IV Outlook

1 Economic conditions

The outlook for the macroeconomic environment provides the basis for projections for 2025 regarding financial position and financial performance as well as expected liquidity and capital adequacy. Any adverse macroeconomic factors that present a material risk to the DZ BANK Group are addressed and examined in detail in chapter VI.5.2 of the risk report. Opportunities arising from favorable factors are presented in chapter V.2.1 of the opportunity report.

1.1 Global economic trends

The outlook for the global economy in 2025 is extremely uncertain following Donald Trump's election victory. During the election campaign, the future US president had raised the prospect of significant increases in trade tariffs for all trading partners, but especially China. However, it may be some time before there is clarity about when, and to what extent, Trump will actually roll out his protectionist policies. Assuming that the new US administration imposes additional tariffs of 10 percent on all imports from around April 2025, economic growth is likely to start slowing down in the second half of the year worldwide, particularly in China and other export-driven economies such as Germany. This would take its toll on German companies in the form of higher import prices and shortages of input products. Moreover, export volumes would decline. However, exports to the United States might be brought forward in the first few months of 2025, which would mitigate the adverse impact on growth initially.

The assumed imposition of tariffs will affect the global economy at a time when growth is already lacking momentum. Current negative factors include the still elevated level of interest rates in many regions, although interest rates have now fallen markedly from their peaks. The loss of purchasing power resulting from the sharp price rises that have taken place are having a knock-on effect despite significant wage increases and, according to DZ BANK, this is weighing on consumer sentiment. All of this could lead to subdued demand in most national economies. Nevertheless, inflationary pressure has eased considerably and inflation rates have fallen to within reach of the central banks' targets, giving the central banks enough headroom to start lowering interest rates again in recent months. Over the course of 2025, interest-rate cuts are expected to continue in the first instance, and households' purchasing power should gather further strength. Both of these developments should provide some support for demand across the economy.

Although the Chinese economy achieved robust growth of 5.0 percent in 2024, its future performance will be adversely affected by various factors, as described in detail in chapter VI.5.2.2 of the risk report. On the other hand, Chinese industry is making huge advances with technologies of the future and, according to the Centre for European Reform, is not only increasingly squeezing out non-domestic companies in China itself but also making inroads into foreign markets, such as the EU single market, and thereby creating more competitive pressure there.

The various conflicts around the world and the resulting trade frictions are also holding back the global economy. These developments are covered in chapter VI.5.2.1 of the risk report.

1.2 Trends in the USA

The US economy was buoyant in 2024, with GDP rising by 2.8 percent year on year. This was mainly because the continued increase in employment levels fueled consumer spending. High levels of government spending also shored up growth, although this meant that the annual budget deficit stood at 7.6 percent of economic output in 2024.

In 2025, the policies of the new US administration will likely have a marked influence on the economy of the United States. After all, not only did Trump achieve a clear victory in the presidential election, but the

Republican Party also secured a slim majority of the seats in both the House of Representatives and the Senate. This means that the US president will probably be able to deliver on many of his election promises. Since Trump's inauguration a few weeks ago, the new US administration has already introduced far-reaching policy changes, including higher tariffs and, in particular, deregulation and stricter migration policy. Tax breaks and an overall increase in government debt are also likely, although the timing and scope of the measures to be taken are as yet unclear. The risks associated with rising government debt are described in more detail in chapter VI.5.2.2 of the risk report.

DZ BANK anticipates that economic momentum in the United States will weaken over the course of 2025. The tariffs that Trump is threatening to impose are unsettling businesses and consumers, and the latter group is worried that inflation will return. Furthermore, unemployment may increase slightly as a result of extensive dismissals across the public sector. Should US trade tariffs rise markedly from spring 2025 onward, companies in the United States will be unable to avoid passing on at least some of the resulting higher costs to consumers. Consequently, the inflation rate is expected to start rising again, and the average rate for 2025 is predicted to climb to 3.3 percent. This will likely act as a brake on consumer spending. DZ BANK therefore anticipates only moderate GDP growth of 1.9 percent in 2025.

