Volksbanken Raiffeisenbanken
Cooperative Financial Network

2024
Half-Year Financial Report

DZ BANK Group

Key figures

DZ BANK GROUP

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
FINANCIAL PERFORMANCE		
Income[1]	4,193	4,304
Loss allowances	-206	-52
Profit before taxes	1,711	1,932
Net profit	1,246	1,397
Cost/income ratio (percent)	54.3	53.9
	Jun. 30, 2024	**Dec. 31, 2023**
FINANCIAL POSITION		
Assets		
Loans and advances to banks	137,191	128,867
Loans and advances to customers	207,681	204,776
Financial assets held for trading	32,525	34,961
Investments	54,640	47,970
Investments held by insurance companies	118,497	115,568
Remaining assets	113,574	112,448
Equity and liabilities		
Deposits from banks	183,273	174,580
Deposits from customers	159,941	159,641
Debt certificates issued including bonds	115,649	103,768
Financial liabilities held for trading	44,845	47,675
Insurance contract liabilities	108,871	105,151
Remaining liabilities	20,347	22,704
Equity	31,181	31,069
TOTAL ASSETS/TOTAL EQUITY AND LIABILITIES	**664,107**	**644,589**
Volume of business	**1,244,662**	**1,195,012**

	Jun. 30, 2024	Dec. 31, 2023
RISK POSITION		
LIQUIDITY ADEQUACY		
DZ BANK Group		
Minimum liquidity surplus (€ billion)	18.9	18.5
DZ BANK banking group		
Liquidity coverage ratio (LCR, percent)	142.9	145.8
Net stable funding ratio (NSFR, percent)	125.4	126.5
CAPITAL ADEQUACY		
DZ BANK Group		
Economic capital adequacy (percent)	197.6	209.1
DZ BANK financial conglomerate		
Coverage ratio (percent)	136.5	152.5
DZ BANK banking group		
Common equity Tier 1 capital ratio (percent)	15.7	15.5
Tier 1 capital ratio (percent)	17.8	17.7
Total capital ratio (percent)	20.2	20.1
Leverage ratio (percent)	6.2	6.2
MREL ratio as a percentage of risk-weighted assets	41.1	42.4
MREL ratio as a percentage of the leverage ratio exposure	14.3	14.9
Subordinated MREL ratio as a percentage of risk-weighted assets	30.6	31.0
Subordinated MREL ratio as a percentage of the leverage ratio exposure	10.6	10.9
AVERAGE NUMBER OF EMPLOYEES	**33,660**	**33,622**
LONG-TERM RATING		
Standard & Poor's	A+	A+
Moody's Investors Service	Aa2	Aa2
Fitch Ratings	AA-	AA-

1 Total of 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.

Contents

Note
The figures in this report are rounded to the nearest whole number. This may give rise to small discrepancies between the totals shown in the tables and diagrams and totals calculated from the individual values shown.

The English version of this report is a convenience translation. In cases of doubt, the German original version shall prevail.

Dr. Cornelius Riese, Chief Executive Officer

Dear Shareholders,

The DZ BANK Group generated a very good profit before taxes of €1.71 billion in the first half of 2024. Our banking group was thus able to almost match the momentum of the successful prior-year period (first half of 2023: €1.93 billion) and continue along its growth trajectory. This was thanks to healthy customer business in the group entities and to our collaborative partnership with the local cooperative banks.

Nevertheless, the economic conditions remained challenging and the German economy stagnated despite improved sentiment at the start of the year. Industry, in particular, continues to feel the effects of muted global demand. Moreover, companies were reluctant to invest in view of higher interest rates, geopolitical risks, and uncertainty about the direction of Germany's economic policy. Although inflation has eased compared with 2023, the wage-intensive services sector is still experiencing significant upward price pressures.

By contrast, equity markets continue to soar, with companies' robust earnings and the prospect of interest-rate cuts pushing them to record highs. This can also be seen from the continuing growth in volume and a substantial contribution to earnings from Union Investment. R+V Versicherung delivered a strong business performance too, partly thanks to a healthy net gain under gains and losses on investments held by insurance companies.

The DZ BANK Group's banking business was also encouraging. DZ HYP's business performance was stable even though the market as a whole stagnated. DZ PRIVATBANK achieved a further increase in inflows in its fund business, thereby cementing the income uptrend of recent years. DZ BANK – central institution and corporate bank also performed well. Its year-on-year decline was largely attributable to IFRS-related effects on the valuation of own issues. Although companies' reluctance to invest is becoming increasingly apparent in demand for lending, it maintained its strong position in Corporate Banking. Sales of capital market products to corporate customers remained buoyant, however. Demand for money market products continues to be especially robust. In the Capital Markets business line, business with institutional customers – particularly underwriting business – was very successful. The bank secured a number of major client accounts with supranational institutions during the first half of the year. Within the Transaction Banking business line, there was growth in payments processing, credit card sales, and custody business.

These encouraging results reflect the significant commitment of all employees. On behalf of the entire Board of Managing Directors, I would like to express my gratitude and appreciation to them.

The key results in detail:

At €2.36 billion, the **net interest income** of the DZ BANK Group was significantly higher than the figure for the prior-year period (first half of 2023: €1.86 billion). This was thanks to healthy customer business, notably at the central institution and corporate bank and at Bausparkasse Schwäbisch Hall. Furthermore, there were positive accounting-related effects on net interest income, with a countervailing negative impact on gains and losses on trading activities. **Net fee and commission income** rose to €1.57 billion (first half of 2023: €1.31 billion). This was primarily due to robust inflows at Union Investment on the back of favorable conditions in the equity markets. **Gains and losses on trading activities** deteriorated to a net loss of €473 million owing to negative effects on the valuation of own issues at the central institution and corporate bank (first half of 2023: net gain of €293 million). There were also negative accounting-related effects that had a countervailing positive impact on net interest income. Trading business itself was on a par with the good level of the prior-year period. **Gains and losses on investments** improved to a net gain of €12 million (first half of 2023: net loss of €8 million). Valuation effects meant that **other gains and losses on valuation of financial instruments** improved to a net gain of €112 million (first half of 2023: net gain of €63 million). At €510 million, **net income from insurance business** was at a very good level but down year on year (first half of 2023: €723 million) because the figure for the prior-year period had benefited from very favorable movements in the capital markets and a low volume of claims. In the period under review, the healthy net gain under gains and losses on investments held by insurance companies contrasted with elevated claims expenses in the non-life and reinsurance businesses. **Loss allowances** amounted to €206 million (first half of 2023: €52 million), predominantly because higher additions were required at TeamBank in view of the weak economic environment. **Administrative expenses** fell slightly to €2.28 billion (first half of 2023: €2.32 billion), primarily due to the absence of the bank levy. By contrast, there was a moderate increase in staff expenses.

The DZ BANK Group's capital adequacy remains very stable, with a common equity Tier 1 capital ratio of 15.7 percent (December 31, 2023: 15.5 percent).

Geopolitical uncertainties are likely to continue to take their toll on the economy as a whole in the remaining months of the year. Although real wages are rising, consumer spending has not yet recovered and industry has not emerged from its weak phase either. Nonetheless, we anticipate a slight rebound during the second half of 2024, although it will not be strong enough to constitute a genuine trend reversal. Our economists are therefore forecasting economic growth of just about zero percent for the year as a whole. The DZ BANK Group performed very well in the first six months of 2024, but uncertainties at geopolitical level and in the markets may increase as the year continues. Against this backdrop, we anticipate that our profit before taxes for 2024 will be within our long-term target range of €2.0 billion to €2.5 billion.

Over the last few years, the DZ BANK Group has substantially strengthened its position as a financial services provider and generated constant growth. Looking ahead, we want to further improve our performance and range of products and services, making sure that they are fit for the future. To this end, we are forging ahead with the digitalization and automation of processes so that we can operate more efficiently and better cater to our customers' needs. We intend to unlock further potential through the use of generative artificial intelligence. Last year, almost half of our IT budget was channeled into projects for the future. This is already bearing fruit in the form of market innovations, for example. This summer, we demonstrated our expertise in distributed ledger technology (DLT) when we supported the first blockchain-based digital bond to be issued by Germany's KfW development bank. Our cryptodepository platform has been in operation for about a year and has already seen a number of successful transactions. Furthermore, we are intending to work with the first cooperative banks to launch the pilot phase for cryptocurrency trading for retail customers by the end of this year.

At the same time, we are investing strategically in infrastructure. Our new centralized payments processing platform, one of the largest infrastructure projects of recent years, is due to be completed shortly. All cooperative banks have now migrated to it, which means that the Cooperative Financial Network's entire payments processing operations are now combined on one powerful, inhouse platform. This not only creates cost advantages but also paves the way for further innovation and efficiency enhancements in the payments processing business.

Sustainability and demographic change remain among the big issues of this decade. We have now formulated measurable climate targets at group level for over half of our business portfolio and have already provided initial details of our progress in achieving them. And we are seizing the related business opportunities by supporting our customers with their transformation.

The future competitiveness of our cooperative model will also heavily depend on the degree to which we can find and recruit skilled people for our workforce, particularly given the challenges posed by demographic change. We are making sure that we can rise to this challenge with a varied action plan and thanks to the significant efforts of managers and employees who act as ambassadors for our group. The knowledge that this gives us in the area of employer branding and recruitment marketing is being incorporated into the strategic initiatives of the National Association of German Cooperative Banks. We are therefore creating synergies and contributing to the long-term success of our Cooperative Financial Network.

Kind regards,

Dr. Cornelius Riese
Chief Executive Officer

Interim group management report

I DZ BANK Group fundamentals

1 Business model and strategic focus

The business model and strategic focus of the DZ BANK Group are described in detail on page 10 onward of the 2023 group management report. Those disclosures are also applicable to the first half of 2024.

2 Management of the DZ BANK Group

The management of the DZ BANK Group is described in detail on page 20 onward of the 2023 group management report. Those disclosures are also applicable to the first half of 2024.

II Business report

1 Economic conditions

The phase of weakness experienced by the German economy did not continue into the first quarter of 2024. In the period January to March, gross domestic product (GDP) rose by 0.2 percent compared with the previous quarter. Germany therefore avoided a technical recession, having seen its GDP fall by 0.4 percent in the fourth quarter of 2023. Exports and construction investment both contributed to the encouraging increase in GDP in the period January to March. Construction activity, however, had been buoyed by the mild weather in January and February, and the construction sector was unable to maintain the momentum in the second quarter of 2024.

Instead, the construction sector continued to be weighed down by still elevated interest rates, higher construction costs, and a decline in demand for building in the private sector. The problems of the previous year continued to beset the manufacturing sector. Order levels were still weak, providing little scope for a widespread recovery of industrial output. Consumer spending also remained muted. Despite significantly lower inflation than in the first half of 2023 and a sharp rise in collectively agreed wages, households continued to keep their spending in check. Retail sales rose only moderately in the period January to April. By contrast, revenue from the services sector (excluding retail) has increased sharply in the year to date and is becoming a significant source of support for the economy. The preliminary data indicates that GDP declined by 0.1 percent in the second quarter of 2024 compared with the previous quarter.

On a price-adjusted basis, average economic output for the first half of 2024 was stagnant compared with the second half of 2023 and declined by 0.1 percent compared with the first half of 2023.

The eurozone economy also made a positive start to 2024. In the first quarter of 2024, GDP in the eurozone rose by 0.3 percent compared with the previous quarter. This marked an end to the bout of weakness that had seen a slight fall in economic output in the third and fourth quarters of 2023. Key sentiment indicators for the eurozone economy improved during the first six months of 2024, albeit with isolated setbacks from time to time. It is therefore too soon to speak of a strong, broad-based economic upswing, although the economic recovery did continue in the second quarter of 2024 following the positive first quarter. GDP increased by 0.3 percent compared with the previous quarter. Economic output in the first half of 2024 was therefore 0.5 percent higher than in the second half of 2023.

The economy in the United States lost significant momentum in the first half of 2024. High interest rates and elevated inflation acted as a brake on the economy, and sentiment among consumers and businesses alike deteriorated noticeably for a while. The labor market showed signs of cooling, having previously performed well. US GDP rose only moderately in both the first and the second quarter of 2024, with growth held back by a slackening pace of growth in consumption and a jump in imports.

The Chinese economy expanded in the first six months of this year. Economic growth remained above the forecast figure of 5.0 percent in the first and second quarters of 2024. The ongoing recovery was driven by a very healthy volume of exports. However, sales figures were largely propped up by significant price reductions that export companies are able to offer solely because of high government subsidy levels. The problems in the real estate sector have now developed into a full-blown crisis that is weighing heavily on consumer spending. Demand for imports therefore remained subdued.

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

As had been the case in the first half of 2023, geopolitical risks fueled uncertainty in the capital markets during the reporting period. The concerns about inflation that had affected trading activity in the first half of 2023 increasingly dissipated in the first six months of 2024 owing to the fall in interest rates.

The STOXX Europe 600, a share index comprising 600 large listed European companies, stood at 511.42 points as at June 30, 2024, which was 32.40 points higher than at the end of the previous year (December 31, 2023: 479.02 points). The index had added 37.04 points in the first half of 2023.

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 first quarter of 2024, the total borrowing of the 20 eurozone countries equated to 88.7 percent of their GDP.

Italy's public debt as a percentage of GDP stood at 137.7 percent in the first quarter of 2024, which is the highest in the eurozone after that of Greece.

Based on a policy of quantitative easing, the European Central Bank (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 period 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 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 rate at 4.25 percent, and the marginal lending facility rate at 4.50 percent. Despite these interest-rate cuts, monetary policy remains highly restrictive. The ECB Governing Council has emphasized its commitment to bringing inflation down quickly to the medium-term target of 2.00 percent. It will continue to follow a suitably restrictive monetary policy line for as long as necessary in order to achieve this target. At its meeting, the ECB Governing Council also confirmed that it will reduce the Eurosystem's holdings of securities under the pandemic emergency purchase program (PEPP) by an average of €7.5 billion per month in the second half of 2024.

On June 12, 2024, the US Federal Reserve (Fed) kept the federal funds rate unchanged in a range of 5.25 to 5.50 percent for the seventh time in succession.

3 Financial performance

3.1 Financial performance at a glance

Amid challenging market conditions, the DZ BANK Group posted profit before taxes of €1,711 million in the first half of 2024 (first half of 2023: €1,932 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	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Net interest income	2,358	1,863
Net fee and commission income	1,565	1,314
Gains and losses on trading activities	-473	293
Gains and losses on investments	12	-8
Other gains and losses on valuation of financial instruments	112	63
Gains and losses from the derecognition of financial assets measured at amortized cost	36	5
Net income from insurance business	510	723
Loss allowances	-206	-52
Administrative expenses	-2,276	-2,320
Staff expenses	-1,089	-1,044
Other administrative expenses[1]	-1,187	-1,276
Other net operating income	73	51
Profit before taxes	1,711	1,932
Income taxes	-465	-536
Net profit	**1,246**	**1,397**

1 General and administrative expenses plus depreciation/amortization expense.

Operating income in the DZ BANK Group amounted to €4,193 million (first half of 2023: €4,304 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 rose by €495 million year on year to €2,358 million (first half of 2023: €1,863 million).

Within this figure, interest income from lending and money market business rose by €1,433 million to €6,534 million (first half of 2023: €5,101 million), interest income from portfolio hedges of interest-rate risk (portfolios comprising financial assets) increased by €218 million to €813 million (first half of 2023: €595 million), and interest income from bonds and other fixed-income securities went up by €204 million to €608 million (first half of 2023: €404 million).

Interest expense for deposits from banks and customers rose by €709 million to €4,003 million (first half of 2023: €3,294 million), partly for volume-related reasons. Interest expense on debt certificates issued including bonds went up by €660 million to €1,380 million in the reporting period (first half of 2023: €720 million). This was mainly due to expansion of the portfolio of issued commercial paper. Interest expense for portfolio hedges of interest-rate risk (portfolios comprising financial liabilities) decreased by €9 million to €178 million (first half of 2023: €187 million).

Net fee and commission income grew by €251 million to €1,565 million (first half of 2023: €1,314 million). Net fee and commission income from securities business rose by €234 million to €1,294 million (first half of 2023: €1,060 million). This was primarily due to increases in the Union Investment Group in the volume-related income contribution (up by €133 million to €1,035 million; first half of 2023: €902 million) and in performance-related management fees (up by €28 million to €31 million; first half of 2023: €3 million). Furthermore, net fee and commission income from financial guarantee contracts and loan commitments went up by €11 million year on year to €49 million (first half of 2023: €38 million) and that from lending and trust activities went up by €9 million to €60 million (first half of 2023: €51 million). However, net fee and commission income from payments processing (including card processing) went down by €8 million to €74 million (first half of 2023: €82 million).

Gains and losses on trading activities in the first six months of 2024 deteriorated by €766 million to a net loss of €473 million, compared with a net gain of €293 million in the prior-year period. This change was due to the significant volatility of market prices, which – as a result of risk management – had opposing effects on gains and losses on non-derivative financial instruments and embedded derivatives on the one hand and on gains and losses on derivatives on the other. Gains and losses on derivatives fell by €1,603 million to a net loss of €387 million (first half of 2023: net gain of €1,216 million). By contrast, gains and losses on non-derivative financial instruments and embedded derivatives improved by €775 million to a net loss of €162 million (first half of 2023: net loss of €937 million). The net gain under gains and losses on exchange differences grew by €62 million to €76 million (first half of 2023: net gain of €14 million).

Gains and losses on investments amounted to a net gain of €12 million (first half of 2023: net loss of €8 million). Within this figure, gains and losses on the disposal of bonds and other fixed-income securities improved by €8 million to a net gain of €7 million (first half of 2023: net loss of €1 million). Gains and losses on the disposal of shares and other variable-yield securities improved by €7 million to a net gain of €5 million (first half of 2023: net loss of €2 million).

Other gains and losses on valuation of financial instruments amounted to a net gain of €112 million (first half of 2023: net gain of €63 million). Within the overall line item, gains and losses on financial instruments designated as at fair value through profit or loss improved by €37 million to a net gain of €16 million (first half of 2023: net loss of €21 million), gains and losses from fair value hedge accounting improved by €33 million to a net gain of €6 million (first half of 2023: net loss of €27 million), and gains and losses on financial assets mandatorily measured at fair value through profit or loss improved by €22 million to a net gain of €65 million (first half of 2023: net gain of €43 million). By contrast, gains and losses on derivatives used for purposes other than trading deteriorated by €43 million to a net gain of €25 million (first half of 2023: net gain of €68 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.

Net income from insurance business fell by €213 million to €510 million (first half of 2023: net income of €723 million). The year-on-year fall was primarily attributable to the €162 million decline in the insurance service result to €970 million (first half of 2023: €1,132 million), which was predominantly due to higher insurance service expenses in inward reinsurance and non-life insurance. Gains and losses on investments held by insurance companies and other insurance company gains and losses improved by €870 million to a net gain of €2,945 million (first half of 2023: net gain of €2,075 million). This was driven by movements in the capital markets. By contrast, insurance finance income or expenses deteriorated by €920 million to a net expense of €3,407 million (first half of 2023: net expense of €2,487 million), largely in relation to policyholders' share of investment returns.

Loss allowances amounted to a net addition of €206 million (first half of 2023: net addition of €52 million).

The net addition to loss allowances for loans and advances to customers was €196 million (first half of 2023: net addition of €81 million). The net addition to other loss allowances for loans and advances came to €9 million (first half of 2023: net reversal of €14 million). The net addition to loss allowances for loans and advances to banks was €1 million (first half of 2023: net reversal of €9 million).

Further disclosures on the nature and extent of risks arising from financial instruments and insurance contracts can be found in note 43 in the notes to the interim consolidated financial statements.

Administrative expenses decreased by €44 million to €2,276 million (first half of 2023: €2,320 million). Within this figure, staff expenses advanced to €1,089 million, compared with €1,044 million in the first half of 2023. This increase was predominantly due to pay rises and appointments to vacant positions. Other administrative expenses declined to €1,187 million (first half of 2023: €1,276 million), largely because there were no longer any contributions to the bank levy.

