
Cash and cash equivalents as at January 1	43,910	24,677[1]
Cash flows from operating activities	23,566	12,653[1]
Cash flows from investing activities	1,617	3,464
Cash flows from financing activities	147	-350
Cash and cash equivalents as at June 30	**69,240**	**40,444**[1]

1 Amount restated (see note 2).

The statement of cash flows shows the changes in cash and cash equivalents during the reporting period. Cash and cash equivalents consist of cash on hand, balances with central banks and other government institutions, treasury bills, and non-interest-bearing treasury notes. The cash and cash equivalents do not include any financial investments with maturities of more than 3 months at the date of acquisition. Changes in cash and cash equivalents are broken down into operating, investing, and financing activities.

As had also been the case in the first half of 2017, there was no impact on cash and cash equivalents from the first-time consolidation or deconsolidation of subsidiaries.

Notes

A General disclosures

>> 01 Basis of preparation

Pursuant to section 115 of the German Securities Trading Act (WpHG) in conjunction with section 117 no. 2 WpHG, the interim consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) for the first half of the 2018 financial year have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). In particular, the requirements of IAS 34 *Interim Financial Reporting* have been taken into account.

All figures are rounded to the nearest whole number. This may result in very small discrepancies in the calculation of totals and percentages.

>> 02 Accounting policies and estimates

Changes in accounting policies

The financial statements of the entities consolidated in the DZ BANK Group have been prepared using uniform accounting policies. The accounting policies used to prepare these financial statements were the same as those applied in the consolidated financial statements for the 2017 financial year, unless these policies are subject to the amendments described below.

First-time application in 2018 of changes in IFRS

The following new accounting standards, amendments to and clarifications of IFRS, interpretations from the IFRS Interpretations Committee (IFRIC interpretations), and the specified improvements to IFRS are applied for the first time in DZ BANK's interim consolidated financial statements for the first half of the 2018 financial year:

- IFRS 9 *Financial Instruments*,
- IFRS 15 *Revenue from Contracts with Customers*,
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*,
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4),
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2),
- *Transfers of Investment Property* (Amendments to IAS 40),
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*,
- *Annual Improvements to IFRSs 2014–2016 Cycle.*

The provisions of IFRS 9 *Financial Instruments* superseded the content of IAS 39 *Financial Instruments: Recognition and Measurement* on January 1, 2018. IFRS 9 includes requirements relating to the following areas, which have been fundamentally revised: classification and measurement of financial instruments, the impairment model for financial assets, and hedge accounting.

As a result of the classification and measurement rules in IFRS 9, financial assets need to be recategorized. In the case of debt instruments, both the business models of the portfolios and the characteristics of the contracted cash flows for the individual financial assets must be taken into account for the purposes of the recategorization. This analysis is carried out by the individual group entities in line with their individual business models and in compliance with group rules laid down centrally. The results of the analysis enable the financial assets to be classified as 'financial assets measured at fair value through profit or loss' (fair value PL), 'financial assets measured at fair value through other comprehensive income' (fair value OCI), or 'financial assets measured at amortized cost' (AC). If individual financial assets are classified as 'financial assets measured at fair value through other comprehensive income' or 'financial assets measured at amortized cost', in case of accounting mismatches the standard also allows the reporting entity the option of classifying the financial assets concerned as 'financial assets designated as at fair value through profit or loss' (fair value option). The DZ BANK Group uses the fair value option. Equity instruments that are held for trading must be assigned to the category 'financial assets measured at fair value through profit or loss'. For equity instruments not held for trading that would normally have been measured at fair value through profit or loss, reporting entities have the option of recognizing the changes in the fair values of these equity instruments irrevocably in other comprehensive income in subsequent measurement (fair value OCI option). The DZ BANK Group uses this option.

Unlike IAS 39, IFRS 9 specifies that any changes in the value of financial liabilities measured at fair value through profit or loss resulting from a change in credit risk must be recognized in other comprehensive income. The other requirements relating to financial liabilities have been carried over from IAS 39 unchanged.

The new impairment model requirements for financial assets measured at amortized cost or at fair value through other comprehensive income have resulted in a fundamental change in the recognition of impairment losses, because losses that are expected to occur now have to be recognized in addition to losses that have actually been incurred. The amount at which expected losses must be recognized depends on whether the credit risk attaching to the financial assets has increased significantly since their initial recognition. If there has been a significant increase, all expected losses over the entire lifetime of the asset concerned must be recognized from this point. Otherwise, the only expected losses that need to be recognized are those that result from possible loss events within the next 12 months. To identify whether there has been a significant increase in credit risk, the current probability of default over the maturity of the instrument (as determined at the reporting date) is generally compared with the probability of default originally expected for the same period. This test can be extended to look at qualitative criteria that increase credit risk. A particular qualitative criterion used to indicate a significant increase in credit risk is if payments are 30 days past due. However, such 30-day payment defaults are generally factored directly into the probability of default by means of a re-rating. In the case of securities, the DZ BANK Group makes use of the exemption provided for in IFRS 9 whereby the requirement to test for a significant increase in credit risk can be disregarded for instruments with low credit risk.

IFRS 9's new hedge accounting model helps to improve presentation of internal risk management and entails numerous disclosure requirements. The changes to hedge accounting in IFRS 9 do not apply to the rules on applying portfolio fair value hedge accounting, which continue to be governed by the provisions of IAS 39. The particular risk management strategy and risk management objectives must be documented at the inception of the hedging relationship, as was previously the case. But under IFRS 9, the ratio between the hedged item and the hedging instrument must now also, as a rule, adhere to the stipulations in the risk management strategy. If this ratio changes during a hedging relationship but the risk management objective remains the same, the quantity of the hedged item and the quantity of the hedging instrument in the hedging relationship must be brought into line without the latter being discontinued. Under IFRS 9, it is not possible to discontinue a hedging relationship if the risk management objective continues to be pursued and all other relevant designation criteria continue to be met. The requirements relating to evidence of hedge effectiveness have also changed. Under IFRS 9, retrospective evidence and the previous effectiveness threshold have been eliminated. Evidence of countervailing changes in fair value owing to the economic relationship between the hedged item and the hedging instrument can, under IFRS 9, also be provided on an entirely qualitative basis in certain circumstances without being bound by quantitative thresholds.

Exercising the option provided for in IFRS 9, the DZ BANK Group did not retrospectively restate the figures for the comparative period of 2017 when it adopted IFRS 9 for the first time on January 1, 2018. Instead, either the retained earnings or the reserve from other comprehensive income have been adjusted on the opening balance sheet as at January 1, 2018 by the difference between the previous carrying amount under IAS 39 and the carrying amount under IFRS 9. Because the amounts for the first half of 2017 have not been restated retrospectively in accordance with the rules of IFRS 9, the rules of IFRS 9 that apply to the 2018 reporting period always take precedence for disclosures in the consolidated financial statements. Where the presentation for the reporting period does not differ from that of the comparative period, the relevant disclosures in accordance with IAS 39 have been made for the comparative period. However, where the presentation for the reporting period differs from that of the comparative period, the relevant disclosures in accordance with IAS 39, if available, have been shown separately under the heading 'Comparative information in accordance with IAS 39'. If no relevant disclosures in accordance with IAS 39 are available for the comparative period of 2017, no such comparative information has been provided. The approach outlined above has not been applied to the following sections and notes in the financial statements. Equity and liabilities and statement of changes in equity: The revaluation reserve, the cash flow hedge reserve, and the currency translation reserve that existed under IAS 39 have been transferred to the 'Reserve from other comprehensive income' under IFRS 9. Statement of comprehensive income: The gains and losses on available-for-sale financial assets recognized under IAS 39 have been transferred to the new line item in the statement of comprehensive income 'Gains and losses on debt instruments measured at fair value through other comprehensive income' under IFRS 9.

The transition to IFRS 9 has resulted in presentation changes at various points in the consolidated financial statements that are also included in the reconciliation tables in the column 'Effect of transition from IAS 39 to IFRS 9'. The main presentation changes are described below in the order in which they appear in the consolidated financial statements.

Under IFRS 9, the carrying amounts of line items on the balance sheet must be shown inclusive of the interest entitlement attributable to the line items (gross interest entitlement). Consequently, the recategorization amounts are shown after the gross interest entitlement in the following reconciliation tables and thus, in some cases, differ by a total of €137 million from the amounts recognized as at December 31, 2017. The restatements are indicated by a footnote.

Contrary to the previous approach under IAS 39, IFRS 9 requires the loss allowances for financial instruments in the category 'financial assets measured at amortized cost' to be presented as a gross amount in all balance sheet line items. As a result, financial instruments within investments and within other assets are presented as gross amounts under IFRS 9. Consequently, the loss allowances for financial assets measured at amortized cost are now presented under the other assets line item on the balance sheet. In the income statement, therefore, loss allowances now come after the insurance business operating expenses line item. Loss allowances for financial instruments in the category 'financial assets measured at fair value through other comprehensive income' are recognized in equity within the change to the reserve from other comprehensive income.

Under IAS 39, impairment losses on financial assets within the investments held by insurance companies and the other assets held by insurance companies line items were immediately netted with the carrying amounts of the corresponding financial assets, both on the balance sheet and in the notes, and were therefore presented as net amounts. According to IFRS 9, only the other assets within the investments held by insurance companies line item and the other assets held by insurance companies can continue to be presented as net amounts. In the disclosures in the notes on investments held by insurance companies (note 29) and in the disclosures on other assets (note 31), the relevant financial assets are presented before deduction of loss allowances (gross presentation) and the level of loss allowances is shown separately.

To reduce the increased complexity of the presentation of the components of the reserve from other comprehensive income that has resulted from the introduction of IFRS 9, these components are aggregated in one column in the statement of changes in equity. The individual components of equity are presented in the disclosures on equity in note 43.

Due to the new presentation rules of IFRS 7.B8E introduced in connection with IFRS 9, the loss allowances recognized for financial guarantee contracts are presented in the 2018 interim consolidated financial statements in note 39 (provisions) as provisions for financial guarantee contracts for the first time, and no longer as liabilities from financial guarantee contracts in note 41 (other liabilities).

As a result of the first-time adoption of the rules of IFRS 9, equity after taxes rose by €45 million. This comprised a €529 million increase attributable to retained earnings, a €479 million decrease attributable to the reserve from other comprehensive income, and a €5 million decrease attributable to non-controlling interests.

In the following tables, the asset line items and the equity and liability line items on the balance sheet, the loss allowances, and the classes pursuant to IFRS 7 have been reconciled from the categories applicable under IAS 39 as at December 31, 2017 – 'financial instruments held for trading' (HfT), 'financial instruments designated as at fair value through profit or loss' (FVO), 'held-to-maturity investments' (HtM), and 'available-for-sale financial assets' (AfS) – to the IFRS 9 categories that have applied since January 1, 2018.

The gross carrying amounts of the asset line items on the balance sheet and their categories pursuant to IFRS 9 are derived from the line items and categories pursuant to IAS 39 reconciled to IFRS 9 in the following table:

€ million	IAS 39 carrying amount as at Dec. 31, 2017	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017 after gross interest entitlement	Effect of transition from IAS 39 to IFRS 9	IFRS 9 carrying amount as at Jan. 1, 2018
CASH AND CASH EQUIVALENTS	43,910	43,910	-	43,910
AC		43,637	-	43,637
from cash and cash equivalents – LaR		43,637	-	43,637
Further cash and cash equivalents		273	-	273
LOANS AND ADVANCES TO BANKS	89,414	90,017	-437	89,580
Fair value PL		22	-	22
from loans and advances to banks – LaR		22	-	22
Fair value option		1,910	-	1,910
from loans and advances to banks – FVO		1,910	-	1,910
Fair value OCI		386	2	388
from loans and advances to banks – LaR		386	2	388
AC		87,389	-424	86,965
from financial assets held for trading – HfT		680	-	680
from loans and advances to banks – LaR		86,709	-424	86,285
AC due to mandatory de-designation FVO		289	-16	273
from loans and advances to banks – FVO		289	-16	273
Further loans and advances to banks		22	-	22
LOANS AND ADVANCES TO CUSTOMERS	174,376	174,764	327	175,091
Fair value PL		537	-61	476
from loans and advances to customers – FVO		14	-	14
from loans and advances to customers – AfS		22	-	22
from loans and advances to customers – LaR		501	-61	440
Fair value option		2,056	105	2,161
from loans and advances to customers – FVO		1,629	-	1,629
from loans and advances to customers – LaR		427	105	532
Fair value OCI		3,885	-22	3,864
from loans and advances to customers – FVO		1,578	-	1,578
from loans and advances to customers – LaR		2,307	-22	2,285
AC		164,441	293	164,734
from financial assets held for trading – HfT		251	-	251
from loans and advances to customers – LaR		164,190[1]	293	164,484
AC due to voluntary de-designation FVO		398	17	415
from loans and advances to customers – FVO		398	17	415
AC due to mandatory de-designation FVO		529	-15	514
from loans and advances to customers – FVO		529	-15	514
Further loans and advances to customers		2,918	10	2,928

€ million	IAS 39 carrying amount as at Dec. 31, 2017	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017 after gross interest entitlement	Effect of transition from IAS 39 to IFRS 9	IFRS 9 carrying amount as at Jan. 1, 2018
LOSS ALLOWANCES	**-2,794**	**-2,931**[1]	**69**	**-2,862**
HEDGING INSTRUMENTS (POSITIVE FAIR VALUES)	**1,096**	**1,012**	**66**	**1,078**
Fair value PL		**1,012**	**66**	**1,078**
from hedging instruments (positive fair values) – HfT		1,012	66	**1,078**
FINANCIAL ASSETS HELD FOR TRADING	**38,709**	**37,802**	**-77**	**37,725**
Fair value PL		**37,802**	**-77**	**37,725**
from hedging instruments (positive fair values) – HfT		84	-	84
from financial assets held for trading – HfT		37,548	-75	37,473
from investments – AfS		94	-	94
from loans and advances to banks – LaR		76	-2	74
INVESTMENTS	**57,486**	**57,622**	**-870**	**56,753**
Fair value PL		**2,682**	**31**	**2,713**
from financial assets held for trading – HfT		4	-	4
from investments – FVO		1,992	-	1,992
from investments – AfS		213	-	213
from investments – AfS (AC)		123	11	134
from investments – LaR		351	20	371
Fair value option		**6,277**	**18**	**6,295**
from investments – FVO		5,040	-	5,040
from investments – AfS		673	-	673
from investments – HtM		565	18	583
Fair value OCI		**24,548**	**3**	**24,551**
from financial assets held for trading – HfT		67	-	67
from investments – FVO		2,525	-	2,525
from investments – AfS		20,647	-	20,647
from investments – LaR		767	11	777
from investments – HtM		543	-8	535
Fair value OCI option		**485**	**-**	**485**
from investments – AfS		373	-	373
from investments – AfS (AC)		112	-	112
AC		**22,741**	**-906**	**21,834**
from financial assets held for trading – HfT		160	19	179
from investments – AfS		18,740	-929	17,810
from investments – LaR		3,301	4	3,305
from investments – HtM		540	-	540
AC due to voluntary de-designation FVO		**13**	**-**	**13**
from investments – FVO		13	-	13
AC due to mandatory de-designation FVO		**17**	**-**	**17**
from investments – FVO		17	-	17
Further investments		**858**	**-14**	**844**

€ million	IAS 39 carrying amount as at Dec. 31, 2017	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017 after gross interest entitlement	Effect of transition from IAS 39 to IFRS 9	IFRS 9 carrying amount as at Jan. 1, 2018
INVESTMENTS HELD BY INSURANCE COMPANIES	96,416	96,416	2,021	98,437
Fair value PL		**9,768**	**188**	**9,956**
from investments held by insurance companies – HfT		299	-	299
from investments held by insurance companies – FVO		395	-4	392
from investments held by insurance companies – AfS		8,148	-	8,148
from investments held by insurance companies – LaR		879	192	1,071
from investments held by insurance companies – AfS (AC)		48	-	48
Fair value OCI		**52,891**	**1,834**	**54,725**
from investments held by insurance companies – FVO		161	-	161
from investments held by insurance companies – AfS		41,292	-	41,292
from investments held by insurance companies – LaR		11,438	1,834	13,272
Fair value OCI option		**5,067**	**-**	**5,067**
from investments held by insurance companies – AfS		5,051	-	5,051
from investments held by insurance companies – AfS (AC)		17	-	17
AC		**14,349**	**-**	**14,349**
from investments held by insurance companies – LaR		14,349	-	14,349
AC due to mandatory de-designation FVO		**14**	**1**	**15**
from investments held by insurance companies – FVO		14	1	15
Further investments held by insurance companies		**14,327**	**-3**	**14,324**
PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY	1,498	1,498	-	1,498
INCOME TAX ASSETS	1,127	1,127	31	1,158
OTHER ASSETS	4,546	4,546	-2	4,544
AC		**441**	**-1**	440
from other assets – LaR		441	-1	440
Further other assets		**4,105**	**-1**	**4,104**
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	84	84	-	84
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST-RATE RISK	-274	-274	667	393
AC		**-274**	**667**	393
from fair value changes of the hedged items in portfolio hedges of interest-rate risk – LaR		-274	667	393
TOTAL ASSETS	**505,594**	**505,594**	**1,794**	**507,388**

1 Higher values than under IAS 39 due to recognition of gross interest entitlement.

Due to the switch from the categorization rules for financial assets under IAS 39 to those under IFRS 9, the measurement categories changed at the time of first-time adoption for the following reasons:

Due to their assignment to the hold and sell business model and their fulfillment of the cash flow criterion, financial assets were recategorized from the IAS 39 categories ‘financial instruments held for trading’ and ‘financial instruments designated as at fair value through profit or loss’ to the IFRS 9 category ‘financial assets measured at fair value through other comprehensive income’. The effective interest rate for these recategorizations was between 0.00 percent and 4.75 percent.

Financial assets were recategorized from the IAS 39 categories ‘financial instruments held for trading’ and ‘financial instruments designated as at fair value through profit or loss’ to the IFRS 9 category ‘financial assets measured at amortized cost’ due to the lack of intention to trade them, their assignment to the hold business model, and their fulfillment of the cash flow criterion. The effective interest rate for these recategorizations was between 0.21 percent and 4.10 percent.

