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Speech for the
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The spoken word applies!

Ladies and Gentlemen,

I should like to welcome you to this year's Annual Press Conference, also on behalf of my colleagues on the Board of Managing Directors.

Given all that happened last year many of you would agree if I were to sum up 2016 as a year of ambivalent surprises.

But as the DZ BANK Group we take a somewhat different view of the past year.

Admittedly, 2016 was also a year of change for us, but it was a year of positive change driven by our own resources and on our own initiative.

This is apparent first and foremost in the successful merger with WGZ BANK.

On the one hand, this marks the end of a process of consolidation between the cooperative central institutions, and on the other hand it is another important step on our way to building an even stronger and more efficient cooperative financial network.

But let us look first at the past financial year.

The DZ BANK Group reported a profit before taxes of **2.2 billion euros** for full-year 2016.

This is a good and convincing result, especially in light of the fact that a merger and the subsequent integration process also tie up capacity.

This result was made possible first of all by our financial services group's good operating performance.

Once again, the stable economic situation in Germany proved helpful here.

We are experiencing record exports, record employment and robust German annual GDP growth of 1.9 per cent – again driven by strong domestic demand.

The ECB's ongoing expansive monetary policy doubtless plays a part in this – even though in the meantime I believe its negative side-effects clearly outweigh its positive effects.

Ladies and Gentlemen,

With our **profit before taxes** of 2.2 billion euros we have clearly achieved our target for the year.

Please note that the following income statement chart for 2016 shows the figures for the DZ BANK Group before the merger in the first half of 2016 and the development of the merged bank in the second half of 2016. So to this extent

the results of the DZ BANK Group and DZ BANK AG are not directly comparable with the results of previous years.

I should like to begin with the DZ BANK Group on the basis of the preliminary IFRS figures:

Net interest income of 2.66 billion euros was reported for 2016, with DZ BANK AG's corporate banking business developing particularly well here. On the other hand, additional bonus interest payments of 175 million euros at Bausparkasse Schwäbisch Hall had a negative impact.

Allowances for losses on loans and advances amounted to 569 million euros, heavily influenced by negative effects in DVB Bank's shipping finance portfolio. I shall come back to this point later. Otherwise, it is fair to say that allowances for losses on loans and advances remain insignificant overall.

Net fee and commission income of 1.7 billion euros underlines once again the DZ BANK Group's exceptional sales performance. The increase in assets under management at Union Investment again made an important contribution here.

Gains and losses on trading activities amounted to 780 million euros. Besides valuation effects with respect to the Group's own issues this item was much influenced by the

positive performance in DZ BANK AG's capital markets business.

Gains and losses on investments of 127 million euros primarily reflect the proceeds of the sale of shares in the credit card company VISA Europe.

Other gains and losses on valuation of financial instruments add up to 51 million euros.

Administrative expenses of 3.6 billion euros are again greatly influenced by the large project portfolio resulting from the regulatory regime, but also by the merger and continued investments in our market initiatives.

Net income from merger with WGZ BANK adds up to 256 million euros. This includes proceeds of 344 million euros from the consolidation of business relationships that existed before the merger and a positive IFRS valuation effect of 159 million euro. This position also includes restructuring, transaction and migration expenses of 247 million euros.

The **cost/income ratio reached** 58.9 per cent.

Ladies and Gentlemen,

Let me know come to the individual segments of the DZ BANK Group.

DZ BANK AG reported a gratifying profit before taxes of 702 million euros. This is less than in the previous year, but the merger expenses of 247 million euro that I have just mentioned and which are borne entirely by DZ BANK should be considered. The positive valuation effects with respect to the merger, by contrast, accrue at group level – for example the proceeds from the consolidation of the group companies' business relationships that existed before the merger.

At DZ BANK AG we look back at a good operating performance in the past financial year.

In **Corporate Banking** the volume of the loan portfolio grew 5 per cent to 52.6 billion euros. The volume of the loan portfolio in the joint credit business with the cooperative banks increased 6.5 per cent to 9.2 billion euros.

Good growth rates were reported again in the renewables segment, as well as in the interest and exchange rate management and international business segments.

The increase in the number of principal bank relationships is particularly pleasing and provides gratifying evidence of the

ongoing confidence of our corporate customers. On this basis, within the framework of the joint market servicing with the local cooperative banks we were able to increase our market share to 20.5 per cent – while holding credit margins stable.

