II Business report

1 Economic conditions

In terms of economic output, the German economy fared worse in 2024 than it had in 2023. The wave of inflation and the state of the job market impacted on consumer behavior. Energy costs were high by international comparison, which dampened the business outlook for companies, as did inconsistent economic policy and the growing burden created by increased bureaucracy. Germany's governing 'traffic-light' coalition collapsed in November.

The ebb and flow of economic output continued from quarter to quarter in 2024. The first quarter of 2024 saw an increase in gross domestic product (GDP) of 0.2 percent, but this was followed by a decrease of 0.1 percent in the second quarter. Among the factors acting as a brake on economic growth was expenditure on construction and capital equipment. Construction investment was held back by a rise in construction prices and high interest rates, despite the European Central Bank (ECB) starting to reduce interest rates again in the summer. The German economy also faced headwinds in foreign trade. Exports declined by 0.8 percent over the year as a whole, reflecting the lack of demand from abroad. The poor economic conditions meant that imports were subdued and increased by just 0.2 percent in 2024. However, consumer spending by private households and, in particular, the public sector provided support for the economy.

GDP declined by 0.2 percent in 2024 compared with the previous year. Economic output had contracted by 0.3 percent in 2023, so Germany's economy has been weak for two years in succession.

The economy of the eurozone continued to recover in 2024, although the pace of growth barely picked up. Overall, the eurozone's GDP went up by 0.9 percent year on year in 2024, having risen by 0.5 percent in 2023.

The US economy grew in 2024, with household consumption and capital expenditure picking up. These favorable conditions were thanks to increased consumer spending, waning inflation, and the central bank's interest-rate cuts from September 2024 onward. Government spending also continued to climb. GDP growth over 2024 as a whole amounted to 2.8 percent.

Chinese economic growth came in at exactly the stated target of 5.0 percent in 2024. However, the economy continued to be weighed down by the crisis in the real estate sector, which did not begin to show any signs of easing until the end of the year. This recovery is likely to have been mainly due to government support. Consumer spending remained extremely muted in the year under review. By contrast, healthy exports provided growth impetus. However, sales figures for exports were mainly propped up by price reductions that can only be offered because of high government subsidy levels.

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

As had been the case in 2023, geopolitical risks again fueled uncertainty in the capital markets during the reporting year. Nonetheless, the stock markets followed a positive trajectory over the course of 2024.

The STOXX Europe 600, a share index comprising 600 large listed European companies, stood at 507.62 points as at December 31, 2024, which was 28.6 points higher than at the end of the previous year (December 31, 2023: 479.02 points). The index had added 54.13 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 2024, the total borrowing of the 20 eurozone countries equated to 88.2 percent of their GDP.

Italy's public debt as a percentage of GDP stood at 136.3 percent in the third quarter of 2024, which is the highest in the eurozone after that of Greece.

Based on a policy of quantitative easing, the ECB has been supporting the markets for government bonds since the financial crisis in 2008, 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, however, the ECB was pursuing a more restrictive monetary policy.

The following key interest rates were relevant in the year under review. At its meeting on December 14, 2023, the ECB had decided to leave the deposit facility interest rate at 4.00 percent, the main refinancing operations rate at 4.50 percent, and the marginal lending facility rate at 4.75 percent. On June 6, 2024, the ECB Governing Council then decided to lower the ECB's three key rates by 25 basis points each. The deposit facility interest rate was therefore set at 3.75 percent, the main refinancing operations rate at 4.25 percent, and the marginal lending facility rate at 4.50 percent. On September 12, 2024, the ECB reduced the deposit rate by 25 basis points and the rates for main refinancing operations and the marginal lending facility by 60 basis points each. Then on October 17, 2024, the ECB Governing Council decided to lower the key rates for the third time in the year, cutting them by 25 basis points each. The ECB's monetary policy decision on December 12, 2024 saw each of the three rates reduced by a further 25 basis points. The deposit facility interest rate was therefore set at 3.00 percent, the main refinancing operations rate at 3.15 percent, and the marginal lending facility rate at 3.40 percent.

The federal funds rate of the US Federal Reserve (Fed) started the year in a range of 5.25 percent to 5.50 percent. In light of falling inflation in 2024, the Fed cut the rate by 0.50 percentage points in September 2024. This was followed by a further rate cut of 0.25 percentage points in November 2024. On December 18, 2024, the Fed set the range for the federal funds rate at 4.25 percent to 4.50 percent.

Germany's two largest banks both generated an overall net profit in 2024. Whereas one of them registered a considerable increase in net profit and a significant[1] rise in expenses for loss allowances for loans and advances compared with the previous year, the other one saw a sharp decrease in its net profit and, as with the other bank, a significant increase in expenses for loss allowances for loans and advances. Both banks recorded a small rise in administrative expenses in the reporting year.

1 In the presentation of financial performance in chapters II.2 and II.3 and of net assets in chapter II.4 in the business report and chapters V.2 and V.4 in the outlook of the 2023 group management report, 'significant' was used in the sense of a moderate or tangible change. In this report, 'significant' in the aforementioned chapters means a substantial or considerable change.

3 Financial performance

3.1 Financial performance at a glance

Against a backdrop of challenging market conditions fueled by geopolitical crises, the DZ BANK Group posted profit before taxes of €3,303 million in 2024 (2023: €3,189 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	2024	2023
Net interest income	4,670	4,333
Net fee and commission income	3,191	2,807
Gains and losses on trading activities	-842	-175
Gains and losses on investments	65	-72
Other gains and losses on valuation of financial instruments	229	298
Gains and losses from the derecognition of financial assets measured at amortized cost	40	11
Net income from insurance business	1,147	891
Loss allowances	-845	-362
Administrative expenses	-4,552	-4,597
Staff expenses	-2,201	-2,174
Other administrative expenses[1]	-2,351	-2,423
Other net operating income	200	56
Profit before taxes	3,303	3,189
Income taxes	-913	-955
Net profit	**2,390**	**2,234**

1 General and administrative expenses plus depreciation/amortization expense.

Operating income in the DZ BANK Group amounted to €8,700 million (2023: €8,149 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 €337 million year on year to €4,670 million (2023: €4,333 million).