Financial assets were recategorized from the IAS 39 category ‘available-for-sale financial assets’ to the IFRS 9 category ‘financial assets measured at fair value through profit or loss’ due to their assignment to the miscellaneous business model and their non-fulfillment of the cash flow criterion.

Financial assets – particularly in liquidity portfolios – were recategorized from the IAS 39 category ‘available-for-sale financial assets’ to the IFRS 9 category ‘financial assets measured at amortized cost’ due to their assignment to the hold business model and their fulfillment of the cash flow criterion.

As a result of the transition to IFRS 9, financial assets with a fair value of €8,675 million were recategorized to the categories ‘financial assets measured at fair value through other comprehensive income’ and ‘financial assets measured at amortized cost’ at the balance sheet date. If this reclassification had not taken place, there would have been a gain on the change in fair value of €287 million.

As a result of the transition to IFRS 9, interest income of €47 million was recognized up to the balance sheet date from the previous IAS 39 categories ‘financial instruments held for trading’ and ‘financial instruments designated as at fair value through profit or loss’.

Promissory notes, in particular, were recategorized from the IAS 39 category ‘loans and receivables’ to the category ‘financial assets measured at fair value through other comprehensive income’ on the date of transition to IFRS 9 due to their assignment to the hold and sell business model and their fulfillment of the cash flow criterion.

Promissory notes, in particular, were recategorized from the IAS 39 category ‘loans and receivables’ to the IFRS 9 category ‘financial assets measured at fair value through profit or loss’ due to their assignment to the miscellaneous business model and their non-fulfillment of the cash flow criterion, and in order to avoid accounting mismatches.

Financial assets were recategorized from the IAS 39 category ‘held-to-maturity investments’ to the IFRS 9 category ‘financial assets measured at amortized cost’ due to their assignment to the hold business model and their fulfillment of the cash flow criterion.

Financial assets were recategorized from the IAS 39 category ‘held-to-maturity investments’ to the IFRS 9 category ‘financial assets measured at fair value through other comprehensive income’ due to their assignment to the hold and sell business model and their fulfillment of the cash flow criterion.

Financial assets were recategorized from the IAS 39 category ‘held-to-maturity investments’ with exercise of the fair value option to the IFRS 9 category ‘financial assets measured at fair value through profit or loss’ in order to avoid accounting mismatches.

In order to improve presentation following the introduction of IFRS 9, overnight money has been prospectively reclassified from loans and advances to banks – AC to loans and advances to customers – AC. Also in connection with the introduction of IFRS 9, outstanding items under cancelled finance leases have been prospectively reclassified from loans and advances to customers – LaR to further loans and advances to customers, because these will be presented as loans and advances to customers – finance leases. These transition effects did not impact on equity. The €14 million decrease within further financial assets was due to the IFRS 9 transition effect on joint ventures accounted for under the equity method in the consolidated financial statements.

The gross carrying amounts of the equity and liability line items on the balance sheet and their categories pursuant to IFRS 9 are derived from the line items and categories pursuant to IAS 39 reconciled to IFRS 9 in the following table:

€ million	**IAS 39 carrying amount as at Dec. 31, 2017**	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017	Effect of transition from IAS 39 to IFRS 9	**IFRS 9 carrying amount as at Jan. 1, 2018**
DEPOSITS FROM BANKS	136,122	136,122	-41	136,081
Fair value option		**4,993**	**23**	**5,016**
from deposits from banks – FVO		4,954	23	4,977
from deposits from banks – AC		39	-1	38
AC		**131,129**	**-64**	**131,065**
from deposits from banks – FVO		201	-	201
from deposits from banks – AC		130,907	-63	130,844
from financial liabilities held for trading – HfT		22	-1	21
DEPOSITS FROM CUSTOMERS	126,319	126,221	55	126,277
Fair value option		**11,245**	**61**	**11,305**
from deposits from customers – FVO		10,793	-23	10,770
from deposits from customers – AC		452	84	536
AC		**114,976**	**-5**	**114,971**
from deposits from customers – FVO		333	-58	276
from deposits from customers – AC		114,643	52	114,696
DEBT CERTIFICATES ISSUED INCLUDING BONDS	67,327	67,327	4	67,332
Fair value option		**14,117**	**13**	**14,130**
from debt certificates issued including bonds – FVO		13,864	-6	13,859
from debt certificates issued including bonds – AC		252	19	271
AC		**53,295**	**-**	**53,295**
from debt certificates issued including bonds – AC		53,295	-	53,295
AC due to mandatory de-designation FVO		**-84**	**-9**	**-93**
from debt certificates issued including bonds – FVO		-84	-9	-93
HEDGING INSTRUMENTS (NEGATIVE FAIR VALUES)	2,962	2,962	275	3,237
Fair value PL		**2,962**	**275**	**3,237**
from hedging instruments (negative fair values) – HfT		2,962	275	3,237

€ million	IAS 39 carrying amount as at Dec. 31, 2017	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017	Effect of transition from IAS 39 to IFRS 9	IFRS 9 carrying amount as at Jan. 1, 2018
FINANCIAL LIABILITIES HELD FOR TRADING	44,280	44,378	-270	44,108
Fair value PL		44,378	-270	44,108
from financial liabilities held for trading – HfT		44,259	-270	43,989
from deposits from banks – FVO		22	-	22
from deposits from customers – FVO		97	-	97
PROVISIONS	3,372	3,372	67	3,439
Provisions for financial guarantee contracts and loan commitments		128	67	195
Further provisions		3,244	-	3,244
INSURANCE LIABILITIES	89,324	89,324	1,694	91,018
INCOME TAX LIABILITIES	848	848	70	918
OTHER LIABILITIES	7,523	7,523	-107	7,416
Fair value PL		39	-	39
from other liabilities – HfT		39	-	39
AC		1,408	-1	1,407
from other liabilities – AC		1,408	-1	1,407
Further other liabilities		6,077	-106	5,971
SUBORDINATED CAPITAL	3,899	3,898	2	3,900
Fair value option		642	2	644
from subordinated capital – FVO		601	-	601
from subordinated capital – AC		41	2	43
AC		3,256	-	3,256
from subordinated capital – FVO		2	-	2
from subordinated capital – AC		3,254	-	3,254
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST-RATE RISK	113	113	-	113
AC		113	-	113
from fair value changes of the hedged items in portfolio hedges of interest-rate risk – AC		113	-	113
EQUITY	23,505	23,505	45	23,550
TOTAL EQUITY AND LIABILITIES	505,594	505,594	1,794	507,388

Due to the switch from the categorization rules for financial liabilities under IAS 39 to those under IFRS 9, the categories changed at the time of first-time adoption for the following reasons:

Financial liabilities were recategorized from the IAS 39 categories ‘financial instruments held for trading’ and ‘financial instruments designated as at fair value through profit or loss’ to the IFRS 9 category ‘financial liabilities measured at amortized cost’ due to the intention to hold them and due to non-exercise of the fair value option. The fair value of the financial liabilities amounted to €536 million as at June 30, 2018. If this reclassification had not taken place, there would have been a gain recognized in profit or loss of €3 million. The effective interest rate for these reclassifications was between 0.00 percent and 0.67 percent. The total interest expense recognized up to the balance sheet date came to €4 million.

Financial liabilities were recategorized from the IAS 39 category ‘financial liabilities measured at amortized cost’ to the IFRS 9 category ‘financial liabilities measured at fair value through profit or loss’ due to the intention to trade them or due to exercise of the fair value option.

Following the introduction of IFRS 9, the fair value option under IAS 39 is no longer exercised because the accounting mismatches under IAS 39 have ceased to exist under IFRS 9. However, the new fair value option under IFRS 9 is now exercised owing to the emergence of new accounting mismatches for other financial liabilities.

In order to improve presentation following the introduction of IFRS 9, registered securities issued have been prospectively reclassified from deposits from customers – FVO to deposits from banks – FVO. Also to improve presentation, fixed-term deposits have been prospectively reclassified from deposits from banks – AC to deposits from customers – AC. These transition effects did not impact on equity.

The reconciliation of loss allowances, broken down by the asset line items on the balance sheet and their categories pursuant to IFRS 9, is derived from the line items and categories pursuant to IAS 39 shown in the following table:

€ million	Loss allowances under IAS 39 as at Dec. 31, 2017	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017 after gross interest entitlement	Effect of transition from IAS 39 to IFRS 9	Loss allowances under IFRS 9 as at Jan. 1, 2018	Loss allowances (FVOCI) under IFRS 9 as at Jan. 1, 2018
LOANS AND ADVANCES TO BANKS	**19**	**20**	**11**	**31**	
AC		**20**	**11**	**31**	
from loans and advances to banks – LaR		20	11	31	
LOANS AND ADVANCES TO CUSTOMERS	**2,775**	**2,911**	**-150**	**2,761**	**4**
Fair value PL		**56**	**-56**	**-**	
from loans and advances to customers – LaR		56	-56	-	
Fair value OCI		**2**	**-2**	**-**	**4**
from loans and advances to customers – LaR		2	-2	-	4
AC		**2,827**	**-99**	**2,727**	
from loans and advances to customers – LaR		2,827[1]	-99	2,727	
Finance lease receivables from customers		**26**	**8**	**34**	
INVESTMENTS			**70**	**70**	**44**
Fair value OCI			**-**	**-**	**44**
from investments – FVO			-	-	3
from investments – AfS			-	-	3
from investments – LaR			-	-	38
AC			**70**	**70**	
from financial assets held for trading – HfT			8	8	
from investments – AfS			38	38	
from investments – LaR			24	24	
INVESTMENTS HELD BY INSURANCE COMPANIES			**3**	**3**	**4**
Fair value OCI			**-**	**-**	**4**
from investments held by insurance companies – AfS			-	-	3
from investments held by insurance companies – LaR			-	-	1
AC			**3**	**3**	
from investments – LaR			3	3	
OTHER ASSETS			**2**	**2**	
AC			**2**	**2**	
from other assets – LaR			2	2	
TOTAL LOSS ALLOWANCES	**2,794**	**2,931**	**-64**	**2,867**	**52**

1 Higher values than under IAS 39 due to recognition of gross interest entitlement.

The introduction of IFRS 9 has not resulted in any changes to the assignment of financial assets or financial liabilities to the IFRS 7 classes of financial instruments. As a result of the recategorization of financial assets and financial liabilities under IFRS 9, the net carrying amounts for the classes of financial assets and financial liabilities changed as shown in the following table:

€ million	**IAS 39 carrying amount as at Dec. 31, 2017**	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017 after gross interest entitlement	Effect of transition from IAS 39 to IFRS 9	**IFRS 9 carrying amount as at Jan. 1, 2018**
Classes of financial assets	**483,322**	**483,381**	**1,719**	**485,101**
Financial assets measured at fair value	151,850	149,329	2,087	151,416
Financial assets measured at amortized cost	328,558	331,138	-369	330,769
Finance leases	2,914	2,914	2	2,916
Classes of financial liabilities	**382,702**	**382,702**	**-14**	**382,688**
Financial liabilities measured at fair value	78,064	78,375	103	78,478
Financial liabilities measured at amortized cost	304,404	304,093	-78	304,015
Financial guarantee contracts and loan commitments	234	234	-39	195

As a result of the new IFRS 9 model for recognizing impairment losses on financial assets, the loss allowances recognized for the classes of financial assets changed as shown in the following table:

€ million	**Loss allowances under IAS 39 as at Dec. 31, 2017**	Recategorization amount with IAS 39 carrying amount as at Dec. 31, 2017 after gross interest entitlement	Effect of transition from IAS 39 to IFRS 9	**Loss allowances under IFRS 9 as at Jan. 1, 2018**	**Loss allowances (FVOCI) under IFRS 9 as at Jan. 1, 2018**
Loss allowances	**2,794**	2,931	-64	**2,867**	**52**
Financial assets measured at fair value		58	-58	-	52
Financial assets measured at amortized cost	2,768	2,847[1]	-13	2,833	
Finance leases	26	26	8	34	

1 Higher values than under IAS 39 due to recognition of gross interest entitlement.

The provisions in IFRS 15 *Revenue from Contracts with Customers* supersede the rules in IAS 18 *Revenue* and IAS 11 *Construction Contracts* as well as the related interpretations IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. Under IFRS 15, revenue from contracts with customers must be recognized when control of the agreed goods or services passes to the customer and the customer can benefit from these goods or services. The principles for the recognition and measurement of revenue from contracts with customers, which have been standardized in IFRS 15, are derived from the 5 steps defined in the standard. The new standard does not distinguish between different types of orders and goods/services but instead provides uniform criteria for determining whether a performance obligation is satisfied at a point in time or over time. Furthermore, IFRS 15 requires additional qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue, and regarding cash flows under contracts with customers. The new provisions under IFRS 15 do not have any impact on the recognition of income reported in connection with financial instruments in accordance with IFRS 9 or of income arising from insurance contracts pursuant to IFRS 4 or leases pursuant to IAS 17.

The implementation of IFRS 15 may give rise to contract assets and contract liabilities. When one of the parties has fulfilled its contractual obligations, a contract asset or contract liability has to be recognized, depending on whether the entity has provided the goods/services or the customer has made the payment. Any unconditional right to receive consideration is recognized as a receivable. Impairment on receivables and contract assets accounted for in accordance with IFRS 15 must be determined in accordance with IFRS 9. In this context, IFRS 15 makes reference to the rules of the simplified approach in IFRS 9, which requires the expected losses over the lifetime to be recognized immediately. The significant increase in credit risk in connection with stage allocation is no longer measured for loss allowances in respect of IFRS 15 line items.

Exercising the option provided for in IFRS 15, the DZ BANK Group did not retrospectively restate the figures for the comparative period of 2017 when it adopted IFRS 15 for the first time on January 1, 2018. Instead, it adopted IFRS 15 using the modified retrospective application method. In this method, IFRS 15 is applied to new contracts and to existing contracts that have not yet been completed on the date of initial application. To ascertain the effect of initial application of IFRS 15, the revenue for each as yet uncompleted contract recognized in accordance with IAS 18 from the start of the contract up to December 31, 2017 has to be compared with the revenue that would have been recognized if IFRS 15 had been applied from the start of the contract. The difference between these two amounts must be recognized as a cumulative adjustment to retained earnings in the opening balance sheet as at January 1, 2018. There were no cumulative adjustments to retained earnings in the DZ BANK Group as a result of the first-time adoption of IFRS 15.

The impact of IFRS 15 was assessed at the end of 2017. The group entities analyzed their contracts from the perspective of the 5 steps defined in IFRS 15. The group entities mainly identified revenue within the scope of IFRS 15 under fee and commission income. In this analysis, the identified items were judged to be either insignificant or unaffected by the new rules. Implementation of the changes therefore has no material impact on the measurement or recognition of revenue from contracts with customers in the consolidated financial statements. The disclosures on revenue from contracts with customers are presented in notes 9 and 52. In individual cases, contract assets and contract liabilities may be recognized under other assets and other liabilities. The DZ BANK Group is using the simplified approach to determine impairment pursuant to IFRS 9 consistently for contract assets and receivables accounted for in accordance with IFRS 15.

The clarifications to IFRS 15 published in April 2016 relate to 3 topics (identification of performance obligations, principal versus agent considerations, and licensing of intellectual property) and provide transitional relief for contracts that have been entered into before the beginning of the earliest presented period or have been amended before this period. The DZ BANK Group is applying the exemptions for the first-time adoption of IFRS 15 to all contractual changes made before January 1, 2018 and will not reassess these contracts or amend their presentation retrospectively.

In September 2016, the IASB published *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4). The additions to IFRS 4 in the version in the regulation in which it is endorsed by the EU not only include the overlay approach but also give insurers that are part of a financial conglomerate the option to postpone first-time adoption of IFRS 9 until January 1, 2021. The DZ BANK Group is not postponing first-time adoption of IFRS 9 for its insurance companies, so IFRS 9 has been implemented groupwide with effect from January 1, 2018. The overlay approach is not being used either.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) focuses on individual issues in connection with the accounting treatment of share-based payment transactions that are cash-settled. The main change or addition is that IFRS 2 now contains provisions that govern the calculation of the fair value of the obligations resulting from share-based payments. These amendments have no material significance for DZ BANK's consolidated financial statements.

Transfers of Investment Property (Amendments to IAS 40) relates to the accounting treatment of investment property that is under construction or development. Under IAS 40, a property's classification as investment property starts or finishes when there is a change of use. The list in IAS 40.57 sets out evidence of a change of use. As this list was formulated as an exhaustive list, it was uncertain whether a property under construction or development would be covered by this principle. The amendments to IAS 40 clarify that this principle does also apply to unfinished property. The list in IAS 40.57 is now explicitly described as non-exhaustive. There is no material impact on DZ BANK's consolidated financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* clarifies which exchange rate to use for the receipt or payment of advance consideration in a foreign currency. The interpretation stipulates that the exchange rate must be based on the time at which the non-monetary asset or non-monetary liability resulting from the advance consideration is initially recognized. If there are multiple payments or receipts of consideration in advance, a transaction date – and thus an exchange rate – is established for each individual payment or receipt. These new stipulations have no material impact on DZ BANK's consolidated financial statements.

The amendments to IAS 28 *Investments in Associates and Joint Ventures* as part of the *Annual Improvements to IFRSs 2014–2016 Cycle* clarify that the option for venture capital organizations, investment funds, and similar entities to measure their investments in associates and joint ventures at fair value through profit or loss may be exercised separately for each individual investment. These amendments have no material significance for DZ BANK's consolidated financial statements.

Changes in IFRS endorsed by the EU but not yet adopted

The DZ BANK Group has decided against voluntary early adoption of the following new financial reporting standards and amendments to IFRS:

– IFRS 16 *Leases*,
– *Prepayment Features with Negative Compensation* (Amendments to IFRS 9).

The provisions of IFRS 16 *Leases* will supersede the content of IAS 17 *Leases*. The main changes introduced by IFRS 16 relate to accounting by lessees. In the future, lessees will have to recognize on the balance sheet right-of-use assets for all leases and corresponding lease liabilities for the contracted payment obligations. Exemptions will be permitted for leases involving low-value assets and short-term leases. For lessees and lessors, the disclosures required in the notes to the financial statements under IFRS 16 will be considerably more extensive than under IAS 17. The new provisions under IFRS 16 will affect the DVB and VR LEASING subgroups as lessors and all group companies that are lessees with leased or rented assets. Based on a preliminary assessment, a substantial proportion of the payment agreements under non-cancellable leases will satisfy the definition of a lease pursuant to IFRS 16. This means that the DZ BANK Group will have to recognize corresponding right-of-use assets and lease liabilities when it applies IFRS 16, unless the exemptions for short-term leases or low-value assets apply in individual cases.

