

# Growing into the future.

A look at the  
DZ BANK Group





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»Last year, we made good progress in terms of the DZ BANK Group's strategic development.«

[www.annualreport.dzbank.com/dz-bank-group/letter-to-shareholders](http://www.annualreport.dzbank.com/dz-bank-group/letter-to-shareholders)

#### Dear Shareholders,

In 2018, the DZ BANK Group generated profit before taxes of just under €1.4 billion. This respectable figure was the result of its good operating performance. Our entities increased their volume of business and gained market share in most areas. By contrast, capital markets provided more headwind than tailwind in 2018.

Nonetheless, the level of profit was sufficient to enable us to absorb adverse one-off items. As well as recognizing negative valuation effects due to the performance

of the capital markets, we also adjusted the enterprise value of DZ PRIVATBANK to reflect the more challenging conditions in the private banking market.

An overview of our organization's main financial KPIs can be found toward the end of this short report. We have reported in detail on the results for the DZ BANK Group in our Online Annual Report at [www.annualreport.dzbank.com](http://www.annualreport.dzbank.com).

Last year, we made good progress in terms of the strategic development of our financial services group. Under

'Verbund First 4.0', DZ BANK AG set itself ambitious targets for earnings and costs and has already launched a comprehensive action plan. DG HYP and WL BANK successfully merged to form DZ HYP, the largest Pfandbrief bank in Germany. Subsequently, the merged institution expanded both existing and new business. DVB Bank has made good headway with reducing risks and divesting parts of its business. As we examine further options, we continue to be guided by the principle of preservation of value.

The outlook for 2019 reflects the first indications of a deterioration in the economy, both abroad and in our domestic German market. However, at the start of the year, we still see high demand from customers in our operating business. We anticipate that our profit before taxes will rise slightly in 2019 and is therefore likely to be at the lower end of our long-term target range of €1.5 billion to €2 billion.

**» Every day, we work to safeguard the strength of our organization beyond the immediate future. «**

Dr. Cornelius Riese

Every day, we work to safeguard the strength of our organization beyond the immediate future. Following the successful merger to create one central institution, we have laid a solid foundation on which we build 'Verbund First 4.0'. Firstly, we are investing in our market offering in the Capital Markets, Corporate Banking, and Transaction Banking business lines. One of the top priorities is customer focus and efficiency in all corporate customer processes, from the customer portal through to the back office. Secondly, we are optimizing control and production, which includes seizing opportunities to digitize and automate core processes. The areas of focus are IT and the lending and control functions. It is essential that we further optimize our cost base. We will significantly reduce our expenditure on external service providers and we believe it is necessary to reduce the headcount by almost 500 by 2023. This figure equates to roughly 10 percent of positions after implementation of the merger synergies.

The third important aspect is the contribution of our employees to our long-term success. Our organization already has a unique reputation for a values-based, responsible approach to business. It is our ambition to translate these values into the future and to ensure that our corporate culture is even more focused on our customers, on efficiency, and on performance. That is another reason why attracting and promoting talented employees and so managing demographic change is high on our list of priorities. We doubled the number of new trainees for 2019.

**» The respectable results for 2018 are thanks to our good operating performance. «**

Uwe Fröhlich

Thanks to our financial strength and due to our deep roots within society, we are well equipped for these future challenges. However, we do not neglect our day-to-day business. We must do everything we can to remain the first port of call for the cooperative banks, to provide added value, and to pave the way for further growth. The constructive collaboration between the BVR, the cooperative banks, the companies within the cooperative financial network, and Fiducia & GAD as part of the joint digitization strategy is a cause for optimism.

We are pooling our broad and diverse digital expertise in order to deliver this crucial project successfully and are also benefiting from the expertise contributed by each partner involved. We are there for one another and are operating strategically and as one. We do not rest on our success but are working together to find useful solutions; rolling up our sleeves, and playing an active part. As long as we maintain this approach, we have every reason to be optimistic.

Kind regards,



Uwe Fröhlich  
Co-Chief Executive Officer



Dr. Cornelius Riese  
Co-Chief Executive Officer



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The DZ BANK Group is constantly evolving and remains resilient. It responds to new challenges not necessarily by making radical changes but by showing a sense of perspective and, above all, adopting a sustainable approach.

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# Growing into the future

Our world is changing at an unprecedented pace. The resulting challenge for companies is that trends such as digitization are pushing tried-and-tested business models to their limits, but also opening up enormous opportunity. At the same time, customers' needs and wishes are changing rapidly. As a result, companies will only be successful in the future if they go with the times, evolve, explore new avenues, and turn new opportunities to their benefit. This is especially true for companies in the financial sector, where competition has always been fierce. And for some years now, financial start-ups have increasingly emerged as new competitors.

The entities in the DZ BANK Group have to respond to these developments, although not necessarily by making radical changes. Instead, they need to take an evolutionary yet innovative and, above all, sustainable approach in accordance with our cooperative DNA. The DZ BANK Group and the cooperative financial network will remain fit for the future by demonstrating resilience and the ability to change.

 [www.annualreport.dzbank.com/focus-topics](http://www.annualreport.dzbank.com/focus-topics)







# Green bonds Sustainability creates a competitive edge

DZ BANK recently launched a green bond with an issue volume of €250 million. Treasurer Heiko de Wall explains why sustainability means future viability and describes the competitive advantages that come with it.

**Mr. de Wall, people have been talking about sustainability for a long time now. Why is it more than just a passing trend in the financial sector?**

**Heiko de Wall:** It is something that is part of our cooperative DNA. Moreover, society is becoming increasingly interested in sustainability, and demand for investment products in this segment has been growing for years. Decisions made in the banking sector have a significant impact on developments in other industries. Sustainability is now firmly embedded in banks' core business and will remain an important subject going forward.

**DZ BANK recently issued its first green bond. What exactly is a green bond?**

**de Wall:** When investors buy a bond, they are lending money to its issuer. In the case of green bonds, this money is used to fund sustainable projects, particularly those aimed at combating climate change.

**And what is the advantage for investors?**

**de Wall:** With a green bond, investors know exactly what they are buying. They know what the bank is

looking to achieve, or what projects it wants to fund. Sustainability-oriented investors need suitable investment options that enable them to achieve their objectives and adhere to their rules. A green bond can be used as part of an overarching sustainability strategy. And by the way, investors opting for green bonds do not miss out when it comes to yields.

