

I DZ BANK Group fundamentals

1 Business model and strategic focus

The DZ BANK Group focuses its strategy on the local cooperative banks with the objective of consolidating the positioning of the cooperative financial network over the long term as one of the leading financial services providers in Germany. Strengthening the market position of the cooperative banks is the most important prerequisite for their success. The partnership between the cooperative banks and the entities in the DZ BANK Group is built on the principles of subsidiarity, decentralization, and regional market responsibility.

Strategic initiatives and programs are developed and implemented at the following three levels in the DZ BANK Group: firstly, at the level of the cooperative financial network, with the leading role taken by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V., Berlin, (BVR) [National Association of German Cooperative Banks]; secondly, at the level of the DZ BANK Group; and thirdly, at the level of the individual entities in the DZ BANK Group, which may draw up their own specific strategic programs. As regards overarching strategic projects and initiatives for the entire cooperative financial network, the entities in the DZ BANK Group work in partnership with the cooperative banks, Atruvia AG, Karlsruhe and Münster, (Atruvia), and the BVR on the strategic agenda and have set up the KundenFokus (customer focus) project. At DZ BANK Group level, the entities have jointly identified – and together will press ahead with – key areas of collaboration that offer the potential for reinforcing the future viability and profitability of all the members of the cooperative financial network. These areas include measures to streamline the business model. In addition, each individual entity in the DZ BANK Group pursues its own strategic initiatives, such as the ‘Verbund First 4.0’ strategic program at DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK), the ‘WIR @ R+V – Growth. Innovation. Profitability.’ program at R+V Versicherung AG, Wiesbaden, (R+V Versicherung, subgroup abbreviated to R+V), and the ‘Fokus 2020’ program at DZ HYP AG, Hamburg and Münster, (DZ HYP).

In the reporting year, the joint activities were particularly focused on sustainability, which is becoming an issue of major importance for the entities in the DZ BANK Group, both in their core businesses and in their own operations. Since the spring of 2020, sustainability has been treated as a key topic in the strategic dialog within the DZ BANK Group and has been evaluated against the backdrop of the changing regulatory and market conditions. In 2021, the strategic planning process was used to identify the key sustainability issues applicable to each of the group entities, as the priorities vary according to business model. The sustainability strategy is described in detail in the Sustainability Report of the DZ BANK Group.

1.1 DZ BANK – central institution and corporate bank

The strategic focus of DZ BANK, as described below, essentially relates to the activities of DZ BANK – central institution and corporate bank. DZ BANK – central institution and corporate bank comprises both the cooperative central institution function, which supports the operating activities of the local cooperative banks, and the corporate bank function. DZ BANK – holding function, which is presented separately in this report in line with the internal reporting structure, is used to pool a range of responsibilities, notably tasks carried out on behalf of the DZ BANK Group in relation to commercial law, tax, and prudential supervision. It does not therefore constitute a separate operating segment within the meaning of IFRS 8.5 and is not analyzed separately in this chapter.

At DZ BANK, the strategic initiatives designed to ensure the bank’s resilience for the future are brought together in ‘Verbund First 4.0’, a strategic program launched in 2018. The program is aimed at improvements in three key areas: market offering, control and production processes, and corporate culture. Under the program, DZ BANK is working on various measures based on defined action areas.

The following sections describe how DZ BANK is implementing its strategy in the various business lines.

1.1.1 Cooperative Banks/Verbund

The cooperative banks are DZ BANK's most important customer group and its partners in joint activities covering sales and the provision of advisory services, as well as being shareholders. The focus of the Cooperative Banks/Verbund division is to meet the needs of this relationship of support for the cooperative banks. The Regionaldirektoren [regional directors] of DZ BANK are the first port of call and customer relationship manager for the cooperative banks, with the aim of assisting them with their business activities in the regional markets. DZ BANK's presence throughout Germany ensures that it can be physically close to the banks it supports.

DZ BANK offers the cooperative banks consultancy and other services at every stage of strategic bank management and regulatory processes. In addition, DZ BANK assists the local cooperative banks with treasury and controlling aspects of bank management, such as planning and risk management, as well as with optimization for strategic bank management purposes and with own-account investing activities. DZ BANK offers the cooperative banks systems such as GENO-SAVE and EGon that help them to meet requirements in the areas of own-account investing, reporting, and accounting.

Key network committees ensure that the cooperative banks are closely involved in DZ BANK's strategic considerations and initiatives. The Central Advisory Council enables important strategic matters in the DZ BANK Group to be discussed in depth and connects the various players and levels in the cooperative financial network. DZ BANK also has five regional Banking Advisory Councils that carry out an advisory and multiplier function.

1.1.2 Corporate Banking

In the corporate banking market, DZ BANK supports the cooperative banks. This support concept is geared to the needs of corporate customers and the individual market situation, and is closely integrated with the activities of the cooperative financial network. DZ BANK has four regional customer care centers that look after both its direct customers and customers in the joint business with the cooperative banks. Customer relationship management for multinationals, the agricultural and healthcare sectors, and cooperative financial network customers has been grouped together in the Central Corporate Banking division.