Within this figure, interest income from lending and money market business rose to €12,861 million (2023: €11,423 million) and interest income from bonds and other fixed-income securities advanced to €1,356 million (2023: €916 million). There was a positive change in interest income from portfolio hedges of interest-rate risk (portfolios comprising financial assets), which increased to €1,502 million (2023: €1,405 million), and in interest expense for portfolio hedges of interest-rate risk (portfolios comprising financial liabilities), which declined to €322 million (2023: €421 million).

Interest expense on debt certificates issued including bonds increased to €2,834 million (2023: €1,754 million). This was mainly due to expansion of the portfolio of issued commercial paper. Interest expense for deposits from banks and customers rose to €7,872 million (2023: €7,180 million), partly for volume-related reasons.

Net fee and commission income grew by €384 million to €3,191 million (2023: €2,807 million). Net fee and commission income from securities business climbed to €2,609 million (2023: €2,308 million). This was primarily due to increases at UMH in the volume-related income contribution to €2,131 million (2023: €1,849 million) and in performance-related management fees to €42 million (2023: €4 million).

Furthermore, net fee and commission income from payments processing including card processing rose to €173 million (2023: €144 million), that from lending and trust activities to €126 million (2023: €99 million), and that from financial guarantee contracts and loan commitments to €103 million (2023: €84 million).

Gains and losses on trading activities amounted to a net loss of €842 million (2023: net loss of €175 million). This change was due to the 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 derivatives deteriorated to a net gain of €341 million (2023: net gain of €2,193 million). Conversely, gains and losses on non-derivative financial instruments and embedded derivatives improved to a net loss of €1,331 million (2023: net loss of €2,430 million). The net gain under gains and losses on exchange differences rose to €148 million (2023: net gain of €62 million).

Gains and losses on investments stood at a net gain of €65 million (2023: net loss of €72 million). Within this figure, gains and losses on the disposal of bonds and other fixed-income securities improved to a net gain of €16 million (2023: net loss of €36 million). Gains and losses on investments in associates amounted to a net gain of €32 million (2023: net loss of €5 million), which was largely due to gains realized on the sale of two direct equity investments at VR Equitypartner. Gains and losses on investments in joint ventures improved to €1 million (2023: net loss of €28 million) and gains and losses on the disposal of shares and other variable-yield securities to a net gain of €17 million (2023: net loss of €2 million).

Other gains and losses on valuation of financial instruments came to a net gain of €229 million (2023: net gain of €298 million). The deterioration is chiefly attributable to the year-on-year decline in the net gain from guarantee commitments of UMH.

Gains and losses on derivatives used for purposes other than trading declined to a net gain of €109 million (2023: net gain of €433 million). By contrast, gains and losses on financial instruments designated as at fair value through profit or loss that are not related to derivatives held for trading purposes improved to a net loss of €11 million (2023: net loss of €162 million), gains and losses from fair value hedge accounting improved to a net gain of €52 million (2023: net loss of €44 million), and gains and losses on financial assets mandatorily measured at fair value through profit or loss improved to a net gain of €80 million (2023: net gain of €71 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.

In 2024, net income from insurance business increased by €256 million to €1,147 million (2023: €891 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 to a net gain of €5,094 million (2023: net gain of €2,998 million) and the improvement in the insurance service result to a profit of €1,400 million (2023: profit of €1,183 million). By contrast, insurance finance income or expenses deteriorated to a net expense of €5,351 million (2023: net expense of €3,297 million), largely in relation to policyholders’ share of investment returns.

There was a net addition to **loss allowances** of €845 million (2023: net addition of €362 million).

The net addition to loss allowances for loans and advances to customers was €729 million (2023: net addition of €374 million). The net addition to other loss allowances for loans and advances (particularly loan commitments and financial guarantee contracts) came to €110 million (2023: net addition of €3 million). The net addition to loss allowances for loans and advances to banks was €4 million (2023: net reversal of €14 million).

Administrative expenses went down by €45 million to €4,552 million (2023: €4,597 million). Within this figure, staff expenses advanced to €2,201 million, compared with €2,174 million in 2023. This increase was predominantly due to pay rises and appointments to vacant positions. Other administrative expenses declined to €2,351 million (2023: €2,423 million), largely because there were no longer any contributions to the bank levy.

Other net operating income amounted to €200 million (2023: €56 million). Restructuring expenses decreased to €48 million (2023: €94 million). In 2023, these expenses had been dominated by additions to provisions for termination benefits linked with restructuring. Income and expense resulting from impairment losses recognized on other intangible assets, and reversals thereof, improved to a net expense of €7 million (2023: net expense of €53 million). The prior-year figure had largely been influenced by impairment of recognized customer relationships at UMH. By contrast, income from the reversal of provisions and accruals deteriorated to €151 million (2023: €175 million).

Profit before taxes for 2024 amounted to €3,303 million, compared with €3,189 million in 2023.

The **cost/income ratio** (i.e. the ratio of administrative expenses to operating income) for the reporting year came to 52.3 percent (2023: 56.4 percent).

The **regulatory return on risk-adjusted capital (RORAC)** was 16.8 percent (2023: 17.1 percent).

Income taxes amounted to €913 million in the reporting year (2023: €955 million).

