

II Business report

1 Economic conditions

In Germany, 2023 was characterized by a downturn that set in after the outbreak of war in Ukraine in 2022 and the energy crisis triggered by this conflict. High inflation weighed particularly heavily on the economy, reducing consumers' purchasing power and thus forcing them to cut back on spending. Although disposable incomes saw healthy nominal growth over the course of the year, households remained cautious, not only because of the higher prices but also because of the uncertain economic environment. Sources of uncertainty in the reporting year included Germany's controversial Buildings Energy Act (GEG), the conflict in the Middle East, and the German Federal Constitutional Court's highly consequential ruling on the debt brake. These factors had an adverse impact on sales opportunities and investment conditions for businesses that were simultaneously struggling with rising costs. Energy-intensive industries curbed their production in light of persistently high energy prices. The production of energy itself also diminished noticeably, partly in response to widespread efforts to reduce consumption and partly due to the last remaining nuclear power stations in Germany being taken off the grid. In addition, demand from outside Germany was weak as other economies were similarly affected by high inflation and the interest-rate rises. Soaring prices had prompted the European Central Bank (ECB) and other central banks to raise their base rates. The rise in interest rates created more challenging conditions for investment. One of the sectors affected by this was the real estate market, especially residential construction. New planning permissions plunged and in some cases, construction was put on hold even for housing projects that had already been approved.

Whereas Germany's economy had registered growth of 1.8 percent in 2022, gross domestic product (GDP) declined by 0.3 percent in 2023. Over the year as a whole, growth remained close to zero. In the first quarter of 2023, however, Germany's GDP edged up by 0.1 percent compared with the previous quarter. Although consumer spending fell substantially, net exports delivered a positive contribution to growth, but only because exports declined less sharply than imports. Gross investment also increased significantly. The second quarter saw no growth in economic output. Consumer spending picked up and provided some positive momentum, but exports deteriorated. In the third quarter, GDP continued to stagnate. Consumer spending weakened, while investment increased. In the final quarter of the year, the growth picture deteriorated further as GDP fell by 0.3 percent compared with the previous quarter.

High inflation and an increase in interest rates also took their toll on the economy of the eurozone. This was primarily reflected in a marked slowdown in consumer spending and investment, but did not push the bloc's overall economic growth into negative territory. Although the eurozone had recorded GDP growth of 3.4 percent in 2022, this figure fell to just 0.5 percent in 2023. The first and second quarters of 2023 both saw modest quarter-on-quarter growth of 0.1 percent, followed by a 0.1 percent contraction in GDP in the third quarter. Whereas the negative growth trend intensified in Germany in the final quarter of the year, growth in the eurozone remained at 0.0 percent.

The US economy also struggled with high interest rates and rapidly rising consumer prices in 2023. However, its economy remained in surprisingly robust shape. Overall, economic output went up by 2.5 percent in 2023, compared with 1.9 percent in 2022. This was primarily driven by a substantial rise in consumer spending, which, in turn, was mainly attributable to the robust labor market. Employment improved strongly, keeping the unemployment rate at an average of 3.6 percent in 2023 and thus at a similarly low level as in 2022. Inflation had been high in the US in 2022, especially at the start of the year, but slowed steadily over the course of 2023. By the final months of 2023, the rate of inflation had dropped to just above 3.0 percent.

Energy prices played a key role in slowing down inflation. In addition, upward pressure on prices for industrial goods eased thanks to improvements in conditions along companies' supply chains over the course of the year.

China recovered from the impact of its strict zero-COVID policy in 2023, after the associated measures had been lifted by Beijing at the end of 2022. At 5.2 percent, China's economic growth was up strongly compared with 2022, when the Chinese economy had grown by 3.0 percent and thus at a slower rate than the global economy for the first time in decades. However, the growth spurt at the start of 2023 was fueled by strong catch-up effects and proved very short-lived. Following a dip in economic growth around the middle of the year, government stimulus measures helped to push the growth rate up again somewhat in the second half of 2023.

2 The financial industry amid continued efforts to stabilize the economy of the eurozone

The war in Ukraine created uncertainty in the capital markets in both the reporting year and in the previous year. In the first six months of 2023, trading was affected by concerns about inflation, but in the second half of the year, these concerns diminished and paved the way for more upbeat stock market conditions toward the end of the year.

The STOXX Europe 600, a share index comprising 600 large listed European companies, stood at 479.02 points as at December 31, 2023, which was 54.13 points higher than at the end of the previous year (December 31, 2022: 424.89 points). By contrast, the index had dropped by 62.91 points in the previous year.

Some EU countries still exceeded the ratios for new and overall indebtedness required for compliance with the stability criteria specified in the Fiscal Compact agreed by the EU member states at the beginning of 2012. In the Fiscal Compact, the signatory countries committed to reducing their debt (as a proportion of GDP) each year by one twentieth of the difference between the debt level and the Maastricht limit of 60 percent of GDP.

At the end of the third quarter of 2023, the total borrowing of the 20 eurozone countries equated to 89.9 percent of their GDP, a decrease of 2.3 percentage points compared with the figure of 92.2 percent as at September 30, 2022.

Italy's public debt as a percentage of GDP stood at 140.6 percent in the third quarter of 2023 (third quarter of 2022: 143.1 percent), which is the highest in the eurozone after that of Greece.

Based on a policy of quantitative easing, the ECB has supported the markets for government bonds in recent years, thereby creating the necessary time over the last few years for the European Monetary Union (EMU) countries burdened with excessive debt to reduce their budget deficits.

By the third quarter of 2022, the central banks in both the US and the eurozone were pursuing more restrictive monetary policy.

At its meeting on December 14, 2023, the ECB decided not to make changes to its three key interest rates. By contrast, at the previous meeting on September 14, 2023, the deposit facility interest rate had been set at 4.00 percent, the main refinancing rate at 4.50 percent, and the marginal lending facility rate at 4.75 percent. At that meeting, the ECB emphasized its determination to swiftly bring inflation back down to its medium-term target of 2.00 percent.

The ECB Governing Council intends to continue to reinvest repayments on maturing securities purchased under the pandemic emergency purchase program (PEPP) in full during the first six months of 2024. Plans for the

second half of 2024 envisage a reduction of the PEPP portfolio by an average of €7.5 billion per month. The reinvestment of repayments under the PEPP is scheduled to stop at the end of 2024.

On December 13, 2023, the US Federal Reserve (Fed) kept the federal funds rate in the range of 5.25 to 5.50 percent, thus maintaining it unchanged for the third consecutive time.

There were differences in the financial performance of Germany's two largest banks in 2023. Whereas one of them registered a doubling of its net profit and a sharp fall in expenses for loss allowances for loans and advances compared with the previous year, the other one saw a significant decrease in its net profit and a marked increase in expenses for loss allowances for loans and advances. Both banks recorded a small rise in administrative expenses in the reporting year.

3 Financial performance

3.1 Financial performance at a glance

Despite the persistently challenging market conditions resulting from the sharp rise in interest rates, still elevated inflation, and geopolitical crises, the DZ BANK Group reported an encouraging profit before taxes of €3,189 million in 2023 (2022: €2,252 million).

The year-on-year changes in the key figures that make up the net profit generated by the DZ BANK Group were as described below.