Other net operating income amounted to €73 million (first half of 2023: €51 million).

Profit before taxes for the first half of 2024 stood at €1,711 million, compared with €1,932 million in the first half of 2023.

The **cost/income ratio** (i.e. the ratio of administrative expenses to operating income) for the reporting period came to 54.3 percent (first half of 2023: 53.9 percent).

The **regulatory return on risk-adjusted capital (RORAC)** was 17.8 percent (first half of 2023: 20.8 percent).

Income taxes amounted to €465 million in the period under review (first half of 2023: €536 million).

Net profit for the first half of 2024 was €1,246 million, compared with €1,397 million for the first half of 2023.

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 the first half of 2024 compared with the corresponding period of 2023.

3.2.1 BSH

Net interest income in the BSH subgroup advanced by €38 million to €282 million (first half of 2023: €244 million).

Interest expense in building society operations (including interest expense on hedges for liabilities-side business) went down by €34 million to €317 million (first half of 2023: €351 million). Within this figure, interest expense for home savings deposits amounted to €287 million (first half of 2023: €327 million). The amount for the reporting period included additions to provisions relating to building society operations of €96 million (first half of 2023: €99 million) and a sum of €191 million (first half of 2023: €226 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 €25 million (first half of 2023: €21 million).

In the case of loans issued under advance or interim financing arrangements and other building loans, income amounted to €540 million (first half of 2023: €527 million). Income from home savings loans amounted to €64 million (first half of 2023: €43 million).

Interest income arising on investments (including interest income on hedges for assets-side business) went down by €27 million to €161 million (first half of 2023: €188 million). Interest expense for borrowing increased by €9 million to €78 million (first half of 2023: €69 million).

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 period, this decreased net interest income by €92 million (first half of 2023: €100 million). Of this sum, €39 million was attributable to home savings deposits (first half of 2023: €47 million) and €53 million to building loans (first half of 2023: €53 million).

Net fee and commission income amounted to a net expense of €1 million (first half of 2023: net expense of €6 million).

In the home savings business, BSH entered into approximately 208 thousand (first half of 2023: 261 thousand) new home savings contracts with a volume of €13.2 billion (first half of 2023: €17.9 billion) in Germany.

In the home finance business, the realized volume of new business came to €4.2 billion (first half of 2023: €4.7 billion) in Germany.

Loss allowances amounted to a net addition totaling €6 million (first half of 2023: net addition of €4 million).

Administrative expenses decreased by €20 million to €249 million (first half of 2023: €269 million). Of the total decrease, €16 million was attributable to the sale of the subsidiary Fundamenta-Lakáskassza Lakástakarékpénztár Zrt. (FLK) at the end of the first quarter of 2024. At €134 million, staff expenses in the BSH subgroup were down by €2 million year on year (first half of 2023: €136 million). Other administrative expenses declined by €18 million to €115 million (first half of 2023: €133 million), largely owing to the absence of the bank levy, lower contributions and fees for the deposit guarantee fund, and a reduction in office expenses and in expenses for property costs and occupancy costs.

Other net operating income amounted to €22 million (first half of 2023: €18 million).

As a result of the changes described above, **profit before taxes** amounted to €47 million, which represented an improvement of €61 million compared with the loss before taxes of €14 million in the first half of 2023.

The **cost/income ratio** in the period under review was 82.2 percent (first half of 2023: greater than 100.0 percent).

Regulatory RORAC was 7.4 percent (first half of 2023: minus 2.3 percent).

3.2.2 R+V

The **insurance service result** amounted to a profit of €954 million (first half of 2023: profit of €1,122 million). This figure included insurance revenue amounting to €6,158 million (first half of 2023: €6,168 million) and insurance service expenses of €5,129 million (first half of 2023: €4,957 million). Net expenses from reinsurance contracts held stood at €75 million (first half of 2023: €89 million).

In the life and health insurance business, insurance revenue amounted to €1,496 million (first half of 2023: €1,732 million). Insurance service expenses in this business amounted to €880 million (first half of 2023: €1,154 million). Net income from reinsurance contracts held in this business totaled €1 million (first half of 2023: net income of €1 million). This included amortization of the contractual service margin in an amount of €137 million (first half of 2023: €118 million) and release of the risk adjustment in an amount of €38 million (first half of 2023: €32 million).

In the non-life insurance business, insurance revenue amounted to €3,692 million (first half of 2023: €3,493 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 €3,508 million (first half of 2023: €3,257 million). Of this sum, €2,633 million (first half of 2023: €2,364 million) was attributable to expenses for claims, comprising payments for claims of €2,627 million (first half of 2023: €2,386 million) and the change in the liability for incurred claims amounting to a decrease of €6 million (first half of 2023: increase of €22 million). It also included the change in losses on insurance contracts, which amounted to a decrease of €9 million (first half of 2023: decrease of €62 million). Other insurance service expenses totaled €866 million (first half of 2023: €813 million). This figure included administration costs amounting to €487 million (first half of 2023: €467 million) and insurance acquisition cash flows of €379 million (first half of 2023: €364 million). Net expenses from reinsurance contracts held in this business totaled €87 million (first half of 2023: €81 million). The combined ratio (gross), which is the ratio of insurance service expenses to insurance revenue, stood at 95.0 percent (first half of 2023: 93.3 percent). Major claims in this business amounted to €89 million as at June 30, 2024.

Insurance revenue in the inward reinsurance business amounted to €970 million (first half of 2023: €944 million). This included not only premium income but also amortization of the contractual service margin in an amount of €132 million (first half of 2023: €114 million) under the general measurement model. Insurance service expenses came to €742 million (first half of 2023: €545 million). Net expenses from reinsurance contracts amounted to €11 million (first half of 2023: €10 million).

Gains and losses on investments held by insurance companies and other insurance company gains and losses improved by €929 million to a net gain of €3,033 million (first half of 2023: net gain of €2,104 million).

Long-term interest rates were lower than in the prior-year period. The ten-year Bund/swap rate was 2.83 percent as at June 30, 2024 (June 30, 2023: 3.01 percent). Spreads on interest-bearing securities largely narrowed during the reporting period and had a more positive impact on gains and losses on investments held by insurance companies and other insurance company gains and losses than in the prior-year period, when spread movements had presented a mixed picture. A weighted spread calculated in accordance with R+V's portfolio structure stood at 76.2 points as at June 30, 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 84.5 points as at June 30, 2023.

During the first half of 2024, 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 372 points from the start of 2024, closing the reporting period on 4,894 points (December 31, 2023: 4,522 points). The index had added 605 points in the prior-year period.

Movements in exchange rates between the euro and various currencies were generally more favorable in the first half of 2024 than in the prior-year period. For example, the US dollar/euro exchange rate on June 30, 2024 was 0.9331, compared with 0.9053 as at December 31, 2023. In the first half of 2023, the exchange rate had moved from 0.9370 as at December 31, 2022 to 0.9166 as at June 30, 2023.

These trends resulted in a €661 million positive change – resulting from the effects of changes in positive fair values – in unrealized gains and losses to a net gain of €1,996 million (first half of 2023: net gain of €1,335 million), a €431 million improvement in foreign-exchange gains and losses to a net gain of €337 million (first half of 2023: net loss of €94 million), and a €177 million rise in net income under current income and expense to €1,362 million (first half of 2023: net income of €1,185 million). However, other non-insurance gains and losses deteriorated by €173 million to a net loss of €371 million (first half of 2023: net loss of €198 million), the contribution to earnings from the derecognition of investments fell by €162 million to a net loss of €263 million (first half of 2023: net loss of €101 million), and the balance of depreciation, amortization, impairment losses, and reversals of impairment losses declined by €6 million to a net expense of €29 million (first half of 2023: net expense of €23 million). Changes in gains and losses on investments held by insurance companies are offset to an extent by corresponding changes in insurance finance income or expenses, so the effect on profit or loss is only partial.

Insurance finance income or expenses deteriorated by €920 million to a net expense of €3,407 million (first half of 2023: net expense of €2,487 million). In the life and health insurance business, this line item worsened by €831 million to a net expense of €3,196 million (first half of 2023: net expense of €2,365 million), which was mainly due to the aforementioned compensatory effect. Insurance finance income or expenses came to a net expense of €138 million in the non-life insurance business (first half of 2023: net expense of €68 million) and to a net expense of €72 million in inward reinsurance (first half of 2023: net expense of €54 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 €100 million in non-life insurance (first half of 2023: net expense of €59 million) and a net expense of €72 million in inward reinsurance (first half of 2023: net expense of €54 million).

The factors described above resulted in a decrease in **profit before taxes** to €586 million (first half of 2023: €740 million).

Regulatory RORAC was 12.5 percent (first half of 2023: 16.6 percent).

3.2.3 TeamBank

At €262 million, **net interest income** was €6 million lower than in the prior-year period (first half of 2023: €268 million). Average loans and advances to customers in the reporting period came to €9,836 million (first half of 2023: €9,648 million).

As at June 30, 2024, loans and advances to customers totaled €9,903 million (December 31, 2023: €9,768 million). The number of customers rose to 1,063 thousand (December 31, 2023: 1,039 thousand). As at June 30, 2024, TeamBank was working with 640 (December 31, 2023: 640) of Germany's 683 (December 31, 2023: 690) cooperative banks and with 158 (December 31, 2023: 152) partner banks in Austria.

Net fee and commission income improved by €4 million to a net expense of €18 million (first half of 2023: net expense of €22 million), mainly owing to lower expenses for bonuses paid to partner banks and an increase in fee and commission income from the brokerage of credit insurance policies.

The net addition to **loss allowances** amounted to €86 million (first half of 2023: net addition of €51 million). Rating downgrades, due in particular to customers' poorer payment history, led to the year-on-year rise in loss allowances.

Administrative expenses held steady at €143 million (first half of 2023: €143 million). Within this figure, staff expenses totaled €54 million (first half of 2023: €52 million) and other administrative expenses came to €88 million (first half of 2023: €91 million).

Profit before taxes stood at €19 million and was thus down by €38 million on the figure for the first half of 2023 of €57 million amid challenging market conditions and a difficult risk situation.

TeamBank's **cost/income ratio** came to 57.7 percent (first half of 2023: 57.0 percent).

Regulatory RORAC was 7.5 percent (first half of 2023: 23.4 percent).

3.2.4 UMH

Net interest income swelled to €31 million (first half of 2023: €17 million), predominantly due to income from credit balances with banks and distributions from own-account investments.

Net fee and commission income went up by €138 million to €1,126 million (first half of 2023: €988 million). The change in net fee and commission income was predominantly due to the factors described below.

Because of the rise in the average assets under management of the Union Investment Group, which climbed by €49.4 billion to €473.5 billion (first half of 2023: €424.1 billion), the volume-related contribution to net fee and commission income rose to €1,035 million (first half of 2023: €902 million).

The assets under management of the Union Investment Group comprise the assets and the securities portfolios measured at their current market value, also referred to as free assets or asset management, for which Union Investment offers investment recommendations (advisory) or bears responsibility for portfolio management (insourcing). The assets are managed both for third parties and in the name of the group. Changes in the managed assets occur as a result of factors such as net inflows, changes in securities prices, and exchange-rate effects.

Net income from performance-related management fees amounted to €31 million (first half of 2023: €3 million). The increase was largely the result of more funds fulfilling the conditions for the transfer of a performance-related management fee in the period under review. Income from transaction fees for properties in Union Investment's real estate funds totaled €18 million in the first six months of this year (first half of 2023: €22 million). Expenses for the performance bonus for sales partners rose to €45 million (first half of 2023: €27 million).

Union Investment generated net inflows from its retail business of €6.5 billion (first half of 2023: €6.2 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 3.8 million contracts as at June 30, 2024 (December 31, 2023: 3.7 million), with a rise in the 12-month savings volume to €6.8 billion (December 31, 2023: €6.4 billion).

The total assets in the portfolio of Riester pension products amounted to €30.2 billion (December 31, 2023: €26.6 billion).

The number of fund-linked savings plans managed by Union Investment in its retail business as at June 30, 2024 totaled 6.5 million (December 31, 2023: 6.5 million). These plans included contracts under employer-funded capital formation schemes as well as the traditional savings plans and Riester pension contracts referred to above.

Assets under management in the PrivatFonds family amounted to €22.5 billion as at June 30, 2024 (December 31, 2023: €22.1 billion).

In its institutional business, the Union Investment Group generated net inflows amounting to €5.0 billion (first half of 2023: net outflows of €0.5 billion).

The portfolio volume of funds conforming with article 8 or article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) amounted to €136.4 billion (December 31, 2023: €128.7 billion). As at June 30, 2024, this figure included €106.0 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 amounted to a net gain of €5 million (first half of 2023: net loss of €2 million), largely due to the net gain realized on the disposal of investment fund units from Union Investment's own-account investments.

Other gains and losses on valuation of financial instruments amounted to a net gain of €69 million (first half of 2023: net gain of €71 million) and largely comprised the net gain of €24 million from the valuation of guarantee commitments (first half of 2023: net gain of €52 million) and the net gain of €44 million arising on the valuation of Union Investment's own-account investments (first half of 2023: net gain of €18 million).

Administrative expenses increased by €17 million to €612 million (first half of 2023: €595 million). Staff expenses went up by €10 million to €301 million (first half of 2023: €291 million) owing to higher average pay and appointments to new and vacant posts. Other administrative expenses climbed by €8 million to €311 million (first half of 2023: €303 million), mainly because of higher expenses incurred in connection with IT, public relations, and marketing.

Other net operating income amounted to a net expense of €3 million (first half of 2023: net expense of €37 million). This improvement was mainly because other net operating income in the prior-year period had included impairment losses on recognized customer relationships. Conversely, higher expenses for restructuring had an adverse impact on other net operating income in the reporting period.

Based on the changes described above, **profit before taxes** increased by €174 million to €616 million (first half of 2023: €442 million).

The **cost/income ratio** came to 49.8 percent in the first half of this year (first half of 2023: 57.4 percent).

Regulatory RORAC was greater than 100.0 percent (first half of 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 rose by €133 million to €791 million (first half of 2023: €658 million).

In the Corporate Banking business line, net interest income went up by €7 million to €289 million (first half of 2023: €282 million). The net interest income in the four regional corporate customer divisions plus Central Corporate Banking increased to €165 million (first half of 2023: €160 million). This increase was attributable to the higher lending volume. Net interest income in the Structured Finance and Investment Promotion divisions came to a combined total of €124 million, an increase of €2 million compared with the figure for the first half of 2023 of €122 million. This was due to the growth of the lending volume in the Structured Finance division.

Net interest income from money market and capital markets business swelled by €130 million to €471 million (first half of 2023: €341 million). This increase was firstly attributable to the deposit-taking operating business in the short-dated maturity segment, particularly deposits from corporate customers. Secondly, the rise in interest rates in the money market led to increased net interest income from the investment of liquidity from an excess of non-interest-bearing liabilities (e.g. equity) over non-interest-bearing assets.

Other net interest income from loan administration fees advanced by €2 million to €14 million (first half of 2023: €12 million).

Income from profit-pooling, profit-transfer, and partial profit-transfer agreements, together with income from other shareholdings and current income from investments in subsidiaries, amounted to €17 million (first half of 2023: €23 million). The year-on-year decrease was mainly due to a decline in income from long-term equity investments.

Net fee and commission income rose by €109 million to €312 million (first half of 2023: €203 million).

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

In the Corporate Banking business line, net fee and commission income was €4 million higher than in the prior-year period at €110 million (first half of 2023: €106 million). One of the main reasons for this was the increase of €5 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 €107 million to €138 million (first half of 2023: €31 million). A key factor in this rise was the year-on-year reduction in brokerage expenses. Moreover, income from the provision of liquidity lines went up by €11 million.

Net fee and commission income in the Transaction Banking business line was down year on year at €86 million, a fall of €9 million compared with the figure of €95 million for the first half of 2023. Of this fall, €5 million was attributable to higher expenses for procuring services from Deutsche WertpapierService Bank AG and €7 million was due to a reduction in income from currency service business. By contrast, income from safe custody and securities management business went up by €4 million.

As part of service procurement arrangements, DZ BANK has transferred processing services in the payments processing business to equensWorldline SE and Cash Logistik Security AG, and in securities business to Deutsche WertpapierService Bank AG. The expenses arising in connection with obtaining services from the above external processing companies amounted to a total of €102 million (first half of 2023: €105 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 loss of €72 million (first half of 2023: net gain of €584 million).

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

Gains and losses on operating trading activities in the Capital Markets business line amounted to a net gain of €315 million, compared with €369 million in the prior-year period.

Despite the uncertain market conditions resulting from the geopolitical situation, there was an improvement in gains and losses on trading in structured products and credit-rating-linked products. The deterioration in gains and losses on operating trading activities was due to higher funding costs incurred in the trading business.

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 the first half of 2024, these effects had a significant adverse impact on gains and losses on trading activities of €387 million, compared with a boost to gains and losses on trading activities of €215 million in the prior-year period. A 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 came to a net gain of €7 million, representing a year-on-year improvement of €8 million. The net gain in the reporting period resulted from expenses of €18 million from the sale of securities in the category 'fair value through other comprehensive income' (fair value OCI) combined with gains of €23 million arising from the unwinding of hedges accounted for in the category 'fair value through other comprehensive income' in the context of portfolio fair value hedge accounting. Securities in the category 'fair value through profit or loss' generated a net gain of €2 million.

Other gains and losses on valuation of financial instruments improved to a net gain of €88 million (first half of 2023: net loss of €91 million). Within this figure, credit-risk-related measurement effects relating to financial assets measured using the fair value option improved by €130 million to a net gain of €77 million (first half of 2023: net loss of €53 million) and there was a net gain from ineffectiveness in hedge accounting of €6 million, which represented an improvement of €47 million compared with the net loss of €41 million recorded in the prior-year period.

Gains and losses from the derecognition of financial assets measured at amortized cost amounted to a net gain of €37 million, rising by €32 million year on year (first half of 2023: net gain of €5 million).

Loss allowances amounted to a net addition of €53 million (first half of 2023: net reversal of €36 million). Within this figure, the net additions in the lending business and in respect of investments amounted to €84 million (first half of 2023: net additions of €1 million). Of this total, net reversals of €14 million related to loss allowances in stage 1, net additions of €40 million related to loss allowances in stage 2, and net additions of €58 million related to loss allowances in stage 3. The net reversal in respect of recoveries on loans and advances previously impaired, directly recognized impairment losses, other gains and losses on purchased or originated credit-impaired assets (POCI assets), additions to other provisions for loans and advances, and gains and losses from the credit-risk-related modification was €31 million (first half of 2023: net reversal of €37 million).

The net additions of €26 million in stages 1 and 2 during the first six months of 2024 were attributable to model adjustments in the context of the calculation of parameter-based loss allowances and to additions in respect of individual counterparties. 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 decreased by €4 million to €728 million (first half of 2023: €732 million).

Staff expenses rose by €20 million to €339 million (first half of 2023: €319 million) on the back of higher wages and salaries – and thus higher social security expenses – resulting from an increase in the number of employees.

General and administrative expenses, including depreciation and amortization charges, decreased by €24 million to €389 million (first half of 2023: €413 million). Within this figure, the contributions to the BVR protection scheme were on a par with the prior-year period at €46 million (first half of 2023: €46 million). There were no longer any expenses for the restructuring fund for banks (bank levy), resulting in a €42 million reduction in general and administrative expenses during the period under review. Furthermore, consultancy expenses increased by €4 million to €102 million (first half of 2023: €98 million), office expenses by €2 million to €21 million (first half of 2023: €19 million), IT costs by €12 million to €107 million (first half of 2023: €95 million), and expenses for property costs and occupancy costs by €4 million to €31 million (first half of 2023: €27 million). The depreciation and amortization charges decreased by €7 million to €29 million (first half of 2023: €36 million).

Other net operating income, which totaled €1 million (first half of 2023: €35 million), included income from the reversal of provisions and accruals of €13 million (first half of 2023: €45 million).

Profit before taxes amounted to €383 million in the reporting period, which was €314 million lower than the figure of €697 million reported for the comparative period.

The **cost/income ratio** came to 62.5 percent in the first half of 2024 (first half of 2023: 52.5 percent).

