

I DZ BANK Group fundamentals

1 Business model and strategic focus

The DZ BANK Group focuses its strategy on the local cooperative banks. In doing so, it pursues the objective of consolidating the positioning of the Cooperative Financial Network over the long term as one of the leading financial services providers in Germany. The DZ BANK Group supports the cooperative banks by providing extensive financial products and services in the Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking business lines. This partnership is built on the principles of subsidiarity, decentralization, and regional market responsibility.

Strategic initiatives and programs are developed and implemented at the following three levels in the DZ BANK Group: firstly, at the level of the Cooperative Financial Network, with the leading role taken by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e. V., Berlin, (BVR) [National Association of German Cooperative Banks]; secondly, at the level of the DZ BANK Group; and thirdly, at the level of the individual entities in the DZ BANK Group, which may draw up their own specific strategic programs. As regards overarching strategic projects and initiatives for the entire Cooperative Financial Network, the entities in the DZ BANK Group work in partnership with the cooperative banks, Atruvia AG, Frankfurt am Main, (Atruvia), and the BVR on the action areas in the strategic agenda and other strategically relevant topics, such as digitalization and sustainability. At DZ BANK Group level, the entities have jointly identified – and together will press ahead with – key areas of collaboration that offer the potential for reinforcing the future viability and profitability of all the members of the Cooperative Financial Network. In addition, each individual entity in the DZ BANK Group pursues a range of strategic initiatives, such as the ‘Verbund First 4.0’ strategic program at DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK), the ‘WIR @ R+V – Growth. Innovation. Profitability.’ program at R+V Versicherung AG, Wiesbaden, (R+V Versicherung; subgroup abbreviated to R+V), the ‘Fokus 2020’ program at DZ HYP AG, Hamburg and Münster, (DZ HYP), the ‘Horizont 2025’ program at Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall, (Bausparkasse Schwäbisch Hall; subgroup abbreviated to BSH), and the ‘FitForFuture’ program at Union Asset Management Holding AG, Frankfurt am Main, (Union Asset Management Holding; subgroup abbreviated to UMH).

In 2023, the sustainability targets were expanded across the group and specific climate targets and decarbonization pathways were defined for carbon-intensive sectors. Since 2023, the management and implementation of sustainability in the DZ BANK Group has been the responsibility of the Group Sustainability Committee (GSC) at the level of the Board of Managing Directors. The GSC reports regularly to the Group Coordination Committee, which is the highest-level management and coordination committee in the DZ BANK Group. Detailed information on sustainability management can be found in the DZ BANK Group’s Sustainability Report.

The digitalization of existing business models and processes was another key matter for the DZ BANK Group, as was participation in network-wide strategic initiatives. Unlocking potential for greater efficiency in the DZ BANK Group and in the individual entities is regarded as an ongoing task in this context.

1.1 DZ BANK – central institution and corporate bank

DZ BANK consists of DZ BANK – holding function and DZ BANK – central institution and corporate bank. DZ BANK – holding function, which is treated separately in the internal reporting structure, is used to pool a range of responsibilities, notably tasks carried out on behalf of the DZ BANK Group in relation to commercial law, tax, and prudential supervision. It does not constitute a separate operating segment within the meaning of IFRS 8.5 and is not analyzed separately in this chapter, ‘Business model and strategic focus’.

The strategic focus of DZ BANK, as described below, essentially relates to the activities of DZ BANK – central institution and corporate bank. DZ BANK – central institution and corporate bank comprises both the cooperative central institution function, which supports the operating activities of the local cooperative banks, and the corporate bank function.

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

At DZ BANK, the strategic initiatives designed to ensure the bank's resilience for the future are brought together in the 'Verbund First 4.0' strategic program. The program is aimed at improvements in three key areas: market offering, control and production processes, and corporate culture. It is divided into implementation packages, with additional packages due to be added in 2024. These include the 'Fit4Growth' initiative, in which DZ BANK will focus on optimizing and stepping up cross-divisional collaboration on key processes. The activities in the treasury/funding topic area will be expanded, and a new implementation package for activities relating to generative artificial intelligence will be created.

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

1.1.1 Cooperative Banks/Verbund

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

DZ BANK offers the cooperative banks consultancy and other services at every stage of strategic bank management and regulatory processes. In addition, DZ BANK assists the local cooperative banks with treasury and controlling aspects of bank management, such as planning and risk management, as well as with optimization for strategic bank management purposes and with own-account investing activities.

