



Annual press conference

Frankfurt am Main, February 27, 2020

 **DZ BANK** Group

Capital markets provide a boost to the results for 2019

Equity markets on the rise in 2019

EURO STOXX 50, 2019



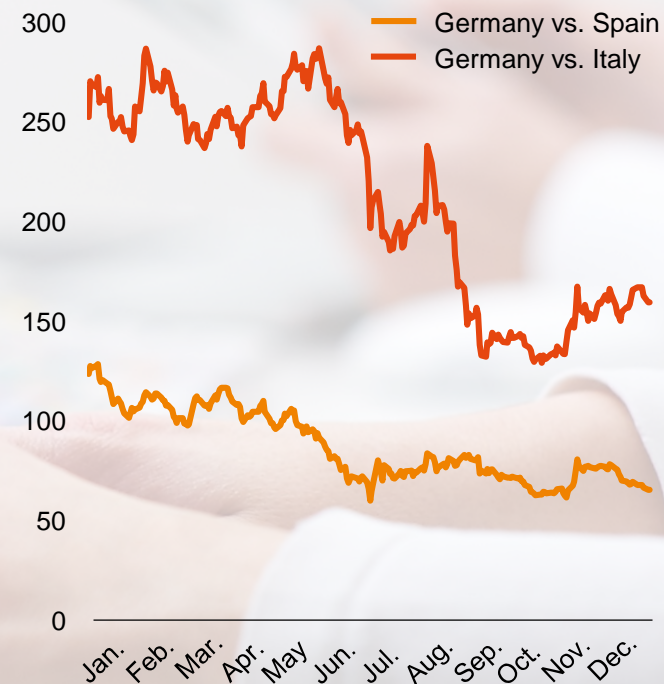
Further fall in interest rates

Yield on 10-year Bunds, 2019



Narrowing of spreads on southern European government bonds

10-year spread (basis points), 2019



Very good results for the DZ BANK Group

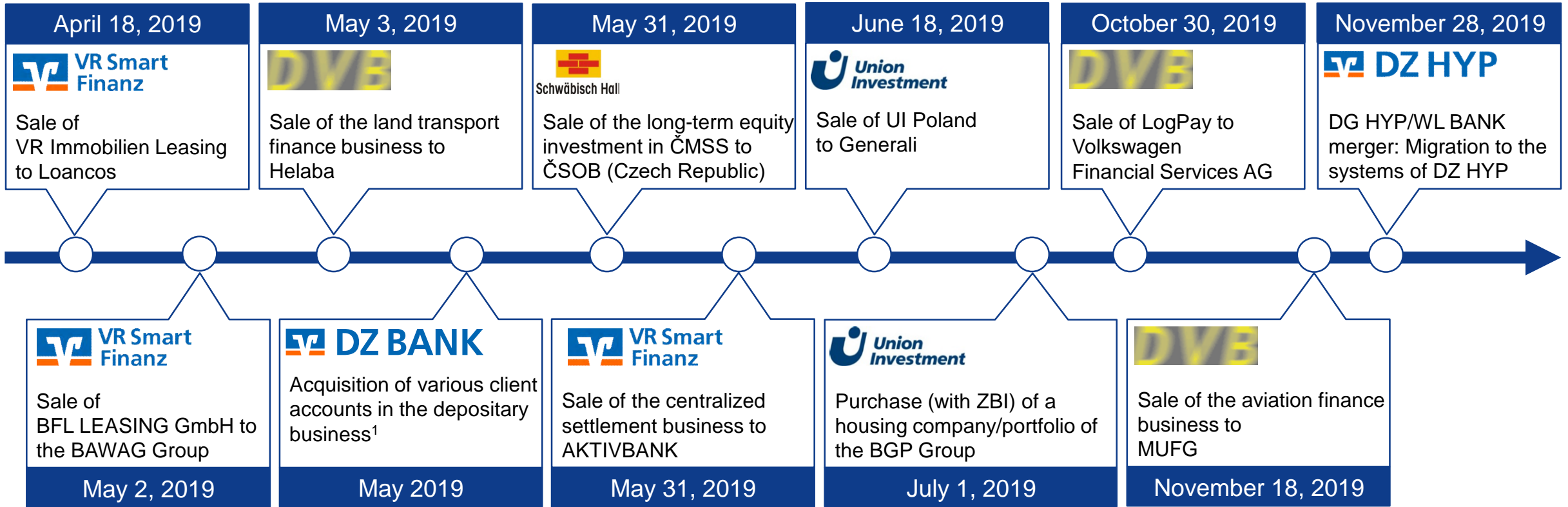
Business performance

- » Profit before taxes of around €2.7 billion
- » Very good operating income
- » Positive one-off items, particularly at R+V and DZ HYP
- » **Stable capital situation:**
Common equity Tier 1 capital ratio of 14.4 percent (December 31, 2018: 13.7 percent)

Strategic development

- » Capital expenditure aimed at growth of the operating business
- » **Structural growth transactions:** Acquisitions at UMH and in the depositary business
- » **Portfolio optimization:** Sale of long-term equity investments and operating segments at BSH, UMH, VR Smart Finanz, and DVB
- » **Transformation:** Completion of mergers at DZ BANK and at DZ HYP

Strategic development milestones in 2019



¹ Not disclosed.