Regulatory RORAC was 13.7 percent (first half of 2023: 25.7 percent).

3.2.6 DZ HYP

At €389 million, the **net interest income** of DZ HYP was €43 million higher than in the prior-year period (first half of 2023: €346 million). The volume of real estate loans is one of the drivers of net interest income. This volume increased by €385 million compared with June 30, 2023 to stand at €57,156 million as at June 30, 2024 (December 31, 2023: €56,902 million), with an improvement in margins compared with the first half of 2023.

The volume of new business (including public-sector finance) stood at €3,889 million (first half of 2023: €3,626 million). In the corporate customer business, the volume of new business came to €3,206 million (first half of 2023: €3,058 million). In the retail customer business, the volume of new commitments stood at €452 million (first half of 2023: €349 million). In the public-sector business, DZ HYP generated a new business volume of €231 million (first half of 2023: €219 million).

The volume of new lending jointly generated with the local cooperative banks in the corporate customer business amounted to €1,600 million (first half of 2023: €1,501 million).

Net fee and commission income was unchanged year on year at €5 million.

Other gains and losses on valuation of financial instruments deteriorated by €52 million to a net loss of €25 million (first half of 2023: net gain of €27 million). This change was predominantly due to negative liquidity-spread-related valuation effects on own issues.

Loss allowances amounted to a net addition of €39 million (first half of 2023: net addition of €20 million). This was the result of credit rating downgrades in stage 2 and additions in stage 3 during the reporting period. There had been additions in stage 3 in connection with specific material exposures during the prior-year period.

Administrative expenses decreased by €22 million to €131 million (first half of 2023: €153 million). Staff expenses amounted to €58 million (first half of 2023: €55 million). Other administrative expenses declined to €73 million (first half of 2023: €98 million), largely because there were no longer any expenses for the bank levy.

Profit before taxes fell to €208 million (first half of 2023: €212 million).

The **cost/income ratio** came to 34.7 percent (first half of 2023: 39.6 percent).

Regulatory RORAC was 31.1 percent (first half of 2023: 31.4 percent).

3.2.7 DZ PRIVATBANK

The **net interest income** of DZ PRIVATBANK rose by €19 million to €89 million (first half of 2023: €70 million), primarily thanks to the higher average initial yield to maturity in the securities portfolio and an increase in interest income resulting from the growth of deposits held in trust accounts.

Net fee and commission income went up by €6 million to €115 million (first half of 2023: €109 million). Contributions to earnings in the fund services business are the main drivers of net fee and commission income.

As at June 30, 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 €24.8 billion (June 30, 2023: €22.8 billion).

The value of funds under management amounted to €206.6 billion (June 30, 2023: €178.1 billion). The number of fund-related mandates was 602 (June 30, 2023: 560).

Other gains and losses on valuation of financial instruments deteriorated by €25 million to a net loss of €22 million (first half of 2023: net gain of €3 million), predominantly due to liquidity-spread-related negative valuation effects on own issues measured using the fair value option.

Administrative expenses increased by €2 million to €146 million (first half of 2023: €144 million). At €84 million, staff expenses were higher than in the prior-year period (first half of 2023: €77 million), partly because of the increase in the number of employees in connection with the expansion of business. Other administrative expenses declined to €61 million (first half of 2023: €67 million), largely because there were no longer any expenses for the bank levy.

Profit before taxes amounted to €52 million (first half of 2023: €53 million).

The **cost/income ratio** came to 73.7 percent (first half of 2023: 73.1 percent).

Regulatory RORAC was 30.9 percent (first half of 2023: 33.0 percent).

3.2.8 VR Smart Finanz

Net interest income at VR Smart Finanz amounted to €69 million (first half of 2023: €60 million). The increase in net interest income was mainly due to a year-on-year rise of 3.9 percent in the lending and object finance portfolio volume to €3,101 million (June 30, 2023: €2,985 million) and higher net margins in the portfolio.

New lending and object finance business with customers in the small business, self-employed, and SME segments was encouraging in the reporting period, increasing by €34 million or 5.6 percent to €639 million in the first six months of 2024 (first half of 2023: €605 million). This trend was mainly driven by higher demand for liquidity from small businesses, which meant that new business involving the 'VR Smart flexibel' business loan swelled to €324 million (first half of 2023: €210 million). By contrast, companies showed less willingness to invest during the reporting period. 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 €233 million (first half of 2023: €271 million). Other new leasing and hire purchase business totaled €82 million (first half of 2023: €124 million).

Net fee and commission income deteriorated by €3 million to a net expense of €17 million (first half of 2023: net expense of €14 million), largely because of the increase in the fees and commissions paid to the local cooperative banks.

Loss allowances amounted to a net addition of €23 million in the period under review (first half of 2023: net addition of €12 million). The growth of expenses was mainly due to the rise in the lending and object finance portfolio volume and to increased credit risk as a result of the ongoing weakness of the economy.

Administrative expenses amounted to €39 million (first half of 2023: €37 million). Staff expenses rose to €24 million (first half of 2023: €22 million), primarily owing to appointments to vacant posts.

VR Smart Finanz incurred a **loss before taxes** of €10 million (first half of 2023: loss of €6 million).

The **cost/income ratio** came to 76.5 percent (first half of 2023: 86.0 percent).

Regulatory RORAC was minus 12.3 percent (first half of 2023: minus 7.7 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 issued subordinated capital and senior non-preferred paper. It also contains the net interest income/expense resulting from obtaining liquidity – owing to a need for funding – from an excess of non-interest-bearing assets (e.g. long-term equity investments) over non-interest-bearing liabilities in this item.

Net interest income amounted to a net expense of €77 million in the period under review (first half of 2023: net expense of €55 million).

The net interest expense on purchased and issued subordinated capital and senior non-preferred paper fell by €1 million to €35 million (first half of 2023: €36 million).

The net interest expense resulting from obtaining liquidity from an excess of non-interest-bearing assets over non-interest-bearing liabilities amounted to €42 million in the period under review (first half of 2023: €19 million). The deterioration was due to higher market interest rates in the short-dated segment.

Administrative expenses decreased by €22 million year on year to €117 million (first half of 2023: €139 million).

The protection levies (in particular the bank levy and contributions to the BVR protection scheme) declined by €17 million to €28 million (first half of 2023: €45 million) as there were no longer any expenses for the restructuring fund for banks (bank levy). Furthermore, IT and project expenses decreased from €41 million in the first six months of 2023 to €40 million in the period under review. Expenses from the group management function fell by €2 million to €34 million (first half of 2023: €36 million). Other expenses for the benefit of the group and local cooperative banks went down by €2 million to €15 million (first half of 2023: €17 million).

3.2.10 Other/Consolidation

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

The adjustments to net interest income are primarily the result of the elimination of intragroup dividend payments and are also attributable to the early redemption of issued bonds and commercial paper acquired by entities in the DZ BANK Group other than the issuer. Internal transactions in the DZ BANK – CICB operating segment are 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 June 30, 2024, the DZ BANK Group's **total assets** had increased by €19,518 million to €664,107 million (December 31, 2023: €644,589 million).

The **volume of business** amounted to €1,244,662 million (December 31, 2023: €1,195,012 million). This figure comprised the total assets, the assets under management at UMH as at June 30, 2024 amounting to €486,899 million (December 31, 2023: €455,152 million), the financial guarantee contracts and loan commitments amounting to €91,879 million (December 31, 2023: €93,327 million), and the volume of trust activities amounting to €1,777 million (December 31, 2023: €1,944 million).

Cash and cash equivalents went up by €2,688 million to €104,518 million (December 31, 2023: €101,830 million) as a result of the corresponding rise in balances with central banks. The increase was predominantly attributable to DZ BANK – CICB (liquidity management function).

Loans and advances to banks rose to €137,191 million (December 31, 2023: €128,867 million). Loans and advances to banks in Germany swelled to €125,564 million (December 31, 2023: €122,502 million). This total comprised loans and advances to affiliated banks of €117,994 million (December 31, 2023: €117,984 million) and loans and advances to other banks of €7,570 million (December 31, 2023: €4,519 million). Loans and advances to foreign banks increased to €11,627 million (December 31, 2023: €6,364 million).

Loans and advances to customers amounted to €207,681 million, which was higher than the figure of €204,776 million as at December 31, 2023. Loans and advances to customers in Germany grew to

€180,521 million (December 31, 2023: €178,389 million), while loans and advances to foreign customers rose to €27,160 million (December 31, 2023: €26,388 million).

Financial assets held for trading amounted to €32,525 million (December 31, 2023: €34,961 million). Within this amount, derivatives (positive fair values) stood at €16,014 million (December 31, 2023: €16,482 million), bonds and other fixed-income securities at €11,556 million (December 31, 2023: €8,334 million), shares and other variable-yield securities at €1,771 million (December 31, 2023: €1,329 million), money market placements at €2,210 million (December 31, 2023: €7,815 million), and promissory notes and registered bonds at €974 million (December 31, 2023: €1,000 million).

Investments went up by €6,670 million to €54,640 million (December 31, 2023: €47,970 million). The main reasons for this change were an increase of €6,459 million in bonds and other fixed-income securities to €50,912 million (December 31, 2023: €44,453 million) and an increase of €125 million in shares and other variable-yield securities to €3,005 million (December 31, 2023: €2,880 million).

Investments held by insurance companies grew by €2,929 million to €118,497 million (December 31, 2023: €115,568 million). This was due to a €2,470 million rise in assets related to unit-linked contracts to €23,033 million (December 31, 2023: €20,563 million), a €423 million rise in fixed-income securities to €54,070 million (December 31, 2023: €53,647 million), and a €356 million rise in variable-yield securities to €12,227 million (December 31, 2023: €11,871 million).

Deposits from banks as at June 30, 2024 amounted to €183,273 million, which was €8,693 million higher than the figure reported as at December 31, 2023 of €174,580 million. Deposits from foreign banks went up by €7,415 million to €24,629 million (December 31, 2023: €17,214 million) and deposits from domestic banks rose by €1,277 million to €158,644 million (December 31, 2023: €157,367 million).

Deposits from customers grew by €300 million to €159,941 million (December 31, 2023: €159,641 million). Deposits from foreign customers increased by €1,427 million to €24,781 million (December 31, 2023: €23,354 million). By contrast, deposits from domestic customers shrank by €1,128 million to €135,160 million (December 31, 2023: €136,288 million).

At the end of the reporting period, the carrying amount of **debt certificates issued including bonds** was €115,649 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 other debt certificates issued came to €26,156 million (December 31, 2023: €15,757 million), while the portfolio of bonds issued stood at €89,493 million (December 31, 2023: €88,011 million). As was also the case as at December 31, 2023, all other debt certificates issued are commercial paper.

Financial liabilities held for trading went down by €2,830 million to €44,845 million (December 31, 2023: €47,675 million). Within this figure, money market deposits decreased by €5,068 million to €3,786 million (December 31, 2023: €8,854 million) and derivatives (negative fair values) by €606 million to €16,525 million (December 31, 2023: €17,131 million). However, short positions went up by €1,772 million to €2,473 million (December 31, 2023: €701 million) and bonds issued by €1,074 million to €21,910 million (December 31, 2023: €20,836 million).

Insurance contract liabilities increased by €3,720 million to €108,871 million (December 31, 2023: €105,151 million). This was predominantly due to the €3,678 million rise in the liability for remaining coverage to €96,711 million (December 31, 2023: €93,033 million).

As at June 30, 2024, **equity** had advanced by €112 million to €31,181 million (December 31, 2023: €31,069 million). The increase was mainly due to growth of €874 million in retained earnings to €16,851 million (December 31, 2023: €15,977 million). By contrast, the reserve from other comprehensive income decreased by €681 million to minus €1,323 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 interim group management report (chapter VI.5).

5 Financial position

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

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

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

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

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

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

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

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 interim group management report includes disclosures on **liquidity adequacy** (chapter VI.4). 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 interim consolidated financial statements.

III Events after the balance sheet date

There were no events of particular importance after the end of the first half of 2024.

IV Outlook

1 Economic conditions

1.1 Global economic trends

The global economic outlook for 2024 and 2025 is improving because inflation has now fallen sharply from the very high levels seen over the past two years. This lower rate of inflation, combined with significant wage increases, is causing real incomes to rise and giving consumers greater purchasing power. Moreover, the prospect of falling interest rates should be more conducive to capital investment. In both the eurozone and the United States, however, the decline in inflation has tailed off at levels above the central banks' stated targets. This can be explained by increased upward pressure on wages, in particular from prices for services, and from an increase in the cost of housing in the United States. That is why the central banks remain cautious about easing the monetary policy reins, even though the European Central Bank (ECB) made an initial interest-rate cut in June 2024. The global economic outlook may have brightened, but there are still some cloudy patches ahead.

Threats to global economic growth include the risk of fresh protectionist measures being imposed on trade between the United States, China, and Europe. For example, the European Union may potentially impose higher tariffs on certain Chinese products that the European Commission believes are being subsidized and thus distorting competition. Furthermore, geopolitical tensions, such as the conflict between Israel and the terrorist organization Hamas in the Middle East and the stand-off over the position of Taiwan, may push up commodity and energy prices or prompt a further escalation of trade disputes. This would adversely affect global inflation and economic growth and would hit the heavily export-dependent German economy particularly hard. Supply chain disruptions, an upswing in energy prices, and tariffs could cause inflation to rise again.

The risk that the fall in inflation will stall, as it did in the first six months of 2024, will remain present in the second half of the year and not only because of stubbornly high prices for services. At the start of the year, energy prices were still having a disinflationary effect but are expected to start exerting upward pressure on inflation again in the second half of this year. Rates of inflation in most regions of the global economy are therefore likely to trend sideways or fall only slightly in the third and fourth quarters of 2024. Inflation will continue to run higher than the rates targeted by the western central banks.

1.2 Trends in the USA

In the first half of 2024, the US economy grew at a far slower rate than in the second half of 2023. Although consumer spending remained robust, the sharp rise in imports acted as a brake on economic growth. DZ BANK also predicts more moderate growth rates for US gross domestic product (GDP) over the rest of this year. All in all, the economy is forecast to expand by a solid 2.5 percent in 2024 as a whole.

Economic growth is likely to be held back as a result of key interest rates and inflation remaining high. The US labor market is also showing gradual signs of cooling, although it still paints a healthy picture overall. However, the number of vacancies is slowly falling and the unemployment rate has been edging up in recent months. This should result in an easing of upward wage pressure.

Nonetheless, the inflation rate is coming down only slowly. This is mainly because of persistent inflationary pressure in the housing sector, which will only ease later on in the year. For 2024 as a whole, DZ BANK still forecasts an average inflation rate of 3 percent.

The biggest political event this year will be the presidential election on November 5, 2024. According to the polls, a tight race between Kamala Harris and Donald Trump is expected. The re-election of Donald Trump could raise the risk of new trade disputes.

1.3 Trends in the eurozone

In the first quarter of 2024, GDP in the eurozone rose by 0.3 percent compared with the previous quarter. This marked an end to the bout of weakness that had seen a slight fall in economic output in the third and fourth quarters of 2023.

The eurozone's economic recovery is expected to continue during the remaining months of 2024. The improvement in the survey-based sentiment indicators continued into the summer. However, some surveys – such as the purchasing managers' indices – have since deteriorated slightly, suggesting that the recovery is likely to be moderate at best and that a broad-based upswing is not yet on the cards. Rapidly rising wages and declining inflationary pressure mean that consumer spending will probably be the biggest source of support for the economic rebound. For 2024 as a whole, DZ BANK anticipates economic growth of 0.75 percent.

Upward pressure on consumer prices has continued to ease compared with last year. By the time that summer arrived, however, the fall in inflation had ground to a halt in the eurozone. Nevertheless, the ECB lowered its key interest rates by 25 basis points in June, although it did concede that monetary policy would have to remain restrictive this year. The inflation rate in the eurozone is likely to be higher than the ECB's target for the remainder of 2024 because sharp wage increases mean that prices are continuing to climb in the services sector. DZ BANK expects an average inflation rate for the year of 2.5 percent.

1.4 Trends in Germany

The German economy saw a surprising increase in GDP of 0.2 percent in the first quarter of 2024 compared with the previous quarter. This was thanks to exports and construction investment, with mild weather in January and February enabling a very high level of construction activity.

However, the construction sector was unable to maintain the momentum in the second quarter. The period of low interest rates had fueled brisk demand for real estate but this tapered off markedly in 2022 when interest rates surged. This led to a significant correction of property prices from the high levels they had reached. Between mid-2022 and the first quarter of 2024, residential property prices dropped by almost 9 percent, although they have since turned the corner. The slight reduction in interest rates compared with 2023, the significant increases in income, and the fall in purchase prices mean that owning a home is now more affordable again. Moreover, high net inward migration is driving up rents, especially as housing is in short supply anyway. Nonetheless, investment in housebuilding is being held back by high costs for construction and borrowing.

On the flip side, manufacturing output is proving astonishingly robust in the face of poor order levels. The services sector has also been reporting revenue growth in the year to date. Survey-based indicators such as the ifo business climate index are less clear-cut, however. Business expectations had risen for four months in succession but declined again slightly in June. Although the assessment of the business situation remained stable, the main indicator also edged down in June. Overall, the data is still at a low level despite the phases of significant improvement.

Consumers also remained cautious in the first half of 2024. However, the lower rate of inflation and the increase in collectively agreed wages should lead to growth in real incomes as the year continues. This will in turn result in higher consumer spending and thus support economic growth. For 2024, DZ BANK anticipates a rise in GDP of 0.25 percent.

The rate of inflation was significantly lower in the first half of 2024 than in the corresponding prior-year period, but the fall in inflation has not continued. The downward effect on inflation of the Deutschland-Ticket, a subsidized public transportation ticket introduced in May 2023, stopped being relevant to the calculation of inflation in May 2024 and, in fact, led to a slight rise in the inflation rate again. In the second half of the year, the inflation rate is likely to fluctuate within a narrow range overall. Persistent upward pressure on wages is predicted to continue driving up prices for services. DZ BANK anticipates that energy prices will start contributing to inflation again by the end of 2024, whereas upward pressure on prices for industrial goods and food is expected to remain low. Overall, the average inflation rate for 2024 is forecast to be 2.5 percent.

1.5 Trends in the financial sector

Conditions in the financial sector were stable in the first half of 2024. The ECB continues to scale back its asset purchase program (APP) and pandemic emergency purchase program (PEPP), steadily reducing the volumes of assets held. Although repayments for securities purchased under PEPP continue to be reinvested at present, this is set to finish at the end of this year. The ECB's cautious and flexible approach, combined with the transmission protection instrument (TPI), has helped to prevent the excessive widening of spreads on the bonds of individual eurozone countries and thus to counter potential fragmentation risk. Current spread levels also reflect the somewhat muted economic environment.

So far this year, the key interest rates of the world's major central banks have remained high, although they have now stabilized following the significant hikes seen in 2023. The US Federal Reserve has kept the federal funds rate unchanged in a range of 5.25 percent to 5.5 percent, demonstrating its wait-and-see stance. In June, the ECB lowered the main refinancing rate for the eurozone moderately from 4.5 percent to 4.25 percent, marking the end for now of a period of rising interest rates in the eurozone. Although further interest-rate cuts are not expected any time soon, a renewed increase is viewed as unlikely.

Interest-related business is therefore likely to have passed its peak. With inflation falling, the current interest-rate trend may provide further stimulus for the real estate market. However, its effect will be limited given that the general level of interest rates remains high, investment costs are high, and economic growth is still muted. As the rate of inflation is diminishing and wages are rising sharply, improved consumer sentiment may create further positive effects.

Although geopolitical turmoil and the related trade disputes are holding back global economic growth, DZ BANK expects the German economy to grow slightly. Given that the factors generating uncertainty are occurring simultaneously and that they are relevant to the major economic areas (United States, Europe, and China), it is impossible to rule out unexpected adverse effects on companies and households, which in turn would continue to have negative implications for the financial position and financial performance of the financial sector in the second half of 2024.

