Investor Relations Release

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DZ BANK AG
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Investor Relations

Preliminary results for 2022: DZ BANK Group reports a profit before taxes of €1.8 billion

- Good profit before taxes exceeds expectations
- Positive operating performance in all business lines
- Solid capital base, with a common equity Tier 1 capital ratio of 13.7 percent
- Unremarkable level of loss allowances at €304 million

In 2022, the DZ BANK Group generated a profit before taxes of €1.8 billion (2021: €3.1 billion). The reason for this encouraging figure was the continued good operating performance of all entities in the DZ BANK Group. DZ BANK – central institution and corporate bank (CICB) registered significant growth in the Capital Markets, Corporate Banking, and Transaction Banking business lines, delivering a very strong performance overall. Customer business remained stable at DZ HYP, which made a substantial contribution to earnings. Despite challenging conditions in the capital markets, Union Investment generated the second highest profit before taxes in its history. With interest rates going back up again, Bausparkasse Schwäbisch Hall was able to significantly increase its new home savings business and achieved a healthy profit before taxes that was influenced by one-off items. Customer business held steady at R+V Versicherung. Nonetheless, the trend seen in the financial markets led to a significant decline in gains and losses on investments held by insurance companies for R+V Versicherung, although this was partly attributable to accounting effects. The Group's overall risk situation remained unremarkable.

"Our current situation, like 2022, is shaped by huge geopolitical changes, first and foremost Russia's invasion of Ukraine and the fallout from this conflict. The rapid rise in inflation took its toll on the economy and society. As a financial intermediary, our results are heavily dependent on what happens in the capital markets," says Cornelius Riese, Co-Chief Executive Officer of DZ BANK. "In this environment, the DZ BANK Group demonstrated its great resilience, which it owes to its broadly diversified business model. We are therefore delighted to have exceeded our profit expectations despite the challenges."

"In 2022, we helped many of our customers to manage their increased liquidity requirements in connection with capital investment and dealing with disruption to supply chains and the procurement of commodities. As a result, we generated significant growth in our customer business and strengthened our market position. The central institution and corporate bank achieved its best ever results in the Corporate Banking, Capital Markets, and Transaction Banking business lines," says Uwe Fröhlich, Co-Chief Executive Officer of DZ BANK.

The capital adequacy of the DZ BANK Group remains good. The common equity Tier 1 capital ratio fell to 13.7 percent[1] as at December 31, 2022 (December 31, 2021: 15.3 percent). This decrease was predominantly attributable to temporary accounting effects at R+V Versicherung. As part of the DZ BANK Group, R+V Versicherung already had to measure its assets at fair value in accordance with IFRS 9. The iability side, and therefore liabilities to policyholders, will only be treated in the same way after the transition to IFRS 17. This has led to the recognition of a temporary technical interest-rate risk caused by the strong increase in interest rates during the reporting period. The result was an – again temporary – negative contribution to earnings and a significantly lower contribution to the capital ratio. We anticipate a countervailing positive effect the liability side at R+V Versicherung as at June 30, 2023 due to the introduction of IFRS 17. This will have a significant positive impact on the common equity Tier 1 capital ratio.

Income statement line items in detail

The DZ BANK Group's **net interest income** amounted to €3.32 billion, which was higher than the healthy figure for 2021 of €2.79 billion. This was primarily due to the increase at Bausparkasse Schwäbisch Hall and the encouraging performance of the customer business at the central institution and corporate bank.

Net fee and commission income went down year on year to €2.75 billion (2021: €2.94 billion). This was primarily attributable to Union Investment, which saw an anticipated decline in performance-related components, and to falls in the equity markets.

Gains and losses on trading activities improved significantly to a net gain of €823 million (2021: €152 million) thanks to the good performance of the capital markets operating business and, in particular, IFRS-related valuation effects at the central institution and corporate bank.

Gains and losses on investments deteriorated to a net loss of €119 million (2021: net gain of €245 million). The reason for this was a deterioration in gains and losses on the disposal of bonds at Bausparkasse Schwäbisch Hall and on own-account investing activities at Union Investment as a result of movements in the capital markets.

Other gains and losses on valuation of financial instruments amounted to a net loss of €286 million (2021: net gain of €242 million). This deterioration was due to negative changes in the valuation of guarantee commitments and own-account investing activities at Union Investment.

The gloomy economic outlook resulted in a net addition to **loss allowances** of €304 million (2021: net reversals of €120 million). A significant proportion of the additions in stage 2 were made in order to reflect the anticipated macroeconomic conditions and are thus of a precautionary nature.