The group companies have started to analyze their contracts from the perspective of IFRS 16. However, it will only be possible to quantify the effects reliably when the detailed analyses have been completed. At present, the implementation of IFRS 16 is not expected to have any material impact on DZ BANK's consolidated financial statements.

The amendments in IFRS 16 must be applied to financial years beginning on or after January 1, 2019. They must be adopted using either a fully retrospective approach or a modified retrospective approach. The DZ BANK Group will adopt IFRS 16 using the modified retrospective application method by recognizing the cumulative effect of initially applying the standard as at January 1, 2019 in retained earnings. In this method, IFRS 16 will be applied to new contracts and to existing contracts that have not yet been completed on the date of initial application.

Prepayment Features with Negative Compensation (Amendments to IFRS 9) provides clarity on the classification and measurement of financial instruments with symmetric termination rights. The amendments explicitly state that the cash flow criterion under IFRS 9 is not breached in the event of reasonable negative compensation for early termination of the contract. The amendments are required to be applied for the first time from January 1, 2019. No impact on DZ BANK's consolidated financial statements is expected.

Changes in presentation

The following presentation changes have been made with effect from 2018 in order to provide reliable and more relevant information:

Net income from the business combination with WGZ BANK, which was recognized in the 2017 interim consolidated financial statements, is no longer shown as a separate line item in the 2018 interim consolidated financial statements. As a result, the administrative expenses recognized for the comparative period in the 2018 interim consolidated financial statements have increased by €58 million to €2,000 million.

The deposit facilities on the balance sheet will no longer be recognized under loans and advances to banks. Instead, they will be reported as balances with central banks within the cash and cash equivalents line item, bringing their recognition into line with industry practice. This presentation change is being carried out retrospectively. Consequently, the comparative disclosures for 2017 have been restated in the interim consolidated financial statements for 2018. The changes have been highlighted with a footnote ('amount restated') on the balance sheet, in the statement of cash flows, and in the relevant notes. There was no impact on the income statement or statement of comprehensive income for the period January 1 to June 30, 2018.

Balance sheet as at December 31, 2017

ASSETS

€ million	Dec. 31, 2017 before restatement	Amount of restatement	Dec. 31, 2017 after restatement
Cash and cash equivalents	12,835	31,075	43,910
Loans and advances to banks	120,489	-31,075	89,414
(...)			
Total assets	**505,594**	**-**	**505,594**

Balance sheet as at January 1, 2017

ASSETS

€ million	Jan. 1, 2017 before restatement	Amount of restatement	Jan. 1, 2017 after restatement
Cash and cash equivalents	8,515	16,162	24,677
Loans and advances to banks	107,253	-16,162	91,091
(...)			
Total assets	**509,447**	**-**	**509,447**

Statement of cash flows for the period January 1 to June 30, 2017

€ million	Jan. 1 – Jun. 30, 2017 before restatement	Amount of restatement	Jan. 1 – Jun. 30, 2017 after restatement
(...)			
Loans and advances to banks and customers	-10,713	11,579	866
(...)			
Cash flows from operating activities	**1,074**	**11,579**	**12,653**
Cash flows from investing activities	**3,464**	**-**	**3,464**
Cash flows from financing activities	**-350**	**-**	**-350**

€ million	2017 before restatement	Amount of restatement	2017 after restatement
Cash and cash equivalents as at January 1	8,515	16,162	24,677
Cash flows from operating activities	1,074	11,579	12,653
Cash flows from investing activities	3,464	-	3,464
Cash flows from financing activities	-350	-	-350
Cash and cash equivalents as at June 30	**12,703**	**27,741**	**40,444**

In note 23 (cash and cash equivalents), the disclosure 'of which: with Deutsche Bundesbank' will no longer be included, reflecting industry practice. There are other minor changes to the presentation of the balance sheet disclosures in notes 24 (loans and advances to banks), 26 (hedging instruments (positive fair values)), 28 (investments), 35 (deposits from customers), and 37 (hedging instruments (negative fair values)). The presentation of the corresponding comparative disclosures has been changed in the notes.

Sources of estimation uncertainty

It is necessary to make assumptions and estimates in accordance with the relevant financial reporting standards in order to determine the carrying amounts of assets, liabilities, income, and expenses recognized in these consolidated financial statements. These assumptions and estimates are based on historical experience, planning, and expectations or forecasts regarding future events.

Assumptions and estimates are used primarily in determining the fair value of financial assets and financial liabilities and in identifying any impairment of financial assets. Estimates also have a material impact on determining the impairment of goodwill or intangible assets acquired as part of business combinations. Furthermore, assumptions and estimates affect the measurement of insurance liabilities, provisions for employee benefits, provisions for share-based payment transactions, provisions relating to building society operations, and other provisions as well as the recognition and measurement of income tax assets and income tax liabilities.

>> 03 Financial instruments

Categories of financial instruments

Financial assets measured at fair value through profit or loss (fair value PL)

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income are classified as 'financial assets measured at fair value through profit or loss'. This category is broken down into the following subcategories:

Financial assets mandatorily measured at fair value through profit or loss

The subcategory 'financial assets mandatorily measured at fair value through profit or loss' covers financial assets that do not meet the IFRS 9 cash flow criterion or that were acquired for the purpose of selling them in the near term. To this end, these financial assets must be 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 and effective hedging instruments.

Contingent considerations in a business combination

This subcategory covers contingent considerations that the acquirer has classified as financial assets in the context of a business combination.

Financial assets designated as at fair value through profit or loss (fair value option)

Financial assets may be assigned to the subcategory 'financial assets designated as at fair value through profit or loss' by exercising the fair value option, provided that the application of this option eliminates or significantly reduces measurement or recognition inconsistencies (accounting mismatches). The fair value option is applied to eliminate or significantly reduce accounting mismatches that arise if non-derivative financial instruments and related derivatives used to hedge such instruments are measured differently. Derivatives are measured at fair value through profit or loss, whereas non-derivative financial instruments are measured at amortized cost or changes in fair value may be recognized in other comprehensive income. If no hedge accounting takes place, this gives rise to accounting mismatches that can be significantly reduced by applying the fair value option. The fair value option is used in the context of financial assets to prevent accounting mismatches that could arise in connection with loans and advances to banks and customers and bearer bonds.

Financial assets measured at fair value through other comprehensive income (fair value OCI)

A financial asset is assigned to this category if it is held in accordance with a business model aimed both at collecting contractual cash flows and at selling financial assets. Moreover, the contractual terms of the financial asset must give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Because of the cash flow criterion, these financial assets only comprise debt instruments. They are measured at fair value. Interest income, impairment losses, and currency translation effects must be recognized in profit or loss. Differences between the amortized cost and the fair value are recognized in other comprehensive income. The amounts recognized in other comprehensive income must be recycled to the income statement upon disposal.

There is also an irrevocable option to designate equity instruments as ‘financial assets designated as at fair value through other comprehensive income’ (fair value OCI option) upon initial recognition. Changes in fair value are recognized in other comprehensive income, except in the case of dividends that do not constitute repayment of capital. The cumulative other comprehensive income is not subsequently recycled to the income statement, e.g. due to disposal of the instrument. After disposal of these equity instruments, the cumulative other comprehensive income is reclassified to retained earnings. The fair value OCI option can generally only be exercised for equity instruments that are not held for trading and do not constitute contingent consideration recognized by the acquirer in a business combination pursuant to IFRS 3.

Financial assets measured at amortized cost (AC)

A financial asset is assigned to this category if it is held in accordance with a business model aimed at holding financial assets for the purpose of collecting contractual cash flows. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (cash flow criterion).

Because of the cash flow criterion, financial assets in this category only comprise debt instruments. They are measured at amortized cost using the effective interest method. Interest income, impairment losses, and currency translation effects must be recognized in profit or loss.

Financial liabilities measured at fair value through profit or loss (fair value PL)

Financial liabilities that are not measured at amortized cost are classified as ‘financial liabilities measured at fair value through profit or loss’. This category is broken down into the following subcategories:

Financial liabilities mandatorily measured at fair value through profit or loss

The subcategory ‘financial liabilities mandatorily measured at fair value through profit or loss’ covers financial liabilities that are issued with the intention of repaying them in the near term. To this end, these financial liabilities must be 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 and effective hedging instruments.

Contingent considerations in a business combination

This subcategory covers contingent considerations that the acquirer has classified as financial liabilities in the context of a business combination.

Financial liabilities designated as at fair value through profit or loss (fair value option)

Financial liabilities may be assigned 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 measurement or recognition inconsistencies (accounting mismatches), the financial 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. In the case of financial liabilities, the fair value option is exercised to eliminate or significantly reduce accounting mismatches for loan liabilities to banks and customers, issued registered or bearer Pfandbriefe, other bonds and commercial paper, and registered or bearer subordinated liabilities. Some of the promissory notes and bonds are structured financial instruments containing derivatives (in the form of caps, floors, collars, or call options) for which bifurcation is not required. The derivative components of these instruments are subject to economic hedging that does not meet the criteria for the application of hedge accounting.

The fair value option is also applied to structured financial liabilities containing embedded derivatives requiring bifurcation, provided that the embedded derivatives cannot be measured separately and the financial liabilities are not designated as held for trading. The issued financial instruments in this case are primarily guarantee certificates, discount certificates, profit-participation certificates, variable-rate bonds, inflation-linked notes, collateralized loan obligations, and credit-linked notes.

As regards financial liabilities designated as at fair value through profit or loss, any gains/losses resulting from a change in the fair value of a financial liability that is attributable to a change in the liability’s credit risk must be recognized in other comprehensive income. The rest of the change in the fair value of this liability is recognized in profit or loss. The amounts recognized in other comprehensive income are not recycled to the income statement upon disposal of the relevant financial liability.

Financial liabilities measured at amortized cost (AC)

For measurement subsequent to initial recognition, financial liabilities are categorized as ‘financial liabilities measured at amortized cost’, except in the following cases: financial liabilities measured at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not satisfy the condition for derecognition or accounting treatment is based on a continuing involvement, financial guarantee contracts, loan commitments with an interest rate below the market interest rate, and contingent consideration recognized by the acquirer in a business combination pursuant to IFRS 3.

In accordance with IAS 32, shares in partnerships are normally categorized as debt instruments. Given their subordinated status compared with the liabilities of the partnerships concerned, non-controlling interests in this case are reported as subordinated capital. Profit attributable to non-controlling interests is recognized under other liabilities, provided that the resulting liability is not of a subordinated nature. Non-controlling interests in partnerships are classified as ‘share capital repayable on demand’ and are assigned to the ‘financial liabilities measured at amortized cost’ category.

This category also includes liabilities under compensation payment obligations owed to non-controlling interests in consolidated subsidiaries. These liabilities arise if DZ BANK or some other entity controlled by DZ BANK has concluded a profit transfer agreement with a subsidiary in accordance with section 291 (1) of the German Stock Corporation Act (AktG) under which there are non-controlling interests. Liabilities under compensation payment obligations are recognized at the amount of the discounted obligation.

In addition, this category includes liabilities from capitalization transactions that are not designated as unit-linked insurance products. There is no significant transfer of insurance risk in these transactions and they do not therefore satisfy the criteria for an insurance contract under IFRS 4. As a consequence, such transactions need to be treated as financial instruments in accordance with IFRS 9.

Other financial instruments

Hedging instruments

The designation of derivative and non-derivative financial assets and liabilities as hedging instruments is governed by IFRS 9. The recognition and measurement of these hedging instruments is described in note 4.

Liabilities from financial guarantee contracts

Liabilities from financial guarantee contracts measured in accordance with IFRS 9 must be recognized as a liability at fair value by the issuer of the guarantee at the date of issue. The fair value is normally equivalent to the present value of the consideration received for issuing the financial guarantee contract. In any subsequent measurement, the obligation must be measured at the higher of the amount determined in accordance with the impairment model and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15. In the presentation of financial guarantee contracts, the guarantee commission receivables due from the beneficiary to the DZ BANK Group as the issuer of the guarantee are offset against guarantee obligations (net method).

Receivables and payables under finance leases

Receivables and payables under finance leases predominantly fall within the scope of IAS 17.

Financial assets and financial liabilities specific to insurance business

In addition to financial instruments that fall within the scope of IFRS 9, financial assets and financial liabilities arising from the insurance business are recognized and measured in accordance with the provisions of the HGB and other German accounting provisions applicable to insurance companies, as required by IFRS 4.25(c).

Deposits with ceding insurers are recognized at their nominal amounts. Receivables arising out of direct insurance operations and receivables arising out of reinsurance operations are recognized at their nominal amounts net of payments made. Impairment losses on receivables arising out of direct insurance operations and on receivables arising out of reinsurance operations are recognized directly in the carrying amounts. Assets related to unit-linked contracts are measured at fair value through profit or loss on the basis of the underlying investments.

Deposits received from reinsurers, payables arising out of direct insurance operations and payables arising out of reinsurance operations are recognized at their nominal amounts.

Deposits with ceding insurers as well as assets related to unit-linked contracts are reported on the balance sheet under investments held by insurance companies. Deposits received from reinsurers, receivables and payables arising out of direct insurance operations, and receivables and payables arising out of reinsurance operations are recognized under other assets or other liabilities.

Initial recognition and derecognition of financial assets and financial liabilities

Derivatives are initially recognized on the trade date. Regular way purchases and sales of non-derivative financial assets are generally recognized and derecognized using settlement date accounting. In the case of consolidated investment funds and the issue of certain securities, the financial instruments are also recognized on the trade date. Changes in fair value between the trade date and settlement date are recognized in accordance with the category of the financial instrument.

All financial instruments are generally measured at fair value on initial recognition. In the case of financial assets or financial liabilities not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset or issue of the financial liability concerned are added or deducted on initial recognition.

Differences between transaction prices and fair values are recognized in profit or loss on initial recognition if the fair values correspond to the price quoted in an active market for an identical asset or identical liability or are based on a valuation technique that only uses data from observable markets. If the fair value is derived from transaction prices at the time of acquisition and this value is then used as a basis for any subsequent measurement, any changes in fair value are only recognized in profit or loss if they can be attributed to a change in observable market data. Any differences not recognized at the time of initial recognition are allocated over the maturity of the financial instruments concerned and recognized in profit or loss accordingly.

Financial assets are derecognized if the contractual rights to the cash flows from the financial assets have expired or these rights have been transferred to third parties, and substantially no risks or rewards of ownership in the financial assets remain. If the criteria for derecognizing financial assets are not satisfied, the transfer to third parties is recognized as a secured loan. Financial liabilities are derecognized when the contractual obligations have been settled, extinguished or have expired.

Impairment losses on financial assets

Under IFRS 9, impairment losses are recognized only on those financial assets that are debt instruments. Equity instruments do not fall within the scope of the IFRS 9 impairment model. Impairment losses are recognized for the following financial assets:

– Financial assets in the IFRS 9 category ‘financial assets measured at amortized cost’,
– Financial assets (only debt instruments) in the IFRS 9 category ‘financial assets measured at fair value through other comprehensive income’,
– Undrawn loan commitments where there is a current legal obligation to grant credit (irrevocable loan commitments), provided they are not measured at fair value through profit or loss,
– Financial guarantee contracts, provided they are not measured at fair value through profit or loss,
– Lease receivables, and
– Trade receivables and contract assets that fall within the scope of IFRS 15.

Upon initial recognition, all financial assets are assigned to stage 1 with the exception of financial assets that are purchased or originated credit-impaired assets (POCI). Loss allowances for assets in stage 1 must, as a minimum, be recognized in an amount equal to the 12-month expected credit loss.

At each balance sheet date, assets are assigned to stage 2 if their credit risk has significantly increased since initial recognition but there is no objective evidence of impairment. For these assets, impairment is measured at the amount of the lifetime expected credit losses.

Put simply, it can be assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument has low credit risk at the balance sheet date (low credit risk exemption).

The DZ BANK Group does not exercise the low credit risk exemption for loans and, consequently, not for promissory notes either.

Financial assets deemed to be impaired on the basis of objective evidence are assigned to stage 3. For these assets, impairment is measured at the amount of the lifetime expected credit losses.

Financial assets subject to the IFRS 9 impairment rules must be reviewed at every balance sheet date to ascertain whether one or more events have occurred with an adverse impact on the estimated future cash flows of these financial assets.

Financial assets that are purchased or originated credit-impaired assets (POCI) are initially recognized at their carrying amount less the lifetime expected credit losses and amortized using a risk-adjusted effective interest rate. At the balance sheet date, only the cumulative changes to the lifetime expected credit losses since initial recognition are recognized as an impairment loss. Stage allocation is not required for these assets.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative financial instrument (host contract), with the effect that some of the cash flows of the combined financial instrument vary in a way similar to those of a standalone derivative. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

If a hybrid contract contains a host contract that is a financial asset, the categorization rules for financial assets are applied to the entire hybrid contract.

If a hybrid contract contains a host contract that is a financial liability, an embedded derivative is separated from the host contract and accounted for separately if:
– the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
– a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
– the hybrid contract is not measured at fair value through profit or loss.

If the embedded derivative does not meet all of these conditions, it may not be separated from the host contract. When an embedded derivative is separated, the host contract is accounted for in accordance with the pertinent standards.

If a contract includes one or more embedded derivatives and the host contract is not a financial asset, the entire hybrid contract can be categorized as measured at fair value through profit or loss. This is not the case where embedded derivatives only have an insignificant impact on the contractually specified cash flows or, upon initial comparison with similar hybrid instruments, it is evident without – or with only minor – analysis that separation of the embedded derivative is not permitted.

Classes of financial instruments

For the purposes of the disclosures on the importance of financial instruments to the financial position and financial performance of the DZ BANK Group, financial instruments falling within the scope of IFRS 7 are classified using the 7 classes of financial instruments described below. Where applicable, these classes are broken down by IFRS 9 category.

Classes of financial assets

Financial assets measured at fair value

The class of financial assets measured at fair value comprises the following categories defined by IFRS 9:
– 'Financial assets measured at fair value through profit or loss' with the subcategories 'financial assets mandatorily measured at fair value through profit or loss' and 'financial assets designated as at fair value through profit or loss' (fair value option),
– 'Financial assets measured at fair value through other comprehensive income' with the subcategories 'financial assets mandatorily measured at fair value OCI' and 'financial assets designated as at fair value through other comprehensive income (fair value OCI option)'.