1.3 Trends in the eurozone

The eurozone economy maintained its moderate rate of recovery over the course of 2024. In the third quarter, GDP in the eurozone rose by 0.4 percent compared with the previous quarter. The growth rates in the previous two quarters had been 0.2 percent and 0.3 percent. Countries such as Spain, but also Portugal, have recently been the main sources of support for the eurozone economy. In the final quarter of 2024, however, economic momentum declined again and growth was at zero, one of the main factors being the weakness of the German economy. The industrial sector in particular suffered from soft demand, which had a detrimental effect on economic growth. Nonetheless, a slightly brisker service sector made up for this to some extent. Overall, however, the eurozone generated year-on-year growth of just 0.7 percent in 2024.

The main influence on the economic situation in 2025 will be the trade policy of the new US administration. US tariffs may lead to a decline in exports and curb overall growth in the eurozone. This will probably affect not only direct exports to the United States but also the trading of input and intermediate products within Europe. Trading between Europe and China will likely be hampered too, as the latter is expected to be hit by even higher US tariffs that will weigh heavily on its economy. Heightened uncertainty stemming from the change in the economic environment will probably have an adverse impact on investment within the eurozone and on consumer spending. DZ BANK believes that the effects of exports being brought forward at the start of this year should ensure slightly stronger economic growth, but the tariff shock from spring 2025 onward is likely to result in a noticeable economic slowdown. DZ BANK therefore predicts economic growth for the eurozone of only 0.5 percent in 2025.

In 2024, upward pressure on consumer prices continued to ease compared with the previous year. At 2.5 percent, the inflation rate in 2024 was much lower than the 2023 rate of 5.4 percent. By October, the rate of inflation had fallen to 2.0 percent, but then went up again slightly in November and December. The ECB has now begun lowering its key interest rates, partly in response to the weak economic conditions. Nevertheless, DZ BANK has identified many factors that could prove to be an obstacle to a further reduction in inflationary pressures. For example, significant wage increases are expected to continue driving up prices in the service sector in 2025. Moreover, the EU will not simply sit back and accept the US government's tariff policy and is likely to impose retaliatory tariffs on US exports to Europe. This would probably lead to upward inflationary pressure in the eurozone. Consequently, slightly higher prices for industrial goods and for some foods are anticipated in the latter part of 2025. The euro is also expected to continue depreciating against the US dollar, which will add to the inflationary pressure too. Conversely, DZ BANK expects the relatively moderate rise in the oil price and the generally lackluster economic situation to have a dampening effect on inflation. All in all, the inflation rate in the eurozone is therefore unlikely to fall much further. DZ BANK estimates that the rate of inflation will decline only slightly compared with 2024 and predicts 2.2 percent for 2025.

1.4 Trends in Germany

According to DZ BANK, 2024 was a fairly disappointing year for the German economy. Economic output edged down by 0.2 percent over 2024 as a whole and therefore contracted for the second year in succession. Economic growth hovered around zero for most of the year and was just into negative territory in the final quarter. The German economy therefore continued to perform worse than the eurozone as a whole. In DZ BANK's view, weak international demand is taking its toll on the crucial German export sector. Moreover, consumers are unsettled by the fallout from the wave of inflation and by growing fears about possible job losses. So far, higher real wages have led to an uptick in savings, whereas household consumption has been restrained. The only notable support for economic growth came from higher government consumer spending in 2024.

Germany's manufacturing sector, in particular, is faced with structural challenges. Energy prices for manufacturers are high by international comparison and China is transitioning from an export market for German products to a rival producer of high-quality industrial goods, thereby putting pressure on German industry. According to DZ BANK, Germany's political challenges at home – the collapse of the 'traffic-light' coalition, the snap Bundestag election, and the likely change of government – are creating additional uncertainty for businesses and consumers too.

DZ BANK does not expect the German economy to pick up momentum in 2025 either. The first few months are likely to be dominated by the election campaign and the formation of a new federal government. Even if the government is in place by Easter (mid-April), as is planned, there is a risk that the political standstill will rattle consumers and companies will not have a reliable basis for planning. This is critical because the new US administration is a powerful player that is ratcheting up the pressure on Europe and thus Germany. US tariffs on exports of German goods to the United States pose a particular threat to Germany's export sector as the United States has become the biggest customer for German industrial products in recent years. The tariff shock anticipated by DZ BANK will likely lead to a slump in German economic output, from which Germany's economy will probably recover only gradually. Given that the already high energy prices put companies at a disadvantage and higher trade tariffs will make access to the US market more difficult, it is expected that decisions about business investment in Germany will be reconsidered or postponed. DZ BANK therefore estimates that German economic output will stagnate in 2025.