Additional capital expenditure on infrastructure and growth initiatives meant that **administrative expenses** rose to €4.45 billion (2021: €4.27 billion).

Other net operating income was up sharply year on year at €204 million (2021: €41 million), driven by income from the reversal of provisions and the disposal of direct long-term equity investments.

[1]Factoring in the capital effect resulting from the introduction of IFRS 17 at R+V Versicherung, the common equity Tier 1 capital ratio would have been > 14.5 percent as at December 31, 2022 (indicative).

The **cost/income ratio** stood at 67.9 percent (2021: 58.9 percent).

Profit before taxes came to €1.8 billion (2021: €3.1 billion).

Net profit was €1.07 billion (2021: €2.18 billion).

Results of the DZ BANK Group

DZ BANK – central institution and corporate bank (CICB) saw its profit before taxes jump to €904 million in 2022 (2021: €465 million). In addition to the very healthy operating performance in all business lines, IFRS-related valuation effects on own issues contributed to this exceptionally high profit before taxes. The **Capital Markets business line** was a strong partner for clients in the year under review, especially when it came to helping them to deal with the return to higher interest rates and obtain funding for rising commodity prices. As a result, the CICB recorded substantial growth in derivatives business, foreign-exchange business, and primary market business. Sales of investment certificates and interest-rate products rose year on year to €15.0 billion (2021: €12.1 billion). Business with institutional clients was also positive. In the sustainability-related issues business, the number of bond and promissory note transactions in which DZ BANK was lead underwriter went up. The volume of transactions supported by the bank decreased to €45 billion as the European Union was no longer issuing the high-volume bonds that it had placed in the previous year (2021: €53 billion). In the **Corporate Banking business line**, the CICB continued to strengthen its market position and increased the lending volume significantly to €79.3 billion (December 31, 2021: €67.3 billion). Joint credit business with the local cooperative banks grew by 6 percent to €15.4 billion. Income from cross-selling to corporate customers surged by 28 percent. The performance of the **Transaction Banking business line** was also very satisfying in 2022, with further growth in digital payment processes. There was a particularly sharp rise in the number of credit card transactions to 289.8 million (2021: 228.7 million). The number of payments processed went up by 7 percent to 9.3 billion. The bank remained a leading player in the depositary business and had €297.3 billion in assets under depositary at the end of 2022 (December 31, 2021: €319.6 billion).

Bausparkasse Schwäbisch Hall (BSH) increased its profit before taxes to €143 million (2021: €130 million). The key to the rise in profit before taxes was a good operating performance and the one-off reversal of provisions relating to building society operations. New home savings business rose markedly to €34.1 billion (2021: €24.0 billion). New home finance business was only just short of the prior-year figure at €19.0 billion despite a fall in demand in the second half of the year (2021: €20.2 billion).

R+V Versicherung posted a loss before taxes of €268 million, compared with a profit before taxes of €772 million in 2021. This negative contribution to earnings was primarily driven by the gains and losses on investments held by insurance companies, which were affected by the situation in the capital markets during the reporting period combined with IFRS-related valuation effects. The customer business held steady. Gross premiums written were on a par with the good prior-year figure at €18.7 billion (2021: €19.2 billion).

TeamBank registered a profit before taxes of €134 million (2021: €151 million). This decline in profit before taxes resulted from an increase in loss allowances compared with the unusually low level in the previous year. From an operating perspective, 2022 was a successful year. Loans and advances to customers rose to €9.6 billion (December 31, 2021: €9.2 billion). The volume of new business advanced to €3.4 billion (2021: €3.1 billion). The number of customers increased to more than a million for the first time.

Union Investment once again generated a very satisfying profit before taxes, which stood at the high level of €695 million (2021: €1.2 billion). The year-on-year fall was primarily due to the decline in performance-related income components, as had been anticipated. Market movements meant that net inflows dropped sharply from the record level registered in 2021. Net inflows decreased to €10.7 billion in business with retail clients (2021: €19.7 billion) and to €6.8 billion in business with institutional clients (2021: €20.8 billion). Assets under management stood at €413.1 billion at the end of the year (December 31, 2021: €454.1 billion). The volume of sustainable investments pursuant to Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation held steady at the high level of €122.4 billion (December 31, 2021: €125.6 billion).

DZ HYP's profit before taxes fell to €455 million (2021: €588 million), primarily owing to valuation effects in the government bond portfolio. In its customer business, DZ HYP delivered a robust performance. New business with corporate customers amounted to €8.1 billion (2021: €8.7 billion). The volume of new business with retail customers fell to €1.6 billion (2021: €2.7 billion). The overall volume of real estate finance advanced to €56.7 billion (December 31, 2021: €55.5 billion).