Financial assets measured at amortized cost

The 'financial assets measured at amortized cost' class includes, in particular, loans and advances to banks and customers measured at amortized cost and investments measured at amortized cost.

Finance leases

The 'finance leases' class comprises solely finance lease receivables.

Classes of financial liabilities

Financial liabilities measured at fair value

The 'financial liabilities measured at fair value' class comprises financial liabilities in the category 'financial liabilities measured at fair value through profit or loss' with the subcategories 'financial liabilities mandatorily measured at fair value through profit or loss' and 'financial liabilities designated as at fair value through profit or loss' (fair value option).

Financial liabilities measured at amortized cost

The class known as 'financial liabilities measured at amortized cost' is identical to the category of financial liabilities of the same name.

Finance leases

The 'finance leases' class comprises solely finance lease liabilities.

Financial guarantee contracts and loan commitments

Liabilities under financial guarantee contracts and provisions for loan commitments within the scope of IAS 37 are aggregated in the class 'financial guarantee contracts and loan commitments'.

>> 04 Hedge accounting

General information on hedge accounting

As an integral part of its risk management strategy, the DZ BANK Group hedges against risks arising in connection with financial instruments.

If the hedging of risk in connection with financial instruments gives rise to accounting mismatches between the hedged item and the hedging instrument used, the DZ BANK Group designates the hedging transaction as a hedge in accordance with the hedge accounting requirements of IFRS 9 in order to eliminate or reduce such mismatches.

Fair value hedges

A fair value hedge is intended to ensure that changes in the fair value of the hedged item are offset by countervailing changes in the fair value of the hedging instrument. Changes in the fair value of the hedged item attributable to the hedged risk and changes in the fair value of the hedging instrument are recognized in profit or loss. Where equity instruments are hedged whose changes in fair value are recognized in other comprehensive income, the changes in the fair value of the hedging instruments are also recognized in other comprehensive income. Risks may be hedged by designating hedges either on an individual or on a portfolio basis.

The rules of IAS 39 continue to apply unchanged to portfolio fair value hedge accounting.

Hedged items categorized as 'financial assets measured at amortized cost', 'financial liabilities measured at amortized cost', and finance lease receivables are measured in accordance with the general measurement principles for these financial instruments. The values are adjusted for the change in fair value attributable to the hedged risk. Hedged items categorized as 'financial assets measured at fair value through other comprehensive income' are measured at fair value, although only changes not attributable to the hedged changes in fair value are recognized in other comprehensive income. Interest income and interest expense arising from hedged items or hedging instruments are recognized under net interest income.

If the fair value is hedged against interest-rate risks on a portfolio basis, the cumulative changes in fair value attributable to the hedged risk are reported on the balance sheet under fair value changes of the hedged items in portfolio hedges of interest-rate risk, either under assets or liabilities depending on whether the portfolio comprises financial assets or financial liabilities.

In fully effective hedges, the changes in fair value (attributable to the hedged risk) recognized in profit or loss over the lifetime of the hedge completely cancel each other out. Any changes in fair value recognized in the carrying amount of the hedged items are amortized through profit or loss by the time the hedge has been terminated.

Cash flow hedges

The purpose of cash flow hedges is to ensure that changes in uncertain future cash flows from hedged items are offset by changes in cash flows from hedging instruments.

Hedging instruments are measured at fair value. Changes in fair value attributable to the effective portion of the hedge are recognized in other comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge are recognized in profit or loss. Hedged items are recognized and measured in accordance with the general principles for the relevant measurement category. At the end of a hedging relationship, any changes in fair value recognized in other comprehensive income must be reclassified to profit or loss on the date on which the hedged items or transactions are also recognized in profit or loss.

Hedges of net investments in foreign operations

The purpose of hedges of net investments in foreign operations is to offset exchange differences resulting from net investments denominated in foreign currency.

Hedges of net investments in foreign operations are accounted for in the same way as cash flow hedges.

>>05 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 entities in which the DZ BANK Group has no significant influence, provided that these securities or shares are not held for trading purposes. Investments also include investments in subsidiaries, joint ventures, and associates.

Investments are initially recognized at fair value. Investments in joint ventures and associates that are accounted for using the equity method are initially recognized at cost. These investments are subsequently measured in accordance with the principles applicable to the relevant measurement category. In the case of investments in joint ventures and associates, the equity method is used for subsequent measurement.

Impairment losses on investments are determined on the basis of the IFRS 9 requirements applicable to the relevant category of financial assets or on the basis of accounting standards relevant to the financial assets concerned. They are generally reported as a separate line item on the assets side of the balance sheet or in the reserve from other comprehensive income.

Interest and any investment premiums or discounts amortized over the maturity of the investment using the effective interest method are recognized under net interest income. Dividends derived from equity instruments are recognized as current income under net interest income. Gains or losses on investments accounted for using the equity method are also reported under net interest income.

Gains and losses realized on the sale of, as well as impairment losses and reversals thereof on, investments in associates and joint ventures that are accounted for using the equity method are reported under gains and losses on investments.

Fair value gains and losses on investments that are measured at fair value through profit or loss are reported under other gains and losses on valuation of financial instruments.

>> 06 Loss allowances

Loss allowances for cash and cash equivalents, loans and advances to banks and customers, investments, and other assets that are measured at amortized cost or designated as finance leases are reported as a separate line item on the assets side of the balance sheet. Additions to loss allowances for these balance sheet items, and any reversals of such allowances, are recognized under loss allowances in the income statement.

Loss allowances for investments held by insurance companies and other assets held by insurance companies measured at amortized cost are netted with the carrying amounts of these assets. Additions to loss allowances for these balance sheet items, and any reversals of such allowances, are recognized under gains and losses on investments held by insurance companies and other insurance company gains and losses in the income statement.

Loss allowances for loans and advances to banks and customers, for investments, and for investments held by insurance companies that are measured at fair value through other comprehensive income are not reported on the assets side of the balance sheet but instead in the reserve from other comprehensive income. Additions to loss allowances for loans and advances to banks and customers and for investments, and any reversals of such allowances, are recognized under loss allowances in the income statement. Additions to loss allowances for investments held by insurance companies, and any reversals of such allowances, are recognized under gains and losses on investments held by insurance companies and other insurance company gains and losses in the income statement.

The recognition of loss allowances also covers changes in the provisions for loan commitments and financial guarantee contracts and other provisions for loans and advances. Any additions to, or reversals of, provisions for loan commitments and financial guarantee contracts and other provisions for loans and advances are also recognized in profit or loss under loss allowances.

B Disclosures relating to the income statement and the statement of comprehensive income

>> 07 Segment information

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2018

€ million	DZ BANK	BSH	DVB
Net interest income	591	387	80
Net fee and commission income	185	-12	42
Gains and losses on trading activities	195	-	-4
Gains and losses on investments	74	11	11
Other gains and losses on valuation of financial instruments	19	3	-87
Premiums earned	-	-	-
Gains and losses on investments held by insurance companies and other insurance company gains and losses	-	-	-
Insurance benefit payments	-	-	-
Insurance business operating expenses	-	-	-
Loss allowances	96	-2	-20
Administrative expenses	-756	-237	-97
Other net operating income	33	22	4
Profit/loss before taxes	**437**	**172**	**-71**
Cost/income ratio (%)	68.9	57.7	>100.0
Regulatory RORAC (%)	12.4	31.7	-34.1
Average own funds/solvency requirement	4,699	1,081	378
Total assets/total equity and liabilities as at Jun. 30, 2018	289,868	70,480	21,562

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2017

€ million	DZ BANK	BSH	DVB
Net interest income	533	423	103
Net fee and commission income	183	-22	52
Gains and losses on trading activities	298	-	-19
Gains and losses on investments	67	15	-4
Other gains and losses on valuation of financial instruments	15	-1	-131
Premiums earned	-	-	-
Gains and losses on investments held by insurance companies and other insurance company gains and losses	-	-	-
Insurance benefit payments	-	-	-
Insurance business operating expenses	-	-	-
Loss allowances	90	-2	-446
Administrative expenses [1]	-803	-233	-103
Other net operating income	22	23	16
Profit/loss before taxes	**405**	**203**	**-532**
Cost/income ratio (%)	71.8	53.2	>100.0
Regulatory RORAC (%)	11.0	39.5	>100.0
Average own funds/solvency requirement	5,403	1,026	581
Total assets/total equity and liabilities as at Dec. 31, 2017	265,843	68,337	23,414

1 Amount restated (see note 2).

	DZ HYP	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
	282	33	-	221	6	76	-254	1,422
	1	94	-	-5	705	5	-57	958
	-	5	-	-	-	-	10	206
	4	-	-	-	-7	7	-2	98
	30	-2	-	-	-22	-	11	-48
	-	-	8,115	-	-	-	-	8,115
	-	-	1,269	-	-	-	-54	1,215
	-	-	-7,709	-	-	-	-	-7,709
	-	-	-1,406	-	-	-	84	-1,322
	4	-	-	-32	-	-2	-	44
	-162	-115	-	-112	-425	-70	-44	-2,018
	5	-7	5	4	16	-15	6	73
	164	**8**	**274**	**76**	**273**	**1**	**-300**	**1,034**
	50.3	93.5	-	50.9	60.9	95.9	-	67.1
	22.8	4.6	-	34.2	>100.0	0.6	-	-
	1,444	349	-	444	351	333	-	-
	85,026	18,200	108,179	8,641	2,048	4,770	-70,540	538,234

	DZ HYP	DZ PRIVAT-BANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
	282	60	-	211	4	70	-259	1,427
	-	62	-	3	750	8	-59	977
	7	7	-	-	-	-	11	304
	3	-	-	-	-	6	1	88
	161	5	-	-	2	-	-17	34
	-	-	7,403	-	-	-	-	7,403
	-	-	1,883	-	-	-	-36	1,847
	-	-	-7,543	-	-	-	-	-7,543
	-	-	-1,350	-	-	-	94	-1,256
	7	-	-	-34	-1	-6	-4	-396
	-126	-116	-	-105	-393	-69	-52	-2,000
	2	-6	-4	3	-	4	-6	54
	336	**12**	**389**	**78**	**362**	**13**	**-327**	**939**
	27.7	90.6	-	48.4	52.0	78.4	-	60.0
	45.3	8.4	11.3	36.8	>100.0	8.1	-	11.2
	1,489	295	6,862	425	351	314	-	16,746
	85,855	16,802	103,419	8,009	2,445	4,749	-73,279	505,594

General information on operating segments

The information on operating segments has been prepared using the management approach in accordance with IFRS 8. Under this standard, external reporting must include segment information that is used internally for the management of the entity and for the purposes of quantitative reporting to the chief operating decision-makers. The DZ BANK Group's information on operating segments has therefore been prepared on the basis of the internal management reporting system.

Definition of operating segments

Segmentation is based on the integrated risk and capital management system, and the management units are shown separately. They consist of DZ BANK, DZ HYP AG, Hamburg, (DZ HYP), TeamBank AG Nürnberg, Nuremberg, (TeamBank), DZ PRIVATBANK, and the BSH, DVB, R+V, UMH, and VR LEASING subgroups. The DG HYP and WL BANK operating segments were aggregated to form the DZ HYP operating segment. The figures for the prior-year period have been restated accordingly. All other companies in the DZ BANK Group, which are not required to provide regular quantitative reports to the chief operating decision-makers, and the consolidations are reported on an aggregated basis under Other/Consolidation.

Presentation of operating segments

Interest income and associated interest expenses generated by the operating segments are offset and reported as net interest income in the information on operating segments because, from a group perspective, the operating segments are managed solely on the basis of the net figure.

Measurement

Internal reporting to the chief operating decision-makers in the DZ BANK Group is primarily based on the generally accepted accounting and measurement principles applicable to the DZ BANK Group.

Intragroup transactions between operating segments are carried out on an arm's-length basis. These transactions are reported internally using the financial reporting standards applied to external financial reporting.

The key indicators for assessing the performance of the operating segments are profit/loss before taxes, the cost/income ratio, and the return on risk-adjusted capital (regulatory RORAC). The cost/income ratio shows the ratio of administrative expenses to operating income and reflects the economic efficiency of the operating segment concerned.

Operating income includes net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

Regulatory RORAC is a risk-adjusted performance measure. It reflects the relationship between profit before taxes and regulatory risk capital (own funds/solvency requirement). It therefore shows the return on the regulatory risk capital employed. Regulatory RORAC for the R+V management unit and for the DZ BANK Group is not shown in respect of the reporting period because it was not available at the time of preparation of the review report.

Other/Consolidation

The consolidation-related adjustments shown under Other/Consolidation to reconcile operating segment profit/loss before taxes to consolidated profit/loss before taxes are attributable to the elimination of intragroup transactions and to the fact that investments in joint ventures and associates were accounted for using the equity method.

The adjustments to net interest income were primarily the result of the elimination of intragroup dividend payments and profit distributions in connection with intragroup liabilities to dormant partners and were also attributable to the early redemption of issued bonds and commercial paper that had been acquired by entities in the DZ BANK Group other than the issuer.

The figure under Other/Consolidation for net fee and commission income largely relates to the fee and commission business of TeamBank and the BSH subgroup with the R+V subgroup.

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

>> 08 Net interest income

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**3,177**	**3,663**
Interest income from	**3,134**	**3,649**
Lending and money market business	3,260	3,498
Bonds and other fixed-income securities	274	392
Portfolio hedges of interest-rate risk	-275	-160
Financial assets with a negative effective interest rate	-125	-81
Current income and expense from	**11**	-
Shares and other variable-yield securities from investments	13	10
of which: income from other shareholdings	12	8
Investments in subsidiaries	2	2
Investments in associates	-	2
Operating leases	-4	-14
Income from using the equity method for	**32**	**13**
Investments in joint ventures	28	23
Investments in associates	4	-10
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	-	1
INTEREST EXPENSE ON	**-1,755**	**-2,236**
Deposits from banks and customers	-1,683	-1,993
Debt certificates issued including bonds	-214	-242
Subordinated capital	-63	-80
Portfolio hedges of interest-rate risk	95	-4
Financial liabilities with a positive effective interest rate	114	85
Provisions and other liabilities	-4	-2
Total	**1,422**	**1,427**

Of the total interest income of €3,134 million, a sum of €2,526 million was calculated using the effective interest method.

>> 09 Net fee and commission income

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Fee and commission income	**1,802**	**1,803**
Securities business	1,341	1,360
Asset management	114	110
Payments processing including card processing	125	104
Lending business and trust activities	72	91
Financial guarantee contracts and loan commitments	27	26
International business	5	7
Building society operations	15	11
Other	103	94
Fee and commission expenses	**-844**	**-826**
Securities business	-518	-493
Asset management	-74	-75
Payments processing including card processing	-64	-42
Lending business	-42	-61
Financial guarantee contracts and loan commitments	-4	-4
Building society operations	-36	-45
Other	-106	-106
Total	**958**	**977**

In the reporting period, fee and commission income included revenue from contracts with customers pursuant to IFRS 15 in an amount of €1,766 million.

Disclosures on revenue from contracts with customers, broken down by operating segment

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2018

€ million	DZ BANK	BSH	DVB
Income type			
Fee and commission income from securities business	157	-	-
Fee and commission income from asset management	-	-	-
Fee and commission income from payments processing including card processing	109	-	1
Fee and commission income from lending business and trust activities	36	-	31
Fee and commission income from financial guarantee contracts and loan commitments	24	-	1
Fee and commission income from international business	5	-	-
Fee and commission income from building society operations	-	11	-
Other fee and commission income	25	29	15
Fee and commission income under IFRS 15 (R+V operating segment)	-	-	-
Total	**356**	**40**	**48**
Main geographical markets			
Germany	356	39	18
Rest of Europe	-	1	24
Rest of World	-	-	6
Total	**356**	**40**	**48**
Type of revenue recognition			
At a point in time	128	39	16
Over a period of time	228	1	32
Total	**356**	**40**	**48**

	DZ HYP	DZ PRIVATBANK	R+V	TeamBank	UMH	VR LEASING	Other/ Consolidation	**Total**
	-	57	-	-	1,164	-	-62	1,316
	-	113	-	-	8	-	-7	114
	-	-	-	-	-	-	14	124
	3	-	-	-	-	-	-	70
	3	-	-	-	-	-	-1	27
	-	-	-	-	-	-	-	5
	-	-	-	-	-	-	-	11
	-	5	-	77	-	18	-70	99
	-	-	53	-	-	-	-	53
	6	**175**	**53**	**77**	**1,172**	**18**	**-126**	**1,819**
	6	45	53	77	807	18	-120	1,299
	-	129	-	-	365	-	-6	513
	-	1	-	-	-	-	-	7
	6	**175**	**53**	**77**	**1,172**	**18**	**-126**	**1,819**
	6	23	3	77	8	18	-60	258
	-	152	50	-	1,164	-	-66	1,561
	6	**175**	**53**	**77**	**1,172**	**18**	**-126**	**1,819**

>> 10 Gains and losses on trading activities

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Gains and losses on non-derivative financial instruments and embedded derivatives	90	-61
Gains and losses on derivatives	67	224
Gains and losses on exchange differences	49	141
Total	**206**	**304**

>> 11 Gains and losses on investments

€ million	Jan. 1 – Jun. 30, 2018
Gains and losses on the disposal of bonds and other fixed-income securities	**87**
Gains and losses on the disposal of shares and other variable-yield securities	**-6**
Gains and losses on investments in joint ventures	**14**
Disposals	6
Reversals of impairment losses	8
Gains and losses on investments in associates	**3**
Disposals	8
Impairment losses	-5
Total	**98**

Gains and losses on the disposal of bonds and other fixed-income securities included gains of €14 million and losses of €1 million on the disposal of financial instruments measured at cost.

