

Investor Relations Release

March 2, 2022

Preliminary results for 2021: DZ BANK Group reports a profit before taxes of €3.1 billion

DZ BANK AG
Deutsche Zentral-
Genossenschaftsbank

Investor Relations

- Customer business expanded and market position strengthened
- Results supported by developments in the capital markets
- Low level of loss allowances required thanks to stable economic conditions
- Capital adequacy remains at a healthy level, with a common equity Tier 1 capital ratio of 15.3 percent
- Scaling back of DVB Bank almost completed

“We are deeply shocked by the war in Ukraine and the suffering of the Ukrainian people. We share in the fate of the Ukrainian people,” said Uwe Fröhlich and Dr. Cornelius Riese, Co-Chief Executive Officers of DZ BANK. The cooperative financial network has initiated first financial support measures.

On our business figures: In 2021, the DZ BANK Group generated a profit before taxes of €3.1 billion (2020: €1.45 billion) on the back of favorable economic conditions. The economy staged a recovery and made up for much of the decline in growth experienced in 2020 when the coronavirus pandemic first emerged. The upturn in the capital markets provided a particular boost to the equities business at Union Investment and to gains and losses on investments held by insurance companies at R+V Versicherung. Moreover, the good economic conditions and companies’ stable performance meant fewer loss allowances had to be recognized.

As well as the external factors, the profit before taxes was primarily due to the healthy operating performance of all entities in the group. In its fund business, Union Investment registered significant volume growth as well as an increase in performance-related income components. R+V Versicherung generated a further rise in premiums earned and was able to absorb the exceptionally high expenses resulting from the catastrophic flooding along the Rhine and Ahr rivers. Bausparkasse Schwäbisch Hall was able to turn the corner, reporting a profit before taxes in the triple-digit millions thanks to a substantial volume of new business. The DZ BANK Group’s banking business also performed well, with DZ HYP going from strength to strength as one of Germany’s leading real estate banks and TeamBank holding steady at a comfortable level. DZ BANK – central institution and corporate bank expanded its customer business in the Capital Markets, Corporate Banking, and Transaction Banking business lines. The scaling back of DVB Bank’s business portfolio continued apace. The bank’s integration into DZ BANK is scheduled for the third quarter of 2022.

“We are delighted with these exceptional results, as are our employees. Economic conditions and the equity markets provided us with a tailwind in 2021. This very satisfying financial performance is also a reflection of the long-term success of our strategic focus as a financial services group within the cooperative financial network. We are increasingly succeeding in fully unlocking the potential

that is inherent in our business model," says Dr. Cornelius Riese, Co-Chief Executive Officer of DZ BANK.

"We are seeing robust demand from customers in our operating business. This positive trend highlights our close collaboration with the cooperative banks, the confidence that customers have in us, and our strong regional roots," says Uwe Fröhlich, Co-Chief Executive Officer of DZ BANK. "Working as a team, we continued to grow across all areas of business. This includes the central institution and corporate bank, where we significantly stepped up collaboration within the Corporate Banking, Capital Markets, and Transaction Banking business lines and translated this into rising income levels."

The DZ BANK Group's capital adequacy held steady at a good level thanks to careful management of risk-weighted assets and the retention of profits. The common equity Tier 1 capital ratio stood at 15.3 percent as at December 31, 2021 (December 31, 2020: 15.3 percent). The leverage ratio was 7.3 percent.

Income statement line items in detail

The DZ BANK Group's **net interest income** amounted to €2.79 billion, which was just above the figure for 2020 of €2.69 billion. The central institution and corporate bank increased its net interest income thanks to its strong business performance. Bausparkasse Schwäbisch Hall's net interest income stabilized, having recently decreased. And net interest income decreased at DVB Bank owing to the ongoing reduction of its portfolio.

Net fee and commission income jumped to €2.94 billion (2020: €2.12 billion). This was primarily due to Union Investment's very encouraging business performance. The central institution and corporate bank also contributed to this increase.