DZ PRIVATBANK's operating business maintained the positive trajectory seen in previous years, with an improvement in profit before taxes to €52 million (2021: €41 million). Net inflows and overall inflows remained steady in the fund services business. The volume of assets under management in the private banking business was almost unchanged year on year at €21.2 billion (December 31, 2021: €22.2 billion). The volume of assets under custody declined to €168.0 billion (December 31, 2021: €182.1 billion).

VR Smart Finanz improved its profit before taxes to €3 million (2021: loss of €9 million). This was thanks to the focus on core business following the strategic realignment, which is now complete. New business involving the 'VR Smart flexibel' business loan did well, as did object finance with customers in the small business, self-employed, and SME segments. As a result, the volume of new business swelled to €1.0 billion (2021: €869 million). The number of customers rose by 16,000 to 124,000.

DZ BANK AG – holding function recorded a loss before taxes of €279 million (2021: €240 million).

Acceleration of the strategy

Irrespective of the current challenges, the DZ BANK Group continued to pursue its strategic objectives as a matter of priority. At both group level and in the cooperative financial network, the focus is on growth initiatives that aim to secure the future success of the cooperative business model over the long term. To this end, the entities in the DZ BANK Group are collaborating on the further development of the platform business and ecosystems. The purpose of the new smart data unit is to help the cooperative banks to unlock the potential of using data to improve how they reach customers. In parallel, the group is developing innovative concepts in payments processing as well as products and services based on blockchain. For example, DZ BANK AG is contributing to the provision of a platform for innovative payment solutions and is building its own depositary platform for cryptoassets. “We are seizing the opportunities that arise for investing in the digitalization of processes and services so that we can generate further sustainable growth in the future,” says Cornelius Riese. “At the same time, we are continuing to forge ahead with optimizing our group structures and leveraging cross-organizational potential for efficiency.” The important project to integrate DVB Bank into DZ BANK AG was successfully completed in 2022.

Sustainability is another area of long-term strategic importance. The DZ BANK Group is helping to facilitate the transition to a low-carbon economy by actively supporting its customers. This is illustrated by the growth of funding for renewable energies. “Last year, we increased the volume of new lending by more than 30 percent to €660 million in Germany alone,” says Uwe Fröhlich. “Within the framework of our sustainability program, we have laid strong foundations that will enable us to provide our customers with even more targeted support for their transformation – in the form of specific KPIs and routes to decarbonization.” In 2022, for example, DZ BANK AG created a comprehensive system for the management, reporting, and disclosure of climate-related data. The results of this work and the instruments developed are also to be made available for use within the cooperative financial network.

Outlook

The first few weeks of the new year have seen continued brisk demand in the customer business. And despite all the challenges, the German economy is demonstrating its resilience. Although Germany’s economic output declined by 0.2 percent in the fourth quarter, the negative expectations and extreme scenarios have so far not materialized on the scale that was originally predicted. Nevertheless, the geopolitical developments and economic trends in the new year are a source of risk. DZ BANK’s economists currently forecast that gross domestic product will edge down by 0.2 percent in 2023. Inflation is likely to remain well above the European Central Bank’s target this year. Volatility is also expected to continue at an elevated level. Against this backdrop, the DZ BANK Group anticipates that profit before taxes will be within its long-term target range of €1.5 billion to €2 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 (German version) will be available on March 28, 2023 under: www.dzbank.de/berichte. The English version will be available on April 14, 2023 under: www.dzbank.com/reports.

The Sustainability Report of the DZ BANK Group (English version) will be available on March 28, 2023 under: www.dzbank.com/reports

DZ BANK Group preliminary income statement (IFRS)

€ million	2022	2021	Change (%)
Net interest income	3,322	2,785	+19.3
Net fee and commission income	2,749	2,935	-6.3
Gains and losses on trading activities	823	152	>100
Gains and losses on investments	-119	245	>100
Other gains and losses on valuation of financial instruments	-286	242	>100
Gains and losses from the derecognition of financial instruments measured at amortized cost	35	0	n/a
Net income from insurance business	-179	842	>100
Loss allowances	-304	120	>100
Administrative expenses	-4,447	-4,265	+4.3
Other net operating income	204	41	>100
Profit before taxes	1,797	3,096	-42.0
Income taxes	-724	-920	-21.3
Net profit	1,073	2,176	-50.7
Cost/income ratio [%]	67.9	58.9	+9.0pp
Total assets [€ billion]	627	627	+/- 0.0