

I DZ BANK Group fundamentals

1 Business model and strategic focus

The DZ BANK Group focuses its strategy on the local cooperative banks. In doing so, it pursues 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. The DZ BANK Group supports the cooperative banks by providing extensive financial products and services in the Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking business lines. This partnership 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, Frankfurt am Main, (Atruvia), and the BVR on the strategic agenda and the digitalization initiative. Within the framework of this initiative, which was approved by the BVR's general meeting of members in June 2018, the cooperative financial network is pursuing the shared aim of developing an omnichannel sales model and integrating all touchpoints for members and customers, from branches and service centers to smartphones. 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. In addition, each individual entity in the DZ BANK Group pursues a range of 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), the 'Fokus 2020' program at DZ HYP AG, Hamburg and Münster, (DZ HYP), and the 'Horizont 2025' program at Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (Bausparkasse Schwäbisch Hall; subgroup abbreviated to BSH).

In 2022, the focus of the joint activities was once again on sustainability. Alongside business model-specific sustainability measures, the entities in the DZ BANK Group also work together on a broad range of sustainability topics. A key task in the reporting year was the transformation of the Group Corporate Responsibility Committee (GCRC) into the Group Sustainability Committee (GSC), which is made up of the members of the Boards of Managing Directors of the main DZ BANK group entities. The GSC meets once a quarter and coordinates all sustainability-specific decision-making of relevance to the group, helps the entities in the DZ BANK Group to manage, communicate, and coordinate sustainability matters, and formulates strategic input. Detailed information on sustainability management can be found in the DZ BANK Group's Sustainability Report.

Other key matters for the DZ BANK Group were the digitalization of customer interfaces and the automation of existing business models and processes with the aim of enhancing efficiency and taking account of the changes in customer behavior.

1.1 DZ BANK – central institution and corporate bank

DZ BANK consists of DZ BANK – holding function and DZ BANK – central institution and corporate bank. DZ BANK – holding function, which is treated separately in 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 constitute a separate operating segment within the meaning of IFRS 8.5 and is not analyzed separately in this chapter, 'Business model and strategic focus'.

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.

For the sake of simplicity, DZ BANK – central institution and corporate bank equates to DZ BANK in this chapter, 'Business model and strategic focus'.

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, its shareholders, and its partners in joint activities covering sales and the provision of advisory services. 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 an important point of contact and customer relationship manager for the cooperative banks, with the aim of assisting them with their business activities in the regional markets. Moreover, 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.

The support for the cooperative banks regarding sustainability is provided at various levels. Knowledge is shared using a number of different dialogue formats and events, such as a sustainability conference. In addition, a sustainability portal provides members with a central platform for sustainability information. Collaboration with the cooperative banks will intensify in the years ahead, particularly in view of increasing regulatory requirements.

Network committees ensure that the cooperative banks are closely involved in DZ BANK's strategic considerations and initiatives. The aim of the Central Advisory Council is to enable important strategic matters in the DZ BANK Group to be discussed in depth and to connect 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 to the individual market situation and is integrated with the activities of the cooperative financial network. DZ BANK has twelve regional branches that look after both its direct customers and customers in the joint business with the cooperative banks at a regional level. 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 in Frankfurt am Main.

DZ BANK continually upgrades its range of corporate banking services and processes in Germany. The digital platform MetaMarktplatz (Meta marketplace) implemented in 2022, which can be accessed through the VR GeschäftsNavigator (VR business navigator), enhances the DZ BANK Group's offering for joint lending business (referred to as Meta business in German) and syndicated business. The MetaMarktplatz should help to raise

efficiency in the business origination phase and unlock additional potential in the market. More than 550 local cooperative banks have now completed the onboarding process, which means they can use the platform to find suitable partners, whether other cooperative banks or entities in the DZ BANK Group.

DZ BANK is further developing payments processing for its corporate customers and their retail customers on the basis of the Request-to-Pay (RTP) system. RTP bridges the gap between billing and bill payment, enabling billers to digitalize the payment transfer process and operates across Europe. DZ BANK plans to develop customer-oriented solutions in collaboration with cooperative enterprises such as Atruvia and market partners. The first pilot project is scheduled for late 2023.