Fig. II.1 – INCOME STATEMENT

€ million	2023	2022
Net interest income	4,333	3,322
Net fee and commission income	2,807	2,749
Gains and losses on trading activities	-175	823
Gains and losses on investments	-72	-119
Other gains and losses on valuation of financial instruments	298	-286
Gains and losses from the derecognition of financial assets measured at amortized cost	11	35
Net income from insurance business	891	276
Loss allowances	-362	-304
Administrative expenses	-4,597	-4,447
Staff expenses	-2,174	-2,072
Other administrative expenses ¹	-2,423	-2,374
Other net operating income	56	204
Profit before taxes	3,189	2,252
Income taxes	-955	-912
Net profit	2,234	1,341

¹ General and administrative expenses plus depreciation/amortization expense.

Operating income in the DZ BANK Group amounted to €8,149 million (2022: €7,004 million). This figure comprises net interest income, net fee and commission income, gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments, gains and losses from the derecognition of financial assets measured at amortized cost, net income from insurance business, and other net operating income.

Net interest income increased by €1,011 million year on year to €4,333 million (2022: €3,322 million).

Within this figure, interest income from lending and money market business rose by €5,697 million to €11,423 million (2022: €5,726 million) and interest income from bonds and other fixed-income securities went up by €431 million to €916 million (2022: €485 million).

There was a positive change in interest on portfolio hedges of interest-rate risk (portfolios comprising financial assets), which improved by €1,482 million to net income of €1,405 million (2022: net expense of €77 million). By contrast, there was a negative change in interest on portfolio hedges of interest-rate risk (portfolios comprising financial liabilities), which deteriorated by €402 million to a net expense of €421 million (2022: net expense of €19 million).

Interest expense for deposits from banks and customers rose by €4,652 million to €7,180 million (2022: €2,528 million), primarily for volume-related reasons. In 2023, this increase included a higher interest expense on home savings deposits due to a rise of €111 million in additions to provisions relating to building society operations. By contrast, the 2022 figure had mainly been influenced by a positive one-off item of €185 million in connection with the reversal of provisions relating to building society operations. Interest expense on debt certificates issued including bonds went up by €1,260 million to €1,754 million (2022: €494 million), mainly due to expansion of the portfolio of issued commercial paper.

Net fee and commission income grew by €58 million to €2,807 million (2022: €2,749 million). Net fee and commission income from lending and trust activities went up by €14 million year on year to €99 million (2022: €85 million) and that from financial guarantee contracts and loan commitments went up by €24 million to €84 million (2022: €60 million). By contrast, net fee and commission income from securities business diminished by €17 million to €2,308 million (2022: €2,325 million). This year-on-year change was mainly attributable to a decrease of €23 million in income from transaction fees for properties in Union Investment's real estate funds to €52 million (2022: €75 million) and a decrease in performance-related management fees of €21 million to €4 million (2022: €25 million) in the Union Investment Group. In payments processing (including card processing), this figure declined by €5 million to €144 million (2022: €149 million). Other net fee and commission income rose by €51 million to €64 million (2022: €13 million), partly due to lower expenses resulting from brokerage of credit insurance policies.

Gains and losses on trading activities deteriorated by €998 million to a net loss of €175 million, compared with a net gain of €823 million in the previous year. This change was due to the significant volatility of market prices, which – as a result of risk management – had opposing effects on gains and losses on non-derivative financial instruments and embedded derivatives on the one hand and on gains and losses on derivatives on the other. Gains and losses on non-derivative financial instruments and embedded derivatives deteriorated by €6,903 million to a net loss of €2,430 million (2022: net gain of €4,473 million). Gains and losses on exchange differences came to a net gain of €62 million (2022: net gain of €144 million). Conversely, gains and losses on derivatives improved by €5,987 million to a net gain of €2,193 million (2022: net loss of €3,794 million).

Gains and losses on investments amounted to a net loss of €72 million (2022: net loss of €119 million).

Within this figure, gains and losses on the disposal of shares and other variable-yield securities improved by €60 million to a net loss of €2 million (2022: net loss of 62 million), mainly because the prior-year figure had included a realized loss resulting from the disposal of investment fund units from the Union Investment Group's own-account investments. Gains and losses on the disposal of bonds and other fixed-income securities improved by €5 million to a net loss of €36 million (2022: net loss of €41 million).

Gains and losses on investments in associates amounted to a net loss of €5 million (2022: net gain of €15 million). The prior-year figure had, to a large extent, been attributable to a gain realized on the disposal of a direct equity investment held by VR Equitypartner.

Other gains and losses on valuation of financial instruments came to a net gain of €298 million (2022: net loss of €286 million). This positive change was predominantly attributable to a year-on-year improvement in the valuation of guarantee commitments and in the fair value measurement of Union Investment's own-account investments. Within the overall line item, gains and losses on financial instruments designated as at fair value through profit or loss improved by €274 million to a net gain of €114 million (2022: net loss of €160 million), gains and losses on derivatives used for purposes other than trading improved by €162 million

to a net gain of €156 million (2022: net loss of €6 million), gains and losses on financial assets mandatorily measured at fair value through profit or loss improved by €146 million to a net gain of €71 million (2022: net loss of €75 million), and gains and losses from fair value hedge accounting improved by €1 million to a net loss of €44 million (2022: net loss of €45 million).

Net income from insurance business comprises the insurance service result, gains and losses on investments held by insurance companies and other insurance company gains and losses, insurance finance income or expenses, and gains and losses from the derecognition of financial assets measured at amortized cost in the insurance business.

IFRS 17 Insurance Contracts superseded the previous standard for accounting for insurance contracts (IFRS 4 Insurance Contracts) with effect from January 1, 2023. IFRS 17 requires comparative information to be presented for the period immediately preceding the date of initial application of IFRS 17. Retrospective initial application thus resulted in adjustments to the income statement for the previous year.

In 2023, net income from insurance business increased by €615 million to €891 million (2022: €276 million).

The increase was primarily due to the improvement – driven by the situation in the capital markets – in gains and losses on investments held by insurance companies and other insurance company gains and losses of €6,757 million to a net gain of €2,998 million (2022: net loss of €3,759 million). By contrast, insurance finance income or expenses deteriorated by €6,058 million to a net expense of €4,107 million (2022: net income of €1,951 million), largely in relation to policyholders' share of investment returns. The insurance service result amounted to a profit of €1,994 million (2022: profit of €2,077 million).

There was a net addition to **loss allowances** of €362 million (2022: net addition of €304 million).

The net addition to loss allowances for loans and advances to customers was €374 million (2022: net addition of €236 million). Loss allowances for loans and advances to banks came to a net reversal of €14 million (2022: net addition of €30 million). The net addition to other loss allowances for loans and advances was €3 million (2022: net addition of €42 million). Loss allowances for investments amounted to a net reversal of €2 million (2022: net reversal of €4 million).

Further disclosures on the nature and extent of risks arising from financial instruments and insurance contracts can be found in note 86 in the notes to the consolidated financial statements.

Administrative expenses went up by €150 million to €4,597 million (2022: €4,447 million). Within this figure, staff expenses advanced to €2,174 million, compared with €2,072 million in 2022. This increase was predominantly due to pay rises and appointments to vacant positions. Other administrative expenses climbed to €2,423 million (2022: €2,374 million), mainly because of higher expenses for consultancy and IT. By contrast, there was a fall in the contributions to the bank levy.

Other net operating income amounted to €56 million (2022: €204 million).

