



2018 §165(d) Resolution Plan – Public Section

DZ BANK AG

Public Section of 2018 §165(d) U.S. Resolution Plan

Public Section

(i) Executive Summary

Section 165(d) of the Dodd-Frank Act (“DFA”) and its implementing rules require, among other things, any company covered by section 165(d) to produce a resolution plan (such plan for DZ BANK AG being this “Resolution Plan”) to provide for such company’s rapid and orderly resolution in the event of material financial distress or failure. The implementing rules (collectively, the “Rule”) were jointly issued by the Federal Reserve System (the “Board”), codified at 12 Code of Federal Regulations (“C.F.R.”) Part 243, and the Federal Deposit Insurance Corporation (the “FDIC” and together with the Board, the “Agencies”), codified at 12 C.F.R. Part 381, on November 1, 2011. DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (“DZ BANK”, “DZ BANK AG” or the “Bank”) is considered a “Covered Company” under the Rule and must file this Resolution Plan with the Agencies. References to the Rule contained herein are to 12 C.F.R. Part 243 promulgated by the Board. The Resolution Plan takes into account the impact of the hypothetical failure of DZ BANK occurring under the baseline, adverse and severely adverse economic scenarios as published by the Board in “2014 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule” on November 1, 2013. The Resolution Plan analyzes and describes impediments and changes to the resolution strategy and proposed mitigants under each new economic condition.

Under the requirements of the Rule, Covered Companies are required to assess their U.S. banking operations for the presence of “Material Entities”, “Critical Operations”, and “Core Business Lines”. DZ BANK performed this assessment and determined that there were no Material Entities, Critical Operations or Core Business Lines as defined in the Rule. Therefore, the focus of this Resolution Plan is the orderly resolution of DZ BANK’s New York State chartered branch (the “New York Branch”) as the U.S. operations of the Covered Company, driven by the requirements of the New York State receivership procedures for the orderly liquidation of a banking entity in resolution.

DZ BANK with its registered office in Frankfurt am Main, Federal Republic of Germany, acts as central bank, corporate bank and parent holding company of the DZ BANK Group. As a central bank DZ BANK serves as the subsidiary partner of approximately 850 local cooperative banks. DZ BANK is considered a “Covered Company” under the Rule and must file a Resolution Plan with the Board and the FDIC.

DZ BANK is subject to governmental supervision and regulation by the German Federal Financial Services Supervisory Authority (BaFin), an independent authority with regulatory powers, with the assistance of the Deutsche Bundesbank under the German Banking Act of July 10, 1961, as amended, and by the European Central Bank.

Overview of DZ BANK's U.S. Operations

In the United States, DZ BANK operates a New York State licensed branch that is regulated by the York State Department of Financial Services ("NYDFS") and the Board. Deposits in the New York Branch are not insured by the FDIC. DZ BANK is a foreign banking organization ("FBO") and has elected to be treated as a "financial holding company" under the Bank Holding Company Act of 1956, as amended.

The New York Branch has the following lines of business:

- "Group Treasury (GTLA/GTSA)" – GTLA/GTSA is DZ BANK's global treasury group. Group Treasury takes deposits, manages the U.S. securities portfolio, and enters into interest rate swaps on deals it originates. These services are provided to corporate customers of the Bank.
- "Asset Securitization (SFA)" - SFA provides financing to niche markets by means of securitization via its conduit, Autobahn. SFA operates exclusively in the U.S. market and provides services to U.S. customers and German based DZ BANK clients operating in North America.
- "Syndicated Loans & Acquisition Finance, German Desk (SFLN)" - SFLN provides financing to the North American subsidiaries of German DZ BANK clients and supports North American companies with significant business activities in Germany.
- "Project Finance (SFPN)" - SFPN finances projects mainly in the energy sector to U.S. based customers and German based DZ BANK clients operating in North America.
- "Trade & Commodity Finance (SFTN)" - SFTN provides secured, structured, and commodity financing to German based DZ BANK clients operating in North America and U.S. based customers.

The principal place of business of the New York Branch is 100 Park Avenue, New York, NY 10017. The main telephone number is (212) 745-1400.

(ii) Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources

The consolidated income statement and the balance sheet of the Covered Company is set forth below:

Income statement for the period January 1 to December 31, 2017

€ million	2017	2016
Net interest income	2,941	2,660
Interest income and current income and expense	6,692	6,811
Interest expense	-3,751	-4,151
Allowances for losses on loans and advances	-786	-569
Net fee and commission income	1,864	1,698
Fee and commission income	3,585	3,236
Fee and commission expenses	-1,721	-1,538
Gains and losses on trading activities	506	780
Gains and losses on investments	10	127
Other gains and losses on valuation of financial instruments	289	51
Premiums earned	15,181	14,658
Gains and losses on investments held by insurance companies and other insurance company gains and losses	3,474	3,815
Insurance benefit payments	-15,312	-15,400
Insurance business operating expenses	-2,436	-2,313
Administrative expenses	-3,868	-3,600
Other net operating income	38	34
Net income from the business combination with WGZ BANK	-91	256
Profit before taxes	1,810	2,197
Income taxes	-712	-591
Net profit	1,098	1,606
Attributable to:		
Shareholders of DZ BANK	957	1,468
Non-controlling interests	141	138
APPROPRIATION OF PROFITS		
€ million	2017	2016
Net profit	1,098	1,606
Non-controlling interests	-141	-138
Appropriation to retained earnings	-633	-1,142
Unappropriated earnings	324	326