DZ BANK continually upgrades its range of corporate banking services and processes in Germany. The new DZ Banking corporate banking portal went live in June 2021. The new portal represents another step forward in DZ BANK's digitalization of its customer interfaces, and thereby in its digital capability in support of direct corporate banking. DZ BANK is also carrying out work to refine the digital processing of lending business and upgrade the digital sales workstation (Market of the Future workstation). Alongside digitalization-related matters, another important priority in 2021 was to integrate sustainability into the dialog with customers. DZ BANK introduced a number of initiatives with this in mind, including discussion guidelines on sustainability and special training sessions for corporate banking relationship managers. In 2021, in the context of optimizing its processes in the jointly extended loan business with the cooperative banks (referred to as Meta business in German), DZ BANK developed a new module known as MetaMarktplatz (Meta marketplace) for its existing VR GeschäftsNavigator (VR business navigator) platform. Going forward, MetaMarktplatz will offer digital assistance to help cooperative banks originate syndicated finance within the cooperative financial network.

Support is also provided for the international business of the cooperative financial network's corporate customers, where required. DZ BANK offers a range of solutions geared to Germany's internationally oriented economy, including foreign payments processing, import and export credit guarantees and financing, and currency hedging. It has four branches and six representative offices outside Germany and also makes use of its contacts with well-established partner banks in the countries concerned to open local accounts or obtain financing in the relevant currency. The VR International information and communications platform has also been specially developed to help local cooperative banks support the international business of small and medium-sized enterprises. In the reporting year, DZ BANK extended its range of products for international business to include a standardized offering for small-ticket buyer credit via a digital platform.

In development lending, DZ BANK offers the cooperative banks, their corporate customers, and group entities various advisory, process, and digitalization services in connection with public-sector development and support loans. In this context, it primarily works with Kreditanstalt für Wiederaufbau (KfW) [Germany's KfW development bank], the federal states' own development banks, and Landwirtschaftliche Rentenbank. In order to increase process automation throughout the value chain, the first development and support loan programs have already been integrated into the sales platform used by the cooperative financial network. Efforts will continue to be focused in the future on achieving efficiency gains through automation and on reinforcing DZ BANK's market positioning in relation to this business.

1.1.3 Retail Banking

In retail banking, one of DZ BANK's primary areas of focus is the marketing of securities business with retail customers. In this business, DZ BANK offers services in the form of products, processes, and platforms, which are predominantly made available to the cooperative banks and cooperation banks. DZ BANK's aim is to help these banks with their marketing and strategic planning in relation to securities business with retail customers. As well as securities and savings plans, this includes advisory services, market data, research, and trading/ advisory/e-business platforms.

DZ BANK makes available individual analyses and data tools to support the cooperative banks with their planning, implementation, and review of strategy throughout the management cycle. It thereby helps the cooperative banks to meet their regulatory obligations. This support is being accompanied by the expansion of a range of sustainable products aimed at satisfying regulatory requirements as part of DZ BANK's approach to sustainability in its advisory services. The range of sustainable products is being extended in parallel with the implementation of the Sustainability marketing program. Marketing programs include lists of action options whose implementation focuses on critical individual aspects of retail customer securities business with the aim of bolstering growth in the cooperative banks. In addition to the Sustainability marketing program, DZ BANK offers New Investment Accounts and Young Customers marketing programs, whose objectives are to broaden and reduce the average age of the cooperative banks' customer base.

In accordance with the digitalization strategy, DZ BANK is developing solutions that can be used to provide customers of the cooperative banks and cooperation banks with digital access to their bank in addition to branch visits. Alongside online banking applications, this also includes a facility whereby retail customers are able to quickly open an investment account themselves online, thereby cutting the administrative burden, both for themselves and the bank. Brokerage for end customers has been integrated into Atruvia's omnichannel platform with the addition of new functions covering products such as equities and fund-linked savings plans. DZ BANK's meinGIS platform provides advisors with access to the latest market information, such as share prices, charts, and corporate news. Retail customers can access the Meine Anlagezertifikate digital world at any time and from any device to obtain detailed information on investment products in their investment accounts. DZ BANK's derivatives portal completes the product and information offering for independent retail investors.

1.1.4 Capital Markets

DZ BANK offers advisory and sales services in relation to investment and risk management products covering the interest-rate, credit, equities, and currency asset classes for the benefit of its institutional customers in Germany and abroad, the cooperative banks in their own-account investing activities, and its corporate customers. Its offering encompasses primary market, secondary market, and research services.

On behalf of the cooperative financial network, the Group Treasury division at DZ BANK carries out the cash-pooling function and ensures access to money markets and capital markets as well as to liquidity provided by central banks. In addition, Treasury acts as the center of excellence for secured and unsecured money market business, currency swaps and forwards, and the issue of short-term commercial paper.

