



DZ BANK Group Investors Presentation

August 2020

 **DZ BANK** Group

Agenda

1. Half year results 2020

2. Capital and Liquidity

3. Asset Quality

4. Funding and Rating

5. Contact

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Key figures as of 30.06.2020

Challenging HY1 2020 marked by the COVID pandemic

Satisfactory business growth outstripping the market in nearly all business areas

Positive earnings performance in Q2 led to profit before taxes of EUR 557 million as at 30 June 2020 (previous year: EUR 1,464 m)

DZ BANK delivers a good business performance – central institution and corporate bank

Developments in the capital markets lead to smaller contributions to income, especially at R+V

Increased risk provisioning especially due to the COVID-19-induced adjustment of PDs and the shipping wind-down portfolio (DVB) as well as specific exposures

Capital situation at a very solid level with a common equity Tier 1 capital ratio of 14.0% (14.4% as at 31.12.2019)

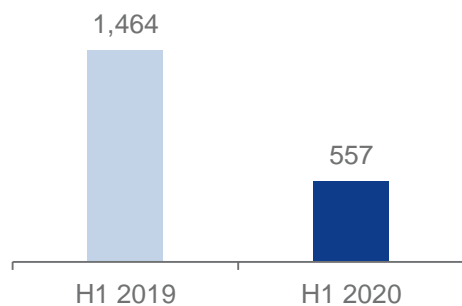
Outlook: Moderate increase in income in HY2, it will presumably not be possible to match the income of several billion euros reported in FY 2020

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Key figures

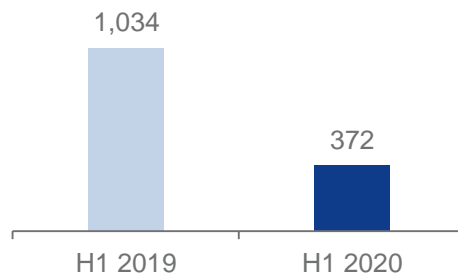
Profit before taxes

(in million €)



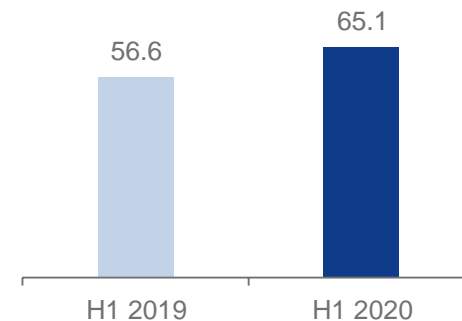
Net profit

(in million €)



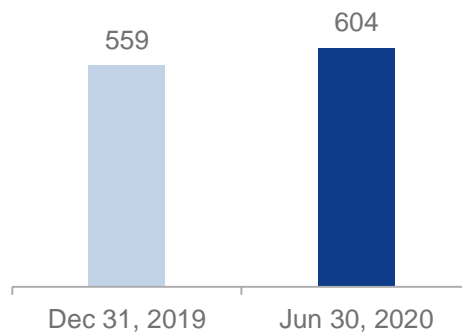
Cost income ratio

(in %)



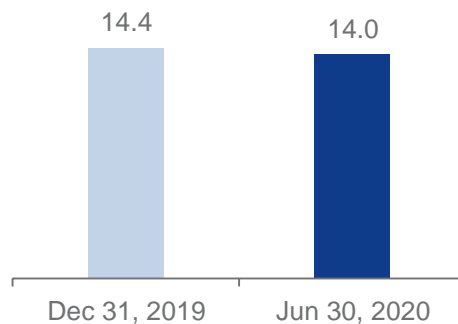
Total assets

(in billion €)



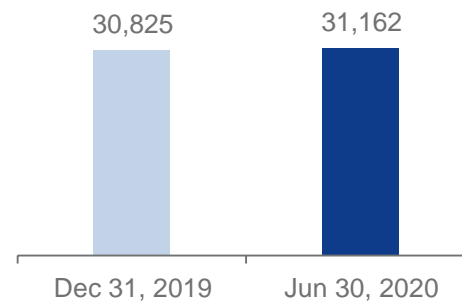
CET1 ratio

(in %)



Employees

(average number)



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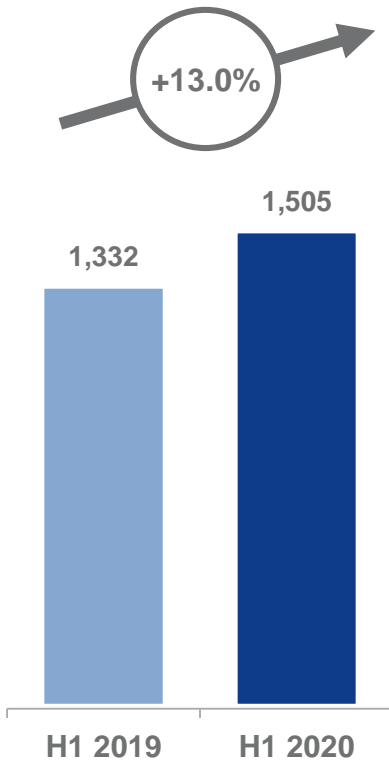
Income statement

€ million	Jan 1 - Jun 30, 2020	Jan 1 - Jun 30, 2019	Change (%)
Net interest income	1,505	1,332	+13.0
Net fee and commission income	1,052	958	+9.8
Gains and losses on trading activities	539	141	>100.0
Gains and losses on investments	-15	130	>100.0
Other gains and losses on valuation of financial instruments	-247	126	>100.0
Gains and losses from derecognition of financial instruments at AC	7	15	-53.3
Net income from insurance business	124	761	-83.7
Loss allowances	-522	-105	>100.0
Administrative expenses	-2,016	-2,046	-1.5
Other net operating income	130	152	-14.5
Profit before taxes	557	1,464	-62.0

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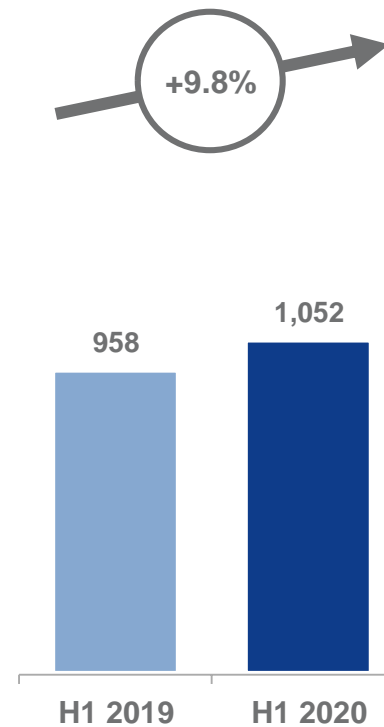
Net interest income and net fee and commission income

Net interest income (€ million)



- Net interest income higher than in HY1 2020
- Net interest income higher at **BSH, DZ BANK – central institution and corporate bank** and **DZ HYP**, on the other hand lower at **DVB**

Net fee and commission income (€ million)



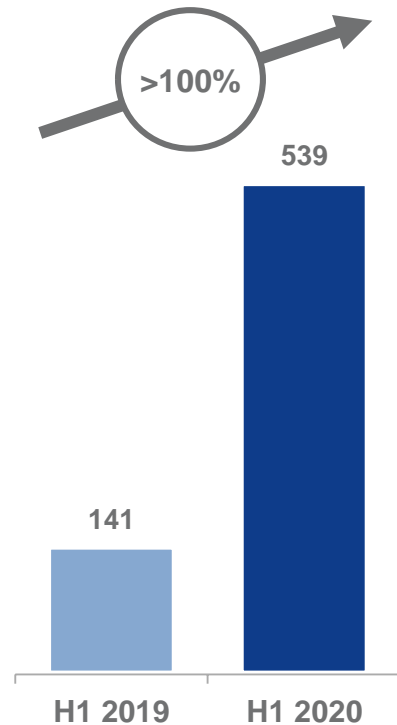
- Net fee and commission income significantly higher than in the year-earlier HY **UMH**: Positive development due mainly to increased volume-related revenues and income from performance-related management fees
- **DZ BANK – central institution and corporate bank**: increase in all operating business fields