DZ BANK Group: Income statement (IFRS)*

€ million	Jan. 1– Dec. 31, 2019	Jan. 1– Dec. 31, 2018	Change (%)
Net interest income	2,738	2,858	-4.2
Net fee and commission income	1,975	1,955	+1.0
Gains and losses on trading activities	472	285	+65.6
Gains and losses on investments	182	24	>100.0
Other gains and losses on valuation of financial instruments	255	-186	>100.0
Gains and losses from the derecognition of financial instruments measured at amortized cost	15	133	-88.7
Net income from insurance business	1,228	490	>100.0
Loss allowances	-329	-21	>100.0
Administrative expenses	-4,074	-4,059	+0.4
Other net operating income	250	-109	>100.0
Profit before taxes	2,712	1,370	+98.0
Income taxes	-839	-452	+85.6
Net profit	1,873	918	>100.0

* Provisional.

DZ BANK Group: Income statement by group company

€ million	Jan. 1– Dec. 31, 2019	Jan. 1– Dec. 31, 2018	Change (%)
BSH	189	295	-35.9
R+V	1,117	413	>100.0
UMH	648	502	+29.1
TeamBank	152	145	+4.8
DZ BANK – central institution and corporate bank	293	362	-19.1
DZ HYP	687	232	>100.0
DZ PRIVATBANK	36	-151	>100.0
VR Smart Finanz	-10	1	>100.0
DVB	-108	-130	+16.9
DZ BANK – holding function	-258	-281	+8.2
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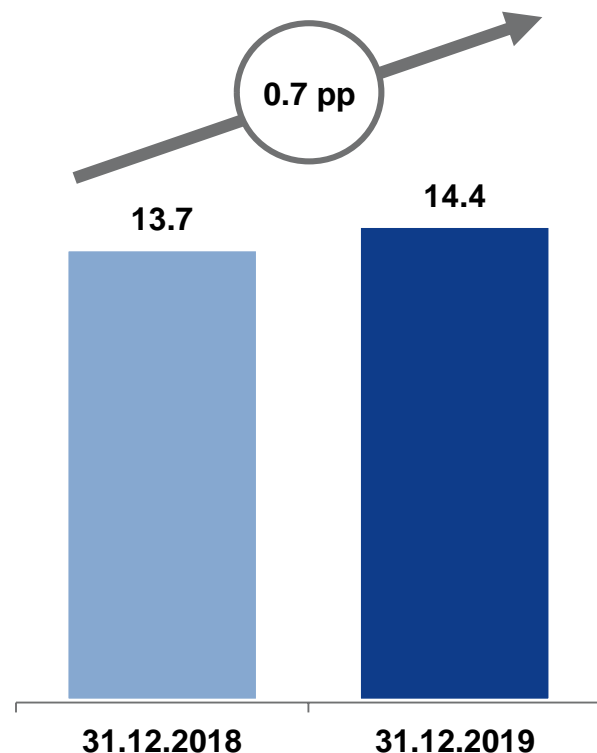
X = holding companies