As part of the 'Verbund First 4.0' strategic program, DZ BANK is focusing its capital markets activities on using digitalization measures to reinforce customer retention and enhance process efficiency. It is investing in expanding its customer trading platforms and sales infrastructure, and in improving the provision of data in its operations. Its objective is to consolidate its market position and expand its range of products and services in the business with institutional clients and corporate customers. In this context, DZ BANK is constantly working, for example, on expanding its expertise and business in sustainable capital market products, and on positioning itself as a leader in the structuring and placement of new issues in the ESG (environmental, social, corporate governance) and green finance market segment. As one of the lead managers, DZ BANK was also mandated to support the European Union's first social bond aimed at funding the NextGenerationEU recovery package. After placing issues of its own green bond in 2018 and 2020, DZ BANK placed a third such bond with a volume of €300 million in November 2021. For the first time, the bond is based on a portfolio with offshore projects in Germany, France, the UK, and the Netherlands.

In cooperative network business, DZ BANK is continually updating its advisory and sales processes to take account of the changing requirements of cooperative banks and in order to leverage potential efficiencies. The EGon own-account investing platform is being expanded into an application integrated into the systems and processes used by the cooperative banks for their own-account investing activities. The first development stage was successfully completed in 2021. The application enables cooperative banks to trade structured and unstructured bonds online as part of their own-account investing activities. Investment decisions are supported by functionality such as product search or trade simulation, which enables the bank concerned to analyze in advance the impact that a transaction would have on relevant key figures and the utilization of limits.

1.1.5 Transaction Banking

In the Transaction Banking business line, DZ BANK provides its customers with payments processing, card processing, customer-centric solutions, and capital markets services. It also offers depositary and advisory services. DZ BANK makes platforms available in order to consolidate and continually improve the competitiveness of the entities within the cooperative financial network with regard to transaction banking.

DZ BANK also constantly updates its range of products. In card processing, new products for relevant target groups have been added to the product range. Examples include the environmentally friendly 'Naturliebe Karte' and a gold corporate credit card. In payments processing, DZ BANK is working on expansion of the instant payments infrastructure and related services (including Request to Pay) and is actively participating in initiatives to consolidate payment systems at national and European levels. DZ BANK is also involved in activities connected with the design and introduction of the digital euro. Other areas of focus in this business line include the expansion of customer-oriented services (such as digitalization support with VR Ticket, VR eKiosk, and VR Entertain) and the strengthening of international payments processing with targeted advisory and professional development services.

Based on the strategy adopted by the cooperative financial network, DZ BANK is creating a central platform to merge the two existing payments processing 'production lines', which currently run in parallel. The aim is to generate economies of scale, reduce costs, and pool expertise. At the same time, new regulatory requirements are being satisfied. DZ BANK embraces new payments processing technologies. In 2021, it developed a prototype for a pay-per-use model in which a customer only pays for a machine or a service if he or she has actually used it.

In the capital market services business, DZ BANK is implementing a complex series of action plans aimed at digitalizing processes. For example, in a project entitled Finledger, it is steadily refining the digital processing of promissory notes on the basis of blockchain technology; it is also investigating strategies for the future use of distributed ledger technology. In this regard, it took part in the testing of a new processing interface for electronic securities in 2021 that has been developed by Deutsche Börse, Deutsche Bundesbank, and Bundesrepublik Deutschland – Finanzagentur GmbH (Finanzagentur) [Federal Republic of Germany – Finance Agency]. The testing involved using a blockchain network to issue a ten-year German government bond

entirely in digital form and place this bond with the participating banks. Secondary market transactions were then successfully carried out in the same way.

In the depository business, DZ BANK continues to forge ahead with its growth strategy and has recently expanded the assets under custody in collaboration with DZ PRIVATBANK S. A., Luxembourg, (DZ PRIVATBANK).

1.2 BSH

Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (Bausparkasse Schwäbisch Hall; subgroup abbreviated to BSH) is the consumer home finance provider in the DZ BANK Group and offers solutions that enable customers to obtain home finance, build up private retirement or other savings, or own their own home. The long-term objective is to secure BSH's role as the leading product and solutions provider in the homes and housebuilding cooperative ecosystem, working in close collaboration with the cooperative banks on a decentralized basis.

In its core home finance business, BSH positions itself as a provider of the full range of services, which include a focus on sustainability. The main areas of activity are traditional home savings loans, its own instant finance options backed by home savings, building loans, and the brokering of cooperative bank real estate loans.

In the core home savings business, BSH is continuously developing its range of products. In this regard, a new scale of rates and charges was introduced in 2021, very much with an environmental and social emphasis, and featuring benefits to attract young customers and to support energy-saving renovation work.

BSH also remains active in its international business, focusing on maintaining the existing approach to business through investee companies in Slovakia, Hungary, and China.

BSH is meeting the challenges of the protracted low level of interest rates and changes in customer needs by managing costs on a sustainable basis and investing in forward-looking projects. One example is Impleco GmbH, a joint venture between BSH and PSD Bank Rhein-Ruhr, PSD Bank Berlin-Brandenburg, and PSD Bank Westfalen-Lippe. The joint venture is bringing together and upgrading the 'wohnglück.de' service and content platform and the white-label 'PIA – personal real estate assistant' interface, so that a relevant regional offering can be created for the homes and housebuilding cooperative ecosystem.

1.3 R+V

R+V is the cooperative provider of insurance and pension products and operates in the non-life, life, health, and reinsurance sectors.