Despite healthy capital markets business at the central institution and corporate bank, **gains and losses on trading activities** declined to a net gain of €152 million (2020: €693 million). This decrease was primarily attributable to IFRS-related valuation effects in connection with own issues.

The net gain under **gains and losses on investments** rose to €245 million (2020: €166 million). The main reason for this was the sale of direct long-term equity investments.

Other gains and losses on valuation of financial instruments improved to a net gain of €242 million (2020: net loss of €62 million). This was thanks to positive valuation effects at DVB Bank and positive changes in the valuation of guarantee commitments at Union Investment.

Net income from insurance business increased to €842 million on the back of a healthy operating performance and the recovery of the capital markets (2020: €347 million).

Loss allowances amounted to a net reversal of €120 million (2020: addition of €678 million). Additional loss allowances had been required in 2020 as a consequence of the COVID-19 pandemic, but the economic recovery paved the way for reversals, especially at the central institution and corporate bank and at DVB Bank.

Administrative expenses increased slightly to €4.27 billion (2020: €4.04 billion). This total included not only larger contributions to the bank levy and the protection scheme of the

Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks] but also expenses for the first-time consolidation of the ZBI Group within Union Investment.

Other net operating income was down sharply year on year at €41 million (2020: €210 million). The reasons for this fall were reduced income from the reversal of provisions and higher restructuring expenses.

The **cost/income ratio** stood at 58.9 percent (2020: 65.5 percent).

Profit before taxes came to €3.10 billion (2020: €1.45 billion).

Net profit was €2.18 billion (2020: €973 million).

Results of the DZ BANK Group

DZ BANK – central institution and corporate bank (CICB) posted a profit before taxes of €465 million (2020: €234 million). This sharp rise was primarily driven by a good level of customer business across the board and an unremarkable risk situation. The **Capital Markets business line** delivered another positive operating performance. The bank increased its sales of structured retail products to retail customers by 72 percent. Sales of investment certificates were particularly impressive at €6.4 billion (2020: €3.9 billion). Business with institutional clients was also at a high level, albeit slightly lower than in the previous year, which had been influenced by one-off items. The volume of transactions supported by the bank in the growing field of sustainable finance doubled to €53 billion (2020: €27 billion). In the **Corporate Banking business line**, the bank strengthened its market position – despite diminishing demand for pandemic-related support programs – and increased the lending volume by €3.0 billion to €67.3 billion. The lending volume in the joint credit business held steady. The export finance business fared particularly well with an increase in income of 24 percent, while cross-selling with corporate clients was up by 11 percent. The **Transaction Banking business line** is also growing steadily. The number of payments processed rose by 5 percent to 8.7 billion and the number of credit card transactions advanced by 16 percent to 228.7 billion. In the depositary business, the bank remains one of the leading players in Germany and had €319.6 billion in assets under depositary at the end of 2021 (December 31, 2020: €273.3 billion).

Bausparkasse Schwäbisch Hall (BSH) managed to turn the corner in terms of its financial performance, generating a profit before taxes of €130 million (2020: €81 million). It was boosted by the good level of customer business, which increased at a faster rate than the market average. Moreover, the negative one-off items of the previous year were not repeated. Despite stagnant new home savings business, BSH was able to strengthen its leading market position in redeemed new business, with a small increase in market share to 30.5 percent. By contrast, there was further growth in new home finance business to €20.2 billion (2020: €19.1 billion). This was partly due to BAUFINEX, a home finance marketplace for independent brokers. In 2021, finance of €3.5 billion was arranged through this marketplace (2020: €2.0 billion).

R+V Versicherung achieved a very satisfying profit before taxes of €772 million (2020: €277 million). This sharp rise was primarily due to its good operating performance and the recovery

of the capital markets, which provided a boost for gains and losses on investments held by insurance companies. In the customer business, R+V Versicherung recorded a healthy premiums trend. Gross premiums written totaled €19.2 billion, which was up slightly from €19.0 billion in 2020. Thanks to its reinsurance strategy, the insurance company was able to limit the high level of expenses resulting from the flooding and storm-related claims in 2021.

