Wolfgang Kirsch (Chief Executive Officer)

Dear Shareholders,

The DZ BANK Group's business performance was encouraging in the first half of 2018. At €1.03 billion, our profit before taxes was higher than the figure for the prior-year period of €939 million.

This good result reflects the strong performance of the operating business and an unremarkable risk situation. In particular, the loss allowances recognized for the shipping portfolio of DVB Bank were reduced significantly. At the same time, we made changes to the structure of the DZ BANK Group. Less than a year after the end of integration work within the amalgamated DZ BANK, the merger of DG HYP and WL BANK was completed on August 1 to form DZ HYP, one of the leading real estate banks in Germany. VR LEASING, which will operate under the VR Smart Finanz brand going forward, forged ahead with its transformation into a digital provider of finance for the self-employed and small businesses. We are also making rapid progress in selling significant parts of DVB Bank. During the first half of 2018, we again demonstrated that we are implementing our plans with a firm but steady hand.

The key results in detail: The DZ BANK Group's net interest income held steady at €1.42 billion (first half of 2017: €1.43 billion). At €958 million, net fee and commission income again reached a high level thanks to another good performance by Union Investment (first half of 2017: €977 million). Gains and losses on trading activities fell from a net gain of €304 million to a net gain of €206 million owing to a smaller contribution from trading income at DZ BANK AG. Other gains and losses on valuation of financial instruments declined from a net gain of €34 million to a net loss of €48 million. This was mainly due to a significant reduction in positive measurement effects arising from government bonds in DZ HYP's wind-down portfolio, particularly in the case of Italian government bonds. Net income from insurance business amounted to €299 million, compared with €451 million in the first half of 2017. This decrease was primarily attributable to an exceptionally high net gain on investments held by insurance companies in the prior-year period. Nonetheless, customer business continued to perform very well in the period under review, with record levels of premium income. Overall, loss allowances amounted to a net reversal of €44 million (first half of 2017: net addition of €396 million), mainly due to the sharp fall in loss allowances required at DVB Bank. Administrative expenses were virtually unchanged at €2.02 billion (first half of 2017: €2.00 billion), and increased expenses at DZ HYP resulting from the merger were offset by lower project costs at DZ BANK AG.

These solid results reflect the significant commitment of our employees. My colleagues on the Board of Managing Directors and I would like to express our appreciation and thanks to them.

The DZ BANK Group's capital situation remains sound thanks to consistent management of risk assets. Applying the provisions of the Capital Requirements Regulation (CRR) in full, the common equity Tier 1 capital ratio of the DZ BANK Group as at June 30, 2018 was 13.7 percent (December 31, 2017: 13.9 percent).

We anticipate stable economic conditions during the second half of the year. Our economists forecast that Germany's economy will expand by 1.7 percent in 2018 as a whole. However, this encouraging outlook is subject to uncertainties stemming from trade policy and geopolitical factors. Our target for the year remains at the lower end of the long-term earnings range of €1.5 billion to €2 billion, especially in view of macroeconomic conditions and further capital expenditure on the ongoing development of the DZ BANK Group.

At the same time, we are working hard to ensure our organization is ready for the future by increasing efficiency and continuing to digitize our structures and processes. We are also focusing even more on our customers. One example of this is our range of activities aimed at enhancing the joint lending business with the local cooperative banks, for which we have set ourselves ambitious growth targets. Furthermore, we are refining the management of our financial services group. We refer to this portfolio of future-driven topics as 'Verbund First 4.0'.

During the first half of 2018, our organization demonstrated its ability to deliver successful customer business through constant renewal. We are pleased that we will also be able to count on the support of Ulrike Brouzi in this regard, who will be Member of the Board of Managing Directors effective from September 1, 2018.

Kind regards,

Wolfgang Kirsch
Chief Executive Officer