In addition to digitalization, other areas of focus in 2022 were integrating sustainability into the customer dialogue and helping corporate customers with their transformation in the context of the decarbonization of industry. DZ BANK also aims to support the international business of the cooperative financial network's corporate customers where required. It 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. In addition, it makes use of its contacts with partner banks in the countries concerned to help customers open local accounts or obtain financing in the relevant currency. As DZ BANK is seeing increased demand for low-volume export finance for corporate customers of the cooperative financial network, it uses the SmaTiX (Small Ticket Express) portal of AKA Ausfuhrkredit-Gesellschaft mbH to support these customers.

In the first half of 2022, DZ BANK identified additional potential for growth in German and international corporate banking, for example the expansion of business opportunities for renewable energies in Europe and the extension of foreign trade finance.

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 provided at federal state and national level in Germany and at the level of the European Union (EU). In this context, it primarily works with Germany's KfW development bank, the federal states' own development banks, and Landwirtschaftliche Rentenbank.

1.1.3 Retail Banking

In the Retail Banking business line, DZ BANK offers cooperative banks, cooperation banks, and retail customers a comprehensive range of services based on its financial services concept. One of the primary areas of focus is the marketing of securities business with retail customers, for which DZ BANK provides products, processes, and platforms.

The products provided include customer investment solutions for advisory customers and independent retail investors of all experience levels. The product range consists of DZ BANK's own interest-rate products, derivatives and, in particular, investment certificates covering topics such as sustainability. In this context, charitable investment certificates are issued, where selected organizations receive sponsorship from DZ BANK. Another area of focus in the customer business is the depositary for securities, for which DZ BANK has added savings plans based on funds, exchange-traded funds (ETFs), and equities to its product range.

DZ BANK offers a management cycle to support the cooperative banks with their strategic planning. This encompasses the planning, implementation, and control of the corporate strategy as well as tools for data and analytics. It also helps the cooperative banks to fulfill their regulatory obligations. As part of its marketing programs for young customers, new investment accounts, and sustainability, DZ BANK offers packages of measures in the form of processes and support services. These also help with the fulfillment of regulatory requirements, for example concerning sustainability in advisory services.

In accordance with its digitalization strategy, DZ BANK is developing platform solutions for advisors and customers of the cooperative banks and cooperation banks. DZ BANK's meinGIS platform provides advisors

with access to the latest market information, such as share prices, charts, and corporate news. Digital access is also provided for customers in the securities business so that they can open an investment account and carry out trades online, for example. This feature is integrated into both the VR Banking App and the VR ProfiBroker e-brokerage application, which provides users with a range of information and products, gives access to DZ BANK research, and suggests products. Furthermore, retail customers can use the Meine Anlagezertifikate (my investment certificates) function to obtain information on the investment products in their investment accounts. DZ BANK's derivatives portal completes the product and information offering.

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.

DZ BANK's Group Treasury division is responsible for managing and optimizing liquidity throughout the DZ BANK Group. This ranges from managing the cooperative banks' day-to-day cash inflows and outflows in the context of the cash-pooling function performed by DZ BANK as the cooperative central institution to optimizing the procurement of liquidity by issuing securities. These are sold through the bank's own sales units and through intermediaries to institutional customers, such as insurance companies and fund management companies in Germany and abroad, and to retail customers of the cooperative banks. Group Treasury is also responsible for securities documentation in DZ BANK's capital markets business, which includes equity instruments and debt instruments issued by DZ BANK or by customers.

DZ BANK is working on further expanding its sustainability expertise and environmental, social, and corporate governance (ESG) activities in its capital markets business with institutional customers. DZ BANK provided support for an issuance volume of more than €45 billion, making it one of the leading syndicate banks in the market for euro-denominated sustainable bonds and promissory notes in 2022. In December, DZ BANK was once again mandated as one of the lead managers to support a further EU social bond as part of the SURE program.