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

In the year under review, the regular strategy events held by Atruvia, the BVR, and DZ BANK in collaboration with the Cooperative Financial Network's regional banking associations were combined for the first time into a multi-company format entitled 'Strategie-Hub Regional 2023' with a series of four regional events. The objective is to facilitate dialogue on shared strategic topics in order to strengthen the Cooperative Financial Network's strategy and, for reasons of efficiency, to reduce the number of events covering similar subjects. Furthermore, network committees ensure that the cooperative banks are closely involved in DZ BANK's strategic considerations and initiatives. The aim of the DZ BANK Group's Central Advisory Council is to enable important strategic matters in the DZ BANK Group to be discussed in depth and to connect the various players and levels in the Cooperative Financial Network. DZ BANK also has five regional Banking Advisory Councils that carry out an advisory and multiplier function.

1.1.2 Corporate Banking

In the corporate banking market, DZ BANK supports the cooperative banks. This support concept is geared to the needs of corporate customers and to the individual market situation and is integrated with the activities of the Cooperative Financial Network. DZ BANK has twelve regional branches that look after both its direct customers and its customers in the joint business with the cooperative banks at a regional level. Customer relationship management for multinationals, the agricultural and healthcare sectors, and Cooperative Financial Network customers has been grouped together in the Central Corporate Banking division in Frankfurt am Main.

DZ BANK continually upgrades its existing corporate banking services and processes in Germany. The digital VR GeschäftsNavigator (VR business navigator) application, which is now used by 570 local cooperative banks, was expanded in 2023 to include a module for optimizing joint marketing activities aimed at large and medium-sized companies. A further focus was on updating the future digital workplace for corporate banking relationship managers, which included incorporating new functionality.

DZ BANK is developing new solutions for its corporate customers and their retail customers on the basis of the Europe-wide Request-to-Pay (RtP) system. RtP bridges the gap between billing and bill payment, enabling companies to reduce administrative effort and costs. The benefit of the solution for their retail customers is that they do not need to spend time entering data during the billing process. DZ BANK developed this solution in collaboration with cooperative enterprises, such as Atruvia, and market partners. The pilot project in the Cooperative Financial Network began in 2023 with the aim of being able to roll out the solutions for the cooperative banks' corporate and retail customers from mid-2024 onward.

In addition to digitalization, other areas of focus in 2023 were integrating sustainability into the customer dialogue and helping corporate customers with their transformation in the context of the decarbonization of industry. This is illustrated by the growth of funding for renewable energies. DZ BANK also added to its environmental, social, and corporate governance (ESG) goals, defining specific climate targets and decarbonization pathways in the following carbon-intensive sectors: energy, automotive, steel, cement, aviation, shipping, and real estate. The aim is to reduce the carbon intensity attributable to these sectors in DZ BANK's lending business and in its own-account investments, so as to reduce it to virtually zero by 2050 at the latest.

DZ BANK also aims to support the international business of the Cooperative Financial Network's corporate customers. It offers a range of solutions geared to Germany's internationally oriented economy, including foreign payments processing, import and export credit guarantees and financing, and currency hedging. It has four branches and six representative offices outside Germany. As DZ BANK is seeing increased demand for low-volume export finance for corporate customers of the Cooperative Financial Network, it uses the SmaTiX (Small Ticket Express) portal of AKA Ausfuhrkredit-Gesellschaft mbH to support these customers. In the interest of sustainable export finance, DZ BANK and other banks provided support for the White Paper on Sustainability in Export Finance produced by the International Chamber of Commerce (ICC). DZ BANK also contributed to the update of the White Paper, which the ICC published in February 2023. Not least in view of the recommendations in the White Paper, the Organisation for Economic Co-operation and Development (OECD) decided on extensive reforms to its rules on state-backed export finance in July 2023. The new rules have a particular emphasis on the funding of climate-friendly projects.

DZ BANK is the center of excellence for development lending business within the Cooperative Financial Network. It supports the cooperative banks in two ways. Firstly, its development lending experts help the cooperative banks to advise their end customers. And secondly, it is replacing existing sales and communication channels with digital processes and portal services. The focus of these activities is on stabilizing market share and harnessing potential for growth.