X = companies assigned to the central institution and corporate bank

DZ BANK Group: Key capital ratios, applying the CRR in full

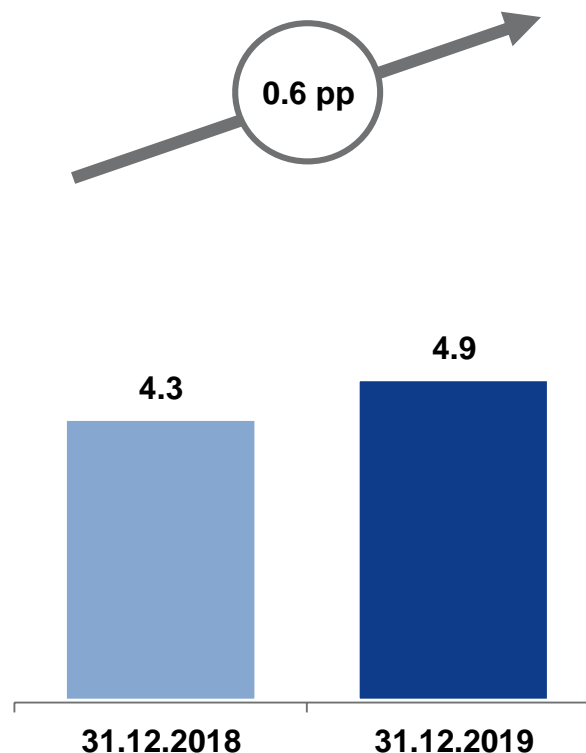
Common equity Tier 1 capital ratio

%



Leverage ratio

%

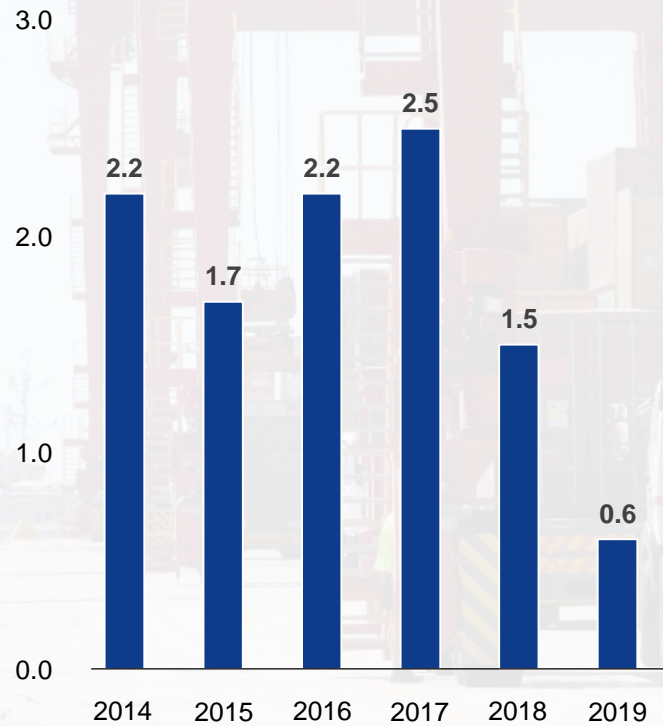


- Capital ratios increased as a result of profit retention and careful capital management
- Successful issue of an AT1 bond with a volume of €1.4 billion in November 2019 (mainly relevant to the leverage ratio)
- In line with the 'Verbund First 4.0' strategic program, it was placed solely with cooperative banks and entities in the cooperative financial network
- Subscription requests amounted to €2.5 billion, which was around 80 percent higher than the planned issuance volume
- Further estimated increase in the leverage ratio of around 1.0 percentage point under CRR II rules, mainly because receivables within the cooperative financial network will no longer be included in the calculation