As in the eurozone, opposing effects will impact on consumer prices in the forecast period. Any retaliatory tariffs imposed by the EU amid escalating tariff disputes will tend to push up the rate of inflation. Moreover, a weakening of the euro against the US dollar will make imports more expensive. By contrast, persistently weak economic conditions and the easing of upward pressure on energy prices are having a dampening effect on inflation. DZ BANK predicts an inflation rate of 2.3 percent for 2025, which is similar to the level seen in 2024.

1.5 Trends in the financial sector

The major central banks started to lower interest rates again in the reporting year, following a phase of sharp increases from 2022 onward in the wake of the coronavirus pandemic. This included the federal funds rate, which the US Fed had cut to a range of 4.25 percent to 4.5 percent by the end of 2024. Furthermore, the ECB reduced the main refinancing operations interest rate in several stages, reaching 3.15 percent at the end of the reporting period. DZ BANK believes that this general trend will continue in the forecast period and the central banks will lower their benchmark rates further, although there is likely to be variation in terms of timing and speed.

Given the fall in interest rates, it is assumed that interest-related business has now passed its peak. Transaction activity in the real estate markets has remained fairly subdued so far owing to the macroeconomic challenges, the resulting diminished inclination to invest, and still elevated borrowing costs. In some asset classes, however, there are emerging signs of a cautiously positive trend in commercial and residential property transactions. DZ BANK believes that the necessary price corrections in the real estate market have now largely been made, and decreases in property values are expected only on a smaller scale. Yields in the real estate market are therefore regarded as stable on the whole.

Conditions in the equity markets were encouraging overall in 2024, and DZ BANK predicts further rises for the DAX and EURO STOXX in 2025. European companies with strong business in the US are most likely to benefit from low US taxes and deregulation. However, robust profit forecasts and innovation in areas such as artificial intelligence will contribute to the uptrend too. The risks associated with heightened volatility in the financial markets are described in more detail in chapter VI.5.2.7 of the risk report.

Besides economic factors, the financial sector is increasingly experiencing pressures in terms of both adjustment and costs arising from structural changes. Such changes could become even more prevalent in the face of growing price competition and the potential threat of a wage/price spiral. In this situation, the financial sector is faced with the challenge of reviewing existing business models, adapting them if required, and substantially improving efficiency by digitalizing business processes.

The implementation of future EU banking regulations will see a continued need for adaptation in the finance sector. The agenda of regulatory reforms initiated in response to the financial crisis is aimed at making the financial industry more resilient in the event of a crisis and ensuring that risks arising from its business activities are not borne by the public sector. And indeed, the financial industry has reduced its leverage and bolstered its risk-bearing capacity by improving capital and liquidity adequacy. In the long term, adjustments will be driven by the adoption of standards relating to the environment, social matters, and responsible corporate governance (ESG). The challenge in this regard lies in implementing these requirements in overall business management, risk management, and reporting systems. In addition to opening up new market opportunities, the consideration of ESG topics also results in the need to identify and manage risks in a variety of ESG categories.

2 Financial position and financial performance

In 2025, the DZ BANK Group will continue to pursue its strategic objectives in the context of its role within the Cooperative Financial Network. In an environment that remains challenging in terms of both market and competition, this means, for example, rigorously exploiting potential business in collaboration with the cooperative banks, while at the same time maintaining the planned implementation of various initiatives focused on the digitalization and sustainability of the DZ BANK Group along the entire value chain.

The forecasts below are based on the outcome of the DZ BANK Group's annual planning process. Further information on the planning process can be found under 'DZ BANK Group fundamentals' (chapter I.2.4). Potential variances during 2025 from the underlying planning scenario, in the form of opportunities and risks, may have an influence on financial position and financial performance. These uncertainties are monitored continuously and factored into the DZ BANK Group's planning, reporting system, and management.

According to the planning for 2025, **total assets** will fall slightly compared with the figure as at the end of 2024.