The DZ BANK Group increased its **net profit** to €2,390 million in 2024, compared with a net profit of €2,234 million in 2023.

The following provides an explanation of the above information and the details below (chapter II.3.2) concerning the financial performance of the DZ BANK Group with reference to the corresponding presentation in the outlook for 2024 (chapter IV of the 2023 group management report).

In 2024, the DZ BANK Group generated profit before taxes that was significantly higher than the budgeted figure. Net interest income in the reporting year was considerably higher than expected, which was mainly attributable to an increase in customer business at DZ BANK – CICB, an increased volume of and improved margins in the DZ HYP portfolio, distributions from UMH's own-account investments, a higher average initial yield to maturity in the securities portfolio, and interest on deposits at DZ PRIVATBANK. A slight fall in net fee and commission income had been forecast in 2023, but it actually increased strongly in 2024, primarily due to higher volume-related income. Gains and losses on trading activities deteriorated markedly in the reporting year due to changes in market prices, whereas a significant improvement had been anticipated in 2023. Gains and losses on investments improved sharply in 2024, as had been forecast in 2023. Other gains and losses on valuation of financial instruments deteriorated markedly, returning to a normal level in the year under review, as had been expected in the prior year. Net income from insurance business rose substantially in the reporting year, in line with the budgeted figure. Net additions to loss allowances were considerably higher than had been budgeted for 2024 due to unexpected additions to the specific loan loss allowances. Administrative expenses were largely unchanged in 2024; the projection in the prior year had been for a slight increase. In 2023, other net operating income had been forecast to increase, returning to a normal level, but it actually rose sharply in 2024. The cost/income ratio for the DZ BANK Group in 2024 declined to 52.3 percent (2023: 56.4 percent), whereas a slight increase had been forecast in the prior year. Regulatory RORAC was 16.8 percent in the reporting year (2023: 17.1 percent). It had been predicted to fall sharply.

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 2024 compared with 2023.

3.2.1 BSH

Net interest income in the BSH subgroup decreased by €13 million to €537 million (2023: €550 million).

Interest expense in building society operations (including interest expense on hedges) went down by €72 million to €637 million (2023: €709 million). Within this figure, interest expense for home savings deposits amounted to €584 million (2023: €653 million). The amount for 2024 included additions to provisions relating to building society operations of €217 million (2023: €217 million) and a sum of €366 million (2023: €434 million) attributable to the interest rates applicable to current tariffs. The interest-rate swaps used to manage interest income and expense in the context of portfolio fair value hedge accounting in assets-side and liabilities-side business reduced net interest income by a total of €45 million (2023: €47 million).

In the case of loans issued under advance or interim financing arrangements and other building loans, income amounted to €1,075 million (2023: €1,070 million). Income from home savings loans amounted to €137 million (2023: €98 million).

Interest income arising on investments fell by €58 million to €303 million (2023: €361 million). Interest expense for borrowing increased by €82 million to €172 million (2023: €90 million, which had 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 €184 million (2023: €199 million). Of this sum, €77 million was attributable to home savings deposits (2023: €94 million) and €107 million to building loans (2023: €105 million).

Net fee and commission income amounted to a net expense of €14 million (2023: net expense of €13 million). 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 2024, BSH entered into approximately 426 thousand (2023: 459 thousand) new home savings contracts with a volume of €28.1 billion (2023: €31.0 billion) in Germany.

In the home finance business, the realized volume of new business came to €9.0 billion (2023: €9.2 billion) in Germany.

Loss allowances amounted to a net addition of €24 million (2023: net addition of €18 million).

Administrative expenses went down by €45 million to €491 million (2023: €536 million). Of the total decrease, €37 million overall was attributable to the sale of the subsidiary Fundamenta-Lakáskassza Lakástakarékpénztár Zrt. (FLK) at the end of the first quarter of 2024. At €253 million, staff expenses in the BSH subgroup were €30 million lower than the prior-year level of €283 million. The decrease was primarily due to the effect of €20 million on the amount of the defined benefit obligations resulting from the capitalization option granted to employees, and to the effect of €16 million from the aforementioned sale of FLK. Salary increases of €6 million had the opposite effect on this line item.

Other administrative expenses declined by €15 million to €238 million (2023: €253 million), largely owing to the effect of €21 million from the sale of FLK, the absence of the bank levy, and a reduction in expenses for property costs and occupancy costs. By contrast, IT costs went up by €10 million.

Other net operating income increased by €22 million to €60 million (2023: €38 million). The change was mainly attributable to the reversal of provisions outside the lending business.

Profit before taxes improved by €44 million to €64 million (2023: €20 million) because of the changes described above.

The **cost/income ratio** in 2024 was 84.8 percent (2023: 93.4 percent).

Regulatory RORAC was 5.1 percent (2023: 1.6 percent).

3.2.2 R+V

The **insurance service result** amounted to a profit of €1,371 million (2023: profit of €1,162 million). This figure included insurance revenue amounting to €12,165 million (2023: €11,578 million) and insurance service expenses of €10,577 million (2023: €10,339 million). Net expenses from reinsurance contracts held stood at €217 million (2023: €78 million).