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Gains and losses on trading activities and gains and losses on investments

Gains and losses on trading activities

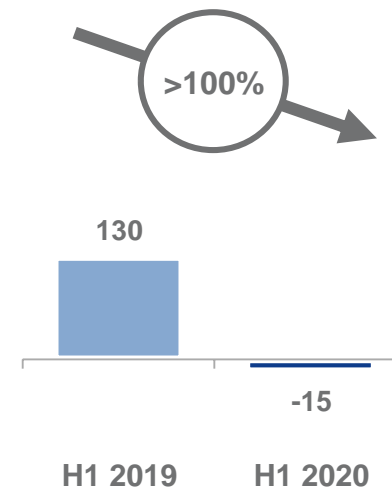
(€ million)



- Gains and losses on trading activities increased significantly compared to the prior-year period
- **DZ BANK – central institution and corporate bank:** Increase in operating income (customer result and contribution from trading income) in IFRS-induced effects outside the operating business (including income from the adjustment of valuation curves); offsetting impairment amounts from spread-widening and addition to valuation reserves in connection with the COVID-19 pandemic in the contribution from trading income

Gains and losses on investments

(€ million)

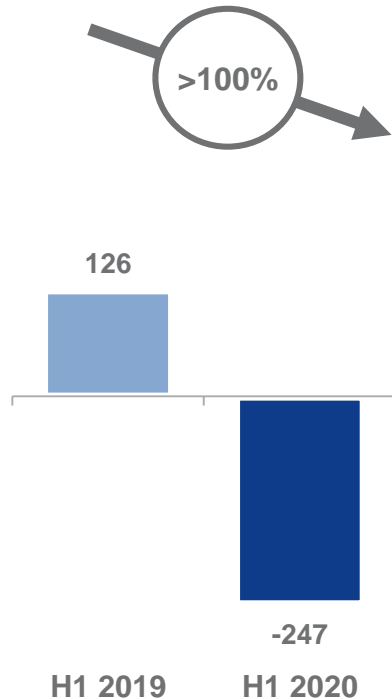


- Gains and losses on investments down on the year-earlier period
- **BSH:** Decline due mainly to proceeds from the sale of the Czech building society CMSS in the prior year (€ 99 m) and the company's contribution to earnings of -€30m caused by the impairment of the carrying amount of the equity investment in the Slovakian building society PSS

DZ BANK Group

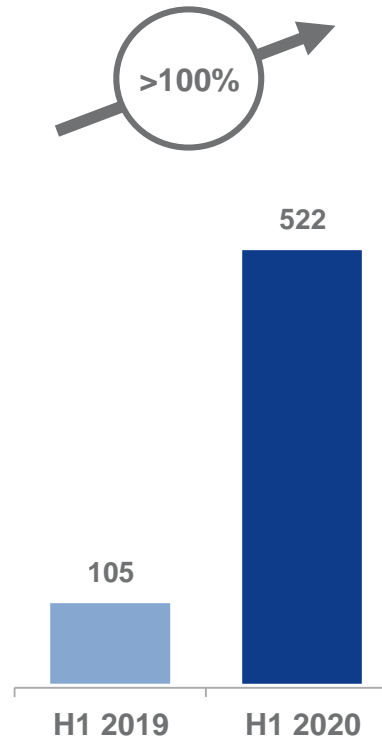
Other gains and losses on investments and loss allowances

Other gains and losses on valuation of financial instruments (€ million)



- Significantly lower other gains and losses on the valuation of financial instruments
- **UMH:** Decline from the change in the valuation of guarantee commitments and the fair-value valuation of the own-account investments of Union Investment
- **DZ HYP:** Mainly due to negative performance of the periphery bonds
- **DVB:** Decline due to IFRS valuation effects

Loss allowances (€ million)

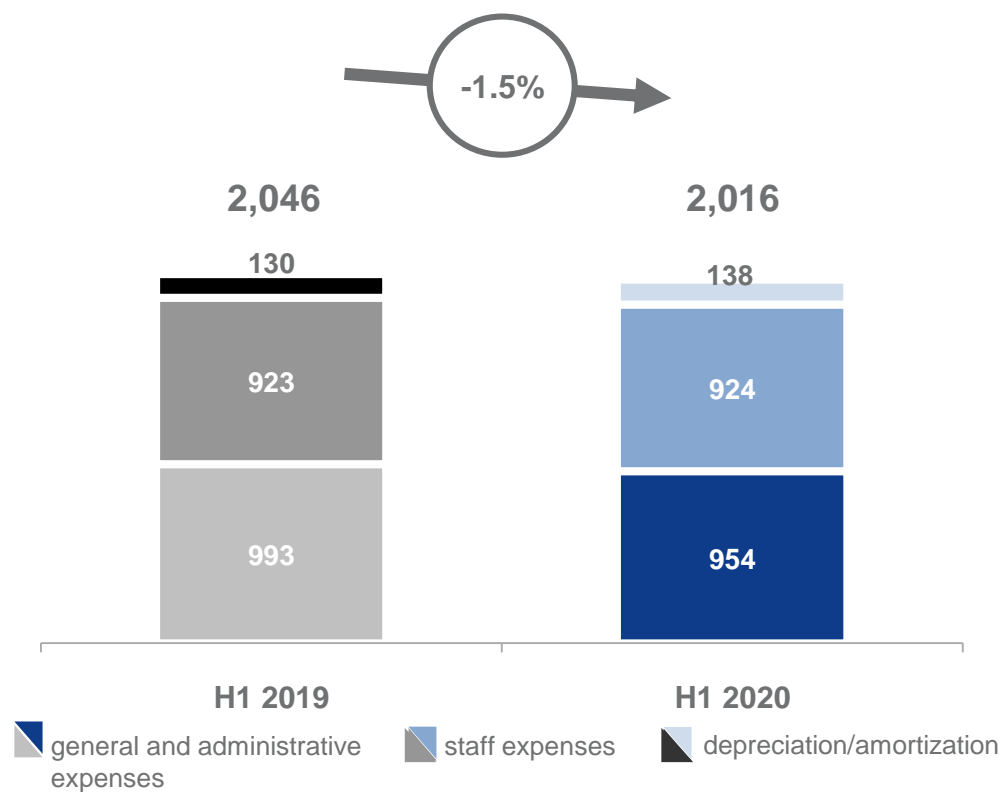


- Increased net additions to loss allowances due mainly to COVID-19-induced adjustment of macro-economic parameters
- Increased loss allowances at **BSH, TeamBank, DZ BANK – central institution and corporate bank, VR Smart Finanz and DVB**

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Administrative expenses

Administrative expenses (€ million)




- Administrative expenses slightly lower at a generally stable level

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Income statement by group company

€ million	Jan 1– Jun 30, 2020	Jan 1– Jun 30, 2019	Change (%)
BSH	75	149	-49.7
R+V	102	711	-85.7
TeamBank	49	63	-22.2
UMH	264	384	-31.3
DZ BANK – central institution and corporate bank	285	97	>100.0
DZ HYP	106	268	-60.4
DZ PRIVATBANK	27	13	>100.0
VR Smart Finanz	-24	1	>100.0
DVB	-228	-67	>100.0
DZ BANK – holding function	-124	-138	+10.1
Other/Consolidation	26	-17	>100.0
Profit before taxes	557	1,464	-62.0

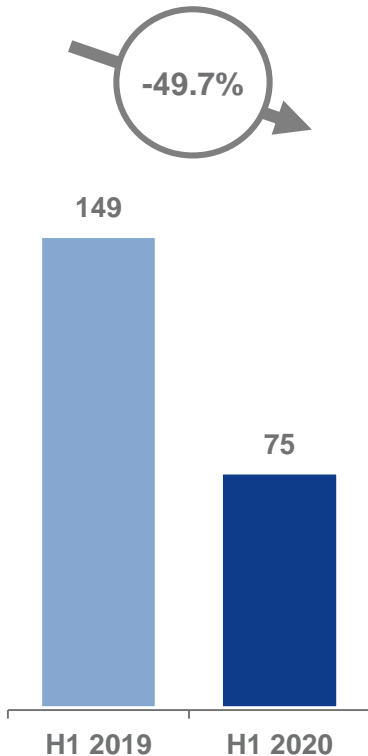
 = companies associated with the holding

