

Cooperative Financial Network presents its consolidated financial statements, reporting profit of €3.9 billion thanks to the strength of the customer business

Frankfurt, July 04, 2023 – In 2022, the Volksbanken Raiffeisenbanken Cooperative Financial Network reported consolidated profit before taxes of €3.9 billion in challenging conditions. The decrease compared with the exceptionally high profit before taxes of €10.5 billion in 2021 was predominantly due to temporary, interest-rate-related negative valuation effects. The valuation losses are likely to be reversed in subsequent years. The Cooperative Financial Network generated substantial growth in its lending business in 2022, with the volume of lending swelling by 6 percent. The volume in the deposit-taking business advanced by 5 percent year on year. Equity stood at €127.6 billion, reflecting the Cooperative Financial Network's continued very good level of capitalization.

“The Cooperative Financial Network remains on a successful course. Our banking operations – with more than 30 million customers – performed well despite this period of crisis,” said Marija Kolak, President of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks], commenting on the presentation of the results. She also called for better economic policy and improved regulation, both in Germany and at European level, in order to deal with the various challenges. The fiscal challenges are expected to grow significantly as the long-term funding of the social security systems is not adequate to cope with an ageing population. The

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shortage of skilled workers will probably worsen too. It is important not to keep pushing reforms further into the future.

Like other countries, Germany will require vast capital investment in order to significantly reduce greenhouse gas emissions. “The public sector cannot provide all of this investment itself. The relationship between business and the environment has to be two-way if sustainable action is to be achieved,” added Kolak. She sees private investment as the key to transformation, and the Financing for the Future Act (ZuFinG) sends a strong signal that this needs to be helped to get underway in Germany. It addresses the first steps to be taken to tackle the challenges of digitalization and climate change and to make Germany more attractive when it comes to financing.

The BVR President had clear words to say about the European Commission’s plans for managing crises in banks. “Not only is regulation in the banking sector increasingly coming up against limits in terms of the administrative burden it creates but it is often heading in the wrong direction too,” explained Kolak, who believes there is a lack of understanding about Germany’s unique banking and economic structures. “Instead of finally addressing the issue of capital markets union, the European Commission prefers to focus on questioning structures that are functioning perfectly well,” she said. In her view, the European Commission would rather turn crisis management for banks on its head, weaken financial stability, and sacrifice the tried-and-tested German deposit guarantee schemes than improve the aspects of the European system that have so far failed, namely the resolution of systemically important banks.

Healthy customer business

The banking business with its approximately 30 million customers performed extremely well in the past financial year. The Cooperative Financial Network recorded year-on-year growth of around 6 percent in its **lending business**, virtually crossing the trillion euro threshold for the

first time with a lending volume of €999.9 billion. In the **deposit-taking business**, the volume of deposits rose once again, advancing by approximately 5 percent to €1,033 billion. Consolidated **total assets** held relatively steady, increasing by just under 1 percent to €1,581 billion.

The first positive effects of higher interest rates and the further growth in the lending volume resulted in **net interest income** of €20.5 billion in 2022, a rise of 12.7 percent. At €8.6 billion, **net fee and commission income** remained stable at the high level achieved in the previous year. Expenses for **loss allowances** amounted to a net addition of €1.4 billion, whereas there had been a net reversal of €0.3 billion in 2021. The bulk of the allowances recognized in 2022 were based on model-related effects at stages 1 and 2 under IFRS 9. These constitute a reserve for future years and for the foreseeable risks. **Gains and losses on investments** came to a net loss of €6.8 billion, compared with a net loss of €0.2 billion in the previous year. This deterioration was largely due to temporary, interest-rate-related negative valuation effects that will result in reversals of valuation losses in the next few years. **Administrative expenses** went up by 3 percent year on year to €19.1 billion as a result of wage increases, additional capital expenditure, and inflation-related rises in costs and energy prices. The **cost/income ratio** rose to 78.4 percent in 2022, mainly due to valuation losses on securities (2021: 64.6 percent). The Cooperative Financial Network paid €2.8 billion in taxes in 2022, thereby making a direct and important contribution to society through the funding of regional infrastructure. **After taxes**, the Cooperative Financial Network's **consolidated net profit** amounted to just over €2.1 billion. ■

For further information, see: www.bvr.de/KJA

Background information about the Volksbanken Raiffeisenbanken Cooperative Financial Network:

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The local cooperative banks, Sparda banks, PSD banks, the cooperative church banks, and the specialized institutions hold virtually all of the capital of the Cooperative Financial Network – including that of the central institution, DZ BANK AG. They have more than 30 million customers, 17.9 million of whom are members of the local cooperative banks and thus their shareholders. The ownership structure of the cooperative banking group is therefore very broad and the group is entirely in private hands.

The central institution and specialized service providers within the Cooperative Financial Network, which include Bausparkasse Schwäbisch Hall AG, DZ HYP AG, Union Asset Management Holding AG, and R+V Versicherung AG as well as Münchener Hypothekbank eG, VR Smart Finanz, TeamBank AG Nürnberg, and DZ PRIVATBANK S.A., provide the local cooperative banks with financial products and services, from which each cooperative bank compiles a package that is tailored to its positioning in the market and meets the needs of its customers. The BVR is the strategic competence center of the cooperative banking group. As an umbrella organization for the banking sector, it represents the interests of the cooperative banking group at both national and international levels.

The BVR also operates a dual system of bank protection. Its wholly owned subsidiary, BVR Institutssicherung GmbH, has been officially recognized as a deposit insurance scheme and, in addition to protecting banks, fulfills the statutory remit of ensuring depositors affected by a bank's insolvency are compensated in accordance with national deposit insurance legislation. The BVR protection scheme is an additional, voluntary system that also guarantees that deposits are safe by protecting the banks.