Restructuring expenses rose by €89 million to €94 million (2022: €5 million) on the back of additions to provisions for termination benefits linked with restructuring. Income and expense resulting from impairment losses recognized on other intangible assets, and reversals thereof, deteriorated by €53 million to a net expense of €53 million (2022: €0 million), largely owing to impairment of recognized customer relationships in the Union Investment Group. Gains and losses on non-current assets and disposal groups classified as held

for sale deteriorated by €24 million to a net gain of €25 million (2022: net gain of €49 million), which included realized gains on disposals of €25 million (2022: €51 million). Gains on the disposal of other assets also contracted, falling by €22 million to €21 million (2022: €43 million). By contrast, income from the reversal of provisions and accruals rose by €18 million to €175 million (2022: €157 million) and residual other net operating income improved by €21 million to a net expense of €18 million (2022: net expense of €39 million).

Profit before taxes for 2023 amounted to €3,189 million, compared with €2,252 million in 2022.

The **cost/income ratio** (i.e. the ratio of administrative expenses to operating income) for the reporting year came to 56.4 percent (2022: 63.5 percent).

The **regulatory return on risk-adjusted capital (RORAC)** was 17.1 percent (2022: 11.6 percent).

Income taxes amounted to €955 million in the reporting year (2022: €912 million).

The DZ BANK Group generated an improved **net profit** of €2,234 million in 2023, compared with a net profit of €1,341 million in 2022.

The following provides an explanation of the above information and the details below (section 3.2) concerning the financial performance of the DZ BANK Group with reference to the corresponding presentation in the outlook for 2023 (chapter V of the 2022 group management report).

In 2023, the DZ BANK Group generated profit before taxes that was significantly higher than the budgeted figure. Net interest income in the reporting year was much higher than expected, which was mainly attributable to an increase in customer business at DZ BANK – CICB, distributions from Union Investment's own-account investments, higher money market income, and interest on deposits at DZ PRIVATBANK. A slight fall in net fee and commission income had been forecast in 2022, but it actually increased slightly in 2023, primarily due to higher volume-related income. As had been anticipated in 2022, gains and losses on trading activities deteriorated markedly in the reporting year. Despite a net gain having been predicted in 2022, gains and losses on investments amounted to a net loss once again in the reporting year. This was largely due to the postponement of exits from direct equity investments at VR Equitypartner that were planned for 2023. Other gains and losses on valuation of financial instruments had only been expected to return to a normal level, but in fact improved markedly in the year under review. Net income from insurance business rose substantially in the reporting year, exceeding the budgeted figure. Net additions to loss allowances remained considerably below the budgeted figure for 2023. Administrative expenses saw a marginal increase, which was in line with the previous year's forecast. Other net operating income fell sharply in 2023, as had been forecast in 2022.

3.2 Financial performance in detail

The following sections describe the details of the financial performance of the DZ BANK Group's operating segments in 2023 compared with 2022.

3.2.1 BSH

Net interest income in the BSH subgroup decreased by €194 million to €550 million (2022: €744 million).

Interest expense in building society operations (including interest expense on hedges) went up by €302 million to €709 million (2022: €407 million).

Within this figure, interest expense for home savings deposits amounted to €653 million (2022: €405 million). This included additions to provisions relating to building society operations of €217 million (2022: €106 million)

and a sum of €434 million attributable to the interest rates applicable to current tariffs (2022: €482 million). The prior-year figure had been influenced by a positive one-off item of €185 million connected to the reversal of provisions relating to building society operations.

The interest-rate swaps used to manage interest income and expense in the context of portfolio fair value hedge accounting reduced net interest income by a total of €47 million (2022: €3 million).

In the case of loans issued under advance or interim financing arrangements and other building loans, income amounted to €1,070 million (2022: €1,039 million). Income from home savings loans amounted to €98 million (2022: €70 million).

Interest income arising on investments rose by €64 million to €361 million (2022: €297 million). Interest expense for borrowing increased by €40 million to €90 million (2022: €50 million), which included income of €55 million from the early redemption of promissory notes issued by BSH.

BSH incorporates the fees, commissions, and transaction costs directly assignable to the acquisition of home savings contracts and loan agreements into the effective interest method applied to home savings deposits and building loans. In the reporting year, this decreased net interest income by €199 million (2022: €209 million). Of this sum, €94 million was attributable to home savings deposits (2022: €106 million) and €105 million to building loans (2022: €103 million).

Net fee and commission income declined to a net expense of €13 million (2022: net income of €11 million), primarily owing to the reduction in new home savings business and new home finance business as well as the absence of the annual fees for the Fuchs 03 scale of rates and charges. New home savings business and new home finance business are the main drivers of net fee and commission income.

In the home savings business in 2023, BSH entered into approximately 459 thousand (2022: 463 thousand) new home savings contracts with a volume of €31.0 billion (2022: €34.1 billion) in Germany.

In the home finance business, the realized volume of new business came to €9.2 billion (2022: €16.3 billion) in Germany.

Gains and losses on investments amounted to €0 million (2022: net loss of €90 million). The figure for the previous year had been affected by a net loss of €60 million on the disposal of bonds, whereas there were no disposals during the year under review. Furthermore, valuations of joint ventures had led to a net loss of €30 million in 2022.

Loss allowances amounted to a net addition of €18 million (2022: net addition of €16 million).

Administrative expenses went up by €8 million to €536 million (2022: €528 million). At €283 million, staff expenses were €9 million higher than the prior-year level of €274 million as a result of salary increases. Other administrative expenses amounted to €253 million (2022: €254 million).

Other net operating income increased by €22 million to €38 million (2022: €16 million), mainly as a result of lower expenses relating to pre-litigation legal risks of €2 million (2022: €48 million). In 2022, other net operating income had included the recognition of canceled, non-interest-bearing home savings deposits in an amount of €30 million, whereas only €3 million was recognized in 2023.

Profit before taxes went down by €123 million to €20 million (2022: €143 million) because of the changes described above.

The **cost/income ratio** in 2023 was 93.4 percent (2022: 76.7 percent).

Regulatory RORAC was 1.6 percent (2022: 11.2 percent).

3.2.2 R+V

IFRS 17 Insurance Contracts superseded the previous standard for accounting for insurance contracts (IFRS 4 Insurance Contracts) with effect from January 1, 2023. IFRS 17 requires comparative information to be presented for the period immediately preceding the date of initial application of IFRS 17. Retrospective initial application thus resulted in adjustments to the income statement for the previous year.

The **insurance service result** amounted to a profit of 1,972 million (2022: profit of €1,980 million). This figure included insurance revenue amounting to €12,317 million (2022: €12,424 million) and insurance service expenses of €10,267 million (2022: €10,321 million). Net expenses from reinsurance contracts held stood at €78 million (2022: €123 million).

In the life and health insurance business, insurance revenue amounted to €3,042 million (2022: €3,674 million). Insurance service expenses amounted to €1,956 million (2022: €2,282 million). Net expenses from reinsurance contracts held in this business stood at €0 million (2022: €16 million). This included amortization of the contractual service margin in an amount of €273 million (2022: €243 million) and release of the risk adjustment in an amount of €53 million (2022: €36 million).