R+V is meeting future challenges with a strategy entitled Vision 2025. It states: "R+V is the cooperative center of excellence for insurance, healthcare provision, and retirement pensions. We contribute to the success of the cooperative financial network with sustainable services and income." The pillars of the strategy are making customers as happy as possible, increasing profitability, generating growth, and maintaining a strong capital base. In this context, R+V is focusing on activities such as developing new products with due regard to the market environment, accelerating the implementation of omnichannel sales (which includes professionalizing digital sales), implementing a target operational structure for customers and processes, digitalization, upgrading IT, and developing a strategic capital management system.

In addition, R+V plans to expand in the growth areas of healthcare and long-term nursing care, and sustainability. It intends to steadily expand its range of services in these growth areas, paying due attention to the increasing level of customer awareness. R+V has signed up to the UN Principles for Sustainable Insurance (PSI) to underpin its commitment to sustainability. This enshrines the sustainability criteria more firmly in R+V's core business.

In addition, R+V is continuing to invest in digitalization and joined forces with a competitor in 2021 to establish the Trustlog service platform for processes related to sureties. The platform facilitates efficient digital collaboration and ensures a high level of security in the processes associated with the storage of digital sureties. In the next phase, it is planned to connect further insurers, and also banks, to the platform.

1.4 TeamBank

TeamBank AG Nürnberg, Nuremberg, (TeamBank) acts as the center of excellence in the cooperative financial network for state-of-the-art liquidity management. In Germany, it offers its easyCredit family of consumer finance products. The product range also includes 'ratenkauf by easyCredit', which is an installment purchase solution that can be used both online and in-store. In Austria, it collaborates with the cooperative banks to offer 'der faire Credit', a consumer finance product.

TeamBank's strategic activities are focused on generating long-term profitable growth for the cooperative financial network. The company aims to be customers' first choice for liquidity management. For example, it broadened the range of services in connection with 'ratenkauf by easyCredit' in 2021 and adapted the services in line with changing requirements in both in-store and online sales. A click-and-collect service and an option for in-store ordering have been introduced in connection with the solution.

TeamBank also focuses on using groundbreaking technologies and laying the technical foundations for its pursuit of growth. In 2021, it established the GENOFLEX joint venture in partnership with platform technology provider Hypoport. Participating cooperative banks will now be able to use GENOFLEX if they cannot find a suitable easyCredit option for their customers and offer either an alternative option from other cooperative banks or a different product from financial institutions outside the cooperative banking sector. The pilot phase involving the first cooperative banks is expected to run until mid-2022.

1.5 UMH

Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding; subgroup abbreviated to UMH) is the asset manager in the cooperative financial network and offers investment solutions for retail and institutional clients. In both areas of business, it is aiming for further expansion of the volume of assets under management.

In retail business, UMH is working to extend its range of solutions for partner banks with a view to maintaining its growth trajectory. To this end, it is steadily expanding its omnichannel capability and supporting the efforts of the cooperative banks to develop business on a digital basis by helping them to improve technological platforms and satisfy regulatory requirements. UMH is also responding to changing investor requirements and in recent years, for example, has constantly extended its range of services in connection with sustainable investment funds.

In the institutional client business, UMH is the central asset manager for the cooperative financial network. It also provides asset management for German and international institutional clients outside the cooperative sector. It offers special funds, institutional mutual funds, asset management, advisory services, capital preservation strategies, and quantitative asset management strategies. UMH's objective in its institutional client business is to consolidate its positioning as an active risks/returns manager and sustainability manager. With this in mind, UMH constantly updates its product range and focuses on profitable growth, both in Germany and in other selected European markets.

To give a further boost to its sustainability credentials, UMH also adopted a climate-related strategy for portfolio management in 2021. The aim of the strategy is to ensure that the securities portfolio becomes carbon-neutral, even before 2050.

1.6 DZ HYP

The core business policy objective of DZ HYP AG, Hamburg and Münster, (DZ HYP) is to embed real estate finance and public-sector finance in the cooperative financial network and to operate the finance business jointly with the cooperative banks. To this end, DZ HYP offers products and services to the cooperative banks and works together with them to develop business in the regional markets focusing on corporate, retail, and public-sector customers. DZ HYP's sales activities in its business lines are based on long-term customer relationships in its direct and cooperative network business and on products and services that are defined with a view to their risk and reward.

In corporate customer business, the cooperative banks can work in collaboration with DZ HYP using the range of products in the IMMO-META family to provide their small and medium-sized real estate customers with larger-volume financing arrangements while at the same time diversifying their own risk. In the retail customer business, DZ HYP offers the local cooperative banks initial and follow-up finance for new builds, purchases, and modernization/renovation. Within the DZ BANK Group, DZ HYP also operates as the center of excellence for collaboration with public-sector customers.

As a result of action taken under the 'Fokus 2020' strategic program, DZ HYP managed to achieve some cuts in administrative expenses and to tap into new sources of income in 2021. It concentrated on measures to sharpen its customer focus, optimize and digitalize its processes, and harness market potential in its retail and corporate customer business.

In 2021, DZ HYP also revised its sustainability strategy in order to ensure that aspects of sustainability are more tightly enshrined in its core business. In addition, it is carrying out detailed preparation work for the issue of a green Pfandbrief. Business processes, together with the internal and external reporting systems, are being systematically upgraded and progressively expanded to include the various aspects of sustainability.