In the life and health insurance business, insurance revenue amounted to €2,529 million (2023: €2,296 million). The premiums received amounted to €9,134 million (2023: €8,530 million). Besides the premiums, insurance revenue from insurance contracts issued included income of €308 million (2023: €273 million) from the amortization of the contractual service margin. The contractual service margin increased to €5,823 million in 2024 (2023: €5,143 million). This was due to the updating of the contractual service margin and, in particular, to the level of new business in unit-linked life insurance and in private supplementary health insurance calculated on a basis similar to that for non-life insurance. The release of the risk adjustment gave rise to income of €74 million (2023: €53 million). The amortization of insurance acquisition cash flows of €411 million (2023: €377 million) was matched by insurance service expenses in the same amount. Insurance service expenses amounted to €1,893 million (2023: €2,028 million). Of this sum, €1,498 million (2023: €1,686 million) was attributable to incurred claims and changes in fulfillment cash flows relating to the liability for incurred claims and €411 million (2023: €377 million) to the amortization of insurance acquisition cash flows reported under insurance revenue from insurance contracts issued. The change in onerous business came to an expense of €16 million in 2024 (2023: €35 million). The loss component for the portfolio of conventional life insurance fell from €21 million to €16 million in the German insurance business and from €53 million to €44 million in the Italian insurance business. Net expenses from reinsurance contracts held in this business stood at €5 million (2023: €0 million).

In the non-life insurance business, insurance revenue amounted to €7,598 million (2023: €7,246 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 €7,056 million (2023: €6,887 million). Of this sum, €5,254 million (2023: €5,104 million) was attributable to expenses for claims, comprising payments for claims of €5,215 million (2023: €4,980 million) and the change in the liability for incurred claims amounting to a decrease of €40 million (2023: decrease of €124 million). It also included the change in losses on insurance contracts, which amounted to a decrease of €40 million (2023: decrease of €119 million). Other insurance service expenses included insurance acquisition cash flows and administration costs and totaled €1,762 million (2023: €1,664 million). Net expenses from reinsurance contracts held in this business came to €158 million (2023: €63 million). The combined ratio (gross), which is the ratio of insurance service expenses to insurance revenue, stood at 92.86 percent (2023: 95.04 percent). The combined ratio was better in 2024 than it had been in 2023, when it had been heavily influenced by inflation. Incurred claims from natural disasters came to a total of €217 million in 2024 (2023: €234 million).

Insurance revenue in the inward reinsurance business amounted to €2,038 million (2023: €2,036 million). This included not only premium income but also amortization of the contractual service margin in an amount of €271 million (2023: €231 million) under the general measurement model. Insurance service expenses came to €1,628 million (2023: €1,424 million). Net expenses from reinsurance contracts totaled €54 million (2024: €15 million). The combined ratio increased in 2024 following a very good prior year. Major incurred claims from natural disasters remained on a par with the prior year at €266 million in total in 2024 (2023: €279 million).

Gains and losses on investments held by insurance companies and other insurance company gains and losses improved by €2,074 million to a net gain of €5,210 million (2023: net gain of €3,136 million).

Long-term interest rates were lower than in 2023. The ten-year Bund/swap rate was 2.36 percent as at December 31, 2024 (December 31, 2023: 2.49 percent). Spreads on interest-bearing securities largely narrowed during the reporting year and had a similarly positive overall impact on gains and losses on investments held by insurance companies and other insurance company gains and losses as in the previous year, when spreads had narrowed. A weighted spread calculated in accordance with R+V's portfolio structure stood at 65.2 points as at December 31, 2024 (December 31, 2023: 77.0 points). In the comparative period, this spread had fallen from 89.8 points as at December 31, 2022 to 77.0 points as at December 31, 2023.

During the reporting year, equity markets relevant to R+V performed well. For example, the EURO STOXX 50, a share index comprising 50 large, listed companies in the eurozone, saw a rise of 374 points from the start of 2024, closing the year under review on 4,896 points (December 31, 2023: 4,522 points). The index had added 728 points in 2023.

In the reporting year, movements in exchange rates between the euro and various currencies were generally favorable. For example, the US dollar/euro exchange rate on December 31, 2024 was 0.9657 compared with 0.9053 as at December 31, 2023. In the previous year, the exchange rate had moved from 0.9370 as at December 31, 2022 to 0.9053 as at December 31, 2023.

These trends resulted in a €1,010 million positive change – resulting from the effects of changes in positive fair values – in unrealized gains and losses to a net gain of €2,925 million (2023: net gain of €1,915 million), a €937 million improvement in foreign exchange gains and losses to a net gain of €654 million (2023: net loss of €282 million), a €507 million rise in net income under current income and expense to €2,930 million (2023: €2,423 million), and a €111 million improvement in the balance of depreciation, amortization, impairment losses, and reversals of impairment losses to a net expense of €124 million (2023: net expense of €234 million). However, the contribution to earnings from the derecognition of investments deteriorated by €277 million to a loss of €532 million (2023: loss of €255 million. Furthermore, other non-insurance gains and losses declined by €214 million to a net loss of €643 million (2023: net loss of €429 million). The decline in other non-insurance gains and losses related, firstly, to effects from a change in the scope of consolidation resulting from the liquidation of special funds (net loss of €128 million), which was more than offset, however, by countervailing effects in other items of gains and losses on investments held by insurance companies. Secondly, there were higher foreign exchange losses of €107 million that are not attributable to financial instruments and are therefore not reported under foreign exchange gains and losses on investments held by insurance companies.

The positive trend in gains and losses on investments held by insurance companies was offset to an extent by the deterioration in insurance finance income or expenses.

Insurance finance income or expenses deteriorated by €2,054 million to a net expense of €5,351 million (2023: net expense of €3,297 million). In the life and health insurance business, this line item deteriorated to a net expense of €4,945 million (2023: net expense of €2,995 million), which was mainly due to the aforementioned compensatory effect. Insurance finance income or expenses came to a net expense of €256 million in the non-life insurance business (2023: net expense of €187 million) and a net expense of €149 million in inward reinsurance (2023: net expense of €115 million). The amount within insurance finance income or expenses relating to discounting at the discount rate used at initial measurement (locked-in discount rate) was a net expense of €191 million in non-life insurance (2023: net expense of €125 million) and a net expense of €149 million in inward reinsurance (2023: net expense of €115 million).