In the non-life insurance business, insurance revenue amounted to €7,239 million (2022: €6,831 million). The main influence on this revenue was premiums earned on portfolios measured under the premium allocation approach. The insurance service expenses of the non-life insurance business stood at €6,887 million (2022: €6,104 million). Of this sum, €5,104 million (2022: €4,656 million) was attributable to expenses for claims, comprising payments for claims of €4,980 million (2022: €4,614 million) and the change in the liability for incurred claims amounting to a decrease of €124 million (2022: decrease of €42 million). It also included the change in losses on insurance contracts, which amounted to a decrease of €119 million (2022: increase of €136 million). Other insurance service expenses totaled €1,664 million (2022: €1,584 million) and primarily consisted of insurance acquisition cash flows and administration costs of €1,664 million (2022: €1,584 million). Net expenses from reinsurance contracts held in this business came to €63 million (2022: €58 million). The combined ratio (gross), which is the ratio of insurance service expenses to insurance revenue, stood at 95.14 percent (2022: 89.36 percent). Major claims in this business amounted to €246 million as at December 31, 2023.

Insurance revenue in the inward reinsurance business amounted to €2,036 million (2022: €1,920 million). This included not only premium income but also amortization of the contractual service margin in an amount of €231 million (2022: €174 million) under the general measurement model. Insurance service expenses came to €1,424 million (2022: €1,936 million). Net expenses from reinsurance contracts totaled €15 million (2022: €49 million). Expenses of €279 million arose for major claims in the inward reinsurance business.

Gains and losses on investments held by insurance companies and other insurance company gains and losses improved by €6,884 million to a net gain of €3,136 million (2022: net loss of €3,748 million). This figure includes the fair value-based gains and losses on investments held by insurance companies in respect of insurance products constituting unit-linked life insurance for the account and at the risk of employees, employers, and holders of life insurance policies (unit-linked contracts), which amounted to a net gain of €2,070 million (2022: net loss of €2,764 million).

Long-term interest rates were lower than in 2022. The ten-year Bund/swap rate was 2.49 percent as at December 31, 2023 (December 31, 2022: 3.20 percent). Spreads on interest-bearing securities largely narrowed during the reporting year and had a more positive impact on gains and losses on investments held

by insurance companies and other insurance company gains and losses than in the previous year, when spreads had widened. A weighted spread calculated in accordance with R+V's portfolio structure stood at 77.0 points as at December 31, 2023 (December 31, 2022: 89.8 points). In the comparative period, this spread had risen from 66.7 points as at December 31, 2021 to 89.8 points as at December 31, 2022.

During the reporting year, equity markets relevant to R+V performed better than in 2022. For example, the EURO STOXX 50, a share index comprising 50 large, listed companies in the eurozone, saw a rise of 728 points from the start of 2023, closing the year under review on 4,522 points (December 31, 2022: 3,794 points). The index had dropped by 504 points in 2022.

In the reporting year, movements in exchange rates between the euro and various currencies were generally less favorable than in the previous year. For example, the US dollar/euro exchange rate on December 31, 2023 was 0.9053 compared with 0.9370 as at December 31, 2022. In the previous year, the exchange rate had moved from 0.8794 as at December 31, 2021 to December 0.9370 as at December 31, 2022.

These trends resulted in a €7,213 million positive change – resulting from the effects of changes in positive fair values – in unrealized gains and losses to a net gain of €1,915 million (2022: net loss of €5,298 million), a €687 million increase in the contribution to earnings from the derecognition of investments to a loss of €255 million (2022: loss of €942 million), and a €145 million rise in net income under current income and expense to €2,423 million (2022: €2,278 million). However, there was a €681 million deterioration in foreign-exchange gains and losses to a net loss of €282 million (2022: net gain of €399 million) and a €133 million decline in the balance of depreciation, amortization, impairment losses, and reversals of impairment losses to a net expense of €234 million (2022: net expense of €101 million). Furthermore, other non-insurance gains and losses declined by €346 million to a net loss of €429 million (2022: net loss of €84 million). Changes in gains and losses on investments held by insurance companies are offset to an extent by corresponding changes in insurance finance income or expenses, so the effect on profit or loss is only partial.

Insurance finance income or expenses deteriorated by €6,058 million to a net expense of €4,107 million (2022: net income of €1,951 million). In the life and health insurance business, this line item deteriorated by €5,884 million to a net expense of €3,813 million (2022: net income of €2,071 million), which was mainly due to the aforementioned compensatory effect. Insurance finance income or expenses came to a net expense of €179 million in the non-life insurance business (2022: net expense of €48 million) and a net expense of €115 million in inward reinsurance (2022: net expense of €72 million). The amount within insurance finance income or expenses relating to discounting at the discount rate used at initial measurement (locked-in discount rate) amounted to a net expense of €125 million in non-life insurance (2022: net expense of €66 million) and a net expense of €115 million in inward reinsurance (2022: net expense of €73 million).

The factors described above resulted in an increase in **profit before taxes** to €1,008 million (2022: €187 million).

Regulatory RORAC was 11.3 percent (2022: 2.0 percent).

3.2.3 TeamBank

Net interest income amounted to €530 million (2022: €511 million). This year-on-year rise of €19 million was due to volume growth and, above all, the €30 million increase in income from overnight money to €31 million (2022: €1 million). Average loans and advances to customers in the reporting year came to €9,675 million (2022: €9,119 million).

As at December 31, 2023, loans and advances to customers stood at €9,768 million (December 31, 2022: €9,583 million). The number of customers rose to 1,039 thousand (December 31, 2022: 1,010 thousand). As at December 31, 2023, TeamBank was working with 640 (December 31, 2022: 669) of Germany's 690 (December 31, 2022: 729) cooperative banks and with 152 (December 31, 2022: 154) partner banks in Austria.

Net fee and commission income declined by €26 million to a net expense of €39 million (2022: net expense of €13 million), mainly owing to the €22 million reduction in fee and commission income from the brokerage of credit insurance policies as a consequence of the German Act on Supporting the Regulation of Crowdfunding Service Providers (SFBG).

The net addition to **loss allowances** amounted to €133 million (2022: net addition of €100 million). Rating downgrades due to customers' poorer payment history led to the rise in loss allowances. The year-on-year fall in new business had a countervailing effect.

Administrative expenses amounted to €285 million (2022: €286 million). Within this figure, staff expenses totaled €106 million (2022: €108 million) and other administrative expenses came to €179 million (2022: €178 million).

Profit before taxes stood at €81 million and thus decreased by €53 million compared with the prior-year figure of €134 million.

TeamBank's **cost/income ratio** in 2023 was 57.1 percent (2022: 55.1 percent).

Regulatory RORAC was 16.3 percent (2022: 22.8 percent).

3.2.4 UMH

Net interest income came to €71 million (2022: €12 million), primarily thanks to income of €25 million from credit balances with banks (2022: €1 million) and distributions from own-account investments of €43 million (2022: €6 million).

Net fee and commission income declined by €18 million to €2,018 million (2022: €2,036 million). This total included the volume-related income contribution of €1,849 million (2022: €1,801 million), income of €52 million from transaction fees for properties in Union Investment's real estate funds (2022: €75 million), and performance-related management fees of €4 million (2022: €25 million). Expenses for the performance bonus for sales partners came to €57 million (2022: €44 million).

The change in net fee and commission income was predominantly due to the factors described below.

The average assets under management of Union Investment totaled €431.1 billion (2022: €428.7 billion).

