

Investor Relations Release

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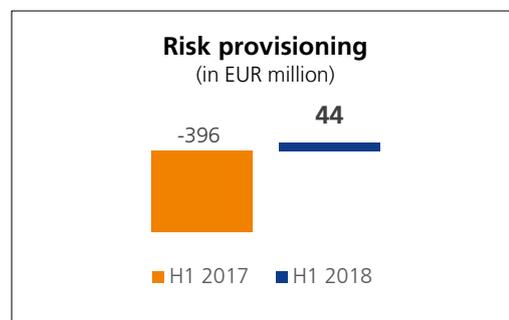
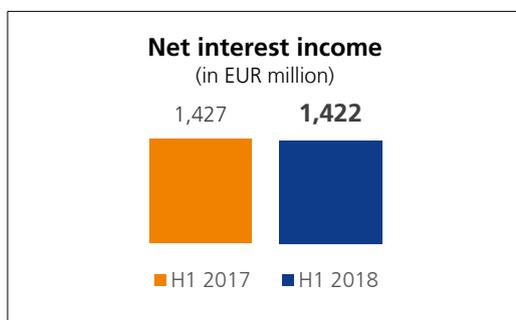
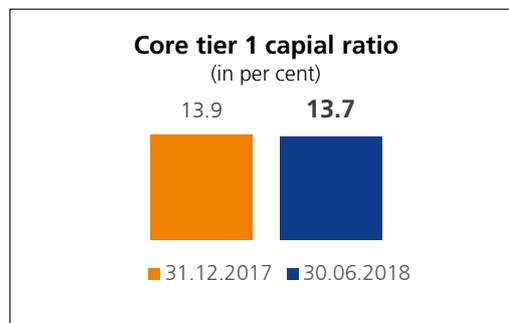
H1 2018: The DZ BANK Group reports profit before taxes of EUR 1.03 billion

DZ BANK AG
 Deutsche Zentral-
 Genossenschaftsbank

Investor Relations

- Robust operating performance throughout the entire DZ BANK Group
- Inconspicuous risk situation – significantly lower additions to risk provisioning for DVB Bank’s maritime portfolio
- Merger of DG HYP and WL BANK to become DZ HYP successfully completed
- Wolfgang Kirsch: “We look back on a good first half-year. Gratifying customer business shows the coherence of our market presence. ”
- Capital situation remains solid – core tier 1 capital ratio reaches 13.7 per cent

In H1 2018 the DZ BANK Group reported a profit before taxes of EUR 1.03 billion (H1 2017: EUR 939 million). A robust operating performance and an inconspicuous risk situation throughout the entire DZ BANK Group played a key role here. In particular, additions to risk provisioning for DVB Bank’s shipping portfolio were reduced significantly. The sale of significant parts of DVB Bank is making rapid progress. In addition, on 30 July Germany’s largest covered bond bank was created with the merger of DG HYP and WL BANK to become DZ HYP.



“We look back on a good first half-year. The gratifying performance of our customer business confirms the coherence of the market presence of our financial services group. In addition, with the continuation of the structural work within the DZ BANK Group we have shown that we are tackling our agenda with a firm and at the same time steady hand,” says Wolfgang Kirsch, CEO of DZ BANK.

The DZ BANK Group’s capital situation remains solid thanks to the systematic management of risk assets and a continued strengthening of core capital by way of profit retention. The DZ BANK Group’s core tier 1 capital ratio as at 30/06/2018 was 13.7 per cent (31/12/2017: 13.9 per cent). As a result of a larger business volume, total balance sheet increased to EUR 538 billion, up from EUR 506 billion at the end of 2017.

Income statement positions in detail

At EUR 1.4 billion the DZ BANK Group’s **net interest income** remained stable in H1 2018 compared to the first half-year of 2017 (EUR 1.43 billion). At DZ BANK AG this item increased slightly while at Bausparkasse Schwäbisch Hall it declined due to the low interest rate levels.

At EUR 958 million **net fee and commission income** matched the good level reported in the previous year (EUR 977 million). A key factor here was the fact that Union Investment again reported a good business performance. In addition, DZ BANK AG’s securities custody business continued to grow.

Gains and losses on trading activities reached EUR 206 million (H1 2017: EUR 304 million). High and stable income from DZ BANK AG’s customer-account trading activities was offset by negative valuation effects.

Gains and losses on investments increased to EUR 98 million, up from EUR 88 million in the first half-year of 2017.

Other gains and losses on valuation of financial instruments declined from EUR 34 million to minus EUR 48 million. This was mainly due to a significant decline in valuation effects with respect to government bonds in DZ HYP’s wind-down portfolio, especially government bonds from Italy.

Net income from insurance activities amounted to EUR 299 million compared to EUR 451 million in the first half of the previous year. The decline is primarily due to exceptionally high gains on investments in the previous year, while the customer business continued to grow very strongly, reporting record premium income in the current year.

Loss allowances show an overall net reversal of EUR 44 million (year-earlier period: minus EUR 396 million) due primarily to significantly lower additions to loss allowances at DVB Bank.

Administrative expenses were held almost stable at EUR 2.02 billion (H1 2017: EUR 2.00 billion). Higher merger costs at DZ HYP were offset by lower project costs at DZ BANK AG.

The **group profit before taxes** amounted to EUR 1.03 billion.

The **net profit** was EUR 731 million.

The **cost-income ratio** reached 67.1 per cent.