1.7 DZ PRIVATBANK

DZ PRIVATBANK, together with its eight branches in Germany, its two subsidiaries DZ PRIVATBANK (Schweiz) AG (DZ PRIVATBANK Schweiz) and IPConcept (Luxemburg) S. A. (IPC LU), and IPConcept (Schweiz) AG (IPC CH), a subsidiary of DZ PRIVATBANK (Schweiz), is the international center of excellence for private banking/wealth management, fund services, and lending in all currencies in the cooperative financial network.

DZ PRIVATBANK's products and services encompass not only asset management and advisory mandates, and investment and financing solutions for high-net-worth individuals, business people/business shareholders/business partners, foundations, and semi-institutional customers, but also comprehensive fund and depositary services for professional fund initiators and flexible loan products denominated in euros and other currencies for retail and corporate customers.

DZ PRIVATBANK has specified targeted areas for very ambitious sales growth in its sectors of the market. These include financial portfolio management (asset management), for example for sustainability-oriented client accounts and Switzerland-oriented client accounts, the latter of which facilitates asset diversification in Europe, including outside the eurozone. In recent years, DZ PRIVATBANK has further consolidated its market position by achieving strong growth in close partnership with the cooperative banks. The core growth areas at DZ PRIVATBANK also include third-party fund business relating to liquid and alternative asset classes, for example in close partnership with DZ BANK AG (Fondshafen (fund havens) sales initiative), and euro-denominated LuxCredit financing in collaboration with the cooperative banks to cover customers' variable borrowing needs in the retail and business financing sector.

1.8 VR Smart Finanz

VR Smart Finanz AG, Eschborn, (VR Smart Finanz) is the digital provider of finance for the self-employed and small businesses in the cooperative financial network. It supports self-employed and small business customers as well as small enterprise customers of its sales partners with their day-to-day financial needs. It offers its customers leasing and hire purchase solutions as well as loans up to €750,000. In addition, it provides digital services. These include Bonitätsmanager (credit status manager) and VR Smart Guide, a tool for financial planning and bookkeeping geared to the needs of this customer group.

Once again in 2021, VR Smart Finanz helped its sales partners and their SME customers to deal with the COVID-19 pandemic and, mirroring the extension of the special program of immediate assistance offered by Germany's KfW development bank, extended the 'VR Smart flexibel' support loan product launched in March 2020.

VR Smart Finanz attaches particular importance to offering rapid finance decisions within a few minutes and to providing an omnichannel approach for business loans. Sales partners also benefit from IT-supported business development strategies and efficient finance processing that meets regulatory requirements.

As part of its strategy, VR Smart Finanz constantly strives to enhance its network of solutions and integrate them into the internal platforms used by the cooperative financial network as well as develop alternative decentralized sales channels, such as digital financing platforms for the cooperative financial network.

1.9 DVB

DVB Bank SE, Frankfurt am Main, (DVB Bank; subgroup abbreviated to DVB) is a specialist niche provider in the area of international transport finance, focusing on shipping finance.

Since the restructuring initiated in 2017, DVB has undertaken a number of strategic initiatives, resulting in the sale of core business areas and other changes. This has enabled it to make progress with implementing its run-off strategy over the past few years, i.e. reducing the volume of the portfolio, simplifying the organizational structure, and lowering the cost base. On April 1, 2021, DVB published the decision to integrate with DZ BANK. This is planned to take the form of a merger, to be carried out in 2022.

2 Management of the DZ BANK Group

2.1 Management units

The DZ BANK Group comprises DZ BANK as the parent company, the DZ BANK Group's fully consolidated subsidiaries in which DZ BANK directly or indirectly exercises control, and other long-term equity investments that are not fully consolidated.

All entities in the DZ BANK Group are integrated into groupwide management. In the case of subgroups, the disclosures in the group management report on management units relate to the entire subgroup comprising the parent company of the subgroup plus its subsidiaries and second-tier subsidiaries. The management units are managed by the parent company in the subgroup, which is responsible for compliance with management directions in the subsidiaries and second-tier subsidiaries. The following management units form the core of the financial services group:

- BSH
- R+V
- UMH
- TeamBank
- DZ BANK – central institution and corporate bank (DZ BANK – CICB)
- DZ HYP
- DZ PRIVATBANK
- VR Smart Finanz
- DVB

The management units are each managed as a separate operating segment. DZ BANK – holding function is also presented separately, although it does not constitute an operating segment within the meaning of IFRS 8.5.

The DZ BANK – CICB operating segment comprises both the cooperative central institution function, which supports the operating activities of the local cooperative banks, and the corporate bank function. DZ BANK – holding function is used to pool a range of responsibilities, notably tasks carried out on behalf of the DZ BANK Group in relation to commercial law, tax, and prudential supervision.