Union Investment generated net inflows from its retail business of €12.2 billion (2022: €10.7 billion) in collaboration with the local cooperative banks.

In its institutional business, Union Investment recorded net inflows of €4.6 billion (2022: €6.8 billion).

The number of traditional fund-linked savings plans, which are used by retail customers as investments aimed at long-term capital accumulation, stood at 3.7 million contracts as at December 31, 2023 (December 31, 2022: 3.8 million), with a decrease in the 12-month savings volume to €6.4 billion (December 31, 2022: €7.1 billion).

The total assets in the portfolio of Riester pension products amounted to €26.6 billion (December 31, 2022: €23.3 billion).

The number of fund-linked savings plans managed by Union Investment in its retail business as at December 31, 2023 totaled 6.5 million (December 31, 2022: 6.5 million). These plans included contracts under employer-funded capital formation schemes as well as the traditional savings plans and Riester pension contracts referred to above.

The open-ended real estate funds offered by Union Investment, which are an intrinsic-value-based component of the investment mix, generated net new business totaling €0.1 billion in 2023 (2022 €2.7 billion).

Assets under management in the PrivatFonds family amounted to €22.1 billion as at December 31, 2023 (December 31, 2022: €22.7 billion).

The portfolio volume of funds managed by Union Investment that conform with article 8 or article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) amounted to €128.7 billion (December 31, 2022: €122.4 billion). As at December 31, 2023, this figure included €90.6 billion in product formats defined as sustainable by Union Investment based on its own criteria (December 31, 2022: €81.2 billion).

Gains and losses on investments amounted to a net loss of €31 million (2022: net loss of €58 million). Within this figure, the net loss realized on the disposal of investment fund units from own-account investments came to €2 million (2022: €62 million). A net loss of €28 million arose due to the impairment of a joint venture that is included in the consolidated financial statements using the equity method (2022: €0 million).

Other gains and losses on valuation of financial instruments improved by €352 million to a net gain of €197 million (2022: net loss of €155 million), which was largely attributable to the net gain of €143 million from the valuation of guarantee commitments (2022: net loss of €125 million) and the net gain of €54 million arising on the valuation of Union Investment's own-account investments (2022: net loss of €30 million).

Administrative expenses went up by €37 million to €1,231 million (2022: €1,194 million). Staff expenses increased by €28 million to €595 million (2022: €567 million) owing to higher average pay and appointments to new and vacant posts. Other administrative expenses swelled by €9 million to €636 million (2022: €627 million), largely because of higher amortization and impairment on software.

Other net operating income amounted to a net loss of €50 million (2022: net income of €54 million). This change was mainly attributable to impairment losses on recognized customer relationships, restructuring expenses, and smaller reversals of provisions.

Based on the changes described above, **profit before taxes** amounted to €974 million (2022: €695 million).

The **cost/income ratio** in 2023 was 55.8 percent (2022: 63.2 percent).

Regulatory RORAC was greater than 100.0 percent (2022: greater than 100.0 percent).

3.2.5 DZ BANK – CICB

Net interest income is primarily attributable to the lending business portfolios (Corporate Banking business line), the portfolios from the capital markets business (including the portfolios of Group Treasury), and the long-term equity investments allocated to the central institution and corporate bank. Net interest income increased by €370 million to €1,483 million (2022: €1,113 million).

In the Corporate Banking business line, net interest income rose by €6 million to €556 million (2022: €550 million). The net interest income in the four regional corporate customer divisions plus Central Corporate Banking increased to €320 million (2022: €309 million). The rise in net interest income was attributable to the higher lending volume.

Net interest income in the Structured Finance division amounted to €167 million, a decrease of €6 million compared with the prior-year figure of €173 million. The increased volume of lending did not make up for the lower margins, which were partly due to the competitive situation.

In the Investment Promotion division, net interest income advanced by €1 million to €69 million (2022: €68 million). This year-on-year rise was primarily due to a modest level of portfolio growth.

Net interest income from money market and capital markets business increased by €475 million to €858 million (2022: €383 million). This increase was firstly attributable to the deposit-taking operating business in the short-dated maturity segment, particularly deposits from corporate customers. Secondly, the rise in interest rates in the money market led to increased net interest income from the investment of liquidity in the excess of non-interest-bearing liabilities (e.g. equity) over non-interest-bearing assets.

As bonus interest ceased to be paid in connection with participation in the TLTRO III program in the second half of 2022, no such bonus interest was received in 2023 (2022: €71 million).

Other net interest income from loan administration fees fell by €4 million to €25 million (2022: €29 million).

Income from profit-pooling, profit-transfer, and partial profit-transfer agreements, together with income from other shareholdings and current income from investments in subsidiaries, amounted to €44 million (2022: €79 million). The reduction compared with 2022 can be explained by lower income from long-term equity investments at VR Equitypartner GmbH (down by €15 million to €9 million), DZ Beteiligungsgesellschaft mbH Nr. 18 (down by €9 million to €0 million), Deutsche WertpapierService Bank AG (dwpbank) (down by €6 million to €0 million), and IMPETUS Bietergesellschaft mbH (down by €5 million to €0 million).

Net fee and commission income rose by €55 million to €544 million (2022: €489 million).

The principal sources of income were service fees in the Corporate Banking business line (in particular, from lending business including guarantees and international business), in the Capital Markets business line (mainly from securities issuance and brokerage business, agents' fees, transactions on futures and options exchanges, financial services, and the provision of information), and in the Transaction Banking business line (primarily from payments processing including credit card processing, safe custody, and gains from the currency service business).

In the Corporate Banking business line, net fee and commission income was €16 million higher than in the previous year at €199 million (2022: €183 million). This included an increase of €10 million in relation to fees and commissions in connection with loan processing and an increase of €9 million for guarantee contracts / loan commitments.

In the Capital Markets business line, the contribution to net fee and commission income rose by €22 million to €214 million (2022: €192 million). One of the main reasons for this was the increase of €14 million in transaction fees from the securitization business.

Net fee and commission income in the Transaction Banking business line was also up year on year at €176 million, a rise of €6 million compared with the prior-year figure of €170 million. This included a €9 million rise in connection with payments processing fees and a €7 million rise related to safe custody and securities management business. By contrast, income from currency service business declined by €6 million.

As part of service procurement arrangements, DZ BANK has transferred processing services in the payments processing business to equensWorldline SE and Cash Logistik Security AG, and in securities business to Deutsche WertpapierService Bank AG. The expenses arising in connection with obtaining services from the above external processing companies amounted to a total of €217 million (2022: €192 million) and were reported under the net fee and commission income of the Capital Markets / Transaction Banking business lines.

Gains and losses on trading activities amounted to a net gain of €674 million (2022: net gain of €871 million).

Gains and losses on trading activities reflect the business activity of the Capital Markets business line and gains and losses on money market business entered into for trading purposes (mainly repurchase agreements) and on derivatives of the Group Treasury division ('financial assets and liabilities measured at fair value through profit or loss' (fair value PL)). The fair value gains and losses on financial assets and liabilities designated as at fair value through profit or loss (fair value option) are – apart from credit rating effects – also included in gains and losses on trading activities. The credit-rating-related effects pertaining to these financial instruments are included in other gains and losses on valuation of financial instruments if the instruments are financial assets or in equity if the instruments are financial liabilities.

Gains and losses on operating trading activities in the Capital Markets business line amounted to a net gain of €595 million, compared with €528 million in 2022.

