



Uwe Fröhlich (left) and Dr. Cornelius Riese, Co-Chief Executive Officers

Dear Shareholders,

We can look back on a special year. With profit before taxes of €3.1 billion, the DZ BANK Group posted the best results in its history.

To a certain extent, we were helped along by an economic tailwind. The economy staged a recovery in 2021 and made up for much of the loss of growth experienced in 2020 when the coronavirus pandemic first emerged. At the same time, movements in capital markets, especially equity markets, were very favorable. Furthermore, we continued to be spared a much feared wave of corporate insolvencies, which meant that we barely had to make use of the projected loss allowances.

However, beyond all the special factors, the record earnings are based primarily on our business model and the close collaboration within the cooperative financial network. Together, we are increasingly leveraging yet more of the upside potential inherent in our business model. Once again in 2021, this translated into successful operating performance from all the units in the DZ BANK Group. For example, benefiting from market developments, Union Investment achieved a 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 in the last year thanks to a prudent reinsurance strategy. Bausparkasse Schwäbisch Hall was able to turn the corner in 2021, reporting a profit before taxes in the triple-digit millions on the back of a substantial volume of new business. The banking business within the DZ BANK Group also performed well: Both DZ HYP and TeamBank performed stably at a good level. DZ BANK – central institution and corporate bank continued to expand its customer business in the Capital Markets, Corporate Banking, and Transaction Banking business lines. Growth in the relationship with existing corporate banking customers was encouraging: Export finance

income rose by 24 percent and income from cross-selling by 11 percent. The scaling back of DVB Bank's business portfolio continued apace, which means that the remaining portfolio can be integrated into DZ BANK on schedule in the summer of 2022.

The key results in detail:

The DZ BANK Group's **net interest income** amounted to €2.79 billion, which was slightly 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. However, net interest income declined at DVB Bank owing to the ongoing reduction of its portfolio. **Net fee and commission income** jumped significantly 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. On the back of a strong operating performance and the recovery of the capital markets, **net income from insurance business** increased to €842 million (2020: €347 million) despite significant flooding and storm claims. 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, resulting in an overall net reversal of **loss allowances** of €120 million (2020: net addition of €678 million). **Administrative expenses** went up slightly to €4.27 billion (2020: €4.04 billion), which included not only larger contributions to the bank levy and the BVR protection scheme but also expenses arising from the first-time consolidation of the ZBI Group within Union Investment.

The DZ BANK Group's very strong business performance in 2021 was made possible by the dedication and flexibility of our employees. We would like to express our heartfelt thanks and appreciation to them.

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 (December 31, 2020: 5.7 percent).

We are delighted to be able to distribute an appropriate share of this year's record profits to our owners. In view of the very strong performance and taking account of the requirements of diligent capital management, we will propose an increased dividend of 20 cents per share to the Annual General Meeting.

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. Because it is an institutional investor, the DZ BANK Group is particularly exposed to these risks and its earnings can thus be prone to some volatility. On the other hand, we have continued to see robust demand from customers in our operating business at the start of this year. This positive trend also reflects our positioning within the cooperative financial network, the confidence of our customers, and our strong regional roots. 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.

Beyond performance in the immediate future, we are also keeping our eye on our long-term success and forging ahead in pursuit of our strategic objectives. We believe that sustainability and digitalization, the two big issues of our time in the industry, offer potential for signing up new customers and breaking into profitable new markets. We are exceptionally well placed to capitalize on these opportunities. For example, as far as sustainability is concerned, we are an important strategic partner for the real economy. Over the past two years, we have taken significant steps to embed sustainability as an interdisciplinary approach in all lines of business, all processes and in every discussion with customers. The fruits of our labor can increasingly be seen in our results.: We are providing ever greater levels of transition support for customers and ESG-related business is steadily growing. To quote just two highlights: DZ BANK has doubled the volume of supported transactions in connection with sustainable issues in its capital markets business; in funds business, Union Investment is one of the market leaders with €125.6 billion of sustainable assets under management.

The systematic digitalization of existing business models and processes forms the basis for our further development. To this end, we have restructured and partly automated the entire lending process in DZ BANK's core business. After two years of development, a key component of the BVR's digitalization initiative has gone live in the form of the corporate banking portal "DZ Banking". In Transaction Banking, we are bringing together resources and services for payments processing on a single centralized platform. Throughout the group, we are working to integrate our products and services much more closely into the value chains of the real economy, thereby reaching new customers. By way of illustration, we are upgrading the homes and housebuilding digital ecosystem at Bausparkasse Schwäbisch Hall and have invested in the strategic acquisition of the FinCompare sales platform to generate further growth from the provision of finance to small and medium-sized enterprises.

At the same time, we are working to find new ways of using the key technologies of tomorrow. Alongside efforts to use blockchain technology for processes, products, and assets, our attentions have also been focused on digitalizing different points of the value chain: We are carrying out groundbreaking work for capital markets on automated blockchain-based transaction processing with pilot projects such as that for the finledger platform and others related to smart derivatives contracts. We are also involved in the development of innovative payment models for use in the Internet of Things (pay-per-use models) and the expansion of the instant payments infrastructure (Request to Pay). In addition, we are providing detailed support for the activities to design the digital euro. These and other initiatives will establish the foundations for our future growth.

We have what it takes, in terms of potential, customer trust, and strategic answers, to ensure the future success of the business.

Kind regards,



Uwe Fröhlich
Co-Chief Executive Officer



Dr. Cornelius Riese
Co-Chief Executive Officer