All risks at DZ BANK, and therefore arising in connection with the CICB segment and the holding function, are determined, reported, and managed for DZ BANK on an integrated basis. The aim of this approach is to satisfy the regulatory requirements under Basel Pillar 1 and Pillar 2 whereby DZ BANK must be treated as one bank overall. This also meets the German Minimum Requirements for Risk Management for Banks and Financial Services Institutions (MaRisk BA), which is a generally accepted framework for risk management that DZ BANK is under an obligation to apply. The operating segments presented in the risk report (chapter VII) are consistent with the operating segments in the consolidated financial statements, because the CICB segment accounts for the main risks at DZ BANK. These risks are credit risk, market risk, equity investment risk, and most of the business risk, reputational risk, and operational risk.

The terms DZ BANK Group and DZ BANK financial conglomerate are synonymous and refer to all the management units together. The context dictates the choice of term. For example, in the case of disclosures relating to economic management, the focus is on the DZ BANK Group, whereas in the case of regulatory issues relating to all the management units in the DZ BANK Group, the term DZ BANK financial conglomerate is used.

The DZ BANK financial conglomerate largely comprises the DZ BANK banking group and R+V. DZ BANK acts as the financial conglomerate's parent company.

2.2 Governance

Governance in the DZ BANK Group is characterized by the general management approach of the DZ BANK Group, appointments to key posts in the subsidiaries, and the committee structure.

2.2.1 General management approach

The general management approach consists of a combination of centralized and decentralized management tools. It is aligned with the business model and risks of the DZ BANK Group as a diversified financial services group that is integrated into the Volksbanken Raiffeisenbanken cooperative financial network and that provides this network with a comprehensive range of financial products.

The DZ BANK Group is a financial services group comprising entities whose task as product specialists is to supply the Volksbanken Raiffeisenbanken cooperative financial network with an entire range of financial services. Because of the particular nature of the DZ BANK Group, it is managed both centrally and locally with clearly defined interfaces and taking into account business policy requirements.

2.2.2 Appointments to key posts in the subsidiaries

For the purposes of managing the subsidiaries through appointments to key posts, a representative of DZ BANK is appointed in each case as the chairman of the supervisory body and generally also as the chairman of any associated committees (risk and investment committee, audit committee, human resources committee).

2.2.3 Corporate management committees

Figure 1 provides an overview of the committees of particular importance in the management of the DZ BANK Group.

FIG. 1 – MANAGEMENT COMMITTEES IN THE DZ BANK GROUP



The **Group Coordination Committee** is the highest-level management and coordination committee in the DZ BANK Group. The objectives of this committee are to strengthen the competitiveness of the DZ BANK Group and to coordinate fundamental product and sales issues. The committee also aims to ensure coordination between the key entities in the DZ BANK Group to achieve consistent management of opportunities and risks, allocate capital, deal with strategic issues, and leverage synergies. Its members comprise the Board of Managing Directors of DZ BANK and the chief executive officers of BSH, DZ HYP, DZ PRIVATBANK, R+V, TeamBank, UMH, and VR Smart Finanz.

Various committees consisting of representatives from all strategic business lines and group functions assist the Group Coordination Committee's decision-making by preparing proposals. These are the following committees: the Group Risk and Finance Committee, the Group IT Committee, the Group HR Committee, the product and sales committees for retail customers, corporate customers, and institutional customers, the Group Procurement Committee, the Heads of Internal Audit working group, the Economic Roundtable, the Innovation Roundtable, and the Group Corporate Responsibility Committee.

The **Group Risk and Finance Committee** is the central committee in the DZ BANK Group responsible for proper operational organization and, in particular, risk management in accordance with section 25 of the German Supervision of Financial Conglomerates Act (FKAG) and section 25a of the German Banking Act (KWG). It assists DZ BANK with groupwide financial and liquidity management, risk capital management, and recovery planning. The Group Risk and Finance Committee also assists the Group Coordination Committee in matters of principle. The members of this committee include the relevant executives at DZ BANK responsible for finance, risk, and treasury. The committee members also include representatives of the executives of various group companies. The Group Risk and Finance Committee has set up the following working groups to prepare proposals for decision-making and to implement management action plans relating to financial and risk management at group level:

- The **Group Risk Management working group** supports the Group Risk and Finance Committee in all matters concerning risk and the management of risk capital and market risk in the DZ BANK Group, and in matters relating to risk reporting.
- The **Architecture and Processes Finance/Risk working group** assists the Group Risk and Finance Committee with the further development of the integrated finance and risk architecture in the DZ BANK Group. In terms of the corporate management of the DZ BANK Group, this committee works on refining the blueprint for the business, process, and data architecture, ensuring a coordinated roadmap and a transparent project portfolio, and further developing data governance.
- The management of credit risk throughout the group is the responsibility of the **Group Credit Management working group** of the Group Risk and Finance Committee. This working group monitors compliance with the rules in the group credit risk policy in connection with its involvement in drawing up group credit standards and related monitoring processes as the basis for groupwide management of counterparty risk. In particular, this covers all measures relating to the monitoring and management of the limit allocation at individual counterparty level. The working group also participates in the further development and harmonization of the credit management organization and processes, and it discusses and continually develops the group credit risk strategy, group credit risk management, and group credit standards. It thus assists the Group Risk and Finance Committee with the groupwide harmonization of credit-related processes with due regard to their economic necessity.
- The Group Risk and Finance Committee's **Market working group** is responsible for providing implementation support throughout the group in the following areas from the market viewpoint: capital management, balance sheet and balance sheet structure management, liquidity and liquidity risk management, and funding activities. This body also focuses on coordinating and dovetailing funding strategies and liquidity reserve policies, as well as on independently determining funding needs and on preparing consistent investor relations and rating documents within the DZ BANK Group. In addition, the Market working group is responsible for refining the management of centrally measured market risk.
- The **Finance working group** advises the Group Risk and Finance Committee on matters concerning the consolidated financial statements, tax law at group level, regulatory law at group level, group controlling, and the management of financial resources. It discusses new statutory requirements and works out possible implementation options. The objective of the Finance working group is to continually update the uniform management framework used throughout the group (definitions, nomenclature, methodologies), particularly taking into account requests made by the supervisory authorities.
- The **Compliance working group**, whose members comprise the heads of the management units and of ReiseBank AG, Frankfurt am Main, (ReiseBank), assists DZ BANK with compliance management across the group if this is legally required. It also advises the DZ BANK Group's Group Risk and Finance Committee on fundamental compliance-related issues. One of the primary tasks of the Compliance working group is to draw up common compliance standards for the DZ BANK Group; in addition, it serves as a platform enabling specialists to share information and agree on requirements across the group. When fulfilling its