### What prompted DZ BANK to issue the green bond?

**de Wall:** We want to boost our environmental credentials on the funding side of our business, i.e. make sustainability an integral element of both our lending and our funding operations. We are thus adding the final links to DZ BANK's sustainability value chain. Furthermore, we are attracting additional, sustainability-oriented investors.

### What else characterizes DZ BANK's green bond?

**de Wall:** It was important to us that every aspect of our first green bond was of the highest quality. Firstly, this means that the bond is invested in high-quality investments, namely onshore wind power projects in Germany. The wind farms and turbines in these projects, for example, are built to the exacting standards laid down in German construction and environmental law. Secondly, we attach a high priority to sound governance processes, accurate reporting, and reliability in terms of how the money is spent. And this effort has paid off: Rating agency S&P has given the bond a rating of E1, which is the top score in the green evaluation category.

### Can investors track the projects' progress?

**de Wall:** DZ BANK set itself the goal of providing transparency for all investors regarding the green bond, from when it is issued until the day it matures. That is why we publish a green bond investor report each year that contains information on allocation and the impact of the investment, such as how much energy is generated per year by the funded wind farms.

 [www.annualreport.dzbank.com/green-bonds](http://www.annualreport.dzbank.com/green-bonds)

### Do banks often issue their own green bonds, or is this quite unusual?

**de Wall:** Many banks facilitate sustainability-oriented investments that support environmental and/or social causes as part of their lending business. But a bank that issues a green bond of its own is going a step further, because it is sending a clear signal and showing a firm commitment to sustainability.

### What makes green investment products credible?

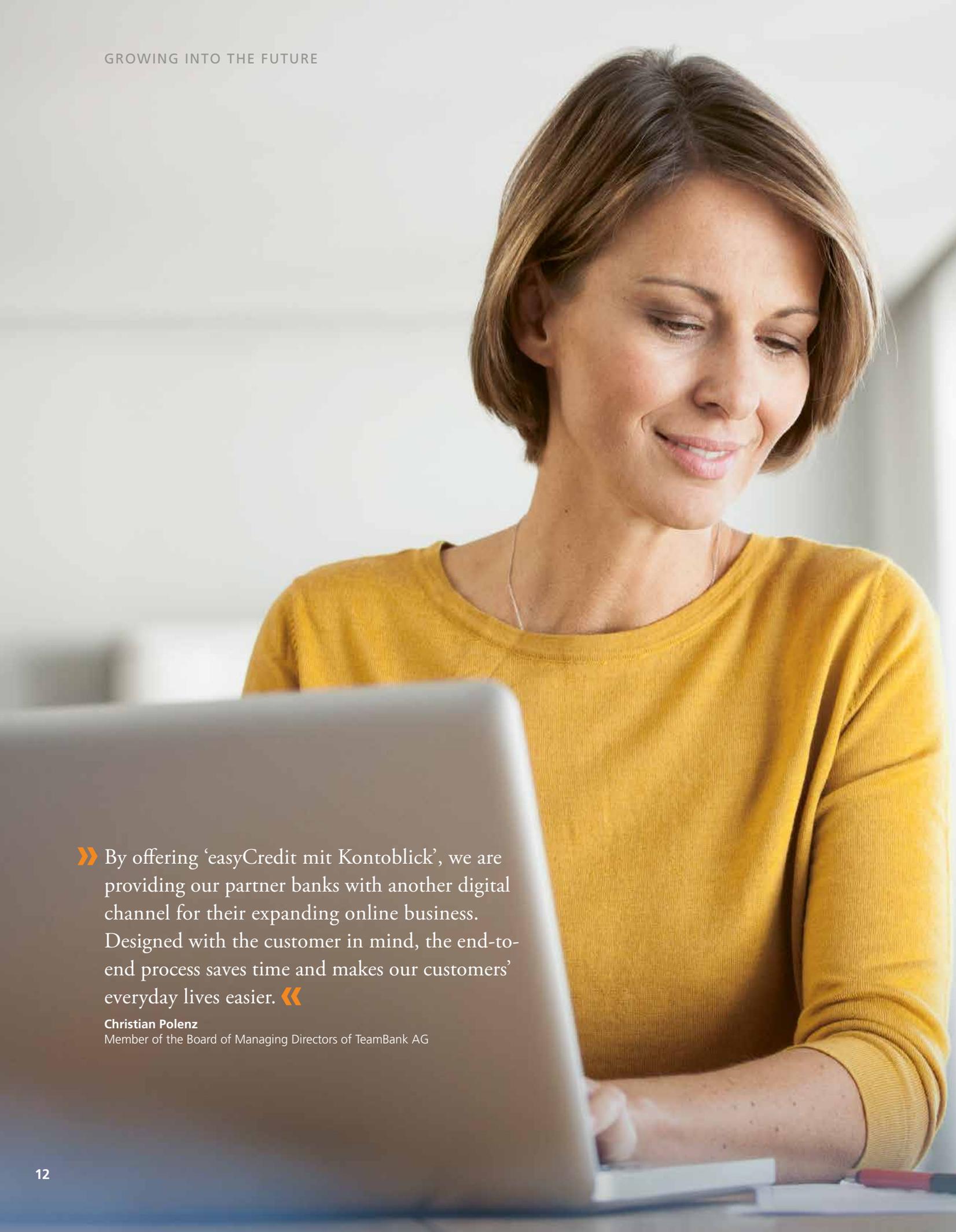
**de Wall:** When they comply with international standards, are assessed by external rating agencies, and disclose their investment criteria in a transparent and straightforward manner. DZ BANK's green bond, for example, follows the Green Bond Principles of the International Capital Markets Association (ICMA).

### Does offering green investment products create a competitive edge?

**de Wall:** Definitely. Sustainability criteria are now a determining factor in the business decisions of many of our customers. When selecting a bank consortium for a sustainability-related issue, large-scale issuers that are already active in this segment look at whether the partners have credible and robust environmental credentials. And we are positioning ourselves accordingly.



**Heiko de Wall**, Head of Department in the Treasury division at DZ BANK, and his team were responsible for the issue of DZ BANK's first green bond.



» By offering 'easyCredit mit Kontoblick', we are providing our partner banks with another digital channel for their expanding online business. Designed with the customer in mind, the end-to-end process saves time and makes our customers' everyday lives easier. «

**Christian Polenz**  
Member of the Board of Managing Directors of TeamBank AG

# easyCredit mit Kontoblick

## Credit in 10 minutes

Until recently, customers wanting to take out a loan had to submit proof of their earnings. This is no longer necessary with the new solution from TeamBank. The lending decision has been automated and is based on the customer's account transactions. This benefits banks and their customers in equal measure.

