BVR

Press release

2023 consolidated financial statements: profit of €14.4 billion / Cooperative Financial Network is well equipped for change

Frankfurt, July 9, 2024 – In 2023, the Volksbanken Raiffeisenbanken Cooperative Financial Network achieved a consolidated profit before taxes of €14.4 billion. This represents a significant increase compared with the 2022 figure of €4.2 billion, which had been influenced by interest-rate-related valuation effects. The biggest drivers in 2023 profits were reversals of impairment losses in the securities portfolios and, in particular, the cooperative banks' traditional customer banking business. The consolidated loans and advances to customers rose by 2.4 percent. Moreover, deposits from customers – which saw a significant reallocation to fixed-term products – held steady year on year at €1,033 billion. Equity went up by 8.6 percent to €143.2 billion.

"These strong results are important as we are experiencing far-reaching changes at political and economic level. Geopolitical developments, demographic change, digitalization, and decarbonization create numerous risks, but also opportunities. The Cooperative Financial Network is equipped for investing in the future and is in a stable position. Our results for 2023 are also a reflection of the successful combined efforts of the Cooperative Financial Network in respect of its common strategy," remarks Marija Kolak, President of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks]. Nevertheless, politicians need to take a firmer approach in order to create a pro-investment climate. "The economic policy challenges are huge. This calls for a new era of economic policy that will put Germany back in the fast lane. The new asset depreciation rules that are to be introduced are nowhere near

National Association of German Cooperative Banks • BVR

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enough. We need a significant business tax reform to release the investment brake and keep up with other countries," states Kolak. This will enable jobs to be created for the future, thereby helping to support the economy and to strengthen the democratic center. "Only a strong center and a strong Europe can oppose the centrifugal forces at the far ends of the political spectrum," she explains.

Kolak believes that the German coalition government's recently unveiled 2025 federal budget and its growth initiative are a step in the right direction, but do not go nearly far enough. "The government must give far greater priority to these matters in order to secure the future of Germany as a location for business and industry. We need a clinical analysis of the impact of spending so that public funding can be allocated more cost-effectively and strategically going forward. This will release considerable funds for future spending," says Kolak.

The sustainable transformation of the European economy will require huge sums of money. The BVR is therefore pleased that more thought is being given to a European capital markets union. "Financing the transformation will not be possible without both banks and the capital markets. And banks will continue to provide the bulk of loan finance," she adds.

Sound customer business, capital adequacy

Net interest income rose to €24.1 billion thanks to slight growth in the lending business and more risk-appropriate terms and conditions in view of the currently difficult economic situation. Customers reallocated their deposits to higher-interest products, causing interest expense to increase fourfold, primarily on deposits from customers. Sound intermediary and payments business fueled the growth in **net fee and commission income** to €8.8 billion.

Loss allowances went up by €0.3 billion to €1.8 billion, reflecting muted economic prospects, interest-rate rises, and the higher number of corporate and retail insolvencies. **Gains and losses on investment portfolio** improved from a net loss of €6.8 billion in 2022 to a net gain of €1.3 billion in 2023. This was largely attributable to reversals of impairment losses in the cooperative banks' securities portfolios. **Administrative expenses** advanced by €1.3 billion to €20.4 billion. This rise of 6.8 percent was predominantly due to higher staff expenses resulting from measures previously introduced in response to inflation. The **cost/income ratio** fell from 77 percent in 2022 to approximately 56 percent in 2023 due to the above mentioned valuation effects. The ratio for the traditional banking business, where these effects do not apply, also saw an improvement from 69 percent to 65 percent. **Consolidated balance sheet volume** increased to around €1.6 trillion as of December 31, 2023.

The Cooperative Financial Network significantly strengthened its equity position in 2023. **Equity** rose by 8.6 percent to €143.2 billion due to retentions. The consolidated Tier 1 capital ratio and the total capital ratio each rose by 0.6 percentage points to stand at 15.6 percent and 16.2 percent respectively. The Cooperative Financial Network has very sound capital adequacy and is well equipped to cope with risks and future funding needs. This is also acknowledged by the major rating agencies: Both Fitch and Standard & Poor's rate the Cooperative Financial Network very highly relative to the rest of the sector and have awarded ratings of AA– and A+ respectively with a stable outlook.

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

Background information about the Volksbanken Raiffeisenbanken Cooperative Financial Network:

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, 17.8 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 Hypothekenbank eG, VR Smart Finanz, TeamBank AG, 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 institutional protection. Its wholly owned subsidiary, BVR Institutssicherung GmbH, has been officially recognized as a deposit insurance scheme and, in addition to protecting institutions, fulfills the statutory remit of ensuring depositors affected by an institution'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 institutions.