

Investor Relations Release

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Preliminary results for 2023: DZ BANK Group reports a profit before taxes of €3.2 billion

DZ BANK AG
Deutsche Zentral-
Genossenschaftsbank
Investor Relations

- Very encouraging profit before taxes that far exceeds expectations
- Steady growth in the operating business
- Very solid capital base, with a common equity Tier 1 capital ratio of 15.5 percent

In 2023, the DZ BANK Group generated a profit before taxes of €3.2 billion (2022: €2.3 billion). The reason for this encouraging figure was the continued good operating performance of the DZ BANK group entities. This was particularly the case for DZ BANK – central institution and corporate bank, which notched up further growth in the Corporate Banking, Capital Markets, and Transaction Banking business lines and made a substantial contribution to the overall results. At R+V Versicherung, a significant improvement in gains and losses on investments held by insurance companies helped it to achieve a high level of profit. It also recorded a good level of premiums. Union Investment generated a very satisfying contribution to profits too, partly thanks to strong inflows into mutual funds once again. Despite the challenging conditions for real estate, DZ HYP's total volume of finance held steady and its profit before taxes was on a par with the high prior-year level. Bausparkasse Schwäbisch Hall registered brisk new home savings business and increased its market share yet again. DZ PRIVATBANK's profit before taxes rose sharply. This was primarily thanks to the positive effects of the shift in interest-rate policy, along with higher inflows in private banking and fund services. The group's overall risk situation remained unremarkable.

"We achieved our very good result in conditions that remained challenging. The main influences were once again geopolitical conflicts and a weak global economy, which depressed the German economy in particular. Nevertheless, the capital market situation was favorable overall, providing us as a financial intermediary with a noticeable tailwind," says Dr. Cornelius Riese, Co-Chief Executive Officer of DZ BANK. "The very good result is a sure sign of the strength and resilience of our business model. We are therefore delighted to have comfortably exceeded our profit expectations despite the challenges."

"Close collaboration with the cooperative banks helped us to maintain a growth trajectory in all areas of the business, particularly at the central institution and corporate bank," says Uwe Fröhlich, Co-Chief Executive Officer of DZ BANK. "As the central institution, we have an obligation to the cooperative banks. But at the same time, the shared success of the different entities is crucial to our profile as a high-performing corporate bank. We are becoming ever better at managing the symbiosis between cooperative service provider and strong corporate bank."

The capital adequacy of the DZ BANK Group improved markedly in 2023, with the common equity Tier 1 capital ratio increasing to 15.5 percent as at December 31, 2023 (December 31, 2022:

13.7 percent). This was due to profit retention, careful management of risk-weighted assets and, as expected, the positive impact of the introduction of IFRS 17 on the liabilities on R+V Versicherung's balance sheet. Moreover, DZ BANK further strengthened its capital base in 2023 by placing AT1 bonds in a volume of €1.1 billion.

Income statement line items in detail

At €4.33 billion, the **net interest income** of the DZ BANK Group was significantly higher than the figure for 2022 of €3.32 billion. This was primarily thanks to healthy corporate banking business at the central institution and corporate bank. In addition, there were accounting-related positive effects on net interest income with an offsetting effect on gains and losses on trading activities.

Net fee and commission income amounted to €2.81 billion, which was on a par with the high prior-year level (2022: €2.75 billion). This was primarily due to robust fund inflows at Union Investment.

Gains and losses on trading activities deteriorated to a net loss of €175 million. The decrease compared to the previous year (2022: €823 million) is due to accounting-related negative effects with an offsetting effect on net interest income. In operational terms, however, the central institution and corporate bank's capital markets business continued to perform very well.

The net loss under **gains and losses on investments** fell to €72 million (2022: net loss of €119 million).

Other gains and losses on valuation of financial instruments improved year on year, amounting to a net gain of €298 million (2022: net loss of €286 million). This can be explained by positive effects in the valuation of guarantee commitments and own-account investing at Union Investment.

There were net additions to **loss allowances** of €362 million in view of the weak economic conditions (2022: net addition of €304 million).

Inflation and capital expenditure on infrastructure meant that **administrative expenses** rose slightly to €4.60 billion (2022: €4.45 billion).

Other net operating income fell to €56 million (2022: €204 million). This decrease can be explained by impairment of assets and the recognition of provisions.

The **cost/income ratio** stood at 56.4 percent (2022: 63.5 percent).

Profit before taxes came to €3.2 billion (2022: €2.3 billion).

Net profit was €2.23 billion (2022: €1.34 billion).