Since last year, retail customers of the cooperative banks have been able to obtain liquidity more easily than they could before. Thanks to the new solution from TeamBank, 'easyCredit mit Kontoblick' (easyCredit with account overview), customers no longer have to hand over or upload proof of earnings when they want to take out a loan. Instead, they can apply for a loan of up to €25,000 with just a few clicks of the mouse.

The lending decision is based on a digital assessment of the incoming and outgoing payments in the customer's current account. The loan agreement is also entered into in an entirely digital process, because the customer can sign it with an electronic signature. This saves a lot of time. "The entire application process, including the lending decision, only takes around ten minutes. Disbursement of the loan is initiated immediately," says Christian Polenz, member of the Board of Managing Directors of TeamBank. As a rule, the loan amount will be available in the customer's bank account the very next day.

This new solution from TeamBank provides the cooperative partner banks with another digital channel for their expanding online business. The loan process is now a lot more efficient because a bank employee no longer

has to check the customer's documents. There are benefits for customers too.

"Designed with the customer in mind, the end-to-end process saves time and makes our customers' everyday lives easier," explains Polenz. Customers can use 'easyCredit mit Kontoblick' on the websites of the cooperative banks, at [www.easycredit.de](http://www.easycredit.de), and via a smartphone app.

TeamBank will soon be offering the partner banks another innovation: Existing easyCredit customers will be able to view their 'financial buffer' in branches, online, or via the easyCredit app. This buffer is the maximum amount of credit that they can have and is calculated automatically on the basis of TeamBank's experience of the individual customer. In the future, customers will be able to see at a glance how much additional credit they can have, without first having to submit an application. If they then decide to take out a loan, they only need to click through a few more steps.



[www.annualreport.dzbank.com/easycredit](http://www.annualreport.dzbank.com/easycredit)



# SozialpartnerRente Pension provision in partnership

R+V Versicherung and Union Investment have teamed up to offer a solution for the 'defined ambition' pension. This new type of occupational pension provision enables employers' associations and labor unions to create a custom retirement pension solution for the employees in a particular industry. There are advantages on both sides: Employers are released from their liability and employees benefit from greater potential returns.

A new type of occupational pension provision has been available since the start of 2018: The defined ambition arrangement is designed so that employers' associations and labor unions can reach agreement on a custom occupational pension solution for their specific industry. They determine the individual features of the pension and find a suitable pension provider.

R+V Versicherung and Union Investment have together developed a solution for the defined ambition pension, called SozialpartnerRente. The two cooperative enterprises are offering the new defined ambition occupational pension solution to all employers and labor unions in Germany. R+V and Union Investment can tailor a custom product for each industry that reflects the wishes of the

employers and labor unions in question. “R+V and Union Investment are both leading providers within their sectors in Germany and have worked together successfully for years,” says Dr. Norbert Rollinger, Chief Executive Officer of R+V. To date, employers and unions have not reached agreement on a defined ambition arrangement in any industry. But as soon as this happens, R+V Versicherung and Union Investment will be ready to step forward as a partner.

**» R+V and Union Investment are both leading providers within their sectors in Germany and have worked together successfully for years «**

Dr. Norbert Rollinger,  
Chief Executive Officer of R+V Versicherung

Over recent years, occupational pensions have become an increasingly important component of retirement provision. Since 2002, all employees subject to social insurance contributions have been legally entitled to pay some of their salary into a pension. This means that employees can convert some of their income into tax-free contributions to an occupational pension. However, only around 41 percent of those eligible in Germany have taken out an occupational pension or, as has been agreed for public-service workers, a supplementary insurance policy. This is evidenced by figures from Union Investment’s ‘pensions atlas’ for Germany, which was compiled by the University of Freiburg. Take-up of occupational pension provision is particularly low in small and medium-sized enterprises.

The German Act to Strengthen Occupational Pensions (BMSG) should provide help in this regard, for example with the defined ambition concept. Hans Joachim Reinke, Chief Executive Officer of Union Investment, believes it is a step in the right direction. “We are delighted that politicians have given a significant boost to occupational pension provision and the role of asset managers by introducing this new law.”

R+V Versicherung and Union Investment are offering the SozialpartnerRente product through their jointly owned subsidiary R+V Pensionsfonds AG. R+V Versicherung, one of the biggest and most experienced occupational pension providers in Germany, runs the subsidiary and takes care of advice and customer relationship management. Union Investment, a major asset manager, structures the special

fund in which employees and employers invest the money that will be used for the occupational pension later on.

Adhering to the wishes of the employers and unions in question, R+V and Union Investment draw up a custom SozialpartnerRente concept and strategy for the particular industry. This is partly based on the social partners’ expected returns, which determine the allocation and weighting of the asset classes, such as equities, fixed income, and commodities. Insurance components, such as for disability or surviving dependants, can also be integrated into the SozialpartnerRente product, creating a comprehensive and effective pension scheme for employees.

Employees pay contributions into the new SozialpartnerRente and, in return, receive life-long pension benefits when they retire without the employer having to guarantee a minimum amount. The new law provides greater flexibility when it comes to investment. “This means employees can be offered solutions with plenty of potential, while employers are released from their liability,” says Reinke. Small and medium-sized enterprises, which until now have often not had an occupational pension scheme, can sign up to the SozialpartnerRente product for their industry.

**» We are delighted that politicians have given a significant boost to occupational pension provision and the role of asset managers by introducing this new law. «**

Hans Joachim Reinke,  
Chief Executive Officer of Union Investment

R+V Versicherung accounts for 27 percent of new occupational pension business in Germany. It has extensive experience with pension provision for entire industries, through the dedicated schemes available in Germany for the chemicals industry (Chemie-Versorgungswerk), engineering industry (MetallRente), pharmacy industry (ApothekenRente), healthcare industry (KlinikRente), and agricultural industry (Landwirtschaftliches Versorgungswerk). “Thanks to this expertise, we will as always be a long-term and dependable partner for all industries with the new SozialpartnerRente,” says Dr. Rollinger.