responsibilities, the Compliance working group must respect the individual responsibility of the heads of compliance in the group entities and ensure specific regulatory requirements are observed. The Heads of Compliance working group reports to the Group Risk and Finance Committee, headed by the member of the DZ BANK Board of Managing Directors responsible for compliance and finance, and by the member of the DZ BANK Board of Managing Directors responsible for risk control.

- The **Information Security working group** of the Group Risk and Finance Committee and of the Group IT Committee is the central body responsible for managing information security and information security risk in the DZ BANK Group. It advises the Group Coordination Committee, the Group Risk and Finance Committee, and the Group IT Committee on matters relating to specifying and adjusting information security targets and on the group's corporate strategy in this regard. The working group encourages information and experience relating to information security issues to be shared throughout the group, is responsible for the design of the risk management system for information security in the DZ BANK Group, and signs off the documentation forming part of the rules and regulations for the groupwide information security management system before this documentation is presented, where required, to the Boards of Managing Directors in the DZ BANK Group for approval.
- The **Outsourcing Management working group** is the central committee in the DZ BANK Group responsible for the management of outsourcing and sets out the framework for the management of outsourcing risk in the DZ BANK Group. It encourages information and experience relating to issues in connection with the management of outsourcing to be shared throughout the group. The Outsourcing Management working group is responsible for the design of the risk management system from the perspective of the group's minimum requirements for the management of outsourcing in the DZ BANK Group. It signs off the documentation forming part of the rules and regulations for the groupwide outsourcing management system before this documentation is presented, where required, to the Boards of Managing Directors in the DZ BANK Group for approval and assists the Group Coordination Committee, the Group Risk and Finance Committee, and the Group IT Committee with matters relating to specifying and adjusting targets for the management of outsourcing and with the group's corporate strategy in this regard.

The **Group IT Committee**, comprising the members of the Boards of Managing Directors of the main group entities with responsibility for IT, supports the Group Coordination Committee in strategic IT matters. This committee manages the DZ BANK Group's IT activities that are relevant throughout the group. In particular, the Group IT Committee is responsible for the group IT strategy of the DZ BANK Group, makes decisions on collaboration issues between IT units, identifies and realizes synergies, specifies common IT standards, and initiates joint IT projects.

The **Group HR Committee** normally comprises the members of the Boards of Managing Directors with responsibility for HR and the HR directors from the main entities in the DZ BANK Group. This committee helps the Group Coordination Committee address HR issues of strategic relevance. The Group HR Committee initiates and coordinates activities relating to overarching HR issues while at the same time exploiting potential synergies. It also coordinates the groupwide implementation of regulatory requirements concerning HR systems and facilitates the sharing of HR policy information within the DZ BANK Group.

The **product and sales committees** perform insight, coordination, and bundling functions relating to the range of products and services provided by the DZ BANK Group.

- The **retail customers** product and sales committee coordinates products and services, and the marketing activities of its members where there are overarching interests affecting the whole of the group. The common objective is to generate profitable growth in market share for the cooperative banks and the entities in the DZ BANK Group with a focus on customer loyalty and customer acquisition by providing needs-based solutions (products and processes) as part of a holistic advisory approach across all sales channels (omnichannel approach).

- The **corporate customers** product and sales committee is responsible for coordinating the strategies, planning, projects, and sales activities in the DZ BANK Group's corporate banking business if overarching interests are involved. The objective is closer integration in both the joint lending business with the cooperative banks and the direct corporate customer business of the entities in the DZ BANK Group.
- The aim of the **institutional clients** product and sales committee is to help strengthen the position of the DZ BANK Group in the institutional clients market.

The **Group Procurement Committee**, comprising the members of the Boards of Managing Directors and executives holding power of attorney in the main group entities, supports the Group Coordination Committee in matters relating to procurement strategy in the DZ BANK Group. This committee manages the DZ BANK Group's procurement activities that are relevant throughout the group. In particular, the Group Procurement Committee makes decisions on collaboration issues between procurement units, identifies and realizes synergies, and specifies common standards and procedures with the objective of achieving optimum procurement terms and conditions for the entities of the DZ BANK Group. From an operational perspective, the activities are coordinated by the Procurement Board and implemented in the procurement units in the DZ BANK Group.