In light of the muted economic outlook, **net interest income** (including net income from long-term equity investments) is predicted to fall significantly in 2025 compared with the high level recorded in 2024. The figure for the reporting year received a noticeable boost not only from the encouraging level of income from the operating business but also from accounting-related effects that had a positive impact on net interest income but a countervailing negative impact on gains and losses on trading activities.

Net fee and commission income is projected to fall slightly year on year in the forecast period. This will mainly be due to the decline in net fee and commission income in the UMH operating segment.

Gains and losses on trading activities will amount to a substantial net gain in 2025, representing a considerable improvement compared with the year under review. This can be explained by the accounting-related effects mentioned above in connection with net interest income, which resulted in a net loss on trading activities in the reporting year.

Whereas non-recurring adverse effects had to be recognized in 2023, **gains and losses on investments** normalized at a high net gain in the reporting year and a significant deterioration is expected in 2025.

For **other gains and losses on valuation of financial instruments**, a significant deterioration is anticipated in the forecast period. This is because the recent very positive effects in the DZ BANK – CICB and UMH operating segments will no longer be included.

Despite growth in premiums, **net income from insurance business** is predicted to decrease sharply in the year ahead due, in particular, to a marked increase in expenses.

In 2025, expenses for **loss allowances** are forecast to decline considerably compared with 2024 owing to lower expenses at DZ BANK – CICB.

A small increase in **administrative expenses** is projected for 2025, driven primarily by staff expenses.

Other net operating income will probably drop back sharply in 2025, having been at a high level in the reporting year. This can be explained by various effects in the individual operating segments, although some of them will offset each other.

A moderate decrease in **profit before taxes** is predicted in 2025, following on from the very good figure posted for 2024. It is projected to be within the long-term target range of between €2.5 billion and €3 billion.

The **cost/income ratio** is likely to climb markedly in the year ahead owing to a small decrease in income and a slight rise in administrative expenses.

Based on the decline in profit before taxes and the expectation of only a slight increase in the base rate of return, **regulatory RORAC** is projected to fall sharply in the forecast period.

3 Liquidity and capital adequacy

Based on the liquidity risks measured as at the reporting date and the liquidity levels available, the **liquidity adequacy** of the DZ BANK Group and the DZ BANK banking group were assured for 2025 at the time of preparation of this group management report, from both an economic and a regulatory perspective.

Further information on liquidity adequacy can be found in the risk report (chapter VI.6).

The **capital adequacy** of the DZ BANK Group, the DZ BANK financial conglomerate, and the DZ BANK banking group were assured for 2025 at the time of preparation of this group management report, from both an economic and a regulatory perspective; that is to say, they have sufficient available internal capital and eligible own funds that can be drawn on to cover the risks measured as at the reporting date.

Over the last few years, the DZ BANK Group has greatly strengthened its capital base from its own resources (through the retention of profits) and through corporate action. In 2025, a high priority will once again be given to strengthening the capital base in order to ensure stable capital ratios. For 2025, DZ BANK anticipates that the DZ BANK Group's **common equity Tier 1 capital ratio** will hold steady at above 16 percent.

Further information on capital adequacy can be found in the risk report (chapter VI.7).

4 Operating segments in detail

The statements made below regarding the changes relate solely to the forecasts for the individual management units. The impact on the Group's profit before taxes will vary depending on the relative importance of the individual management unit to the total amount for the line item in question.

4.1 BSH

At the end of 2024, the regressive factors that had dominated the market environment in recent years, such as high inflation and supply chain disruption, had faded into the background. But, in BSH's view, the significant rise in borrowing costs on the back of surging key interest rates in 2022 and 2023, combined with persistently high building costs, look set to remain a drag on residential construction in 2025. According to BSH, other obstacles include the shortage of suitable land for building – particularly in rapidly expanding urban areas – plus constantly changing development lending conditions and excessive bureaucracy. This prediction is reflected in one of the leading indicators for residential construction: Whereas planning permission had been granted for approximately 157,200 homes at the end of the third quarter of 2024, this was lower than the figure of around 195,700 at the end of the corresponding period of 2023. The Zentralverband Deutsches Baugewerbe (ZDB) [German Construction Confederation] is therefore forecasting the completion of just 220,000 or so homes in 2025, which equates to a year-on-year decline of 12 percent. This forecast is subject to significant uncertainty though. For example, geopolitical challenges could cause inflation and interest rates to rise again, which would put additional adverse pressure on loan-financed housing starts. The election in the United States and the end of the 'traffic-light' coalition in Germany have, in BSH's eyes, only ramped up the general uncertainty for the markets and consumers alike.

