



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

Dear Shareholders,

In a challenging financial year, the DZ BANK Group achieved an encouraging level of profit before taxes of €1.8 billion. This figure was slightly better than what we had forecast. All entities of the DZ BANK Group were able to maintain their operating performance at the good level of 2021. This performance was underpinned by our broadly diversified business model and the close collaboration within the cooperative financial network.

The financial year 2022 was characterized by extreme uncertainty as a result of the after-effects of the coronavirus pandemic and Russia's invasion of Ukraine at the start of 2022, which has inflicted immeasurable pain and suffering for an entire year now. This pivotal event – rightly classified as a seismic shift– has also impacted political, social, and economic life in Germany and Europe significantly. Rising energy and commodity prices and record levels of inflation dampened the economic outlook massively. In addition, the geopolitical situation and the rapid turnaround in interest-rate policy around the world brought the positive trend in the capital markets to an abrupt end.

Apart from implementing the sanctions imposed on Russia, supporting businesses was one of the primary responsibilities of the financial industry in these circumstances. This was clearly reflected in our customer business, which recorded substantial growth. DZ BANK – Central Institution and Corporate Bank was there to help its customers in the Capital Markets and Corporate Banking business lines to manage their increased liquidity requirements in connection with capital investment and dealing with disruption to supply chains and the procurement of commodities. Demand in the Transaction Banking business line was also robust. Despite a mild slowdown over the course of the year, customer business at DZ HYP remained stable. This made a substantial contribution to earnings. Union Investment once again generated a very satisfying high level of profit before taxes despite declines in the volume of assets under management and net inflows due to market

conditions. 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 at R+V Versicherung held steady. 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. The overall risk situation remained unremarkable. Furthermore, we brought an important project to its conclusion with the successful integration of DVB Bank into DZ BANK AG.

The key results 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 volatile conditions in the financial markets and the resulting decline in gains and losses on investments held by insurance companies at R+V Versicherung meant that **net income from insurance business** deteriorated to a net expense of €179 million (2021: net income of €842 million), partly for accounting reasons. 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 were made in order to reflect the anticipated macroeconomic conditions. **Administrative expenses** increased to €4.45 billion (2021: €4.27 billion).

These good results reflect the hard work and dedication of the employees in the DZ BANK Group. On behalf of the entire Board of Managing Directors, we would like to express our gratitude to them.

The DZ BANK Group's capital adequacy remains good, although the common equity Tier 1 capital ratio fell to 13.7 percent 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 liabilities on the balance sheet, and therefore liabilities to policyholders, will only be measured at fair value 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 for the liabilities on the balance sheet at R+V Versicherung due to the introduction of IFRS 17. This will have a significant positive impact on the common equity Tier 1 capital ratio as at June 30, 2023.

Taking account of the requirements of diligent capital management, an amount of €380 million will be added to the profit carried forward for 2022. In addition, we are going to issue a new AT1 bond in the coming months as an attractive investment opportunity.

The first few weeks of the new year have seen continued brisk demand in the customer business. This gives us cause for optimism. And despite all the challenges, the German economy is demonstrating its resilience. Although Germany's economic output declined by 0.4 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. Our economists currently forecast that gross domestic product will edge down slightly 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. As a financial intermediary, the DZ BANK Group may feel the impact of these conditions very keenly. Against this backdrop, we anticipate that our profit before taxes will be within our long-term target range of €1.5 billion to €2 billion.

Although we are currently facing many pressing challenges, we never lose sight of our long-term strategic objectives. One of these is to continue to promote the transition to a low-carbon economy by actively supporting our customers. For example, we are backing the shift to clean energy. Last year, we increased the volume of new lending in the field of renewable energies by more than 30 percent to €660 million in Germany alone. Under our sustainability program, we are taking steps to further enhance our sustainability profile. In 2022, we put in place a system for the management, reporting, and disclosure of climate-related data and the analysis of particularly carbon-intensive sectors in our business portfolio, and thus prepared the ground for the formulation of effective decarbonization strategies. The results of this work and the instruments developed will also be made available for use within the cooperative financial network in order to create synergies.

Optimizing our group structures and leveraging cross-organizational potential for efficiency remain key priorities. At the same time, we are seizing the opportunities that arise for investing in sustainable growth and the digitalization of processes and services. Within the cooperative financial network, we are contributing to strategic projects that aim to secure the future success of the network over the long term. In addition to our long-term engagement in research and development organization amberra, we have also invested in a new smart data unit. Its purpose is to help us unlock the potential of data-assisted customer interaction for the cooperative banks, increase the efficiency of our sales processes, and strengthen customer retention. These and other measures lay the foundations for our future profitability.

It is still too early to properly assess the long-term implications of current geopolitical challenges for the German and European economy. The onus is on all parts of society to mobilize all available resources and set the right course to ensure the continued competitiveness and resilience of our economy. In this respect, the cooperative financial network is in a very strong position. We have a long track record of profitable growth and are ready to tackle the challenges ahead with confidence and determination.

Kind regards,



Uwe Fröhlich
Co-Chief Executive Officer



Dr. Cornelius Riese
Co-Chief Executive Officer