 [www.annualreport.dzbank.com/  
sozialpartnerrente](http://www.annualreport.dzbank.com/sozialpartnerrente)



# Home savings and finance

## Proven solutions and new advantages

Bausparkasse Schwäbisch Hall optimized its product offering in 2018. This has created additional benefits for customers, including lower rates of interest on loans and more flexible repayment options. By making these kinds of changes, the building society is securing its future competitiveness.

Surveys have found that 90 percent of 13 to 29 year-olds eventually want to live in their own house or apartment. According to market researchers at Kantar TNS, more than three-quarters of them intend to use a home savings plan as a way of saving up the necessary capital. That is why the new system of rates and charges brought in by Bausparkasse Schwäbisch Hall includes a special offer for customers under the age of 22: a one-off young person's bonus of €100. The annual fee of €12 is also waived. After payout has been approved, customers will also get an interest-rate bonus of 0.15 percentage points.

Customers with a home savings plan can also take advantage of government subsidies. Many employers pay up to €40 per month into an employer-funded capital-formation scheme in addition to employees' salaries. The government contributes an employee savings allowance of around €43. A government subsidy for homebuyers of approximately €45 may also be available.

All Schwäbisch Hall customers benefit from the traditional advantages of home savings under the new system of rates and charges. Special repayments can be made at any time and free of charge, for example. Home savings loans are very versatile and can be used not only when building or buying a property

but also to finance a new heating system or solar panels. Refurbishments, such as a new bathroom, fitted kitchen, or garage, are also permitted under home savings contracts.

The new system of rates and charges has also brought about improvements for home finance customers, who can now enter into a forward loan up to five years in advance. Previously, the forward period was limited to three years. The new rules are particularly attractive to customers looking for follow-up financing, because they can lock in the current low interest rates (plus a forward surcharge) well before the fixed interest rate on their existing loan is due to expire.

Another improvement is that the standard repayment rate on annuity loans can be raised from the previous 5 percent of the loan amount per year to up to 10 percent. This gives customers the option of repaying their loan more quickly and therefore reducing the overall term of the loan. Constant rates and interest-rate security for up to 30 years are still possible for home finance, giving customers a reliable basis for planning.

 [www.annualreport.dzbank.com/  
home-savings-finance](http://www.annualreport.dzbank.com/home-savings-finance)



# Joint lending business Stronger together

Last year, DZ BANK improved the effectiveness and efficiency of its joint lending business with the Volksbanken Raiffeisenbanken. This business is a priority for the cooperative banks and their corporate customers, as syndicated loans are becoming increasingly important.

The local cooperative banks have a significant competitive advantage. Because they are located all over Germany, they are always close to their customers and are therefore ideally placed to offer a personal and bespoke corporate

banking service. Loans continue to be the core product in corporate banking. When it comes to higher-volume loans and more complex structures, DZ BANK operates as the risk partner for the Volksbanken Raiffeisenbanken,

drawing on its expertise and the strength of its balance sheet. DZ BANK and the local cooperative bank act as a consortium vis-à-vis the customer, which is why this business is referred to internally as joint lending. It enables companies to work hand in hand with their local bank to fund major capital expenditure projects or manage phases of growth.

**» Our joint credit business with the Volksbanken Raiffeisenbanken has become faster, more transparent, and more dependable. «**

Philipp Praeckel, Head of Department in DZ BANK's SME corporate banking business for the Hessen region

Last year, DZ BANK prioritized its joint lending business and implemented some key improvements. One of the reasons for this is that corporate banking and thus the joint lending business are becoming more and more important to the cooperative banks. After all, income from other business lines has fallen sharply during the period of low interest rates. "There is still potential for growth for the Volksbanken Raiffeisenbanken and DZ BANK in the corporate banking business," says Philipp Praeckel, Head of Department in DZ BANK's SME corporate banking business for the Hessen region. Moreover, competition has intensified in the battle for corporate customers wanting to take out a loan. Banks can thrive in this competition if they position themselves even more professionally.

One outcome of the improvement process is that, in the joint lending business, the Volksbanken Raiffeisenbanken now receive reliable assessments of feasibility based on clear benchmarks and rapid decisions on credit exposures – and all in a completely transparent manner. "Our joint credit business with the Volksbanken Raiffeisenbanken has become faster, more transparent, and more dependable," explains Praeckel. This saves time and gives greater planning certainty, both for the cooperative banks and for customers.

DZ BANK has also analyzed and amended the processes involved. For example, it has streamlined the procedural

and documentation requirements for loans, thereby cutting the amount of administration for everyone involved. Another improvement is that the central institution's regional decision-making powers have been strengthened, which accelerates the process and makes it more predictable.

Feedback from the Volksbanken Raiffeisenbanken on the changes made by DZ BANK is very positive. Nonetheless, Praeckel and his colleagues do not intend to sit back and relax. "We take the joint credit business and our role for the Volksbanken Raiffeisenbanken very seriously and are always working hard to make short-, medium-, and long-term improvements. As a cooperative banking group, we are ideally positioned to succeed in the fiercely competitive corporate banking business, and we are playing our part in ensuring this success."

### Overarching finance solutions for SMEs

DZ BANK's products and solutions for corporate banking extend beyond the traditional lending business. They include not only capital-markets-related funding but also the arrangement of development loans, comprehensive support for international business, bespoke solutions for hedging interest-rate risk and currency risk, support for business sales and acquisitions, and much more. This expertise benefits the customers of the cooperative banks and the direct customers of DZ BANK in equal measure.

 [www.annualreport.dzbank.com/  
joint-lending-business](http://www.annualreport.dzbank.com/joint-lending-business)