 = companies associated with the central institution / corporate bank



Profit before taxes

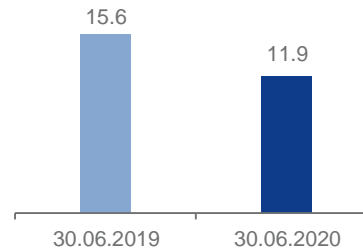
(in million €)



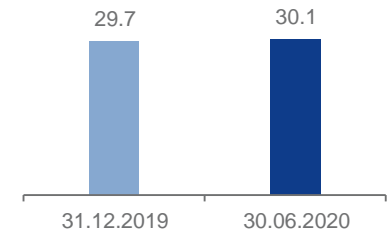
- **Market/environment – Home savings business:** Overall market has contracted significantly – BSH has a robust market position
- **Market/environment – Home finance business : Overall market is growing** – BSH reports above-average performance
- **Earnings** under pressure from ongoing low interest rate environment; besides one-off items from equity investments in both periods, so far in 2020 no notable one-off effects due to additions to provisions relating to building society operations

Operating performance

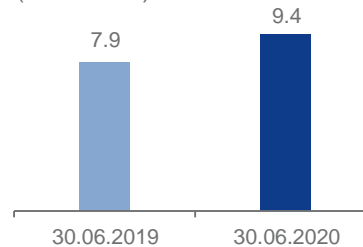
New home savings business
(in billion €)



Market share in Germany
(in %)



New home finance business¹
(in billion €)

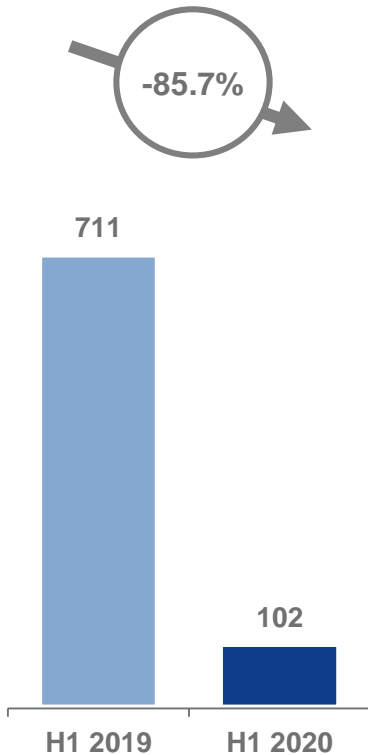


BSH reports stable to good to market performance, ongoing low-interest rate environment combined with the Corona situation poses a challenge

¹ Of which mediated to the accounts of Volksbanken Raiffeisenbanken: EUR 3.7 bn (30.06.2019: EUR 3.3 bn)

Profit before taxes

(in million €)

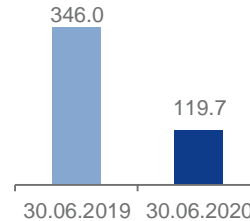


- **Market:** According to GDV data, a weaker business performance is to be expected in 2020; a decline in premiums of around 2 % is forecast (2019: premium growth of 6.9%)
- Premium growth above prior year in all segments with steep increases especially in the **Life / Health and Reinsurance** segments
- But profit before taxes significantly below prior year in all segments due to sharp decline in gains and losses on investments (due to the Corona crisis)
- **Profit before taxes R+V Group** significantly lower than in the previous year due mainly o negative gains and loses on investments, which contains large valuation effects, which are not of a permanent nature

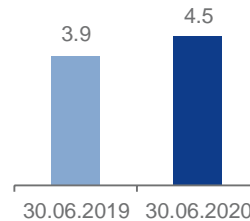
Operating performance

Life/health

Profit before taxes
(in million €)

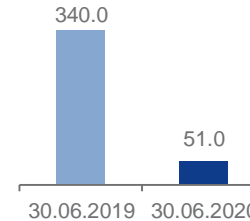


Gross premiums written
(in billion €)

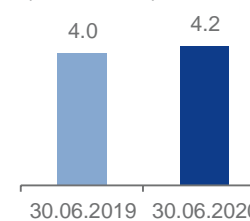


Non-life

Profit before taxes
(in million €)

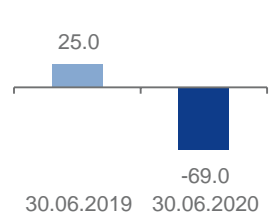


Gross premiums written
(in billion €)

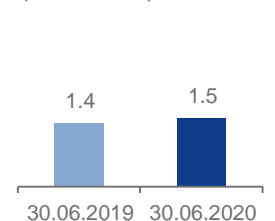


Inward reinsurance

Profit before taxes
(in million €)



Gross premiums written
(in billion €)

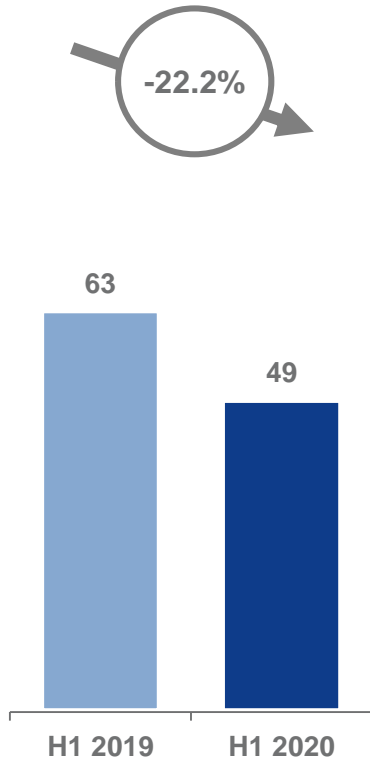


Good premium growth in all segments; net profit down significantly on the prior year – due mainly to gains and loses on investments



Profit before taxes

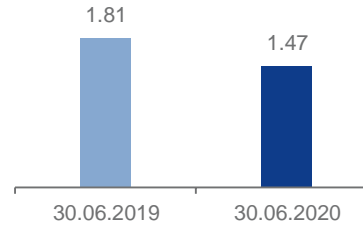
(in million €)



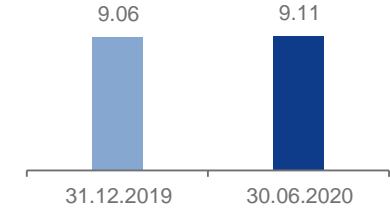
- **Market/environment:** Marked by intense competition on prices and conditions as well as the COVID-19 pandemic
- **New business:** Decline on the previous year due to the market environment
- **Earnings:** Down on the year-earlier period due to decline in business

Operating performance

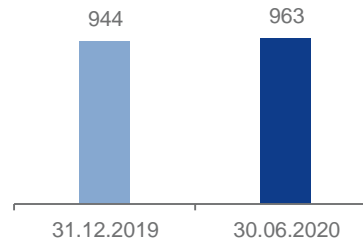
Consumer loan new business
(in billion €)



Loans and advances to customers
(in billion €)



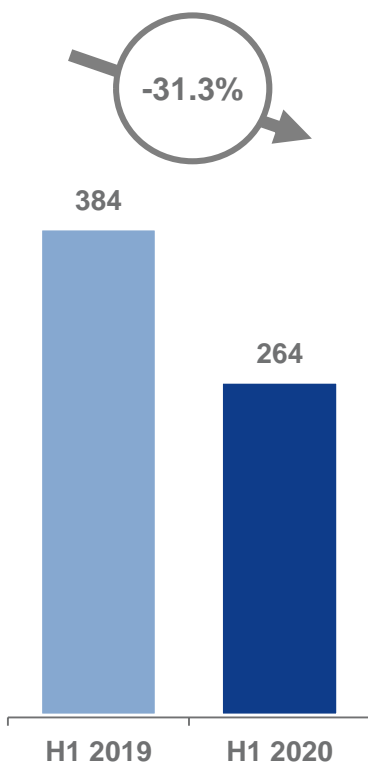
Number of customers
(in thousand)