The factors described above resulted in an increase in **profit before taxes** to €1,240 million (2023: €1,008 million).

Regulatory RORAC was 13.0 percent (2023: 11.3 percent).

3.2.3 TeamBank

Net interest income amounted to €534 million and thus improved by €4 million year on year (2023: €530 million). Average loans and advances to customers increased in the reporting year to stand at €9,811 million (2023: €9,675 million).

As at December 31, 2024, loans and advances to customers stood at €9,854 million (December 31, 2023: €9,768 million). The number of customers rose to 1,071 thousand (December 31, 2023: 1,039 thousand). As at December 31, 2024, TeamBank was working with 623 (December 31, 2023: 640) of Germany's 662 (December 31, 2023: 690) cooperative banks and with 166 (December 31, 2023: 152) partner banks in Austria.

Net fee and commission income improved by €2 million to a net expense of €37 million (2023: net expense of €39 million), mainly owing to lower expenses for bonuses paid to partner banks.

The net addition to **loss allowances** amounted to €205 million (2023: net addition of €133 million). Rating downgrades in the portfolios due to customers' poorer payment history, as well as a further deterioration in macroeconomic factors, led to the year-on-year rise in loss allowances.

Administrative expenses amounted to €283 million (2023: €285 million). Within this figure, staff expenses totaled €106 million (2023: €106 million) and other administrative expenses came to €177 million (2023: €179 million).

Profit before taxes stood at €23 million and was thus down by €58 million compared with the prior-year figure of €81 million amid challenging market conditions and a difficult risk situation.

TeamBank's **cost/income ratio** in 2024 was 55.5 percent (2023: 57.1 percent).

Regulatory RORAC was 4.4 percent (2023: 16.3 percent).

3.2.4 UMH

Net interest income swelled to €101 million (2023: €71 million), predominantly due to distributions from own-account investments of €65 million (2023: €43 million).

Net fee and commission income improved by €291 million to €2,309 million (2023: €2,018 million). This total included the volume-related income contribution of €2,131 million (2023: €1,849 million), performance-related management fees of €42 million (2023: €4 million), and income of €55 million from transaction fees for properties in Union Investment's real estate funds (2023: €52 million). Expenses for the performance bonus for sales partners increased to €90 million (2023: €57 million).

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

The average assets under management totaled €484.8 billion (2023: €431.1 billion).

Union Investment generated net inflows from its retail business of €12.6 billion (2023: €12.2 billion) in collaboration with the local cooperative banks.

The number of traditional fund-linked savings plans, which are used by retail customers as investments aimed at long-term capital accumulation, stood at 3.9 million contracts as at December 31, 2024 (December 31, 2023: 3.7 million), with an increase in the 12-month savings volume to €7.0 billion (December 31, 2023: €6.4 billion).

The total assets in the portfolio of Riester pension products amounted to €32.0 billion (December 31, 2023: €26.6 billion).

In its institutional business, Union Investment recorded net inflows of €4.7 billion (2023: €4.6 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 €146.6 billion (December 31, 2023: €128.7 billion). As at December 31, 2024, this figure included €127.1 billion in assets defined as sustainable by Union Investment based on its own criteria (December 31, 2023: €90.6 billion).

Gains and losses on investments improved to a net gain of €14 million (2023: net loss of €31 million). The net gain on valuation of an equity-accounted joint venture came to €1 million (2023: net loss of €28 million) and the net gain realized on the disposal of investment fund units from own-account investments of Union Investment came to €13 million (2023: net loss of €2 million).

The net gain under **other gains and losses on valuation of financial instruments** declined to €85 million (2023: €197 million), which was largely attributable to the net gain of €37 million on the valuation of guarantee commitments (2023: net gain of €143 million), with a net gain of €48 million arising on the valuation of Union Investment's own-account investments (2023: net gain of €54 million).

Administrative expenses went up by €32 million to €1,263 million (2023: €1,231 million). Staff expenses increased by €5 million to €600 million (2023: €595 million) owing to higher average pay and appointments to new and vacant posts. Other administrative expenses climbed by €27 million to €663 million (2023: €636 million), mainly because of higher expenses incurred in connection with IT, consultancy, public relations, and marketing.

Other net operating income amounted to a net loss of €6 million (2023: net loss of €50 million). This improvement was mainly because other net operating income in the prior year had included impairment losses on recognized customer relationships.

Based on the changes described above, **profit before taxes** increased by €267 million to €1,241 million (2023: €974 million).

The **cost/income ratio** in 2024 was 50.5 percent (2023: 55.8 percent).

Regulatory RORAC was greater than 100.0 percent (2023: 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 €69 million to €1,552 million (2023: €1,483 million).

In the Corporate Banking business line, net interest income rose by €37 million to €593 million (2023: €556 million). The net interest income in the four regional corporate customer divisions plus Central Corporate Banking increased to €341 million (2023: €320 million). The rise in net interest income was attributable to the higher lending volume.

Net interest income in the Structured Finance division amounted to €182 million, an increase of €15 million compared with the prior-year figure of €167 million. This increase was largely due to successful business activities with German and foreign customers in conjunction with an increased volume of lending.

In the Investment Promotion division, net interest income advanced by €1 million to €70 million (2023: €69 million). The year-on-year rise was due mainly to a slightly higher average loan portfolio.

Net interest income from money market and capital markets business increased by €29 million to €887 million (2023: €858 million). This increase was firstly attributable to the deposit-taking operating business in the short-dated maturity segment. Secondly, the rise in interest rates in the money market led to increased net interest income from the investment of liquidity from the excess of non-interest-bearing liabilities (e.g. equity) over non-interest-bearing assets.