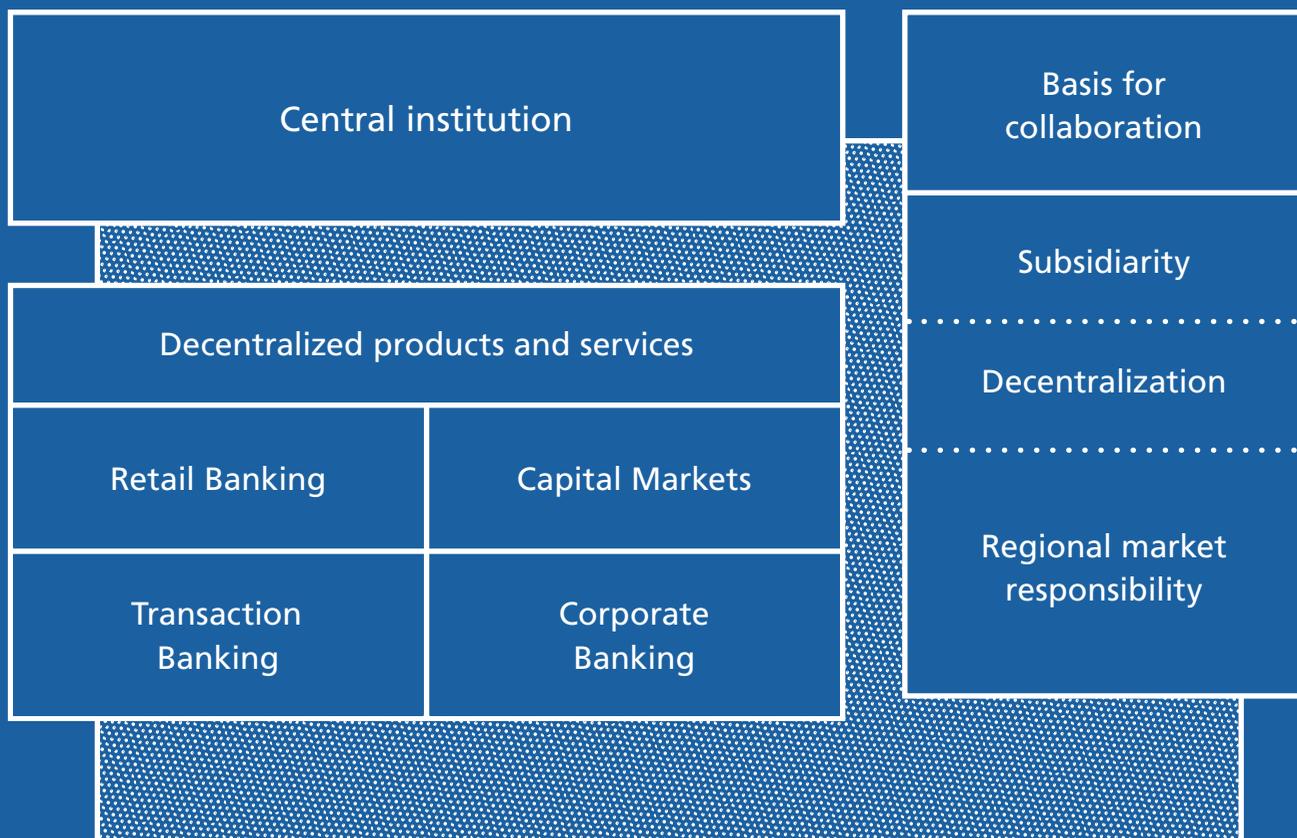
# DZ BANK Group – partners in the Volksbanken Raiffeisen- banken cooperative financial network

The DZ BANK Group forms part of the German cooperative financial network, which includes around 850 Volksbanken Raiffeisenbanken and is one of Germany's largest private-sector financial services organizations measured in terms of total assets. Within the cooperative financial network, DZ BANK AG functions as the central institution and is responsible for supporting the business of the cooperative banks in their regions and strengthening their competitiveness. It also operates as a corporate bank and acts as the holding company for the DZ BANK Group.

The Group Coordination Committee is the highest-level management and coordination committee in the DZ BANK Group. The objectives of this committee are to boost the competitiveness of the DZ BANK Group and to manage the coordination of fundamental product and sales issues. The committee ensures coordination between the key entities in the DZ BANK Group to achieve consistent management of opportunities and risks, to allocate capital, to deal with strategic issues, and to leverage synergies. The members of the Group Coordination Committee comprise the Board of Managing Directors of DZ BANK and the chief executive officers of Bausparkasse Schwäbisch Hall, DZ HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, Union Investment, and VR Smart Finanz.

 [www.annualreport.dzbank.com/dz-bank-group/profile](http://www.annualreport.dzbank.com/dz-bank-group/profile)

## Services offered by the DZ BANK Group for the cooperative banks and their customers



### Network focus and principle of subsidiarity

Strengthening the market position of the cooperative banks is a key factor for the success of the cooperative financial network. The DZ BANK Group supports the pursuit of this objective within the framework of its network-focused corporate strategy based on the principles of subsidiarity, decentralization, and regional market responsibility. It is guided by its overarching mission as a network-oriented central institution and financial services group and organizes its activities in line with a three-pronged strategy: growth in accordance with the needs of the cooperative financial network, continuation of the network focus, and integration within the group and with the cooperative banks.

# Strong brands – strong partners

## Some of the DZ BANK Group's brands

The DZ BANK Group includes Bausparkasse Schwäbisch Hall, DZ HYP, DZ PRIVATBANK, R+V Versicherung, TeamBank, the Union Investment Group, VR Smart Finanz, and various other specialized institutions. With their strong brands, the entities in the DZ BANK Group constitute key pillars in the range of financial products and services offered by the cooperative financial network. The DZ BANK Group sets out its strategy and range of services for the cooperative banks and their customers through its four business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking.

This combination of banking, insurance, home savings, and personal investment products and services has a long and successful tradition in the cooperative financial network. The specialized institutions in the DZ BANK Group provide highly competitive products at reasonable prices within their specific areas of expertise. This ensures that the cooperative banks in Germany are able to offer their clients a comprehensive range of outstanding financial services.

 [www.annualreport.dzbank.com/dz-bank-group/profile](http://www.annualreport.dzbank.com/dz-bank-group/profile)



