

# Press release

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## First half of 2023: DZ BANK Group reports a profit before taxes of €1.95 billion

**DZ BANK AG**  
Deutsche Zentral-  
Genossenschaftsbank

Press office

- Good operating performance in all business lines
- Very buoyant customer business; risk situation remains unremarkable
- Common equity Tier 1 capital ratio jumps to 15.6 percent following transition to IFRS 17
- Forecast for profit before taxes raised to above €2.5 billion

In the first half of 2023, the DZ BANK Group generated a profit before taxes of €1.95 billion, which represented a significant year-on-year increase (first half of 2022: €938 million). This very encouraging result was attributable to a good operating performance and a still unremarkable risk situation.

Customer business was particularly brisk at DZ BANK – central institution and corporate bank, which recorded significant increases in sales and volume in the Corporates and Capital Markets business segment and in Transaction Banking. Business was also very satisfying at the entities in the other segments of the DZ BANK Group. R+V Versicherung returned to reporting a strong contribution to earnings. This was due to the good level of customer business, the normalization of gains and losses on investments held by insurance companies on the back of the recovery of the capital markets, and a level of claims that has been unremarkable so far. Bucking the industry trend, Union Investment was able to generate high net inflows and maintain its leading position in mutual funds. It also reported a good level of profit before taxes for the first six months of the year. Following the strategic realignment in private banking, DZ PRIVATBANK continued along its growth trajectory, achieving steady rises in contributions to earnings. DZ HYP's core real estate finance business delivered a respectable performance, also making a significant contribution to earnings.

“The DZ BANK Group achieved a very good profit before taxes for the first half of the year. We are delighted with these results, especially as the economic and geopolitical environment remains challenging. Our profit before taxes is a sign of the strength of our business model and shows that we are on the right track with our long-term strategy,” says Dr. Cornelius Riese, Co-Chief Executive Officer of DZ BANK. High inflation, the restrictive monetary policy that the major central banks have therefore had to adopt, and the uncertainty about energy supplies in Germany acted as a brake on the economy in the first half of the year. “Although Germany is currently experiencing negative growth, our SME-focused economy has demonstrated its resilience so far. This is reflected in the fact that there has still been no need for significant additions to loss allowances.”

“Across all divisions, the central institution and corporate bank was able to maintain the good growth of the operating business seen in recent years thanks to its focus on customers,” says Uwe

Fröhlich, Co-Chief Executive Officer of DZ BANK. “Sales of capital market products to corporate customers were particularly buoyant. Demand was particularly high for interest-rate hedging, money market business, currency transactions, and securitizations. Sales of investment certificates and interest-rate products to retail customers also went up sharply. This successful sales performance is due in no small part to our extremely close collaboration with the cooperative banks.”

The DZ BANK Group’s capital situation improved markedly following an accounting-related decline in 2022. As a result of the introduction of IFRS 17 for equity and liabilities at R+V Versicherung, the common equity Tier 1 capital ratio rose to 15.6 percent as at June 30, 2023 (December 31, 2022: 13.7 percent). The successful placement of €1.1 billion of AT1 bonds also helped to strengthen our capital base.

Total assets amounted to €653 billion (December 31, 2022: €628 billion).

### Income statement line items in detail

At €1.86 billion, the **net interest income** of the DZ BANK Group was significantly higher than the figure for the prior-year period (first half of 2022: €1.48 billion). This was primarily thanks to healthy customer business at the central institution and corporate bank. There was also an accounting-related shift – not affecting overall profit or loss – from gains and losses on trading activities to net interest income.

**Net fee and commission income** held steady at €1.31 billion (first half of 2022: €1.36 billion), primarily reflecting the consistently good level of inflows at Union Investment. The central institution and corporate bank saw an increase in brokerage expenses due to the success of sales activities in the year to date.

**Gains and losses on trading activities** amounted to a net gain of €293 million (first half of 2022: net gain of €359 million), indicating the very healthy customer business at the central institution and corporate bank. The net gain was also boosted by IFRS-related valuation effects.

**Gains and losses on investments** improved to a net loss of €8 million (first half of 2022: net loss of €53 million). The figure for the prior-year period had been weighed down by losses on the disposal of bonds at Bausparkasse Schwäbisch Hall and of own-account investments at Union Investment.