Comparatively stable performance at TeamBank, but new business and earnings down on the previous year due to the COVID-19 pandemic

Profit before taxes

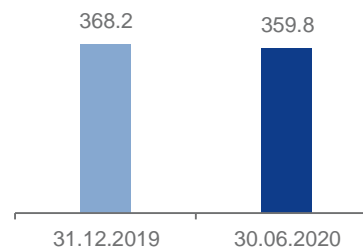
(in million €)



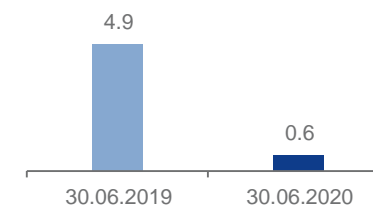
- **Decline in assets under management:** Recovery in net inflows and asset markets compared to Q1 2020 has not yet been able to offset negative market performance
- **Net inflows from retail customers** – above pro-rata plan; main drivers : fund saving schemes and real estate funds
- **Net inflows institutional customers** – at a low level despite acquisition of new customers
- Against the backdrop of ongoing negative valuation effects related to guarantee commitments and own-account investments **earnings performance is nevertheless good**

Operating performance

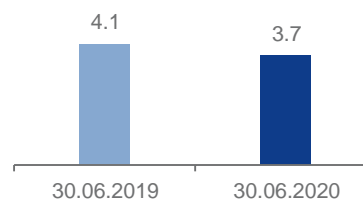
Assets under Management
(in billion €)



Net inflow from institutional clients
(in billion €)



Net inflow from retail clients
(in billion €)

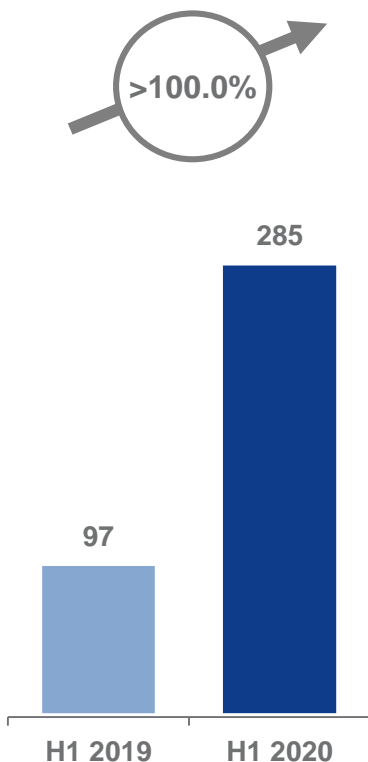


Good earnings performance in a difficult market environment

DZ BANK – Central institution and corporate bank

Profit before taxes

(in million €)

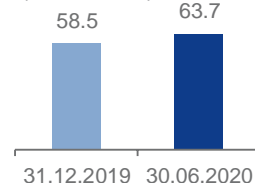


- **Profit before taxes** of € 285 m significantly higher than in the previous year
- **Operating income customers** higher than in the previous year; positive performance in all business fields
- **Corporate customers:** Significant increase in lending volume in a competitive market environment
- **Capital market:** Income and volume in all asset classes up on previous year; high volatility in the markets generated high sales as of March
- **Transaction Banking:**
 - Custodian bank business with AuD of € 253.5 bn currently in fourth place in Germany
 - Good performance in payments
 - Increase in the number of credit cards within the framework of the cards-growth initiative
- **Gains and losses on trading activities:** Support also from non-operating IFRS induced effects
- **Administrative expenses** unchanged on year-earlier level
- **Loss allowances** with a net addition requirement of -€ 256 m (including COVID-19-induced adjustment PDs -€ 98 m and substantial adjustment of a single exposure)

Operating performance

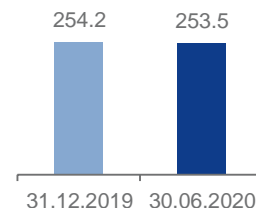
Corporate Banking

Corporate customer lending volume¹
(in billion €)



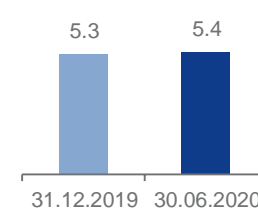
Transaction Banking

Depository (AuD)
(in billion €)

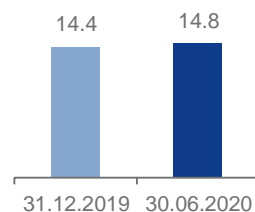


Transaction Banking

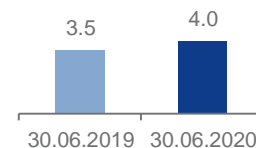
Credit card volume
(in million)



Joint credit volume
(in billion €)



Number of payment transactions
(in billion)

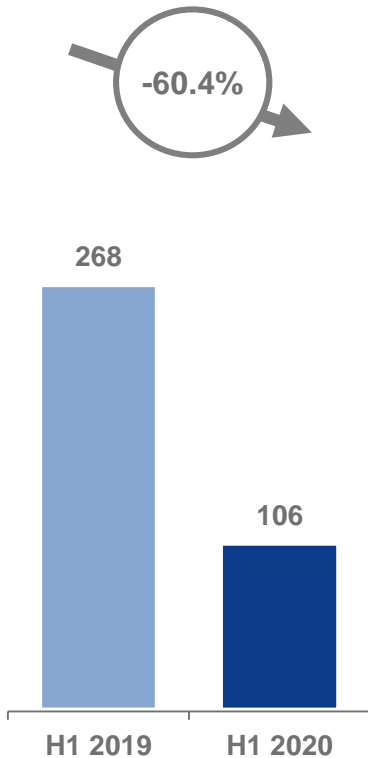


DZ BANK – central institution and corporate bank reports a positive performance in the operating business

¹ Corporate banking business in Germany and Structured Finance

Profit before taxes

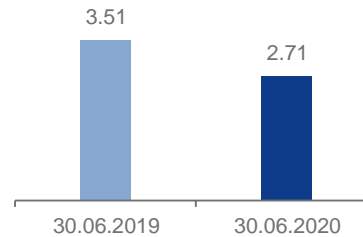
(in million €)



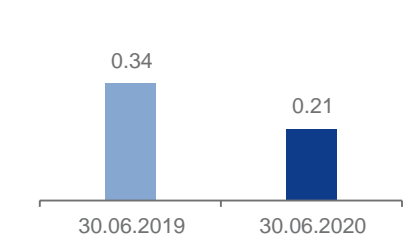
- **Real estate market** negatively affected by COVID-19 pandemic despite low interest rate environment
- **Volume of new lending** down on previous year's level
- **New business in the joint lending business with VBRB** almost matches year-earlier level
- **Operating result performance** stable, with loss allowances remaining unobtrusive
- **Other Gains and losses on the valuation of financial instruments** remain highly volatile with respect to periphery bonds

Operating performance

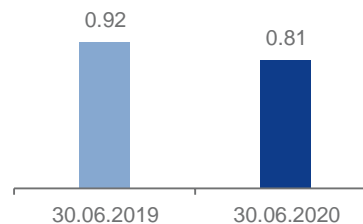
New business with commercial real estate investors
(in billion €)



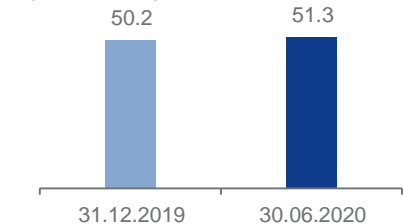
New business with housing sector
(in billion €)



New business with retail customers/private investors
(in billion €)