In our **retail banking securities services** we reinforced our strong position. In terms of the outstanding volume, we are market leader in the overall German market for investment certificates with a market share of 17.7 per cent. In terms of exchange turnover, we took third place with a market share of 11.0 per cent. Sales of structured products increased from 4.3 to 4.4 billion euros.

Our performance in the **capital markets business with institutional customers** was particularly convincing with regard to the primary and secondary markets for bonds, interest-rate derivatives as well as fixed-income and credit structures.

We increased the volume of securitizations by 7 per cent, systematically continuing the good performance we had reported in the previous financial year.

In **Transaction Banking** we also remain on course. This applies to the increased number of credit cards that we were

able to issue thanks to our “Wachstumsinitiative Karten” – or in English cards growth initiative – and to the expansion of our custody service.

In the securities custody business we defended our fifth place in a fiercely competitive market, increasing the volume of custody business significantly from 130 billion euros to 184 billion euro, partly due to the merger.

I should now like to look at our business performance in the other segments of the DZ BANK Group.

Bausparkasse Schwäbisch Hall’s profit before taxes

amounted to 158 million euros. The decline on the previous year is mainly due to additional bonus interest payments to customers of 175 million euros. What’s more, business had benefited in the previous year from an above-average growth in the market as a whole. Overall, thanks to continuing high sales Bausparkasse Schwäbisch Hall consolidated its position as market leader with a market share of 31.2 per cent.

R+V Group improved its profit before taxes to 681 million euros. Given the market environment this was a remarkable performance which confirms the R+V Group’s successful cooperation with the local cooperative banks. Premium

income increased overall, with the slight decline in the life insurance segment more than offset by strong growth in the non-life/casualty and reinsurance segments. Gains and losses on investments increased significantly compared to the previous year.

Union Investment continued its positive earnings performance of the past few years and reported a profit before taxes of 468 million euros. At the end of 2016 assets under management had reached a new all-time high of 292.3 billion euros – driven primarily by high net sales in all customer segments.

DG HYP continued to report a positive development in its core business. Its profit before taxes of 237 million euros was also influenced by negative valuation effects from government bonds in the wind-down portfolio. DG HYP positioned itself successfully in the market, increasing its new commercial real estate finance business significantly to 7.4 billion euros. The new business acquired jointly with the cooperative banks again chalked up a new all-time high at 3.2 billion euros.

WL BANK also performed well. The company, which was consolidated in the DZ BANK Group's reporting for the first

time for the second half of the year, reported a profit before taxes of 118 million euros.

TeamBank increased its profit before taxes in the past year to 143 million euros. Despite intense predatory competition, it was able to attract 16,000 new customers. The easyCredit new business increased to 2.41 billion euros.

DZ PRIVATBANK reports a profit before taxes of 3 million euros. The development compared to the previous year is attributable to lower gains and losses on trading activities – the previous year had been favorably influenced by currency-induced exceptional effects, increased allowances for losses on loans and advances as well as ongoing pressure on margins in Private Banking.

Assets under management grew from 15.6 to 16.9 billion euros and cooperation with the cooperative banks was expanded. The number of partner banks rose by around 10 per cent to 545.

Thanks to a stable development in its new business **VR LEASING** shows a profit before taxes of 7 million euros. Cost savings and the development of new service offerings also had a positive impact.

The situation in the shipping markets remains difficult and is clearly reflected in the earnings of **DVB Bank**, which closed the year with a loss of 285 million euros. This is due to increased allowances for losses on loans and advances in the shipping and offshore segments. Across all business segments, DVB Bank reported 6.5 billion euros of new business after 7.2 billion euro in 2014.

As you are aware, as DVB Bank's parent company DZ BANK paid an income subsidy of 159 million euros in the past financial year. In addition, DZ BANK will carry out a squeeze-out in order to increase its room for maneuver in pursuing its strategic options.

Ladies and Gentlemen,

Going through the business segments paints an overall picture of our organization's remarkable ability to perform well – especially in a year of merger and integration.

It also underlines the strength of our broadly-diversified structure as financial services group, to which we owe our convincing overall result despite more challenging conditions for individual group companies.

This structure lends the cooperative financial network that strength and resilience that is also reflected in the development of our capital resources.

The DZ BANK Group increased its common equity Tier 1 capital ratio on a fully-loaded Capital Requirements Regulation (CRR) basis as at the end of the year to a preliminary 14.5 per cent compared to 13 per cent before the merger in the previous year.