Regardless of the aforementioned macroeconomic situation, the financial sector still faces considerable pressures in terms of both adjustment and costs. These arise from structural changes and regulatory requirements. The recent increases in upward pressure on prices and the potential threat of a wage/price spiral could further accelerate this process. This environment is presenting the financial sector with the challenge of scrutinizing its existing business models, adapting them as required, and substantially improving its efficiency by digitalizing business processes.

The agenda of regulatory reforms initiated in response to the financial crisis has a range of objectives, including making the financial sector more resilient in the event of a crisis – mainly through improved capital and liquidity adequacy – and ensuring that the risks arising from the business activities in the financial industry are not borne by the public sector. As a result, the financial industry has progressively reduced its leverage and substantially bolstered its risk-bearing capacity by improving liquidity and capital adequacy. The planned implementation of EU banking regulations must also be seen in this light.

The issue that is likely to continue shaping activities in the financial industry in the long term is the implementation of the multifaceted environmental, social, and corporate governance (ESG) standards and their implications for the business models used in the sector. At present, the primary challenge faced by the financial sector is to implement the relevant requirements at an operational level throughout the value chain, which includes business management, risk management, and the internal and external reporting systems. The consideration of ESG aspects in the financial and capital markets is, on the one hand, opening up new market opportunities for the financial sector. On the other, events in the various ESG categories should also be seen as risks and managed accordingly.

2 Financial position and financial performance

The forecasts below are based on the outcome of the DZ BANK Group's projection process. Changes in the underlying assumptions, particularly as a result of the macroeconomic conditions described above, may lead to deviations from the forecasts.

Net interest income (including net income from long-term equity investments) in 2024 is projected to be significantly higher than in 2023. The figure for the reporting year will receive a significant boost not only from the good level of income from the operating business but also from accounting-related effects that have a positive impact on net interest income but a countervailing impact on gains and losses on trading activities.

Net fee and commission income is expected to be significantly higher in 2024 than in 2023 and thus continue to contribute significantly to the earnings of the DZ BANK Group, driven by the UMH, DZ BANK – CICB, and DZ PRIVATBANK operating segments.

Gains and losses on trading activities will likely deteriorate substantially this year. This is because there were material positive IFRS-related effects resulting from rules on the recognition and measurement of financial instruments in the DZ BANK – CICB operating segment in 2023, whereas the 2024 figure will be adversely affected by negative factors (see chapter 3.2.5 'DZ BANK – CICB' of the business report). The accounting-related effects mentioned above in connection with net interest income will have a negative impact on gains and losses on trading activities.

Gains and losses on investments are anticipated to improve noticeably to a net gain, partly because the figure for 2023 included losses on the sale of securities and impairment losses on a joint venture.

Other gains and losses on valuation of financial instruments will deteriorate markedly in the reporting year, returning to a normal level. This will largely be driven by the anticipated slight widening of credit spreads in public-sector finance in the DZ HYP operating segment and by the valuation of guarantee commitments and resulting realized gains and losses in the UMH operating segment.

The latest forecasts show that **net income from insurance business** will fall significantly in 2024. This is because gains and losses on investments held by insurance companies are expected to deteriorate sharply owing to the still volatile conditions in the capital and financial markets. Nevertheless, insurance finance income or expenses will see a marked improvement. The insurance service result will be influenced by the expected increase in claims incurred in inward reinsurance. Insurance service expenses are predicted to rise significantly overall.

Expenses for **loss allowances** are expected to be much higher in 2024 in view of the targeted volume of new business, the likely reduction in reversals of loss allowances, and the decline in income from loans and advances previously impaired.

Administrative expenses will rise marginally in 2024 compared with 2023 due to a slight increase in general and administrative expenses, although this will be partly offset by savings in connection with the bank levy.

Other net operating income is projected to increase substantially once again this year. This is mainly because the 2023 figure was adversely affected by non-recurring items in the UMH and DZ PRIVATBANK operating segments, albeit with a countervailing effect from reversals of provisions in the DZ BANK – CICB operating segment.

In 2023, the DZ BANK Group's profit before taxes was much higher than forecast. Based on current assessments, **profit before taxes** in 2024 is predicted to be within the long-term target range of €2 billion to €2.5 billion even though the macroeconomic environment is expected to remain challenging.

The **cost/income ratio** is likely to be a little higher in 2024 as a result of the expected small year-on-year decrease in income and simultaneous slight rise in administrative expenses.

The substantial fall in **regulatory RORAC** projected for 2024 is based on the expected decrease in income, the sharply rising regulatory base rate of return used in the calculation, and R+V's solvency capital requirement.

3 Liquidity and capital adequacy

The DZ BANK Group is assuming that it can continue to maintain an appropriate level of economic and regulatory **liquidity adequacy** in the second half of 2024. Further information on liquidity adequacy can be found in the risk report (chapter VI.5).

As matters currently stand, the DZ BANK Group's **capital adequacy** will continue to be assured for the second half of 2024 from both economic and regulatory perspectives; that is to say, it will continue to have at its disposal the available internal capital and own funds necessary to cover the risks associated with the finance business and other risks arising from the group's business operations. Further information on capital adequacy can be found in the risk report (chapter VI.4).

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 2023 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 2023 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 2024 are based on the macroeconomic scenario that DZ BANK considers to be the most likely.

If economic conditions in the relevant markets prove to be better than expected, opportunities may arise for the DZ BANK Group. In a positive scenario such as this, an easing of the trade disputes between China and the United States would avoid further barriers to trade. In particular, the provisional countervailing duties on Chinese electric cars introduced by the EU would not lead to large-scale retaliation by China that could be damaging to the export-reliant German economy. The global economic downturn, especially in China, would be milder and shorter than expected and would not materialize in the United States, where the economy would remain buoyant despite high debt levels. These developments would ultimately lessen the risk of a global recession. Political stability and continuity in the United States and a rapid end to hostilities in the war between Israel and Hamas could also have a positive impact on the situation.

In a positive scenario, the recent resurgence of nationalistic tendencies in European countries, as can be seen from the results of the European elections, and the difficult political situation in France would not impact on European decision-makers' ability to act. A consistent economic approach in Europe, joint decision-making, and a gradual lowering of the key interest rate could stimulate growth in the eurozone despite high debt levels. Effective use of transmission protection instruments of the European Central Bank (ECB) would also mean that countries in the eurozone could continue to obtain finance easily. This would have a positive knock-on effect on the financial and capital markets. The slow reduction in key interest rates initiated by the ECB would lessen the impact of factors that drive inflation, such as wage/price spirals. In the United States, too, comparable downward movements in interest rates would have a positive effect on the country's budget and government debt. If interest rates remained high in the long term, however, net interest income and the net interest margin in the Bank sector and life insurance business in the Insurance sector would benefit.

People's confidence in political leaders could increase and improve in the medium term if the ruling parties can quickly conclude the debates that are flaring up again about Germany's budget. A decline in energy and commodity prices – potentially supported by a foreseeable end to the war in Ukraine – could help to boost this confidence further. In combination with the lower rate of inflation, which is close to the normal level targeted by the ECB, this would have a positive impact on the German economy. Moreover, an absence of further price corrections in the real estate markets, coupled with continuing falls in key interest rates would benefit the DZ BANK Group’s financial performance and provide stability, above all for the commercial real estate market.

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 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 sustainable finance. 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 2023 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. By implementing the strategy agenda, the central service providers in the Cooperative Financial Network assist the cooperative banks with their individual strategic processes and help them to assume responsibility for their own profitability. Based on the strategy agenda, a Germany-wide strategic portfolio has been established that brings together strategic initiatives of the Cooperative Financial Network with the aim of improving the transparency of these initiatives for the cooperative banks.

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.

Thirdly, 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 a reliable partner that helps its customers to achieve their dreams when it comes to their home. The building society works with the cooperative banks to develop all-round solutions in the homes and housebuilding ecosystem, thereby strengthening the Cooperative Financial Network. It intends to remain the market leader in the home savings market and, together with the cooperative banks, become the no. 1 in the home finance market. 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 financial products and extending 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 integration of Atruvia’s omnichannel platform will be a central focus in 2024, enabling DZ HYP to support local cooperative banks with best-in-class products and services on this platform that they can use to advise customers on consumer home finance. 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. The initial implementation phase of FK Digital began in July 2023 and is expected to be completed in spring 2025. 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 implementing the DZ HYP cloud infrastructure. In 2024, it plans to finish establishing the fundamental cloud infrastructure and migrate the majority of the IT landscape to the future operating model. The real estate sector has the potential to play a key role in combating climate change. DZ HYP sees its own role as supporting the green transformation of the economy in order to channel cash flows toward more sustainable business, for example by financing more energy-efficient real estate.

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. Making customers happy is the cornerstone of future success under its strategic program, WIR@R+V. The program is designed to boost R+V’s 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, such as healthcare and long-term nursing care, 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.

In response to the changing conditions in which it operates, **Union Investment** has created the internal FitForFuture program, which establishes the strategic areas of investment going forward. These areas of investment include not only sustainability and digitalization but also a ‘learning organization’. Other key areas are the cementing of Union Investment’s positioning as an active asset manager and the Masterplan platform in its retail business, which chimes with the aim of harnessing the potential of high-net-worth customers and the related product range. This investment in the future will be cost-neutral and will thus help to secure the profitable growth of the Union Investment Group.

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.

VI Risk report

1 Disclosure principles

In its capacity as the parent company in the DZ BANK Group, DZ BANK is publishing this half-year risk report in order to meet the transparency requirements for risks applicable to the DZ BANK Group as specified in **section 115** and **section 117 of the German Securities Trading Act (WpHG)** and **German Accounting Standard (GAS) 16** in conjunction with GAS 20. This report also implements the applicable international risk reporting requirements on the basis of **International Accounting Standard (IAS) 34**, although the legal standards applicable to annual reporting under the International Financial Reporting Standards (IFRS) – IFRS 7.31-42 (nature and extent of risks arising from financial instruments) and IFRS 17.121-132 (nature and extent of risks that arise from contracts within the scope of IFRS 17) – are taken into account.

In preparing this risk report, DZ BANK also takes account of the **recommended risk-related disclosures** issued by the Financial Stability Board, the European Banking Authority, and the European Securities and Markets Authority that are designed to improve the usefulness of the disclosures in the decision-making process.

The quantitative disclosures in this risk report are based on information that is presented to the Board of Managing Directors and used for internal management purposes (known as the **management approach**). The disclosure of this information, which is important for knowledgeable users, is designed to ensure that external reporting is useful when such users need to make decisions.

This half-year report only provides an overview of the **core elements of the risk management system** of the DZ BANK Group. The risk management system is presented in full in the risk report in the 2023 group management report ('2023 risk report'). Those disclosures are also applicable to the first half of this year, unless otherwise indicated in this report.

DZ BANK Group

2 Summary

2.1 Risk management system

2.1.1 Fundamental features of risk management

Risks result from adverse developments affecting financial position or financial performance, and essentially comprise the risk of an unexpected future liquidity shortfall or unexpected future losses. A distinction is made between liquidity and capital. Risks that materialize can affect both of these resources.

The DZ BANK Group has a **risk management system** that is updated on an ongoing basis in line with changes to the business and regulatory environment. The risk management system is designed to enable them to identify material risks – particularly risks to their ability to continue as a going concern – at an early stage and to initiate the necessary control measures. The system therefore incorporates various elements, including organizational arrangements, methods, IT systems, the limit system based on economic risk-bearing capacity, stress testing of all material risk types, and internal reporting.

The risk management system is based on the **risk appetite statement** – the fundamental document for determining risk appetite in the DZ BANK Group – and the specific details and additions in **risk strategies**, which are consistent with the business strategies and are approved by the Board of Managing Directors. The risk appetite statement contains risk policy guidelines and strategy requirements that are applicable throughout the group. It also sets out quantitative requirements reflecting risk appetite.

The DZ BANK Group strives to avoid **concentrations of risk** that are not the conscious result of business policy.

The methods used to **measure risk** are an integral element of the risk management system. They are regularly reviewed, refined where necessary, and adapted to changes in internal and external requirements. Risk model calculations are used to manage the DZ BANK Group.

The tools used for the purposes of risk management are also designed to enable the DZ BANK Group to respond appropriately to **significant market movements**. For example, the market data used for the centralized, model-driven measurement of market risk is updated every trading day and significant market movements therefore lead to an immediate increase in the volatility of risk factors and, consequently, changes in market risk. In addition, changes in credit ratings and correlations affect the modeled level of credit risk. Conservative crisis scenarios for short-term and medium-term liquidity are intended to ensure that liquidity risk management takes adequate account of market crises.

2.1.2 KPIs

Risks affecting liquidity and capital resources are managed on the basis of groupwide liquidity risk management and groupwide risk capital management. The purpose of **liquidity risk management** is to ensure adequate levels of liquidity reserves are in place in respect of risks arising from future payment obligations (liquidity adequacy). The aim of **risk capital management** is to ensure the availability of capital resources that are commensurate with the risks assumed (capital adequacy).

The key risk management figures used in respect of **liquidity** are the minimum liquidity surplus, the liquidity coverage ratio (LCR), and the net stable funding ratio (NSFR). The key risk management figures used in respect of **capital** are economic capital adequacy, the coverage ratio for the financial conglomerate, the regulatory capital ratios, the leverage ratio, and the metrics for the minimum requirement for own funds and eligible liabilities (MREL). These metrics are 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.

2.1.3 Management units and sectors

The DZ BANK Group is managed using the main types of risk, taking into account particular features relating to DZ BANK and its material subsidiaries (also referred to below as **management units**). Where a subsidiary acts as the parent company of a subgroup, the entire subgroup comprising the parent company plus its subsidiaries and second-tier subsidiaries is considered to be the management unit.

The management units represent the operating segments in the interim consolidated financial statements of the DZ BANK Group and form the core of the financial services group. All entities in the DZ BANK Group are integrated into the groupwide risk management system. Risk is managed groupwide on a consolidated basis.

The management units are deemed to be material in terms of their contribution to the DZ BANK Group’s aggregate risk and are directly incorporated into the group’s risk management system. The other subsidiaries and investee entities of DZ BANK are integrated into the risk management system either indirectly as part of equity investment risk or directly as part of other types of risk. This is decided for each of them annually.

The management units' subsidiaries and investees are also included in the DZ BANK Group's risk management system – indirectly via the majority-owned entities – with due regard to the minimum standards applicable throughout the group.

The insurance business operated at R+V differs in material respects from the other businesses of the DZ BANK Group. For example, actuarial risk is subject to factors that are different from those affecting the risks typically assumed in banking business. Furthermore, policyholders have a share in any gains or losses from investments in connection with life insurance, health insurance, and casualty insurance as specified under statutory or contractual arrangements, and this must be appropriately taken into account in the measurement of risk. Not least, the supervisory authorities also treat banking business and insurance business differently and this is reflected in differing regulatory regimes for banks and insurance companies.

Because of these circumstances, two sectors – Bank sector and Insurance sector – have been created within the DZ BANK Group for the purposes of economic risk management. The management units are assigned to these sectors as follows:

Bank sector:
– DZ BANK
– BSH
– DZ HYP
– DZ PRIVATBANK
– TeamBank
– UMH
– VR Smart Finanz

Insurance sector:
– R+V

DZ BANK and **DZ HYP** have elected to apply the **liquidity waiver** pursuant to article 8 of the Capital Requirements Regulation (CRR). The waiver enables the LCR and NSFR to be applied at the level of a single liquidity subgroup consisting of DZ BANK and DZ HYP. This means that it is no longer necessary to comply with the regulatory liquidity requirements at the level of the two individual institutions.

Furthermore, **DZ HYP** has applied the **capital waiver** pursuant to section 2a (1), (2), and (5) of the German Banking Act (KWG) in conjunction with article 7 (1) CRR, under which – provided certain conditions are met – regulatory supervision at individual bank level may be replaced by supervision of the entire banking group.

The entities in the DZ BANK Group are exposed to a number of risk factors. These include developments concerning the entity's environment that may have an adverse impact on the DZ BANK Group's future financial position, liquidity situation, or financial performance. Risk factors either affect multiple types of risk (general risk factors) or are limited to specific types of risk (specific risk factors). Disclosures on **general risk factors** can be found in chapter VI.3. There were no new general risk factors in the first half of 2024. The **specific risk factors** are shown in the risk-type-specific chapters of the 2023 risk report. The disclosures there continue to apply unchanged to the current year.

The main features of the directly managed **risks** and their significance for the operating segments in the Bank and Insurance sectors were shown in Fig. VII.1 and Fig. VII.2 respectively of the 2023 risk report. The risks shown there correspond to the outcome of the risk inventory check and reflect the risks that are material to the DZ BANK Group. This presentation also applies to the first six months of the current year.

2.2 Risk profile and risk appetite

The DZ BANK Group’s **business model** and the associated business models used by the management units determine the risk profile.

The values for the measurement of **liquidity and capital adequacy** presented in Fig. VI.1 reflect the liquidity risks and the risks backed by capital assumed by the DZ BANK Group. They illustrate the **risk profile** of the DZ BANK Group. The values for these KPIs are compared against the (internal) threshold values specified by the Board of Managing Directors of DZ BANK – also referred to below as **risk appetite** – and against the (external) minimum targets laid down by the supervisory authorities. The internal threshold values consist of minimum thresholds and observation thresholds.

These observation thresholds mark the transition point from a comfortable risk situation to a state of heightened alert, whereas the minimum thresholds represent a mandatory internal limit that must be maintained. Both thresholds are elements of the risk appetite statement. The internal minimum thresholds in the risk appetite statement largely represent the warning thresholds in the recovery plan. They are defined by the Board of Managing Directors of DZ BANK and presented to the Risk Committee of DZ BANK’s Supervisory Board for acknowledgement. Depending on the situation and significance, the Chief Risk Officer, the Chief Financial Officer, the relevant committee of the Board of Managing Directors, or the full Board of Managing Directors may initiate corrective measures if observation thresholds are crossed. If the minimum thresholds are crossed, the escalation mechanisms set out in the recovery plan are triggered.

2.3 Solvency and risk-bearing capacity

The **solvency** of DZ BANK and its subsidiaries was never in jeopardy at any point during the reporting period. They also complied with regulatory requirements for liquidity adequacy. By holding ample liquidity reserves, the group aims to be able to protect its liquidity against any threats in the event of a crisis.

The DZ BANK Group remained within its economic **risk-bearing capacity** in the first half of 2024 and also complied with regulatory requirements for capital adequacy on every reporting date.

3 General risk factors

In the first half of 2024, the general risk factors that were applicable to the DZ BANK Group were essentially unchanged compared with 2023.

FIG. VI.1 – LIQUIDITY AND CAPITAL ADEQUACY KPIS

	Measured figure		External minimum target		Internal minimum threshold		Internal observation threshold	
	Jun. 30, 2024	Dec. 31, 2023	2024	2023	2024	2023	2024	2023
LIQUIDITY ADEQUACY								
DZ BANK Group (economic perspective)								
Minimum liquidity surplus (€ billion)[1]	18.9	18.5	0.0	0.0	4.0	4.0	5.0	5.0
DZ BANK banking group (normative perspective)								
Liquidity coverage ratio (LCR, percent)[2]	142.9	145.8	100.0	100.0	112.5	110.0	125.0	120.0
Net stable funding ratio (NSFR, percent)[3]	125.4	126.5	100.0	100.0	106.0	106.0	110.0	107.0
CAPITAL ADEQUACY								
DZ BANK Group (economic perspective)								
Economic capital adequacy (percent)[4]	197.6	209.1	100.0	100.0	120.0	120.0	140.0	140.0
DZ BANK financial conglomerate (normative perspective)								
Coverage ratio (percent)[5]	136.5	152.5	100.0	100.0	113.0	113.0	123.0	121.0
DZ BANK banking group (normative perspective)[6]								
Common equity Tier 1 capital ratio (percent)	15.7	15.5	10.0	9.8	11.8	11.3	13.0	12.5
Tier 1 capital ratio (percent)	17.8	17.7	11.8	11.7	13.5	13.3	14.8	14.3
Total capital ratio (percent)	20.2	20.1	14.3	14.1	16.0	15.8	17.3	16.8
Leverage ratio (percent)	6.2	6.2	3.0	3.0	4.0	4.0	4.3	4.3
MREL ratio as a percentage of risk-weighted assets	41.1	42.4	27.0	25.1	28.4	26.8	28.7	27.1
MREL ratio as a percentage of the leverage ratio exposure	14.3	14.9	9.5	7.3	9.9	9.7	10.2	10.0
Subordinated MREL ratio as a percentage of risk-weighted assets	30.6	31.0	27.0	23.8	28.4	26.6	28.7	27.1
Subordinated MREL ratio as a percentage of the leverage ratio exposure	10.6	10.9	8.4	7.1	8.8	9.7	9.1	10.0

1 For details, see chapter VI.4.1.2.
2 For details, see chapter VI.4.2.1.
3 For details, see chapter VI.4.2.2.
4 For details, see chapter VI.5.2.
5 For details, see chapter VI.5.3.1.
6 For details, see chapter VI.5.3.2.

