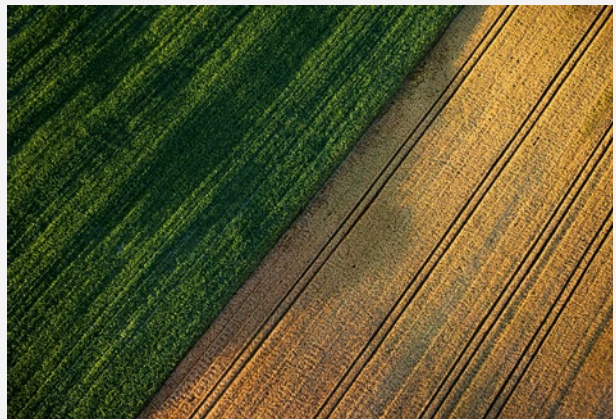
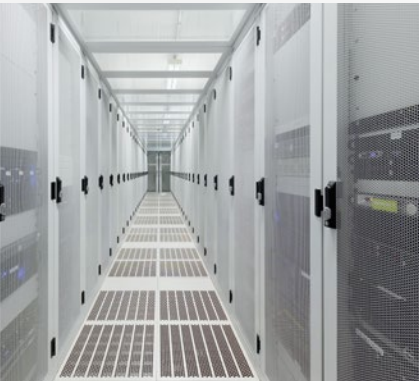


Magazine accompanying the
2016 Annual Report



INITIATIVE IMPACT

Taking the Initiative Today,
Making an Impact on Tomorrow.





**Dieter Hermes
and Walter Syndikus**
**Making international business
simple – pooling expertise for
global strategies**

Cooperative banks and their customers benefit directly from the pooled expertise in DZ BANK's competence center for international business.

Page 4



Andreas Deitert
**Market success – in tandem with
the cooperative banks**

Working in partnership with the cooperative banks on a basis of trust, while maintaining a strategic dialog with them, are incredibly important factors for our joint success.

Page 6



Thomas Adelt and Christian Römmele
**VR-AgrarInvestplan – a digital
approach to planning capital
expenditure projects**

This newly developed application provides farmers with smart access to information on public-sector development loans and helps them to optimize financing.

Page 10



Oliver Saake and Christina Kunz
**Simpler, more structured advice
for investment customers – with
an optimized product portfolio**

The range of products in securities business for customer account has been restructured and designed to be even more transparent, helping to ensure that customers are provided with expert, intelligible advice.

Page 12



Peter Freyer and Heiko Lenz Digital services for small and medium-sized enterprises – with VR BusinessOnline

VR BusinessOnline is an application that provides corporate customers with product information and enables them to inquire about loans, leasing offers, overnight money, and fixed-term deposits.

Page 8



Reviewing the merger

The amalgamation of DZ BANK and WGZ BANK in 2016 was a historic step for the cooperative financial network. We look back at the milestones of the merger.

Page 14

Taking the Initiative Today, Making an Impact on Tomorrow.

Thinking ahead on our own initiative.
Taking new paths in order to make progress.
The strength to achieve things together.
These are the guiding principles of the joint
central institution.

Following the merger of DZ BANK and
WGZ BANK on August 1, 2016, the
cooperative organization now has just
one central institution – a key element of
ensuring the entire cooperative financial
network is ready for the future.

Die Initiativbank, the joint central institu-
tion's slogan, is not simply something
that we use in communications but an
idea that we put into practice every day.
Our employees present their initiatives in
this magazine accompanying the Annual
Report, which you can also find online at
www.annualreport.dzbank.com.



Multimedia version of
initiative content at
[www.annualreport.dzbank.com/
initiatives-overview](http://www.annualreport.dzbank.com/initiatives-overview)

“The Volksbanken Raiffeisenbanken help to strengthen international business.”



Dieter Hermes and Walter Syndikus Making international business simple – pooling expertise for global strategies

Globalization is one of the defining trends of our time and is affecting all areas of life. From an economic perspective, this process means markets are becoming more interconnected and internationalized with a demonstrable impact on business activities.

Even small and medium-sized enterprises (SMEs) are benefiting from new growth prospects generated by international relationships. This is also reflected in Germany's rising export figures: according to data from the German Federal Statistical Office, goods worth almost €1,207 billion were exported from Germany in 2016. German exports in 2016 were therefore 1.2 percent higher than in 2015.

