

# V Opportunity report

## 1 Management of opportunities

The DZ BANK Group defines **opportunities** as situations in which potential income can be unlocked and/or potential cost savings can be achieved.

The management of opportunities is integrated into the **annual strategic planning process**. The potential for returns is identified and analyzed on the basis of various macroeconomic scenarios, trends, and changes in the market environment, and then included in strategic financial planning. Details about the strategic planning process are presented in chapter I.2.4 in 'DZ BANK Group fundamentals' in the 2022 group management report.

Opportunity management is an integral component of **governance** and is therefore taken into account in the general management approach, in the management of subsidiaries via appointments to key posts, and in the DZ BANK Group's committees. Details about the governance of the DZ BANK Group can be found in chapter I.2.2 in 'DZ BANK Group fundamentals' in the 2022 group management report.

## 2 Potential opportunities

### 2.1 Potential opportunities from macroeconomic developments

The statements made in the outlook on the expected business performance of the DZ BANK Group in the year ahead are based on the macroeconomic scenario that DZ BANK considers to be the most likely.

If economic conditions in the relevant markets are better than expected, opportunities may arise for the DZ BANK Group. In a positive scenario such as this, a further lessening of global supply chain disruptions thanks to factors like the easing of geopolitical tensions – most notably in the trade disputes between China and the US – would alleviate supply-side shortfalls in the global markets and avoid further barriers to trade. The recession that is considered imminent for the major industrialized countries would be milder and shorter-lived than expected, or even avoided altogether, provided that commodity prices and energy prices settle at a lower, predictable level, potentially supported by a foreseeable end to the war in Ukraine. Under the continuing assumption of moderate wage increases despite the remarkable stability of labor markets to date, the major central banks could potentially conclude their cycle of interest-rate hikes in 2023 and leave key interest rates at a sufficiently high level that real interest rates become restrictive. This would bring the goal of a return to price stability another step closer. Moreover, the DZ BANK Group's financial performance would benefit if the real estate markets managed to weather the current high interest-rate environment without significant price corrections. Stable prices for commercial real estate would be an important source of support for US regional banks in particular, which tend to be heavily invested in this segment. This, in turn, would help to avert a crisis of confidence in the banking market as a whole.

All of the positive factors outlined above are highly unlikely to materialize together. From the DZ BANK Group's perspective, however, even the occurrence of individual factors would create an environment for the financial sector that would probably benefit the individual business models and the financial position and financial performance of the DZ BANK Group as a whole. Stable conditions in the financial and capital markets, combined with a steeper yield curve, would have a positive impact on the net interest income and net fee and commission income generated from customer business and on net income from insurance business. In particular, an assumed economic recovery could potentially limit the net expense recognized for loss allowances and thereby help to increase the Group's net profit.

## 2.2 Potential opportunities from regulatory initiatives

Regulatory changes and initiatives may provide banks and insurance companies with the opportunity to offer products or services that are better tailored to customers' needs. For example, sustainability aspects are becoming increasingly important for many customers when making purchases and investments. Initiatives at European level, such as sustainable finance strategies and proposals for an EU green bond standard, underline the significance of sustainability aspects for the financial sector. Further development of these initiatives may lead to customers and the markets participating in sustainable finance initiatives on a greater scale, which would provide banks and insurance companies with the opportunity to strengthen the unique selling points of their products and services and to unlock potential growth in the sustainable finance business. This would have a positive impact on, for example, net fee and commission income and net interest income.

## 2.3 Potential opportunities from strategic initiatives

The strategic focus in the DZ BANK Group (see chapter I.1 in 'DZ BANK Group fundamentals' in the 2022 group management report) follows the guiding principle of fulfilling the role of a **network-oriented central institution and financial services group**. Business activities are centered on the local cooperative banks and their customers. The objective of this strategic approach is to consolidate the positioning of the cooperative financial network as one of the leading financial services providers in Germany on a long-term basis. The partnership between the cooperative banks and the entities in the DZ BANK Group is built on the principles of subsidiarity, decentralization, and regional market responsibility.

The DZ BANK Group develops and implements **strategic initiatives and programs** at three levels:

- Firstly, the entities in the DZ BANK Group work on strategic projects and initiatives in collaboration with the cooperative banks and Atruvia, with the BVR taking a leading role. The strategy agenda entitled 'Shaping the future cooperatively' provides a framework within which the entities of the cooperative financial network are implementing the initiatives in the strategic KundenFokus (customer focus) project with the aim of establishing an omnichannel model to strengthen their competitiveness.
- Secondly, the entities in the DZ BANK Group have jointly identified key areas of collaboration (such as operating models and sustainability) that offer potential to reinforce their future viability and profitability. The aim is to continue to develop and take action in these areas of collaboration over the coming years.
- At the third level, each individual entity in the DZ BANK Group pursues its own strategic initiatives. One example is the 'Verbund First 4.0' strategic program at DZ BANK, which is designed to ensure the organization's resilience for the future. The program is aimed at improvements in three key areas: market presence (network-focused, customer-oriented, and digital), control and production processes (efficient, effective, and focused), and corporate culture (performance-driven and integrative). The 'Verbund First 4.0' strategic program is updated continually in line with requirements. This transformation is being driven predominantly by key topics such as sustainability, digitalization, and employer branding.

BSH describes its long-term objective through its vision of being the leading product and solutions provider in the homes and housebuilding cooperative ecosystem. It intends to remain the no. 1 in the home savings market and, together with the cooperative banks, to become the no. 1 in home finance. In addition, it is making inroads into new areas of growth for homes and housebuilding by maintaining a firm focus on customers and facilitating close collaboration between the cooperative banks and BSH's field staff on marketing. BSH is a center of excellence (provider of products and solutions) for consumer home finance, supporting the cooperative banks and playing an important part in strengthening the cooperative financial network's market position. The evolution of BSH's role into that of a solutions provider for its bank partners and its integration into the homes and housebuilding cooperative ecosystem address the demand for end-to-end solutions and the development of new business models centered around customers' basic needs alongside and beyond financial products / the value chain.

DZ HYP is forging ahead with digitalization in many areas of its business. In consumer home finance, it is

further expanding its role as a decentralized product supplier for the banks in the cooperative financial network. Competitive products, rapid processes, and a risk-adjusted pricing model give banks scope to generate income through fees and commissions and through cross-selling options. The plan is to complete the multi-stage expansion of integration with digital platforms by the end of 2023 so that additional customer groups can be targeted with best-in-class products and services. The main aspects of DZ HYP's FK Digital project in its corporate customer business are deploying data optimally within processes, improving interfaces, and unlocking the associated potential for greater efficiency while, at the same time, catering to the current and future requirements of market players and supervisory authorities alike. This should also help to further optimize the bank's streamlined, profitable approach incorporating intensive customer relationship management. The bank has also drawn up a strategy for setting up the DZ HYP cloud infrastructure, which it has begun to implement.

R+V's vision is to be the cooperative center of excellence for insurance, healthcare cover, and retirement pensions, working closely with its sales partners. Its strategic program, 'WIR@R+V', is designed to boost earnings power by putting a greater emphasis on profitability so that it can continue to make a significant contribution to the success of business in the cooperative financial network. R+V also remains firmly focused on its growth strategy of strengthening areas of importance for the future, namely healthcare, membership, sustainability, and the omnichannel approach. By delivering a consistently robust business performance, it can maintain sufficient financial strength to be able to remain a reliable partner and deliver on its value propositions in the long term.

Positive effects from the strategic programs and initiatives could have a beneficial impact on, for example, net fee and commission income, net interest income, or administrative expenses.