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

€ million	Jan. 1 – Jun. 30, 2017
Gains and losses on bonds and other fixed-income securities	85
Disposals	83
Impairment losses	-3
Reversals of impairment losses	5
Gains and losses on shares and other variable-yield securities	1
Disposals	1
Gains and losses on investments in joint ventures	5
Impairment losses	-1
Reversals of impairment losses	6
Gains and losses on investments in associates	-3
Disposals	1
Impairment losses	-4
Total	88

>> 12 Other gains and losses on valuation of financial instruments

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Gains and losses from hedge accounting	**-11**	-12
Gains and losses on derivatives used for purposes other than trading	**-46**	-46
Gains and losses on financial assets designated as at fair value through profit or loss	**-18**	92
Gains and losses on non-derivative financial instruments and embedded derivatives	-91	100
Gains and losses on derivatives	73	-8
Gains and losses on financial assets mandatorily measured at fair value through profit or loss	**27**	
Total	**-48**	34

Gains and losses on derivatives used for purposes other than trading result from gains and losses on valuation of derivatives that are used for economic hedging but are not included in hedge accounting.

>> 13 Premiums earned

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Net premiums written	**8,926**	8,243
Gross premiums written	8,961	8,296
Reinsurance premiums ceded	-35	-53
Change in provision for unearned premiums	**-811**	-840
Gross premiums	-816	-849
Reinsurers' share	5	9
Total	**8,115**	7,403

>> 14 Gains and losses on investments held by insurance companies and other insurance company gains and losses

€ million	Jan. 1 – Jun. 30, 2018
Income from investments held by insurance companies	**2,788**
Interest income and current income	1,215
Income from reversals of impairment losses and reversals of loss allowances, and unrealized gains	346
Gains on valuation through profit or loss of investments held by insurance companies	724
Gains on disposals	503
Expenses in connection with investments held by insurance companies	**-1,657**
Administrative expenses	-69
Directly recognized depreciation/amortization expense, additions to loss allowances, and impairment losses and unrealized losses	-247
Losses on valuation through profit or loss of investments held by insurance companies	-924
Losses on disposals	-417
Other gains and losses of insurance companies	**84**
Other insurance gains and losses	122
Other non-insurance gains and losses	-38
Total	**1,215**

Income from and expenses in connection with investments held by insurance companies included gains of €2 million and losses of €6 million on the disposal of financial instruments measured at cost.

Gains and losses on investments held by insurance companies and other insurance company gains and losses included additions to loss allowances of €3 million and reversals in the same amount.

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

€ million	Jan. 1 – Jun. 30, 2017
Income from investments held by insurance companies	**2,654**
Interest income and current income	1,291
Income from reversals of impairment losses and unrealized gains	22
Gains on valuation through profit or loss of investments held by insurance companies	559
Gains on disposals	782
Expenses in connection with investments held by insurance companies	**-955**
Administrative expenses	-74
Depreciation/amortization expense, impairment losses, and unrealized losses	-446
Losses on valuation through profit or loss of investments held by insurance companies	-349
Losses on disposals	-86
Other gains and losses of insurance companies	**148**
Other insurance gains and losses	159
Other non-insurance gains and losses	-11
Total	**1,847**

>> 15 Insurance benefit payments

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Expenses for claims	**-5,006**	**-4,686**
Gross expenses for claims	-5,040	-4,700
Reinsurers' share	34	14
Changes in the benefit reserve and in other insurance liabilities	**-2,712**	**-2,443**
Gross changes in provisions	-2,684	-2,441
Reinsurers' share	-28	-2
Expenses for premium refunds	**9**	**-414**
Gross expenses for premium refunds	-17	-210
Expenses for deferred premium refunds	26	-204
Total	**-7,709**	**-7,543**

>> 16 Insurance business operating expenses

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Gross expenses	-1,332	-1,264
Reinsurers' share	10	8
Total	**-1,322**	**-1,256**

>> 17 Loss allowances

€ million	Jan. 1 – Jun. 30, 2018
Loss allowances for loans and advances to banks	**21**
Additions	-6
Reversals	27
Loss allowances for loans and advances to customers	**-26**
Additions	-829
Reversals	777
Directly recognized impairment losses	-13
Recoveries on loans and advances to customers previously impaired	31
Other	8
Loss allowances for investments	**4**
Additions	-16
Reversals	20
Other loss allowances for loans and advances	**45**
Change in provisions for loan commitments	24
Change in provisions for financial guarantee contracts	21
Total	**44**

The 'Other' line item contains the net gain from POCI.

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

€ million	Jan. 1 – Jun. 30, 2017
Allowances for losses on loans and advances to banks	**18**
Additions	-1
Reversals	13
Recoveries on loans and advances previously impaired	6
Allowances for losses on loans and advances to customers	**-441**
Additions	-763
Reversals	298
Directly recognized impairment losses	-17
Recoveries on loans and advances previously impaired	41
Other allowances for losses on loans and advances	**27**
Change in provisions for loan commitments	16
Change in other provisions for loans and advances	2
Change in liabilities from financial guarantee contracts	9
Total	**-396**

>> 18 Administrative expenses

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Staff expenses	-906	-904
General and administrative expenses	-1,025	-1,009 [1]
Depreciation and amortization	-87	-87
Total	**-2,018**	**-2,000**

1 Amount restated (see note 2).

>> 19 Other net operating income

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Income from the reversal of provisions and accruals	59	41
Restructuring expenses	-12	-5
Expenses for other taxes	-11	-8
Gains and losses on non-current assets and disposal groups classified as held for sale	7	-
Residual other net operating income	30	26
Total	**73**	**54**

>> 20 Income taxes

IAS 34 states that income taxes in interim financial statements are to be calculated on the basis of the best possible estimate of the weighted average tax rate for the year as a whole. This tax rate is based on the legislation that is in force or has been adopted at the relevant balance sheet date.

>> 21 Items reclassified to the income statement

The following amounts were reclassified from other comprehensive income/loss to the income statement in the reporting period:

€ million	Jan. 1 – Jun. 30, 2018
Gains and losses on debt instruments measured at fair value through other comprehensive income	**-304**
Gains (+)/losses (-) arising during the reporting period	-158
Gains (-)/losses (+) reclassified to the income statement during the reporting period	-146
Gains and losses on cash flow hedges	**-7**
Gains (+)/losses (-) arising during the reporting period	-3
Gains (-)/losses (+) reclassified to the income statement during the reporting period	-4
Exchange differences on currency translation of foreign operations	**7**
Gains (+)/losses (-) arising during the reporting period	8
Gains (-)/losses (+) reclassified to the income statement during the reporting period	-1
Gains and losses on hedges of net investments in foreign operations	**-3**
Gains (+)/losses (-) arising during the reporting period	-10
Gains (-)/losses (+) reclassified to the income statement during the reporting period	7

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

€ million	Jan. 1 – Jun. 30, 2017
Gains and losses on available-for-sale financial assets	**-312**
Gains (+)/losses (-) arising during the reporting period	-76[1]
Gains (-)/losses (+) reclassified to the income statement during the reporting period	-236
Gains and losses on cash flow hedges	**17**
Gains (+)/losses (-) arising during the reporting period	10
Gains (-)/losses (+) reclassified to the income statement during the reporting period	7
Exchange differences on currency translation of foreign operations	**-22**
Gains (+)/losses (-) arising during the reporting period	-22
Gains (-)/losses (+) reclassified to the income statement during the reporting period	-
Gains and losses on hedges of net investments in foreign operations	**12**
Gains (+)/losses (-) arising during the reporting period	16
Gains (-)/losses (+) reclassified to the income statement during the reporting period	-4

1 Amount restated (see note 2 in the consolidated financial statements as at December 31, 2017).

>> 22 Income taxes relating to components of other comprehensive income

The table below shows the income taxes on the various components of other comprehensive income:

€ million	Jan. 1 – Jun. 30, 2018 Amount before taxes	Income taxes	Amount after taxes
Items that may be reclassified to the income statement	**-307**	**137**	**-170**
Gains and losses on debt instruments measured at fair value through other comprehensive income	-304	131	-173
Gains and losses on cash flow hedges	-7	-	-7
Exchange differences on currency translation of foreign operations	7	-1	6
Gains and losses on hedges of net investments in foreign operations	-3	7	4
Items that will not be reclassified to the income statement	**102**	**-25**	**77**
Gains and losses on equity instruments for which the fair value OCI option has been exercised	93	-23	70
Gains and losses attributable to changes in the own credit risk of financial liabilities for which the fair value option has been exercised	13	-4	9
Gains and losses arising from remeasurement of defined benefit plans	-4	2	-2
Total	**-205**	**112**	**-93**

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

€ million	Jan. 1 – Jun. 30, 2017 Amount before taxes	Income taxes	Amount after taxes
Items that may be reclassified to the income statement	**-314**	**115**	**-199**
Gains and losses on available-for-sale financial assets	-312[1]	130	-182
Gains and losses on cash flow hedges	17	-5	12
Exchange differences on currency translation of foreign operations	-22	2	-20
Gains and losses on hedges of net investments in foreign operations	12	-12	-
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	-9	-	-9
Items that will not be reclassified to the income statement	**4**	**-2**	**2**
Gains and losses arising from remeasurement of defined benefit plans	4	-2	2
Total	**-310**	**113**	**-197**

1 Amount restated (see note 2 in the consolidated financial statements as at December 31, 2017).

C Balance sheet disclosures

>> 23 Cash and cash equivalents

€ million	Jun. 30, 2018	Dec. 31, 2017
Cash on hand	228	273
Balances with central banks	69,012	43,637[1]
Total	**69,240**	**43,910**

1 Amount restated (see note 2).

>> 24 Loans and advances to banks

	Repayable on demand		Other loans and advances		Total	
€ million	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
Domestic banks	**6,501**	**6,385**	**79,691**	**77,370**	**86,192**	**83,755**
Affiliated banks	2,192	2,994	71,075	69,257	73,267	72,251
Other banks	4,309	3,391[1]	8,616	8,113	12,925	11,504
Foreign banks	**4,471**	**4,187**[1]	**2,128**	**1,472**	**6,599**	**5,659**
Total	**10,972**	**10,572**	**81,819**	**78,842**	**92,791**	**89,414**

1 Amount restated (see note 2).

>> 25 Loans and advances to customers

€ million	Jun. 30, 2018	Dec. 31, 2017
Loans and advances to domestic customers	143,712	140,018
Loans and advances to foreign customers	33,889	34,358
Total	**177,601**	**174,376**

>> 26 Hedging instruments (positive fair values)

€ million	Jun. 30, 2018	Dec. 31, 2017
Derivatives used as fair value hedges	1,130	1,086
Derivatives used as cash flow hedges	1	8
Derivatives used for hedges of net investments in foreign operations	-	2
Total	**1,131**	**1,096**

>> 27 Financial assets held for trading

€ million	Jun. 30, 2018	Dec. 31, 2017
DERIVATIVES (POSITIVE FAIR VALUES)	**16,656**	**17,100**
Interest-linked contracts	14,018	14,747
Currency-linked contracts	1,772	813
Share-/index-linked contracts	282	257
Other contracts	307	916
Credit derivatives	277	367
BONDS AND OTHER FIXED-INCOME SECURITIES	**11,536**	**9,094**
Money market instruments	347	244
Bonds	11,189	8,850
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,096**	**1,408**
Shares	1,071	1,397
Investment fund units	24	6
Other variable-yield securities	1	5
RECEIVABLES	**11,612**	**11,107**
of which: from affiliated banks	641	666
from other banks	8,227	7,969
Receivables resulting from unplaced receivables from syndication business	**16**	**7**
from customers	16	7
Money market placements	**10,870**	**10,258**
with banks	8,478	8,128
with customers	2,392	2,130
Promissory notes and registered bonds	**726**	**842**
with banks	390	507
with customers	336	335
Total	**40,900**	**38,709**

>> 28 Investments

€ million	Jun. 30, 2018	Dec. 31, 2017
Bonds and other fixed-income securities	**47,100**	**54,504**
Money market instruments	517	410
Bonds	46,583	54,094
Shares and other variable-yield securities	**1,545**	**1,808**
Shares and other shareholdings	522	380
Investment fund units	1,018	1,422
Other variable-yield securities	5	6
Investments in subsidiaries	**354**	**311**
Investments in joint ventures	**498**	**545**
Investments in associates	**319**	**318**
Total	**49,816**	**57,486**

The carrying amount of investments in joint ventures accounted for using the equity method totaled €495 million (December 31, 2017: €542 million). €318 million of the investments in associates has been accounted for using the equity method (December 31, 2017: €315 million).

>> 29 Investments held by insurance companies

€ million	Jun. 30, 2018	Dec. 31, 2017
Investment property	2,571	2,539
Investments in subsidiaries	745	698
Investments in joint ventures	15	15
Investments in associates	4	2
Mortgage loans	9,251	9,142
Promissory notes and loans	7,909	7,764
Registered bonds	10,108	9,114
Other loans	541	871
Variable-yield securities	9,471	9,276
Fixed-income securities	47,993	44,907
Derivatives (positive fair values)	165	299
Loss allowances	-3	
Deposits with ceding insurers and other investments	366	240
Assets related to unit-linked contracts	11,976	11,549
Total	**101,112**	**96,416**

As at December 31, 2017, any impairment losses related to financial assets reported under investments held by insurance companies were applied directly to the carrying amount.

>> 30 Property, plant and equipment, and investment property

€ million	Jun. 30, 2018	Dec. 31, 2017
Land and buildings	919	928
Office furniture and equipment	164	178
Assets subject to operating leases	117	138
Investment property	258	254
Total	**1,458**	**1,498**

>> 31 Other assets

€ million	Jun. 30, 2018	Dec. 31, 2017
Other assets held by insurance companies	3,643	3,090
Goodwill	169	169
Other intangible assets	455	466
of which: software	354	357
acquired customer relationships	54	62
Other loans and advances	312	251
Residual other assets	495	570
Total	**5,074**	**4,546**

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

€ million	Jun. 30, 2018	Dec. 31, 2017
Intangible assets	142	151
Reinsurance assets	162	168
Receivables	647	679
Credit balances with banks, checks, and cash on hand	511	110
Residual other assets	2,183	1,982
Loss allowances	-2	
Total	**3,643**	**3,090**

As at December 31, 2017, any impairment losses related to financial assets reported under other assets held by insurance companies were applied directly to the carrying amount.

>> 32 Loss allowances

Loss allowances for loans and advances to banks and for loans and advances to customers also comprise the loss allowances recognized for finance lease receivables.

The changes in loss allowances recognized under assets were as follows:

€ million	Loss allowances for loans and advances to banks			Loss allowances for loans and advances to customers			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	POCI
Balance as at Jan. 1, 2018	9	-	22	217	185	2,348	11
Additions	5	1	-	119	185	520	5
Utilizations	-	-	-	-	-1	-326	-
Reversals	-6	-1	-20	-208	-94	-466	-8
Other changes	-	-	-	93	-111	56	-
Balance as at Jun. 30, 2018	**8**	**-**	**2**	**221**	**164**	**2,132**	**8**

€ million	Loss allowances for investments			Total
	Stage 1	Stage 2	Stage 3	
Balance as at Jan. 1, 2018	10	36	24	2,862
Additions	3	12	1	851
Utilizations	-	-	-	-327
Reversals	-4	-6	-6	-819
Other changes	-2	2	1	39
Balance as at Jun. 30, 2018	**7**	**44**	**20**	**2,606**

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

€ million	Allowances for losses on loans and advances to banks		Allowances for losses on loans and advances to customers		Total
	Specific loan loss allowances	Portfolio loan loss allowances	Specific loan loss allowances	Portfolio loan loss allowances	
Balance as at Jan. 1, 2017	7	29	1,829	529	2,394
Additions	-	1	616	147	764
Utilizations	-	-	-125	-	-125
Reversals	-5	-8	-161	-137	-311
Interest income	-	-	-20	-	-20
Other changes	-	-	-51	-	-51
Balance as at Jun. 30, 2017	**2**	**22**	**2,088**	**539**	**2,651**

The interest income arose from unwinding the discount on impaired loans and advances as specified in IAS 39.AG93.

>> 33 Non-current assets and disposal groups classified as held for sale

The non-current assets and disposal groups classified as held for sale include individual non-current assets together with assets and liabilities from disposal groups not qualifying as discontinued operations.

The individual non-current assets classified as held for sale comprise an associate, long-term equity investments, and items of property, plant and equipment. The non-current assets and liabilities from disposal groups not qualifying as discontinued operations are a consolidated subsidiary and investment fund units in various funds.

>> 34 Deposits from banks

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
Domestic banks	**43,538**	42,325	**82,881**	82,352	**126,419**	124,677
Affiliated banks	36,015	37,716	21,687	21,523	57,702	59,239
Other banks	7,523	4,609	61,194	60,829	68,717	65,438
Foreign banks	**6,658**	2,853	**11,269**	8,592	**17,927**	11,445
Total	**50,196**	45,178	**94,150**	90,944	**144,346**	136,122

>> 35 Deposits from customers

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
Domestic customers	19,072	16,965	97,651	95,017	116,723	111,982
Foreign customers	15,105	8,913	5,770	5,424	20,875	14,337
Total	**34,177**	25,878	**103,421**	100,441	**137,598**	126,319

>> 36 Debt certificates issued including bonds

€ million	Jun. 30, 2018	Dec. 31, 2017
Bonds issued	**50,418**	50,609
Mortgage Pfandbriefe	19,023	17,798
Public-sector Pfandbriefe	2,549	2,520
Other bonds	28,846	30,291
Other debt certificates issued	**19,463**	16,718
Total	**69,881**	67,327

All other debt certificates issued are commercial paper.

>> 37 Hedging instruments (negative fair values)

€ million	Jun. 30, 2018	Dec. 31, 2017
Derivatives used as fair value hedges	2,985	2,959
Derivatives used as cash flow hedges	2	3
Total	**2,987**	**2,962**

>> 38 Financial liabilities held for trading

€ million	Jun. 30, 2018	Dec. 31, 2017
DERIVATIVES (NEGATIVE FAIR VALUES)	**16,341**	**16,813**
Interest-linked contracts	12,585	13,848
Currency-linked contracts	2,270	871
Share-/index-linked contracts	1,023	742
Other contracts	402	1,275
Credit derivatives	61	77
SHORT POSITIONS	**1,780**	**617**
BONDS ISSUED	**20,459**	**18,734**
DEPOSITS	**12,170**	**8,116**
of which: from affiliated banks	2,381	1,820
from other banks	7,478	5,529
Money market deposits	**11,915**	**7,980**
from banks	9,718	7,233
from customers	2,197	747
Promissory notes and registered bonds issued	**255**	**136**
to banks	141	116
to customers	114	20
Total	**50,750**	**44,280**

Bonds issued mainly comprise share certificates and index-linked certificates.