4 Liquidity adequacy

4.1 Economic perspective

4.1.1 Quantitative variables in liquidity risk

Liquid securities

The available liquid securities have a significant influence on the level of the minimum liquidity surplus. Liquid securities are a component of the **counterbalancing capacity** and are largely held in the portfolios managed by DZ BANK's Group Treasury and Capital Markets Trading divisions or in the portfolios of the treasury units at the subsidiaries of DZ BANK. Only bearer bonds are counted as liquid securities.

Liquid securities comprise highly liquid securities that are suitable for collateralizing funding in private markets, securities eligible as collateral for central bank loans, and other securities that can be liquidated in the 1-year forecast period that is relevant for liquidity risk.

Securities are only eligible as liquid securities if they are not pledged as collateral, e.g. for secured funding. Securities that have been borrowed or taken as collateral for derivatives business or in connection with secured funding only become eligible when they are freely transferable. Eligibility is recognized on a daily basis and also takes into account factors such as restrictions on the period in which the securities are freely available.

Liquid securities represent the largest proportion of the counterbalancing capacity and make a major contribution to maintaining solvency in the stress scenarios with defined limits at all times during the relevant forecast period. In the first month, which is a particularly critical period in a crisis, liquid securities are almost exclusively responsible for maintaining solvency in the stress scenarios with defined limits.

Fig. VI.2 shows the liquidity value of the liquid securities that would result from secured funding or if the securities were sold. The total liquidity value as at June 30, 2024 amounted to €47.7 billion (December 31, 2023: €37.3 billion). The increase in liquid securities was mainly due to an increase in the DZ BANK Group's own portfolio of securities that are eligible for GC Pooling and as collateral for central bank loans as well as to a stronger increase in reverse repo transactions than in repos.

FIG. VI.2 – LIQUID SECURITIES

€ billion	Jun. 30, 2024	Dec. 31, 2023
Liquid securities eligible for GC Pooling (ECB Basket)[1]	**22.2**	**15.8**
Securities in own portfolio	25.7	20.5
Securities received as collateral	9.2	5.9
Securities provided as collateral	-12.7	-10.6
Liquid securities eligible as collateral for central bank loans	**21.2**	**17.9**
Securities in own portfolio	20.0	18.0
Securities received as collateral	3.9	3.5
Securities provided as collateral	-2.8	-3.6
Other liquid securities	**4.3**	**3.7**
Securities in own portfolio	3.4	3.3
Securities received as collateral	1.0	0.6
Securities provided as collateral	-0.1	-0.2
Total	**47.7**	**37.3**
Securities in own portfolio	49.1	41.8
Securities received as collateral	14.1	9.9
Securities provided as collateral	-15.5	-14.4

1 GC = general collateral, ECB Basket = eligible collateral for ECB funding.

Unsecured short- and medium-term funding

Other than liquid securities, the main factors determining the minimum liquidity surplus are the availability and composition of the sources of funding.

The DZ BANK Group has a highly diversified funding base for operational liquidity. A considerable portion is accounted for by money market activities resulting from the cash-pooling function with the **local cooperative banks**. Under these arrangements, the cooperative banks can invest excess liquidity with DZ BANK at any time. Conversely, if the cooperative banks need liquidity, they can obtain it from DZ BANK. Overall, this regularly results in a liquidity surplus, which provides one of the main pillars of short-term funding in the unsecured money markets.

Corporate customers and **institutional customers** are another important source of funding for covering operational liquidity requirements. In the context of liquidity risk, corporate customers are those customers that are not banks and are not classified as institutional customers.

For funding purposes, the management units also issue **money market products based on debt certificates** under a standardized groupwide multi-issuer euro commercial paper program through the offices and branches in Frankfurt am Main, New York, Hong Kong, London, and Luxembourg. DZ BANK also runs a US-dollardenominated commercial paper program for Frankfurt am Main. Key repo and securities lending activities, together with the collateral management process, are managed centrally in DZ BANK's Group Treasury division.

The volume of funding on the **interbank market** is low; such funding is not strategically important to the DZ BANK Group.

The range of funding sources in the unsecured money markets is shown in Fig. VI.3. The changes in the composition of the sources of funding compared with December 31, 2023 arose because customers and investors were more focused on diversification than in the previous year due to the interest-rate situation. The changes included reallocations from current account deposits to alternative financial products available in the money market with terms of up to one year, which were made in light of ECB monetary policy measures. Investors also increasingly shifted their focus to reallocating short-term financial products to longer-term financial products on offer in the money market.

Further information on funding can be found in chapter II.5 of the business report.

FIG. VI.3 – UNSECURED SHORT-TERM AND MEDIUM-TERM FUNDING

€ billion	Jun. 30, 2024	Dec. 31, 2023
Deposits	**96.3**	99.7
Deposits of local cooperative banks	59.7	59.7
Current account deposits of other customers	36.6	40.0
Money market borrowing	**78.5**	59.8
Central banks, interbank, and customer banks	11.6	7.8
Corporate customers and institutional customers	40.4	36.2
Certificates of deposit/commercial paper	26.6	15.8

4.1.2 Risk position

Economic liquidity adequacy is assured if none of the four stress scenarios with defined limits exhibit a negative value for the key risk indicator 'minimum liquidity surplus'. Fig. VI.4 shows the results of measuring liquidity risk. The results are based on a daily calculation and comparison of forward cash exposure and counterbalancing capacity. The values reported are the values that occur on the day on which the liquidity surplus calculated over the forecast period of 1 year is at its lowest point.

FIG. VI.4 – LIQUIDITY UP TO 1 YEAR IN THE STRESS SCENARIOS WITH DEFINED LIMITS: MINIMUM LIQUIDITY SURPLUSES

	Forward cash exposure		Counterbalancing capacity		Minimum liquidity surplus[1]	
€ billion	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Downgrading	-55.1	-43.6	109.0	90.6	53.9	46.9
Corporate crisis	-59.6	-45.6	78.5	64.1	18.9	18.5
Market crisis	-67.2	-47.9	96.5	78.9	29.3	31.0
Combination crisis	-65.5	-47.4	88.4	72.1	22.9	24.7

1 The values with an orange background are the minimum liquidity surplus in the squeeze scenario.

The increase in the forward cash exposure and in the counterbalancing capacity mainly resulted from the shift in the day with the minimum liquidity surplus. This day had been in the ninth month of the one-year forecast period as at December 31, 2023, whereas it had moved to the end of the forecast period by the reporting date.

The liquidity risk value measured as at June 30, 2024 for the stress scenario with defined limits with the lowest minimum liquidity surplus (squeeze scenario) was €18.9 billion (December 31, 2023: €18.5 billion).

The minimum liquidity surplus as at June 30, 2024 was positive in the stress scenarios with defined limits that were determined on the basis of risk appetite. This is due to the fact that the counterbalancing capacity was above the cumulative cash outflows on each day of the defined forecast period in every scenario, which indicates that the cash outflows assumed to take place in a crisis could be comfortably covered. The limits for the minimum liquidity surplus were adhered to for all management levels.

The rise in interest rates during the first half of 2024 led to significant movements in the market for interest-rate derivatives and to funding changes, making the minimum liquidity surplus more volatile.

As at the reporting date, the minimum liquidity surplus exceeded the **external minimum target** laid down by the supervisory authorities, the **internal minimum threshold**, and the **internal observation threshold**. The target/threshold values are shown in Fig. VI.1.

4.2 Normative perspective

4.2.1 Liquidity coverage ratio

The liquidity coverage ratio has a short-term focus and is intended to ensure that institutions can withstand a liquidity stress scenario lasting 30 days. This KPI is defined as the ratio of available liquid assets (liquidity buffer) to total net cash outflows in defined stress conditions over the next 30 days. DZ BANK reports the LCR of the liquidity subgroup and that of the banking group, calculated in accordance with the CRR in conjunction with Commission Delegated Regulation (EU) 2015/61, to the supervisory authority on a monthly basis.

The LCR figure for the DZ BANK banking group can be found in Fig. VI.5.

FIG. VI.5 – LIQUIDITY COVERAGE RATIO AND ITS COMPONENTS

	Jun. 30, 2024	Dec. 31, 2023
Total liquidity buffer (€ billion)	136.4	125.6
Total net liquidity outflows (€ billion)	95.4	86.1
LCR (percent)	**142.9**	**145.8**

The decrease in the LCR from 145.8 percent as at December 31, 2023 to 142.9 percent as at June 30, 2024 resulted from the greater percentage increase in the net liquidity outflows compared with the relative increase in the liquidity buffer despite the rise in excess liquidity cover (calculated by deducting the net liquidity outflows from the liquidity buffer). As the LCR is more sensitive to changes in liquidity outflows than to changes in the liquidity buffer, the two opposing effects resulted in an overall reduction in the KPI.

The growth of the liquidity buffer was mainly due to a larger volume of unsecured funding, primarily deposits from the Cooperative Financial Network and long-term own issues. The rise in the weighted net liquidity outflows was less pronounced than the related increase in the liquidity buffer, firstly because deposits from the Cooperative Financial Network are only included with an outflow factor of 25 percent rather than in full. Secondly, issues are only included in the liquidity outflows in the last 30 days before their maturity date, not immediately.

As at the reporting date, the **external minimum target** laid down by the supervisory authorities, the **internal minimum threshold**, and the **internal observation threshold** were exceeded. The target/threshold values are shown in Fig. VI.1.

4.2.2 Net stable funding ratio

The net stable funding ratio has a long-term focus and is intended to identify mismatches between the maturity structures of assets-side and liabilities-side business. Its longer-term perspective means that it complements the LCR, which has a short-term focus.

The NSFR is the amount of available stable funding (equity and liabilities) relative to the amount of required stable funding (assets-side business). The funding sources are weighted according to their degree of stability and assets are weighted according to their degree of liquidity based on factors defined by the supervisory authority. Excess cover in relation to the NSFR is the difference between the available stable funding and the required stable funding.

The NSFR calculated for the DZ BANK banking group is presented in Fig. VI.6.

FIG. VI.6 – NET STABLE FUNDING RATIO AND ITS COMPONENTS

	Jun. 30, 2024	Dec. 31, 2023
Available stable funding (weighted equity and liabilities; € billion)	290.4	287.9
Required stable funding (weighted assets; € billion)	231.5	227.6
Excess cover/shortfall (€ billion)[1]	58.9	60.3
NSFR (percent)	**125.4**	**126.5**

1 Excess cover = positive values, shortfall = negative values.

As at the reporting date, the NSFR was above the **internal minimum threshold** and the **internal observation threshold**. The ratio also exceeded the **external minimum target** laid down by the supervisory authorities. The target/threshold values are shown in Fig. VI.1.

5 Capital adequacy

5.1 Remeasurement of R+V's transitional measure on technical provisions

The transitional measure on technical provisions is a time-limited regulatory measure designed to make it easier for insurance companies to transition from Solvency I to the current regulatory regime, Solvency II. Having obtained permission to do so from BaFin, R+V has been using the transitional measure on technical provisions for individual personal insurance companies since 2020. Use of this measure means that additional own funds can be taken into account, which – all other things being equal – results in an increase in both economic and regulatory capital adequacy.

In view of the rise in interest rates, BaFin requested, at the start of 2024, that the affected insurance companies remeasure their transitional measure on technical provisions. The remeasurement carried out for R+V based on figures as at December 31, 2023 produced a value of zero for the transitional measure on technical provisions. As instructed by BaFin, DZ BANK has been using this zero value to calculate economic and regulatory capital adequacy since June 30, 2024. This resulted in a reduction compared with the end of 2023 both in the DZ BANK Group's economic capital adequacy (see chapter VI.5.2) and in the coverage ratios of the DZ BANK financial conglomerate (see chapter VI.5.3.1) and of the R+V Versicherung AG insurance group (see chapter VI.5.3.3).

5.2 Economic perspective

Capital adequacy is considered from both an economic and a normative perspective. The economic perspective is an internally defined management perspective aimed at ensuring that all of the DZ BANK Group's material capital risks – determined using internal risk measurement methods on the assumption that the group will continue to operate as a going concern – are fully backed by capital plus an internally specified management buffer. The risk measurement methods used are designed to ensure that risk capital management is integrated across the group.

Economic capital adequacy is calculated as the ratio of available internal capital to the economic aggregate risk of the DZ BANK Group. The economic aggregate risk is calculated as the sum of the aggregate risk values of the Bank and Insurance sectors, comprising the risk capital requirement of the Bank sector, the overall solvency requirement of the Insurance sector, and a central economic capital buffer. Economic capital adequacy of 100 percent or higher indicates that the DZ BANK Group has economic risk-bearing capacity.

The annual recalculation of the overall solvency requirement took place as at December 31, 2023 owing to scheduled changes to the parameters for the risk measurement procedures carried out in the second quarter of 2024 for the Insurance sector on the basis of R+V's 2023 consolidated financial statements and the updating of actuarial assumptions. The recalculation reflects updated measurements of insurance liabilities based on annual actuarial analyses and updates to parameters in the risk capital calculation. Because of the complexity and the amount of time involved, the parameters are not completely updated in the in-year calculation and an appropriate projection is made.

The recalculation led to changes in the available internal capital, key risk indicators, and economic capital adequacy. The figures as at December 31, 2023 given in this risk report have been restated accordingly and are not directly comparable with the figures in the 2023 risk report.

The DZ BANK Group's **available internal capital** as at June 30, 2024 stood at €28,566 million. The comparable figure as at December 31, 2023 was €31,720 million. The decrease in available internal capital compared with the end of 2023 was largely attributable to the remeasurement of the transitional measure on technical provisions. The inclusion of the resulting value of zero for the transitional measure on technical provisions served to increase insurance liabilities in the life insurance business and thereby decrease the surplus of assets over liabilities on the Solvency II balance sheet in the Insurance sector. Remeasuring the transitional measure on technical provisions had an overall impact of €3.6 billion on the DZ BANK Group's available internal capital.

The **limit** derived from the available internal capital was set at €21,191 million for 2024 (2023: €19,698 million).

As at June 30, 2024, **aggregate risk** was calculated at €14,457 million. The comparable figure as at December 31, 2023 was €15,170 million. The decrease was primarily driven by lower business risk, credit risk, and market risk in the Bank sector.

As at June 30, 2024, the **economic capital adequacy ratio** for the DZ BANK Group was calculated at 197.6 percent. The comparable figure as at December 31, 2023 was 209.1 percent. The decrease in available internal capital compared with December 31, 2023 was sharper than the decrease in aggregate risk . This led to a decline in economic capital adequacy.

As at the reporting date, the economic capital adequacy ratio was above the **external minimum target**, the **internal minimum threshold**, and the **internal observation threshold**. The target/threshold values are shown in Fig. VI.1.

Fig. VI.7 provides an overview of economic capital adequacy and its components.

FIG. VI.7 – ECONOMIC CAPITAL ADEQUACY OF THE DZ BANK GROUP

	Jun. 30, 2024	Dec. 31, 2023
Available internal capital (€ million)[1]	28,566	31,720
Limit (€ million)	21,191	19,698
Aggregate risk (€ million)[1]	14,457	15,170
Economic capital adequacy (percent)[1]	**197.6**	**209.1**

1 Value as at December 31, 2023 after recalculation of R+V's overall solvency requirement. Different values were stated in the 2023 risk report.

The risk capital requirement (Bank sector) and the overall solvency requirement (Insurance sector) also contain any **decentralized capital buffer requirement**. To simplify matters, only the terms 'risk capital requirement' and 'overall solvency requirement' will be used in the remainder of this risk report. These include the decentralized capital buffer requirement.

The limits and risk capital requirements for the **Bank sector**, broken down by risk type, are shown in Fig. VI.8.

FIG. VI.8 – LIMITS AND RISK CAPITAL REQUIREMENTS IN THE BANK SECTOR

	Limit		Risk capital requirement	
€ million	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Credit risk	4,994	4,988	3,672	3,971
Equity investment risk	1,364	1,281	795	998
Market risk	7,120	6,470	3,780	4,169
Technical risk of a home savings and loan company[1]	820	820	676	730
Business risk[2]	500	450	–	363
Operational risk	1,157	1,148	989	978
Total (after diversification)	**14,941**	**14,218**	**9,303**	**10,471**

1 Including business risk and reputational risk of BSH.
2 Apart from that of BSH, reputational risk is contained in the risk capital requirement for business risk.

Fig. VI.9 sets out the limits and overall solvency requirements for the **Insurance sector**, broken down by risk type, and includes policyholder participation features. The definition of the limits and determination of overall solvency requirements take into account the ability to offset deferred taxes against losses (which arises where deferred tax liabilities can be eliminated in the loss scenario). Diversification effects between the risk types are also taken into consideration. Owing to these effects of correlation, the overall solvency requirement and limit for each risk type are not cumulative.

In addition to the figures shown in Fig. VI.8 and Fig. VI.9, the aggregate risk includes a **centralized capital buffer requirement across all types of risk**, which was calculated at €476 million as at June 30, 2024 (December 31, 2023: €391 million). The corresponding **limit** was €550 million (December 31, 2023: €680 million). The increase in the centralized capital buffer requirement during the first half of 2024 was predominantly due to validation of the model used for the DZ BANK Group's equity investment risk. The limit was adjusted in line with the operational planning for 2024.

FIG. VI.9 – LIMITS AND OVERALL SOLVENCY REQUIREMENTS IN THE INSURANCE SECTOR

	Limit		Overall solvency requirement	
€ million	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023[1]
Life actuarial risk[2]	1,200	1,060	917	946
Health actuarial risk	360	285	233	255
Non-life actuarial risk	2,120	1,900	1,767	1,823
Market risk	4,150	3,695	3,669	3,580
Counterparty default risk	325	245	232	219
Operational risk	800	700	699	627
Risks from entities in other financial sectors	265	225	217	217
Total (after diversification)	**5,700**	**4,800**	**4,678**	**4,308**

1 Values after recalculation of the overall solvency requirement. Different values were stated in the 2023 risk report.
2 Reputational risk is implicitly included in the overall solvency requirement for life actuarial risk (lapse risk).

5.3 Normative perspective

5.3.1 DZ BANK financial conglomerate

The DZ BANK financial conglomerate comprises the DZ BANK banking group and the R+V Versicherung AG insurance group.

The German Supervision of Financial Conglomerates Act (FKAG) forms the main legal basis for the supervision of the DZ BANK financial conglomerate. The calculation methodology for the coverage ratio is taken from Commission Delegated Regulation (EU) No. 342/2014 in conjunction with article 49 (1) CRR. The financial conglomerate coverage ratio is the ratio between the total of own funds in the financial conglomerate and the total of solvency requirements for the conglomerate. The resulting ratio must be at least 100.0 percent.

The changes in the coverage ratio and in the own funds and solvency requirements of the DZ BANK financial conglomerate are shown in Fig. VI.10.

FIG. VI.10 – REGULATORY CAPITAL ADEQUACY OF THE DZ BANK FINANCIAL CONGLOMERATE[1]

	Jun. 30, 2024	Dec. 31, 2023[2]
Own funds (€ million)	36,063	39,195
Solvency requirements (€ million)	26,412	25,694
Coverage ratio (percent)	**136.5**	**152.5**

1 The values for the DZ BANK banking group included in the calculations were determined in accordance with the CRR transitional guidance.
2 Final figures. Preliminary figures were stated in the 2023 risk report.