In cooperative network business, DZ BANK is updating its advisory and sales processes to take account of the changing requirements of the cooperative banks and in order to leverage potential efficiencies. The EGo own-account investing platform was also further developed in the reporting year. This platform provides information, transaction functions, and simulations designed to help the cooperative banks with all of their own-account investing activities.

1.1.5 Transaction Banking

In the Transaction Banking business line, DZ BANK provides its customers with payments processing, card processing, customer-centric solutions, capital markets services, and securities services. It also offers depository 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.

The focus of this business line is on ensuring that the cooperative financial network is well equipped for the future requirements of transaction banking. To this end, the DZ BANK is participating in the European Payments Initiative (EPI) aimed at establishing a European payment system. The evolution of the concept into EPI 2.0 and the focus on a digital wallet solution provides an opportunity to create a European payment system. DZ BANK is actively supporting the introduction of a digital euro both at European level and at the level of the German banking industry and the cooperative financial network. It is working with other European and German banks to design a deposit money token, which is a tokenized, blockchain-based version of deposit money.

In October 2022, DZ BANK entered into a strategic partnership with PPI AG centered on the activities in Europe to establish an RTP system. They are working together to develop the RTP platform PAYCY, a white-label solution for the market that will make it possible to create a seamless link between billing and payment. The first corporate customers have signed up to the solution on the basis of a prototype pay-per-use model.

DZ BANK has invested in the entity created by the merger of ID wallet provider Verimi and identification service Yes in order to further the aim of expanding an ecosystem consisting of digital identities. This should make the cooperative financial network more competitive in this market as the use of identity services becomes increasingly prevalent in payments processing. DZ BANK is keeping step with the evolution of card processing by enhancing its portfolio of solutions. Digital debit cards are now available for e-commerce in the form of giro pay 4.0. DZ BANK is also developing and using the platform services VR Ticket and VR Entertain as a way of offering customer-oriented solutions and stimulating transaction growth.

In the capital markets and securities services business, the decision was made in 2022 that DZ BANK would provide an access service to the primary institutions for the new European Collateral Management System (ECMS). DZ BANK is continuing to pursue its growth strategy in the depositary business. It is steadily broadening its collaboration in this business with DZ PRIVATBANK S. A., Luxembourg, (DZ PRIVATBANK), and their joint activities are brought together in the Fondshafen (fund haven) campaign.

Trends in relation to distributed ledger technology are being closely monitored by the relevant steering committees at the level of the central institution and corporate bank and at the level of the group. DZ BANK is running two initiatives designed to build up expertise in the new technology and establish an initial product offering: a solution with which retail customers can invest in selected cryptocurrencies and a solution for institutional customers for the settlement and deposit of cryptoassets. The next stage of development will focus on cryptosecurities, which are regulated by the German Electronic Securities Act (eWpG) and for which DZ BANK is creating a dedicated IT platform. In the subsequent stage of development, the aim is to facilitate the settlement and deposit of selected cryptocurrencies for institutional customers on this platform.

1.2 BSH

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. BSH also supports its customers with finance solutions and platforms that help them to help themselves.

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 focus is on traditional home savings loans, BSH's 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 further developing its range of products. The home savings tariffs and financing plans offer solutions that cater to different target groups and their individual financial needs. For example, interest on loans can be fixed for the future or for follow-up finance, renovation work aimed at improving energy efficiency and mitigating climate change can be carried out thanks to short saving periods, and there are home savings tariffs that help customers to start saving and to build up their savings.

International business is an integral component of BSH's corporate strategy and is concentrated on selected regions with specific building society regulations. The focus is on maintaining the existing approach to business in Slovakia, Hungary, and China.

The cooperative financial network is continuing to develop its homes and housebuilding ecosystem. Services for buying and selling properties were added in the year under review, complementing the existing information and services relating to building, finance, homes, and modernization. To this end, Impleco GmbH, a joint venture between BSH and PSD Bank Rhein-Ruhr, PSD Bank Berlin-Brandenburg, and PSD Bank Westfalen-Lippe, acquired the activities of the DeinNeuesZuhause.de real estate portal and integrated them into the

wohnglück.de platform. Thanks to this integration, Impleco's portfolio of products and services – which also includes PIA (personal real estate assistant) – is becoming a fundamental component of the 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. The insurance products are generally geared toward economic sustainability because they offer customers either an opportunity for long-term capital formation in a pension plan or a form of financial protection against risk.

