

IV Outlook

1 Economic conditions

1.1 Global economic trends

The global economy is facing considerable challenges and heightened uncertainty in 2025. DZ BANK believes that this is chiefly due to the policymaking of the US administration, which has instigated a drastic U-turn in US trade policy by massively increasing tariffs. Despite bilateral agreements that provide for somewhat more moderate import duties compared with the tariffs originally threatened, goods from China and the EU are particularly heavily affected. The US president's unpredictable style of policymaking is piling on uncertainty in international trade.

The new US policies already sharply skewed the growth profiles of numerous countries' economies in the first half of 2025 as a result of international trade and US consumer spending being brought forward. The US economy itself is also being adversely impacted by the tariff policy. This will especially be the case as inflation starts to rise as a result of the higher tariffs, thereby curbing consumer spending. Moreover, the jump in uncertainty threatens to make businesses reluctant to invest. In the second half of 2025, and particularly in the current third quarter, growth is expected to be extremely weak in most major economies. The global economy will likely expand by 2.9 percent in 2025 as a whole, which is around 0.3 percentage points less than in 2024.

Europe, and more specifically Germany, should once again provide some rays of economic hope. With the significant spending boost that it has planned for infrastructure projects and defense, the new German government is not just improving growth prospects from 2026. In fact, the mood is already lifting in the German economy. The European Central Bank's interest-rate reduction, bringing rates into neutral territory, is also very welcome and means that monetary policy in the eurozone is no longer likely to hamper investment and consumer spending going forward.

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.3 of the risk report.

1.2 Trends in the USA

In 2025, the US government's trade policies are having an effect on the economy of the United States. Now that the impact of spending brought forward due to the announced tariffs has abated, DZ BANK believes that the outlook for the US economy for the rest of 2025 remains muted. Inflation will likely increase due to the tariffs, which will in turn curb consumer spending. On the other hand, tax cuts under the One Big Beautiful Bill Act should provide modest support for growth. DZ BANK expects the US economy to grow by 1.5 percent overall in 2025. Nevertheless, concerns continue to abound due to the US president's erratic policymaking, and the risk of a recession remains.

1.3 Trends in the eurozone

In the first half of 2025, economic growth in the eurozone was heavily affected by US tariff policy, leading to a surge in gross domestic product in the first quarter. Due to the absence of the spending brought forward and the introduction of high tariffs in the second quarter, however, this did not last.

The fallout from the tariffs will likely continue to hold back the eurozone economy as 2025 progresses. The European Commission has reached agreement with the US administration on import tariffs of 15 percent on European goods. The tariffs under the agreement are nowhere near as high as the US president had at times threatened, but they are still materially higher than before he took office. There are also certain detailed issues that remain to be clarified. For eurozone-based companies that wish to continue exporting to the United States, concerns thus remain about whether this tariff agreement will last. They will probably postpone

investment projects for the time being. Against this backdrop, GDP is not expected to rise in the second half of 2025. Due to the better first half of the year, DZ BANK still nonetheless predicts economic growth for the eurozone of around 1.0 percent in 2025.

Upward pressure on consumer prices has continued to ease in 2025 compared with last year. In fact, the rate of inflation was back just below the European Central Bank's 2.0 percent target at 1.9 percent in May 2025 and was exactly on target in June and July. The weakness of the economy and the waning pressure on wages should, in DZ BANK's opinion, ensure that inflation remains at around the 2 percent mark for the rest of the year. For 2025 as a whole, DZ BANK forecasts an inflation rate of 2.0 percent, which is 0.4 percentage points lower than in 2024.

1.4 Trends in Germany

After a less than satisfactory 2024, the German economy began to pick up again in the first half of 2025. This is likely attributable to spending that was brought forward ahead of the announced US tariffs, but the momentum started to tail off again in the second quarter of 2025.

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. DZ BANK believes that domestic policy in Germany has been providing fresh momentum since the coalition between the CDU/CSU and the SPD was agreed in spring. However, a number of initiatives, such as the infrastructure package, will not provide tangible economic support until next year. Better depreciation rules (referred to as investment boosters) and increased spending on defense should generate slightly higher demand as early as the second half of this year, however. At the same time, US tariffs and an overall weak global economy will hinder the German economy. DZ BANK therefore estimates that German economic output will stagnate in 2025. The German economy will thus not be able to shrug off its weakness for a while longer, having already experienced two years of economic contraction.

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 2.0 percent for Germany in 2025, which is lower than the level seen in 2024.