Balance sheet as at December 31, 2017

ASSETS			
€ million		Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents		12,835	8,515
Loans and advances to banks		120,489	107,253
Loans and advances to customers		174,376	176,532
Allowances for losses on loans and advances		-2,794	-2,394
Derivatives used for hedging (positive fair values)		1,096	1,549
Financial assets held for trading		38,709	49,279
Investments		57,486	70,180
Investments held by insurance companies		96,416	90,373
Property, plant and equipment, and investment property		1,498	1,752
Income tax assets		1,127	1,280
Other assets		4,546	4,970
Non-current assets and disposal groups classified as held for sale		84	182
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		-274	-24
Total assets		505,594	509,447
EQUITY AND LIABILITIES			
€ million		Dec. 31, 2017	Dec. 31, 2016
Deposits from banks		136,122	129,280
Deposits from customers		126,319	124,425
Debt certificates issued including bonds		67,327	78,238
Derivatives used for hedging (negative fair values)		2,962	3,874
Financial liabilities held for trading		44,280	50,204
Provisions		3,372	4,041
Insurance liabilities		89,324	84,179 ¹
Income tax liabilities		848	780
Other liabilities		7,523	6,662
Subordinated capital		3,899	4,723
Liabilities included in disposal groups classified as held for sale		-	25
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		113	180
Equity		23,505	22,836
Shareholders' equity		20,690	20,017
Subscribed capital		4,926	4,657
Capital reserve		5,551	4,904
Retained earnings		7,597	7,822
Revaluation reserve		1,396	1,401 ¹
Cash flow hedge reserve		5	-11
Currency translation reserve		43	70
Additional equity components		848	848
Unappropriated earnings		324	326
Non-controlling interests		2,815	2,819 ¹
Total equity and liabilities		505,594	509,447

¹ Amount restated.

(iii) A description of derivative activities and hedging activities

As an integral part of its risk management strategy, the New York Branch hedges against risks arising in connection with financial instruments. Derivatives and other instruments are used to hedge credit risk and market risk. All hedging activities are conducted within the strategic rules specified in writing and applicable throughout the DZ BANK Group.

If the hedging of risk in connection with financial instruments gives rise to accounting mismatches between the hedged item and the derivative used for the hedge, the DZ BANK Group designates the hedging transaction as a hedge in accordance with the hedging accounting requirements of IAS 39 and exercises the fair value option in order to eliminate or reduce such mismatches. Hedge accounting in the DZ BANK Group includes hedging interest-rate risk and currency risk and therefore affects market risk. Hedging information is disclosed in note 82 of the notes to the 2017 consolidated financial statements of DZ BANK Group.

(iv) A list of memberships in material payment, clearing and settlement systems

The New York Branch is not a member of any material payment, clearing or settlement system.

(v) A description of foreign operations

The New York Branch has no foreign operations (other than the Head Office) material to its resolution.

(vi) The identities of material supervisory authorities

The New York Branch is supervised by the following authorities:

USA

- (1) New York State Department of Financial Services; and
- (2) Federal Reserve Bank of New York.

Germany

- (1) BaFin (German Federal Financial Supervisory Authority)
- (2) Deutsche Bundesbank
- (3) The European Central Bank

(vii) The identities of the principal officers as of December 31, 2017

General Manager, DZ BANK AG New York Branch: Mr. Ralf Weingartner.

(viii) A description of the corporate governance structure and processes related to resolution planning

From a governance standpoint, the Steering Committee, comprised of the Head of Compliance for DZ BANK, the Branch Manager of the New York Branch, and the Chief Compliance Officer of the New York Branch, assessed the feasibility of the Plan. The Head of Compliance for DZ BANK is also responsible for approval of the Bank's Recovery Plan required by German authorities. The Board of Directors of DZ BANK approved the Plan via designee to the Head of Compliance.

(ix) A description of material management information systems

DZ BANK's management information systems ("MIS") are applications that aggregate, analyze, and report financial data necessary for prudent decision making and risk management. The applications consist of third-party and in-house platform technologies and user interfaces that staff use to generate reports on both a periodic and ad-hoc basis. The key MIS at the New York Branch generate numerous reports used in the normal course of business to monitor its financial health, risks, and operations.

The ability of DZ BANK's MIS to aggregate and analyze data locally and globally is robust. DZ BANK maintains detailed business continuity plans with respect to all technology platforms, including its MIS.

(x) A description, at a high level, of the Covered Company's resolution strategy, covering such items as the range of potential purchasers of the Covered Company.

The resolution strategy for the Covered Company under all economic scenarios is a liquidation of the New York Branch. The Branch would be resolved by the New York State Division of Financial Services through a receivership pursuant to the governing provisions under New York State Banking Law. The receivership will liquidate the U.S. assets of the New York Branch to satisfy the claims of its creditors to the fullest extent possible. Pursuant to this strategy, the Resolution Plan outlines the asset sales that could occur during the resolution process. These Plans include assessments as to the marketability and liquidity of the various classes of New York Branch assets.