Gains and losses on trading activities benefited from the benign conditions in the capital markets in 2023. Strong demand from customers also contributed to the very good business performance in foreign exchange trading, in structured products, and in the bond business. At the same time, there was encouraging growth in sales of retail investment certificates compared with the previous year.

IFRS rules on the recognition and measurement of financial instruments can affect the recognition of the bank's internal model for managing market risk and the recognition of income from the operating business in the income statement. These include accounting mismatches that arise when a different basis has been used to measure assets or liabilities or to recognize gains and losses. This means that, in some circumstances, effects cannot be recognized in the same period and, instead, are only recognized correctly in the income statement if the whole term of the affected transactions is considered. IFRS rules can also result in income being recognized in different income items (e.g. net interest income). For internal management purposes, these effects are referred to as 'non-operational, IFRS-related effects'. These effects can have a material impact on the level of gains and losses on trading activities, primarily due to movements in interest rates and spreads (on own issues). In 2023, these effects provided a boost of €79 million to gains and losses on trading activities, which was down on the previous year (2022: €343 million).

Gains and losses on investments deteriorated by €29 million to a net loss of €42 million (2022: net loss of €13 million). The net loss in the reporting year resulted from expenses of €211 million from the sale of securities in the category 'financial assets measured at fair value through other comprehensive income' (2022: €145 million) combined with gains of €170 million arising from the unwinding of hedges accounted for in the category 'fair value through other comprehensive income' in the context of portfolio fair value hedge accounting (2022: €131 million). Securities in the category 'fair value through profit or loss' generated a net gain of €5 million (2022: €1 million). The net loss on investments also included the write-down of €6 million on the carrying amount of Union Investment Real Estate GmbH.

Other gains and losses on valuation of financial instruments deteriorated to a net loss of €93 million (2022: net loss of €91 million). Within this figure, credit-risk-related measurement effects relating to financial assets measured using the fair value option declined by €61 million to a net loss of €56 million (2022: net gain of €5 million). By contrast, the net loss from ineffectiveness in hedge accounting shrank by €48 million to €41 million (2022: net loss of €89 million) and the valuation of financial assets mandatorily measured at fair value through profit or loss improved by €11 million to a net gain of €4 million (2022: net loss of €7 million).

Gains and losses from the derecognition of financial assets measured at amortized cost deteriorated by €67 million to a net loss of €35 million (2022: net gain of €32 million) due to an uptick in repurchases by issuers.

Loss allowances amounted to a net addition of €82 million (2022: net addition of €172 million). Within this figure, the net additions in the lending business and in respect of investments amounted to €139 million. Of this total, net reversals of €55 million related to loss allowances in stage 1, net additions of €62 million related to loss allowances in stage 2, and net additions of €132 million related to loss allowances in stage 3. The net reversal in respect of recoveries on loans and advances previously impaired, directly recognized impairment losses, other gains and losses on purchased or originated credit-impaired assets (POCI assets), additions to other provisions for loans and advances, and gains and losses from the credit-risk-related modification was €57 million (2022: net reversal of €27 million).

The net additions of €7 million in stages 1 and 2 in 2023 were attributable to fixed staging (risk-based transfer from stage 1 to stage 2 for construction, home improvement stores, textiles, and other sectors). Furthermore, loss allowances were increased in stage 3 owing to additions in respect of individual counterparties following changes in credit ratings. These were partly offset by reversals as a result of improvements in the credit ratings of some counterparties.

Administrative expenses went up by €105 million to €1,455 million (2022: €1,350 million).

Staff expenses went up by €54 million to €676 million (2022: €622 million) on the back of higher wages and salaries – and thus higher social security expenses – resulting from an increase in the number of employees.

Other administrative expenses grew by €51 million to €779 million (2022: €728 million). Within this figure, the expenses for the restructuring fund for banks (bank levy) and contributions to the BVR protection scheme rose by €5 million to €86 million (2022: €81 million).

Furthermore, IT costs increased by €14 million to €206 million (2022: €192 million), office expenses by €14 million to €45 million (2022: €31 million), and consultancy expenses by €15 million to €220 million (2022: €205 million). The depreciation and amortization charges included in other administrative expenses went down by €7 million to €69 million (2022: €76 million). The breakdown of these charges was as follows: depreciation of right-of-use assets €19 million (2022: €29 million), depreciation of property, plant and equipment, and investment property €28 million (2022: €29 million), and amortization of other intangible assets €22 million (2022: €18 million).

Other net operating income amounting to €41 million (2022: €26 million) primarily included reversals of provisions and accruals amounting to income of €112 million (2022: income of €67 million), expenses of €54 million for restructuring provisions and for the recognition of provisions for organizational capacity adjustments in connection with ongoing technical progress and the digitalization of processes at DZ BANK (2022: €0 million), and additions to provisions for onerous contracts relating to leased out buildings amounting to an expense of €8 million (2022: expense of €18 million).

Profit before taxes amounted to €1,035 million in the reporting year, which was €131 million higher than the figure of €904 million reported for 2022.

The **cost/income ratio** in 2023 was 56.6 percent (2022: 55.6 percent).

Regulatory RORAC was 18.9 percent (2022: 15.2 percent).

3.2.6 DZ HYP

At €721 million, the **net interest income** of DZ HYP was down by €11 million year on year (2022: €732 million). This change largely related to the lower level of early redemption payments received in 2023, which amounted to €2 million (2022: €34 million).

The volume of new business (including public-sector finance) stood at €8,627 million (2022: €10,439 million). In the corporate customer business, the volume of new business came to €7,439 million (2022: €8,064 million). In the retail customer business, the volume of new commitments amounted to €753 million (2022: €1,624 million). In the public-sector business, DZ HYP generated a new business volume of €435 million (2022: €751 million).

The volume of new lending jointly generated with the local cooperative banks in the corporate customer business amounted to €2,552 million in 2023 (2022: €2,978 million).

Net fee and commission income stood at €9 million (2022: €18 million). The figure for the previous year had included income of €11 million from participation in the DZ BANK Group's bidder group in the ECB's TLTRO III tender procedures; there was no such income in the year under review.

Gains and losses on investments deteriorated to €0 million (2022: net gain of €31 million). Of the net gain for 2022, €28 million had been linked to the sale of government bonds.

Other gains and losses on valuation of financial instruments improved by €101 million to a net gain of €87 million (2022: net loss of €14 million). This was largely thanks to the contribution to earnings of €77 million from issued instruments measured at fair value (2022: €8 million). Moreover, the movement of credit spreads on bonds from eurozone periphery countries resulted in a contribution to earnings of €8 million (2022: €25 million).

Loss allowances amounted to a net addition of €111 million (2022: net addition of €78 million). The addition to loss allowances in 2023 was mainly a reflection of specific loan loss allowances on a small number of exposures, whereas the addition in 2022 had predominantly been due to portfolio loan loss allowances.

Administrative expenses went down by €9 million to €247 million (2022: €256 million). Staff expenses increased to €111 million (2022: €104 million) as a result of headcount growth and higher provisions for pensions and other post-employment benefits. Other administrative expenses fell to €136 million (2022: €152 million), mainly because of a reduction in the bank levy to €33 million (2022: €48 million).

Profit before taxes advanced to €476 million (2022: €455 million).