In contrast to housing starts, the market for existing properties is set to grow in 2025, driven by increased demand from owner-occupiers for such properties. Moreover, renovation work and energy efficiency measures in this segment will continue to act as an anchor of stability amid the current construction crisis. Energy used in buildings, which is responsible for around 40 percent of the EU's greenhouse gas emissions, will likely play a key role in achieving the EU climate targets. If the EU is to reach its climate neutrality target by 2050, the current annual rate of less than 1 percent at which existing buildings are undergoing energy efficiency improvements across the EU is nowhere near enough (Germany in 2024: approximately 0.69 percent). Help should come from the revised EU Energy Performance of Buildings Directive (EPBD), which took effect in 2024, and from implementation of the strategy 'A renovation wave for Europe' as part of the European Green Deal, which aims to double the energy renovation rate for buildings by 2030. Since 2024, Riester savings products have been eligible as a means of funding for building renovation projects.

Expectations regarding BSH's business performance in 2025 continue to be influenced by the impact of the turnaround in interest-rate policy, significantly inflated construction costs, and the lack of a clear outlook for future government support for new builds, which – along with the generally difficult economic situation – will likely dampen private property developers' inclination to invest.

In its core home finance business, BSH therefore anticipates an only moderate increase in the lending volume due to higher real wages, declining inflation, and stable interest rates against a backdrop of slightly rising prices for residential real estate. The growth of the lending volume is expected to stem from the upturn in the market for existing properties and an increase in renovation measures on the back of anticipated rises in energy prices and stricter rules on the energy efficiency of real estate. The increase in interest rates since the phase of low interest rates will continue to have a positive effect on demand for home savings loans, and BSH predicts that the volume of new business will be on a par with the good level seen in 2024.

In the core home savings business, the volume of new business is projected to decline slightly owing to heightened uncertainty and gloomy economic prospects. However, support will come from the Fuchs 06 home savings product launched on October 10, 2024. The new scale of rates and charges takes account of the changed interest-rate environment and provides more options, particularly for finance providers, those saving for retirement, young people, and anyone keen to implement energy efficiency improvements.

Taking these various factors into account, BSH anticipates a significant improvement in its **profit before taxes** in 2025 that will comprise the following.

Net interest income is likely to rise sharply year on year in 2025, boosted by the expected further growth of the portfolio of other building loans and home savings loans.

Net fee and commission income will see a substantial fall in percentage terms, primarily due to an increase in new business in the core home finance business.

A significant decrease in **loss allowances** for loans and advances is anticipated. Although the labor market showed signs of cooling at the end of 2024, it was still robust by historical comparison, with the expectation of a virtually unchanged unemployment rate and a high number of vacancies. This is likely to be reflected in the level of loss allowances for loans and advances going forward.

Administrative expenses are projected to rise slightly in 2025. Staff expenses will go up a little, due in large part to the wage settlement reached in 2024. Strategic projects and the ongoing development of the core home savings and home finance businesses are expected to result in increased capital expenditure, but the continuation of measures to manage costs will keep this increase in check.

A sharp drop in **other net operating income** is predicted, mainly because the figure for 2024 included the reversal of other provisions.

Based on current assessments, the **cost/income ratio** will fall slightly.

Regulatory RORAC is expected to increase significantly.

4.2 R+V

Given the macroeconomic risk factors and geopolitical tensions, 2025 will be another very challenging year. Nonetheless, R+V – the composite insurer in the Cooperative Financial Network – is planning to continue on its trajectory of profitable growth in 2025.

Overall, R+V anticipates a marked year-on-year fall in the insurance segment's **profit before taxes** in 2025. A moderate rise in insurance revenue is forecast. The premiums that are included in insurance revenue, which comprise the premiums actually received, will remain more or less unchanged compared with the reporting year.