Importance of global activities is growing

A representative survey of international activity in SMEs carried out on behalf of DZ BANK in autumn 2016 found that 58 percent of SMEs with revenue of €0.5 million to €125 million currently engage in international business. Even if a business is not itself manufacturing outside Germany, it is increasingly importing or exporting goods or services.

DZ BANK uses its expertise and global network to support the international business activities of the Volksbanken Raiffeisenbanken and their SME customers. To this end, it has pooled its capabilities in its 'competence center for international business'. Cooperative banks and their customers benefit directly from the comprehensive, expert advice and support for international business. "The customers of the Volksbanken Raiffeisenbanken are SMEs with an increasingly international outlook as a result of the growing interconnectivity of global trade. Our aim is to make sure we give these customers appropriate support in their international activities," says Walter Syndikus, project manager responsible for furthering international business with the Volksbanken Raiffeisenbanken, describing the motivation behind DZ BANK's approach.

International market expertise and a fully functioning network

Companies that plan to expand their business activities abroad need to be well prepared, however. DZ BANK is on hand to help SMEs develop new growth markets.

As emphasized by Dieter Hermes, Head of Group, Advisory and Sales International Business West, "Our organization has a comprehensive range of expertise at its disposal, enabling it to provide our SME customers with the best possible support as they expand into relevant target markets around the globe." The Volksbanken Raiffeisenbanken, which number around 1,000, have strong regional ties and in many cases have known their SME customers for years. DZ BANK acts as a subsidiary partner of the cooperative banks, providing the local banks with access to experienced international specialists and a well-structured network of branches and representative offices in key economic centers and growth markets around the world. To offer customers even greater geographical coverage, DZ BANK also maintains links to leading correspondent banks in around 150 countries in addition to its own international network.

58%

*of SMEs with revenue between
€0.5 million and €125 million
are currently involved in
international business.*



Source: DZ BANK, autumn 2016

► **The initiative of Dieter Hermes and Walter Syndikus:**
www.annualreport.dzbank.com/initiative-international-business

Andreas Deitert

Market success – in tandem with the cooperative banks

In view of the persistently low level of interest rates and rising costs caused by digitization and regulation, the cooperative financial network is also faced with the challenge of finding efficient and effective ways of staying economically strong and robust.

Against this background, a hugely important role is played by DZ BANK's collaborative partnership based on trust with the cooperative banks, which are both its shareholders and its most important customers. DZ BANK's Regionaldirektoren and the cooperative banks' boards of managing directors are in continuous contact at a strategic level, with the aim of underpinning the position of the cooperative

financial network in the market and gaining market share. The Regionaldirektoren are key account managers and familiar with the needs of their customers. As both a sparring partner and a sounding board, the Regionaldirektoren work together with the boards of managing directors of the cooperative banks to develop tailored solutions that are then implemented in cooperation with the relevant product experts.

*“Optimum integration
leading to
joint success.”*





Since 1991, the average total assets of the cooperative banks in Germany have increased almost ninefold as a result of business growth and mergers. This has also resulted in a significant rise in requirements for the support services provided by DZ BANK.

Following the successful completion of the merger between DZ BANK and WGZ BANK in August 2016, the joint central institution is now even better placed to fulfill its cooperative banking remit. Experience from both banks is now channeled into holistic, decentralized support for the cooperative banks. The optimum integration in the cooperative financial network and in the DZ BANK Group is leading to synergies and processes can be structured more efficiently. "We must develop our services so that they help the cooperative banks perform successfully in the market. Since the merger, the opportunity to do this has been greater than ever before," says Andreas Deitert, Head of Department, Cooperative Banks/Verbund Central Germany Region, describing his motives for pursuing even greater connectivity with the cooperative banks.

Safeguarding future viability

Relationship management and information-sharing with the cooperative banks at a strategic level are not the only areas of activity to receive a boost from the merger to form a joint central institution. Consultancy on strategic bank management has also been integrated into the Cooperative Banks/Verbund division of DZ BANK from an organizational perspective. Regionaldirektoren and strategic bank management consultants now enjoy even closer contact and information-sharing. This means that much more focused ideas can be derived from the numerous analyses of a bank's risk situation and financial performance.

► **The initiative of Andreas Deitert:**
www.annualreport.dzbank.com/initiative-partnership

*“Digital integration
for SME customers.”*



Peter Freyer and Heiko Lenz Digital services for small and medium-sized enterprises – with VR BusinessOnline

SMEs have also long since been drawn into the process of digitization. Besides investing in the digitization of their own processes, SMEs increasingly expect financial institutions to offer digital solutions for processing banking transactions. This has been confirmed by current studies. Businesses increasingly use the internet to seek out specific financing solutions.