1.1.3 Retail Banking

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

The products provided include customer investment solutions for advisory customers and independent retail investors of all experience levels. The product range consists of DZ BANK's own interest-rate products, derivatives and, in particular, investment certificates relating to particular trends or topics and sustainability. In this context, investment certificates with a charitable income component are issued. This involves DZ BANK and the participating cooperative banks giving up a share of their margin, with the money going to selected organizations in the form of sponsorship. DZ BANK has also added savings plans based on funds, exchange-traded funds (ETFs), and equities to its product range, which also contains investment account price models that are geared to customer needs and cater to market trends. Among these models are traditional investment accounts that are also available online, meinDepot (my investment account) for young customers, and an investment account with a flat-rate fee. This is all designed to further DZ BANK's objective of establishing the brokerage solution in the customer business as a comprehensive depository for securities that can be used by a broad range of customers at the cooperative banks.

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

In accordance with its digitalization strategy, DZ BANK is developing platform solutions for advisors and customers of the cooperative banks and cooperation banks. DZ BANK's meinGIS platform provides advisors with access to the latest market information, such as securities prices, price charts, and corporate news. As well as visiting a branch, customers in the securities business can access their bank digitally so that they can quickly open an online investment account themselves and carry out trades online, for example. This brokerage solution is integrated into the VR Banking App, which provides users with a range of information and products, including market data, real-time prices, analysis tools, access to DZ BANK research, and product suggestions. Furthermore, retail customers can use the Meine Anlagezertifikate (my investment certificates) function to obtain detailed information on the investment products in their investment accounts at any time. In 2024, DZ BANK plans to introduce cryptocurrency trading for retail customers.

1.1.4 Capital Markets

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

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

DZ BANK is working on further expanding its sustainability expertise and ESG activities in its capital markets business with institutional customers. In this context, it plans to continue strengthening its sustainability profile, particularly in primary market business for bonds. The range of sustainable investment products on offer in the securities business with retail customers is also to be extended. DZ BANK supported green, social, sustainability, and sustainability-linked bonds with a total volume of €25.1 billion in 2023, making it one of the leading European syndicate banks in the market segment for sustainable bonds. In the same period, DZ BANK placed sustainable promissory notes with a total volume of €2.4 billion. It is thus one of the leading banks when it comes to providing support for sustainable euro-denominated promissory notes from Germany (market share of roughly 17.4 percent) and for euro-denominated benchmark green covered bonds (market share of over 8 percent) in 2023.

The digitalization of existing business models is also progressing in the capital markets business. For example, DZ BANK continued to develop its smart derivatives contracts as an open standard with an automated payment function. And in October, it went live with its own cryptodepository platform, providing a solution for institutional investors for the settlement and deposit of their current investments in cryptosecurities. The platform will also enable institutional investors to participate in the exploration phase of the European Central Bank (ECB) for the settlement of wholesale transactions in central bank money. DZ BANK has applied to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [German Federal Financial Supervisory Authority] – and the ECB's Joint Supervisory Team (JST) – to have its license extended so that it can expand its depository services to include native cryptoassets, such as Bitcoin and Ether, alongside the existing bond and fund services.

In cooperative network business, DZ BANK is updating its advisory and sales processes to take account of the changing requirements of the cooperative banks and in order to leverage potential efficiencies. The EGon own-account investing platform was also further developed in the reporting year, with the first stage of expansion implemented to transform it into an integrated process platform. EGon provides information, transaction functions, and simulations designed to help the cooperative banks with all of their own-account investing activities.

1.1.5 Transaction Banking

In the Transaction Banking business line, DZ BANK provides its customers with payments processing, card processing, customer-centric solutions, capital markets services, and securities services. It also offers a depository function for investment funds, plus advisory services. DZ BANK's objective in this context is to consolidate and continually improve the competitiveness of the entities within the Cooperative Financial Network with regard to transaction banking.

The focus of this business line is on ensuring that the Cooperative Financial Network is well equipped for the future requirements of transaction banking. In view of the continued strong growth of digital payment processes, DZ BANK has introduced dedicated platforms for providing customer solutions and enters into partnerships in this area. For example, DZ BANK is participating in the European Payments Initiative (EPI) aimed at establishing a European payment system that is based on a digital wallet solution and uses the instant payments infrastructure. The launch of the RtP pilot project at the end of 2023 makes the Cooperative Financial Network one of the first providers in Europe to enable its customers to pay bills digitally through their account (see also section 1.1.2 'Corporate Banking').