Results of the DZ BANK Group

In 2023, **DZ BANK – central institution and corporate bank (CICB)** posted another very healthy profit before taxes of €1.04 billion (2022: €0.9 billion). This significant contribution to profits was

attributable to the positive operating performance across all business lines and an unremarkable risk situation. The **Capital Markets business line** generated substantial growth, primarily in the money market business, thanks to the shift in interest-rate policy. Interest-rate and currency management activities performed well, as did the primary market business. The CICB maintained its strong position in the sustainable finance market and is the market leader when it comes to providing support for sustainability-related promissory notes from Germany, with a market share of 17 percent. Sales of structured retail products also went up sharply. The volume of sales of investment certificates and interest-rate products climbed to a record high of €24.0 billion (2022: €14.9 billion). The **Corporate Banking** business line continued to be shaped by corporate customers' strong need for liquidity, enabling the CICB to further strengthen its market position. The lending volume rose by 8 percent to €85.7 billion. Joint credit business with the local cooperative banks grew by €1.1 billion to €18.0 billion. Within the **Transaction Banking** business line, both payments processing and depository business performed well. There was a particularly strong rise in the number of credit card transactions to 365.9 million (2022: 289.8 million), while the number of credit cards in issue stood at 6.7 million (December 31, 2022: 6.2 million). The number of payments processed went up by 7 percent year on year to 9.9 billion. The volume of assets under depository grew to €332.5 billion (December 31, 2022: €297.3 billion), making DZ BANK the third-largest depository bank in Germany.

As a result of the rapid shift in interest-rate policy, the profit before taxes of **Bausparkasse Schwäbisch Hall (BSH)** declined, as anticipated, to €20 million (2022: €143 million). The prior-year figure had been significantly inflated by one-off reversals of provisions relating to building society operations. From an operational perspective, however, Bausparkasse Schwäbisch Hall performed well. New home savings business came to €31.0 billion, which almost matched the high prior-year figure of €34.1 billion. As a result, market share swelled to 31.2 percent (December 31, 2022: 28.9 percent). Reflecting market conditions, new home finance business fell by 43.6 percent to €9.2 billion.

R+V Versicherung generated a very robust profit before taxes of €1 billion (2022: €187 million). The main factors at play here were the small number of major claim events and, on the back of more favorable market conditions, the substantial improvement in gains and losses on investments held by insurance companies. There was also a healthy level of customer business, especially in non-life insurance. Gross premiums written increased year on year to a total of €19.8 billion (2022: €19.6 billion).

TeamBank registered a profit before taxes of €81 million (2022: €134 million). This decrease was largely attributable to higher loss allowances due to the weak economy. Moreover, fee and commission income was down owing to new statutory provisions governing credit insurance policies. The operating business proved robust in the face of the economic environment. Although TeamBank's volume of new business of €3.1 billion was slightly lower than the figure for 2022 of €3.4 billion, the bank outperformed the wider market. Loans and advances to customers amounted to €9.8 billion (December 31, 2022: €9.6 billion). The number of customers increased by 29,000 to 1.04 million.

Union Investment posted a very good profit before taxes of €974 million (2022: €695 million), predominantly thanks to benign equity market conditions and strong customer business. Net inflows from retail clients were particularly encouraging at €12.2 billion (2022: €10.7 billion), and Union Investment remained a leading player in the mutual funds segment. Net inflows from

institutional clients decreased to €4.6 billion (2022: €6.8 billion). Assets under management increased to €455.2 billion as at the end of 2023 (December 31, 2022: €413.1 billion). The volume of sustainable investments pursuant to Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation amounted to €128.7 billion; applying Union Investment's own minimum sustainability standards, the volume came to €90.6 billion as at December 31, 2023.

DZ HYP achieved a healthy profit before taxes of €476 million that was on a par with the high prior-year figure of €455 million, while loss allowances were as anticipated. Despite the challenging conditions for real estate, DZ HYP's total volume of finance held steady. New business with corporate customers proved robust, amounting to €7.4 billion (2022: €8.1 billion). The volume of new business with retail customers slumped to €0.8 billion (2022: €1.6 billion).

DZ PRIVATBANK's profit before taxes improved markedly to €83 million (2022: €52 million). This was primarily thanks to the positive effects of the shift in interest-rate policy, along with higher inflows in private banking and fund services. Assets under management in the private banking business increased to €23.4 billion (December 31, 2022: €21.2 billion). Net inflows amounted to €0.8 billion (2022: €1.4 billion). The volume of assets under custody advanced by 12 percent to €188.7 billion.