TeamBank's profit before taxes of €151 million remained at around the same strong level reported in the previous year (2020: €154 million). The customer business proved robust against a backdrop of fierce competition. Loans and advances to customers were up slightly year on year at €9.2 billion (December 31, 2020: €9.0 billion). The volume of new business also increased, advancing by 9.6 percent to €3.1 billion. The number of customers rose by 22,000 to 984,000.

At **Union Investment**, profit before taxes jumped to €1.23 billion (2020: €649 million). This substantial contribution to profits was thanks to the buoyancy of the capital markets on the back of the economic recovery and, as a result, a sustained high level of customer business, both retail and institutional. This enabled Union Investment to significantly increase its volume-related and performance-related income. Net inflows from retail customers advanced to €19.7 billion (2020: €8.8 billion). There was also a sharp rise in net inflows from institutional investors to €20.8 billion (2020: €6.3 billion). Assets under management swelled to €454 billion (December 31, 2020: €386 billion). The volume of sustainability-oriented investments also grew significantly, amounting to €125.6 billion as at December 31, 2021. This total included open-ended real estate funds that Union Investment has managed as products pursuant to article 8 of the Sustainable Finance Disclosure Regulation since November 1, 2021. Union Investment is thus maintaining its position as a leader in sustainable investment.

DZ HYP posted a profit before taxes of €588 million, which was on a par with the strong prior-year figure (2020: €582 million). Some components of profit before taxes were affected by volatility in fair value gains and losses in the government bond portfolio. The operating business continued to perform well. New business with corporate customers increased to €8.74 billion (2020: €8.04 billion). There was also a rise in new business with retail customers, which swelled to €2.73 billion (2020: €2.07 billion). The overall volume of real estate finance advanced to €55.5 billion (December 31, 2020: €53.3 billion).

DZ PRIVATBANK performed well, reporting a profit before taxes of €41 million (2020: €38 million). It generated further growth in both private banking and the fund services business. The volume of assets under management in the private banking business increased to €23.2 billion (December 31, 2020: €20.0 billion). The volume of assets under custody jumped to €182.1 billion (December 31, 2020: €139.5 billion). With a volume of €5.5 billion, the foreign currency loan business proved robust.

VR Smart Finanz registered a loss before taxes of €9 million, which represented a substantial improvement on the loss before taxes for 2020 of €45 million. The number of customers went up by 17,000 to 108,000 thanks to the expansion of digital value-added services. Nevertheless, the operating business continued to be affected by the COVID-19 pandemic. However, VR Smart Finanz laid the foundations for a return to growth by reinstating the 'VR Smart flexibel' business loan that it had temporarily withdrawn in 2020 and by completing its transformation into a digital provider of finance for the self-employed and small businesses. To this end, it has recently added to its sales channels by forming alliances in the platform business alongside its existing close collaboration with cooperative banks.

DVB Bank reported a profit before taxes of €23 million (2020: loss before taxes of €285 million). This was primarily due to net reversals of loss allowances, positive valuation effects, completion of the sales transactions that were still outstanding, and acceleration of the managed scaling back of the portfolio. The volume of customer loans decreased at a faster rate than anticipated in 2021 and stood at €1.6 billion at the end of the year (December 31, 2020: €3.9 billion). Subject to the necessary resolutions being adopted by the relevant committees in March, DVB Bank will be merged into DZ BANK in the third quarter of 2022.

DZ BANK AG – holding function recorded a loss before taxes of €240 million, which was on a par with the prior-year figure (2020: €238 million).

Strategic priorities: sustainability, digitalization, and employer branding

The DZ BANK Group is forging ahead with its strategic programs in order to secure its long-term success. It is particularly focusing on sustainability and digitalization, which are two of the dominant themes in the banking industry. “We believe that these two areas offer significant potential for signing up new customers and breaking into profitable new markets,” says Uwe Fröhlich. “In the field of sustainability, we are an important strategic partner for the real economy, helping customers to achieve their objectives. Over the past two years, we have taken significant steps to embed sustainability as an advisory approach in all lines of business and in every discussion with customers. The fruits of our labor can increasingly be seen in our results.”

