Press release

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DZ BANK AG
Deutsche Zentral-
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Press office

First half of 2024: DZ BANK Group reports a profit before taxes of €1.71 billion

- Very good profit before taxes in the first half of 2024
- Operating growth across all business lines
- Healthy customer business in a generally unremarkable risk situation
- Capital adequacy at high level of 15.7 percent
- Focus on investing in topics of the future

The DZ BANK Group generated a very good profit before taxes of €1.71 billion in the first half of 2024. The cooperative central institution was thus able to almost match the success of the prior-year period (first half of 2023: €1.93 billion).

The main reason for this encouraging figure was healthy customer business in the group entities. Union Investment, for example, recorded a good level of inflows from both retail and institutional clients. It also generated a substantial contribution to earnings thanks to the significant upward trend in the equity markets. R+V Versicherung's premiums held steady at a good level across all insurance divisions. Gains and losses on investments held by insurance companies received a boost from the upbeat conditions in the equity markets.

The DZ BANK Group's banking business was also encouraging. This was particularly the case for DZ BANK – central institution and corporate bank, which saw brisk customer business in the Corporate Banking, Capital Markets, and Transaction Banking business lines and posted a good profit before taxes for the first half of the year. DZ HYP maintained its position and delivered a stable business performance even though the market as a whole stagnated. DZ PRIVATBANK achieved a further increase in inflows in its fund business, thereby cementing the income uptrend of recent years.

"We are delighted to have continued along our growth trajectory in the first half of 2024. Given the current economic and geopolitical situation, these results cannot be taken for granted," says Cornelius Riese, Chief Executive Officer of DZ BANK. "Over the last few years, the DZ BANK Group has substantially strengthened its position as a financial services provider. We particularly benefit from having these broad-based foundations during times when there are economic headwinds."

"We are continuing to see robust demand from customers in the operating business of the central institution and corporate bank. This positive trend is also a reflection of our close collaboration with the cooperative banks," says Johannes Koch, member of the DZ BANK Board of Managing Directors responsible for the central institution and corporate bank and for human resources. "We continued to grow across all divisions. Thanks to our focus on customers and our robust credit standing, we maintained our strong position in the Corporate Banking business line despite companies still showing reluctance to invest. In the Capital Markets business line, business with institutional customers – particularly underwriting business – was very successful. Within the Transaction Banking business line, there was growth in payments processing, credit card sales, and custody business."

The DZ BANK Group's capital adequacy remains very stable, with a common equity Tier 1 capital ratio of 15.7 percent (December 31, 2023: 15.5 percent).

Total assets amounted to €664 billion (December 31, 2023: €645 billion).

Income statement line items in detail

At €2.36 billion, the **net interest income** of the DZ BANK Group was significantly higher than the figure for the prior-year period (first half of 2023: €1.86 billion). This was thanks to healthy customer business, notably at the central institution and corporate bank and at Bausparkasse Schwäbisch Hall. Furthermore, there were positive accounting-related effects on net interest income, with a countervailing negative impact on gains and losses on trading activities.

Net fee and commission income rose to €1.57 billion (first half of 2023: €1.31 billion). This was primarily due to robust inflows at Union Investment that were supported by the positive stock market development.

Gains and losses on trading activities deteriorated to a net loss of €473 million (first half of 2023: net gain of €293 million). This can be explained by two technical effects: firstly, the valuation of own issues at the central institution and corporate bank and, secondly, accounting-related shifts that had a countervailing impact on net interest income. Operating trading business itself was on a par with the good level of the prior-year period.

Gains and losses on investments climbed to a net gain of €12 million (first half of 2023: net loss of €8 million) on the back of an improvement in gains and losses on the disposal of bonds and other securities.

Valuation effects meant that **other gains and losses on valuation of financial instruments** improved to a net gain of €112 million (first half of 2023: net gain of €63 million).

Loss allowances amounted to €206 million (first half of 2023: €52 million) and were thus lower than the level anticipated at the start of the year. The year-on-year increase predominantly arose because higher additions were required at TeamBank in view of the weak economic environment.