1.5 Trends in the financial sector

In a turnaround in interest-rate policy, the major central banks lowered interest rates last year. The federal funds rate of the US central bank (Fed) was cut to a target range of between 4.25 percent and 4.5 percent at the end of 2024 and has remained at that level since. By contrast, the European Central Bank (ECB) decreased the main refinancing operations interest rate in the eurozone in several stages, reducing it from 3.15 percent at the end of 2024 to stand at 2.15 percent at the end of the reporting period. DZ BANK believes that the ECB will lower its benchmark rate further over the course of 2025 and that the Fed will make a small reduction too.

Signs are now emerging of a change of direction in the real estate market. Following the correction of property valuations caused by the spike in interest rates, prices of residential property are now picking up again. A clear price increase can be discerned for multi-unit residential properties. This is attributable to the consistently high level of demand for residential properties amid tight supply, and to rising rents. Commercial real estate prices have seen a modest decline. This downward trend is expected to continue in the coming months, although market conditions will likely present a mixed picture. DZ BANK continues to believe that yields will remain steady.

The encouraging stock market growth seen in 2024 continued in the reporting period. Whereas US indices appear to have recovered from their brief slump amid much volatility, the DAX and EURO STOXX notched up further increases in the first half of 2025. For the remainder of 2025, DZ BANK predicts that share prices will stabilize at a high level. With regard to the EUR/USD exchange rate, the DZ BANK Group expects the euro to appreciate against the US dollar in the long term.

The financial sector will continue to face pressures in terms of both adjustment and costs stemming from structural changes and growing price competition. They are an additional challenge on top of the economic factors. To counter these headwinds, existing business models need to be reviewed and adapted if required. Efficiency must also be improved by digitalizing business processes further.

The implementation of future EU banking regulations will necessitate further adaptation in the financial sector. The agenda of reforms drawn up by the supervisory authorities 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. Prompted by the reforms, the financial industry has reduced its leverage and strengthened its risk-bearing capacity, in particular by improving capital and liquidity adequacy. The adoption of standards relating to the environment, social matters, and responsible corporate governance (ESG) will require more adjustments to be made in the financial industry. Despite efforts to cut bureaucracy, a key challenge in this regard remains implementing these regulatory requirements in overall business management, risk management, and reporting systems.

2 Financial position and financial performance

The forecasts below are based on the outcome of the DZ BANK Group's projection process. Some of the forecasts have changed compared with those in the 2024 group management report due to new information coming to light. Changes in the aforementioned assumptions, particularly as a result of the macroeconomic conditions described above, may lead to deviations from the forecasts.

The **equity** and **total assets** of the DZ BANK Group are not expected to change materially year on year in 2025, based on the information currently available.

In light of the challenging 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 2024 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.

A small year-on-year improvement in **net fee and commission income** is projected for 2025, which will thus remain a mainstay of the DZ BANK Group's earnings.

In all probability, **gains and losses on trading activities** will improve considerably year on year, returning to a net gain in 2025. 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 prior year.

A high net gain was achieved under **gains and losses on investments** in 2024. A sharp deterioration is expected in the reporting year.

Other gains and losses on valuation of financial instruments will deteriorate substantially in 2025. This is mainly because the recent very positive effects in the DZ BANK – CICB and UMH operating segments will no longer be included.

Based on the latest projections, **net income from insurance business** is expected to edge up in 2025, primarily because the insurance service result is predicted to improve.

The DZ BANK Group's **expenses for loss allowances** are forecast to decline significantly in 2025 compared with 2024, owing in particular to lower expenses in the DZ BANK – CICB operating segment.

A moderate increase in **administrative expenses** is predicted for 2025, with primarily staff expenses expected to continue driving the increase.

Having been at a very high level in 2024, **other net operating income** is expected to fall significantly in the forecast period. This can be explained by various effects in the individual operating segments, although some of them will offset each other.

Following the very good figure posted for 2024, **profit before taxes** is predicted to fall slightly in 2025 but remain above €3 billion. Net profit is expected to be around the level of the prior-year figure.

The **cost/income ratio** is likely to climb a little in 2025 owing to a small decrease in income and a moderate rise in administrative expenses.

Regulatory RORAC will decrease noticeably in 2025 due to the higher base rate of return used in the calculation.

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 the remainder of 2025 at the time of preparation of this interim 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.4).

The **capital adequacy** of the DZ BANK Group, the DZ BANK financial conglomerate, and the DZ BANK banking group were assured for the second half of the year at the time of preparation of this interim group management report, from both an economic and a regulatory perspective; that is to say, they have sufficient available internal capital and own funds that can be drawn on to cover the risks measured as at the reporting date. Further information on capital adequacy can be found in the risk report (chapter VI.5).