The sweeping digitalization of existing business models and processes also continues to be a priority. Last year, for example, DZ BANK restructured the entire lending process in its core business, which included automating parts of this process. In Transaction Banking, the bank is bringing together its resources and services for payments processing on a single centralized platform. Moreover, products and services of the DZ BANK Group are to be integrated more tightly into the value chains of the real economy. To this end, the group is pushing ahead with the expansion of digital ecosystems and with the platform business in close alignment with the BVR’s initiatives across the cooperative financial network. At the same time, the DZ BANK Group is working on widening the potential areas of application for key technologies. Pilot projects in the capital markets are driving progress with the automated processing of transactions using blockchain. In payments processing, the group is working on innovative payment models for use in the Internet of Things and on expansion of the instant payments infrastructure.

“It is crucial that we identify relevant trends and technologies at an early stage and incorporate them into our organization. To facilitate this, we established a comprehensive innovation management system in the DZ BANK Group over five years ago,” says Dr. Cornelius Riese. “Our future success will partly depend on our ability to attract new employees to work for us who have the requisite skills. In recent years, DZ BANK has taken a variety of steps to further strengthen its employer brand. This has created strong foundations, but we have to continue to work on this going forward.”

Outlook

Due to the war in Ukraine and the associated sanctions, the economic recovery expected for the spring is likely to be clearly weaker than previously anticipated – although German companies have plenty of orders on their books. Our economists predict growth of 1.9 percent for the German economy this year. In view of the geopolitical crisis, significantly higher prices for energy and raw materials and further supply bottlenecks also remain factors of uncertainty in the new fiscal year. Given that interest rates are likely to start being raised in order to tackle persistently high inflation rates, additional pressure may also be put on the markets.

“As financial intermediary the DZ BANK Group is particularly exposed to changes in the capital markets and its earnings in this area are thus prone to volatility. However, we have continued to see robust demand from customers in our operating business at the start of this year. Therefore, we were optimistic and anticipated that our profit before taxes will be at the upper end of our long-term target range of €1.5 billion to €2 billion in 2022. However, the geopolitical situation significantly increases the uncertainty of forecasts,” says Dr. Cornelius Riese.

“There will certainly be significant challenges in the new financial year, but our customers are showing ever-increasing confidence in the effectiveness of our organization and in the ability of the cooperative financial network to weather difficult conditions. We therefore have everything we need to continue operating successfully, even in a volatile environment,” says Uwe Fröhlich.

Contacts:

Markus Stachel Phone: +49-69-7447-9841
Markus.Stachel@dzbank.de

Daniela Pauly Phone: +49-69-7447-42373
Daniela.Pauly@dzbank.de

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) as well as other reports including our Sustainability Report will be available on March 29, 2022 under: www.dzbank.de/berichte

The English version of the report will be available on May 4, 2022 under:

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

DZ BANK Group preliminary income statement (IFRS)

€ million	2021	2020	Change (%)
Net interest income	2,785	2,686	+3.7
Net fee and commission income	2,935	2,121	+38.4
Gains and losses on trading activities	152	693	-78.1
Gains and losses on investments	245	166	+47.6
Other gains and losses on valuation of financial instruments	242	-62	>100.0
Gains and losses from the derecognition of financial instruments measured at amortized cost	0	-2	>100.0
Net income from insurance business	842	347	>100.0
Loss allowances	120	-678	>100.0
Administrative expenses	-4,265	-4,036	+5.7
Other net operating income	41	210	-80.5
Profit before taxes	3,096	1,445	>100.0
Income taxes	-920	-472	+94.9
Net profit	2,176	973	>100.0
Cost/income ratio [%]	58.9	65.5	-6.6pp
Total assets [€ billion]	627	595	+5.5