>> 39 Provisions

€ million	Jun. 30, 2018	Dec. 31, 2017
Provisions for employee benefits	**1,453**	**1,673**
Provisions for defined benefit plans	1,075	1,266
Provisions for other long-term employee benefits	139	148
of which: for semi-retirement schemes	21	21
Provisions for termination benefits	214	235
of which: for early retirement schemes	9	11
for restructuring	174	195
Provisions for short-term employee benefits	25	24
Provisions for share-based payment transactions	**32**	**44**
Other provisions	**1,668**	**1,655**
Provisions for onerous contracts	12	12
Provisions for restructuring	26	29
Provisions for loan commitments	53	128
Provisions for financial guarantee contracts	99	
Other provisions for loans and advances	86	87
Provisions relating to building society operations	1,023	983
Residual provisions	369	416
Total	**3,153**	**3,372**

>> 40 Insurance liabilities

€ million	Jun. 30, 2018	Dec. 31, 2017
Provision for unearned premiums	1,982	1,169
Benefit reserve	60,940	58,670
Provision for claims outstanding	11,568	11,064
Provision for premium refunds	9,008	8,446
Other insurance liabilities	59	68
Reserve for unit-linked insurance contracts	10,266	9,907
Total	**93,823**	**89,324**

>>41 Other liabilities

€ million	Jun. 30, 2018	Dec. 31, 2017
Other liabilities of insurance companies	5,693	5,464
Liabilities from financial guarantee contracts		106
Accruals	812	1,156
Other payables	211	177
Residual other liabilities	642	620
Total	**7,358**	**7,523**

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

€ million	Jun. 30, 2018	Dec. 31, 2017
Other provisions	360	354
Payables and residual other liabilities	5,333	5,110
Total	**5,693**	**5,464**

>>42 Subordinated capital

€ million	Jun. 30, 2018	Dec. 31, 2017
Subordinated liabilities	3,103	3,573
Profit-sharing rights	283	292
Other hybrid capital	13	13
Share capital repayable on demand	21	21
Total	**3,420**	**3,899**

>> 43 Equity

The table below shows a breakdown of the reserve from other comprehensive income:

	Items not reclassified to the income statement		Items reclassified to the income statement			
€ million	Reserve from equity instruments for which the fair value OCI option has been exercised	Reserve from changes in the own credit risk of financial liabilities for which the fair value option has been exercised	Reserve from debt instruments measured at fair value through other comprehensive income	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve
Equity as at Jan. 1, 2017				1,401[1]	-11	70
Other comprehensive income/loss				-173[1]	12	-22
Total comprehensive income/loss				**-173**	**12**	**-22**
Changes in scope of consolidation				-14	-	-
Equity as at Jun. 30, 2017				**1,214**	**1**	**48**
Equity as at Jan. 1, 2018				1,396	5	43
Adjustments due to first-time adoption of IFRS 9	380		537	-1,396	-	-
Equity restated as at Jan. 1, 2018	380		537	-	5	43
Other comprehensive income/loss	79	8	-147		-6	15
Total comprehensive income/loss	**79**	**8**	**-147**		**-6**	**15**
Changes in scope of consolidation	4	-	-		-	-
Reclassifications within equity	-19	-	-		-	-
Equity as at Jun. 30, 2018	**444**	**8**	**390**		**-1**	**58**

1 Amount restated (see note 2 in the consolidated financial statements as at December 31, 2017).

The changes in loss allowances included in the reserve from other comprehensive income were as follows:

€ million	Loss allowances for loans and advances to customers			Loss allowances for investments		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance as at Jan. 1, 2018	1	3	-	4	7	33
Additions	-	-	-	2	-	-
Reversals	-	-1	-	-3	-3	-
Other changes	-	1	-	-	1	-
Balance as at Jun. 30, 2018	**1**	**3**	**-**	**3**	**5**	**33**

€ million	Loss allowances for investments held by insurance companies			Total
	Stage 1	Stage 2	Stage 3	
Balance as at Jan. 1, 2018	4	-	-	52
Additions	2	-	-	4
Reversals	-2	-	-	-9
Other changes	-	-	-	2
Balance as at Jun. 30, 2018	**4**	**-**	**-**	**49**

D Financial instruments and fair value disclosures

>> 44 Classes, categories, and fair values of financial instruments

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class (in accordance with IFRS 7) and by category of financial instruments (in accordance with IFRS 9):

€ million	Jun. 30, 2018 Carrying amount	Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**151,987**	**151,987**
Financial assets measured at fair value through profit or loss	**65,214**	**65,214**
Financial assets mandatorily measured at fair value through profit or loss	***54,936***	***54,936***
Loans and advances to banks	17	17
Loans and advances to customers	457	457
Hedging instruments (positive fair values)	1,131	1,131
Financial assets held for trading	40,900	40,900
Investments	2,220	2,220
Investments held by insurance companies	10,211	10,211
Financial assets designated as at fair value through profit or loss	***10,278***	***10,278***
Loans and advances to banks	1,887	1,887
Loans and advances to customers	1,962	1,962
Investments	6,429	6,429
Financial assets measured at fair value through other comprehensive income	**86,773**	**86,773**
Financial assets mandatorily measured at fair value through other comprehensive income	***80,985***	***80,985***
Loans and advances to banks	236	236
Loans and advances to customers	3,750	3,750
Investments	20,341	20,341
Investments held by insurance companies	56,658	56,658
Financial assets designated as at fair value through other comprehensive income	***5,788***	***5,788***
Investments	639	639
Investments held by insurance companies	5,149	5,149
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**360,580**	**366,027**
Cash and cash equivalents	69,012	69,012
Loans and advances to banks	90,616	92,168
Loans and advances to customers	166,104	168,080
Investments	19,303	20,291
Investments held by insurance companies	14,181	15,557
Other assets	918	919
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	446	
FINANCE LEASES	**2,828**	**2,882**
Loans and advances to banks	25	25
Loans and advances to customers	2,803	2,857

€ million	Jun. 30, 2018 Carrying amount	Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**86,072**	**86,072**
Financial liabilities mandatorily measured at fair value through profit or loss	**53,786**	**53,786**
Hedging instruments (negative fair values)	2,987	2,987
Financial liabilities held for trading	50,750	50,750
Other liabilities	49	49
Financial liabilities designated as at fair value through profit or loss	**32,286**	**32,286**
Deposits from banks	5,624	5,624
Deposits from customers	11,045	11,045
Debt certificates issued including bonds	15,168	15,168
Subordinated capital	449	449
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**324,467**	**327,511**
Deposits from banks	138,722	140,412
Deposits from customers	126,553	127,781
Debt certificates issued including bonds	54,713	54,818
Other liabilities	1,391	1,392
Subordinated capital	2,971	3,108
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	117	
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**152**	**152**
Financial guarantee contracts	**99**	**99**
Provisions	99	99
Loan commitments	**53**	**53**
Provisions	53	53

Given the complex structure of home savings contracts and the multitude of scales of rates and charges, there is currently no suitable method for calculating the fair value of an individual contract as at the balance sheet date. Consequently, the fair value cannot be determined using either comparable market prices or suitable option pricing models. The fair values of financial assets and financial liabilities resulting from building society operations are therefore shown in simplified form at their carrying amounts. On the basis of the models used for building society management, which comprise both collective and non-collective business including deposits, the overall amount for building society operations during the reporting period was positive.

The carrying amounts and fair values reported under investments held by insurance companies relate to receivables and fixed-income securities matched as cover for long-term insurance contract obligations as part of insurance operations. Because these instruments are normally held over their entire maturity, interest-rate-related changes in fair value during the maturity of the financial assets balance each other out in full. The fair values of the investments held by insurance companies comprise both the proportion of the fair values that is attributable to the policyholders and the proportion attributable to the shareholders of the DZ BANK Group. The fair value attributable to the shareholders of the DZ BANK Group of investments held by insurance companies measured at amortized cost was €14,725 million (December 31, 2017: €27,516 million).

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€ million	Dec. 31, 2017 Carrying amount	Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**151,850**	**151,850**
Financial instruments held for trading	**39,008**	**39,008**
Financial assets held for trading	38,709	38,709
Investments held by insurance companies	299	299
Fair value option	**16,494**	**16,494**
Loans and advances to banks	2,199	2,199
Loans and advances to customers	4,138	4,138
Investments	9,587	9,587
Investments held by insurance companies	570	570
Derivatives used for hedging	**1,096**	**1,096**
Derivatives used for hedging (positive fair values)	1,096	1,096
Available-for-sale financial assets	**95,252**	**95,252**
Loans and advances to customers	22	22
Investments	40,741	40,741
Investments held by insurance companies	54,489	54,489
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**328,558**	**335,806**
Held-to-maturity investments	**1,648**	**1,658**
Investments	1,648	1,658
Loans and receivables	**326,612**	**333,850**
Cash and cash equivalents	43,637 [1]	43,637 [1]
Loans and advances to banks	87,174 [1]	88,443 [1]
Loans and advances to customers	164,549	166,378
Investments	4,419	4,584
Investments held by insurance companies	26,666	30,367
Other assets	441	441
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	-274	
Available-for-sale financial assets	**298**	**298**
Investments	234	234
Investments held by insurance companies	64	64
FINANCE LEASES	**2,914**	**2,977**
Loans and advances to banks	22	3
Loans and advances to customers	2,892	2,974

1 Amount restated (see note 2).

€ million	Dec. 31, 2017 Carrying amount	Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**78,064**	**78,064**
Financial instruments held for trading	**44,319**	**44,319**
Financial liabilities held for trading	44,280	44,280
Other liabilities	39	39
Fair value option	**30,783**	**30,783**
Deposits from banks	5,176	5,176
Deposits from customers	11,224	11,224
Debt certificates issued including bonds	13,780	13,780
Subordinated capital	603	603
Derivatives used for hedging	**2,962**	**2,962**
Derivatives used for hedging (negative fair values)	2,962	2,962
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**304,404**	**307,178**
Deposits from banks	130,946	132,383
Deposits from customers	115,095	116,322
Debt certificates issued including bonds	53,547	53,589
Other liabilities	1,407	1,409
Subordinated capital	3,296	3,475
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	113	
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**234**	**234**
Financial guarantee contracts	**106**	**106**
Other liabilities	106	106
Loan commitments	**128**	**128**
Provisions	128	128

>>45 Assets and liabilities measured at fair value on the balance sheet

Fair value hierarchy

The fair value measurements are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2		Level 3	
€ million	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2018	Dec. 31, 2017
Assets	**70,225**	**67,674**	**85,416**	**88,969**	**8,408**	**6,833**
Loans and advances to banks	-	-	2,140	1,970	-	229
Loans and advances to customers	-	-	4,772	3,002	1,397	1,158
Hedging instruments (positive fair values)	-	-	1,131	1,096	-	-
Financial assets held for trading	1,290	1,488	39,064	36,513	546	708
Investments	14,686	13,801	12,580	35,116	2,363	1,411
Investments held by insurance companies	54,249	52,385	25,704	11,245	4,041	3,277
Non-current assets and disposal groups classified as held for sale	-	-	25	27	61	50
Liabilities	**2,339**	**1,096**	**94,112**	**86,562**	**1,498**	**1,854**
Deposits from banks	-	-	5,624	5,176	-	-
Deposits from customers	-	-	11,045	11,224	-	-
Debt certificates issued including bonds	1,477	473	13,156	12,764	535	543
Hedging instruments (negative fair values)	-	-	2,987	2,962	-	-
Financial liabilities held for trading	856	612	48,994	42,590	900	1,078
Financial liabilities arising from unit-linked insurance products	-	-	11,877	11,448	-	-
Other liabilities	6	11	40	13	3	15
Subordinated capital	-	-	389	385	60	218

The investments held by insurance companies measured at fair value include assets related to unit-linked contracts. These are offset on the equity and liabilities side of the balance sheet by financial liabilities measured at fair value arising from unit-linked insurance products, which consist of the reserve for unit-linked insurance contracts and liabilities from capitalization transactions allocated to unit-linked life insurance.

Transfers

Assets and liabilities held at the balance sheet date and measured at fair value on a recurring basis were transferred as follows between Levels 1 and 2 of the fair value hierarchy:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	**Jan. 1 – Jun. 30, 2018**	Jan. 1 – Jun. 30, 2017	**Jan. 1 – Jun. 30, 2018**	Jan. 1 – Jun. 30, 2017
Financial assets measured at fair value	**87**	121	**1,594**	211
Financial assets held for trading	2	34	64	3
Investments	-	17	1,210	4
Investments held by insurance companies	85	70	320	204
Financial liabilities measured at fair value	**2**	3	**4**	-
Financial liabilities held for trading	2	3	4	-

Transfers from Level 1 to Level 2 were due to quoted prices no longer being obtainable in active markets for identical assets or liabilities. Transfers from Level 2 to Level 1 were due to the availability of quoted prices in active markets that had previously not existed.

In the DZ BANK Group, transfers between Levels 1 and 2 take place when there is a change in the inputs that is relevant to categorization in the fair value hierarchy.

Fair value measurements within Levels 2 and 3

Fair value measurements within Level 2 of the fair value hierarchy either use prices available in active markets for similar, but not identical, financial instruments or use valuation techniques largely based on observable market data. If valuation techniques are used that include a significant valuation input that is not observable in the market, the relevant fair value measurements are categorized within Level 3 of the fair value hierarchy.

Generally, the discounted cash flow (DCF) method is used in the model-based measurement of the fair value of financial instruments without optionalities. Modeling of the yield curves is based on a multi-curve approach with collateral discounting. Simple products on which options exist are measured using customary standard models in which the inputs are quoted in active markets. For structured products on which options exist, a wide range of standard valuation techniques are used. Valuation models are calibrated to available market prices and validated regularly. The fair values of structured products can be measured by breaking these products into their constituent parts, which are then measured using the valuation methods described below.

The basis for measurement is the selection of an adequate yield curve for each specific instrument. The measurement is carried out by selecting appropriate tenor-specific forward curves for projecting variable cash flows. The nature and collateralization of the transactions determines how they are discounted using yield curves that can be adjusted on the basis of relevant spreads.

The DZ BANK Group uses prices in active markets (provided these prices are available) for the fair value measurement of loans and advances as well as unstructured bonds. Otherwise, it mainly uses the DCF method. Discounting is based on yield curves that are adjusted for liquidity-related and credit rating-related costs using spreads. Product-dependent funding spreads are added to the yield curve for liabilities attributable to registered creditors, debt certificates issued including bonds, and subordinated capital. Debt instruments held are adjusted using issuer-specific spreads or spreads derived from the issuer's internal and external credit rating, sector, and risk category. Customer-appropriate spreads and collateralization rates are taken into account for the measurement of loans when the DCF method is used. If significant unobservable inputs are used for measurement and there are no indications that the transaction price is not identical to the fair value at the time of first-time recognition on the balance sheet, the valuation method is calibrated in such a way that the model price at the time of acquisition corresponds to the transaction price. In exceptional cases, the notional amount of the debt instrument in question provides the best evidence of fair value.

The fair value measurements of shares and other variable-yield securities and of long-term equity investments accounted for in accordance with IFRS 9 are determined by applying income capitalization approaches and observing transaction prices. The best indicator of fair value is deemed to be the transaction prices for recent transactions involving the relevant financial instruments, provided there have been any such transactions. Otherwise, the fair value is measured using income capitalization approaches in which future income and dividends – calculated on the basis of forecasts and estimates – are discounted, taking risk parameters into account.

The fair value measurements of investment fund units are determined using the pro rata net asset value. This is adjusted for any outstanding performance-related remuneration entitlements of fund managers; risk adjustments are also taken into account. Some long-term equity investments in real-estate companies are also measured at net asset value. In this case, the liabilities are subtracted from the fair values of the real estate tied up in the company and the result is multiplied by the percentage of shareholding. The prices of units in real-estate funds that are not managed by the DZ BANK Group are provided by the asset management company that manages these funds. These units are measured regularly at net asset value. Fair value measurements are also based on valuations, current values, and prices in recent transactions.

The fair value measurement of standardized derivatives traded in liquid markets is based on observable market prices and/or industry-standard models using observable inputs. To discount the cash flows of derivatives, a distinction is made between non-collateralized and collateralized transactions when using yield curves. Moreover, calculation of the model prices for products on which options exist mostly requires the input of additional market data (e.g. volatilities, correlations, repo rates). As far as possible, this data is derived implicitly from quoted market prices that are available. If observable quoted market prices are not available, or only available to a limited extent, DZ BANK uses customary interpolation and extrapolation mechanisms, historical time series analyses, and fundamentals analyses of economic variables to generate the required inputs. It also uses expert assessments on a small scale.

The fair value measurement of OTC financial derivatives applies the option in IFRS 13.48, which enables the total net amount to be measured. In the first step, credit risk is not taken into account. Counterparty-specific credit risk arising from derivatives is recognized after the total net amount has been determined. Credit valuation adjustments (CVAs) are recognized to mitigate counterparty credit risk and debt valuation adjustments (DVAs) are recognized to mitigate the group's own credit risk. Their measurement also takes account of collateral and uses market-implied parameters with matching maturities or internal parameters with matching maturities for the probability of default and loss given default.

The measurement of financial instruments also involves carrying out measurement adjustments to a suitable degree. This includes, among other things, model reserves that enable uncertainties regarding model selection, model parameters, and model configuration to be taken into account. The DZ BANK Group measures financial instruments at the price at which these financial instruments can be realized in the market. If this differs from the measurement of the individual instruments (e.g. measurement at middle rates), the bid/ask adjustments (close-out reserves) are determined on a net basis applying the option in IFRS 13.48. Measurement takes account of the group's funding structure.

The following table shows the valuation techniques, the unobservable inputs, and the spreads of the unobservable inputs used for the fair value measurements at Level 3 of the fair value hierarchy as at the balance sheet date.