German economy more resilient than expected

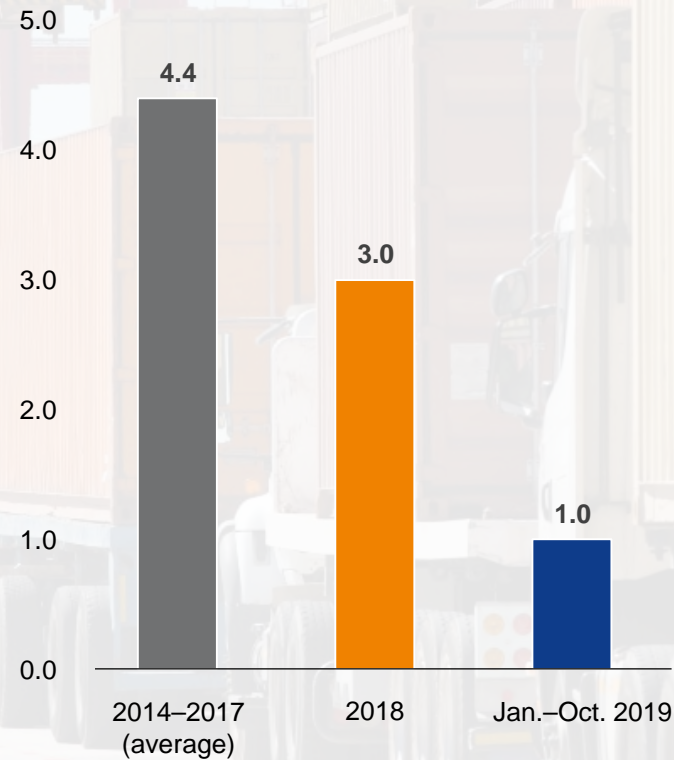
Weakest GDP growth in 6 years

GDP growth in Germany (%), 2014–2019



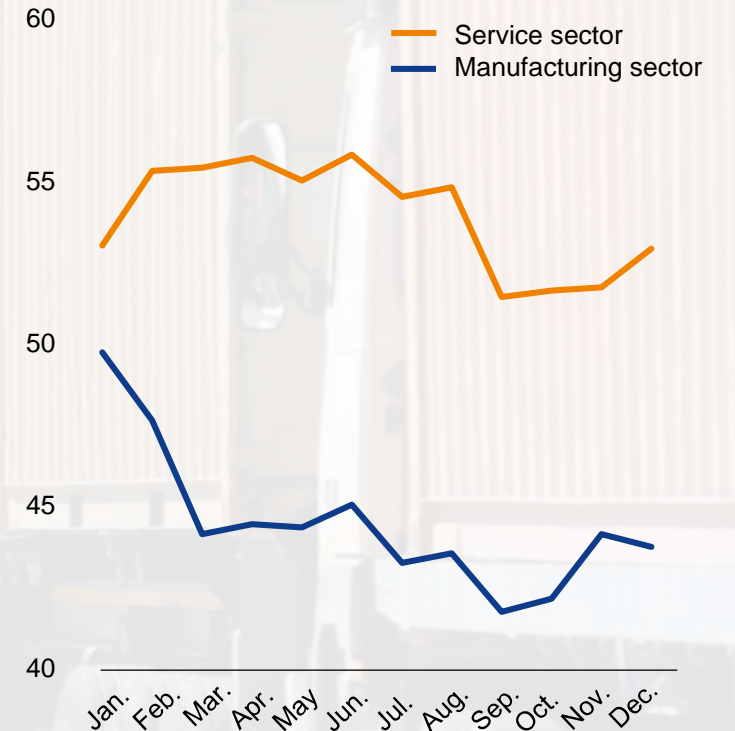
Exports now barely growing

Growth rates for German exports (%)



Differences between industrial and service sectors

Purchasing managers' index, 2019



Business performance of the central institution and corporate bank

DZ BANK – central institution and corporate bank

- » **Financial results of the DZ BANK central institution and corporate bank reported separately for the first time**
- » **Another good profit before taxes of €293 million for the central institution and corporate bank**
- » **Loss allowances return to normal levels; prior-year figure influenced by reversals**
- » **Healthy operating performance in all divisions**

Management units assigned to the central institution and corporate bank













- » **Companies whose marketing and strategy are closely integrated with those of the central institution and corporate bank**
- » **DZ HYP:** Good operating performance and valuation effects in the government bond portfolio
- » **DZ PRIVATBANK:** Positive financial performance following one-off items in the previous year
- » **VR Smart Finanz:** Continuation of transformation into a digital provider of finance for the self-employed and small businesses

Capital Markets

Activities

- Further increase in market share in business with institutional customers, in cross-selling to corporate customers, and in securities business with retail customers
- Strengthening of the local cooperative banks' own-account investing activities, e.g. by upgrading the own-account investment platform
- Strengthening of position in the primary market for bonds, particularly covered bonds and ESG bonds
- Further expansion of the customer trading platforms and digital processes/sales channels

Reference customers

 €1 billion Green bond tap 0.010% 2019/2027 Joint bookrunner 	 €2.25 billion Sustainability bond 1.100% 2019/2034 Joint bookrunner 	 €500 million Blue social covered bond 0.010% 2019/2029 Joint bookrunner 
 €1.25 billion Inaugural euro-denominated bond 0.000% 2019/2026 Joint bookrunner 	 €500 million Inaugural covered bond 0.010% 2019/2026 Joint bookrunner 	 €500 million Inaugural senior preferred 0.250% 2019/2024 Joint bookrunner 

Selected rankings

- Highest total issuance volume for sustainable bonds (ESG) for SSAs¹ among the German banks
- Number three in Germany for covered bond issues; winner in the 'best bank for distribution' category at the 2019 GlobalCapital Covered Bond Awards
- One of the leading banks in the secondary market for euro-denominated bonds in terms of customer business on electronic platforms worldwide
- Number two in the German investment certificate market²; record sales of investment certificates and winner in the 'best issuer' category at the 2019/2020 Investment Certificates Awards
- Number three for flow products in the German retail derivatives market

¹ Sovereigns, supranationals, and agencies (SSAs).

² Source: Based on share of market volume for structured securities (German Derivatives Association, DDV).

Corporate Banking

Activities

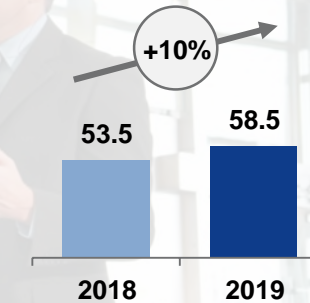
- » New relationship management model implemented for corporate customers
- » Improvement of local support for customers by assigning specialists in key product units to specific regions
- » Progress made with digitalizing the customer interface; plans for a new financial services portal, with rollout to start in 2020
- » Optimization of the entire corporate banking process chain
- » Improvement of competitiveness across the range of corporate banking products, particularly optimization of international business by VR International