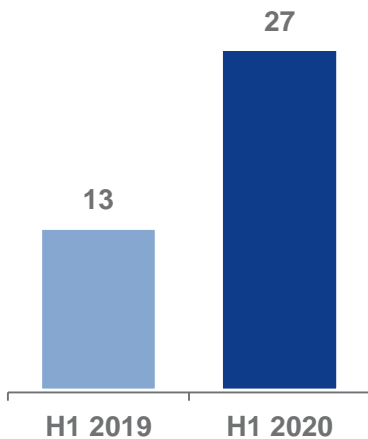
Total volume of real estate finance
(in billion €)



DZ HYP's business performance remains generally robust, gains and losses on valuation of financial instruments remain highly volatile

Profit before taxes

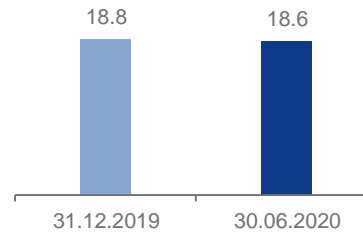
(in million €)



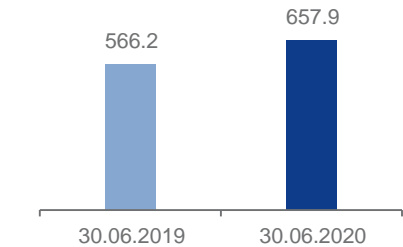
- Market/environment:**
 - Significant recovery in the equity markets
 - The market environment remains difficult with mounting regulatory requirements, strong competition for market shares and pressure on margins
- Volumes:** Following the pressures caused by Covid-19 Assets under Management and Assets under Custody grew on average by +10% in the second quarter
- Profit before taxes:** Ahead of plan; declining earnings components more than offset by other areas

Operating performance

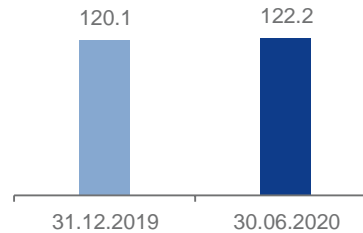
Assets under Management
(in billion €)



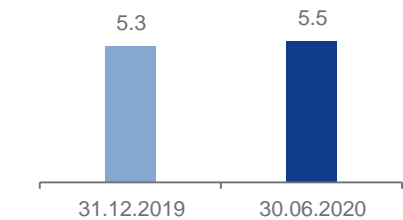
Net inflows
(in million €)



Assets under Custody
(in billion €)



Lending volume
(in billion €)



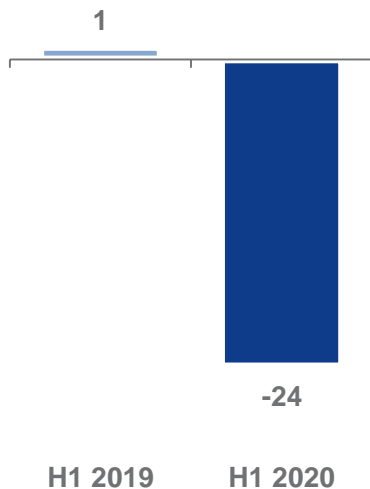
Stable performance at DZ PRIVATBANK in a difficult market and work environment

VR Smart Finanz



Profit before taxes

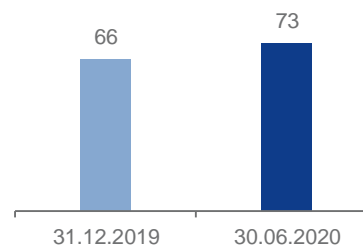
(in million €)



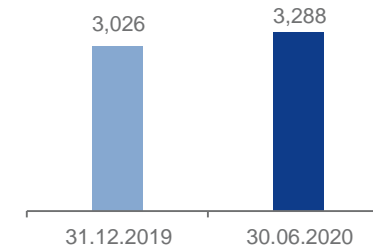
- **Market:** Performance is following the overall economic trend with positive expectations for new business due to the introduction of the VR Smart Finanz flexibel Förderkredit (development loans)
- **New business growth** posting uptrend compared to the previous year
- **Profit before taxes** negative due to transformation effects and increase in loss allowances

Operating performance

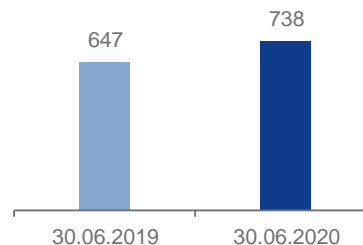
Number of customers
(in thousand)



Volume of business
(in million €)



Volume of new business
(in million €)

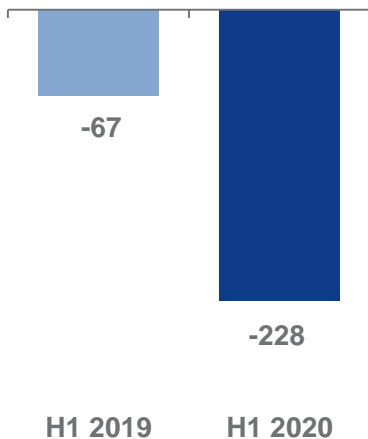


VR SF geared to the Corona situation (including with new product VR Smart flexibel Förderkredit), positive new business given the risk situation observed in the course of the year



Profit before taxes

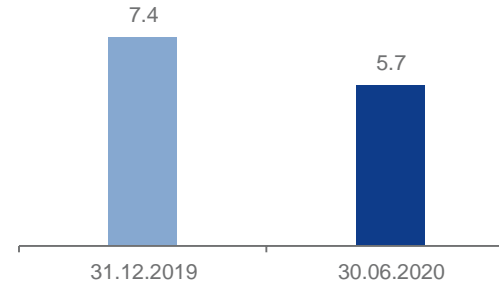
(in million €)



- **Difficult market situation in maritime sectors exacerbated by the COVID-19 pandemic:** Excess capacity in the main shipping segments, especially difficult situation in the offshore segment
- Further **downsizing of** Shipping / Offshore under own management and suspension of new business
- **Earnings** marked by significantly higher loss allowances in Q2

Operating performance

Customer lending volume
(in billion €)

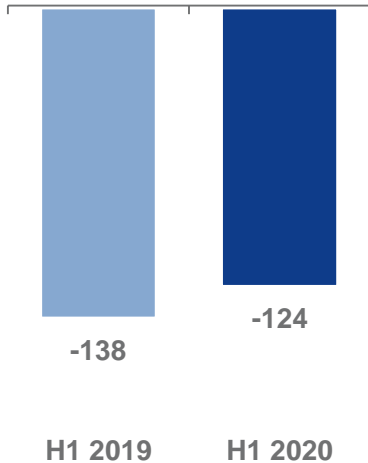


Reduction of remaining portfolio under own management, Q2 marked by significant increase in loss allowances

DZ BANK – Holding function

Profit before taxes

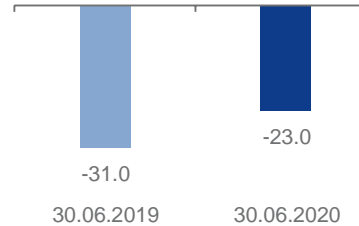
(in million €)



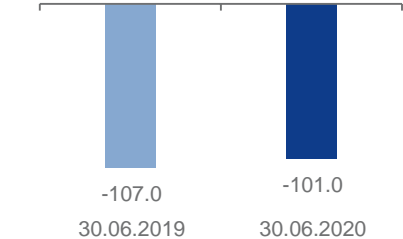
- This segment is a cost center for the expenses in connection with the holding function
- **Interest expenses:** Include expenses for the provision of funding and subordinated capital
- **Administrative expenses include:**
 - expense (based on total assets) for the bank levy/BVR protection scheme
 - IT and project costs
 - group management function
 - other services for the group/network
- Increase in **profit before taxes** due to lower interest expenses for the provision of subordinated capital and reduced administrative expenses

Operating performance

Net interest income
(in million €)



Administrative expenses
(in million €)