Other net interest income from loan administration fees rose by €4 million to €29 million (2023: €25 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, was on a par with the prior year at €43 million (2023: €44 million).

Net fee and commission income went up by €88 million to €632 million (2023: €544 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, and safe custody).

In the Corporate Banking business line, net fee and commission income was €23 million higher than in the previous year at €222 million (2023: €199 million). One of the main reasons for this was the increase of €23 million in fees and commissions in connection with loan processing.

In the Capital Markets business line, the contribution to net fee and commission income rose by €36 million to €250 million (2023: €214 million). The main factors in this increase were the rise in transaction fees of €19 million from the securitization business and of €19 million from the securities business.

Net fee and commission income in the Transaction Banking business line rose by €28 million to €204 million (2023: €176 million). This was mainly due to lower expenses paid under the service procurement agreement with equensWorldline SE as a result of the insourcing of payments processing at DZ BANK in the course of 2024.

As part of service procurement arrangements, DZ BANK has outsourced 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 €181 million (2023: €217 million) and were reported under the net fee and commission income of the Transaction Banking business line.

Gains and losses on trading activities amounted to a net gain of €7 million (2023: net gain of €674 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 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 €495 million, compared with €595 million in 2023. The decline stemmed from fixed-income trading and interest-rate trading.

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 2024, these effects led to a deterioration of €567 million in gains and losses on trading activities. A partly corresponding positive impact was recognized in other gains and losses on valuation of financial instruments in the period under review.

Gains and losses on investments improved by €54 million to a net gain of €12 million (2023: net loss of €42 million). The net gain in the reporting year resulted from income of €25 million (2023: €170 million) 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, combined with losses of €12 million (2023: €211 million) arising from the sale of securities in the category 'financial assets measured at fair value through other comprehensive income' (fair value OCI). Securities in the category 'fair value through profit or loss' generated a net gain of €2 million (2023: €5 million), which was virtually outweighed by valuation losses of €3 million on shares in fully consolidated subsidiaries.

Other gains and losses on valuation of financial instruments improved to a net gain of €134 million (2023: net loss of €93 million). Within this figure, credit-risk-related measurement effects relating to financial assets measured using the fair value option improved by €122 million to a net gain of €66 million (2023: net loss of €56 million) and there was a net gain from ineffectiveness in hedge accounting of €52 million, which represented an improvement of €93 million compared with the net loss of €41 million recorded in the prior year. Gains and losses on valuation of financial instruments measured at fair value through profit or loss improved by €13 million to a net gain of €16 million (2023: net gain of €3 million).

Gains and losses from the derecognition of financial assets measured at amortized cost improved by €78 million year on year to a net gain of €43 million (2023: net loss of €35 million).

Loss allowances amounted to a net addition of €457 million (2023: net addition of €82 million). Of this total, net reversals of €8 million (2023: net reversals of €55 million) related to loss allowances in stage 1, net additions of €73 million (2023: net additions of €62 million) related to loss allowances in stage 2, and net additions of €392 million (2023: net additions of €75 million) related to loss allowances in stage 3. The net additions in stage 3 comprised net additions in the lending business and in respect of investments of €439 million. This item also contained the net loss of €28 million on purchased or originated credit-impaired assets (POCI assets) and other income from loss allowances of €75 million.

The net additions of €65 million in stages 1 and 2 in 2024 were attributable, in particular, to parameter adjustments in the context of the calculation of parameter-based loss allowances, macroeconomic changes, and changes in the portfolio. 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 down by €3 million to €1,452 million (2023: €1,455 million).

Staff expenses went up by €31 million to €707 million (2023: €676 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 dropped by €34 million to €745 million (2023: €779 million). The decrease arose mainly because there were no longer any expenses for the restructuring fund for banks (bank levy).

Other net operating income decreased by €44 million to a net expense of €3 million (2023: net income of €41 million). This item included income from the reversal of provisions and accruals of €39 million (2023: income of €112 million) and expenses of €17 million (2023: expenses of €49 million) for restructuring provisions.

Profit before taxes amounted to €468 million in the reporting year, which was €567 million lower than the figure of €1,035 million reported for 2023.

The **cost/income ratio** in 2024 was 61.1 percent (2023: 56.6 percent).

Regulatory RORAC was 8.2 percent (2023: 18.9 percent).

3.2.6 DZ HYP

At €795 million, the **net interest income** of DZ HYP was up by €74 million year on year (2023: €721 million). One of the drivers of net interest income was the higher volume of real estate loans, which advanced by €646 million to €57,548 million as at December 31, 2024 (December 31, 2023: €56,902 million). The related margins improved year on year. The derivatives used to manage interest income and expense in the context of hedge accounting also had an effect on net interest income.

The volume of new business (including public-sector finance) stood at €9,498 million (2023: €8,627 million). In the corporate customer business, the volume of new business came to €7,221 million (2023: €7,439 million). In the retail customer business, the volume of new commitments amounted to €1,509 million (2023: €753 million). In the public-sector business, DZ HYP generated a new business volume of €768 million (2023: €435 million).

The volume of new lending jointly generated with the local cooperative banks in the corporate customer business amounted to €2,726 million in 2024 (2023: €2,552 million).

Net fee and commission income stood at €6 million (2023: €9 million).

Other gains and losses on valuation of financial instruments declined by €95 million to a net loss of €8 million (2023: net gain of €87 million). This was largely attributable to the net loss of €78 million on the valuation of financial instruments measured at fair value (2023: net gain of €5 million) and liquidity-spread-related valuation effects on own issues of €68 million (2023: €77 million). Moreover, the movement of credit spreads on bonds from eurozone periphery countries resulted in a contribution to earnings of €4 million (2023: €8 million).