One of R+V's goals is to help its customers become more sustainable. This is relevant to all business sectors. In non-life business, the aim for the future is for customers to receive a consistent green service that adheres to cross-product standards, for example paperless processes, a carbon-offsetting option, regional service providers in the event of a claim, and an energy savings bonus. R+V also offers a digital motor vehicle insurance card based on wallet technology, ensuring that customers always have proof of their insurance to hand on their smartphone. Solutions are also available that support the transition to cleaner energy and transportation, such as insurance for electric and hybrid vehicles and photovoltaic systems as well as indemnity insurance for the use of geothermal power and geothermal systems. R+V's product portfolio is rounded off by environmental liability and environmental impairment insurance products, insurance against natural disasters, and advice on risk prevention in these areas.

In addition, R+V plans to expand in the growth areas of sustainability and healthcare / long-term nursing care, becoming a health partner for its customers. In 2022, it therefore launched new digital services that consist of packages of offerings covering a particular topic. The Family Coach, for example, is an ecosystem of services from R+V's partners for family planning and for the first years of a young family. The Best Specialist service focuses on finding the right doctor and the best possible treatment. The range of unit-linked insurance products is also being steadily expanded to include sustainable investment strategies by factoring in sustainability risk and the climate target of achieving greenhouse gas neutrality for the entire investment portfolio by 2050. Under the new arrangements for using the excess in the context of income protection insurance, R+V only offers sustainability-oriented fund investments.

R+V is also continuing to invest in using digital technologies and developing new products with due regard to the market environment, stepping up the use of omnichannel sales (which includes professionalizing digital sales), implementing a target operational structure for customers and processes, digitalizing and upgrading IT, and establishing a strategic capital management system.

1.4 TeamBank

TeamBank AG Nürnberg, Nuremberg, (TeamBank) is 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 the renamed 'easyCredit-Ratenkauf' (known as 'ratenkauf by easyCredit' until September 2022) installment purchase solution, which can be used both online and in-store. In Austria, TeamBank 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. It is striving to progressively transition from a purely ad hoc lending business into a long-term liquidity partner. TeamBank works with the Deutschland im Plus foundation in order to prevent consumers from becoming over-indebted.

TeamBank also focuses on using groundbreaking technologies and laying the technical foundations for its pursuit of growth. In connection with the joint venture GENOFLEX, which was established with platform technology provider Hypoport in the fourth quarter of 2021, a pilot phase took place in 2022 that confirmed the platform's market relevance and the decision was made to roll it out throughout the cooperative financial network in 2023. GENOFLEX is a consumer finance platform that participating cooperative banks can use – if a suitable easyCredit option is not available – to offer either an alternative option from other cooperative banks or a different product from financial institutions outside the cooperative banking sector.

TeamBank increased its shareholding in SCHUFA Holding AG, Wiesbaden, in June 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 solutions for retail and institutional clients. In both areas of business, it is aiming for further expansion of the volume of assets under management.

For retail clients, 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 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 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. Risk management lies at the core of all investment processes. UMH's objective in its institutional client business is to consolidate its positioning as an active risks/returns manager and sustainability manager. The volume of sustainably managed assets has risen steadily in recent years.

UMH follows a transparent approach to sustainable investment. This is the responsibility of the ESG committee in portfolio management. UMH has also established an interdisciplinary sustainability team for real estate investment. The properties selected for the funds in both the retail and institutional real estate business must satisfy certain quality criteria and pursue the objective of generating stable rental income over the long term in order to secure a return for the investor. UMH aims for portfolios that are broadly diversified in terms of geography and usage type.