The fall in the coverage ratio calculated for the DZ BANK financial conglomerate from 152.5 percent as at December 31, 2023 to 136.5 percent as at June 30, 2024 was attributable, in particular, to the decrease in own funds resulting from the reduction to zero of the transitional measure on technical provisions. Further details can be found in chapter VI.5.1. Other effects that led to this change in the coverage ratio were attributable to the DZ BANK banking group and the R+V Versicherung AG insurance group (see also chapter VI.5.3.2 and chapter VI.5.3.3).

The final coverage ratio calculated for the financial conglomerate as at June 30, 2024 was higher than the **external minimum target** laid down by the supervisory authorities, the **internal minimum threshold**, and the **internal observation threshold**. The target/threshold values are shown in Fig. VI.1.

5.3.2 DZ BANK banking group

Regulatory capital ratios

Capital adequacy from a normative perspective serves to ensure that the regulatory capital requirements and rules on capital are met. As part of risk-based banking supervision, it is intended to ensure that a bank's exposures are backed by capital in a volume that is as appropriate as possible for the risk involved. Capital adequacy is defined as meeting the minimum requirements for the common equity Tier 1 capital ratio, the Tier 1 capital ratio, and the total capital ratio.

For all three ratios, the relevant items of capital are calculated using the CRR rules and compared with the total risk exposure determined under the CRR. If the ratios calculated in this way exceed the minimum regulatory ratios, the requirements are deemed met.

The regulatory **own funds** of the DZ BANK banking group as at June 30, 2024 determined in accordance with the CRR transitional guidance amounted to a total of €31,651 million (December 31, 2023: €30,647 million). This equated to a rise in own funds of €1,004 million compared with the end of 2023 that mainly resulted from an increase in common equity Tier 1 capital of €953 million.

The increase in **common equity Tier 1 capital** was primarily due to the interim profit of €655 million as at the reporting date, which was calculated taking account of all regulatory dividends and charges and was approved in accordance with Decision (EU) 2015/656 of the ECB. Moreover, switching to the dividend actually distributed for 2023 in May 2024 raised the retained earnings by €332 million because the dividend of €780 million as forecast for 2023 on the basis of regulatory requirements in accordance with Decision (EU) 2015/656 of the ECB was previously taken into account.

The rise of €4,260 million in **risk-weighted assets** from €152,148 million as at December 31, 2023 to €156,408 million as at June 30, 2024 was largely attributable to three effects:

– Risk-weighted assets for credit risk (including long-term equity investments) went up by €2,225 million. This was mainly due, on the one hand, to the higher measurement, using the equity method, of DZ BANK's long-term equity investment in R+V and, on the other hand, to the lower limit for risk-weighted assets under the Standardized Approach to credit risk being applied to the rating systems for investment fund ratings and guaranteed lending business for the first time.
– The €1,861 million rise in risk-weighted assets for operational risk resulted from the improvement in earnings for 2023 (calculated in accordance with IFRS) compared with the corresponding earnings for 2022.
– Furthermore, the risk-weighted assets determined for market risk advanced by €174 million.

The countervailing changes in capital and in risk-weighted assets largely offset each other, which meant that the **capital ratios** as at June 30, 2024 were on a par with their levels at the end of 2023.

Fig. VI.11 provides an overview of the DZ BANK banking group's regulatory capital ratios.

Regulatory minimum capital requirements specified by the SREP

The minimum capital requirements that the DZ BANK banking group has to comply with in 2024 under the Supervisory Review and Evaluation Process for Basel Pillar 2 (SREP) comprise those components of Basel Pillar 1 laid down as mandatory by law and those individually specified by the banking supervisor.

Institution-specific requirements under the additional capital requirements in Pillar 2, determined in the outcome of the SREP conducted for the DZ BANK banking group in 2023, also have to be satisfied. In this process, the banking supervisor specifies a mandatory add-on (**Pillar 2 requirement**) that is factored into the external minimum targets for the capital ratios and into the basis of calculation used to determine the threshold for the maximum distributable amount (MDA). Distributions are restricted if capital falls below the MDA threshold.

FIG. VI.11 – REGULATORY CAPITAL RATIOS[1]

	Jun. 30, 2024	Dec. 31, 2023
Capital		
Common equity Tier 1 capital (€ million)	24,585	23,632
Additional Tier 1 capital (€ million)	3,293	3,293
Tier 1 capital (€ million)	**27,878**	**26,925**
Total Tier 2 capital (€ million)	3,773	3,722
Own funds (€ million)	**31,651**	**30,647**
Risk-weighted assets		
Credit risk including long-term equity investments (€ million)	140,473	138,249
Market risk (€ million)	4,856	4,683
Operational risk (€ million)	11,078	9,217
Total (€ million)	**156,408**	**152,148**
Capital ratios		
Common equity Tier 1 capital ratio (percent)	15.7	15.5
Tier 1 capital ratio (percent)	17.8	17.7
Total capital ratio (percent)	20.2	20.1

1 In accordance with the CRR transitional guidance.

The mandatory minimum capital requirements relevant to the DZ BANK banking group under the SREP, and their components, are shown in Fig. VI.12.

As at the reporting date, the minimum capital requirements for common equity Tier 1 capital that are applicable to 2024 were 0.11 percentage points higher than at the end of 2023. The main reason for this was an increase in the Pillar 2 requirements for non-performing loan exposures from January 1, 2024 onward; this mandatory add-on has had to be satisfied entirely with common equity Tier 1 capital since the start of this year.

Compliance with the minimum capital requirements

The **internal threshold values** and **external minimum targets** applicable at the level of the DZ BANK banking group for the common equity Tier 1 capital ratio, the Tier 1 capital ratio, and the total capital ratio were exceeded as at June 30, 2024. The target/threshold values are shown in Fig. VI.1.

Leverage ratio

The **leverage ratio** shows the ratio of a bank's Tier 1 capital to its total exposure. In contrast to credit-risk-related capital requirements for which the assumptions are derived from models, the individual exposures in the calculation of the leverage ratio are not allocated their own risk weight but are generally included in the total exposure without being weighted.

This ratio, determined in accordance with the CRR transitional guidance, stood at 6.2 percent as at the reporting date and was therefore unchanged compared with December 31, 2023.

The lower limits applicable to the DZ BANK banking group in respect of the regulatory capital ratios – the **external minimum target**, the **internal minimum threshold**, and the **internal observation threshold** – were all exceeded as at the reporting date. The target/threshold values are shown in Fig. VI.1.

FIG. VI.12 – REGULATORY MINIMUM CAPITAL REQUIREMENTS OF THE DZ BANK BANKING GROUP

Percent	2024	2023
Minimum requirement for common equity Tier 1 capital	4.50	4.50
Additional Pillar 2 capital requirement	1.14	1.02
Capital conservation buffer	2.50	2.50
Countercyclical capital buffer[1]	0.72	0.69
Systemic risk buffer[1]	0.15	0.19
O-SII capital buffer	1.00	1.00
Mandatory minimum requirement for common equity Tier 1 capital	**10.01**	**9.90**
Minimum requirement for additional Tier 1 capital[2]	1.50	1.50
Additional Pillar 2 capital requirement[2]	0.32	0.34
Mandatory minimum requirement for Tier 1 capital	**11.83**	**11.75**
Minimum requirement for Tier 2 capital[2]	2.00	2.00
Additional Pillar 2 capital requirement[2]	0.43	0.46
Mandatory minimum requirement for total capital	**14.26**	**14.20**

Not available

1 The values for the countercyclical capital buffer and the systemic risk buffer are recalculated at each reporting date. Unlike the other reported values, which apply to the entire financial year, the countercyclical capital buffers shown for 2024 and 2023 relate solely to the reporting dates.
2 The minimum requirement and additional capital requirement can also be satisfied with own funds from higher categories.

MREL ratio

The DZ BANK banking group's **MREL ratio as a percentage of risk-weighted assets** is the ratio of the total of the regulatory own funds of the DZ BANK banking group and the eligible external MREL liabilities of DZ BANK to the total risk exposure amount (risk-weighted assets) of the DZ BANK banking group. This ratio was 41.1 percent as at June 30, 2024 (December 31, 2023: 42.4 percent).

The **MREL ratio as a percentage of the leverage ratio exposure** is the ratio of the total of the regulatory own funds of the DZ BANK banking group and the eligible external, subordinated MREL liabilities of DZ BANK to the leverage ratio exposure of the DZ BANK banking group. This ratio was 14.3 percent as at June 30, 2024 (December 31, 2023: 14.9 percent).

The **external minimum targets**, **internal minimum thresholds** , and **internal observation thresholds** applicable to the two MREL ratios were exceeded as at June 30, 2024. The target/threshold values and measured values are shown in Fig. VI.1.

Subordinated MREL ratios

The **subordinated MREL ratio as a percentage of risk-weighted assets** is the ratio of the total of the regulatory own funds of the DZ BANK banking group and the eligible external, subordinated MREL liabilities of DZ BANK to the total risk exposure amount (risk-weighted assets) of the DZ BANK banking group. This ratio was 30.6 percent as at June 30, 2024 (December 31, 2023: 31.0 percent).

The **subordinated MREL ratio as a percentage of the leverage ratio exposure** is the ratio of the total of the regulatory own funds of the DZ BANK banking group and the eligible external, subordinated MREL liabilities of DZ BANK to the leverage ratio exposure of the DZ BANK banking group. This ratio was 10.6 percent as at June 30, 2024 (December 31, 2023: 10.9 percent).

The **external minimum targets**, **internal minimum thresholds**, and **internal observation thresholds** applicable to the two subordinated MREL ratios were exceeded as at June 30, 2024. The target/threshold values and measured values are shown in Fig. VI.1.

5.3.3 R+V Versicherung AG insurance group

The regulatory solvency requirements for insurance companies and insurance groups provide a means of evaluating the overall risk position in the R+V Versicherung AG insurance group. The recalculation of the transitional measure on technical provisions, requested by BaFin with effect from June 30, 2024, has an impact on Basel Pillar 1. Further details can be found in chapter VI.5.1.

The R+V Versicherung AG insurance group met the solvency requirements under Solvency II as at June 30, 2024.

The projections applied in the internal planning show that the R+V Versicherung AG insurance group’s solvency ratio will continue to exceed the solvency requirement as at December 31, 2024.

Bank sector

6 Credit risk

6.1 Lending volume in the entire credit portfolio

6.1.1 Asset class structure of the credit portfolio

The total lending volume rose by 1 percent in the first half of the year, from €471.0 billion as at December 31, 2023 to €477.5 billion as at June 30, 2024. The rise in the lending volume was mainly due to an increase in volume in the ‘public sector’ asset class, which went up by €5.0 billion compared with the end of 2023. DZ BANK made a particularly large contribution to this increase, which was driven by reallocations to bonds, especially from German federal states and other European countries. Furthermore, asset-backed securities (ABSs) and asset-backed commercial paper (ABCPs) went up by €2.2 billion, corporates by €0.8 billion, and asset-based lending/project finance by €0.4 billion. However, the lending volume in the lending business with companies within the Cooperative Financial Network (‘entities within the Cooperative Financial Network’ asset class) decreased by €3.0 billion.

As at June 30, 2024, a significant proportion (40 percent) of the lending volume was concentrated in the financial sector (December 31, 2023: 41 percent). The borrowers in this customer segment comprise entities within the Cooperative Financial Network and the ‘financials’ asset class (banks from other sectors of the banking industry and other financial institutions).

Fig. VI.13 shows the breakdown of the credit portfolio by asset class.

6.1.2 Geographical structure of the credit portfolio (excluding Germany)

Fig. VI.14 shows the geographical distribution of the credit portfolio by country group. Borrowers based in Germany are not included in this breakdown. The relevant country for the assignment to a country group is the one in which the economic risk arises. As at June 30, 2024, 67 percent of the total lending outside Germany was concentrated in Europe, as had been the case at the end of 2023.

FIG. VI.13 – BANK SECTOR: LENDING VOLUME, BY ASSET CLASS

€ billion	Jun. 30, 2024	Dec. 31, 2023
Entities within the Cooperative Financial Network	145.6	148.6
Financials	45.3	44.5
Corporates	81.6	80.9
Asset-based lending/project finance	13.1	12.7
Public sector	41.0	36.0
Real estate (commercial and retail customers)	118.3	118.4
Retail business (excluding real estate customers)	18.2	18.0
ABSs and ABCPs	11.5	9.2
Other	2.7	2.6
Total	**477.5**	**471.0**

FIG. VI.14 – BANK SECTOR: LENDING VOLUME, BY COUNTRY GROUP

€ billion	Jun. 30, 2024	Dec. 31, 2023
Europe	57.1	54.5
of which: eurozone	37.3	35.1
North America	15.1	14.5
Central America	0.1	0.2
South America	1.1	1.0
Asia	8.6	7.8
Africa	1.3	1.3
Other	2.0	2.0
Total	**85.3**	**81.2**

6.1.3 Rating structure of the credit portfolio

The proportion of the total lending volume accounted for by rating classes 1A to 3A (investment grade) remained unchanged at 89 percent between December 31, 2023 and June 30, 2024. Rating classes 3B to 4E (non-investment grade) represented 10 percent, which was also unchanged. Defaults, represented by rating classes 5A to 5E, continued to account for less than 1 percent of the total lending volume.

Fig. VI.15 shows the lending volume by rating class according to the VR credit rating master scale.

6.1.4 Collateralized lending volume

Fig. VI.16 shows the breakdown of the collateralized lending volume at overall portfolio level by type of collateral.

In the case of **traditional lending business**, the lending volume is generally reported as a gross figure before the application of any offsetting agreements, whereas the gross lending volume in the **derivatives and money market business** is shown on a netted basis. In the derivatives and money market business, collateral values are relatively low and are in the form of personal and financial collateral. In the **securities business**, there is generally no further collateralization to supplement the collateral already taken into account. For this reason, securities business is not included in the presentation of the collateralized lending volume.

The total collateral value fell from €130.8 billion as at December 31, 2023 to €130.1 billion as at June 30, 2024. The collateralization rate was 32.5 percent at the reporting date (December 31, 2023: 32.7 percent).

FIG. VI.15 – BANK SECTOR: LENDING VOLUME, BY INTERNAL RATING CLASS

€ billion		Jun. 30, 2024	Dec. 31, 2023
Investment grade	1A	38.1	31.9
	1B	6.7	6.2
	1C	159.5	162.7
	1D	19.4	14.4
	1E	23.0	23.9
	2A	20.9	25.4
	2B	30.5	33.5
	2C	33.5	27.7
	2D	31.5	32.2
	2E	37.1	35.4
	3A	23.2	23.6
Non-investment grade	3B	13.9	13.4
	3C	10.1	10.0
	3D	7.9	8.4
	3E	6.0	5.9
	4A	2.9	3.1
	4B	2.9	2.8
	4C	1.2	1.3
	4D	0.5	0.6
	4E	2.1	2.1
Default		4.0	3.8
Not rated		2.5	2.6
Total		**477.5**	**471.0**

FIG. VI.16 – BANK SECTOR: COLLATERAL VALUE, BY TYPE OF COLLATERAL

€ billion	Jun. 30, 2024	Dec. 31, 2023
Guarantees, indemnities, risk subparticipation	6.8	7.0
Credit insurance	6.2	6.0
Land charges, mortgages, registered ship and aircraft mortgages	113.5	114.1
Pledged loans and advances, assignments, other pledged assets	1.9	2.0
Financial collateral	1.4	1.4
Other collateral	0.3	0.4
Total collateral	**130.1**	**130.8**
Lending volume	400.3	400.3
Uncollateralized lending volume	**270.2**	**269.5**
Collateralization rate (percent)	**32.5**	**32.7**

6.1.5 Volume of closely monitored and non-performing loans

Closely monitored loans and forborne exposure

Fig. VI.17 shows the volume of loans on the three monitoring lists – **yellow list**, **watchlist**, and **default list** – and the forborne exposure also included in these lists. A further item in the table shows the exposure managed as forborne but not subject to intensified loan management, i.e. not included in the lists.

The **closely monitored lending volume** declined by 7 percent between December 31, 2023 and June 30, 2024. This increase was chiefly due to a rise of €378 million at DZ BANK, €272 million at DZ HYP, and €94 million at TeamBank.

FIG. VI.17 – BANK SECTOR: CLOSELY MONITORED LENDING VOLUME AND FORBORNE EXPOSURE

€ million	Jun. 30, 2024	Dec. 31, 2023
Yellow list lending volume	**4,754**	3,786
of which: forborne exposure	530	626
Watchlist lending volume	**4,543**	4,901
of which: forborne exposure	1,225	999
Default list lending volume	**4,003**	3,792
of which: forborne exposure	1,538	1,473
Total lending volume on monitoring lists	**13,300**	12,479
of which: forborne exposure	3,293	3,097
Off-monitoring-list forborne exposure	225	327
Total forborne exposure[1]	3,519	3,424

1 Both on and off the monitoring lists.

The **forborne exposure** rose from €3,424 million as at December 31, 2023 to €3,519 million as at June 30, 2024, predominantly owing to an increase of €71 million in the forborne exposure at DZ BANK.

Non-performing loans

As at June 30, 2024, the volume of non-performing loans (NPL) had risen to €4.0 billion from €3.8 billion as at December 31, 2023. This increase was chiefly due to the rise in non-performing loans of €94 million at DZ HYP, €43 million at DZ BANK, and €28 million at TeamBank. The NPL ratio was unchanged on the end of 2023 at 0.8 percent.

Fig. VI.18 shows the key figures relating to non-performing loans.

FIG. VI.18 – BANK SECTOR: KEY FIGURES FOR NON-PERFORMING LOANS

	Jun. 30, 2024	Dec. 31, 2023
Total lending volume (€ billion)	477.5	471.0
Volume of non-performing loans (€ billion)[1]	4.0	3.8
Balance of loss allowances (€ billion)[2]	1.7	1.6
Coverage ratio (percent)[3]	80.3	79.7
NPL ratio (percent)[4]	0.8	0.8

1 Volume of non-performing loans excluding collateral.
2 IFRS specific loan loss allowances at stage 3, including provisions.
3 Loss allowances as specified in footnote 2, plus collateral, as a proportion of the volume of non-performing loans.
4 Volume of non-performing loans as a proportion of total lending volume.

6.2 Credit portfolios particularly affected by negative macroeconomic conditions

The following sections describe credit portfolios in which the effects of negative macroeconomic conditions were more noticeable than in the rest of the credit portfolios. The figures presented below are included in the disclosures for the lending volume as a whole (see chapter VI.6.1).

6.2.1 Structural change in the automotive sector

The automotive sector has been in a state of upheaval for a number of years and faces certain challenges compared with other industries, such as low profit margins and a need for high levels of capital, coupled with long investment cycles. The European Parliament's decision to end the sale of passenger cars with internal combustion engines by 2035 will, in the next few years, further accelerate the switch to alternative drives – especially electric vehicles – and keep the pressure on the industry to transform.
The completion of outstanding orders from previous years had led to the recovery of global passenger car sales in the first half of 2023. Demand in the automotive industry then began to weaken in the second half of the

year. This decline continued in the first half of 2024, with the electric vehicle segment hit particularly hard. The outlook remains muted for the rest of the year, and potential trade restrictions may exacerbate the situation.

As at June 30, 2024, the lending volume in DZ BANK's automotive finance portfolio stood at €5.3 billion, which was unchanged compared with December 31, 2023. This portfolio includes loans to automotive suppliers, which are analyzed separately in chapter VI.6.4.3.

6.2.2 Commercial real estate finance

Business model and macroeconomic risks

DZ HYP's lending business with corporates includes financing for hotels, office real estate, department stores, shopping malls, and inner-city commercial properties that are mainly used for retail/wholesale businesses not offering day-to-day essentials (retail/wholesale segment). In addition, DZ HYP provides financing to property developers and project developers. It also finances purchases of land for which development plans have been drawn up.