**Other gains and losses on valuation of financial instruments** deteriorated to a net gain of €63 million (first half of 2022: net gain of €105 million). This can be explained by negative valuation effects at the central institution and corporate bank.

**Net income from insurance business** improved markedly to €745 million (first half of 2022: net expense of €178 million). This key figure had been heavily affected by the net loss under gains and losses on investments held by insurance companies at R+V Versicherung in the prior-year period.

**Loss allowances** were on a par with the low level seen in the first half of the previous year, with net additions of €52 million (first half of 2022: net addition of €60 million).

**Administrative expenses** came to €2.32 billion (first half of 2022: €2.24 billion).

**Profit before taxes** amounted to €1.95 billion.

**Net profit** stood at €1.41 billion.

The **cost/income ratio** reached 53.6 percent.

### Results of the DZ BANK Group in detail

In the first half of 2023, **DZ BANK – central institution and corporate bank (CICB)** increased its profit before taxes to €697 million (first half of 2022: €369 million). This very healthy figure was predominantly thanks to very buoyant customer business and the still unremarkable risk situation. Positive valuation effects for gains and losses on trading activities also contributed to the increase. The corporate customer lending business registered strong growth in the first six months of the year. The volume of loan commitments rose to €83.6 billion (December 31, 2022: €79.3 billion). In the joint credit business with the cooperative banks, the volume of lending swelled to €17.6 billion (December 31, 2022: €16.9 billion). The cross-selling of capital market products was particularly encouraging, with revenue rising by almost 40 percent to €202 million. As a result, the CICB delivered another very good operating performance in the Capital Markets business line, following on from the record year in 2022. Business with retail customers was particularly strong. Sales of structured products and interest-rate products surged to €16.4 billion (first half of 2022: €4.6 billion). The performance of the Transaction Banking business line was also highly satisfying in the first half of 2023, with the number of payments processing transactions rising to 4.8 billion (first half of 2022: 4.5 billion). The volume of assets under depositary grew to €312.2 billion (December 31, 2022: €297.3 billion). This means that DZ BANK is now the third-largest depositary in Germany.

**Bausparkasse Schwäbisch Hall (BSH)** posted a loss before taxes of €14 million (first half of 2022: profit before taxes of €168 million). Significant negative factors took their toll on interest expense during the reporting period. There had also been a positive impact on profit before taxes in the prior-year period in connection with the one-off reversal of provisions relating to building society operations. Demand for home savings was high following the increase in interest rates. In new home savings business, the home savings volume totaled €17.9 billion (first half of 2022: €16.1 billion), which enabled BSH to expand its market share. The volume of new home finance business declined to €6.7 billion (first half of 2022: €10.3 billion), reflecting the overall market trend.

**R+V Versicherung** reported a profit before taxes of €762 million (first half of 2022: loss before taxes of €233 million). This considerable improvement was thanks to the good net gain recognized under gains and losses on investments held by insurance companies. Moreover, the level of claims has been unremarkable so far. The situation in the capital markets had weighed heavily on profit before taxes in the prior-year period. The customer business performed well in the period under review. Gross premiums written in the insurance business were on a par with the first six months of the previous year at €11.4 billion (first half of 2022: €11.3 billion).

**TeamBank** registered a profit before taxes of €57 million (first half of 2022: €68 million). This decrease was due to lower fee and commission income from the brokerage of credit insurance policies. Muted consumer spending also meant that the volume of new business decreased to €1.6 billion (first half of 2022: €1.8 billion). Loans and advances to customers held steady,

amounting to €9.7 billion as at June 30, 2023 (December 31, 2022: €9.6 billion). The number of customers rose by 21,000 to 1.03 million.

**Union Investment** increased its profit before taxes to €442 million (first half of 2022: €371 million). The main reasons for this rise were the improvement in gains and losses on the disposal and valuation of own-account investments and on the valuation of guarantee commitments. Net inflows in Union Investment's retail business amounted to €6.2 billion (first half of 2022: €8.1 billion). The institutional client business recorded outflows of €0.5 billion (first half of 2022: inflows of €1.5 billion). Assets under management swelled to €432.3 billion (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 €126.3 billion (December 31, 2022: €122.4 billion). Applying Union Investment's own minimum sustainability standards, the volume came to €87.5 billion (December 31, 2022: €81.2 billion).