Loss allowances amounted to a net addition of €90 million (2023: net addition of €111 million). In 2024, additions in stage 3 in connection with specific material exposures were lower than in the prior year.

Administrative expenses decreased to €246 million (2023: €247 million). Staff expenses increased to €117 million (2023: €111 million), mainly as a result of headcount growth and higher provisions for pensions and other post-employment benefits. Other administrative expenses declined to €128 million (2023: €136 million), largely because there were no longer any expenses for the bank levy. The rise in costs for IT, auditing, and consultancy had a countervailing effect on this item.

Profit before taxes in 2024 advanced to €479 million (2023: €476 million).

The **cost/income ratio** was 30.1 percent (2023: 29.6 percent).

Regulatory RORAC was 34.9 percent (2023: 35.2 percent).

3.2.7 DZ PRIVATBANK

The **net interest income** of DZ PRIVATBANK rose by €29 million to €176 million (2023: €147 million), primarily thanks to the higher average initial yield to maturity in the securities portfolio and an increase in interest income in connection with deposit-taking business in the fund services business and private banking.

Net fee and commission income went up by €15 million to €235 million (2023: €220 million). Contributions to earnings in the fund services business and private banking are the main drivers of net fee and commission income.

The value of funds under management amounted to €161.8 billion as at December 31, 2024 (December 31, 2023: €188.7 billion). The number of fund-related mandates was 572 (December 31, 2023: 582).

As at December 31, 2024, 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 €26.1 billion (December 31, 2023: €23.4 billion).

Other gains and losses on valuation of financial instruments deteriorated by €41 million to a net loss of €24 million (2023: net gain of €17 million), predominantly due to liquidity-spread-related negative valuation effects on own issues measured using the fair value option.

The net addition to **loss allowances** went up by €16 million to €17 million (2023: net addition of €1 million) due to the exposures subject to sanctions (the settlement of securities and dividend payments in Russian rubles in connection with depository services) being transferred to stage 3 (default), along with full risk provisioning. The corresponding liabilities were also remeasured, which meant there was largely no impact on profit or loss (see also the information on other net operating income).

Administrative expenses amounted to €295 million (2023: €293 million). At €175 million, staff expenses were higher than the prior-year figure of €166 million, partly due to the increase in the number of employees in connection with the expansion of business. Other administrative expenses declined to €119 million (2023: €126 million), mainly because there were no longer any contributions to the bank levy.

Other net operating income improved to net income of €16 million (2023: net loss of €16 million), chiefly as a result of the remeasurement of investment fund liabilities that are related to exposures in Russian rubles subject to sanctions. In 2023, other net operating income had been adversely affected by expenses of €18 million from the recognition of a provision for restructuring.

Because of the changes described above, **profit before taxes** increased by €29 million to €112 million (2023: €83 million).

The **cost/income ratio** was 69.7 percent (2023: 77.7 percent).

Regulatory RORAC was 32.0 percent (2023: 25.3 percent).

3.2.8 VR Smart Finanz

Net interest income at VR Smart Finanz amounted to €141 million (2023: €123 million). The increase in net interest income was due to higher net margins and, in particular, a year-on-year rise of 3.2 percent in the lending and object finance portfolio volume – primarily in connection with the 'VR Smart flexibel' and 'VR Smart express' focus products – to a total of €3,102 million (December 31, 2023: €3,007 million).

New lending and object finance business with customers in the small business, self-employed, and SME segments was encouraging in 2024, increasing by 2.6 percent year on year to €1,238 million. This trend was mainly driven by higher demand for liquidity from customers in the small business, self-employed, and SME segments, which meant that new business involving the 'VR Smart flexibel' business loan swelled to €630 million (2023: €471 million). By contrast, companies showed little willingness to invest in 2024. Consequently, the volume of new business involving 'VR Smart express', the automated hire purchase solution for assets with a value of up to €250 thousand, declined to €457 million (2023: €516 million). Other new leasing and hire purchase business decreased to €152 million (2023: €222 million).

Net fee and commission income deteriorated by €6 million to a net expense of €35 million (2023: net expense of €29 million), largely because of the increase in the fees and commissions paid to the local cooperative banks.

Loss allowances in 2024 amounted to a net addition of €52 million (2023: net addition of €18 million). The growth of expenses was mainly due to increased credit risk as a result of the ongoing weakness of the economy.

Administrative expenses rose to €78 million (2023: €73 million), the main reason being inflation. Staff expenses came to €46 million (2023: €44 million). Other administrative expenses amounted to €32 million (2023: €29 million).

VR Smart Finanz incurred a **loss before taxes** of €23 million (2023: profit of €1 million).

The **cost/income ratio** in 2024 was 73.6 percent (2023: 79.3 percent).

Regulatory RORAC was minus 14.0 percent (2023: 0.7 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 on 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 €158 million in the reporting year (2023: net expense of €103 million).

The net interest expense on purchased and issued subordinated capital and senior non-preferred paper amounted to €71 million (2023: €69 million).

The net interest expense resulting from obtaining liquidity from the excess of non-interest-bearing assets over non-interest-bearing liabilities amounted to €87 million in the year under review (2023: €34 million). The deterioration was due to higher market interest rates in the short-dated segment.

Administrative expenses went down by €38 million year on year to €215 million (2023: €253 million).

The protection levies (in particular the bank levy and contributions to the BVR protection scheme) declined by €19 million to €30 million (2023: €49 million) as there were no longer any expenses for the restructuring fund for banks (bank levy). IT and project expenses decreased from €93 million in 2023 to €83 million in 2024. Expenses from the group management function fell by €8 million to €70 million (2023: €78 million). Other expenses for the benefit of the group and local cooperative banks were on a par with the prior year at €32 million (2023: €33 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 are 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, 2024, the DZ BANK Group's **total assets** had increased to €659,638 million (December 31, 2023: €644,589 million).