Since 2020, these asset classes have been impacted by a number of general and specific sources of uncertainty. In the first half of 2024, the main risk factors were muted economic growth, a rise in company insolvencies, a falling yet still high inflation rate, and a climate that remains difficult for businesses and consumers. Global political and macroeconomic headwinds also added to the uncertainty. As a result of these macroeconomic challenges and the associated reluctance to invest, the first six months of 2024 saw little in the way of transactions. Furthermore, elevated finance costs resulting from the persistently high interest rates continued to have a dampening effect on the market.

The portfolios in question have so far proven to be crisis-resistant with no structural anomalies. The heightened requirements established in the past with regard to the underlying value and cash flow performance of the financed real estate have a risk-mitigating effect. Nevertheless, uncertainty stemming from the aforementioned factors persists for commercial real estate finance, particularly in terms of whether financially viable rental and purchase prices can be achieved. This could adversely impact on cash flow, capital expenditure, and market values. For a return to a normal level, interest rates must continue to stabilize and the economy must stage a significant and sustained recovery.

Risks specific to individual real estate finance segments

Since 2023, **hotel** occupancy has largely stabilized at the level seen before the pandemic. Tourism demand in Germany continues to rise, pointing to a cautiously optimistic trend for 2024. The persistently weak economy, rising inflation-induced price sensitivities, and a lack of skilled workers, combined with ongoing pressure from competitors and rising costs, continue to be material risk factors for hotel real estate.

Office real estate is subject to uncertainty with regard to tenants' future wishes and their space requirements in light of the new ways of working, which involve new space concepts and remote working. It is becoming apparent that less space will be required going forward, with demand focused on modern, high-quality, and ESG-compliant space in city centers or well connected locations with good access to services and amenities. Another adverse factor for this segment is the ongoing weakness of the economy, which is resulting in reduced demand for office space as it is causing many businesses to reconsider their growth and investment plans.

Department stores, shopping malls, and inner-city commercial properties that are mainly used for retail/wholesale businesses not offering day-to-day essentials have been seeing a trend toward downsizing and a concentration of demand in top locations for some time. The recent stable rise in rents on new contracts is tempered by the uncertainty caused by the sluggish economy and by consumer sentiment and purchasing power that remain weak.

The market for **property development and project development** transactions is still challenging, and there was no fresh impetus in the first half of 2024. Prices for plots of land, construction work, and building materials have fallen again overall. However, some are still too high for a financially viable investment because purchase prices for completed properties have declined. With the market for property development and project development work largely at a standstill, there is also heightened marketing risk for **plots of land**.

Lending volume by finance segment

As at June 30, 2024, the volume of corporate loans extended by DZ HYP amounted to a total of €46.5 billion (December 31, 2023: €46.7 billion). Of this total, the following amounts were attributable to the aforementioned asset classes as at the reporting date (figures as at December 31, 2023 shown in parentheses):

– Hotel financing: €2.3 billion (€2.2 billion)
– Office real estate financing: €14.8 billion (€14.8 billion)
– Department store financing: €0.5 billion (€0.5 billion)
– Shopping mall financing: €2.6 billion (€2.6 billion)
– Financing for inner-city commercial properties mainly used for retail/wholesale businesses not offering day-to-day essentials: €0.8 billion (€0.9 billion)
– Property developer and project developer financing and financing for land purchases: €6.1 billion (€5.7 billion)

Financing for property developers and project developers and financing for land purchases also include certain portions of the financing for the aforementioned asset classes, in particular the financing of office real estate, which had a volume of €2.9 billion as at June 30, 2024 (December 31, 2023: €2.6 billion).

6.2.3 Financing for retail customer in the consumer finance business

The macroeconomic risk factors described in the 2023 risk report continue to impact on the financial strength of retail customers. This is especially apparent in TeamBank's consumer finance business. Some key risk indicators deteriorated over the course of 2024. Among other things, this led to a rise in non-performing loans.

6.3 Credit portfolios particularly affected by acute global crises

The following sections present the lending volume in the credit portfolios in which the effects of acute global crises were more noticeable than in the rest of the credit portfolios. The figures presented below are included in the disclosures for the lending volume as a whole (see chapter VI.6.1).

The **war between Israel and Hamas** affected further regions of the Middle East during the first half of 2024. Unlike in the 2023 risk report, Saudi Arabia is therefore included as an affected country, in the broader sense, in Fig. VI.19.

The lending volume of the **Bank sector** in countries affected by global crises amounted to €4,860 million as at June 30, 2024 (December 31, 2023: €4,392 million; figure in the 2023 risk report excluding Saudi Arabia: €4,182 million). This equated to 1.0 percent of the total lending volume of the Bank sector (December 31, 2023: 0.9 percent; figure in the 2023 risk report excluding Saudi Arabia: 0.9 percent). Taking account of recoverable collateral, the net lending volume was €2,299 million as at June 30, 2024 (December 31, 2023: €1,815 million; figure in the 2023 risk report excluding Saudi Arabia: €1,634 million).

This exposure mainly comprised short-dated trade finance, project finance backed by export credit agencies, and syndicated bank loans.

Fig. VI.19 shows the breakdown of the net lending volume in the countries affected by the various crises.

FIG. VI.19 – BANK SECTOR: NET LENDING VOLUME IN COUNTRIES PARTICULARLY AFFECTED BY ACUTE GLOBAL CRISES

€ million	Jun. 30, 2024	Dec. 31, 2023
Net lending volume in countries affected directly by the war in Ukraine	**89**	**94**
of which: Belarus	1	2
of which: Russia	88	91
of which: Ukraine	–	2
Net lending volume in countries affected by the Israel-Hamas war	**747**	**614**
of which: Egypt	47	58
of which: Iraq	2	2
of which: Israel	1	1
of which: Saudi Arabia	205	182
of which: Turkey	492	371
Net lending volume in countries affected directly by the dispute between China and Taiwan	**1,463**	**1,107**
of which: China	1,243	1,008
of which: Taiwan	220	100
Total	**2,299**	**1,815**

6.4 Credit portfolios with increased risk content

The lending volume in the credit portfolios with increased risk content is analyzed separately because of its significance for the risk position. The figures presented below are included in the above analyses of the total lending volume (see chapter VI.6.1).

6.4.1 Finance for cruise ships

Cruise ship companies benefited from strong growth in bookings and prices in 2024. Following their return to positive operating results, which was reflected in their annual accounts for 2023, and thanks to the comprehensive capital-raising measures taken in the recent past, cruise ship companies' liquidity levels are largely comfortable once more.

These companies do need to regain their former strength promptly so that they can service the debt they built up during the pandemic and pay for fleet expansions, some of which are already scheduled, and regain investment-grade credit ratings in the medium term. In the long term, the industry should continue to capitalize on the popularity of cruises in order to combat the effects of inflation, high marketing expenditure, and fluctuating fuel prices.

Cruise ship finance in the Bank sector is mainly brought together under **DZ BANK**. As at June 30, 2024, the volume of cruise ship finance amounted to €951 million (December 31, 2023: €994 million). Collateral worth €602 million was available as at June 30, 2024 (December 31, 2023: €644 million). Of this amount, €583 million was attributable to export credit insurance (December 31, 2023: €612 million). The robust business performance of cruise ship companies saw their credit ratings improve, decreasing the risk capital requirement, as shown in Fig. VI.21.

6.4.2 Finance for cruise ship building

A distinction is made between cruise ship finance and the financing of cruise ship building. This segment, which only affects **DZ BANK** in the Bank sector, is still undergoing a large-scale transformation process.
In consultation with the parties ordering cruise ships, a base level of capacity utilization was secured for the period until 2025/2026 by spreading out orders on hand. Further orders have since been generated and, in some cases, capacity utilization has been secured until part way through 2028. Nevertheless, the challenges of the last few years have taken a heavy toll on customers' credit quality. The affected companies' financial circumstances have not yet stabilized sufficiently, making the outlook uncertain.

The lending volume related to the financing of cruise ship building stood at €347 million as at June 30, 2024 (December 31, 2023: €337 million). Collateral worth €276 million was available as at June 30, 2024 (December

31, 2023: €258 million). Of this amount, €190 million was attributable to export credit insurance (December 31, 2023: €179 million).

6.4.3 Finance for automotive suppliers

In addition to the factors described in chapter VI.6.2.1 that apply to the automotive sector as a whole, conditions remain particularly challenging for automotive suppliers in Germany.

Historical data shows that the automotive supply industry is characterized by high capital requirements but has comparatively low margins and, due to oligopoly-style structures in the automotive manufacturing industry, a relatively weak competitive position.

It has previously become clear that, compared with their suppliers, car manufacturers are significantly better positioned to be able to adapt to global supply chain disruptions, for example by changing their product mix. Financial performance in the automotive supply industry hinges primarily on the number of cars manufactured, which in 2023 rose sharply across Europe due to the backlog of orders being processed. In many cases, however, this trend has not been sustained, as can be seen in the fall in the number of order call-offs since the start of this year.

The technology and development expertise of major global suppliers will ensure that they remain the partner of choice for vehicle manufacturers around the world. Over the medium term, Asia is expected to be a significant source of growth stimulus in the coming years, even though growth rates in China are slowing. The same goes for Chinese manufacturers, who are operating more and more on a global scale. As new technologies and the demand associated with these often evolve in a very dynamic and unpredictable manner, such opportunities for growth also come with increased risks. The risks include the uncertainty surrounding future drive systems and vehicle designs, as well as geopolitical tensions, especially with regard to China.

As at June 30, 2024, loans to companies in the automotive supply industry, which fall into **DZ BANK's** 'corporates' asset class, totaled €3,433 million (December 31, 2023: €3,338 million).

6.4.4 Finance for borrowers in the clothing and textile industry

The clothing and textile industry tends to be sensitive to changes in the economic environment and inflation, and is also marked by fierce competition. The industry suffered from lengthy store closures during the pandemic. Since the middle of 2022, high prices have particularly eroded household purchasing power, with risks concentrated in the mid-range price segment. Demand in the upper and lower price segments, by contrast, has fared better. High freight costs, increased commodity prices, and high energy and rental costs in brick-and-mortar retail, combined with the weak euro at the start of the retail season, led to a significant rise in costs and weighed heavily on the affected companies' financial performance. Current revenue growth is largely being driven by prices.

Although the first half of 2024 saw significantly slower price increases than recent years, current geopolitical tensions are unsettling consumers, which in turn is adversely affecting their spending both in brick-and-mortar stores and online. A turnaround in the second half of 2024 is unlikely, especially in view of the weak macroeconomic data.

As at June 30, 2024, the Bank sector's lending volume in this industry was €1,731 million (December 31, 2023: €1,757 million). Within the Bank sector, the lending exposure to the clothing and textile industry was concentrated at **DZ BANK**.

6.4.5 Finance for borrowers in the construction industry and for home improvement stores

Given their above-average sensitivity (with a time lag) to changes in the wider economy and the fierce level of competition, the construction industry and home improvement stores have been battling several negative factors for quite a while.

The rise in construction costs, the current interest-rate environment, and the policy situation are placing a particular burden on residential construction. These factors have significantly depressed demand across the entire industry.

The number of completed homes is expected to keep falling this year, and the number of residential planning permissions is also predicted to decline further. The forecast for the level of orders on hand in the second half of 2024 in industrial, commercial, and public-sector construction is largely stable, although this will not make up for the reduction in orders for residential construction. Overall, capacity utilization is still expected to go down in the construction segment. Nevertheless, construction companies with international operations can compensate for the situation in the German economy to some extent.

Despite the stabilizing effect of cost-conscious customers who are increasingly carrying out repairs themselves, substantial price increases and the rise in interest rates continue to severely dampen the level of consumer demand experienced by home improvement stores. The situation has been further exacerbated by sustained geopolitical tensions and the resulting uncertainty among consumers. Although price rises slowed significantly in the first half of this year, there are no signs yet of a widespread rebound in consumer demand owing to the ongoing difficulties presented by the macroeconomic situation and the dependence on the construction industry.

The Bank sector's exposure as at June 30, 2024 amounted to €6,682 million (December 31, 2023: €7,456 million). The lending volume in this portfolio was mainly attributable to **DZ BANK**.

6.5 Risk position

6.5.1 Risks in the entire credit portfolio

The risk capital requirement for credit risk is based on a number of factors, including the size of single-borrower exposures, individual ratings, collateral, and the industry sector of each exposure.

As at June 30, 2024, the **risk capital requirement** amounted to €3,672 million (December 31, 2023: €3,971 million). The decrease compared with the end of 2023 was largely attributable to a change in the method used for the development lending business at **DZ BANK**. The corresponding **limit** was €4,994 million (December 31, 2023: €4,988 million).

Fig. VI.20 shows the credit value-at-risk together with the average probability of default and expected loss.

In the analysis of **individual concentrations** in the **Bank sector**, the 20 counterparties associated with the largest credit value-at-risk accounted for 23 percent of the total credit value-at-risk as at the reporting date (December 31, 2023: 28 percent). These counterparties largely comprised borrowers from the financial sector (including the cooperative banks) with investment-grade ratings and individual borrowers with non-investment-grade ratings.

FIG. VI.20 – BANK SECTOR: FACTORS DETERMINING THE CREDIT VALUE-AT-RISK

	Jun. 30, 2024	Dec. 31, 2023
Average probability of default (percent)	0.4	0.3
Expected loss (€ million)	453	440
Credit value-at-risk (€ million)	3,672	3,971

6.5.2 Risks in the credit portfolios with increased risk content

The risk capital requirement for **Bank sector** credit portfolios exposed to increased credit risk is shown in Fig. VI.21.

FIG. VI.21 – BANK SECTOR: CREDIT VALUE-AT-RISK[1] FOR CREDIT PORTFOLIOS WITH INCREASED RISK CONTENT

€ million	Jun. 30, 2024	Dec. 31, 2023
Finance for cruise ships	1	2
Finance for cruise ship building	4	4
Finance for automotive suppliers	52	46
Finance for borrowers in the clothing and textile industry	11	10
Finance for borrowers in the construction industry (including home improvement stores)	51	50

1 Excluding decentralized capital buffer requirement.

The reasons for the changes in the credit value-at-risk as at the reporting date compared with December 31, 2023 are set out in chapter VI.6.4.

7 Equity investment risk

The **carrying amounts of long-term equity investments** relevant for the measurement of equity investment risk amounted to €2,924 million as at June 30, 2024 (December 31, 2023: €3,046 million).

The **risk capital requirement** for equity investment risk was calculated to be €795 million as at June 30, 2024 (December 31, 2023: €998 million). The corresponding **limit** was €1,364 million as at the reporting date (December 31, 2023: €1,281 million).

The decline in the risk capital requirement was attributable to the sale of individual long-term equity investments. A change in the risk modeling methods used also contributed to the reduction in risk.

8 Market risk

8.1 Value-at-risk

Fig. VI.22 shows the average, maximum, and minimum values-at-risk measured over the first half of the year, including a further breakdown by type of market risk. Furthermore, Fig. VI.23 shows the change in market risk by trading day in the reporting period. In both figures, the value-at-risk relates to the **trading and banking books for regulatory purposes**.

The value-at-risk for the **interest-rate risk in the banking book for regulatory purposes** amounted to €39 million as at June 30, 2024 (December 31, 2023: €48 million).

The reduction in risk was partly attributable to particular scenarios no longer being included in the rolling observation period in the risk model. An improvement in the methods used to measure non-outsourced defined benefit obligations also contributed to the reduction in risk.

The value-at-risk for interest-rate risk in all of the portfolios and the value-at-risk for interest-rate risk in the banking book for regulatory purposes are calculated using identical risk models. Variations in risk values are attributable directly to differences in the calculation bases used for the various portfolios.

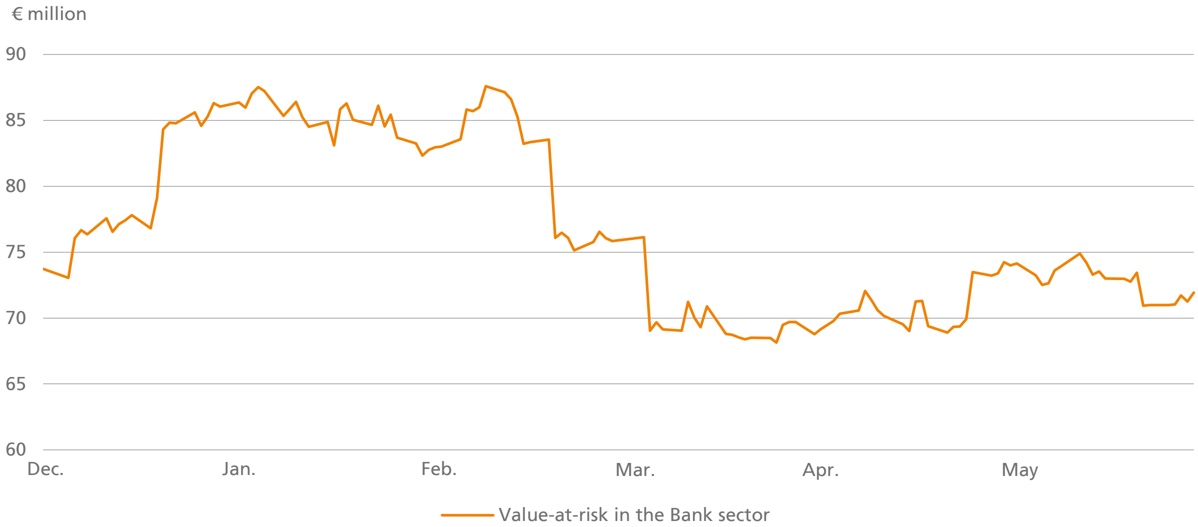
As at June 30, 2024, the value-at-risk totaled €72 million (December 31, 2023: €74 million).

FIG. VI.22 – BANK SECTOR: CHANGE IN MARKET RISK BY RISK SUBTYPE[1, 2]

€ million	Interest-rate risk	Spread risk	Equity risk[3]	Currency risk	Commodity risk	Aggregate risk[4]
Jun. 30, 2024	**39**	**61**	**8**	**6**	**1**	**72**
Average	49	63	9	5	2	77
Maximum	63	67	11	6	2	88
Minimum	39	58	8	3	1	68
Dec. 31, 2023	**49**	**58**	**9**	**5**	**2**	**74**

1 The disclosures relate to general market risk and spread risk. Asset-management risk is not included.
2 Value-at-risk with 99.0% confidence level, 1-day holding period, 1-year observation period, based on a central market risk model for the Bank sector. Concentrations and effects of diversification were taken fully into account when calculating the risks.
3 Including funds, if not broken down into constituent parts.
4 Due to the diversification effect between the market risk subtypes, the aggregate risk does not tally with the total of the individual risks.

FIG. VI.23 – BANK SECTOR: CHANGE IN MARKET RISK BY TRADING DAY[1]



1 Value-at-risk with 99.0% confidence level, 1-day holding period, 1-year observation period, based on a central market risk model for the Bank sector. Concentrations and effects of diversification were taken fully into account when calculating the risks.

8.2 Risk capital requirement
As at June 30, 2024, the risk capital requirement for **market risk** amounted to €3,780 million (December 31, 2023: €4,169 million) with a limit of €7,120 million (December 31, 2023: €6,470 million). The limit was adjusted in line with the operational planning for 2024.

The Bank sector's risk capital requirement encompasses the **asset-management risk of UMH**. Asset-management risk as at June 30, 2024 amounted to €206 million (December 31, 2023: €273 million). The decrease was mainly due to the buoyant equity markets.

9 Technical risk of a home savings and loan company

As at June 30, 2024, the **risk capital requirement** for the technical risk of a home savings and loan company amounted to €676 million (December 31, 2023: €730 million). The corresponding **limit** was unchanged compared with the end of 2023 at €820 million. In the current market environment, changes to the risk parameters underlying the risk calculation gave rise to a lower risk capital requirement.

10 Business risk and reputational risk

As at June 30, 2024, the **risk capital requirement** for business risk (including reputational risk) amounted to €0 (December 31, 2023: €363 million). The **limit** was €500 million as at the reporting date (December 31, 2023: €450 million). The risk capital requirement is set at zero if the model's loss distribution is positive. Reputational risk is included in the figures shown.

The risk capital requirement for business risk decreased significantly because the planning assumptions concerning parameters with business risk implications had been raised compared with the end of 2023. The limit was increased as at the reporting date as the macroeconomic risk factors mean that a volatile earnings performance cannot be ruled out.