Reference customers

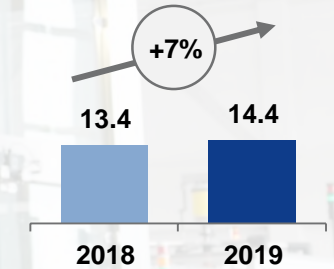
 K+S Aktiengesellschaft €960,000,000 Syndicated credit facility Bookrunner, mandated lead arranger April 2019 	 KWS Saat SE & Co. KGaA €600,000,000 Syndicated credit facility Bookrunner, mandated lead arranger June 2019 	 MediClin AG €90,000,000 Syndicated credit facility Bookrunner, mandated lead arranger November 2019 	 E.ON €3.5 billion Involvement: €167 million Mandated lead arranger, bookrunner October 2019 	 Siemens Financieringsmaatschappij N.V. €3 billion, 4 tranches Benchmark 2024, 2028, 2031, and 2039 Joint lead manager February 2019
 Continental AG €500 million Promissory notes 3 and 5 years Joint arranger April 2019 	 BayWa AG €500 million 3.125% green bond, 2024 Joint lead manager June 2019 	 Fraport AG €390 million 6, 8, 10, and 15 years Promissory notes/registered bonds Joint arranger September 2019 	 EVONIK Share buyback program as part of employee share ownership program Exclusive broker and sole arranger 2014-2019 	 Fryslân Offshore Wind Farm Netherlands Mandated lead arranger September 2019
 CONEC Succession planning: Sale of all shares to Amphenol 2019 	 Alvean Sugar Bilbao S. L. Switzerland US\$ 450,000,000 Revolving credit facility Arranger February 2019 	 Braskem Netherlands US\$ 295,125,000 SACE-covered export finance facility Lender April 2019 	 Kastanienallee Velbert elementary school €15,000,000 Project finance (PPP) facility Mandated lead arranger 2019 	 Silvertown Tunnel project UK, £1,200,000,000 Project finance (PPP) facility Mandated lead arranger 2019
 Grand Renewables Wind LP CS 461,000,000 Senior secured credit facility Mandated lead arranger December 2019 	 Louis Dreyfus Company Suisse S. A. Switzerland US\$ 800,000,000 Revolving credit facility Arranger December 2019 	 Liansheng Paper China €29,325,000 Finnvera-covered export finance facility Original lender May 2019 	 Reliance Industries India €280,000,000 Promissory note Lead arranger May 2019 	 Haining Hengyi China, €140,172,620 Euler Hermes-covered export finance facility Original lender July 2019

Selected metrics

Lending volume¹
€ billion



Volume of joint credit business
€ billion



- » Export finance: +13%
- » Principal bank relationships: +9%
- » Cross-selling: +13%

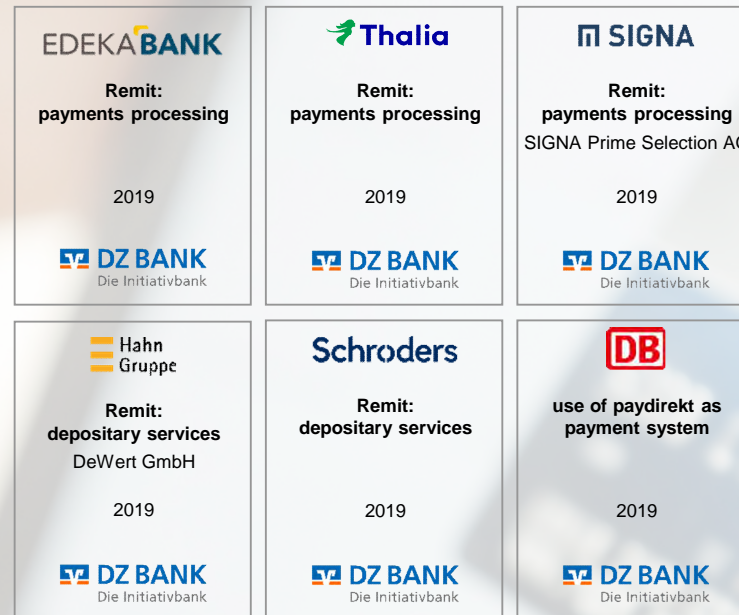
¹ Corporate banking business in Germany and Structured Finance.

Transaction Banking

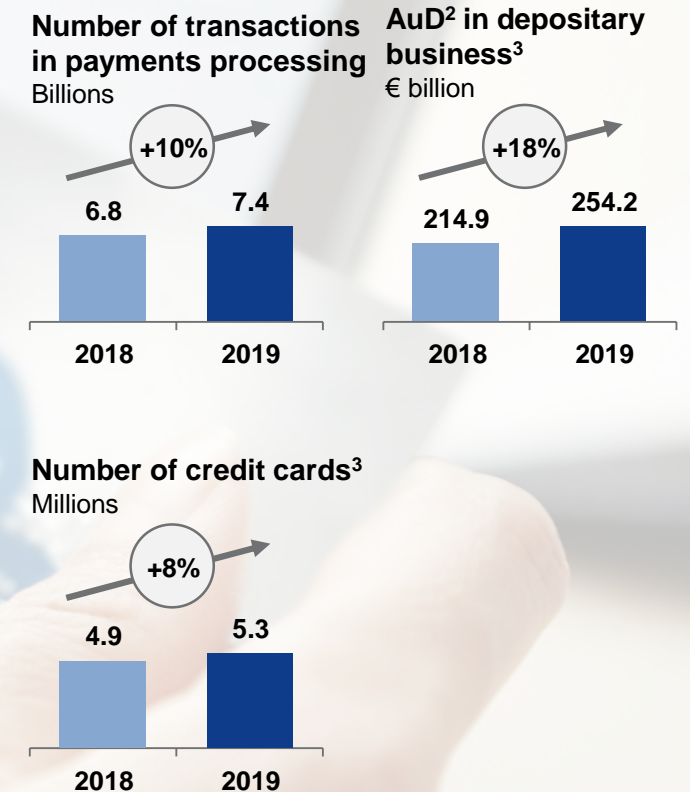
Activities

- » Instant payments can be sent and received
- » Use of new technologies and stepping up of sales in the depositary business
- » Joint sales campaigns in the credit card processing business
- » Strengthening of paydirekt brand positioning
- » Active involvement in the #DK and EPI¹ initiatives

Reference customers



Selected metrics



¹ European Payments Initiative (EPI). ² Assets under depositary. ³ As at December 31.