DZ BANK is supporting digital transformation by automating business processes between the cooperative banks and SME customers across all customer channels with the help of an innovative tool and relevant data. “VR BusinessOnline is an application that supports sales in the Volksbanken Raiffeisenbanken, helping these

banks to grow by acquiring new customers and expanding existing customer relationships. In this way, the cooperative banks are making advances in the digitization of corporate banking,” explains Peter Freyer, who is leading the VR BusinessOnline project at DZ BANK jointly with Heiko Lenz.

Searching for and inquiring about financing and investment products using seamlessly integrated systems

VR BusinessOnline provides corporate customers with simple, fast access to products and services offered by the Volksbanken Raiffeisenbanken cooperative financial network. The online tool presents product information and also allows users to inquire about loans, leasing offers, overnight money, and fixed term deposits. An online inquiry process then forwards the user to the relevant cooperative bank. Subsequently, the bank can use the online system to respond to the customer's inquiry by sending a specific financing or investment proposal.

Since the launch of VR BusinessOnline, the Volksbanken Raiffeisenbanken have received and processed around 1,250 inquiries with a total value of approximately €230 million from SMEs using the seamlessly integrated process. Most of the inquiries have related

to leasing offers (44 percent) and loans (43 percent).

"With VR BusinessOnline, the cooperative banks can meet the current requirements of their customers, while avoiding small, detailed routine tasks. To date, no other major bank has offered a similar service in this structured form," explains Heiko Lenz.

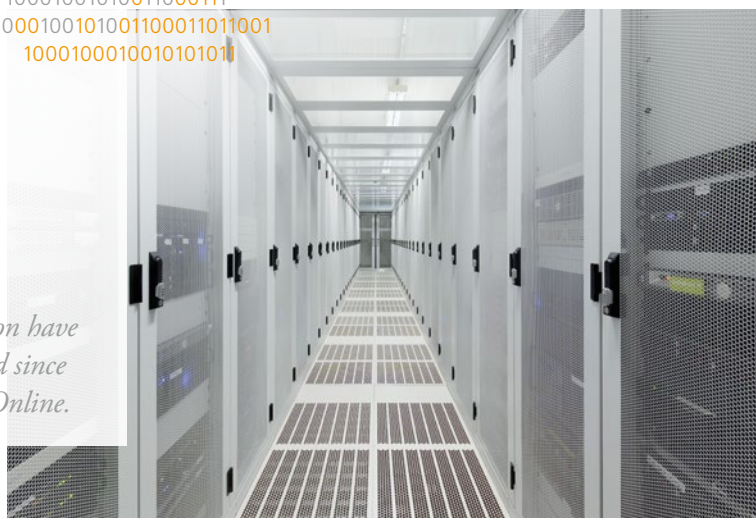
VR BusinessOnline is being constantly expanded. For example, user banks can now review and process inquiries from their customers with the help of VR BusinessOnline. In addition, products from Union Investment and R+V Versicherung have been integrated into the system since May 2016. There are plans to include further new products and services from various network partners. The next significant milestone is a marketing construction kit with templates for online marketing campaigns, which DZ BANK will make available to the cooperative banks that use the tool.



1,250
inquiries

with a value of €230 million have been received and processed since the launch of VR BusinessOnline.

10010011000110100100100
10001001010011000111
1000100101001100011011001
1000100010010101011



► **The initiative of Peter Freyer and Heiko Lenz:**
www.annualreport.dzbank.com/initiative-corporate-banking

Thomas Adelt and Christian Römmele VR-AgrarInvestplan – a digital approach to planning capital expenditure projects

Nowadays, even farmers start the working day on a computer, for example by looking at the weather forecast, checking grain prices, or analyzing their latest livestock data.

However, the increasing digital management of agriculture is not just limited to these practical tasks. Farmers are also using online channels in connection with necessary capital expenditure projects, both to search for the equipment they need to buy and to find financing solutions that offer broader financial latitude.

DZ BANK has identified this demand and looked for a way of offering financing solutions to local cooperative banks' agricultural

customers even before a specific financing requirement has been determined from a capital expenditure project. In 2016, local cooperative banks extended agricultural loans totaling almost €2 billion from public-sector development loans. The 365FarmNet digital platform, which is already used by more than 10,000 people in the agriculture business to obtain information and manage their businesses, now also hosts VR-AgrarInvestplan, a new application developed by DZ BANK.