Administrative expenses fell slightly to €2.28 billion (first half of 2023: €2.32 billion), primarily due to the absence of the bank levy. By contrast, there was a moderate increase in staff expenses.

Profit before taxes amounted to €1.71 billion.

Net profit stood at €1.25 billion.

The **cost/income ratio** reached 54.3 percent.

Results of the DZ BANK Group in detail

DZ BANK – central institution and corporate bank (CICB) posted a profit before taxes of €383 million (first half of 2023: €697 million). The year-on-year decline was largely attributable to IFRS-related effects on the valuation of own issues. Customer business continued to perform well. The corporate customer lending business registered slight growth in the first six months of the year, even though companies' reluctance to invest is becoming increasingly apparent in demand for lending. The volume of loan commitments rose to €87.9 billion (December 31, 2023: €85.7 billion). Joint credit business with the cooperative banks totaled €17.7 billion (December 31, 2023: €18.0 billion). Sales of capital market products to corporate customers remained at a good level. At €217 million, revenue from cross-selling was up by 6 percent on the high level achieved in the prior-year period. Money market products, in particular, are seeing sustained demand. In the Capital Markets business line, business with institutional customers was very successful. The bank secured a number of major client accounts with supranational institutions in its new issues business during the first half of the year. Sales of investment certificates rose to €5.1 billion on the back of the positive capital market conditions (first half of 2023: €4.3 billion). Changes in interest rates led to a considerable slowdown in the growth of the volume of interest-rate products, which stood at €3.8 billion (first half of 2023: €11.5 billion). Customer business in the Transaction Banking business line was also encouraging, with the number of payments processing transactions climbing to 5.1 billion (first half of 2023: 4.8 billion). The volume of assets under depository grew to €354.2 billion (December 31, 2023: €332.5 billion), again thanks to the upbeat market conditions.

Bausparkasse Schwäbisch Hall (BSH) improved its profit before taxes to €47 million (first half of 2023: loss of €14 million), one of the main factors being higher interest income. Following two outstanding years, new home savings business fell to €13.2 billion (first half of 2023: €17.9 billion). Nevertheless, BSH's market share in the home savings business grew to 33.6 percent (December 31, 2023: 31.2 percent). In the first six months of 2024, new business with home finance and home savings loans was on a par with the prior-year period.

R+V Versicherung reported a very good profit before taxes of €586 million (first half of 2023: €740 million). The figure for the prior-year period had benefited from very favorable movements in the capital markets and a low volume of claims. In the period under review, the healthy net gain under gains and losses on investments held by insurance companies contrasted with elevated claims expenses in the non-life and reinsurance businesses. Customer business performed well overall. Gross premiums written in the insurance business edged up to €11.7 billion (first half of 2023: €11.4 billion).

TeamBank registered a profit before taxes of €19 million (first half of 2023: €57 million). This decrease was largely due to higher loss allowances in view of the weak economic environment. Despite muted consumer sentiment, new business amounted to a healthy €1.6 billion (first half of 2023: €1.6 billion). Loans and advances to customers rose slightly to €9.9 billion (December 31, 2023: €9.8 billion). The number of customers also went up, advancing by 24,000 to 1.06 million.

Union Investment increased its profit before taxes to €616 million (first half of 2023: €442 million). The positive trend in the equity markets during the first half of the year resulted in further volume growth. At €6.5 billion, net inflows in Union Investment's retail business were again at a good level (first half of 2023: €6.2 billion). In its business with institutional clients, Union Investment recorded a surge in inflows to €5.0 billion (first half of 2023: outflows of €0.5 billion). Assets under management swelled to €486.9 billion (December 31, 2023: €455.2 billion). The volume of sustainable investments pursuant to Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation amounted to €136.4 billion (December 31, 2023: €128.7 billion); applying Union Investment’s own minimum sustainability standards, the volume came to €106.0 billion (December 31, 2023: €90.6 billion).