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Loans and advances to customers	Loans	679	DCF method	BVAL price adjustment	-1.2 to 2.4
		513	DCF method	Credit spread	0.0 to 8.3
	Profit-participation certificates	63	DCF method	Internal credit ratings	5.3 to 16.2
	Shareholders' loans	85	DCF method	Internal credit ratings	5.3 to 16.2
	Receivables arising from silent partnerships	57	DCF method	Internal credit ratings	5.3 to 16.2
Financial assets held for trading	ABSs	4	DCF method	Credit spread	0.4 to 5.0
	Equity/commodity basket products	9	Local volatility model	Correlation of the risk factors considered	9.9 to 91.6
	Loans and advances to issuers in default	5	DCF method	Recovery rate	-
	Collateralized loan obligations	97	Gaussian copula model	Liquidity spread	1 to 2
	Bearer securities	261	DCF method	BVAL price adjustment	-0.4 to 0.7
	Registered securities	117	DCF method	BVAL price adjustment	-1.2 to 2.4
	Option in connection with acquisition of long-term equity investments	37	Black-Scholes model	Earnings indicator	-
	Syndicated loans	16	DCF method	Credit spread	0.0 to 8.3
Investments	ABSs	82	DCF method	Credit spread	0.4 to 5.0
	Other variable-yield securities	5	DCF method	Assumptions for measurement of risk parameters	9.7 to 13.3
	Investments in subsidiaries	60	DCF method	Assumptions for measurement of risk parameters	9.7 to 13.3
		134	Income capitalization approach	Future income	-
		1	Liquidation value	-	-
	Collateralized loan obligations	10	Gaussian copula model	Liquidity spread	1 to 2
	Bearer securities	347	DCF method	BVAL price adjustment	-0.4 to 110.2
	Investment fund units	24	Net asset value	-	-
	Mortgage-backed securities	442	DCF method	Duration	-
		38	DCF method	Recovery rate	15.8 to 87.0
	Other shareholdings	57	DCF method	Capitalization rate, growth factor	0.0 to 11.2
		13	DCF method	Assumptions for measurement of risk parameters	9.7 to 13.3
		27	Income capitalization approach	Future income	-
		586	Income capitalization approach, net asset value method	Future income	-
	VR Circle	537	DCF method	Multiple-year default probabilities	0 to 100

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Investments held by insurance companies	ABSs	552	Third-party pricing information	-	-
	Investments in subsidiaries, associates, and joint ventures, real estate funds, profit-participation certificates, and other long-term equity investments	1,960	Net asset value	-	-
	Investments in subsidiaries and associates, other long-term equity investments, and shares in cooperative banks	314	Income capitalization approach	Future income	6.6 to 8.0
	Fixed-income securities, convertible bonds, shares, and shares in cooperative banks	788	Third-party pricing information	-	-
	Profit-participation certificates and promissory notes	405	DCF method	Credit spread	0.6 to 0.8
	Financial instruments (positive fair values)	5	Third-party pricing information	-	-
	Other shareholdings	17	Approximation	-	-
Non-current assets and disposal groups classified as held for sale	Other shareholdings	61	Income capitalization approach	Future income	11.7
Debt certificates issued including bonds	VR Circle	535	DCF method	Multiple-year default probabilities	0 to 100
Financial liabilities held for trading	Equity/commodity basket products	861	Local volatility model	Correlation of the risk factors considered	9.9 to 91.6
	Option in connection with acquisition of long-term equity investments	5	Black-Scholes model	Earnings indicators	-
	Products with commodity volatility derived from comparable instruments	34	Local volatility model	Earnings indicators	7.0 to 63.7
Other liabilities	Financial instruments (negative fair values)	3	Third-party pricing information	-	-
Subordinated capital	Loans	60	DCF method	Credit spread	0.3 to 3.6

The following table shows the valuation techniques, the unobservable inputs, and the spreads of the unobservable inputs used for the fair value measurements at Level 3 of the fair value hierarchy as at December 31, 2017.

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Loans and advances to banks	Loans	229	DCF method	Credit spread	0.3 to 3.6
Loans and advances to customers	Loans	370	DCF method	Credit spread	0.0 to 8.3
		8	DCF method	Internal spread	1.5 to 5.0
		758	DCF method	BVAL price adjustment	-1.9 to 27.4
	Receivables arising from silent partnerships	22	DCF method	Internal credit ratings	6.7
Financial assets held for trading	ABSs	52	DCF method	Credit spread	0.3 to 5.0
	Bearer securities	305	DCF method	BVAL price adjustment	-0.3 to 0.6
	Equity/commodity basket products	15	Local volatility model	Correlation of the risk factors considered	9.9 to 91.6
	Collateralized loan obligations	129	Gaussian copula model	Liquidity spread	0.3 to 2.0
	Syndicated loans	7	DCF method	Credit spread	0.0 to 8.3
	Loans and advances to issuers in default	5	DCF method	Recovery rate	-
	Registered securities	158	DCF method	BVAL price adjustment	-1.9 to 27.4
	Option in connection with acquisition of long-term equity investments	37	Black-Scholes model	Earnings indicators	-
Investments	Bearer securities	289	DCF method	BVAL price adjustment	-0.3 to 132.3
	VR Circle	543	DCF method	Multiple-year default probabilities	0 to 100
	Investments in subsidiaries	29	Income capitalization approach	Future income	-
		38	DCF method	Assumptions for measurement of risk parameters	4.8 to 10.5
		379	Income capitalization approach, net asset value method	Future income	-
	Other shareholdings	15	DCF method	Assumptions for measurement of risk parameters	4.8 to 10.5
	Investment fund units	31	Net asset value	-	-
	ABSs	64	DCF method	Credit spread	0.3 to 5.0
	Collateralized loan obligations	23	Gaussian copula model	Liquidity spread	0.3 to 2.0

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Unobservable inputs	Spread of unobservable inputs (%)
Investments held by insurance companies	Investments in subsidiaries, associates, and joint ventures, real estate funds, profit-participation certificates, and other long-term equity investments	1,417	Net asset value	-	-
	Investments in subsidiaries and associates, other long-term equity investments, and shares in cooperative banks	328	Income capitalization approach	Future income	6.5 to 8.9
	ABSs	322	Third-party pricing information	-	-
	Profit-participation certificates, silent partnerships, promissory notes, and loan commitments	409	DCF method	Credit spread	0.5 to 7.8
	Fixed-income securities, shares, and shares in cooperative banks	797	Third-party pricing information	-	-
	Derivatives (positive fair values)	4	Third-party pricing information	-	-
Non-current assets and disposal groups classified as held for sale	Other shareholdings	50	Income capitalization approach	Future income	11.7
Debt certificates issued including bonds	VR Circle	543	DCF method	Multiple-year default probabilities	0 to 100
Financial liabilities held for trading	Equity/commodity basket products	1,073	Local volatility model	Correlation of the risk factors considered	7.0 to 91.6
	Option in connection with acquisition of long-term equity investments	5	Black-Scholes model	Earnings indicators	-
Other liabilities	Derivatives (negative fair values)	4	Third-party pricing information	-	-
		11	DCF method	Correlation of the risk factors considered	47.5
Subordinated capital	Loans	218	DCF method	Credit spread	0.3 to 3.6

Fair value measurements within Level 3 of the fair value hierarchy

The table below shows the changes in the recurring fair value measurements of assets within Level 3 of the fair value hierarchy:

€ million	Loans and advances to banks	Loans and advances to customers	Financial assets held for trading	Investments	Investments held by insurance companies	Non-current assets and disposal groups classified as held for sale
Balance as at Jan. 1, 2017	229	1,079	441	1,892	2,886	136
Additions (purchases)	-	115	33	207	215	-
Transfers	-	-	194	210	27	-
from Level 3 to Levels 1 and 2	-	-	-79	-69	-87	-
from Levels 1 and 2 to Level 3	-	-	273	279	114	-
Disposals (sales)	-	-79	-88	-278	-241	-
Changes resulting from measurement at fair value	1	-6	16	2	-14	-13
through profit or loss	1	-6	16	3	-17	-
through other comprehensive income	-	-	-	-1	3	-13
Other changes	-	-26	-1	-6	13	-
Balance as at Jun. 30, 2017	**230**	**1,083**	**595**	**2,027**	**2,886**	**123**
Balance as at Jan. 1, 2018	229	1,158	708	1,411	3,277	50
Adjustments due to first-time adoption of IFRS 9	-229	364	-48	844	153	-
Balance restated as at Jan. 1, 2018	-	1,522	660	2,255	3,430	50
Additions (purchases)	-	8	40	59	832	1
Transfers	-	-	16	252	-27	-
from Level 3 to Levels 1 and 2	-	-	-2	-91	-95	-
from Levels 1 and 2 to Level 3	-	-	18	343	68	-
Disposals (sales)	-	-125	-164	-380	-268	-
Changes resulting from measurement at fair value	-	-11	-9	175	74	-
through profit or loss	-	-7	-9	37	76	-
through other comprehensive income	-	-4	-	138	-2	-
Other changes	-	3	3	2	-	10
Balance as at Jun. 30, 2018	**-**	**1,397**	**546**	**2,363**	**4,041**	**61**

The table below shows the changes in the recurring fair value measurements of liabilities within Level 3 of the fair value hierarchy:

€ million	Deposits from banks	Debt certificates issued including bonds	Financial liabilities held for trading	Other liabilities	Sub-ordinated capital
Balance as at Jan. 1, 2017	1	514	1,510	19	349
Additions (issues)	-	20	25	-	-
Transfers	-1	-	-175	-	-
from Level 3 to Level 2	-1	-	-216	-	-
from Level 2 to Level 3	-	-	41	-	-
Disposals (settlements)	-	-	-	-2	-
Changes resulting from measurement at fair value through profit or loss	-	-	1	-2	-2
Other changes	-	-	-	-	-129
Balance as at Jun. 30, 2017	**-**	**534**	**1,361**	**15**	**218**
Balance as at Jan. 1, 2018	-	543	1,078	15	218
Adjustments due to first-time adoption of IFRS 9	-	-	-	-	36
Balance restated as at Jan. 1, 2018	-	543	1,078	15	254
Additions (issues)	-	37	22	-	-
Transfers	-	-	-195	-	-
from Level 3 to Level 2	-	-	-213	-	-
from Level 2 to Level 3	-	-	18	-	-
Disposals (settlements)	-	-20	-	-8	-195
Changes resulting from measurement at fair value through profit or loss	-	-25	-11	-4	2
Other changes	-	-	6	-	-1
Balance as at Jun. 30, 2018	**-**	**535**	**900**	**3**	**60**

As part of the processes for fair value measurement, the DZ BANK Group reviews whether the valuation methods used for the measurement are typical and whether the valuation inputs used in the valuation methods are observable in the market. This review takes place at every balance sheet date, i.e. at least every 6 months. On the basis of this review, the fair value measurements are assigned to the levels of the fair value hierarchy. In the DZ BANK Group, transfers between the levels generally take place as soon as there is a change in the inputs that is relevant to categorization in the fair value hierarchy.

In each step of these processes, both the distinctive features of the particular product type and the distinctive features of the business models of the group entities are taken into consideration.

Transfers of fair values from Levels 1 and 2 to Level 3 of the fair value hierarchy during the reporting period are largely attributable to a revised estimate of the market observability of the valuation inputs used in the valuation methods. Transfers from Level 3 to Levels 1 or 2 are essentially due to the availability of a price listed in an active market and to the inclusion in the valuation method of material valuation inputs observable in the market.

The amount recognized in profit or loss resulting from the recurring fair value measurements within Level 3 of assets and liabilities held at the balance sheet date constituted a gain of €47 million during the reporting period (first half of 2017: gain of €15 million). The gains or losses are mainly included in the line items net interest income, gains and losses on investments, other gains and losses on valuation of financial instruments, and gains and losses on investments held by insurance companies and other insurance company gains and losses.

For the fair values of investments held by insurance companies reported within Level 3, a worsening in the credit rating or a rise in the interest rate of 1 percent would lead to the recognition of a €33 million loss in the income statement (December 31, 2017: loss of €5 million) and a loss of €1 million under other comprehensive income/loss (December 31, 2017: loss of €1 million). In the case of the fair values of loans and advances to customers, the same change would lead to the recognition of a €25 million loss in the income statement (December 31, 2017: loss of €8 million). As at December 31, 2017, a loss of €1 million would have been recognized in other comprehensive income/loss. For the fair values of investments, there would be a €24 million loss under other comprehensive income/loss (December 31, 2017: loss of €8 million) and a €31 million loss in the income statement (December 31, 2017: loss of €17 million). There would be changes within financial assets held for trading giving rise to a loss of €5 million in the income statement (December 31, 2017: loss of €5 million). Within other liabilities, there would have been a loss of €1 million recognized in the income statement as at December 31, 2017.

The fair values of bonds without liquid markets that are reported within financial assets held for trading, investments, and loans and advances to customers are given an individual adjustment spread or are measured using Bloomberg Valuation Service prices, which are observable in the market. All other things being equal, an increase in the pertinent measurement assumptions of 1 percent would lead to the recognition of a €16 million loss in the income statement (December 31, 2017: loss of €43 million) and a loss of €24 million under other comprehensive income/loss (December 31, 2017: gain of €1 million). Historical spreads are used for bonds recognized under subordinated capital whose spread components are no longer observable in the market. All other things being equal, an increase of 1 percent in the spread would lead to a €3 million increase in fair value that would be recognized in the income statement (December 31, 2017: increase of €3 million).

An alternative assumption about the credit spreads used could lead to a significant change in the fair values of some of the ABSs reported under financial assets held for trading and under investments. All other things being equal, an increase of 1 percent would lead to the recognition of a €2 million loss in the income statement (December 31, 2017: loss of €3 million) and a loss of €1 million in other comprehensive income/loss (December 31, 2017: loss of €1 million).

Measurement of some of the commodities reported under financial assets and financial liabilities held for trading is based on the benchmark volatility of a comparable underlying. All other things being equal, a 1 percent rise in volatility would lead to the recognition of a gain of €3 million in the income statement (December 31, 2017: gain of €2 million).

An alternative assumption about the liquidity spreads used could lead to a significant change in respect of collateralized loan obligations reported under investments and under financial assets held for trading and financial liabilities held for trading. All other things being equal, a rise in the liquidity spread assumptions by 1 percent would lead to a €2 million decrease in the fair values of these financial assets that would be recognized in the income statement (December 31, 2017: decrease of €4 million).

Sensitivity analysis is used to calculate the aforementioned changes in the fair value measurements. Non-performing exposures and strategically held investments in subsidiaries and other shareholdings whose fair values are calculated using an income capitalization approach are not included in the sensitivity analysis.

Exercise of option pursuant to IFRS 13.48

The option offered by IFRS 13.48 of measuring a net risk position for financial assets and financial liabilities is used for portfolios whose components are recognized under the balance sheet items loans and advances to banks, loans and advances to customers, financial assets held for trading, investments, and financial liabilities held for trading.

>> 46 Hedge accounting

Gains and losses arising on hedging instruments and hedged items that need to be recognized in profit or loss are reported in the gains and losses from hedge accounting under other gains and losses on valuation of financial instruments. The breakdown of gains and losses from hedge accounting, by type of hedge, is as follows:

€ million	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Gains and losses on fair value hedges	**-4**	-3
Gains and losses on hedging instruments	15	-90
Gains and losses on hedged items	-19	87
Gains and losses on portfolio fair value hedges	**-6**	-9
Gains and losses on hedging instruments	-79	463
Gains and losses on hedged items	73	-472
Gains and losses on cash flow hedges	**-1**	-
Gains and losses on cash flow hedges of existing hedged items	-1	-
Total	**-11**	**-12**

>> 47 Nature and extent of risks arising from financial instruments and insurance contracts

With the exception of the qualitative and quantitative disclosures pursuant to IFRS 7.35-36, selected disclosures on the nature and extent of risks arising from financial instruments (IFRS 7.31-42) and insurance contracts (IFRS 4.38-39A) are included in the opportunity and risk report within the interim group management report. The selected disclosures pursuant to IFRS 7.35-36 can be found in the notes to the interim consolidated financial statements.

Credit risk management practices

The rules for recognizing impairment losses are based on the calculation of expected losses in the lending business, on investments, and on other assets. The impairment rules are applied only to those financial assets that are not measured at fair value through profit or loss. These are:

– Financial assets measured at amortized cost and
– Debt instruments held as financial assets measured at fair value through other comprehensive income.

The impairment rules are also applied to:

- Financial guarantee contracts and loan commitments that fall within the scope of IFRS 9 and are not measured at fair value through profit or loss,
- Lease receivables, and
- Trade receivables and contract assets pursuant to IFRS 15.

In accordance with IFRS 9, the three-stage approach is used, additionally taking POCI into account, to determine the expected losses:

- Stage 1: For financial assets whose credit risk has not increased significantly since initial recognition and that were not impaired upon initial recognition, the 12-month credit loss is taken into consideration. Interest income is recognized on the basis of the gross carrying amount.
- Stage 2: For financial assets whose credit risk has increased significantly since initial recognition, the loss allowances are determined in the amount of the assets' lifetime expected credit losses. Interest income is recognized on the basis of the gross carrying amount.
- Stage 3: Financial assets are classified as impaired if one or more events have occurred with an adverse impact on the estimated future cash flows of these financial assets or they are deemed to be in default pursuant to article 178 of the Capital Requirements Regulation (CRR). The definition therein is the same as the DZ BANK Group's definition of default. Here too, loss allowances are recognized in the amount of the lifetime expected credit losses. Interest income is calculated on the amortized cost after loss allowances using the effective interest method.
- POCI: Financial assets that are already deemed impaired upon initial recognition are not assigned to the three-stage model and are reported separately. Credit-impaired financial assets are initially recognized at fair value rather than at their gross carrying amount. Consequently, interest income is recognized for these assets using a risk-adjusted effective interest rate.

The review of whether the credit risk of financial assets, financial guarantee contracts, and loan commitments has increased significantly since initial recognition is carried out on an ongoing basis, but particularly on every balance sheet date. The assessment is conducted both for individual financial assets and for portfolios of assets using quantitative and qualitative analysis. As a rule, quantitative analysis looks at the expected credit risk over the entire residual life of the financial instruments in question. If analysis for the year as a whole does not produce a significantly different outcome, the change in the 12-month expected loss is used in some cases for reasons of simplification. In both scenarios, macroeconomic information is also factored in. To this end, the credit risk as at the balance sheet date for the residual life is compared with the assets' credit risk over the corresponding maturity period estimated at the time of initial recognition. The thresholds that indicate a significant increase in credit risk are determined for each portfolio separately relative to the portfolio's past migrations of default probability. Internal risk measurement systems, external credit ratings, and risk forecasts are also used to assess the credit risk of financial assets. This test has been extended to look at qualitative criteria that increase credit risk unless these criteria have already been incorporated into the probability of default. In general, allocation to stage 2 is assumed no later than when payments become 30 days past due. Depending on the business line, either this criterion has been defined as an additional backstop or the past-due period is already factored into the credit rating and scoring system. As a rule, however, financial assets are allocated to stage 2 well before payments become 30 days past due. Exceptions are only made in individual cases if it has been shown that there is no significant increase in credit risk, despite payments being 30 days past due.