*“Supporting capital expenditure
of agricultural customers
in digital ecosystems.”*





Smart access to development funding opportunities

Thomas Adelt explains the initiative from the Investment Promotion division: “The new tool provides farmers with smart access to key information on public-sector development loans and suggests individualized ways in which users can optimize their own finances with the help of banks in the Volksbanken Raiffeisenbanken cooperative financial network.” Formalities are cut to a minimum by using data already available in the 365FarmNet system.

The VR-AgrarInvestplan includes a news feed that supplies details on key areas of development lending, the latest development offers for agricultural businesses, and information on other topics relevant for farmers. Agricultural businesses can use the development funding check to obtain – without any obligation –

a fast overview of development funding options suitable for their capital expenditure projects. Subsequently, the integrated bank search function connects the farmer specifically with the chosen financing partner from the Volksbanken Raiffeisenbanken cooperative financial network. The first prototype of VR-AgrarInvestplan was presented at the EuroTier trade fair, where it attracted a huge amount of interest.

The VR-AgrarInvestplan was one of the first projects developed in the newly created DZ BANK Innovation Lab using scrum methodology. Christian Römmele, who was involved in the product development, puts it in a nutshell: “It was only by using the agile software development approach that we could bring together all the necessary experts – from development loan advisors to programmers – around one table and develop the innovative VR-AgrarInvestplan digital product ready for market in such a short time.”

► **The initiative of Thomas Adelt and Christian Römmele:**
www.annualreport.dzbank.com/initiative-development-lending

Oliver Saake and Christina Kunz Simpler, more structured advice for investment customers – with an optimized product portfolio

Securities business for customer account is a cornerstone of the relationship management for retail customers in the cooperative financial network. Volksbanken Raiffeisenbanken customers are looking for investment products that are easy to understand and offer the potential for attractive returns, especially in the prolonged period of low interest rates.



DZ BANK – the central institution for the Volksbanken Raiffeisenbanken and their subsidiary partner in the securities business – develops a range of products for a variety of customer needs, in terms of both potential returns and investor risk appetite.

This led to growth in the range of structured securities products over the years. However, more than ever before, investment customers now expect to be informed and advised about the selection of banking and investment products suitable for their needs (which in some cases have changed), and the further

development of DZ BANK's range of products therefore seemed appropriate.

Covering customer needs with a focused product range

"We set out to offer the advisors in the Volksbanken Raiffeisenbanken support that would enable them to provide customers with even better and clearer advice. The objective of our initiative was therefore to simplify the range of structured securities products," explains Oliver Saake, Head of Product Management for Structured Products at DZ BANK and the creator of this initiative.

“Optimizing the structure of the investment product range.”



Within the framework of the initiative, DZ BANK completely overhauled its investment product offering in its customer business and reconstructed the portfolio. Following the merger of DZ BANK and the former WGZ BANK, the differing product ranges from the two banks were also analyzed and appropriately combined at the same time. Overall, it was important to DZ BANK to reduce the complexity in the range of investment products while continuing to satisfy customer needs. “It goes without saying that we therefore obtained feedback from our customers and incorporated their responses when redesigning the range,” adds Christina Kunz, who advises the local cooperative banks from a sales perspective and is their first point of contact for relaying their expectations and requests.

Transparency and clear structures for advisors

The product range is now clearly structured and easy to understand. Product names are