The DZ BANK Group **Heads of Internal Audit working group**, which is led by DZ BANK, coordinates group-relevant audit issues and the planning of cross-company audits and activities based on a jointly developed framework approved by the relevant Boards of Managing Directors. This working group also serves as a platform for sharing specialist information across the group – especially information on current trends in internal audit – and for refining group audit activities. On behalf of this working group, the Head of Group Audit reports to the member of the Board of Managing Directors responsible for group audit and, where appropriate, to the Group Coordination Committee.

The **Economic Roundtable**, the members of which comprise the economists from the main group companies, helps the Group Coordination Committee to assess economic and capital market trends, providing a uniform basis for consistent planning scenarios throughout the group, and to prepare risk scenarios required by regulators.

The members of the **Innovation Roundtable** comprise specialists, executive managers, and innovation managers from the various divisions of DZ BANK and the group companies. The Innovation Roundtable is therefore the Group Coordination Committee's key point of contact for information on innovations and trends relevant to the group. The objectives of the Innovation Roundtable are to systematically examine innovation topics with group relevance on an ongoing basis, to bring together the divisions involved in innovation projects, and to ensure that innovation activities in the DZ BANK Group are transparent.

The **Group Corporate Responsibility Committee**, which is coordinated by DZ BANK and whose members include the sustainability coordinators in the management units and at ReiseBank, is a platform for sharing specialist information throughout the group about the latest sustainability-related trends and activities. The committee identifies key issues relevant to the whole of the group and initiates joint projects. The head of the Group Corporate Responsibility Committee reports to the DZ BANK Co-Chief Executive Officer responsible for sustainability. He or she also reports annually and on an ad hoc basis to the Group Coordination Committee.

2.3 Key performance indicators

The DZ BANK Group's KPIs for profitability, volume, productivity, liquidity adequacy, and capital adequacy, as well as the regulatory return on risk-adjusted capital (RORAC), are presented below.

– Profitability figures in accordance with International Financial Reporting Standards (IFRS):

The profitability figures (primarily loss allowances for loans and advances, profit/loss before taxes, net profit/loss) are presented in chapters II.3.1 and II.3.2 of this group management report as well as in note 33 of the notes to the consolidated financial statements.

– **IFRS volume figures:**

The main volume-related KPIs include equity and total assets. These are set out in chapter II.4 of the group management report, in the consolidated financial statements (balance sheet as at December 31, 2021), and in note 33 of the notes to the consolidated financial statements.

– **Productivity:**

The KPI for productivity is the cost/income ratio. This KPI is described in chapters II.3.1 and II.3.2 of this group management report and in note 33 of the notes to the consolidated financial statements.

– **Liquidity adequacy:**

Appropriate levels of liquidity reserves in relation to the risks associated with future payment obligations are demonstrated using the ratios for economic and normative internal liquidity adequacy presented in chapters VII.5.2 and VII.5.3 of this group management report. The minimum liquidity surplus reflects economic liquidity adequacy. Normative internal liquidity adequacy is expressed in terms of the liquidity coverage ratio (LCR).

– **Capital adequacy:**

The KPIs and the calculation method for economic capital adequacy are described in chapter VII.6.2 of this group management report. The KPIs for normative internal capital adequacy (coverage ratio for the financial conglomerate, total capital ratio, Tier 1 capital ratio, common equity Tier 1 capital ratio, leverage ratio, and the minimum requirement for own funds and eligible liabilities (MREL)) are included in chapter VII.6.3.

– **Regulatory RORAC:**

Regulatory RORAC is a risk-adjusted performance measure. In the year under review, it reflected the relationship between profit before taxes and the average own funds for the year (calculated as an average of the figure for the four quarters) in accordance with the own funds/solvency capital requirement. It therefore shows the return on the regulatory risk capital employed. This KPI is described in chapters II.3.1 and II.3.2 of this group management report and in note 33 of the notes to the consolidated financial statements.

Forecasts for core KPIs in the DZ BANK Group are set out in the outlook in the group management report.

2.4 Management process

In the annual strategic planning process, the entities in the DZ BANK Group produce a business strategy (objectives, strategic direction, and action plan), a strategic finance and capital plan, and risk strategies derived from the business strategy.

The planning by the management units is then validated and the plans are also discussed in strategy meetings. When the individual entity planning has been completed, the process then moves on to consolidated group planning, which aims to facilitate active management of the DZ BANK Group's economic and regulatory capital adequacy.

The action plans to attain the targets are discussed in a number of ways, notably in quarterly meetings with the subsidiaries.

At DZ BANK level, the main divisions involved in the strategic planning process are Strategy & Group Development, Group Risk Controlling, Group Finance, Bank Finance, and Research and Economics. The planning coordinators in the front-office divisions of DZ BANK and the subsidiaries are also incorporated into the process. The Strategy & Group Development division is responsible for overall coordination of the strategic planning process.