Investor Relations Release

27 June 2017

DZ BANK AG
Deutsche Zentral-
Genossenschaftsbank

Investor Relations

DG HYP and WL BANK push ahead with merger / memorandum of understanding signed

Merger closing date effective retroactively as of 1 January 2018 is planned

The two cooperative real estate banks DG HYP and WL BANK are pushing ahead with their planned merger. The banks started merger talks in March 2017 and since then have worked out the key features of the merged real-estate bank. The boards of managing directors of the two companies have now approved these in a joint memorandum of understanding (MoU).

The strategic goal is to pool the existing expertise of both banks and at the same time to avoid duplication, to serve customers from a single source and in particular to increase yet further the benefits for the cooperative banks. The merged real-estate bank will continue to serve existing customer segments – commercial clients, the housing industry, local authorities and retail customers – to the same extent and in the same depth and will be among the leading providers in all business segments. At the same time, the merger creates Germany's largest pfandbrief bank.

"Our two banks are entering the merger from a position of economic strength. DG HYP and WL BANK are also linked by their deep integration in the cooperative financial network and their intensive collaboration with the cooperative banks. With the merger we are reaping synergies that will further strengthen our profitability and we shall also be able to support and supplement the cooperative banks' local business even more effectively," says Frank Mühlbauer, CEO of WL BANK.

Dr. Georg Reutter, Chairman of the Board of Managing Directors of DG HYP, explains: "With the merger of DG HYP and WL BANK we are jointly forming an integrated real-estate bank with a comprehensive offering and a uniform market approach. This makes us an even more effective partner and strengthens the cooperative financial network in the real estate finance business. The positive feedback from customers, cooperative banks and rating agencies confirms that we are taking the right step with the merger."

The main components of the MoU are in detail:

Management structure

- As future Co-CEO of the merged company Frank Mühlbauer will be responsible for the divisions Market Housing Sector, Market Local Authorities, Market Retail Customers and Cooperative Financial Network Support, Human Resources, Management Board Office and Committees Management

- As future Co-CEO of the merged company Dr. Georg Reutter will be responsible for the divisions Market Commercial Clients Cooperative Financial Network, Market Commercial Clients Institutionals, Market Treasury, Communication/ Marketing and Investor Relations as well as Legal

- As future CRO of the merged company Manfred Salber will be responsible for the divisions Back Office Commercial Clients, Back Office Housing Sector and Retail Customers, Restructuring/Recovery, Back Office Treasury and Local Authorities, Risk Controlling

- As future CFO/COO of the merged company Dr. Carsten Düerkop will be responsible for the divisions Finance, Compliance, Organization and Operations, IT, Internal Audit as well as External Experts

Locations

Hamburg and Munster are to remain the main locations of the merged bank. These are also intended to be the merged bank's legal co-headquarters. The latter is still to be approved by the registry courts. The decentralized structure of the regional sales locations (Representative Offices, real estate centers) will be preserved in order to be able to continue to guarantee close proximity to the cooperative banks and end customers in the future.

Synergies

The revenue and cost synergies that are aimed for with the merger will be in the lower to medium double-digit millions. The primary focus will be on the revenue synergies that will be achieved with the uniform market approach. In addition, cost synergies are to be reaped with respect to structures, processes and infrastructures.

The Boards of Managing Directors of both companies agree that the strength that the companies have achieved is largely based on the high level of commitment of their employees. Repercussions on employees will basically be kept to a minimum. The concrete repercussions are currently being examined and are being discussed in close consultation with the codetermination committees.

Brand

DG HYP and WL BANK have agreed that the merged bank will operate under the brand DZ HYP within the DZ BANK brand family.

Transaction structure and time schedule

A "merger-by-way-of-acquisition" transaction structure is planned. WL BANK as a whole will be dissolved and all its assets and liabilities together with all its rights and obligations will be transferred without liquidation to DG HYP. This will be done by issuing DG HYP shares to the shareholders of WL BANK.

The work on structural, technical and cultural integration will begin on a step-by-step basis. A decision on the merger will be taken by mid-2018 by resolution of the annual general meetings of DG HYP and WL BANK. A closing date effective retroactively as of 1 January 2018 is aimed for.

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