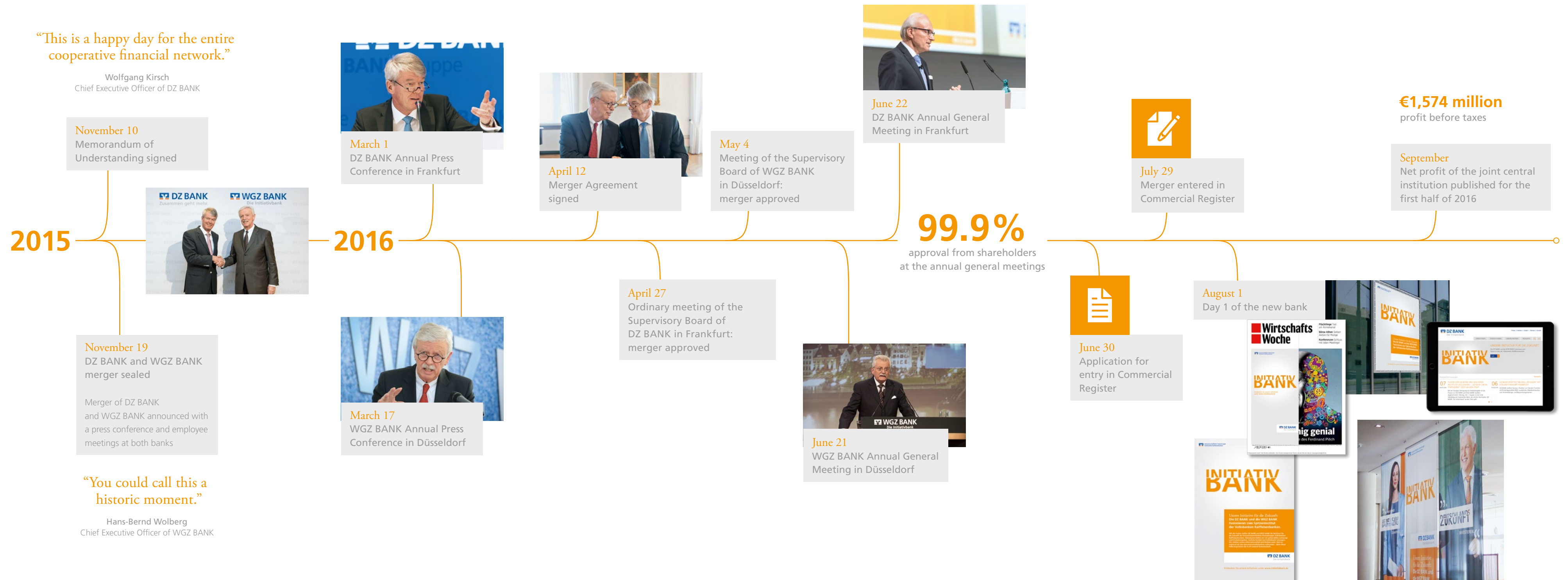
intuitive and can be quickly identified by advisors in the Volksbanken Raiffeisenbanken. The range focuses on product structures based on the EURO STOXX 50 index, complemented by products derived from traditional individual equities such as Daimler or BASF. The products are offered with or without a subscription period, although the subscription periods are focused on just two different periods.

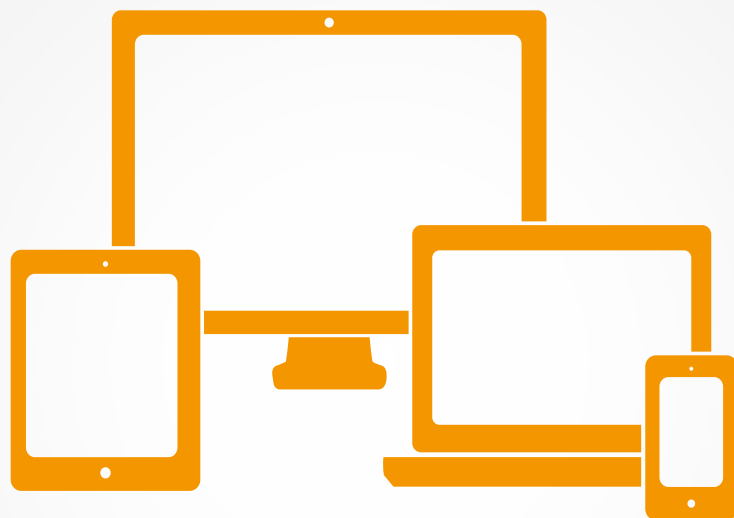
Customer feedback is particularly important in a transition process of this nature. “We scored very well in a customer survey carried out in December 2016. We are trying to integrate new ideas from the survey immediately. For example, we are working together to continuously add improvements using new media such as flip books and explanatory videos,” says Oliver Saake.

► **The initiative of Christina Kunz and Oliver Saake: www.annualreport.dzbank.com/initiative-securities-business**

Reviewing the merger

Overview of the milestones on the road to the merger from the signing of the Memorandum of Understanding to the launch of the joint central institution on August 1, 2016.





DZ BANK online

Our company
www.dzbank.com
www.initiativbank.de

2016 Online Annual Report
www.annualreport.dzbank.com





DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main
Platz der Republik
60325 Frankfurt am Main
Germany

Postal address:
60265 Frankfurt am Main
Germany

www.dzbank.com

Telephone +49 (0)69 7447 01
Fax +49 (0)69 7447 1685
mail@dzbank.de