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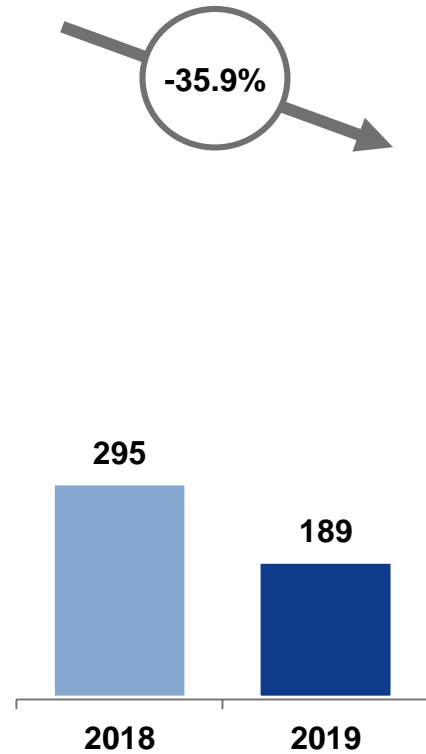
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Segments: Home savings/consumer home finance, insurance

Profit before taxes

€ million

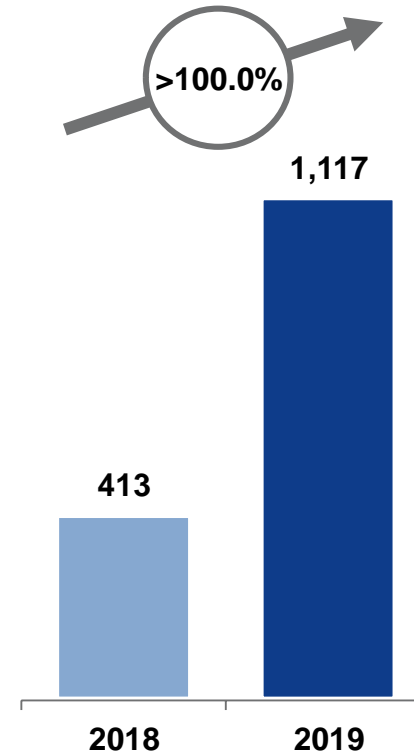


Schwäbisch Hall

- **Home savings:** Slight decline in new business to €28.5 billion (2018: €29.7 billion); BSH has a robust market position
- **Home finance:** New business rose to €16.7 billion (2018: €15.2 billion), outstripping average market growth
- Satisfactory level of **profit before taxes**, although low interest rates took their toll
- One-off items: Further provisions for interest-rate bonuses

Profit before taxes

€ million

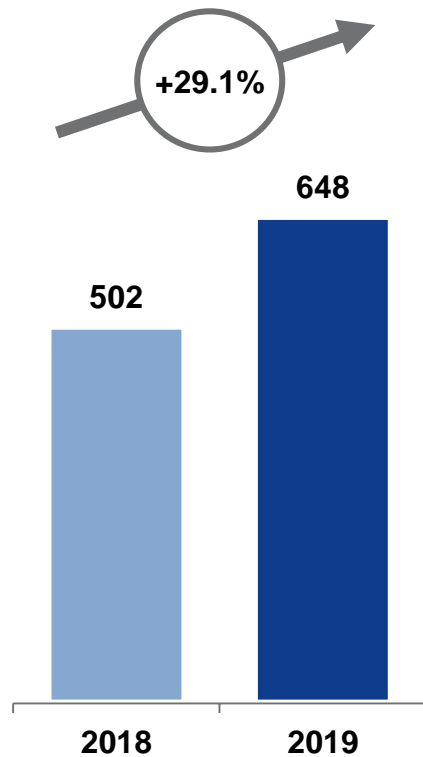


- **Gross premiums written** of €17.4 billion, significantly higher than the prior-year figure of €16.1 billion – increase in all segments
- **Profit before taxes** driven by growth of operating business and, above all, a high net gain under gains and losses on investments held by insurance companies

