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**DZ BANK AG**
Deutsche Zentral-
Genossenschaftsbank

Investor Relations

1 March 2016

## Preliminary figures for the financial year 2015

## DZ BANK reports profit before taxes of € 2.45 billion

- Profit before taxes of € 2.45 billion remains extraordinarily high
- Positive operating development within the DZ BANK Group as a whole
- Common equity Tier 1 capital ratio increased to 13.6 per cent, thanks to profit retention – and to 13.0 per cent on a fully loaded CRR basis
- Dividend proposal of 16 cents per share to the Annual General Meeting
- Merger between DZ BANK and WGZ BANK is right on schedule, successful conclusion still planned for 1 August 2016
- Wolfgang Kirsch: "We have had a successful year with favorable business development and important strategic decisions. We are looking forward to working together with our colleagues at WGZ BANK."

The DZ BANK Group continued its successful business development in 2015. On the basis of the preliminary IFRS figures, the Group achieved profit before taxes of € 2.45 billion. Although the result is down 14.4 per cent on the previous year's record figure of € 2.87 billion, it nonetheless remains at an extraordinarily high level. "We have achieved a very good annual result once again that was primarily a result of the positive operating development in the entire DZ BANK Group," states Wolfgang Kirsch, Chief Executive Officer of DZ BANK AG. Thanks to the good economic framework provisioning was reduced once again to what is already a low level. There were also reversals of impairment losses on government bonds, albeit to a lesser extent than in previous years. "With our strong inherent profitability and a favorable macroeconomic environment, we once again achieved an annual result that surpassed our expectations. Alongside the good business development, the year 2015 was defined by important strategic decisions. With the merger announced in November between DZ BANK and WGZ BANK, the cooperative financial network will successfully complete the consolidation in its superstructure in 2016", says Wolfgang Kirsch.

The DZ BANK Group availed of its good earnings performance to further strengthen its capital base through profit retention. In conjunction with its continuing prudent management of risk-weighted assets, this allowed the Group to increase the relevant capital ratios significantly. The common equity Tier 1 (CET1) capital ratio was 13.6 per cent at the end of 2015 (2014: 12.2 per cent); on a fully-loaded Capital Requirements Regulation (CRR) basis, it was 13.0 per cent (2014: 11.4 per cent). The leverage ratio was increased from 3.8 per cent to 4.5 per cent; on a fully-loaded CRR basis, it reached 4.0 per cent (2014: 3.2 per cent). ECB Banking Supervision has set a minimum CET1 capital ratio (SREP ratio) of 9.5 per cent for the DZ BANK Banking Group for 2016.

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"The DZ BANK Group is well capitalized. We have further increased our capital ratios in tandem with growth in our core areas of business, which places us in a good position to face possible additional challenges. Nevertheless, effective capital management will be a high priority for us in future too", says Kirsch.

**The DZ BANK Group's results**

DZ BANK AG achieved good profit before taxes of € 869 million (2014: € 906 million), which is largely down to the stable operating development. A further reduction in allowances for losses on loans and advances also had a positive impact. The decline in the results is essentially due to falling earnings on the back of low interest rates and rising administrative expenses brought about by projects induced by regulatory requirements. DZ BANK AG's Corporate Banking proved resilient in a challenging environment. The volume of the loan portfolio rose by five per cent to € 37.8 billion. Business was expanded, particularly in the joint credit business with the cooperative banks (plus five per cent) and in growth areas such as export finance (plus 26 per cent). Overall, the capital markets business with cooperative banks and institutional clients was defined by an environment that was challenging from a regulatory and an interest rate perspective. The business with derivatives, solutions for institutional funds and securitizations for corporate clients performed well. DZ BANK AG remains one of the leading providers on the German market in transaction banking, a position it reinforced once again last year. It successfully improved its market position again in the business with structured products for retail investors. In terms of the outstanding volume, DZ BANK AG is now the market leader with a market share of 16.4 per cent (2014: 15.5 per cent). Nonetheless, the difficult market environment and stock market conditions saw sales falling from € 4.2 billion to € 3.8 billion.

**Bausparkasse Schwäbisch Hall** reported profit before taxes of € 341 million (2014: € 379 million) and continued to perform well in terms of operating development. Thanks in particular to the acquisition of new customers, the new home savings business at Bausparkasse Schwäbisch Hall grew by 13 per cent to € 35 billion, thus outperforming the market, which reported an increase of five per cent. The company thus extended its market leadership further, commanding a market share of 31.7 per cent. At € 14.4 billion, the home finance volume once again exceeded the record figure of the previous year. Persistently low interest rates are the main reason for the decline in profits. At the same time, the measures implemented to enhance efficiency are starting to take effect on the costs side.