**DZ HYP** achieved a profit before taxes of €212 million (first half of 2022: €335 million). In view of the economic environment, the real estate finance specialist applied a cautious risk policy, reducing its new business to €3.4 billion (first half of 2022: €5.0 billion), whereas the total volume held steady at €56.8 billion (December 31, 2022: €56.7 billion). Loss allowances remained at an unremarkable level, with additions of €20 million (first half of 2022: €14 million).

**DZ PRIVATBANK** saw its profit before taxes jump to €53 million (first half of 2022: €19 million). Rising interest rates and the recovery of the capital markets were reflected in operating income. Net inflows rose to €965 million (first half of 2022: €812 million). Following the downward trend in the previous year, assets under management rebounded to stand at €22.8 billion as at the reporting date (December 31, 2022: €21.2 billion). The volume of assets under custody amounted to €178.1 billion (December 31, 2022: €168.0 billion).

**VR Smart Finanz** reported a loss before taxes of €6 million (first half of 2022: profit before taxes of €3 million). This deterioration was largely due to increased loss allowances in view of the gloomier economic environment. From an operating perspective, VR Smart Finanz remained on the positive trajectory seen in the prior-year period and increased the volume of new business by 30 percent to €605 million (first half of 2022: €464 million). This growth was partly attributable to the healthy performance of the 'VR Smart express' hire purchase solution, which notched up new business of €271 million (first half of 2022: €225 million), and of the 'VR Smart flexibel' business loan, which generated new business of €210 million (first half of 2022: €135 million).

## Outlook

Following a weak start to 2023, the leading indicators for economic growth are currently pointing downward too. In its latest forecast, the International Monetary Fund (IMF) predicts that the German economy will shrink by 0.3 percent this year. Nevertheless, there are some positive signs as consumer spending remains robust and, in fact, has recently increased again. Similarly, the equity market has registered double-digit growth in the year to date, reaching new highs once again. Although the number of company insolvencies has increased this year owing to the weak economy, it is still at a relatively low level. And unlike in previous recessions, the labor market is expected to remain stable. "Economic conditions – especially in Germany and the rest of Europe – continue to be affected by various uncertainties. Nonetheless, we are looking to the future with optimism,"

says Cornelius Riese. "In view of the positive course of business so far, we are raising our forecast and anticipate that our profit before taxes for 2023 will be above €2.5 billion."

"Alongside the local cooperative banks, we are helping the companies in the real economy to overcome the current challenges as best we can," says Uwe Fröhlich. "At the same time, we are forging ahead with the refinement of our strategy and setting ourselves ambitious goals. For example, we have expanded our sustainability targets across the group and, at DZ BANK AG, have defined specific decarbonization pathways for five carbon-intensive sectors. We are also developing innovative solutions for smart data, blockchain, and AI technologies and, in this context, are planning to go live with a crypto-depositary platform for institutional customers by the end of the year."

**The DZ BANK Group's half-year financial results under IFRS as at June 30, 2023**

€ million	Jan. 1–Jun. 30, 2023	Jan. 1–Jun. 30, 2022	Change (%)
Net interest income	1,863	1,475	+26.3%
Net fee and commission income	1,314	1,364	-3.7%
Gains and losses on trading activities	293	359	-18.4%
Gains and losses on investments	-8	-53	+84.9%
Other gains and losses on valuation of financial instruments	63	105	-40.0%
Gains and losses from the derecognition of financial assets measured at amortized cost	5	11	-54.5%
Net income from insurance business	745	-178	>100%
Loss allowances	-52	-60	-13.3%
Administrative expenses	-2,320	-2,242	+3.5%
Other net operating income	51	156	-67.3%
Profit before taxes	1,954	938	>100%
Income taxes	-542	-362	+49.7%
Net profit	1,412	576	>100%
Cost/income ratio (%)	53.6	69.2	-15.6pp

The complete interim report will be available on the DZ BANK website at [www.halfyearreport.dzbank.com](http://www.halfyearreport.dzbank.com) on September 21, 2023.

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