The profit before taxes of **VR Smart Finanz** declined to €1 million (2022: €3 million), largely due to increased loss allowances in view of volatile market conditions. From an operating perspective, VR Smart Finanz remained on the positive trajectory seen in the previous year. Its volume of new business generated from the 'VR Smart flexibel' business loan and from object finance for customers in the small business, self-employed, and SME segments grew by 18 percent to €1.2 billion (2022: €1.0 billion).

DZ BANK AG – holding function recorded a loss before taxes of €356 million (2022: €279 million) that was primarily due to higher interest expense.

Focus on growth and core priorities

Looking to the future, the DZ BANK Group is continuing to pursue its strategic objectives as a matter of priority. The group entities refine their individual business models on an ongoing basis, harnessing business potential in partnership with the cooperative banks. The digitalization of processes and support for the sustainable transformation of the economy remain key tasks for the financial sector. The DZ BANK Group is making good progress in this regard, and the banking group has set decarbonization targets and updated the business processes in a total of seven carbon-intensive industries. It is also strengthening its market presence and seizing business opportunities. DZ BANK, for example, stepped up the financing of renewable energy projects significantly and is now also a major funding partner internationally in this field. The bank also maintained its leading market position when it comes to providing support for sustainability-related capital market transactions. Moreover, two DZ BANK Group entities – DZ HYP and Bausparkasse Schwäbisch Hall – recently issued Pfandbriefe classified as green and are thus playing their part in the transformation of commercial and retail real estate finance.

DZ BANK is also making significant progress on projects of importance for the future. Having gone live with its cryptodepository platform for institutional customers, the central institution is aiming to

pilot a wallet solution for the cooperative banks' retail customers this year. In payments processing, it is setting new standards with the Request-to-Pay system. "As one of the market-leading providers in Germany, we are closely involved in setting up the European Payments Initiative (EPI) and playing an active role in establishing the digital euro," says Uwe Fröhlich, Co-Chief Executive Officer of DZ BANK. "We can see huge potential in generative artificial intelligence, which we are introducing throughout the entire group in a structured and ambitious manner. At the same time, we are continuing to forge ahead with key platform and infrastructure programs in order to raise efficiency even higher within our group."

Outlook

To some extent, the prospects for the global economy in 2024 have recently brightened again, which should benefit Germany's export-dependent economy too. The rate of inflation is also a source of optimism, having moved back much closer to the target of 2 percent in January. Moreover, most companies are putting in a robust performance and continuing to generate a profit, thereby injecting momentum into the equity markets. However, geopolitical developments are still creating considerable uncertainty, which is weighing on consumer spending and companies' propensity to invest. The German economy is likely to be very slow to pick up speed again. DZ BANK's economists therefore anticipate growth of just 0.5 percent for 2024.

"At the start of the new year, we are seeing an encouragingly brisk level of customer business, for example the provision of support for primary market issues. We have also identified further growth opportunities and are planning to strengthen our market presence in all business lines. This will allow us to maintain the positive business performance that we achieved in previous years," says Cornelius Riese, Co-Chief Executive Officer of DZ BANK. "In view of this, we are raising our long-term target range for profit before taxes to between €2.0 billion and €2.5 billion."

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Further information can be found using the following link:

<https://www.dzbank.com/content/dzbank/en/home/dz-bank/investor-relations/events.html>

The Annual Report of the DZ BANK Group will be available on March 28, 2024 under:

<https://www.dzbank.com/content/dzbank/en/home/we-are-dz-bank/investor-relations/reports.html>

DZ BANK Group preliminary income statement (IFRS)

€ million	2023	2022	Change (%)
Net interest income	4,333	3,322	+30.4
Net fee and commission income	2,807	2,749	+2.1
Gains and losses on trading activities	-175	823	>100
Gains and losses on investments	-72	-119	+39.5
Other gains and losses on valuation of financial instruments	298	-286	>100
Gains and losses from the derecognition of financial instruments measured at amortized cost	11	35	-68.6
Net income from insurance business	891	276	>100
Loss allowances	-362	-304	+19.1
Administrative expenses	-4,597	-4,447	+3.4
Other net operating income	56	204	-72.5
Profit before taxes	3,189	2,252	+41.6
Income taxes	-955	-912	+4.7
Net profit	2,234	1,341	+66.6
Cost/income ratio [%]	56.4	63.5	-7.1pp
Total assets [€ billion]	645	628	+2.6