DZ BANK is also closely involved in the ECB's planning for a digital euro and is monitoring the associated impact on private-sector solutions and initiatives. It is participating in the development of a market solution for deposit money tokens that are issued by banks on a decentralized basis. This type of deposit money paves the way for the concept of a unified ledger, as described by the Bank for International Settlements (BIS) in its 2023 Annual Economic Report. This market infrastructure makes it possible to manage the flow of goods and services, as well as payments, on a shared programmable platform and to exchange goods for money within smart contracts. A proof of concept was initiated in conjunction with industrial companies in mid-2023.

Key milestones for the consolidation of payments processing as part of the ZV ON€ project were reached in 2023, including the migration of international payments processing, individual payments processing, and large-amount payments processing to a single platform. The migration in SEPA payments processing is due to take place in a number of stages in 2024, with completion scheduled for the autumn. This harmonization is part of the Cooperative Financial Network's strategy and should help to further consolidate the network's payments processing resources, functions, and services and, from DZ BANK's perspective, to create a structure for payments processing that is efficient and fit for the future.

DZ BANK is keeping step with the evolution of card processing by enhancing its portfolio of solutions. Key areas of investment in digitalization solutions for local banks in the reporting year were the online order process and the first self-service options. A project to enable cards to be issued in real time began in 2023. This involves a switch from issuing physical cards to generating virtual credit cards in online banking. This should be made available to the Cooperative Financial Network's end customers in the second half of 2024. Digital debit cards are available for e-commerce in the form of giro pay. And through the Digitale Regionen (digital regions) project, DZ BANK is establishing solutions that local banks can use to support their local authority customers' digital transformation.

DZ BANK is continuing to pursue its strategy of growth in the depository business. In 2023, it consolidated its market position by acquiring the depository business of Deutsche Apotheker- und Ärztebank eG (apoBank). DZ BANK is the third-largest depository bank in Germany, with assets under depository of €313 billion. It also continued to broaden its collaboration in this business with DZ PRIVATBANK S. A., Luxembourg, (DZ PRIVATBANK), and their joint activities were brought together in the Fondshafen (fund haven) campaign.

1.2 BSH

BSH is the consumer home finance provider in the DZ BANK Group and offers solutions that enable customers to obtain home finance, build up private retirement or other savings, or own their own home. The long-term objective is to secure BSH's role as the leading product and solutions provider in the homes and housebuilding cooperative ecosystem, working in close collaboration with the cooperative banks on a decentralized basis. BSH also supports its customers with finance solutions and platforms that help them to help themselves.

In its core home finance business, BSH primarily positions itself as a provider of traditional home savings loans, BSH's own instant finance options backed by home savings, building loans, and the brokering of cooperative bank real estate loans, while maintaining a focus on sustainability aspects. ESG key figures are used to measure the sustainability of the credit portfolio, and BSH defined new targets in 2023: SDG impact (proportion of real estate finance with a positive impact on the sustainable development goals (SDGs)), carbon footprint (carbon emissions partly financed by loans), and EU taxonomy ratio (proportion of real estate finance that contributes to achieving the objectives of the EU taxonomy).

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

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

BSH's position as the largest German building society and one of Germany's leading home finance providers means that it can make a direct contribution to sustainability through its core business, working in partnership with the cooperative banks. It aims to help its customers to take a climate-friendly approach in their homes

and in their building projects by offering them appropriate products and advice. To this end, BSH provided further skills training for its field sales team in 2023 and, so far, has trained more than 1,700 financial experts as certified modernization advisors.

The Cooperative Financial Network is continuing to develop its homes and housebuilding ecosystem. Impleco GmbH, whose wohnglück.de platform offers digital solutions for building, buying, selling, and modernizing homes, is closely linked to the Cooperative Financial Network. DZ BANK has drawn up the ZuschussGuide (subsidies guide), which is designed to make the complex process of finding and applying for development loans as simple as possible. It is complemented by the SanierungsGuide (renovation guide), which was made available online in 2023. Customers just need to provide a small amount of information to then receive an overview of energy-efficiency measures and their costs.

1.3 R+V

R+V is the cooperative center of excellence for insurance, healthcare cover, and retirement pensions in the Cooperative Financial Network. It offers insurance products for retail and corporate customers in its non-life insurance, life insurance and pensions, and health insurance business segments. R+V also provides reinsurance cover for non-life insurance.