This is also comfortable in terms of the individual SREP ratio of 7.83 per cent specified by the banking supervisory authority for the common equity Tier 1 capital for 2017. However, one should not jump to the conclusion that the capital requirements have been eased. Including the so-called recommended capital add-on the SREP ratio for most banks will probably be the same as or higher than in the previous year.

We also made further progress with regard to the leverage ratio. Applying the provisions of the CRR in full, it stood at a preliminary 4.1 per cent at the end of the year.

The current review of the method used for the calculation of the leverage ratio provides grounds to hope that the intermediation of development loans will not be withdrawn

in the future. Without development loans our leverage ratio would be around 0.4 percentage points higher.

Ladies and Gentlemen,

We shall also continue to strengthen our capital situation in future – by professional risk management and the retention of profits.

Against this background, the dividend proposal to the Annual General Meeting of 18 cents strikes a balance between the interests of our owners and a sustainable situation for the DZ BANK Group.

The emphasis on sustainability also appears appropriate with an eye to the current regulatory situation.

At our last Annual Press Conference I was chiefly concerned about overheating in the “engine rooms” of the regulatory authorities. At the moment, we are even more concerned about what is happening on the “captain’s bridges” of the supervisory and political authorities.

We are going through a highly schizophrenic situation – and this on two counts:

First: the supervisory authority in Europe is permanently thinking up new measures for all banks while at the same time it shows little sign of wielding an ordering hand itself with respect to concrete supervisory issues – for example, at individual Italian banks.

To put an European bad bank on the agenda leads definitively in the wrong direction.

Second: we are keeping an eagle's eye on the Basle regulatory process. Ultimately, despite the attempts being made to break free in the United States, we should stick to an internationally coordinated banking regulatory regime that creates a level playing field. While we are not keen on Donald Trump, we do want politicians who respect our core function as the financiers of the economy and who will rein in the rampant regulatory frenzy to some extent. The regulatory regime continues to resemble a perpetuum mobile and the resultant uncertainty is not helpful for banks' strategy-making process.

Apart from this, we need to pay special attention to our organization's sustainable development.

This applies first of all with regard to our structures and second to our working methods and the systematic use of new technology.

We have already taken the first important step with the merger.

Since then, integration has been proceeding very smoothly:

- We have not only succeeded in implementing rapidly the new organizational structure in broad sections of the organization, but above all we have secured operating stability in all business segments – an achievement that is also directly reflected in the results we have reported.
- The integration of the IT landscape is proceeding according to plan, the migration of important individual systems has already been implemented.
- The new brand identity of the merged bank has been in place since day one of the new DZ BANK.
- And as regards the realization of synergies we are ahead of schedule.

However, besides what we have already achieved we also clearly see what still needs to be done. This holds for the remaining migration steps, complete specialist integration and synergy potential. The merger also provides us with an occasion in the sense of internal benchmarking to learn from each other and to improve. This applies – for example, in corporate banking – to the intensiveness of market servicing as well as to efficiency and customer focus in the lending process.

It also holds for the structural questions arising from the merger.

I believe that the focus of our real estate business and the next step in the evolution of the positioning of the DZ BANK Group as a whole are of central importance here.

On the first point: the DZ BANK Group has four companies (DG HYP, WL BANK, BSH and DZ BANK AG) that are successfully positioned in the real estate business.

These companies have developed successfully alongside each other. Following the merger overlaps became apparent which we need to address by redirecting the focus of our real estate business.

Our guiding principles are:

- To service customers largely under one roof
- To pool activities and thus avoid overlaps and gaps in the service offering.
- To increase the commercial benefits for the cooperative banks

Against this background, DZ BANK will integrate the commercial real estate activities of the former WGZ BANK, which have been with DZ BANK AG since the merger, in DG HYP.

In addition, the two real estate companies DG HYP and WL BANK – after a detailed analysis – have been mandated to enter into talks on a merger. The joint real-estate bank should then continue to service all four customer segments – commercial clients, housing industry, local authorities and private customers – and continue to be managed by the present Chief Executive Officers of the two banks, Dr. Georg Reutter, and by Frank Mühlbauer as Co-Chief Executive Officer.

We expect the reorganization will generate revenue and cost synergies in the low to middle double-digit millions.

The rough timetable is as following:

- In 2017 preparations will be made and further details will be worked out. We shall keep you informed of progress in good time.
- The corresponding resolutions for the reporting date 31.12.2017 will follow in the first half of 2018.

