Press release

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DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Press office

Preliminary results for 2024: DZ BANK Group reports a profit before taxes of €3.3 billion

- Profit before taxes that far exceeds expectations
- Continued growth in the customer business
- Implementation of key IT and digitalization projects
- Common Equity Tier 1 capital ratio reaches 15.8 percent

In 2024, the DZ BANK Group generated a very healthy profit before taxes of €3.3 billion (2023: €3.2 billion). The main reason for this encouraging figure was good customer business in the group companies. A further tailwind was provided by the positive development of the capital markets. R+V Versicherung and Union Investment made particularly large profit contributions, with R+V Versicherung registering not only rising premiums but also a high investment income. Meanwhile, Union Investment maintained the volume growth seen in previous years.

Most areas of the DZ BANK Group's banking business performed very well too. DZ BANK – central institution and corporate bank (CICB) notched up further growth in its Corporate Banking, Capital Markets, and Transaction Banking business lines. DZ HYP delivered a good business performance against the backdrop of a slowly recovering real estate market. DZ PRIVATBANK's customer business went from strength to strength, including further expansion of private banking in collaboration with the cooperative banks.

However, the German economy faced challenges on many fronts in 2024. Persistently high energy costs, weak demand and increased competition weighed heavily on companies. Moreover, consumer and investor sentiment was low, reflecting a significant general uncertainty for both businesses and consumers. The weak economic performance is now resulting in a rising number of corporate insolvencies. Consequently, the economic situation and the resulting elevated level of credit risk had an impact on some of the institutions in the DZ BANK Group too. TeamBank and VR Smart Finanz, for example, had to recognize increased loss allowances. An increased loss allowance was required at the CICB as well.

"Despite the many challenges of the past year, we have remained on our growth trajectory and exceeded the very good profit before taxes that we had reported in 2023," says Cornelius Riese, Chief Executive Officer of DZ BANK. "Our diversified business model proved particularly robust under these difficult conditions."

Given the high degree of uncertainty, the CICB was very much in demand as a reliable partner to small and medium-sized enterprises as well as large corporates. "We recorded significant increases in demand, not only for loans but also for interest-rate hedging and currency hedging. In the Capital Markets business line, business with institutional customers – particularly the underwriting business – was very successful. Within the Transaction Banking business line, there was growth in payments processing, credit card sales, and custody business," says Johannes Koch, member of the DZ BANK Board of Managing Directors responsible for the central institution and corporate bank. "Close collaboration with the cooperative banks has played a huge part in this success."

The capital adequacy of the DZ BANK Group improved yet again in 2024, with the common equity Tier 1 capital ratio increasing to 15.8 percent as at December 31, 2024 (December 31, 2023: 15.5 percent).

Income statement line items in detail

The DZ BANK Group's **net interest income** rose to €4.67 billion (2023: €4.33 billion). This was driven by good customer business, especially in the central institution and corporate bank and at DZ HYP. Furthermore, there were positive accounting-related effects on net interest income, with a countervailing negative impact on gains and losses on trading activities.

Net fee and commission income amounted to €3.19 billion, which was also higher than the prior-year level (2023: €2.81 billion). This was primarily due to net inflows into fund products at Union Investment along with the positive market trend.

Gains and losses on trading activities fell to a net loss of €842 million (2023: net loss of €175 million). This can be explained by losses arising on the valuation of the central institution and corporate bank's own issues, as well as by negative accounting-related effects with a countervailing positive impact on the net interest income. Operating trading business in the central institution and corporate bank was at a good level.

Gains and losses on investments improved to a net gain of €65 million (2023: net loss of €72 million).

The net gain under **other gains and losses on valuation of financial instruments** declined to €229 million because the prior-year figure had been influenced by more favorable valuation effects from guarantee commitments and own-account investments at Union Investment (2023: net gain of €298 million).

Loss allowances came to €845 million (2023: €362 million). Current economic risks meant that higher additions were required in the central institution and corporate bank and at TeamBank and VR Smart Finanz.

Administrative expenses fell slightly to €4.55 billion (2023: €4.60 billion), primarily due to the absence of the bank levy. By contrast, there was a moderate increase in staff expenses.

Other net operating income rose to €200 million (2023: €56 million). Reversals of provisions contributed significantly to this increase.

The **cost-income ratio** stood at 52.3 percent (2023: 56.4 percent).

Profit before taxes came to €3.30 billion (2023: €3.19 billion).