The **volume of business** amounted to €1,258,111 million (December 31, 2023: €1,195,012 million). This figure comprised the total assets, the assets under management at UMH as at December 31, 2024 amounting to €504,707 million (December 31, 2023: €455,152 million), the financial guarantee contracts and loan commitments amounting to €92,163 million (December 31, 2023: €93,327 million), and the volume of trust activities amounting to €1,603 million (December 31, 2023: €1,944 million).

Cash and cash equivalents declined to €81,790 million (December 31, 2023: €101,830 million). The decrease was predominantly attributable to DZ BANK – CICB (liquidity management function).

Loans and advances to banks rose to €143,532 million (December 31, 2023: €128,867 million). Loans and advances to banks in Germany swelled to €127,867 million (December 31, 2023: €122,502 million). This total comprised loans and advances to affiliated banks of €117,967 million (December 31, 2023: €117,984 million) and loans and advances to other banks of €9,900 million (December 31, 2023: €4,519 million). Loans and advances to foreign banks increased to €15,665 million (December 31, 2023: €6,364 million).

Loans and advances to customers amounted to €208,688 million, which was higher than the figure of €204,776 million reported as at December 31, 2023. Loans and advances to customers in Germany grew to €178,565 million (December 31, 2023: €178,389 million), while loans and advances to foreign customers rose to €30,123 million (December 31, 2023: €26,388 million).

Financial assets held for trading amounted to €30,441 million (December 31, 2023: €34,961 million). Within this amount, derivatives (positive fair values) stood at €16,231 million (December 31, 2023: €16,482 million), bonds and other fixed-income securities at €10,441 million (December 31, 2023: €8,334 million), shares and other variable-yield securities at €2,102 million (December 31, 2023: €1,329 million), money market placements at €680 million (December 31, 2023: €7,815 million), and promissory notes and registered bonds at €986 million (December 31, 2023: €1,000 million).

Investments rose to €62,049 million (December 31, 2023: €47,970 million). The main reasons for this change were an increase in bonds and other fixed-income securities to €58,076 million (December 31, 2023: €44,453 million) and an increase in shares and other variable-yield securities to €3,184 million (December 31, 2023: €2,880 million).

Investments held by insurance companies grew to €122,625 million (December 31, 2023: €115,568 million). This was due to a rise in assets related to unit-linked contracts to €24,859 million (December 31, 2023: €20,563 million), in fixed-income securities to €55,403 million (December 31, 2023: €53,647 million), in mortgage loans to €12.685 million (December 31, 2023: €12,008 million), and in variable-yield securities to €12,257 million (December 31, 2023: €11,871 million).

Deposits from banks rose to €187,526 million as at December 31, 2024 (December 31, 2023: €176,594 million) due, in particular, to increased money market deposits. Deposits from domestic banks advanced to €164,066 million (December 31, 2023: €158,901 million) and deposits from foreign banks increased to €23,459 million (December 31, 2023: €17,694 million).

Deposits from customers declined to €154,103 million (December 31, 2023: €157,627 million). Deposits from domestic customers shrank to €133,575 million (December 31, 2023: €134,754 million), while deposits from foreign customers fell to €20,528 million (December 31, 2023: €22,874 million).

At the end of the reporting year, the carrying amount of **debt certificates issued including bonds** was €109,810 million (December 31, 2023: €103,768 million), predominantly because of a rise in commercial paper and increased issues of mortgage Pfandbriefe. Within the total figure, the portfolio of bonds issued came to €88,139 million (December 31, 2023: €88,011 million), while the portfolio of other debt certificates issued stood at €21,672 million (December 31, 2023: €15,757 million). As was also the case as at December 31, 2023, all other debt certificates issued are commercial paper.

Financial liabilities held for trading declined to €42,234 million (December 31, 2023: €47,675 million). Within this figure, derivatives (negative fair values) decreased to €14,997 million (December 31, 2023: €17,131 million) and money market deposits to €3,754 million (December 31, 2023: €8,854 million). However, bonds issued grew to €20,961 million (December 31, 2023: €20,836 million) and short positions to €2,379 million (December 31, 2023: €701 million).

Insurance contract liabilities increased to €111,340 million (December 31, 2023: €105,151 million). This was predominantly due to the rise in the liability for remaining coverage to €98,482 million (December 31, 2023: €93,033 million).

As at December 31, 2024, **equity** had advanced to €32,578 million (December 31, 2023: €31,069 million). The increase was mainly due to growth in retained earnings to €17,673 million (December 31, 2023: €15,977 million). The reserve from other comprehensive income amounted to minus €902 million (December 31, 2023: minus €642 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 VI.7).

5 Financial position

DZ BANK distinguishes between **strategic and operational liquidity management**. Strategic liquidity management is carried out by the Asset/Liability Committee (ALCo), thereby creating the framework for operational liquidity management. The ALCo ensures that the financial targets of the DZ BANK Group are consistently achieved and that the central institution function within the Volksbanken Raiffeisenbanken Cooperative Financial Network is assured.

At DZ BANK, operational liquidity management is carried out centrally by the Group Treasury division in Frankfurt and by the associated treasury units in its international branches, although Frankfurt has primary responsibility. For the DZ BANK Group, operational liquidity management is carried out on a decentralized basis in 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).

In the context of liquidity management, the DZ BANK Group distinguishes between short-term 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 short-term 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 – within the approved limits – to invest available liquidity with DZ BANK or to 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.

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 VI.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. The contractual cash inflows and cash outflows are set out in the **maturity analysis** in note 86 of the notes to the consolidated financial statements.