The company's strategic objectives are to improve the customer experience, follow a long-term trajectory of stable and income-oriented growth, and maintain an appropriate level of profitability, underpinned by sustainable, sound business operations. R+V intends to become one of the leading sustainable insurance companies. Its insurance products are already generally geared toward economic sustainability because they offer customers either an opportunity for long-term capital formation in a pension plan or a form of financial protection against risk.

One of R+V's goals under its strategy is to support its customers as they transition to greater sustainability. This applies in all of its business segments. In this context, R+V is contributing to the switch to cleaner energy and transportation, for example by offering insurance solutions for electric and hybrid vehicles, photovoltaic systems, geothermal power, and geothermal systems. R+V also makes a valuable contribution to sustainability through its environmental liability and environmental impairment insurance products, insurance against natural hazards, and advice on risk prevention in these areas. In its life insurance business, it offers special investment strategies such as R+V Investmentkonzept Duo Invest, in which sustainability criteria are taken into account. Having signed the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI), R+V joined the Net-Zero Asset Owner Alliance in 2023. This is an alliance of major pension funds and insurance companies that have committed to adopting a climate-neutral investment policy. This underlines R+V's voluntary undertaking to invest on a fully climate-neutral basis by 2050.

R+V plans to continue expanding in growth areas such as healthcare and long-term nursing care, in which it is aiming to evolve from a health insurer into a health partner. This includes not only developing healthcare services but also extending its solutions for companies and their employees. R+V developed a new occupational healthcare concept for these companies in 2023.

R+V is broadening its capital expenditure program, particularly with regard to investment in digitalization, so that it can continue to meet customers' evolving needs going forward. By maintaining a firm focus on omnichannel sales, it intends to offer customers the optimum balance of personal and digital sales channels.

1.4 TeamBank

TeamBank AG Nürnberg, Nuremberg, (TeamBank) is the center of excellence in the Cooperative Financial Network for state-of-the-art liquidity management. In Germany, it offers its easyCredit family of consumer finance products. The recognition value of the easyCredit product brand was documented in 2023 when it

was registered as a brand name with the Deutsches Patent- und Markenamt (DPMA) [German Patent and Trade Mark Office] after a market survey found that it achieved the necessary level of recognition.

The product range also includes 'easyCredit-Ratenkauf', which is an installment purchase solution that can be used online, in-store, and in direct sales. According to TeamBank, the installment purchase solution makes it possible to reach new target groups for the Cooperative Financial Network by means of embedded finance. In Austria, TeamBank collaborates with the cooperative banks to offer 'der faire Credit', a consumer finance product.

TeamBank's strategic activities are focused on generating long-term profitable growth for the Cooperative Financial Network. It is striving to transition from a purely ad hoc lending business to a long-term liquidity partner. TeamBank works with the Deutschland im Plus foundation in order to prevent consumers from becoming over-indebted.

TeamBank also focuses on using technologies and laying the technical foundations for its pursuit of growth. Following the success of the completed pilot phase, the cooperative consumer finance platform GENOFLEX was gradually rolled out in the year under review. GENOFLEX is a consumer finance platform that participating cooperative banks can use – if a suitable easyCredit option is not available – to offer either an alternative option from other cooperative banks or a different product from financial institutions outside the cooperative banking sector. This should help the Cooperative Financial Network to generate growth.

1.5 UMH

UMH is the asset manager in the Cooperative Financial Network and offers solutions for retail and institutional clients. In both areas of business, it is aiming for further expansion of the volume of assets under management.

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

In the institutional client business, UMH is the central asset manager for the Cooperative Financial Network. It also provides asset management for German and international institutional clients outside the cooperative sector. It offers special funds, institutional mutual funds, asset management, advisory services, capital preservation strategies, and quantitative asset management strategies. Risk management lies at the core of all investment processes. UMH's objective in its institutional client business is to consolidate its positioning as an active risks/returns manager and sustainability manager. The volume of sustainably managed assets has risen steadily in recent years. In 2023, for example, UMH launched an infrastructure fund concentrated on investment in sustainability-oriented technologies of the future and a commodity fund that pursues a sustainability strategy. The latter fund focuses on commodities that are particularly relevant to the sustainable transformation of the economy and the switch to renewable energy.

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

1.6 DZ HYP

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

In its corporate customer business, DZ HYP has its own direct business and also acts as a partner to the cooperative banks. Customers in this business include investors, project developers, property developers, and companies in the housing sector. The focus is on real estate finance in the German market. German customers in selected international markets are supported too. DZ HYP launched the FK Digital project with the aim of further digitalizing its corporate customer business. This should create a modern, digital working environment within this business in order to raise efficiency and cater to the constantly growing requirements of all market players. The result will be a centralized lending workplace with a unified database, incorporating modern user interfaces that will cover all of the key tasks in the lending lifecycle.