Securities with low credit risk are not tested to ascertain whether credit risk has increased significantly. Investment-grade securities are thus assigned to stage 1. This exemption does not apply to loans and advances.

If, on the balance sheet date, it is found that there is no longer a significant increase in credit risk compared with previous balance sheet dates, the financial assets in question are transferred back to stage 1 and the loss allowances are brought back down to the level of the 12-month expected credit loss. In the case of a transfer back from stage 3, the default status is only revoked after the necessary period of good conduct in accordance with the regulatory definition.

Expected losses are calculated as the probability-weighted present value of the expected defaults over the estimated lifetime from default events within the next 12 months for assets assigned to stage 1 of the impairment model and from default events over the entire residual life for assets assigned to stages 2 and 3. The expected losses are discounted with their original effective interest rate. This calculation uses the regulatory model (probability of default, loss given default, and expected loan amount at the time of default), with adjustments to satisfy the requirements of IFRS 9. The estimated probability of default incorporates both historical and forward-looking default information. This is applied, for example when loss allowances are determined within stage 2, in the form of shifts in the default probabilities calculated using statistical means. The calculation of the expected loss for specific exposures in stage 3 does not use this type of fundamental parameter-based approach but rather draws on individual expert appraisals of the achievable cash flows and probability-weighted scenarios at individual transaction level.

Loss histories, adjusted to reflect forecast future defaults, serve as the basis for determining expected losses. A macroeconomic scenario based on empirical estimates is also factored in. This scenario specifically looks at future trends in the labor market, interest rates in the money market, changes in GDP, inflation, and commercial real estate prices. The methods and assumptions, including the forecasts, are validated regularly.

For the purpose of calculating impairment losses for portfolios, the portfolios are grouped according to shared credit risk characteristics, e.g. type of asset, credit rating, date of origination, residual life, industry, and origin of the borrower.

Directly recognized impairment losses reduce the carrying amounts of assets directly. Unlike loss allowances, which are estimates, directly recognized impairment losses are specified in an exact amount (e.g. by identifying an insolvency ratio). As a rule, directly recognized impairment losses are recognized after all recovery and enforcement measures have been completed. Directly recognized impairment losses are also recognized for insignificant amounts.

If substantial changes to the contract for a financial asset are made, the asset is derecognized and then recognized as a new asset. The POCI rules apply to impaired assets (stage 3). If contractual changes for a financial asset do not have a substantial impact, the asset is reviewed to ascertain whether credit risk has increased significantly since initial recognition.

Loss allowances and gross carrying amounts

In the DZ BANK Group, loss allowances are recognized for the classes ‘financial assets measured at fair value’, ‘financial assets measured at amortized cost’, ‘finance leases’, and ‘financial guarantee contracts and loan commitments’ in the amount of the expected credit losses. Trade receivables and contract assets that fall within the scope of IFRS 15 are assigned to the ‘financial assets measured at amortized cost’ class.

Financial assets measured at fair value

€ million	Stage 1 Loss allowances	Stage 1 Fair value	Stage 2 Loss allowances	Stage 2 Fair value	Stage 3 Loss allowances	Stage 3 Fair value
Balance as at Jan. 1, 2018	9	83,114	10	402	33	26
Addition/increase in loan utilizations	2	11,743	-	-	-	-
Change to financial assets due to transfer between stages	-	22	-	-22	-	-
Transfer from stage 2	-	22	-	-22	-	-
Disposals and repayments	-3	-13,316	-	-25	-	-1
Changes to models/risk parameters	-	-	-4	-	-	-
Additions	2	-	-	-	-	-
Reversals	-2	-	-4	-	-	-
Amortization, fair value changes, and other changes in measurement	-	-1,014	-	5	-	-
Exchange differences and other changes	-	52	2	-	-	-
Balance as at Jun. 30, 2018	**8**	**80,601**	**8**	**360**	**33**	**25**

Financial assets measured at amortized cost

	Stage 1		Stage 2		Stage 3		POCI	
€ million	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount
Balance as at Jan. 1, 2018	233	316,015	212	12,204	2,377	5,350	10	32
Addition/increase in loan utilizations	66	5,883,690	10	8,274	225	1,457	3	27
Change to financial assets due to transfer between stages	81	1,041	-110	-1,123	35	86	-	-
Transfer from stage 1	-23	-3,378	22	3,334	1	44	-	-
Transfer from stage 2	87	4,260	-147	-4,514	61	259	-	-
Transfer from stage 3	17	159	15	57	-27	-217	-	-
Use of loss allowances/directly recognized impairment losses on gross carrying amounts	-	-	-1	-	-326	-12	-	-1
Disposals and repayments	-46	-5,849,739	-29	-10,385	-287	-1,656	-5	-38
Changes to models/risk parameters	-101	-	115	-	83	-	-	-
Additions	55	-	179	-	279	-	2	-
Reversals	-156	-	-64	-	-196	-	-2	-
Amortization, fair value changes, and other changes in measurement	-	-317	-	56	-	10	-	-
Positive change in fair value of POCI								8
Exchange differences and other changes	1	-139	-	-1,335	39	-341	-	1
Balance as at Jun. 30, 2018	**234**	**350,551**	**197**	**7,691**	**2,146**	**4,894**	**8**	**29**

The undiscounted expected credit losses on purchased or originated credit-impaired assets that were recognized for the first time during the reporting period totaled €93 million.

Finance leases

€ million	Stage 1 Loss allowances	Stage 1 Gross carrying amount	Stage 2 Loss allowances	Stage 2 Gross carrying amount	Stage 3 Loss allowances	Stage 3 Gross carrying amount
Balance as at Jan. 1, 2018	6	2,595	10	304	18	51
Addition/increase in loan utilizations	5	586	8	40	15	3
Change to finance leases due to transfer between stages	10	19	-2	-49	-14	21
Transfer from stage 2	1	33	-2	-48	-	6
Transfer from stage 3	9	-14	-	-1	-14	15
Use of loss allowances/directly recognized impairment losses on gross carrying amounts	-	-	-	-	-1	-
Disposals and repayments	-16	-612	-7	-65	-8	-41
Changes to models/risk parameters	-	-	-1	-	-	-
Reversals	-	-	-1	-	-	-
Exchange differences and other changes	-	-	3	-	-1	-
Balance as at Jun. 30, 2018	**5**	**2,588**	**11**	**230**	**9**	**34**

Financial guarantee contracts and loan commitments

€ million	Stage 1 Loss allowances	Stage 1 Nominal value	Stage 2 Loss allowances	Stage 2 Nominal value	Stage 3 Loss allowances	Stage 3 Nominal value
Balance as at Jan. 1, 2018	38	55,702	8	627	147	469
Addition/increase in loan utilizations	43	26,054	3	317	9	16
Change to financial guarantee contracts and loan commitments due to transfer between stages	-	-382	6	371	-6	11
Transfer from stage 1	-5	-536	5	527	-	9
Transfer from stage 2	4	150	-4	-159	-	9
Transfer from stage 3	1	4	5	3	-6	-7
Disposals and repayments	-18	-19,800	-9	-618	-46	-271
Changes to models/risk parameters	-31	-	-	-	5	-
Additions	8	-	9	-	19	-
Reversals	-39	-	-9	-	-14	-
Amortization, fair value changes, and other changes in measurement	-	59	-	-	-	-
Exchange differences and other changes	1	-33	-	3	2	2
Balance as at Jun. 30, 2018	**33**	**61,600**	**8**	**700**	**111**	**227**

>> 48 Exposures to countries particularly affected by the sovereign debt crisis

The table below shows the carrying amounts of the DZ BANK Group's exposures to bonds issued by governments and public authorities in countries particularly affected by the sovereign debt crisis, broken down into the categories applied to financial instruments under IFRS 9.

	Jun. 30, 2018	
€ million	Carrying amount	Fair value
Portugal	**718**	**731**
Financial assets measured at fair value through profit or loss	341	341
Financial assets measured at fair value through other comprehensive income	328	328
Financial assets measured at amortized cost	49	62
Italy	**5,355**	**5,401**
Financial assets measured at fair value through profit or loss	1,759	1,759
Financial assets measured at fair value through other comprehensive income	3,075	3,075
Financial assets measured at amortized cost	521	567
Spain	**2,045**	**2,066**
Financial assets measured at fair value through profit or loss	1,181	1,181
Financial assets measured at fair value through other comprehensive income	624	624
Financial assets measured at amortized cost	240	261
Total	**8,118**	**8,198**

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

	Dec. 31, 2017	
€ million	Carrying amount	Fair value
Portugal	**671**	**719**
Fair value option	378	378
Held-to-maturity investments	244	280
Loans and receivables	49	61
Italy	**6,054**	**6,025**
Financial instruments held for trading	20	20
Fair value option	1,348	1,348
Available-for-sale financial assets	4,216	4,216
Held-to-maturity investments	470	441
Spain	**2,211**	**2,211**
Financial instruments held for trading	211	211
Fair value option	1,110	1,110
Available-for-sale financial assets	700	700
Held-to-maturity investments	190	190
Total	**8,936**	**8,955**

Bonds issued by countries particularly affected by the sovereign debt crisis and held as part of the insurance business are only recognized in the proportion attributable to the shareholders of the DZ BANK Group.

Fair value hierarchy

The recurring fair value measurements as measured and recognized on the balance sheet are assigned to the levels of the fair value hierarchy as follows:

	Jun. 30, 2018		
€ million	Level 1	Level 2	Level 3
Portugal	**669**	**-**	**-**
Financial assets measured at fair value through profit or loss	341	-	-
Financial assets measured at fair value through other comprehensive income	328	-	-
Italy	**4,599**	**213**	**22**
Financial assets measured at fair value through profit or loss	1,739	20	-
Financial assets measured at fair value through other comprehensive income	2,860	193	22
Spain	**1,459**	**290**	**56**
Financial assets measured at fair value through profit or loss	958	167	56
Financial assets measured at fair value through other comprehensive income	501	123	-
Total	**6,727**	**503**	**78**

COMPARATIVE INFORMATION IN ACCORDANCE WITH IAS 39

	Dec. 31, 2017		
€ million	Level 1	Level 2	Level 3
Portugal	**378**	**-**	**-**
Fair value option	378	-	-
Italy	**4,419**	**1,065**	**100**
Financial instruments held for trading	-	20	-
Fair value option	1,208	79	61
Available-for-sale financial assets	3,211	966	39
Spain	**1,322**	**628**	**71**
Financial instruments held for trading	-	211	-
Fair value option	1,016	50	44
Available-for-sale financial assets	306	367	27
Total	**6,119**	**1,693**	**171**

Maturity analysis

AS AT JUNE 30, 2018

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years
Portugal	-	-	25	102	823
Italy	11	62	323	1,714	5,027
Spain	66	2	123	635	2,061
Total	**77**	**64**	**471**	**2,451**	**7,911**

AS AT DECEMBER 31, 2017

€ million	≤ 1 month	> 1 month – 3 months	> 3 months – 1 year	> 1 year – 5 years	> 5 years
Portugal	-	-	25	102	834
Italy	63	69	301	1,755	5,238
Spain	7	1	248	588	1,969
Total	**70**	**70**	**574**	**2,445**	**8,041**

The maturity analysis shows the contractually agreed cash inflows.

E Other disclosures

>> 49 Contingent liabilities

€ million	Jun. 30, 2018	Dec. 31, 2017
Contingent liabilities arising from contributions to the resolution fund for CRR credit institutions	25	11
Contingent liabilities in respect of litigation risk	8	4
Total	**33**	**15**

The contingent liabilities arising from contributions to the resolution fund for CRR credit institutions consist of irrevocable payment commitments that were made after the applications to furnish collateral in partial settlement of the annual contribution to the European bank levy for 2017 and 2018 were approved by the Single Resolution Board (SRB).

The contingent liabilities in respect of litigation risk comprise a small number of court proceedings relating to different cases. Where provisions have been recognized for particular claims, no contingent liabilities are recognized.

>> 50 Financial guarantee contracts and loan commitments

€ million	Jun. 30, 2018	Dec. 31, 2017
Financial guarantee contracts	**7,383**	**6,996**
Loan guarantees	3,775	3,765
Letters of credit	576	553
Other guarantees and warranties	3,032	2,678
Loan commitments	**55,220**	**33,509**
Credit facilities to banks	19,578	5,017
Credit facilities to customers	15,354	14,974
Guarantee credits	419	363
Letters of credit	2	27
Global limits	19,867	13,128
Total	**62,603**	**40,505**

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

>> 51 Trust activities

Trust assets and trust liabilities amounted to €995 million at the balance sheet date (December 31, 2017: €1,096 million).

>> 52 Revenue from contracts with customers

Effects in the income statement

In addition to the items of revenue from contracts with customers within net fee and commission income, presented in note 9, the following items of revenue from contracts with customers are also included in the income statement:

Other net operating income

Gains from contracts with customers amounting to €11 million were recognized within other net operating income during the reporting period. These gains were predominantly attributable to the TeamBank, UMH, and Other/Consolidation operating segments.

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

Gains from contracts with customers amounting to €125 million were recognized within gains and losses on investments held by insurance companies and other insurance company gains and losses during the reporting period. These gains were entirely attributable to the R+V operating segment.

Fee and commission income pursuant to IFRS 15 in line items relating to insurance companies

The fee and commission income pursuant to IFRS 15 included in the line items relating to the insurance companies amounted to €53 million during the reporting period.

>> 53 Employees

Average number of employees by employee group:

	Jan. 1 – Jun. 30, 2018	Jan. 1 – Jun. 30, 2017
Female employees	**13,792**	**13,712**
Full-time employees	8,513	8,546
Part-time employees	5,279	5,166
Male employees	**16,578**	**16,572**
Full-time employees	15,599	15,633
Part-time employees	979	939
Total	**30,370**	**30,284**

>> 54 Events after the balance sheet date

The biometric 2005 G mortality tables published by Professor Dr. Klaus Heubeck are used to estimate average life expectancy for the purposes of measuring the defined benefit obligation. New mortality tables (HEUBECK-RICHTTAFELN 2018 G) were published on July 20, 2018. This raises the question of how long measurement based on the previous mortality tables continues to be permitted without additional analysis of the new tables' impact on the level of the provision for defined benefit pensions. Based on a predefined illustrative workforce for commercial-law accounting purposes, HEUBECK AG assumes a general one-off increase in the defined benefit obligation of between 1.5 percent and 2.5 percent. For this reason, the DZ BANK Group is analyzing whether, and to what extent, the updated mortality tables will, for its own workforce structure, lead to a better estimate of the settlement value (December 31, 2017: €3,282 million).

>> 55 Board of Managing Directors

Wolfgang Kirsch
(Chief Executive Officer)
Responsibilities: Cooperative Banks/Verbund; Communication, Marketing, CR; Group Audit; Legal; Research and Economics

Uwe Berghaus
Responsibilities: Corporate Banking Northern and Eastern Germany; Corporate Banking Western Germany; Corporate Banking Central Germany; Corporate Banking Bavaria; Corporate Banking Baden-Württemberg; Investment Promotion; Structured Finance

Dr. Christian Brauckmann
Responsibilities: IT; Organization

Wolfgang Köhler
Responsibilities: Capital Markets Trading; Capital Markets Institutional Clients; Capital Markets Retail Clients; Group Treasury

Dr. Cornelius Riese
Responsibilities: Bank Finance; Group Finance; Group Financial Services; Strategy and Group Development

Michael Speth
Responsibilities: Compliance; Group Risk Controlling; Credit; Credit Special

Thomas Ullrich
Responsibilities: Group Human Resources; Operations; Payments & Accounts; Transaction Management

Stefan Zeidler
(Member of the Board of Managing Directors until March 31, 2018)

>> 56 General Executive Manager

Uwe Fröhlich

>> 57 Supervisory Board

Henning Deneke-Jöhrens
(Chairman of the Supervisory Board since May 30, 2018)
Chief Executive Officer
Volksbank eG Hildesheim-Lehrte-Pattensen

Helmut Gottschalk
(Chairman of the Supervisory Board until May 30, 2018)
Bank director (ret.)

Ulrich Birkenstock
(Deputy Chairman of the Supervisory Board)
Employee
R+V Allgemeine Versicherung AG

Martin Eul
(Deputy Chairman of the Supervisory Board since May 30, 2018)
Chief Executive Officer
Dortmunder Volksbank eG

Werner Böhnke
(Deputy Chairman of the Supervisory Board until May 30, 2018)
Bank director (ret.)

Heiner Beckmann
Senior manager
R+V Allgemeine Versicherung AG

Hermann Buerstedde
Employee
Union Asset Management Holding AG

Uwe Goldstein
Spokesman of the Board of Managing Directors
Raiffeisenbank Frechen-Hürth eG

Timm Häberle
(Member of the Supervisory Board since May 30, 2018)
Chief Executive Officer
VR-Bank Neckar-Enz eG

Dr. Peter Hanker
Spokesman of the Board of Managing Directors
Volksbank Mittelhessen eG

Andrea Hartmann
Employee
Bausparkasse Schwäbisch Hall AG

Pilar Herrero Lerma
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Dr. Dierk Hirschel
Head of the Economic Policy Division
ver.di Bundesverwaltung

Marija Kolak
President
Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR)

Renate Mack
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Rainer Mangels
Employee
R+V Rechtsschutz-
Schadenregulierungs-GmbH

Stephan Schack
Spokesman of the Board of Managing Directors
Volksbank Raiffeisenbank eG, Itzehoe

Gregor Scheller
Chief Executive Officer
Volksbank Forchheim eG

Uwe Spitzbarth
Head of the Financial Services Division
ver.di Bundesverwaltung

Sigrid Stenzel
Regional Group Director
ver.di Bayern

Ingo Stockhausen
(Member of the Supervisory Board since May 30, 2018)
Chief Executive Officer
Volksbank Oberberg eG

Dr. Wolfgang Thomasberger
Chief Executive Officer
VR Bank Rhein-Neckar eG