Segments: Asset management, consumer finance business

Profit before taxes

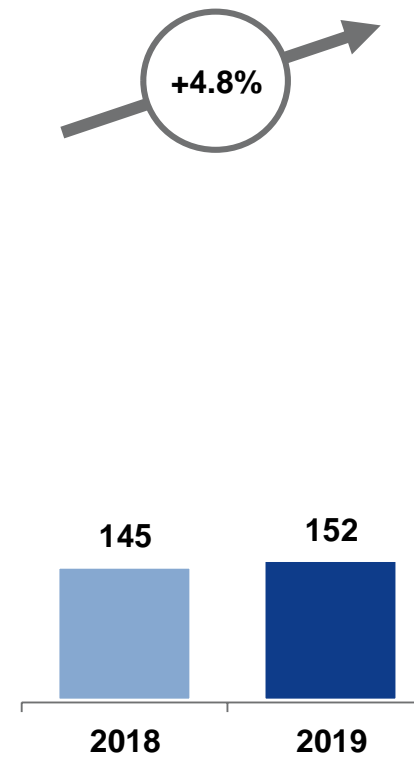
€ million



- Increase in **assets under management** to €368.2 billion (December 31, 2018: €323.4 billion)
- Rise in **net inflows** from both institutional clients (€11.3 billion) and retail clients (€8.1 billion)
- Very good **profit before taxes** thanks to strong operating performance and sale of UI Poland

Profit before taxes

€ million

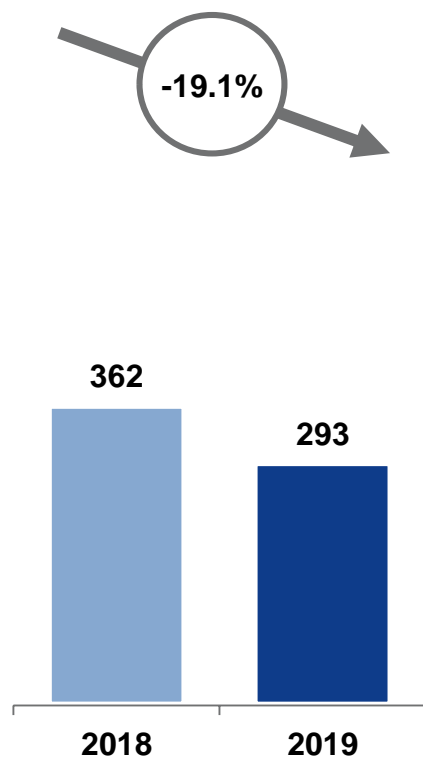


- **Volume of new business** rose from €3.0 billion to €3.5 billion
- **Loans and advances to customers** increased to €9.1 billion (December 31, 2018: €8.4 billion)
- Further significant growth in the **number of customers** (up by 66,000) in a fiercely competitive market
- Year-on-year increase in **profit before taxes**, primarily due to growth of business

Segments: DZ BANK – central institution and corporate bank, commercial real estate finance

Profit before taxes

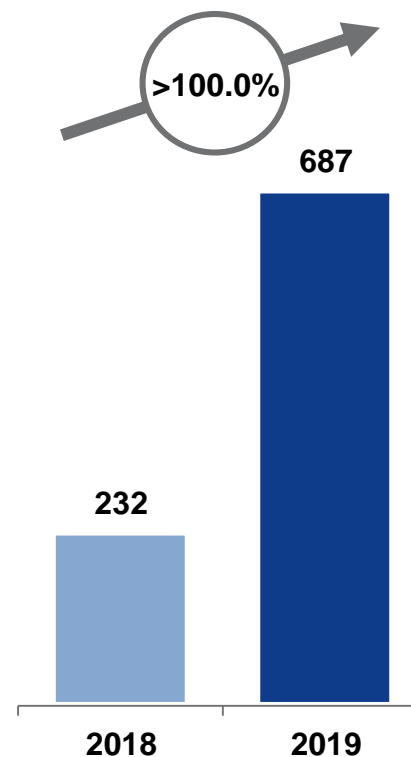
€ million



- Good **profit before taxes** although lower than in 2018
- Brisk customer business, with a sharp rise in **operating income**
- **Loss allowances** returned to normal levels following net reversals in the previous year

Profit before taxes

€ million

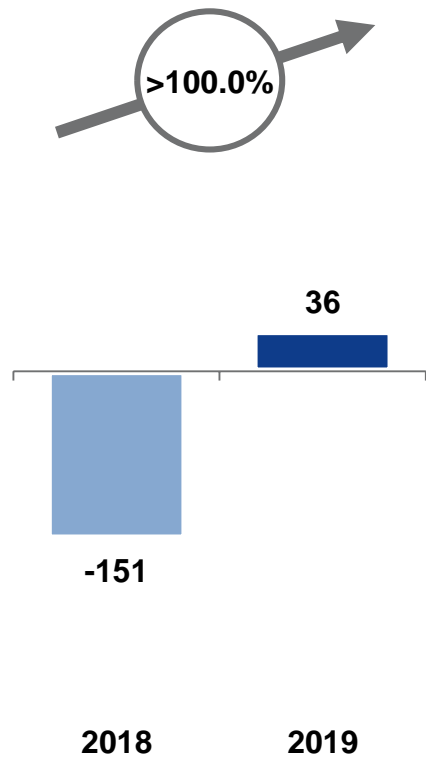


- **New business in the Commercial Real Estate Investors division** up from €7.7 billion to €9.0 billion
- Steady new business in the **Housing Sector division** (€0.9 billion) and **Retail Customers/Private Investors division** (€2.3 billion)
- **Overall volume of real estate finance** climbed from €45.3 billion to €50.2 billion
- **Profit before taxes** influenced by good operating performance and positive valuation effects in the government bond portfolio