Reduction in expenses in connection with the holding function

Agenda

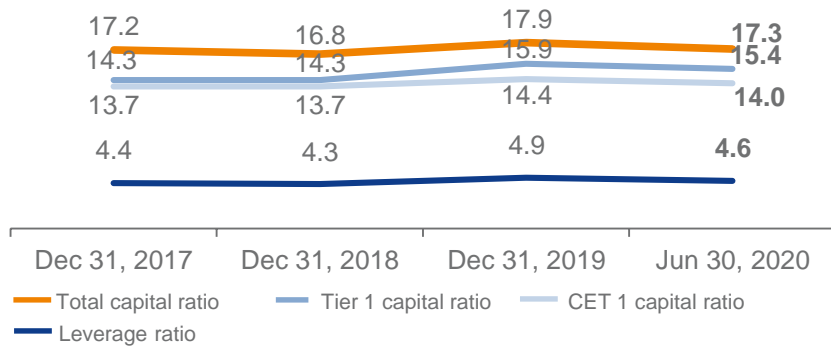
1. Half year results 2020
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DZ BANK Group

Current capital situation

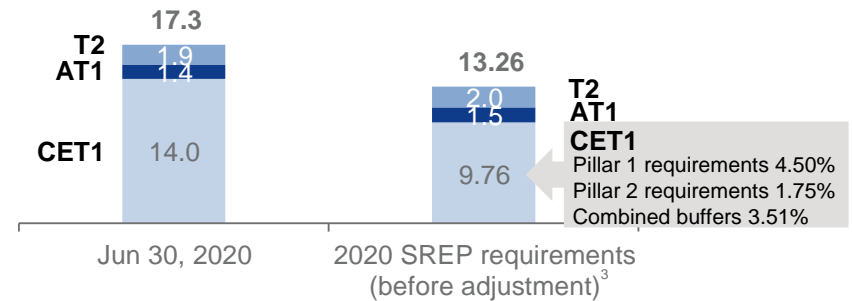
Capital ratios¹

(in %)



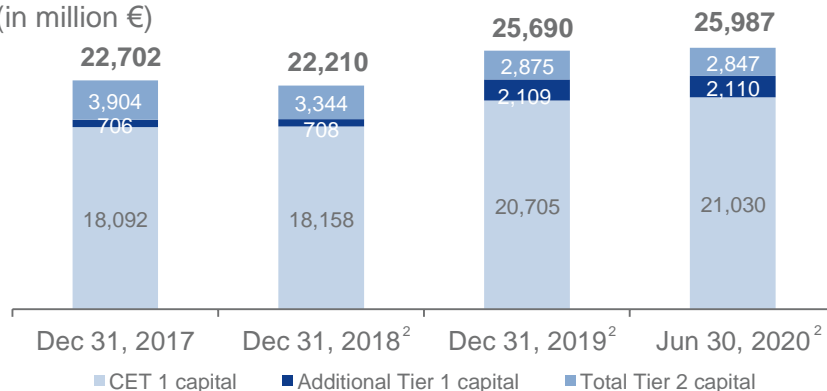
Capital requirements

(in %)



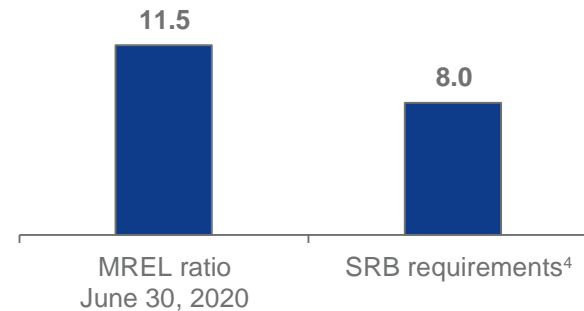
Regulatory capital

(in million €)



Consolidated MREL (hybrid)

(in %)



¹ Based on currently binding requirements excl. Regulation (EU) 575/2013 transitional arrangements

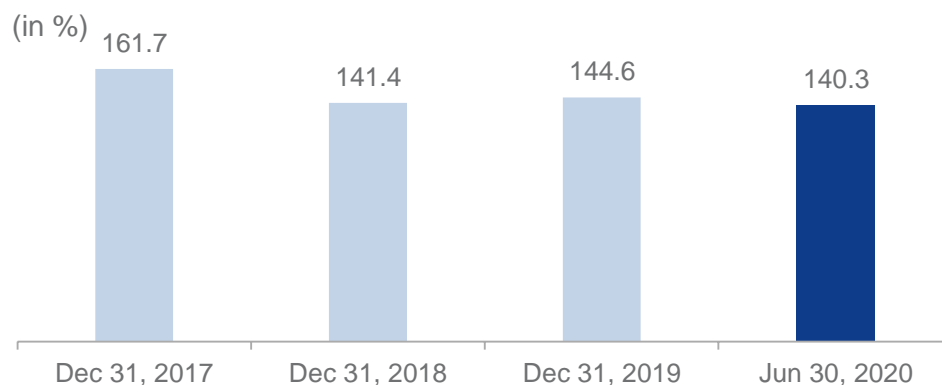
² From 2018 on: disclosure of CRR fully-loaded figures ³ "before adjustment": initially planned requirements without recognition of facilitations on regulatory requirements resulting from the COVID-19 crisis

⁴ Single Resolution Board

DZ BANK Group

Current liquidity situation

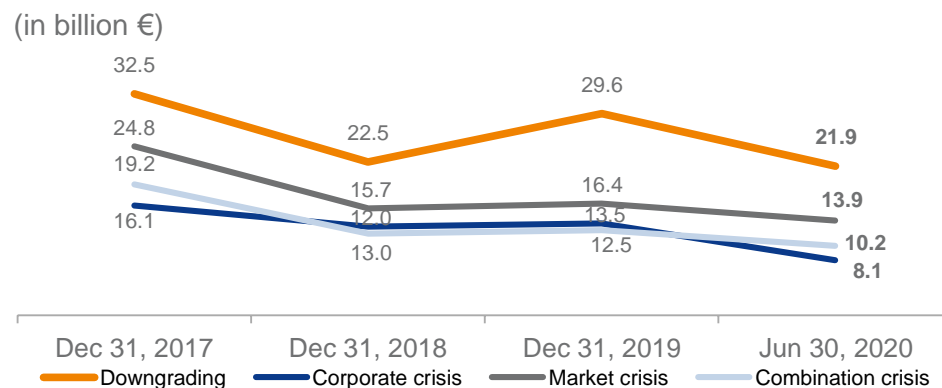
Liquidity coverage ratio – LCR



- The decline in the LCR with a slight increase in excess cover is attributable to the ratio's higher sensitivity to the net liquidity outflows
- In HY1 2020 the internal threshold of 110.0 percent and the regulatory minimum requirement of 100.0 percent were exceeded on every measurement and reporting date.

Economic liquidity adequacy

Minimal liquidity surpluses in stress scenario



- The liquidity risk value measured as at 30 June 2020 for the stress scenario with defined limits with the lowest minimum liquidity surplus (squeeze scenario) was € 8.1 bn (31 December 2019: € 12.5 bn)
- The risk value as at June 2020 was above the internal threshold (€ 4.0 bn) and above the limit (€ 1.0 bn) as well as the external minimum target (€ 0 bn)