Gains and losses on investments held by insurance companies are projected to deteriorate markedly year on year based on the capital market parameters expected for 2025, whereas insurance finance income or expenses will see a marked improvement.

The **non-life insurance** division is expected to continue to grow as planned in 2025. A moderate increase in insurance revenue is predicted for 2025. Premiums received should show slight growth. The combined ratio (net) is projected to improve, falling to just below the level of the reporting year.

Insurance revenue in the **life and health insurance** division is expected to be a little lower in 2025 than in 2024. Premiums received are likely to edge up in 2025. The contractual service margin will fall slightly compared with the 2024 level. The amortization of the contractual service margin will increase moderately.

In the **inward reinsurance** division, the improvement in prices for reinsurance cover is expected to continue in 2025. This should result in significant growth of insurance revenue and a moderate rise in the volume of premiums received, which are included in this revenue. The forecast shows a marked rise in the combined ratio (net).

Regulatory RORAC will see a moderate decline in 2025 owing to the lower level of profit before taxes.

4.3 TeamBank

Whereas uncertainties will continue to prevail in the first half of 2025, TeamBank anticipates opportunities for a rally in consumer spending in the second half of the year. It expects inflation to edge down. Recent increases in real wages could also help to revive consumer spending as the year continues. In TeamBank's opinion, this trend is supported by the clarity that is expected to materialize regarding Germany's future political direction and economic policy. Consequently, the inclination to make purchases and the inclination to borrow should strengthen.

In collaboration with the cooperative banks, TeamBank is aiming in 2025 to generate profitable, sustainable growth at a rate that is higher than that of the market. This may result in a noticeable increase in **net interest income**.

Net fee and commission income is predicted to fall markedly year on year, mainly because of the expected increase in bonus payments to partner banks in line with the higher level of new business.

Administrative expenses are anticipated to hold steady in 2025.

A sharp rise in **loss allowances** is forecast for 2025 in view of portfolio growth and a risk situation that remains elevated. Given this risk situation, TeamBank forecasts that it will continue to generate a **profit before taxes**, albeit one that is much lower than the 2024 figure in relative terms.

The **cost/income ratio** for 2025 is predicted to improve slightly year on year.

Primarily because of the significant growth in loss allowances and related fall in profit before taxes, TeamBank expects a noticeable decline in **regulatory RORAC** in 2025.

4.4 UMH

In view of the economic conditions outlined above, UMH believes that investments will have to be considered particularly carefully in 2025 in order to maintain a good balance between minimizing risk and focusing on returns. Overall, however, the opportunities prevail, so this approach should pay off. In this environment, UMH plans to continue on its profitable growth path in 2025. As well as pursuing its successful sales strategy, it will increasingly invest in order to put the company in a robust position for the future. That is why UMH has intensively studied the strategic topics that will be of relevance in the years ahead, addressing them in its FitForFuture program in order to lay solid foundations for the coming years. To this end, five major strategic areas of growth have been identified for Union Investment: master plan, active asset manager, sustainability, digitalization, and organizational model. These are aimed at making the business model more profitable and robust and increasing awareness of the company's brand.

The main external influence on UMH besides the capital markets is regulation. Burgeoning regulatory requirements are resulting in significantly higher spending on projects, personnel, and systems. UMH believes that there is no end to this trend in sight. It therefore remains relevant and, where foreseeable at the time of planning, UMH takes it into account in its planning.

Achieving the objectives described above – primarily securing UMH's competitiveness and satisfying the growing regulatory requirements – calls for substantial capital expenditure and this has been earmarked in the budget.

UMH is aiming for a stable average level of assets under management in 2025. A moderate year-on-year decline in new business is expected, and overall performance is predicted to be just into positive territory in 2025.

Net fee and commission income for 2025 is projected to be substantially lower than in the year under review. This is due to a sharp decrease in the income expected from performance-related management fees and a moderate reduction in volume-related net fee and commission income.

A significant deterioration in **net financial income/net finance costs** – comprising net interest income, gains and losses on investments, and other gains and losses on valuation of financial instruments – is likely in 2025, largely because of an anticipated negative change in the effect from the valuation of guarantee commitments for investment products and from a much lower contribution from the investment fund units held as part of own-account investing activities.