**Union Investment** increased its profit before taxes by 14.4 per cent to € 556 million. This new record result is primarily attributable to an increase in the volume of assets under management, which reached a new all-time high of € 261 billion thanks to high net sales to institutional clients (€ 18 billion) and retail customers (€ 8 billion).

**R+V Versicherung** achieved a good profit before taxes of € 625 million in 2015. The 20.7 per cent decline from 2014 is primarily due to a reduction of the investment result compared with the very high level achieved in the previous year. Premium income increased in all insurance segments, with composite insurance and inwards reinsurance posting the strongest levels of growth. In the life insurance segment, growth eased following a very strong increase the year before.

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**TeamBank** almost doubled its profit before taxes from € 68 million to € 132 million. This good result was fundamentally due to the stable development of the customer business in a market environment defined by stiff competition vis-a-vis terms. The extent of the increase in profits is also due to the absence of negative one-off effects of € 60 million from the previous year – in particular claims for a refund of loan processing fees.

**DZ PRIVATBANK** defended its position in a difficult market environment to generate profit before taxes of € 38 million (2014: € 54 million). Adjusted for one-off effects, the result exceeds the previous year and the target. DZ PRIVATBANK's operating business made further advances thanks to the good cooperation with the cooperative banks. This enabled the bank to increase the volume of assets under management in Private Banking from € 14.2 billion to € 15.6 billion. The pressure on margins in Private Banking weighed on the result. The volume of funds under management in the custodian bank business rose sharply to reach a new record of € 97.9 billion.

**DG HYP** achieved a positive performance in its core business and recorded a good result before taxes of € 447 million. The strong operating development is reflected in the 16 per cent growth in new business – despite the unchanged conservative risk policy. The joint credit business with the local cooperative banks in particular was increased and reached a new record of € 2.8 billion. The 22.8 per cent fall in results compared to the previous year was due mainly to the anticipated lower impairment losses on the government bond portfolio.

**VR LEASING** achieved a marked improvement in its result, mostly because of the good performance of the core business. The new equipment leasing business increased by seven per cent to € 1.1 billion, thus outperfoming the growth rates of the market as a whole. Sales in the factoring and central regulation divisions remained stable. The result of minus € 19 million was burdened by one-off effects, especially the exit from the business in Hungary, the extent of which was nonetheless considerably less than in the previous year. Material losses from the business in Eastern Europe have therefore been processed in full.

**DVB Bank** achieved a result before taxes of € 46 million compared to € 98 million in 2014. The decline in results is reflected primarily in higher allowances for losses on loans and advances, especially in the Shipping Finance segment. The operating performance was defined by positive new business development in the Transport Finance segment, which increased from € 6.3 billion to € 7.0 billion. The number of acquired transactions increased at the same time.

**Income statement positions in detail**

At € 2.99 billion, **net interest income** was roughly unchanged from the previous year's level of € 3.05 billion in a persistent low interest rate environment.

**Allowances for losses on loans and advances**, which were already at a very low level, fell by a further 19.9 per cent to minus € 153 million. DZ BANK AG, DG HYP and VR LEASING, in particular, had substantially lower provisioning requirements.

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**Net fee and commission income** climbed seven per cent to the historical high of € 1.51 billion. The positive performance of assets under management at Union Investment was again the main factor driving this growth.

**Gains on trading activities** reached € 369 million (2014: € 471 million) due largely to negative effects from the valuation of own issues. In contrast to this, the contribution from customer trading was increased.

**Gains and losses on investments** continued to develop favorably. At € 59 million, they were significantly lower though than the previous year's figure of €109 million, due to the absence of high positive one-off effects recorded the year before, particularly from the sale of an investment. The sale of shares in the credit card company VISA and the disposal of an interest of DVB Bank had a markedly positive effect in 2015.

**Other gains and losses on valuation of financial instruments** amounted to € 300 million after € 327 million for the previous year. This figure includes continued positive measurement effects from DG HYP's government bond portfolio, the extent of which is lower than the year before, as expected.

**Administrative expenses** advanced by 4.5 per cent to € 3.2 billion. This was essentially attributable to a sustained increase in material costs arising from the implementation of regulatory provisions, as well as additional investments in the customer business, for example in paydirekt. Furthermore, the project portfolio reflects a temporary increase in investment needs, primarily in IT infrastructure.