The **cost/income ratio** in 2023 was 29.6 percent (2022: 32.4 percent).

Regulatory RORAC was 35.2 percent (2022: 33.6 percent).

3.2.7 DZ PRIVATBANK

The **net interest income** of DZ PRIVATBANK rose by €64 million to €147 million (2022: €83 million), primarily thanks to higher income in the money market business and from interest on deposits due to the changed interest-rate regime.

The average volume of guaranteed LuxCredit loans issued by DZ PRIVATBANK, which acts as the competence center for foreign-currency lending and investing in the interest-earning business, amounted to €5.0 billion (2022: €5.2 billion).

Net fee and commission income was unchanged year on year at €220 million. Contributions to earnings in private banking and the fund services business are the main drivers of net fee and commission income.

As at December 31, 2023 high-net-worth individuals' assets under management, which comprise the volume of securities, derivatives, and deposits of customers in the private banking business, came to €23.4 billion (December 31, 2022: €21.2 billion).

The value of funds under management amounted to €189.0 billion as at December 31, 2023 (December 31, 2022: €168.0 billion). The number of fund-related mandates was 582 (December 31, 2022: 565).

Administrative expenses increased by €16 million to €293 million (2022: €277 million). Within this figure, staff expenses swelled to €166 million (2022: €160 million), largely due to higher salary costs in connection with the statutory index-linking of salaries in Luxembourg and the growth in the number of employees. Other administrative expenses climbed to €126 million (2022: €116 million) owing to higher regulatory contributions and a rise in costs for IT and consultancy.

Other net operating income deteriorated to a net loss of €16 million (2022: net income of €4 million). In 2022, DZ PRIVATBANK S. A. initiated its DZ PRIVATBANK 2030 project in order to forge ahead with the strategy of rapid growth that the bank has been pursuing since 2019 and to further strengthen its positioning for the future. In line with DZ BANK's 'Verbund First 4.0' strategic program, the project's key aims include even closer collaboration with the DZ BANK Group and the Cooperative Financial Network, plus a greater focus on customers in Germany. In 2023, a provision for restructuring of €18 million was recognized in view of the reorganization of the legal structure as part of the planned relocation of the registered office of DZ PRIVATBANK S. A.

Profit before taxes climbed to €83 million (2022: €52 million).

The **cost/income ratio** in 2023 was 77.7 percent (2022: 83.7 percent).

Regulatory RORAC was 25.3 percent (2022: 14.1 percent).

3.2.8 VR Smart Finanz

Net interest income at VR Smart Finanz amounted to €123 million (2022: €116 million). The increase in net interest income was mainly due to a year-on-year rise of 3.0 percent in the lending and object finance portfolio volume to €3,007 million (December 31, 2022: €2,919 million) and higher net margins.

New lending and object finance business with customers in the small business, self-employed, and SME segments was encouraging in the reporting year, increasing by €182 million or 17.7 percent to €1,208 million (2022: €1,026 million). The volume of new 'VR Smart express' business came to €516 million (2022: €472 million). New business involving the 'VR Smart flexibel' business loan increased to €471 million (2022: €310 million). Other new leasing and object finance business held steady at €222 million (2022: €220 million).

Net fee and commission income, which amounted to a net expense of €29 million, was unchanged year on year.

Loss allowances in 2023 amounted to a net addition of €18 million (2022: net addition of €9 million). The growth of expenses was mainly due to the rise in defaults in respect of 'VR Smart flexibel' and 'VR Smart express'. The increase in new business also resulted in higher risk expenses.

Administrative expenses decreased to €73 million (2022: €76 million). Staff expenses came to €44 million (2022: €45 million). Other administrative expenses amounted to €29 million (2022: €32 million).

The **profit before taxes** of VR Smart Finanz amounted to €1 million (2022: €3 million).

The **cost/income ratio** in 2023 was 79.3 percent (2022: 86.4 percent).

Regulatory RORAC was 0.7 percent (2022: 1.8 percent).

3.2.9 DZ BANK – holding function

Net interest income contains the interest expense on subordinated capital and senior non-preferred paper purchased by group entities as well as issued subordinated capital and senior non-preferred paper. It also contains the net interest income/expense resulting from obtaining liquidity from the excess of non-interest-bearing assets (e.g. long-term equity investments) over non-interest-bearing liabilities.

Net interest income amounted to a net expense of €103 million in the reporting year (2022: net expense of €51 million).

The net interest expense on purchased and issued subordinated capital and senior non-preferred paper fell by €22 million to €69 million (2022: €47 million).

The net interest expense resulting from obtaining liquidity from the excess of non-interest-bearing assets over non-interest-bearing liabilities amounted to €34 million in the year under review (2022: €4 million). The deterioration was due to higher market interest rates in the short-dated segment.

Administrative expenses went up by €25 million year on year to €253 million (2022: €228 million).

The protection levies (in particular the bank levy and contributions to the BVR protection scheme) declined by €18 million to €49 million (2022: €67 million). IT and project expenses increased from €72 million in 2022 to €93 million in 2023. Expenses from the group management function rose by €17 million to €78 million (2022: €61 million). Other expenses for the benefit of the group and local cooperative banks went up by €4 million to €33 million (2022: €28 million).

3.2.10 Other/Consolidation

The consolidation-related adjustments shown under Other/Consolidation to reconcile operating segment profit/loss before taxes to consolidated profit/loss before taxes are attributable to the elimination of intragroup transactions and to the fact that investments in joint ventures and associates were accounted for using the equity method. Differences between the figures in internal management reporting and those reported in the consolidated financial statements that arise from the recognition of internal transactions in the DZ BANK – CICB operating segment are also eliminated.

The adjustments to net interest income were primarily the result of the elimination of intragroup dividend payments and profit distributions in connection with intragroup liabilities to dormant partners and were also attributable to the early redemption of issued bonds and commercial paper that had been acquired by entities in the DZ BANK Group other than the issuer. Internal transactions in the DZ BANK – CICB operating segment were also eliminated in net interest income and with offsetting entries under gains and losses on trading activities.

The figure under Other/Consolidation for net fee and commission income largely relates to the fee and commission business of TeamBank and the BSH subgroup with the R+V subgroup.

The remaining adjustments are mostly also attributable to the consolidation of income and expenses.

4 Net assets

As at December 31, 2023, the DZ BANK Group's **total assets** had increased by €16,224 million to €644,589 million (December 31, 2022: €628,365 million).

The **volume of business** amounted to €1,195,012 million (December 31, 2022: €1,132,269 million). This figure comprised the total assets, the assets under management at UMH as at December 31, 2023 amounting to €455,152 million (December 31, 2022: €413,115 million), the financial guarantee contracts and loan commitments amounting to €93,327 million (December 31, 2022: €88,618 million), and the volume of trust activities amounting to €1,944 million (December 31, 2022: €2,171 million).

Cash and cash equivalents went up by €8,113 million to €101,830 million (December 31, 2022: €93,717 million) as a result of the corresponding rise in balances with central banks. The increase was predominantly attributable to DZ BANK – CICB (liquidity management function).

Loans and advances to banks rose to €128,867 million (December 31, 2022: €123,444 million). Loans and advances to banks in Germany swelled to €122,502 million (December 31, 2022: €114,015 million), largely because of the increased volume of funding for the local cooperative banks, whereas loans and advances to foreign banks decreased to €6,364 million (December 31, 2022: €9,429 million).