Segments: Private banking, finance solutions for the self-employed and small businesses

Profit/loss before taxes

€ million

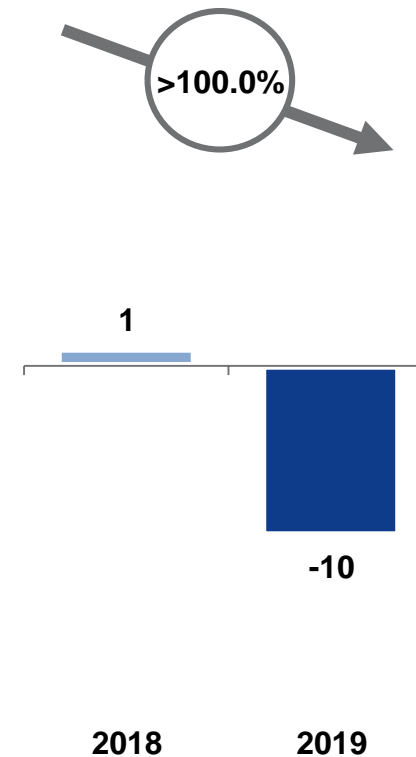


DZ PRIVATBANK

- **Market conditions** remained difficult, with fierce competition and low interest rates
- Stable operating performance, with year-on-year growth in **assets under management** (up by 12.6 percent) and **assets under custody** (up by 18.2 percent)
- Profit before taxes had been squeezed by impairment of goodwill and customer relationships in 2018

Profit/loss before taxes

€ million



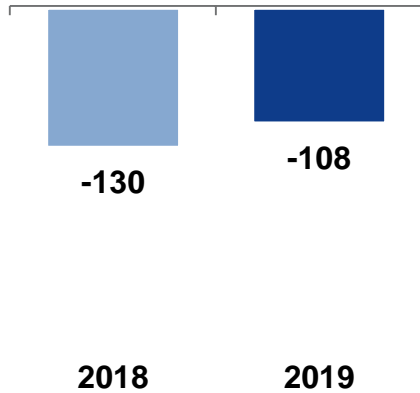
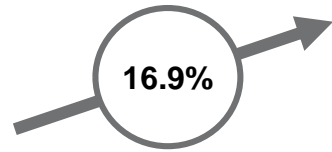
VR Smart Finanz

- Progress with **transformation** into a digital provider of finance for the self-employed and small businesses
- **Volume of new business** rose to €1.3 billion (2018: €1.2 billion)
- Increase in the **number of customers** (up by 7,000)
- **Profit before taxes** affected by the transformation of the business model

Segments: transport finance, DZ BANK – holding function

Loss before taxes

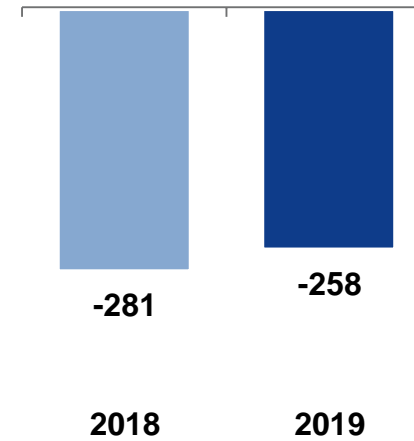
€ million



- **Market situation** remained difficult in maritime sectors
- Sale of the aviation and land transport portfolios and of LogPay, resulting in positive one-off items
- Continuation of the managed **scaling back** of the ship and offshore businesses
- **Loss before taxes** included one-off items relating to restructuring

Loss before taxes

€ million



- This segment is a cost center for expenses in connection with the holding function
- **Interest expense** for the provision of funding and subordinated capital
- **Administrative expenses** include:
 - expense (based on total assets) for the bank levy/BVR protection scheme
 - group management function/regulatory requirements
 - IT and project costs
 - other services for the group/network
- Decrease in **expenses in connection with the holding function** in 2019, despite an increase in regulatory requirements

Outlook: Cohesion provides the basis for further growth

- » Profit before taxes for 2020 expected to be at the lower end of the long-term target range of €1.5 billion to €2 billion
- » Focus on ongoing implementation of the 'Verbund First 4.0' strategic program
- » Cohesion of and collaboration within the cooperative financial network to be maintained and strengthened
- » Strategic expansion of use of new technologies (smart data, robotic process automation, AI, etc.)
- » Further strengthening of leading role in the area of sustainability and sustainable finance

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