Net profit was €2.39 billion (2023: €2.23 billion).

Results of the DZ BANK Group

The profit before taxes posted by **DZ BANK – central institution and corporate bank (CICB)** fell to €468 million (2023: €1.04 billion). This sharp decrease was due to negative effects under IFRS arising from the valuation of own issues, whereas those effects had given rise to positive effects for profit before taxes in 2023. In addition, loss allowances rose to €457 million in the reporting year (2023: €82 million). By contrast, the customer business performed very well. In the **Corporate Banking** business line, the volume of loan commitments increased by 6 percent to €90.5 billion (December 31, 2023: €85.7 billion). Within this figure, joint credit business with the local cooperative banks was held steady at €18.0 billion. In the **Capital Markets** business line, corporate customers generated a healthy demand for interest-rate hedging and currency hedging, along with strong sales of money market products. In the institutional sector, the bank accompanied several important mandates of supranational institutions, some of which were ESG-related. As interest rates now started to fall again, there was a significant decline in the demand for interest-rate products in the retail business. Sales of investment certificates increased slightly to €8.9 billion (2023: €8.5 billion). Structured bond sales advanced to €2.2 billion (2023: €2.0 billion). The **Transaction Banking** business line also registered strong growth. There was a particularly substantial rise in the number of credit card transactions to 457.1 million (2023: 365.9 million). Credit card sales developed positively too, resulting in an increase in the number of issued cards to 7.2 million (December 31, 2023: 6.7 million). The volume of assets under depository grew to €369.5 billion (December 31, 2023: €332.5 billion), making DZ BANK the third-largest custodian bank in Germany.

Bausparkasse Schwäbisch Hall (BSH) improved its profit before taxes to €64 million (2023: €20 million). Although new home savings business decreased to €28.1 billion (2023: €31.0 billion), it outperformed the market as a whole. As a result, BSH's share on the home savings market swelled to 34.7 percent (December 31, 2023: 31.2 percent). Home finance is showing signs of a slow recovery. This can particularly be seen in the volume of new home saving loans, which rose year on year to €3.7 billion (2023: €3.2 billion).

R+V Versicherung generated a very robust profit before taxes of €1.2 billion (2023: €1.0 billion). This was primarily driven by a high net gain under gains and losses on investments held by insurance companies and a moderate level of claims. Customer business was also encouraging across all divisions. Gross premiums written climbed to a total of €20.9 billion (2023: €19.8 billion).

TeamBank saw its profit before taxes fall to €23 million (2023: €81 million). This was predominantly driven by the increase in loss allowances resulting from the weak economic conditions. The operating business remained stable. The volume of new business was unchanged year on year at €3.1 billion (2023: €3.1 billion). Loans and advances to customers amounted to €9.9 billion (December 31, 2023: €9.8 billion). The number of customers increased to 1.07 million (December 31, 2023: 1.04 million).

Union Investment's profit before taxes of €1.2 billion significantly exceeded the prior-year figure (2023: €974 million). This increase was largely due to persistently good customer business and the positive trend in the equity markets. At €12.6 billion, net inflows from retail clients were even higher than in the prior year (2023: €12.2 billion). Union Investment thus remains the market leader for mutual funds. Net inflows from institutional clients totaled €4.7 billion (2023: €4.6 billion). Assets under management increased to €504.7 billion at the end of 2024 (December 31, 2023: €455.2 billion). The volume of sustainable investments pursuant to Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) amounted to €146.6 billion; applying Union Investment's own minimum sustainability standards, the volume came to €127.1 billion.

DZ HYP achieved a good profit before taxes of €479 million (2023: €476 million). Against the backdrop of a slowly recovering real estate sector, new business with retail customers rose to €1.5 billion (2023: €0.8 billion). New business with corporate clients was on a par with the previous year at €7.2 billion (2023: €7.4 billion). The total volume of finance remained stable. The risk situation remained unremarkable, with loss allowances amounting to €90 million (2023: €111 million).

At **DZ PRIVATBANK**, profit before taxes climbed to €112 million (2023: €83 million). Its private banking business performed particularly well, with strong sales in its joint sales activities with the cooperative banks. Assets under management in the private banking business increased to €26.1 billion (December 31, 2023: €23.4 billion). Net inflows rose to €1.0 billion (2023: €0.8 billion). The volume of assets under custody declined to €161.8 billion, following the loss of a major customer (December 31, 2023: €188.7 billion).