1.6 DZ HYP

The core business policy objective of 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 a range of 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 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 its corporate customer business, DZ HYP has its own direct business and also acts as a partner to the cooperative banks. Customers in this area include commercial real estate investors and companies in the housing sector. The focus is on real estate finance in the German market. German customers in selected international markets are supported too. DZ HYP also works closely with the local cooperative banks in its retail customer business, where the product portfolio includes initial and follow-up finance for new builds, purchases, and modernization/renovation.

DZ HYP launched the FK Digital project with the aim of further digitalizing its corporate customer business. This should create a modern, digital working environment within this business in order to raise efficiency and cater to the constantly growing requirements of all market players.

In the consumer home finance business, sales platforms are becoming increasingly important. DZ HYP is helping the cooperative banks to make inroads into this market segment. In 2022, integration with the Europace sales platform was achieved, complementing the offering on the Genopace and Baufinex platforms for the cooperative financial network, and was piloted with selected primary banks. The objective is to provide the cooperative banks with competitive products on the relevant sales platforms.

Within the DZ BANK Group, DZ HYP also operates as the center of excellence for collaboration with public-sector customers. The core element of this business with local authorities and their legally dependent subsidiaries is the awarding of short-term loans to local authorities and loans to public-sector entities in collaboration with the cooperative banks.

DZ HYP's sustainability strategy provides guidance on defining key areas of action and suitable initiatives for sustainability management. As part of an annual update, the strategy is being adjusted in terms of the defined level of ambition in order to embed sustainability more firmly within the core business. In this context, DZ HYP placed its first green Pfandbrief on the market in February 2022. Business processes, together with the internal and external reporting systems, are being progressively expanded and upgraded to include the various aspects of sustainability.

1.7 DZ PRIVATBANK

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

DZ PRIVATBANK's products and services encompass asset management and advisory mandates, as well as investment and financing solutions for private banking and wealth management customers, and for entrepreneurs/business owners, foundations, and semi-institutional investors. It also provides depositary services for Union Investment, for DZ PRIVATBANK's own fund solutions, and for domestic and international fund initiators, plus flexible loan solutions denominated in euros and other currencies for retail and corporate customers. DZ PRIVATBANK offers solutions for sustainability-minded customers. Going forward, it wants to continue increasing the extent to which sustainability factors are taken into account in its asset management activities, offer more solutions in this area, and integrate them into selection processes.

DZ PRIVATBANK has specified targeted areas for sales growth in its sectors of the market. These include financial portfolio management (asset management), for example for sustainability-oriented international client accounts and Switzerland-oriented client accounts. The latter give customers of DZ PRIVATBANK access to top-quality Swiss assets in all asset classes. The Switzerland-oriented investment solutions are now an integral part of the cooperative banks' digital customer transaction processes. Marketing is supported in various ways, including digital options for reaching customers. A virtual 'Tour de Suisse', for example, created a digital customer experience designed to present the plus points and opportunities of Switzerland and the country's qualities as a financial center.

In recent years, DZ PRIVATBANK has consolidated its market position by working closely with the cooperative banks. The main core growth areas at DZ PRIVATBANK are private banking/wealth management and the fund business relating to liquid and alternative asset classes. LuxCredit financing also offers growth potential in collaboration with the cooperative banks. The main example in this area is VR ImmoFlex, which is targeted at the 50+ age group. These people have a high proportion of their wealth invested in their own home, and VR ImmoFlex makes it easier for them to access liquidity through financing.

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 partner banks with their day-to-day financial needs. Its portfolio ranges from finance solutions for leasing, hire purchase, and loans up to €750,000 (individual asset value) to the Bonitätsmanager (credit status manager) and VR Smart Guide digital services. The latter is a tool for financial planning and bookkeeping.

VR Smart Finanz attaches particular importance to offering automated, rapid finance decisions within a few minutes and to providing an omnichannel approach for business loans. The loan amount is generally disbursed within 24 hours. Sales partners also benefit from data-supported marketing approaches. VR Smart Finanz's portfolio therefore contributes to the range of digital and personal banking services and to omnichannel sales in corporate banking.