The **common equity Tier 1 ratio** was 13.6 per cent as at 31 December 2015 (2014: 12.2 per cent). On a fully-loaded CRR basis, the CET1 ratio reached 13.0 per cent (2014: 11.4 per cent).

**Profit before taxes** amounted to € 2.45 billion (2014: € 2.87 billion).

**Profit after taxes** reached € 1.8 billion (2014: € 2.16 billion).

A **dividend** of 16 cents per share is to be proposed at the Annual General Meeting, after 15 cents in the previous year.

**Current status of the merger between DZ BANK and WGZ BANK**

DZ BANK AG and WGZ BANK AG announced on 19 November 2015 their intention to become one cooperative central institution. The start of the merger has proceeded very successfully since then and is fully on schedule. "Good progress is being made on the journey to becoming a joint central institution", Wolfgang Kirsch explained. The structure of the Board of Managing Directors, assignment of responsibilities and divisional organization has been developed. The first management level has already been designated. Both banks have approved the central guidelines for the vision of the future IT architecture. The targeted synergy goals of at least € 100 million per annum were examined in detail again and successfully validated. Furthermore, both banks have started constructive discussions with their respective employee representatives. "The good start of the project reinforces our confidence in our ability to conclude the merger successfully and on schedule", Kirsch commented.

The next milestones of the merger in accordance with the current planning:

| | |
|---|---|
| 12 April | Signing of the merger agreement by the CEOs |
| 27 April / 4 May | Supervisory Board referral on the merger of WGZ BANK and DZ BANK |
| 21 June / 22 June | Ordinary General Meeting of DZ BANK and WGZ BANK |
| 30 June | Filing in the commercial register |
| 29 July | Registration in the commercial register |
| 1 August | First day of the new bank |

**Outlook**

"Our main priority for the financial year 2016 is to bring the merger to a successful conclusion. Despite all the attention that such a merger demands of the parties involved, we will continue to set our sights firmly on further developing our customer business", says Wolfgang Kirsch. "In light of the prolonged period of low interest rates, securing and expanding our earnings base plays a key role. We will further intensify our market development, particularly in Corporate Banking and strengthen our relationship with our customers. We need to make further advances in the process of digitizing our organization and enshrining it in our business model. This will not only create business opportunities but will generate potential savings from the industrialization of processes too. And finally, we need to keep the impact of the regulatory requirements at a manageable level, through efficient and cost-oriented implementation", adds Kirsch.

In the meantime, the business development of DZ BANK in the current year should benefit once again from the robust economy in Germany. The domestic economy is in very good shape and is also underpinned by the ECB's expansionary monetary policy and the low price of oil. DZ BANK's economists are forecasting GDP growth of 1.8 per cent. At the same time, the turbulence on the stock markets clearly highlights the growing concerns at present about the state of the global economy. "Despite the slowdown, the start to the year gives us reason to expect a stable operating development in the current financial year, barring any serious distortions in the global economy and the financial markets. The inherent profitability of the DZ BANK Banking Group remains strong. At the same time, the absence of positive one-off effects of previous years and non-recurring expenses incurred in conjunction with the merger will be reflected in this year's results", Kirsch comments.

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**Preliminary (IFRS) income statement of the DZ BANK Group**

| In € million | 2015 | 2014 | Change in % |
|---|---|---|---|
| Net interest income | 2,988 | 3,049 | -2.0 |
| Allowance for losses on loans and advances | -153 | -191 | -19.9 |
| Net fee and commission income | 1,514 | 1,415 | 7.0 |
| Gains and losses on trading activities | 369 | 471 | -21.7 |
| Gains and losses on investments | 59 | 109 | -45.9 |
| Other gains and losses on valuation of financial instruments | 300 | 327 | -8.3 |
| Net income from insurance activities | 676 | 940 | -28.1 |
| expenses | -3,198 | -3,061 | 4.5 |
| Other net operating income | -48 | -165 | -70.9 |
| Profit before taxes and bank levy | 2,507 | 2,894 | -13.4 |
| Bank levy | -54 | -27 | 100.0 |
| Profit before taxes | 2,453 | 2,867 | -14.4 |
| Income taxes | -657 | -710 | -7.5 |
| Net profit | 1,796 | 2,157 | -16.7 |
| Cost/income ratio [in %] | 54.6 | 49.8 | +4.8% points |
| Total assets [in € billion] | 408.3 | 402.7 | 1.4 |