VR Smart Finanz reported a loss before taxes of €23 million, having generated a profit before taxes of €1 million in 2023. This was primarily due to significantly higher expenses for loss allowances as a result of the weak economic conditions. The customer business performed well. Increased demand for liquidity from small business, self-employed, and SME customers meant that new lending and object finance business rose from €1.21 billion in 2023 to €1.24 billion in the year under review. The volume of business was up slightly at €3.1 billion (December 31, 2023: €3.0 billion).

DZ BANK AG – holding function recorded a loss before taxes of €373 million, which was slightly higher than the prior-year figure (2023: €356 million). This can primarily be explained by increased interest expense for funding.

Outlook

The prospects for the German economy in 2025 remain rather gloomy after two years of recession. DZ BANK Research forecasts that economic output will be stagnant at best. The year ahead is characterized by many uncertainties, especially with regard to geopolitical influences and ongoing trade disputes. Companies will therefore continue to have a significant need for financial expertise and for solutions aimed to minimize risk. In the customer business, this has already been reflected in the first few weeks of 2025. "We are continuing to see brisk demand in our main business lines, giving us reason to be optimistic," says Cornelius Riese. "What is needed now for Germany is to quickly form a new government that will immediately set to work on implementing urgently needed structural reforms in order to secure our country's growth, prosperity, security, and infrastructure. Germany still has strong foundations, whether in terms of fundamental research or the training of skilled workers, thereby providing a strong basis on which society and the economy can build. In view of the prevailing conditions, we anticipate that the DZ BANK Group’s profit before taxes will be in a range of €2.5 billion to €3.0 billion in 2025.”

Looking to the future, the DZ BANK Group is focusing firmly on its strategic priorities. This includes targeted investment in areas of the financial industry being shaped by current trends. “We have very strong foundations that will allow us to play a key role in defining the main industry trends in the years ahead,” says Cornelius Riese.

As part of the consolidation of payments processing, for example, VR Payment recently took a long-term equity investment in international service provider Wallee. Furthermore, DZ BANK has progressively increased its market share in the depository business through acquisitions.

With regard to digitalization, the group entities are investing in their infrastructure. With the creation of an integrated payment transaction platform at DZ BANK and the migration of the home finance system at the Bausparkasse Schwäbisch Hall, two multi-year transformation projects with budgets in the three-digit million range were successfully completed last year. At the same time, the DZ BANK Group is forging ahead with the development and deployment of innovative technologies, such as generative artificial intelligence. In terms of products, the pilot project for cryptocurrencies in the Retail Banking business line has made a very promising start.

It is also very important to the Cooperative Financial Network that DZ BANK demonstrates strong international credentials in its Corporates and Capital Markets business segment. The bank is investing in order to achieve this, including in new customer relationships, systems, and offices, for example in Vietnam.

Another of the bank’s ongoing activities is assisting customers with their transformation. Mobilizing private capital – primarily in the capital markets – will play an even bigger role in going forward. DZ BANK is well positioned in this regard thanks to its expertise in the sustainability sphere. This year, it was selected as one of just a few banks to contribute to the updating of the German government’s Green Bond Framework. The DZ BANK Group is also running various initiatives, for example to promote energy efficiency among retail customers. To this end, Bausparkasse Schwäbisch Hall has trained two-thirds of its advisors as certified modernization experts such that they can provide optimum support to homeowners.

One of the banking group’s long-term priorities is employer branding. “Due to demographic change, the entities in the DZ BANK Group must continually strive to position themselves as employers of choice. Motivated and highly trained employees with the right skills are the basis for the success of our business,” says Johannes Koch.

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DZ BANK Group preliminary income statement (IFRS)

€ million	2024	2023	Change (%)
Net interest income	4,670	4,333	+7.8
Net fee and commission income	3,191	2,807	+13.7
Gains and losses on trading activities	-842	-175	>100
Gains and losses on investments	65	-72	>100
Other gains and losses on valuation of financial instruments	229	298	-23.2
Gains and losses from the derecognition of financial instruments measured at amortized cost	40	11	>100
Net income from insurance business	1,147	891	+28.7
Loss allowances	-845	-362	>100
Administrative expenses	-4,552	-4,597	-1.0
Other net operating income	200	56	>100
Profit before taxes	3,303	3,189	+3.6
Income taxes	-913	-955	-4.4
Net profit	2,390	2,234	+7.0
Cost/income ratio [%]	52.3	56.4	-4.1pp
Total assets [€ billion]	660	645	+2.3