DZ HYP also works closely with the local cooperative banks in its retail customer business, where the product portfolio includes initial and follow-up finance for new builds, purchases, and modernization/renovation. A major change in DZ HYP's collaboration with the local cooperative banks in the retail customer business is that they can now use the VR-BaufiComfort product to team up with DZ HYP on business on the Cooperative Financial Network's Genospace and Baufinex portals without entering into a framework agreement. DZ HYP takes over the process immediately after an application has been made. It checks and approves the loan applications and carries out all subsequent processes, including disbursing the loan. This should enable advisors in the cooperative banks to focus more on their customers. In 2024, VR-BaufiComfort is also to be made available on Atruvia's omnichannel platform.

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

DZ HYP's sustainability strategy provides guidance on defining key areas of action and suitable initiatives for sustainability management. As part of an annual update, the strategy is being adjusted in terms of the defined level of ambition in order to embed sustainability more firmly within the core business. In this context, DZ HYP placed further green mortgage Pfandbriefe in a benchmark transaction with a total issuance volume of €1 billion in January 2023, followed by an additional €500 million in August. These securities are issued in accordance with the German Pfandbrief Act (PfandBG), the Green Bond Principles of the International Capital Market Association (ICMA), and the minimum standards for green mortgage Pfandbriefe laid down by the Verband deutscher Pfandbriefbanken e. V. (vdp) [Association of German Pfandbrief Banks]. After issuing a green Pfandbrief for the first time in 2022, DZ HYP has since established itself as a permanent issuer of sustainability-oriented bonds. Business processes, together with the internal and external reporting systems, are to be progressively expanded and upgraded to include the various aspects of sustainability. For example, regular allocation and impact reporting has been introduced to provide information on the use of issue proceeds and on the impact that the green Pfandbriefe have had on the climate.

1.7 DZ PRIVATBANK

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

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

DZ PRIVATBANK has specified targeted areas for sales growth in its sectors of the market. These include financial portfolio management (asset management), for example for sustainability-oriented international client accounts and Switzerland-oriented client accounts. The latter give customers of DZ PRIVATBANK access to top-quality Swiss assets in all asset classes. The Switzerland-oriented investment solutions are now an integral part of the cooperative banks' digital customer transaction processes.

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

DZ PRIVATBANK has launched a strategic project, DZ PRIVATBANK 2030, in which it intends to lay the foundations for continued strong growth and to position the bank in such a way that will secure its long-term future.

1.8 VR Smart Finanz

VR Smart Finanz AG, Eschborn, (VR Smart Finanz) is the digital provider of finance for the self-employed and small businesses in the Cooperative Financial Network. It supports self-employed and small business customers as well as small enterprise customers of its partner banks with their day-to-day financial needs. Its portfolio ranges from finance solutions for leasing, hire purchase, and loans up to €1 million (individual asset value) to the Bonitätsmanager (credit status manager) and VR Smart Guide digital services. The latter is a tool that small enterprises can use for financial planning and bookkeeping. VR Smart Finanz updated its business strategy in 2023 by raising the financing limit for individual assets from €750,000 to €1 million in view of the significant increase in asset prices over the past few years.

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

As part of its strategy, VR Smart Finanz constantly strives to enhance its finance solutions, integrate them into the internal platforms used by the Cooperative Financial Network, and establish new decentralized sales channels and sales partners, such as digital financing platforms, for the Cooperative Financial Network. In July 2023, for example, VR Smart Finanz launched the fully automated hire purchase solution 'VR Smart express Eco' for the financing of investment in sustainability-oriented assets in the fields of electric vehicles and renewable power generation. It has thus expanded the range of products and solutions aimed at supporting the activities of its SME customers in the sustainability sphere.

2 Management of the DZ BANK Group

2.1 Management units

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

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

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

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

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

All risks at DZ BANK, and therefore arising in connection with the CICB segment and the holding function, are determined, reported, and managed for DZ BANK. The aim of this approach is to satisfy the regulatory requirements under Basel Pillar 1 and Pillar 2 whereby DZ BANK must be treated as one bank overall. This also meets the German Minimum Requirements for Risk Management for Banks and Financial Services Institutions (MaRisk BA). The operating segments presented in the risk report in this group management report (chapter VII.2.2) are consistent with the operating segments in the consolidated financial statements.