As part of the strategy, VR Smart Finanz constantly strives to enhance its finance solutions, integrate them into the internal platforms used by the cooperative financial network, and establish new decentralized sales channels and sales partners, such as digital financing platforms, for the cooperative financial network. Sales partners put small businesses in need of finance in contact with VR Smart Finanz, which enabled it to reach potential new customers through these partnerships in 2022.

1.9 DVB

DVB Bank SE, Frankfurt am Main, (DVB Bank; subgroup abbreviated to DVB) was a specialist niche provider in the area of international transport finance, focusing on shipping finance. On April 1, 2021, DVB Bank published the decision to integrate with DZ BANK. This was achieved by way of a merger on August 12, 2022, which took place retrospectively from January 1, 2022.

2 Management of the DZ BANK Group

2.1 Management units

The DZ BANK Group comprises DZ BANK as the parent company and the DZ BANK Group's subsidiaries in which DZ BANK directly or indirectly exercises control.

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

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 liquidity risk, credit risk, equity investment risk, market risk, 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 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.

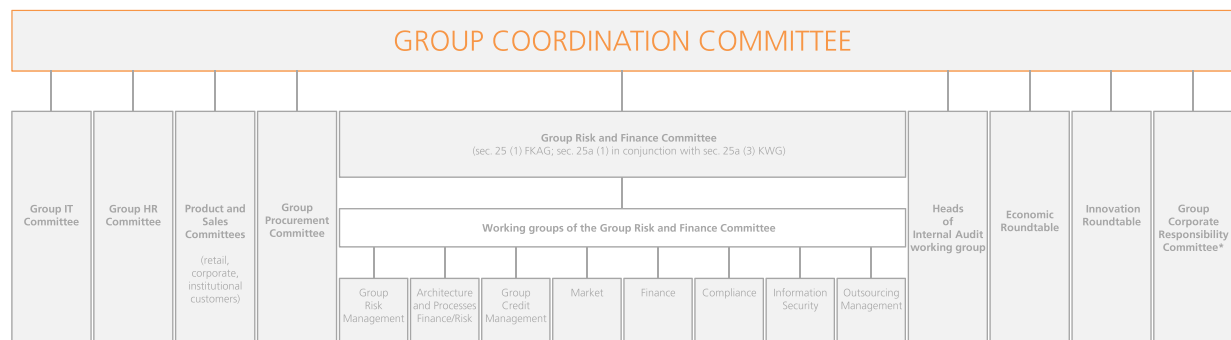
2.2.2 Appointments to key posts in the subsidiaries

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 (e.g. the risk and investment committee, the audit committee, and the 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 Corporate Responsibility Committee (Group CRC) was renamed the Group Sustainability Committee (GSC) in 2023.

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. Effective from 2023, the Group Corporate Responsibility Committee has been replaced by the Group Sustainability Committee, which now includes members of the Boards of Managing Directors (see '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 and resolution 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 executives at various subsidiaries. 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 and on ensuring a coordinated roadmap, a transparent project portfolio, and a holistic data governance approach.
- 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 **Heads of Compliance working group** assists DZ BANK with compliance management across the group where 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 Heads of 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 Heads of 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 general parameters 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. From an operational perspective, the activities are coordinated by the Heads of IT group and implemented in the IT units in the DZ BANK Group.

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 at DZ BANK and its subsidiaries, 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 – the Group Procurement Committee's executive arm consisting of the DZ BANK Group's heads of procurement – 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 subsidiaries. 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, is the platform for sharing 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 Officers, who are 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, 2022), 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.7.2 and VII.7.3 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) and the net stable funding ratio (NSFR).

– **Capital adequacy:**

The KPIs for economic capital adequacy are described in chapter VII.8.2 of this group management report. The KPIs for normative internal capital adequacy are included in chapter VII.8.3. They comprise the coverage ratio for the financial conglomerate, the total capital ratio, the Tier 1 capital ratio, the common equity Tier 1 capital ratio, and the leverage ratio, as well as the minimum requirement for own funds and eligible liabilities (MREL ratio, subordinated MREL ratio).

– **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 & Corporate Development, Group Risk Control & Services, 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 & Corporate Development division is responsible for overall coordination of the strategic planning process.