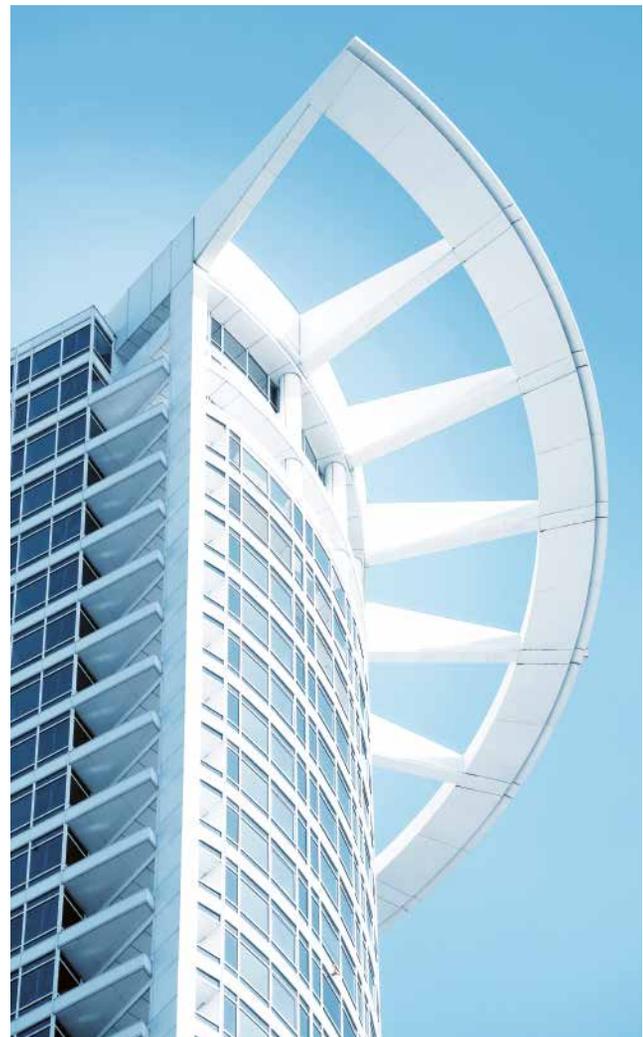
DZ BANK is the second-largest commercial bank in Germany and the central institution in the Volksbanken Raiffeisenbanken cooperative financial network. It is the central institution for the 850 cooperative banks in Germany, which between them hold the majority of its shares. DZ BANK supports the business of the independent cooperative banks in their regions with the aim of strengthening their competitiveness. The combination of local customer knowledge and central product expertise has proved to be highly effective.

 More information:  
[www.dzbank.com](http://www.dzbank.com)



# €519 billion

With consolidated total assets of €519 billion, DZ BANK is the second-largest bank in Germany.





R+V Versicherung is one of the leading insurance companies in Germany and has been on a growth trajectory for many years now. It is the second-largest insurer in both the life and non-life sectors. Based in Wiesbaden, R+V enjoys the trust of more than eight million customers, who have insured over 24 million risks.

 More information:  
[www.ruv.de](http://www.ruv.de)



**€44.5 billion**

Total volume of real estate finance  
as at December 31, 2018

**€16.9 billion**

Volume of gross premiums in 2018

 **DZ PRIVATBANK**



DZ HYP is one of Germany's leading real estate banks and is the center of excellence for public-sector customers in the cooperative financial network. Its decentralized support for the Volksbanken Raiffeisenbanken is a core element of DZ HYP's sales activities. It assists the local banks in its four divisions: Commercial Real Estate Investors, Housing Sector, Public Sector, and Retail Customers/Private Investors. DZ HYP offers bespoke funding solutions for commercial real estate customers – investors, building contractors, and project developers.

 More information:  
[www.dzhyp.de](http://www.dzhyp.de)

## Schwäbisch Hall

Auf diese Steine können Sie bauen

Schwäbisch Hall is Germany's largest building society, with around 7.2 million customers. It is also one of the leading home finance providers. Ever since it was established in 1931, Schwäbisch Hall has been firmly anchored in the cooperative financial network. The shared cooperative values – respect, solidarity, responsibility, and partnership – are expressed in Schwäbisch Hall's mission statement 'Creating and maintaining a home together'. The building society has over 3,300 field staff and around 3,000 inhouse employees, who provide customers with expert advice and support. Schwäbisch Hall also operates outside Germany. Its joint ventures in eastern Europe and China have more than three million customers between them.

 More information:  
[www.schwaebisch-hall.de](http://www.schwaebisch-hall.de)



# 30.6 %

Market share as at December 31, 2018



The Union Investment Group is the fund management specialist within the cooperative financial network and has been developing investment solutions for retail and institutional investors for more than 60 years. Over 3,100 employees manage assets amounting to €323.4 billion. In total, almost 4.5 million customers entrust Union Investment with their money.

 More information:  
[www.union-investment.de](http://www.union-investment.de)

# €323.4 billion

Assets under management

# Good operating performance Expansion of customer business

In 2018, the DZ BANK Group generated profit before taxes of just under €1.4 billion. This respectable figure was the result of its good operating performance. Our entities increased their volume of business and gained market share in most areas. By contrast, capital markets provided more headwind than tailwind in 2018. This is also reflected in the results. Nonetheless, the level of profit was sufficient to enable us to absorb adverse one-off items.

The DZ BANK Group's capital situation remains satisfactory. As at December 31, 2018, the common equity Tier 1 capital ratio was unchanged at 13.7 percent despite the expansion of the volume of business. This reflects our circumspect approach to managing risk assets and our ability to retain profits.

The key facts and figures relating to the DZ BANK Group's results for 2018 can be found on the following pages.

 The full 2018 Annual Report is available at [www.annualreport.dzbank.com](http://www.annualreport.dzbank.com)

**€1,370** million

Profit  
before taxes

**13.7** %

Common equity Tier 1 capital  
ratio (applying CRR in full)

**€2,299** million

Fee, commission,  
and bonus payments  
to cooperative banks

**€519** billion

Total assets

**AA-**

Credit rating  
(Standard & Poor's)

**30,732**

Average number of employees  
during the year

# Financial performance

## Income

**€5,450** million

## Profit before taxes

**€1,370** million

## Income statement

€ million

Net interest income	2,799
Net fee and commission income	1,955
Gains and losses on trading activities	285
Gains and losses on investments	150
Other gains and losses on valuation of financial instruments	-120
Net income from insurance business	490
Loss allowances	-21
Administrative expenses	-4,059
Other net operating income	-109
<b>Profit before taxes</b>	<b>1,370</b>