Administrative expenses are projected to rise slightly in 2025. Staff expenses at UMH are also likely to edge up. Based on current assessments, general and administrative expenses will rise markedly, largely because of higher expenses for consultancy, public relations, and marketing. Depreciation and amortization charges are predicted to be slightly lower than in 2024.

A sharp increase in **other net operating income** is expected. This is mainly because non-recurring items, such as non-recurring write-offs or restructuring expenses, are no longer included in the planning.

Based on the factors described above, **profit before taxes** in 2025 is projected to be significantly lower than in 2024.

From the current perspective, a moderate increase in the **cost/income ratio** and a substantial fall in **regulatory RORAC** are expected.

If a judgment of the Nuremberg-Fürth regional court in the legal proceedings brought by Verbraucherzentrale Baden-Württemberg e. V. [Baden-Württemberg Consumer Association] against ZBI Fondsmanagement GmbH (case no.: 4 HK O 5879/24) becomes final and binding and then sets a precedent that has to be followed by the entire sector, this will likely have a negative impact on sales of open-ended mutual real-estate funds. Further developments currently depend on too many uncertainties to be able to reliably determine the quantitative impact at present.

4.5 DZ BANK – CICB

In view of the economic conditions and the ongoing geopolitical tensions, the financial markets are expected to be subject to significant volatility and uncertainty in 2025. The banking industry again benefited from good levels of net interest income in the reporting year. Margins in interest-related business are predicted to narrow in 2025 as the ECB is likely to continue gradually lowering its key interest rates. The anticipated rise in US tariffs and potential new trade disputes may also adversely affect trade flows and investment decisions.

A moderate decrease in **net interest income** (excluding income from long-term equity investments) is expected in 2025.

The volume of lending in corporate banking in Germany and in the Structured Finance division is projected to rise year on year, resulting in a modest increase in income. The Investment Promotion division's contribution to earnings is forecast to decline slightly owing to a smaller lending volume.

Net interest income in the money market and capital markets business will likely fall significantly due to interest-rate cuts by the ECB.

Net fee and commission income is expected to be slightly lower in 2025 than it was in 2024.

The Corporate Banking business line's income from project finance, asset securitization, and loan syndication in 2025 is anticipated to be markedly below the strong 2024 figure.

In the Transaction Banking business line, net fee and commission income is projected to rise sharply in 2025 owing to the insourcing of payments processing at DZ BANK, which will eliminate the related fee and commission expenses paid under the service procurement agreement with equensWorldline SE.

Net fee and commission income in the Capital Markets business line is projected to fall markedly, particularly such income from the securitization business.

Gains and losses on trading activities are likely to improve significantly in 2025 because IFRS-related effects will have far less of an impact. Within this line item, however, a noticeable deterioration in gains and losses on operating trading activities is expected as a result of the gloomier economic conditions combined with the lower level of interest rates.

In 2024, **other gains and losses on valuation of financial instruments** reflected not only positive credit-risk-related measurement effects relating to financial assets measured using the fair value option but also a net gain from ineffectiveness in hedge accounting, which is not expected to be the case in 2025. The decline in the positive measurement effects will likely have a small negative impact in 2025.

Gains and losses from the derecognition of financial assets measured at amortized cost are not anticipated in 2025.

Loss allowances included large additions in respect of individual exposures in the year under review. Given the geopolitical and economic outlook, the need for loss allowances is expected to be material in 2025. However, the required net additions are anticipated to be lower than in 2024.

Administrative expenses are projected to rise moderately in 2025.

Other net operating income is set to be substantially lower than in the reporting year owing to the expected reduction in income from the reversal of provisions and accruals.

In view of these circumstances, **profit before taxes** in the DZ BANK – CICB operating segment is expected to rise significantly in 2025.

Current assessments show that the **cost/income ratio** will go up moderately in 2025 as income is expected to hold steady while administrative expenses will rise.

From the current perspective, **regulatory RORAC** will probably rise markedly in 2025 – despite moderately higher capital requirements – owing to the significant growth of profit before taxes.