DZ HYP achieved a healthy profit before taxes of €208 million that was on a par with the figure for the prior-year period (first half of 2023: €212 million). Amid challenging conditions for real estate, new business with corporate customers held steady at €3.2 billion (first half of 2023: €3.1 billion), while the total volume of real estate finance was on a par with the end of 2023 at €57.2 billion (December 31, 2023: €56.9 billion). Reflecting market conditions, loss allowances were as expected with additions of €39 million (first half of 2023: €20 million).

DZ PRIVATBANK maintained its robust financial performance of recent years and generated a profit before taxes of €52 million (first half of 2023: €53 million). Customer business was influenced by high interest rates and the favorable capital market environment. DZ PRIVATBANK saw a rise in inflows in its fund business. The volume of assets under custody amounted to €206.6 billion (December 31, 2023: €188.7 billion). Assets under management grew to €24.8 billion (December 31, 2023: €23.4 billion).

The loss before taxes at **VR Smart Finanz** deteriorated to €10 million (first half of 2023: loss of €6 million). The weak economic situation led to higher loss allowances. However, customer business at VR Smart Finanz performed well. The volume of new business generated from the ‘VR Smart flexibel’ business loan and from object finance for customers in the small business, self-employed, and SME segments grew to €639 million (first half of 2023: €605 million).

Outlook

Geopolitical uncertainties will continue to take their toll on the economy as a whole in the remaining months of the year. Although real wages are rising, consumer spending has not yet recovered and industry has not emerged from its weak phase either. Nonetheless, our economists anticipate a slight rebound during the second half of 2024, although it will not be strong enough to constitute a genuine trend reversal. They are therefore forecasting economic growth to be just above zero percent for the year as a whole. “The DZ BANK Group performed very well in the first six months of 2024, but uncertainties at geopolitical level and in the markets may increase as the year continues. Against this backdrop, we anticipate that our profit before taxes for 2024 will be within our long-term target range of €2.0 billion to €2.5 billion,” says Riese.

“Looking ahead, we will continue to invest huge amounts in our capabilities, with a particular focus on payments processing and new technologies at the moment,” he adds. For example, DZ BANK is continually expanding its expertise in distributed ledger technology (DLT). It saw a number of successful transactions on its cryptodepository platform during the reporting period. Furthermore, it is intending to work with the first cooperative banks to launch the pilot phase for cryptocurrency trading for retail customers by the end of this year. And a new centralized payments processing platform, one of the largest infrastructure projects of recent years, is due to be completed shortly.

This means that the Cooperative Financial Network's entire payments processing operations are now combined on one inhouse platform.

Sustainability and demographic change remain among the big issues of this decade. The DZ BANK Group has now formulated measurable climate targets for over half of the business portfolio and has already provided initial details of its progress in achieving them. When it comes to employer branding, the group entities are implementing action plans to attract workers with the necessary skills. "The future competitiveness of many companies will also heavily depend on the degree to which they can find and recruit skilled people for their workforce, particularly given the challenges posed by demographic change. Thanks to the steps taken in recent years, we believe that the DZ BANK Group is making very good progress in this regard," says Koch.

The DZ BANK Group's half-year financial results under IFRS as at June 30, 2024

€ million	**Jan. 1–Jun. 30, 2024**	**Jan. 1–Jun. 30, 2023**	**Change (%)**
Net interest income	2,358	1,863	+26.6%
Net fee and commission income	1,565	1,314	+19.1%
Gains and losses on trading activities	-473	293	>100%
Gains and losses on investments	12	-8	>100%
Other gains and losses on valuation of financial instruments	112	63	+77.8%
Gains and losses from the derecognition of financial assets measured at amortized cost	36	5	>100%
Net income from insurance business	510	723	-29.5%
Loss allowances	-206	-52	>100%
Administrative expenses	-2,276	-2,320	-1.9%
Other net operating income	73	51	+43.1%
Profit before taxes	1,711	1,932	-11.4%
Income taxes	465	536	-13.2%
Net profit	1,246	1,397	-10.8%
Cost/income ratio (%)	54.3	53.9	+0.4pp

The complete interim report will be available on the DZ BANK website at **www.halfyearreport.dzbank.com** from 9:30 a.m. on August 29, 2024.

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