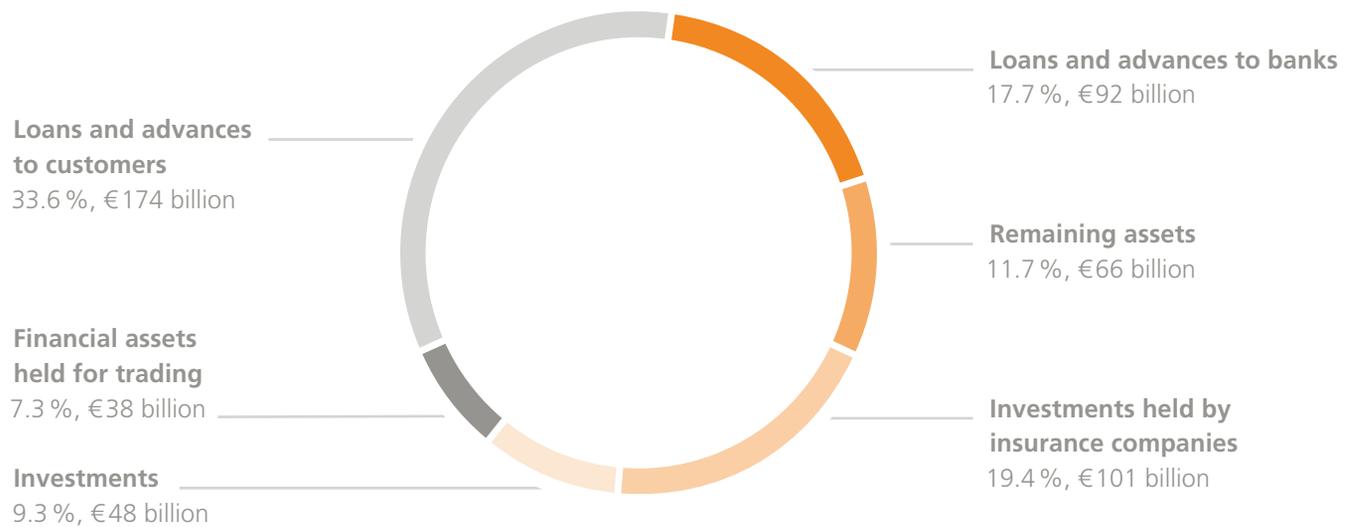
## Cost/income ratio

**74.5 %**

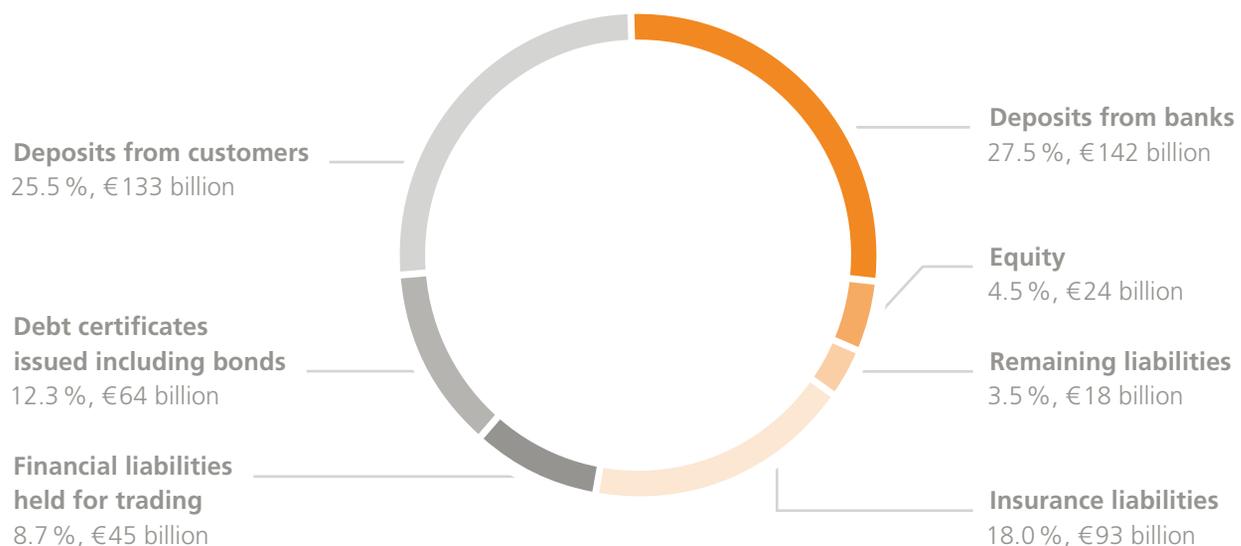
# Balance sheet structure

Numbers have been rounded

## Assets of €519 billion



## Equity and liabilities of €519 billion



# Review of 2018

A lot happened in the DZ BANK Group last year. Here is a summary of the biggest business successes and milestones.

 [www.annualreport.dzbank.com/dz-bank-group/review](http://www.annualreport.dzbank.com/dz-bank-group/review)

## January: 25 years of the DZ BANK art collection

Exhibitions, workshops, panel discussions, and other projects were held to mark the anniversary year.



## February: Union Investment rated the best for the 16th time

Five stars were awarded by Capital magazine in the Fund Compass. No other provider has achieved so many top ratings in succession.

## July 30: DZ HYP makes its successful debut

The cooperative real estate banks DG HYP and WL BANK were merged with retrospective effect from January 1, 2018.



## June: R+V launches its 'smart home' project

Collaboration with the Malteser Hilfsdienst charitable organization and IBM: 25 homes – mainly of elderly people living alone – were fitted with the smart Malteser Care assistance system, which detects medical emergencies and raises the alarm.

## May 30: Union Investment's financial literacy conference

Representatives from politics, society, and business met in Berlin to discuss how financial literacy can help to combat excessive debt and capital losses.



### August: Schwäbisch Hall chosen as best building society of 2018

First place in the annual building society test conducted by market researcher Deutsches Kundeninstitut on behalf of financial journal Euro am Sonntag – for the fourth time in a row.

### September 25: DZ BANK issues its first green bond

The senior preferred bond, which had a volume of €250 million, was significantly oversubscribed and attracted particularly strong interest from cooperative banks and institutional investors.

### October 1: TeamBank celebrates 15 years in the cooperative financial network

DZ BANK became the new owner of the predecessor institution on October 1, 2003, bringing what was then norisbank into the network.

### October: R+V pioneers selfie ID authentication

Customers can now use video ID authentication to activate their digital customer portal. R+V is the first insurer in Europe to offer this service.



### December 6: Wolfgang Kirsch says farewell in Berlin

Around 350 of his contemporaries from the world of finance, the cooperative organization, politics, and society celebrated the retirement of DZ BANK's long-standing Chief Executive Officer.



### December: Schwäbisch Hall has been supporting Off Road Kids for more than 10 years

As in previous years, the building society made a donation for 2019 to the charity, which during its 25-year existence has helped more than 5,000 young people living on the streets.

### November: Real estate assets under management by Union Investment exceed €40 billion for the first time

The cooperative financial network's fund management specialist thus confirms its market-leading position.