Agenda

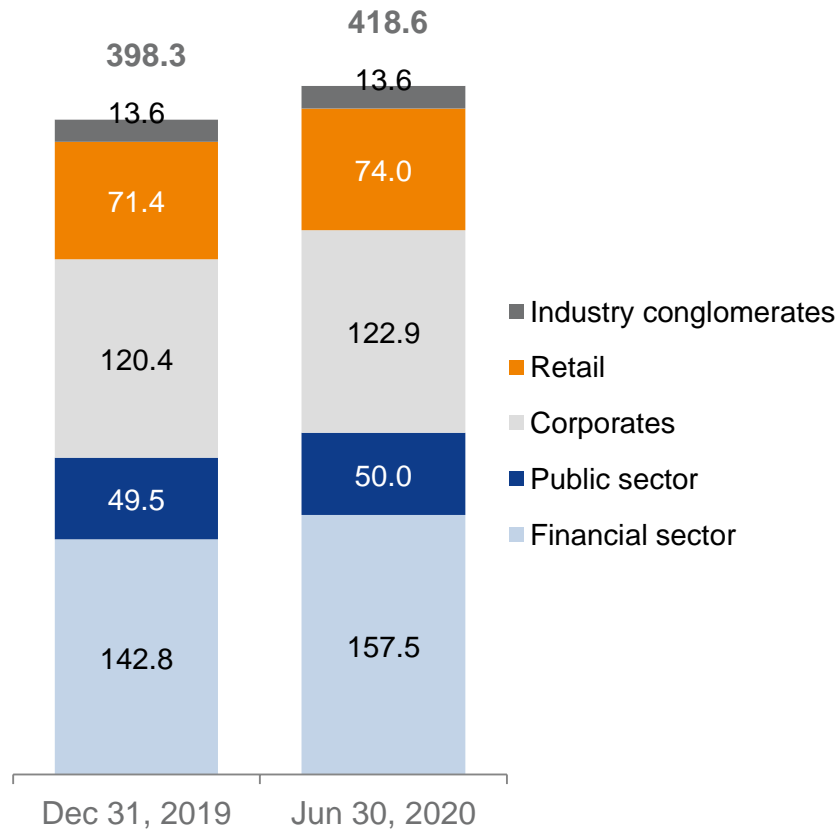
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DZ BANK Group – Bank sector*

Portfolio structure

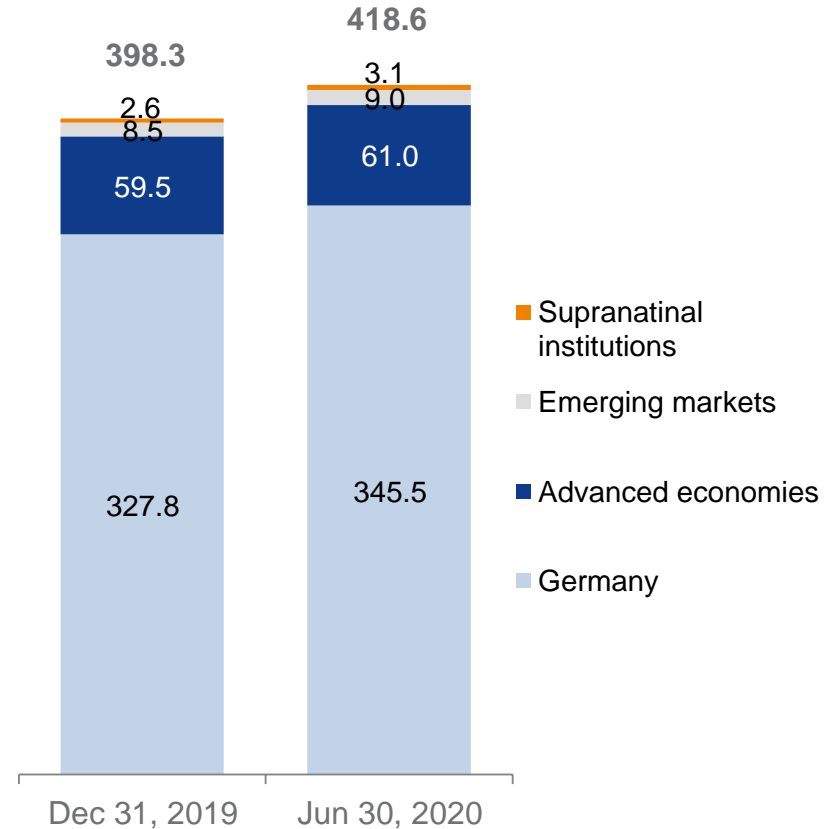
Lending volume by sector

€ bn



Lending volume by country group

€ bn



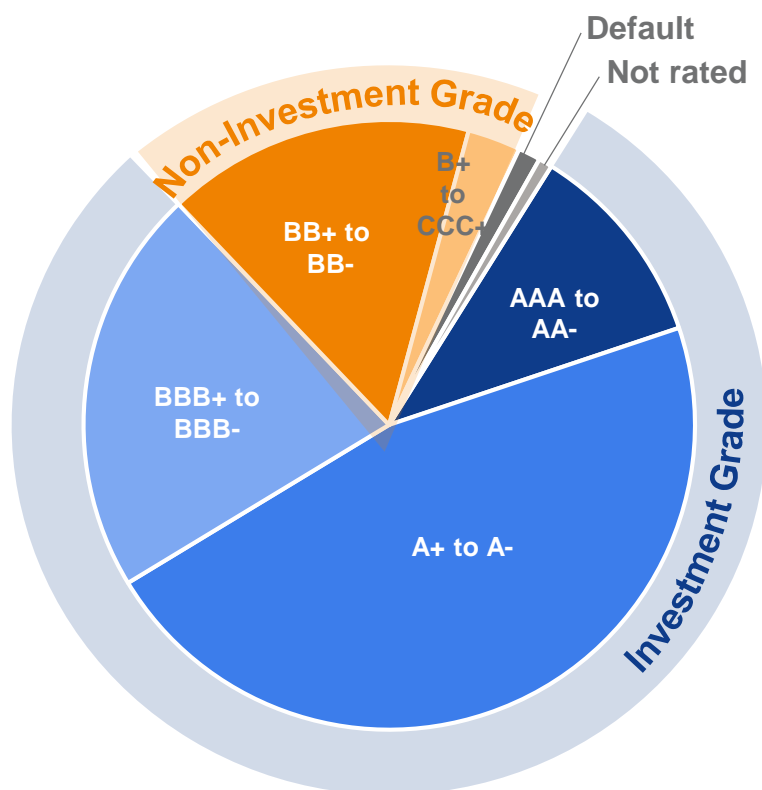
*Bank sector (excl. R+V Insurance)

DZ BANK Group – Bank sector*

Rating structure of credit portfolio

Lending volume by rating class

(Matching of DZ BANK's internal credit ratings to the ratings used by Standard & Poor's)



- DZ BANK Group credit portfolio shows stable rating structure
- 79% of the total lending volume with investment grade ratings, 19% with non-investment grade ratings
- Defaults accounted for 1% of the total lending volume
- As at Jun 30, 2020, the 10 counterparties associated with the largest lending volumes accounted for 6% of total lending
- 10 largest counterparties largely comprised predominantly financial institutions and public-sector borrowers in Germany with Investment Grade ratings
- Collateralization rate of 37.5% (Dec. 31, 2019: 39.4%)

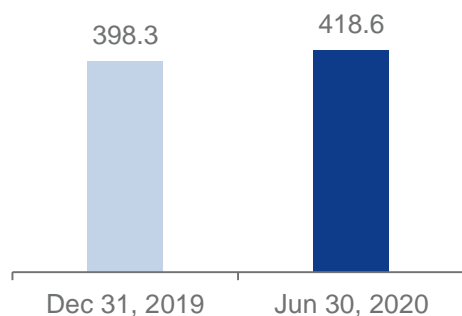
*Bank sector (excl. R+V Insurance)

DZ BANK Group – Bank sector*

Key figures for the volume of non-performing loans

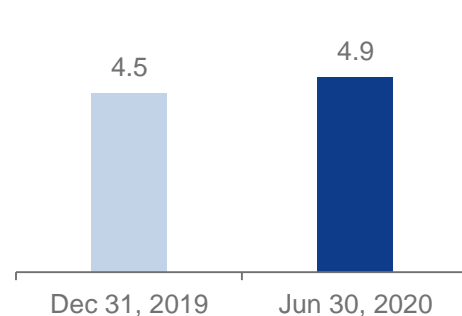
Total lending volume

(in billion €)



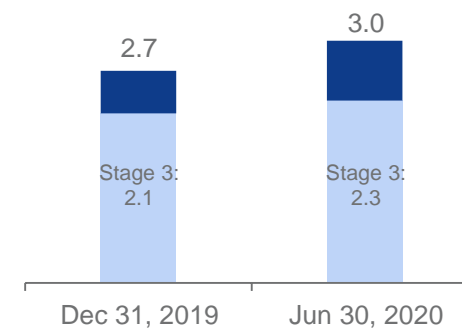
Volume of non-performing loans¹

(in billion €)