DZ BANK Group's results

DZ BANK AG increased its profit before taxes to EUR 437 million (H1 2017: EUR 405 million). Especially in its corporate banking business DZ BANK extended its position despite a very challenging competitive environment. The volume of lending in Corporate Banking increased by three per cent to EUR 49.9 billion. The volume of loan commitments in the strategically important joint credit business with the cooperative banks that is included in this figure increased by 3.2 per cent to EUR 13.0 billion. Financing of renewable energy projects, primarily in the wind power segment, developed strongly again. In the capital market business with institutional and corporate customers the primary market business with bonds and promissory notes grew encouragingly. The bank increased its business especially strongly in the segment for sustainable bonds. In the capital markets business with private clients DZ BANK reported strong turnover of EUR 3.8 billion (H1 2017: EUR 3.6 billion) and measured in terms of the invested volume it increased its market share to 17.8 per cent, thus clearly reaffirming its market leadership. In Transaction Banking DZ BANK reported a positive business performance especially in the securities custody business and was able to increase its income further here.

Bausparkasse Schwäbisch Hall reported a profit before taxes of EUR 172 million compared to EUR 203 million in the first half of the previous year. The main reason for the decline is lower net interest income due to the ongoing low interest rate level. The customer business delivered a positive performance. Home savings deposits increased in the first half-year of 2018 by EUR 1.9 billion to a new all-time high of EUR 60.2 billion. Once again, the new home savings business as well as the new home finance business both outstripped the already good year-earlier figures.

R+V Versicherung reported a profit before taxes of EUR 274 million (H1 2017: EUR 389 million). Premiums earned in the insurance business increased by 9.6 per cent to a new all-time high of EUR 8.1 billion. This increase was driven by all business segments, but the life-insurance business reported a particularly strong increase of 12.8 per cent. However, after the exceptionally high levels reported in the previous years, gains on investments declined by around one third to EUR 1.3 billion. Earnings were also adversely affected by storm damage.

Union Investment earned a profit before taxes of EUR 273 million after a higher-than-average result of EUR 362 million in H1 2017. At EUR 705 million (H1 2017: EUR 750 million), net fee and commission income was again extremely strong due to robust growth in average assets under management. New business also grew in all customer segments in H1 2018. The good sales figures contrasted with lower performance-related fees and a growth-driven increase in administrative expenses.

DZ HYP – following the successful conclusion of the merger of DG HYP and WL BANK – reported a profit before taxes of EUR 164 million for H1 2018 (H1 2017 on the basis of pro-forma figures: EUR 336 million). This decline was due mainly to lower positive effects from the valuation of government bonds in the wind-down portfolio. Overall, new business developed positively.

TeamBank continued its good performance and reported a profit before taxes of EUR 76 million (H1 2017: EUR 78 million). Despite growing competition due to new digital market players, the

bank increased its loans and advances to customers by 3.2 per cent to EUR 8.2 billion. At the same time, the customer count increased by 31,000 to 864,000.

DZ PRIVATBANK's profit before taxes declined from EUR 12 million to EUR 8 million. The operating performance was stable. The volume of assets under custody in the securities custody business stood at EUR 108.5 billion (31.12.2017: EUR 108.8 billion) while the volume of assets under management in the asset management business increased slightly in the first half of 2018 from EUR 17.3 billion to EUR 17.5 billion.

VR LEASING pushed forward successfully with its transformation into a digital provider of finance for the self-employed and small businesses and can look back on a solid operating performance in the first half-year. The company, which operates in the market under the brand name VR SmartFinanz, earned a profit before taxes of EUR 1 million (H1 2017: EUR 13 million). An increase in net interest income as a result of the good performance in the core business contrasted with provisioning for the transformation process that has been launched.

DVB Bank improved its loss before taxes from minus EUR 532 million to minus EUR 71 million. This was mainly due to the significant decline in loss allowances from minus EUR 446 million to minus EUR 20 million. At the same time, IFRS-induced valuation effects, including from currency hedges, of minus EUR 87 million had a negative impact. As a result, DVB's operating figures were in the black in the first half of 2018 and it reported a stable performance in its three segments.

Outlook

The DZ BANK Group expects stable economic conditions in the second half of the year. The bank's economists expect the German economy will grow by 1.7 per cent in full-year 2018. This outlook is subject to the uncertainty caused by trade policy and the geopolitical situation. "Our full-year target remains at the lower end of the sustainable profit range of EUR 1.5 billion to EUR 2 billion – also with regard to the development of the overall economic situation and further investments in the ongoing development of the DZ BANK Group," says Wolfgang Kirsch.

The DZ BANK Group's semi-annual results as at 30/06/2018 (IFRS)

| in EUR m | 01.01.- 30.06.2018 | 01.01.- 30.06.2017 | Change in % |
|--|-----------------------|-----------------------|--------------|
| Net interest income | 1,422 | 1,427 | -0.4 |
| Net fee and commission income | 958 | 977 | -1.9 |
| Gains and losses on trading activities | 206 | 304 | -32.2 |
| Gains and losses on investments | 98 | 88 | 11.4 |
| Other gains and losses on valuation of financial instruments | -48 | 34 | >100.0 |
| Net income from insurance activities | 299 | 451 | -33.7 |
| Loss allowances | 44 | -396 | >100.0 |
| Administrative expenses | -2,018 | -2,000 | 0.9 |
| Other net operating income | 73 | 54 | 35.2 |
| Profit before taxes | 1,034 | 939 | 10.1 |
| Tax expense | -303 | -451 | -32.8 |
| Net profit | 731 | 488 | 49.8 |
| Cost-income ratio (in %) | 67.1 | 60.0 | 7.1 % points |

The complete interim report is available (in German) on DZ BANK's website under www.halbjahresfinanzbericht.dzbank.de.

The English version of the report will be available on 21/9/2018 under www.halfyearreport.dzbank.com

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