4.6 DZ HYP

The central banks lowered interest rates in 2024, thereby providing stability for real estate investors. The price corrections should mostly come to an end this year, and property values should now stabilize. DZ HYP assumes that real estate will continue to be regarded as an attractive investment product.

Net interest income in 2025 is projected to be noticeably lower than the 2024 figure. DZ HYP anticipates that business activities will remain stable, based on reasonable lending margins combined with a marked increase in the volume of new real estate finance business compared with 2024.

Current assessments show that credit spreads in public-sector finance are likely to widen in 2025. Consequently, **other gains and losses on valuation of financial instruments** are expected to deteriorate moderately at a low level in 2025.

Loss allowances in 2025 are projected to rise considerably year on year.

Greater regulatory requirements and the digital transformation of DZ HYP are having a negative impact on **administrative expenses**, with the result that this figure is expected to be up noticeably on the corresponding 2024 figure.

Based on a stable operating performance, but particularly because of the decline in net interest income, rising administrative expenses, and anticipated higher loss allowances, **profit before taxes** in 2025 is predicted to be substantially below the 2024 figure.

Accordingly, the **cost/income ratio** is expected to rise sharply.

Regulatory RORAC is likely to decline significantly due to the fall in profit before taxes forecast for 2025.

4.7 DZ PRIVATBANK

DZ PRIVATBANK's operating business is expected to see a moderate increase in the volume-related key figures in its various areas of income-generating business.

Net interest income will probably decline considerably in 2025 owing to the lower level of interest rates and a lack of suitable possible replacements for expiring interest-rate items.

Net fee and commission income is likely to hold steady in 2025. The assets under management in private banking are projected to rise because of planned increases in inflow rates. The main value driver is fund volume, and the average volume of funds held by DZ PRIVATBANK is expected to decline.

Gains and losses on trading activities are forecast to deteriorate significantly in 2025 because customer-driven transaction figures are likely to be lower.

DZ PRIVATBANK's **administrative expenses** are projected to rise slightly in 2025.

Based on current forecasts, a sharp decrease in **profit before taxes** is expected for 2025 as a gloomier market environment is anticipated.

The **cost/income ratio** for 2025 is likely to be moderately higher than in the reporting year, while **regulatory RORAC** will probably fall significantly due to the higher base rate of return used in the calculation.

4.8 VR Smart Finanz

In 2025, VR Smart Finanz will continue to pursue a decentralized approach with the aim of supporting the cooperative banks as its strategic partners in the corporate customer business and meeting the needs of their business customers for digital, rapidly available solutions. Given that economic conditions remain challenging, VR Smart Finanz believes that companies will continue to generate high demand for liquidity. Although conditions remain difficult, there is a growing need for capital expenditure, partly due to catch-up effects and the necessity for investment in the future, such as in energy efficiency. In this volatile market environment, VR Smart Finanz intends to step up collaboration with cooperative banks and other partners and to tailor its product portfolio to customer requirements. It is aiming to improve its efficiency with a modern IT infrastructure, automation of contract processing, and data-driven risk management. In addition, it is planning to strengthen marketing through its omnichannel capabilities and digital options for reaching customers.

Support for the local cooperative banks' sales processes, the expansion of new sales channels, and the refinement of the product portfolio are expected to lead to a significant increase in the volume of both new business and existing business despite the challenging economic situation. Consequently, **net interest income** will rise significantly and **net fee and commission income** will rise markedly.

The gradual macroeconomic stabilization in 2025 is predicted to lead to a sharp fall in expenses for **loss allowances** compared with 2024. Based on the assumption of only a small increase in administrative expenses and a jump in income compared with 2024, there will be a noticeable improvement in the **cost/income ratio**.

The developments described above and the disciplined channeling of resources into initiatives aimed at generating growth and containing risks will – assuming that conditions remain challenging – lead to a significant improvement in **profit before taxes** and thus a sharp rise in regulatory RORAC in 2025.

4.9 DZ BANK – holding function

The expense recognized under **net interest income** is predicted to fall noticeably in 2025. This forecast is mainly due to changes in average interest rates in the balance of expenses for the funding of long-term equity investment carrying amounts and income from the investment of capital.

Administrative expenses are expected to remain unchanged year on year in 2025.

A slightly smaller **loss before taxes** is forecast for 2025.