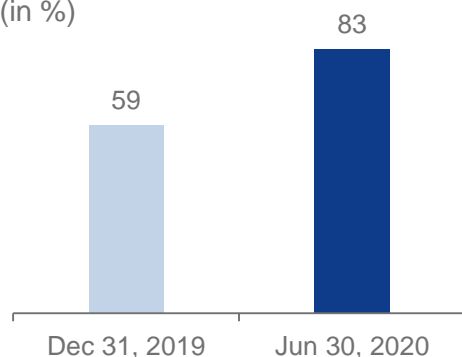
Balance of loss allowances²

(in billion €)



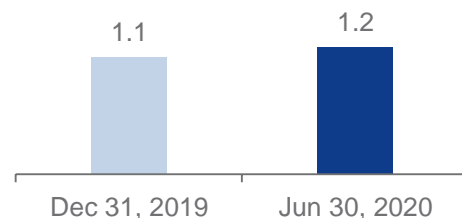
Risk cover ratio^{3,4}

(in %)



NPL ratio⁵

(in %)



1 Volume of non-performing loans excluding collateral; 2 Balance of loss allowances exists of IFRS stage 3 as well as portfolio loss allowances for the performing portfolio (IFRS stages 1 and 2); 3 Balance of individual loss allowances (stage 3) incl. collateral as a proportion of the volume of non-performing loans; 4 Change in calculation basis compared to Dec 31, 2019: Recognition of the balance of loss allowances which can directly be assigned to non-performing loans (IFRS stage 3), in 2019: total balance of loss allowances, additionally recognition of collateral; 5 Volume of non-performing loans as a proportion of total lending volume

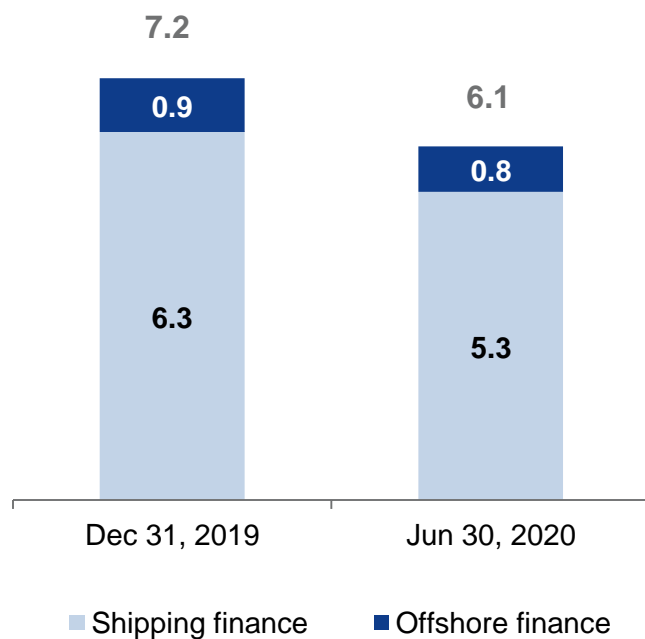
*Bank sector (excl. R+V Insurance)

DZ BANK Group – Bank sector*

Maritime sectors / Shipping finance portfolio

Lending volume in maritime sectors

(€ billion)



Shipping Finance

- Exposure of € 5.3 bn (Dec 31, 2019: € 6.3 bn) – primarily at DVB (€ 4.6 bn), DZ BANK with substantially lower proportion (€ 0.7 bn)
- Ongoing decline mainly due to run-off of non-strategic portfolio

Offshore Finance

- Exposure of € 0.8 bn (31 Dec, 2019: € 0.9bn) – solely at DVB

*Bank sector (excl. R+V Insurance)

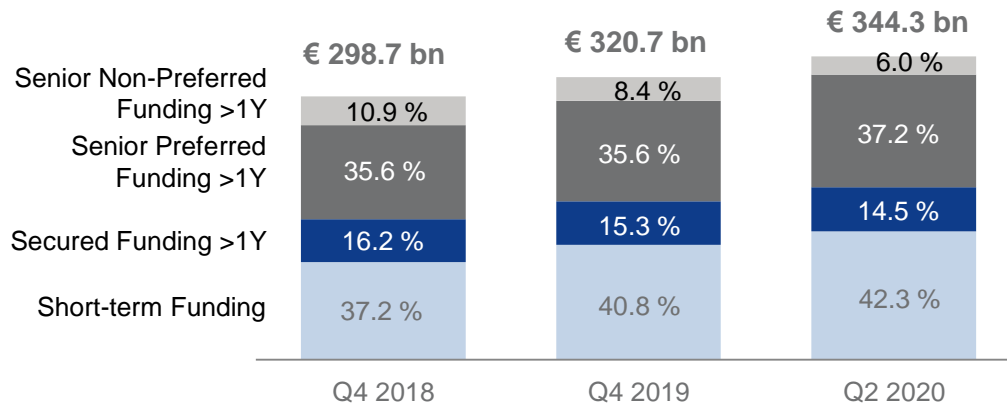
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DZ BANK Group

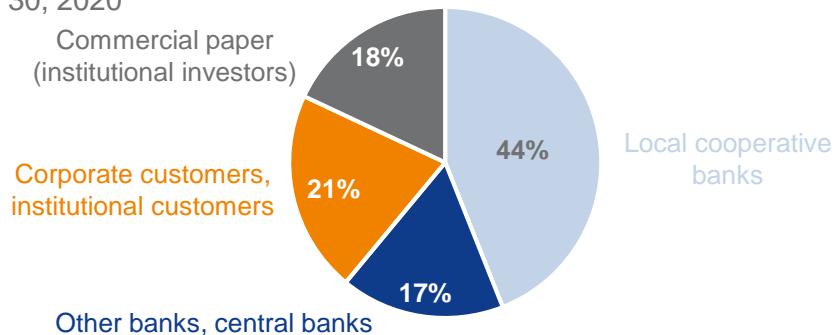
Diversified funding base

Funding structure



Unsecured short- and medium-term funding

Jun 30, 2020



Money market funding

- Liquidity surplus of local cooperative banks provides the main basis for short-term funding in the unsecured money markets
- Corporate customers and institutional clients are another important source of funding
- DZ BANK and DZ PRIVATBANK use groupwide multi-issuer euro commercial paper program to issue money market products based on debt certificates
- Furthermore collateralized money market activities

Structural liquidity (>1Y)

- Funding via structured and non-structured capital market products
- Products offered for local cooperative banks' own-account and customer-account securities business and to institutional clients
- Secured funding through issuance of Pfandbriefe / DZ BANK BRIEFE by DZ BANK, DZ HYP, DVB and BSH
- Long-term funding requirements in foreign currencies are covered through the basis swap market, ensuring matching maturities

DZ BANK Rating overview

S&P Global

MOODY'S

FitchRatings

Bank ratings

Issuer Credit Rating	AA-*	Aa1	AA-*
Outlook	negative	negative	negative
Short-Term Rating	A-1+*	P-1	F1+*
Long Term Counterparty Risk Assessment / Derivative Counterparty Rating	-	Aa1	AA

Issuance ratings

Covered Bonds	AA+	Aaa	-
Long Term Deposits	-	Aa1	AA
Senior Unsecured	Preferred	Aa1	AA
	Non-preferred	A2	AA-
Tier 2	A	A3	A

* joint rating for the Cooperative Financial Services Network

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IR Contact

Dr. Kirsten Siersleben
(Head of Corporate General Secretariat)

kirsten.siersleben@dzbank.de

Phone: +49 69 7447 1005

Markus Stachel (Group Head Investor Relations)

markus.stachel@dzbank.de

Phone: +49 69 7447 9841

Daniela Pauly

daniela.pauly@dzbank.de

Phone: +49 69 7447 42373



DZ BANK AG
INVESTOR RELATIONS
Platz der Republik
60265 Frankfurt am Main
Germany

[dzbank.com](https://www.dzbank.com)
ratings.dzbank.com

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