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

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

2.2 Governance

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

2.2.1 General management approach

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

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

2.2.2 Appointments to key posts in the subsidiaries

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

2.2.3 Corporate management committees

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

FIG. I.1 – MANAGEMENT COMMITTEES IN THE DZ BANK GROUP



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

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

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

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

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

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

The **Group IT Committee (GITC)**, comprising the members of the Boards of Managing Directors of the main group entities with responsibility for IT, supports the Group Coordination Committee in strategic IT matters. It is the highest-level IT management committee in the group and coordinates all overarching IT activities in the DZ BANK Group.

In particular, the Group IT Committee is responsible for the group IT strategy of the DZ BANK Group, makes decisions on collaboration issues between IT units, identifies and realizes synergies, specifies common IT standards, and initiates joint IT projects. The aim of the GITC is to develop a future-proof IT setup for the DZ BANK Group and to support the departments of the group entities and the local cooperative banks in their respective markets. The cooperative principle is practiced both within the DZ BANK Group and in the collaboration with the BVR and Atruvia.

From an operational perspective, the activities are coordinated by the Heads of IT group and implemented in the IT units in the DZ BANK Group.

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

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

- The **retail customers** product and sales committee coordinates products and services, and the marketing activities of its members where there are overarching interests affecting the whole of the group. The common objective is to generate profitable growth in market share for the cooperative banks and the entities in the DZ BANK Group with a focus on customer loyalty and customer acquisition by providing needs-based solutions (products and processes) as part of a holistic advisory approach across all sales channels (omnichannel approach).
- The **corporate customers** product and sales committee is responsible for coordinating the strategies, planning, projects, and sales activities in the DZ BANK Group's corporate banking business if overarching interests are involved. The objective is closer integration in both the joint lending business with the cooperative banks and the direct corporate customer business of the entities in the DZ BANK Group.
- The aim of the **institutional clients** product and sales committee is to help strengthen the position of the DZ BANK Group in the institutional clients market.

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

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

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

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

The **Group Sustainability Committee (GSC)** at the level of the Board of Managing Directors was created in 2023 and focuses on the management and implementation of sustainability in the DZ BANK Group. In addition to the GSC, there is a sustainability coordination committee made up of the sustainability officers in the management units. The sustainability coordination committee is an operational committee that is subordinate to the GSC and provides a platform for the sharing of information on the latest sustainability-related developments and activities across the group. Led by DZ BANK, the sustainability coordination committee identifies key issues relevant to the whole of the group, initiates joint projects, and prepares decisions to be made by the GSC.

2.3 Key performance indicators

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

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

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

– **IFRS volume figures:**

The main volume-related KPIs include equity and total assets. These are set out in chapter II.4 of the group management report, in the consolidated financial statements (balance sheet as at December 31, 2023), and in note 33 of the notes to the consolidated financial statements.

– **Productivity:**

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

– **Liquidity adequacy:**

Appropriate levels of liquidity reserves in relation to the risks associated with future payment obligations are demonstrated using the KPIs for economic and regulatory liquidity adequacy presented in chapters VII.6.2 and VII.6.3 of the risk report in this group management report. The minimum liquidity surplus reflects economic liquidity adequacy. Regulatory liquidity adequacy is expressed in terms of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

– **Capital adequacy:**

The KPIs for economic capital adequacy are described in chapter VII.7.2 of the risk report in this group management report. The KPIs for regulatory capital adequacy are included in chapter VII.7.3. They comprise the coverage ratio for the financial conglomerate, the total capital ratio, the Tier 1 capital ratio, the common equity Tier 1 capital ratio, and the leverage ratio, as well as the metrics for the minimum requirement for own funds and eligible liabilities (MREL), namely the MREL ratio as a percentage of risk-weighted assets, the MREL ratio as a percentage of the leverage ratio exposure, the subordinated MREL ratio as a percentage of risk-weighted assets, and the subordinated MREL ratio as a percentage of the leverage ratio exposure.

– **Regulatory RORAC:**

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

Forecasts for the aforementioned KPIs in the DZ BANK Group are set out in the outlook. Sustainability-specific KPIs are reported on in the DZ BANK Group's separate Sustainability Report.

2.4 Management process

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

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

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

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