Loans and advances to customers amounted to €204,776 million, which was higher than the figure of €203,646 million reported as at December 31, 2022. Loans and advances to customers in Germany grew to €178,389 million (December 31, 2022: €176,145 million), whereas loans and advances to foreign customers declined to €26,388 million (December 31, 2022: €27,501 million).

Financial assets held for trading amounted to €34,961 million (December 31, 2022: €48,909 million). Within this amount, derivatives (positive fair values) stood at €16,482 million (December 31, 2022: €21,474 million), bonds and other fixed-income securities at €8,334 million (December 31, 2022: €7,729 million), shares and other variable-yield securities at €1,329 million (December 31, 2022: €1,388 million), money market placements at €7,815 million (December 31, 2022: €17,058 million), and promissory notes and registered bonds at €1,000 million (December 31, 2022: €1,259 million).

Investments increased by €4,577 million to €47,970 million (December 31, 2022: €43,393 million). The main reasons for this change were an increase of €3,722 million in bonds and other fixed-income securities to €44,453 million (December 31, 2022: €40,731 million) and an increase of €918 million in shares and other variable-yield securities to €2,880 million (December 31, 2022: €1,962 million).

Investments held by insurance companies grew by €10,020 million to €115,568 million (December 31, 2022: €105,548 million). This was due to a €5,995 million rise in fixed-income securities to €53,647 million (December 31, 2022: €47,652 million), a €4,134 million rise in assets related to unit-linked contracts to €20,563 million (December 31, 2022: €16,429 million), a €1,048 million rise in mortgage loans to €12,008 million (December 31, 2022: €10,960 million), a €180 million rise in other loans to €1,014 million (December 31, 2022: €834 million), and a €101 million rise in registered bonds to €5,531 million (December 31, 2022: €5,430 million). The overall increase was partly offset by, in particular, a €1,152 million decrease in variable-yield securities to €11,871 million (December 31, 2022: €13,023 million), a €162 million decrease in investment property to €3,866 million (December 31, 2022: €4,028 million), and a €119 million decrease in derivatives (positive fair values) to €159 million (December 31, 2022: €278 million).

Deposits from banks as at December 31, 2023 amounted to €174,580 million, which was €12,207 million lower than the figure reported as at December 31, 2022 of €186,787 million. Deposits from domestic banks

went down by €13,345 million to €157,367 million (December 31, 2022: €170,712 million), whereas deposits from foreign banks rose by €1,139 million to €17,214 million (December 31, 2022: €16,075 million). As at December 31, 2023, the nominal value of the DZ BANK Group's participation in the ECB's TLTRO III program was €0.5 billion (December 31, 2022: €11.0 billion).

Deposits from customers grew by €212 million to €159,641 million (December 31, 2022: €159,429 million). Deposits from domestic customers grew by €6,609 million to €136,288 million (December 31, 2022: €129,679 million). By contrast, deposits from foreign customers shrank by €6,396 million to €23,354 million (December 31, 2022: €29,750 million).

At the end of the reporting year, the carrying amount of **debt certificates issued including bonds** was €103,768 million (December 31, 2022: €82,349 million), predominantly because of increased issues of mortgage Pfandbriefe and rises in capital market paper and commercial paper. Within the total figure, bonds issued came to €88,011 million (December 31, 2022: €68,271 million), while the portfolio of other debt certificates stood at €15,757 million (December 31, 2022: €14,077 million).

Financial liabilities held for trading went down by €4,803 million to €47,675 million (December 31, 2022: €52,478 million). Within this figure, derivatives (negative fair values) decreased by €9,510 million and short positions by €316 million. However, money market deposits went up by €4,202 million and bonds issued by €822 million.

Insurance contract liabilities increased by €6,823 million to €105,151 million (December 31, 2022: €98,328 million). This was predominantly due to the €6,293 million rise in the liability for remaining coverage to €93,033 million (December 31, 2022: €86,740 million).

As at December 31, 2023, **equity** had advanced by €3,444 million to €31,069 million (December 31, 2022: €27,625 million). The increase was mainly due to growth of €1,615 million in retained earnings to €15,977 million (December 31, 2022: €14,362 million) and to the €1,143 million rise in additional equity components to €3,293 million (December 31, 2022: €2,150 million) resulting from the issue of a tranche of additional Tier 1 notes by DZ BANK AG. The reserve from other comprehensive income amounted to minus €642 million (December 31, 2022: minus €1,171 million).

The **capital adequacy** of the DZ BANK financial conglomerate, the DZ BANK banking group, and the R+V Versicherung AG insurance group is described in the risk report within this group management report (chapter VII.7).

5 Financial position

Liquidity management for the entities in the DZ BANK Group is carried out by the Group Treasury division at DZ BANK and on a decentralized basis by the individual subsidiaries. The individual entities are provided with funding by DZ BANK (group funding) or the entities exchange cash among themselves via DZ BANK (group clearing). Liquidity is managed within DZ BANK centrally by the Group Treasury division in Frankfurt and by the associated treasury units in its international branches, although Frankfurt has primary responsibility.

In the context of liquidity management, the DZ BANK Group distinguishes between operational liquidity (liquidity in the maturity band of up to one year) and structural liquidity (liquidity in the maturity band of more than one year).

The DZ BANK Group has a diversified funding base for **operational liquidity**. A considerable portion is accounted for by money market activities resulting from the cash-pooling function with the local cooperative banks. This enables cooperative banks to invest available liquidity with DZ BANK or obtain liquidity from DZ BANK if they need it. This regularly results in a liquidity surplus, which provides one of the main bases for short-term funding in the unsecured money markets. Corporate customers and institutional clients are another important source of funding for covering operational liquidity requirements.

For funding purposes, the DZ BANK Group also issues money market products based on debt certificates under a standardized groupwide multi-issuer euro commercial paper program through its offices and branches in Frankfurt, New York, Hong Kong, London, and Luxembourg. In addition, a US CP head office program is used centrally by DZ BANK Frankfurt.

Key repo and securities lending activities, together with the collateral management process, are managed centrally in DZ BANK's Group Treasury division as a basis for secured money market financing activities. Funding on the interbank market is not strategically important to the DZ BANK Group.

The DZ BANK Group also has at its disposal liquid securities that form part of its counterbalancing capacity. These securities can be used as collateral in monetary policy funding transactions with central banks, or in connection with secured funding in private markets.

Structural liquidity activities are used to manage and satisfy the long-term funding requirements (more than one year) of DZ BANK and, in coordination with the group entities, those of the DZ BANK Group.

As at December 31, 2023, the nominal value of the DZ BANK Group's participation in the ECB's TLTRO III program was €0.5 billion (December 31, 2022: €11.0 billion).

Group Risk Controlling prepares an annual internal funding plan, which is based on the funding requirements calculated for the DZ BANK Group and DZ BANK for the next three years. The funding plan is calculated for a baseline scenario (matching the baseline scenario for strategic planning) and for at least one adverse scenario. The funding requirements are updated monthly and the adopted planning is backtested.

The risk report within this group management report includes disclosures on **liquidity adequacy** (chapter VII.6). The year-on-year changes in cash flows from operating activities, investing activities, and financing activities are shown in the **statement of cash flows** in the consolidated financial statements. Contractual cash inflows and cash outflows are set out in the **maturity analysis** in note 87 of the notes to the consolidated financial statements.