# HR strategy

## Employer of choice

The DZ BANK Group is the employer of choice for more than 30,000 employees. We live by the cooperative values in accordance with our motto 'Mehr beWIRken' (achieving more as a team). This is what makes us so special and so successful, and manifests itself in a very congenial working environment and low staff turnover. Employees and managers treat each other as equals, and personal, trust-based, cooperative interaction is encouraged. Our HR policy is geared to employees' stage of life, enabling us to offer them long-term prospects for their future career and opportunities for personal development as well as giving them flexibility for their life planning. The remuneration and additional benefits that we offer, such as occupational pension provision, corporate health management programs, and services for improving work-life balance, are combined to create an attractive overall package.

**Personal development**

The DZ BANK Group wants to retain its employees over the long term and help them to develop in line with their requirements. The different areas of focus of the nine group companies give employees the opportunity to become familiar with a broad range of financial services without having to move to a new employer. Along with standardized transfer conditions, various initiatives take place at different levels with the aim of making it easier to move between companies. For example, each company has a career scout who provides confidential advice and support for employees interested in a career move or change of job. Events such as information days, which take place in two to three different companies each year, not only encourage employees to broaden their horizons but also foster the sharing of information on work-related matters.

Potential employees and other interested parties can find out more about the DZ BANK Group on the dedicated careers website ([karriere.dzbankgruppe.de](http://karriere.dzbankgruppe.de)). Articles and a social media area provide information on the latest events and give an insight into the products and services of the individual companies and the jobs on offer. The 'Employees attract employees' initiative, which is aimed at overarching HR policy and succession planning, has been a success and will be continued. Almost 2,000 applications were received in the first 15 months.

**Work-life balance**

For some years now, companies in the DZ BANK Group have been certified by berufundfamilie Service GmbH, which recognizes employers with family-friendly and life-stage-oriented HR policies. Certification has to be renewed every three years and is contingent on the auditing of specific measures ([www.berufundfamilie.de](http://www.berufundfamilie.de)).

**Cross-mentoring program**

For several years, heads of department (mentees) and heads of division (mentors) have been paired up from different companies. As well as sharpening their focus, it helps them to better understand their partner's company and its business model. Participants also have the option of continuing their career paths at other companies.



14,507 women  
17,389 men



79.8 % full-time  
20.2 % part-time

## EDITORIAL INFORMATION

This report is available in digital form on our website at [www.annualreport.dzbank.com](http://www.annualreport.dzbank.com).

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Dr. Cornelius Riese (Co-Chief Executive Officer)  
Uwe Berghaus  
Dr. Christian Brauckmann  
Ulrike Brouzi  
Wolfgang Köhler  
Michael Speth  
Thomas Ullrich

Chairman of the Supervisory Board:  
Henning Deneke-Jöhrens

# Key figures

## DZ BANK Group

€ million	2018	2017		Dec. 31, 2018	Dec. 31, 2017
<b>FINANCIAL PERFORMANCE</b>			<b>RISK POSITION</b>		
Income <sup>1</sup>	5,450	6,555	<b>LIQUIDITY ADEQUACY</b>		
Loss allowances	-21	-786	<b>DZ BANK Group</b>		
Profit before taxes	1,370	1,810	Economic liquidity adequacy (€ billion) <sup>3</sup>		
Net profit	918	1,098	12.0		
Cost/income ratio (percent) <sup>2</sup>	74.5	60.4	<b>DZ BANK banking group</b>		
	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2017</b>	Liquidity coverage ratio – LCR (percent) <sup>7</sup>		
			141.4		
<b>FINANCIAL POSITION</b>			<b>CAPITAL ADEQUACY</b>		
<b>Assets</b>			<b>DZ BANK Group</b>		
Loans and advances to banks <sup>2</sup>	91,627	89,414	Economic capital adequacy (percent) <sup>4</sup>		
Loans and advances to customers	174,438	174,376	167.8		
Financial assets held for trading	37,942	38,709	<b>DZ BANK financial conglomerate</b>		
Investments	48,262	57,486	Coverage ratio for the financial conglomerate (percent) <sup>5,6</sup>		
Investments held by insurance companies	100,840	96,416	175.7		
Remaining assets <sup>2</sup>	65,624	49,193	<b>DZ BANK banking group</b>		
			Common equity Tier 1 capital ratio (percent) <sup>6,7,8</sup>		
<b>Equity and liabilities</b>			13.7		
Deposits from banks	142,486	136,122	Tier 1 capital ratio (percent) <sup>6,7,8</sup>		
Deposits from customers	132,548	126,319	14.3		
Debt certificates issued including bonds	63,909	67,327	Total capital ratio (percent) <sup>6,7,8</sup>		
Financial liabilities held for trading	44,979	44,280	16.8		
Insurance liabilities	93,252	89,324	Leverage ratio (percent) <sup>6</sup>		
Remaining liabilities	18,047	18,717	4.3		
Equity	23,512	23,505	<b>AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR</b>		
			30,732		
			30,279		
<b>Total assets/total equity and liabilities</b>			<b>LONG-TERM RATING</b>		
	<b>518,733</b>	<b>505,594</b>	Standard & Poor's		
			AA-		
<b>Volume of business</b>			Moody's Investors Service		
	<b>905,467</b>	<b>871,114</b>	Aa1		
			Fitch Ratings		
			AA-		

<sup>1</sup> Total of net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, net income from insurance business, and other net operating income.

<sup>2</sup> Prior-year figure restated.

<sup>3</sup> Economic liquidity adequacy is expressed through the minimum liquidity surplus KPI. The measured value relates to the stress scenario with the lowest minimum liquidity surplus. The internal minimum target relates to the observation threshold.

<sup>4</sup> The internal minimum target is the amber threshold in the traffic light system for managing and monitoring economic capital adequacy. The value originally measured as at December 31, 2017 was 170.5 percent and has been adjusted due to the scheduled recalculation of the overall solvency requirement for the Insurance sector.

<sup>5</sup> Figure measured as at December 31, 2018: Preliminary coverage ratio. Figure measured as at December 31, 2017: Final coverage ratio.

<sup>6</sup> Measured values based on full application of the CRR.

<sup>7</sup> The external minimum targets are the binding regulatory minimum capital requirements. Details on the minimum capital requirements can be found in section 7.3.3 of the 2018 Annual Report.

<sup>8</sup> The figures as at December 31, 2017 differ from the corresponding figures disclosed in the opportunity and risk report for the first half of 2018 and in the opportunity and risk report for 2017 due to the transition to disclosure based on full application of the CRR and due to regulatory requirements.

