



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

Dear Shareholders,

In the first half of 2022, the DZ BANK Group performed well, generating a solid profit before taxes of €1.14 billion (first half of 2021: €1.83 billion). This performance was underpinned by our broadly diversified business model and the close collaboration within the cooperative financial network.

We achieved this profit before taxes in an extremely challenging environment. The continuing adverse impact of the coronavirus pandemic was compounded at the start of the year by the outbreak of war in the heart of Europe, which has shaped political, social, and economic life ever since. Russia's war of aggression against Ukraine and the suffering it has brought are shocking and appalling. We are witnessing a complete breach of civilized values.

This is now the second crisis within a very short period of time in which the financial services sector has a key contribution to make in helping to weather the storm. We are playing an important part in introducing and enforcing sanctions against Russia, while also providing crucial support for our customers in this economic environment. Over the course of the first six months of 2022, the economic outlook has turned significantly bleaker. The jump in inflation – driven mainly by rising prices for energy, commodities, and food – as well as lingering supply chain disruptions and fears of recession have caused the German economy to slide into stagflation. Even the positive trend in the capital markets came to an abrupt end at the start of the year. With a surge in bond yields, the rise in interest rates that would have otherwise been welcome initially put the stock markets under pressure.

Irrespective of these challenges, the first half of 2022 was characterized by a good operating performance in all business lines of the DZ BANK Group and the still unremarkable risk situation. The banks in the DZ BANK Group

made a particularly strong contribution to profit before taxes. DZ BANK – central institution and corporate bank saw very high demand in its customer business. Corporate Banking recorded substantial growth in its lending volume and in cross-selling, while Transaction Banking also had a positive first half of the year. In spite of the sea change in the interest-rate environment, the Capital Markets business remained strong, especially in the areas of retail business with investment certificates and brokerage. DZ HYP likewise posted a very good profit before taxes, with an encouraging level of customer business and a sound risk situation. Inflows at Union Investment held steady at a high level. R+V Versicherung saw brisk customer business with healthy premium growth. 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.

These results reflect the significant commitment of our employees. On behalf of the entire Board of Managing Directors, we would like to express our gratitude and appreciation to them.

The key results in detail:

At €1.48 billion, the **net interest income** of the DZ BANK Group was slightly higher than the figure for the prior-year period (first half of 2021: €1.38 billion). This was primarily due to the increase at Bausparkasse Schwäbisch Hall, at DZ HYP, and in the Corporate Banking business line at the central institution and corporate bank. By contrast, **net fee and commission income** declined to €1.36 billion (first half of 2021: €1.60 billion). This was primarily attributable to Union Investment, which saw an anticipated decline in performance-related income components, and to falls in the equity markets. **Gains and losses on trading activities** improved significantly to a net gain of €359 million (first half of 2021: €6 million), partly thanks to a good operating performance but also to IFRS-related valuation effects at the central institution and corporate bank. **Gains and losses on investments** deteriorated to a net loss of €53 million (first half of 2021: net gain of €37 million). The reason for this was a decline in gains and losses on the disposal of bonds at Bausparkasse Schwäbisch Hall and on own-account investing activities at Union Investment. **Other gains and losses on valuation of financial instruments** amounted to a net gain of €105 million (first half of 2021: net gain of €234 million). The decline was mainly due to negative changes in the valuation of guarantee commitments and own-account investing activities at Union Investment. The turmoil 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** fell to €25 million (first half of 2021: €522 million), partly for accounting reasons. **Loss allowances** were at a low level, with net additions of €60 million (first half of 2021: net reversal of €114 million). **Administrative expenses** increased to €2.24 billion, partly due to higher contributions to the bank levy and to the BVR protection scheme (first half of 2021: €2.14 billion).

The capital adequacy of the DZ BANK Group remains good. The common equity Tier 1 capital ratio decreased to 13.3 percent as at June 30, 2022 (December 31, 2021: 15.3 percent). This decrease was predominantly attributable to temporary accounting effects at R+V Versicherung. As a member of the DZ BANK Group, R+V Versicherung already had to measure its assets at fair value in accordance with IFRS 9. Equity and liabilities, and therefore liabilities to policyholders, will only be treated in the same way after the transition to IFRS 17 next year. This 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 a negative contribution to earnings and a significantly lower contribution to the capital ratio in the first half of the year. We anticipate a corresponding countervailing effect for equity and liabilities at R+V Versicherung in the 2023 financial year following the introduction of IFRS 17.

The war in Ukraine has undoubtedly resulted in significant changes to the economic conditions in which banks and their customers from the real economy are operating. The sheer number of complex factors, and the interplay between them, create huge potential risks to economic growth, both in Europe and beyond. We therefore expect conditions to remain extremely tense in the second half of the year. Our economists are now predicting that Germany's economy will expand by only 1.3 percent in 2022 as a whole; expectations at the start of the year had been significantly more optimistic with a forecast of 3.2 percent. In view of the uncertainties, especially in relation to energy supply in Germany and Europe and the increasing burden on companies, we

are currently assuming that the DZ BANK Group's profit before taxes for 2022 will be at the lower end of our long-term target range of €1.5 billion to €2.0 billion.

In this challenging environment, we are standing by our customers as a partner and maintaining an ongoing dialogue. We are providing additional liquidity to help them deal with rising energy and commodity prices, shore up supply chains, and make the necessary investment in the future viability of their business models. The DZ BANK Group is able to provide this support from a position of strength.

At the same time, our stable foundation enables us to play an active part in addressing the big issues facing society in this decade. Top of the list is decarbonizing the economy: Supporting our customers with their transformation is our chief task as a financial institution. At DZ BANK, we have been pursuing this objective in a variety of ways for many years. For example, we have been supporting the transition to clean energy in Germany as a key financing partner. Moreover, we have been continually ramping up our sustainability-related efforts for some time and have created a dedicated program that encompasses all of our activities. Around 200 colleagues are currently working on strategic, regulatory, and practical matters concerning the sustainability of our business under the umbrella of our Advancing Sustainability program. Our aim is to make the results of the program and the instruments that are being developed in the process available and usable across the cooperative financial network and to create synergies.

Digitalizing the customer interface and expanding the platform business are other core areas in which we are investing significantly on an ongoing basis. For example, we recently decided to pool resources with the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks] and cooperative IT service provider Atruvia in order to create a research and development organization focusing on digital business models. Our cooperative financial network has thus laid important groundwork in recent months that will prove invaluable going forward. After all, our ultimate objective is to ensure that our highly successful, broad range of financial products and services remains competitive and attractive in the future. We have the necessary ideas and resources to achieve this, and we also have the determination to tackle the work ahead and make a success of it.

Kind regards,



Uwe Fröhlich
Co-Chief Executive Officer



Dr. Cornelius Riese
Co-Chief Executive Officer