Bausparkasse Schwäbisch Hall will, however, continue with its tried-and-tested offering in all home saving and financing questions.

I should now like to come to the second aspect: the positioning of the DZ BANK Group.

At the moment we are in the process of elaborating the foundations for further development in the direction of a holding structure. We are guided here by various motives:

- Greater transparency with regard to costs and revenues
- Increased efficiency achieved particularly through a closer alignment of group-wide functions
- Increased effectiveness in the management of the individual business segments

- And last, but not least, improved governance in the DZ BANK Group and our cooperative financial network as a whole

At the same time, we intend to make the customer support we provide from the central institution and corporate bank more effective and we aim to free it from group management tasks.

We are embarking on this project with the due care and in the conviction that we are doing the right thing in the strategic and business interests of our owners.

In other words: the new positioning should be better for the cooperative financial network according to all pertinent criteria – costs, transparency, governance – than our present status quo.

To this extent, you will not see any revolutionary big bang coming from us, but rather the steady evolution of our group.

This is all the more so because the market environment is extremely volatile and the regulatory conditions will remain very challenging.

Naturally, while shaping our future we concentrate not only on ourselves and meeting the structural challenges I have

mentioned. Work on these structural questions is not an end in itself.

It is rather the case that we are keeping a keen eye on business. The positive response we experience in the market strengthens us in what we are doing.

Last year, too, we did justice to our role as a reliable partner in the capital markets und corporate banking business, as the large number of successful transactions documents.

This year we aim to take up where we left off. With the opening of a Representative Office in Jakarta we have taken another important step to give German companies even better support entering the Asian markets and to provide them with on-the-spot help opening up new markets.

But it is not only market opportunities that we see. We also continue to work on exploiting the opportunities of digitalization systematically for our companies and our customers. Last year we introduced a large number of new digital services and developed existing offerings further.

Union Investment's VisualVest is a robo-advisor for private investors. TeamBank's Fymio app provides customers with new financial planning tools and Reisebank wrote history with the first blockchain money transfer across the Atlantic:

while such a transfer previously took three days, it now takes eight seconds thanks to blockchain.

paydirekt developed well last year, not only with regard to the number of registered buyers, but also with new partner companies such as dm, MediaSaturn, Deichmann and DocMorris.

In the next few years besides continuing to develop our digital offering we shall also at the same time have to address the question how we can make even more systematic use of digitalization in our works flow beyond apps and customer experience.

Ladies and Gentlemen,

As you can see, we are not short of work. Finally, I should like to take a brief glance ahead. The political risks are mounting with a "re-organization" of transatlantic relationships and the possible spread of the European identity crisis in particular looming ever larger.

The elections in the Netherlands in mid-March and in France in April will be the next litmus test for the future of Europe and for the moment they overshadow the unresolved structural problems of many European countries and the

negative repercussions of the ECB's monetary policy, which can no longer be overlooked.

But this "gloomy" scenario is somewhat improved by the good recent development of the economic sentiment indicators in the euro area. In our German home market, too, optimism prevails. Our economists also share this view and they forecast growth of 1.2 per cent.

Against this backdrop, during this financial year we place three main lines of action very much to the fore.

First, we need to drive forward the integration of WGZ BANK, on which we have made a very successful start, and we have to reap the synergies that we aim for with the merger.

This work will also have an important impact on earnings in 2017 as the synergies will only come fully into effect in the next few years.

Before this background, for 2017 we expect a profit before taxes at the lower end of our sustainable profit range of 1.5 to 2 billion euros and we expect to be able to increase this again in the following years.

The second focus is on reinforcing our market position. The successes that we have already achieved – key word

consolidation – also engender an aspiration that we shall have to continue to satisfy in the months and years to come.

The third focus will also play a decisive role here. We shall push ahead with the further digitalization of our business and the networking of our offerings with the same determination that we as the DZ BANK Group also demonstrated in the past financial year.

These days our cooperative financial network is flexing its muscles to good effect. We are growing in the customer business, we are leaning-down without neglecting the market and we are investing in digitalization and thus in our core business. We are working on a future that we believe will be a rosy one for us.

We are tackling the tasks and grasping the opportunities of the future as a joint central institution that has economic clout, resilient capital and liquidity resources and excellent ratings and we are moving forward with a strategic focus that is as clear as it is sustainable and with the will to take the initiative.