11 Operational risk

11.1 Impact of the war in Ukraine
The monitoring of sanctions necessitates transaction checks that entail an increased workload. This may result, for example, in delays to the execution of transactions or, if applicable, penalty interest payments for trading that involves securities subject to sanctions. The resulting operational risks are factored in by means of the hypothetical risk scenarios 'breaches of sanctions and embargoes' and 'incorrect execution of transactions and processes'.

11.2 Losses
Losses from operational risk do not follow a consistent pattern. The overall risk profile can be seen from the total losses incurred over the long term and is shaped by a small number of large losses. Over the course of time, regular fluctuations are evident in the pattern of losses as the frequency of relatively large losses in each individual case is very low. Presenting the change in losses meaningfully therefore requires a sufficiently long and unchanging time horizon for reporting purposes. The data is selected from the loss history for the past four quarters and on the basis of the date on which the expense is recognized in the income statement.

The past four quarters – that is, the period from July 1, 2023 to June 30, 2024 – represent the relevant reporting period for an analysis of net losses. Fig. VI.24 shows the internal net losses from loss events reported in this period, classified by operational risk subtype, and a comparison with their long-term mean.

In the past four quarters, internal losses were dominated by **compliance risk**, **legal risk**, and **other operational risk**. The losses for other operational risk were higher than in the prior period. The main reasons for the rise in other operational risk were that procedural errors were made when posting to accounts, switching over accounts, and transferring share certificates.

Losses did not reach a critical level relative to the expected loss from operational risk at any point in the first half of 2024.

FIG. VI.24 – BANK SECTOR: NET LOSSES[1] BY OPERATIONAL RISK SUBTYPE

€ million	Jul. 1, 2023 –Jun. 30, 2024	Long-term mean[2]
Compliance risk	7	23
Legal risk	4	21
Information risk including ICT risk	3	3
Security risk	2	2
Outsourcing risk	2	1
Project risk	–	1
Other operational risk	28	9
Total[3]	**46**	**59**

1 Internal losses. Operational losses related to credit risk are not included in this breakdown.
2 The long-term mean is derived from loss data recorded since 2006.
3 Losses that are allocable to more than one operational risk subtype are split equally between the relevant subtypes.

11.3 Risk position

The **risk capital requirement** for operational risk was calculated at €989 million as at June 30, 2024 (December 31, 2023: €978 million) with a **limit** of €1,157 million (December 31, 2023: €1,148 million).

Fig. VI.25 shows the structure of the risk profile for operational risk in the Bank sector based on **risk subtypes**.

FIG. VI.25 – BANK SECTOR: DISTRIBUTION OF RISK CAPITAL REQUIREMENT FOR OPERATIONAL RISK, BY RISK SUBTYPE[1]

Percent	Jun. 30, 2024	Dec. 31, 2023
Compliance risk	30.5	30.4
Legal risk	19.3	19.4
Information risk including ICT risk	16.7	16.9
Security risk	5.0	5.0
Outsourcing risk	5.9	5.9
Project risk	6.3	6.3
Other operational risk	16.2	16.0

1 Proportion of the Bank sector's risk capital requirement attributable to each risk subtype.

The distribution of the risk capital requirement among the operational risk subtypes remained largely unchanged as at June 30, 2024 compared with the end of the previous year. In the first half of 2024, **compliance risk** and **legal risk** accounted for the most significant proportions of the risk capital requirement. A large proportion of the risk capital requirement for these two risk subtypes was determined by the recorded losses and by the hypothetical risk scenarios for changes to case law and for breaches of sanctions and embargoes.

Insurance sector

12 Actuarial risk

As at June 30, 2024, the **overall solvency requirement** for **life actuarial risk** amounted to €917 million (December 31, 2023: €946 million) with a **limit** of €1,200 million (December 31, 2023: €1,060 million). The decrease in risk was due to lower lapse risk.

As at the reporting date, the **overall solvency requirement** for **health actuarial risk** was €233 million (December 31, 2023: €255 million) with a **limit** of €360 million (December 31, 2023: €285 million). The slight decline in risk was primarily due to lower premiums in the inward reinsurance segment.

The **overall solvency requirement** for **non-life actuarial risk** amounted to €1,767 million as at June 30, 2024 (December 31, 2023: €1,823 million) with a **limit** of €2,120 million (December 31, 2023: €1,900 million). This reduction in risk resulted primarily from changes to the reinsurance structure and a decline in lapse risk.

13 Market risk

13.1 Change in lending volume

In accordance with the breakdown specified in Solvency II, the bulk of credit risk within market risk is assigned to spread risk. The other parts of credit risk are measured within counterparty default risk and other risk types.

The **total lending volume** of R+V rose by 0.1 percent in the first half of the year, from €89.8 billion as at December 31, 2023 to €89.9 billion as at June 30, 2024.

The financial sector and the public sector, which are the dominant **asset classes**, together accounted for 67 percent of the total lending volume, as they had at the end of 2023.

The explanation of the asset class concept in the Bank sector (see chapter VI.6.1.1) applies analogously to the Insurance sector. Fig. VI.26 shows the breakdown of the lending volume by asset class.

FIG. VI.26 – INSURANCE SECTOR: LENDING VOLUME, BY ASSET CLASS

€ billion	Jun. 30, 2024	Dec. 31, 2023
Financials	40.1	40.1
Corporates	12.0	12.3
Public sector	19.9	19.7
Real estate (commercial and retail customers)	16.7	16.5
Other retail business	0.1	0.1
ABSs and ABCPs[1]	1.1	1.2
Total	**89.9**	**89.8**

1 ABSs = asset-backed securities, ABCPs = asset-backed commercial paper.

In the real estate asset class (commercial and retail customers), the volume of lending in the **home finance** business came to €14.4 billion as at June 30, 2024 (December 31, 2023: €14.2 billion). Of this amount, 87 percent was accounted for by loans for less than 60 percent of the value of the property, a situation that was unchanged compared with December 31, 2023.

As at the reporting date, the volume of home finance was broken down by finance type as follows (figures as at December 31, 2023 shown in parentheses):
– Consumer home finance: €13.0 billion (€12.8 billion)
– Commercial home finance: €0.1 billion (€0.1 billion)
– Commercial finance: €1.2 billion (€1.3 billion)

In the case of home finance, the entire volume disbursed is backed by traditional loan collateral.

Fig. VI.27 shows the **geographical distribution** of the credit portfolio by country group. Borrowers based in Germany are not included in this breakdown. The relevant country for the assignment to a country group is the one in which the economic risk arises. As at June 30, 2024, 74 percent of the total lending outside Germany was concentrated in Europe, as had been the case at the end of 2023.

FIG. VI.27 – INSURANCE SECTOR: LENDING VOLUME, BY COUNTRY GROUP

€ billion	Jun. 30, 2024	Dec. 31, 2023
Europe	44.2	43.9
of which: eurozone	35.4	34.9
North America	8.2	8.2
Central America	0.5	0.5
South America	1.0	1.0
Asia	3.5	3.5
Africa	0.3	0.3
Other	1.8	1.9
Total	**59.5**	**59.3**

For **credit ratings**, R+V generally uses ratings from rating agencies approved by the supervisory authorities. It also applies its own expert ratings in accordance with the provisions of Credit Rating Agency Regulation III to validate the external credit ratings. R+V has defined the external credit rating as the permitted maximum, even in cases where its own rating is better. The ratings calculated in this way are matched to the DZ BANK credit rating master scale using the methodology shown in Fig. VII.20 of the 2023 risk report.

The **rating structure** of the lending volume in the Insurance sector is shown in Fig. VI.28. Of the total lending volume as at June 30, 2024, 75 percent was attributable to investment-grade borrowers, which was the same percentage as at the end of 2023. Defaults, represented by rating classes 5A to 5E, accounted for less than 1 percent of the total lending volume. The lending volume that is not rated, which also remained unchanged compared with the end of 2023 at 23 percent of the total lending volume, essentially comprised consumer home finance for which external ratings were not available. Consumer home finance is deemed to be low-risk because the lending is based on a selective approach and the mortgageable value of the assets is limited.

FIG. VI.28 – INSURANCE SECTOR: LENDING VOLUME, BY INTERNAL RATING CLASS

€ billion		Jun. 30, 2024	Dec. 31, 2023
Investment grade	1A	28.3	23.0
	1B	6.5	11.4
	1C	–	–
	1D	10.3	10.6
	1E	–	–
	2A	6.5	6.3
	2B	4.8	5.6
	2C	5.5	4.9
	2D	2.9	2.7
	2E	–	–
	3A	2.9	3.0
Non-investment grade	3B	0.4	0.4
	3C	0.4	0.3
	3D	–	–
	3E	0.2	0.2
	4A	0.1	0.2
	4B	0.1	–
	4C	–	–
	4D	–	–
	4E	–	–
Default		0.2	–
Not rated		20.9	21.0
Total		**89.9**	**89.8**

In the analysis of **individual concentrations**, the 10 counterparties associated with the largest lending volumes accounted for 16 percent of R+V's total lending volume as at June 30, 2024 (December 31, 2023: 17 percent).

13.2 Credit portfolios particularly affected by negative conditions

Differences in economic policy in the eurozone are particularly affecting investments of R+V in **Italy**. R+V's affected exposure as at June 30, 2024 amounted to €2,724 million (December 31, 2023: €2,493 million). The increase in the exposure compared with December 31, 2023 was largely due to investments in bonds.

13.3 Credit portfolios particularly affected by acute global crises

The **war between Israel and Hamas** affected further regions of the Middle East, particularly Saudi Arabia and Jordan, during the first half of 2024. Unlike in the 2023 risk report, the exposure of R+V therefore now includes Saudi Arabia and Jordan .

The exposure of R+V in countries affected by acute global crises totaled €754 million as at June 30, 2024 (December 31, 2023: €739 million; figure in the 2023 risk report excluding Saudi Arabia and Jordan: €465 million). This continued to equate to 0.8 percent of the total lending volume of R+V (figure in the 2023 risk report excluding Saudi Arabia and Jordan: 0.5 percent) and largely comprised fixed-income securities.

The exposure of R+V in the countries particularly affected by the war between Israel and Hamas broke down as at the reporting date as follows (figures as at December 31, 2023 shown in parentheses):
– Egypt: €1 million (€4 million)
– Israel: €299 million (€293 million)
– Jordan: €24 million (€20 million)
– Saudi Arabia: €268 million (€254 million)

In light of the simmering dispute between **China and Taiwan**, lending by R+V to counterparties in Taiwan is being monitored very closely. As at June 30, 2024, there was no exposure to borrowers based in Taiwan, a situation that was unchanged compared with December 31, 2023. R+V's lending volume in China amounted to €162 million as at June 30, 2024 (December 31, 2023: €168 million).

13.4 Risk position

As at June 30, 2024, the **overall solvency requirement** for market risk amounted to €3,669 million (December 31, 2023: €3,580 million) with a **limit** of €4,150 million (December 31, 2023: €3,695 million). The increase in risk was largely due to the higher risk capital buffer for interest-rate risk and growth in the portfolio of interest-rate-sensitive investments.

Fig. VI.29 shows the overall solvency requirement for the various types of market risk.

FIG. VI.29 – INSURANCE SECTOR: OVERALL SOLVENCY REQUIREMENT FOR MARKET RISK, BY RISK SUBTYPE

€ million	Jun. 30, 2024	Dec. 31, 2023
Interest-rate risk	2,548	2,392
Spread risk	662	718
Equity risk	1,229	1,232
Currency risk	364	335
Real-estate risk	422	432
Total (after diversification)	**3,669**	**3,580**

14 Counterparty default risk

Receivables arising from reinsurance contracts held amounted to €66 million as at June 30, 2024 (December 31, 2023: €73 million). Of this volume, 94 percent (December 31, 2023: 100 percent) was owed by companies with an external rating of A or higher. Meanwhile, receivables from reinsurance counterparties without a rating accounted for 6 percent (December 31, 2023: 0 percent) as at June 30, 2024.

The **reinsurers' share of insurance liabilities** is a variable that impacts on the default risk of reinsurance counterparties. Claims against reinsurers for insured events that have not yet occurred and for insured events from direct insurance operations and from inward reinsurance that have occurred, presented by external rating class in accordance with the system of the rating agency Standard & Poor's, are shown in Fig. VI.30. Ratings that were not available at the reporting date are now shown as 'Not rated', whereas they were included in 'Other ratings' in the 2023 risk report.

FIG. VI.30 – INSURANCE SECTOR: VOLUME OF REINSURANCE CONTRACTS HELD, BY EXTERNAL RATING CLASS

€ million	Jun. 30, 2024	Dec. 31, 2023
AAA	–	–
AA+ to AA-	18	21
A+ to A-	131	119
B	1	1
Not rated	13	12
Total	**163**	**154**

Overdue receivables from policyholders and insurance brokers more than 90 days past due as at the reporting date amounted to €20 million as at June 30, 2024 (December 31, 2023: €16 million).

As at June 30, 2024, the **overall solvency requirement** for counterparty default risk amounted to €232 million (December 31, 2023: €219 million) with a **limit** of €325 million (December 31, 2023: €245 million).

15 Operational risk

As at June 30, 2024, the **overall solvency requirement** determined for operational risk amounted to €699 million (December 31, 2023: €627 million). The **limit** was €800 million as at the reporting date (December 31, 2023: €700 million). This increase in risk was due to higher insurance liabilities calculated in accordance with Solvency II.

16 Risks from entities in other financial sectors

As at June 30, 2024, the **overall solvency requirement** for risks in connection with entities in other financial sectors remained unchanged compared with the end of 2023 at €217 million with a **limit** of €265 million (December 31, 2023: €225 million).

Interim consolidated financial statements

Notes

A General disclosures

B Disclosures relating to the income statement and the statement of comprehensive income

C Balance sheet disclosures

D Financial instruments and fair value disclosures

E Insurance business disclosures

F Other disclosures

Income statement for the period January 1 to June 30, 2024

€ million	(Note)	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Net interest income	(04)	2,358	1,863
Interest income		7,953	6,093
Interest income calculated using the effective interest method		7,793	6,015
Interest income not calculated using the effective interest method		159	79
Current income and expense		41	42
Interest expense		-5,635	-4,273
Net fee and commission income	(05)	1,565	1,314
Fee and commission income		2,838	2,599
Fee and commission expenses		-1,273	-1,285
Gains and losses on trading activities	(06)	-473	293
Gains and losses on investments	(07)	12	-8
Other gains and losses on valuation of financial instruments	(08)	112	63
Gains and losses from the derecognition of financial assets measured at amortized cost		36	5
Insurance service result		970	1,132
Insurance revenue	(45)	6,158	6,168
Insurance service expenses		-5,113	-4,947
Net income/expenses from reinsurance contracts held		-75	-89
Gains and losses on investments held by insurance companies and other insurance company gains and losses	(09)	2,945	2,075
of which interest income calculated using the effective interest method		939	797
Insurance finance income or expenses	(10)	-3,407	-2,487
Gains and losses from the derecognition of financial assets measured at amortized cost in the insurance business		2	3
Loss allowances	(11)	-206	-52
Administrative expenses	(12)	-2,276	-2,320
Other net operating income	(13)	73	51
Profit before taxes		1,711	1,932
Income taxes	(14)	-465	-536
Net profit		**1,246**	**1,397**
Attributable to:			
Shareholders of DZ BANK		1,182	1,351
Non-controlling interests		64	45

Statement of comprehensive income for the period January 1 to June 30, 2024

€ million	(Note)	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Net profit		1,246	1,397
Other comprehensive income/loss		-531	124
Items that may be reclassified to the income statement		**-484**	**-273**
Gains and losses on debt instruments measured at fair value through other comprehensive income	(15)	-1,520	935
Exchange differences on currency translation of foreign operations	(15)	6	-1
Insurance finance income or expenses included in other comprehensive income	(15)	821	-1,229
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	(15)	2	-8
Income taxes	(16)	207	30
Items that will not be reclassified to the income statement		**-47**	**397**
Gains and losses on equity instruments for which the fair value OCI option has been exercised		259	267
Gains and losses in relation to financial liabilities for which the fair value option has been exercised, attributable to changes in own credit risk		-550	316
Gains and losses arising from remeasurement of defined benefit plans		132	-34
Income taxes	(16)	113	-153
Total comprehensive income/loss		**714**	**1,521**
Attributable to:			
Shareholders of DZ BANK		672	1,461
Non-controlling interests		42	60

Balance sheet as at June 30, 2024

ASSETS

€ million	(Note)	Jun. 30, 2024	Dec. 31, 2023
Cash and cash equivalents	(17)	104,518	101,830
Loans and advances to banks	(18)	137,191	128,867
Loans and advances to customers	(19)	207,681	204,776
Hedging instruments (positive fair values)	(20)	955	923
Financial assets held for trading	(21)	32,525	34,961
Investments	(22)	54,640	47,970
Investments held by insurance companies	(23)	118,497	115,568
Property, plant and equipment, investment property, and right-of-use assets	(24)	1,850	1,870
Income tax assets		5,122	4,827
Other assets	(25)	6,167	5,845
Loss allowances	(26)	-2,392	-2,248
Non-current assets and disposal groups classified as held for sale	(27)	67	1,790
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		-2,713	-2,389
Total assets		**664,107**	**644,589**

EQUITY AND LIABILITIES

€ million	(Note)	Jun. 30, 2024	Dec. 31, 2023
Deposits from banks	(28)	183,273	174,580
Deposits from customers	(29)	159,941	159,641
Debt certificates issued including bonds	(30)	115,649	103,768
Hedging instruments (negative fair values)	(31)	592	624
Financial liabilities held for trading	(32)	44,845	47,675
Provisions	(33)	2,967	3,235
Insurance contract liabilities	(34)	108,871	105,151
Income tax liabilities		4,948	4,813
Other liabilities	(35)	8,187	8,872
Subordinated capital	(36)	4,313	4,261
Liabilities included in disposal groups classified as held for sale	(27)	-	1,533
Fair value changes of the hedged items in portfolio hedges of interest-rate risk		-660	-634
Equity	(37)	31,181	31,069
Shareholders' equity		29,299	29,106
Subscribed capital		4,926	4,926
Capital reserve		5,551	5,551
Retained earnings		16,851	15,977
Reserve from other comprehensive income		-1,323	-642
Additional equity components		3,293	3,293
Non-controlling interests		1,882	1,963
Total equity and liabilities		**664,107**	**644,589**

Statement of changes in equity

€ million	Subscribed capital	Capital reserve	Retained earnings	Reserve from other comprehensive income	Additional equity components	**Shareholders' equity**	Non-controlling interests	**Total equity**
Equity as at Jan. 1, 2023	4,926	5,551	14,362	-1,171	2,150	25,819	1,806	27,625
Net profit	-	-	1,351	-	-	1,351	45	1,397
Other comprehensive income/loss	-	-	-20	130	-	110	14	124
Total comprehensive income/loss	-	-	**1,331**	**130**	-	**1,461**	**60**	**1,521**
Capital increase/capital repaid	-	-	-	-	1,143	1,143	1	1,144
Acquisition/disposal of non-controlling interests	-	-	9	-	-	9	13	23
Reclassifications within equity	-	-	191	-191	-	-	-	-
Dividends paid	-	-	-	-	-	-	-20	-20
Equity as at Jun. 30, 2023	**4,926**	**5,551**	**15,893**	**-1,231**	**3,293**	**28,432**	**1,860**	**30,292**
Equity as at Jan. 1, 2024	4,926	5,551	15,977	-642	3,293	29,106	1,963	31,069
Net profit	-	-	1,182	-	-	1,182	64	1,246
Other comprehensive income/loss	-	-	91	-601	-	-510	-21	-531
Total comprehensive income/loss	-	-	**1,273**	**-601**	-	**672**	**42**	**714**
Changes in scope of consolidation	-	-	1	22	-	23	-96	-73
Acquisition/disposal of non-controlling interests	-	-	-55	-	-	-54	-5	-60
Reclassifications within equity	-	-	102	-102	-	-	-	-
Dividends paid	-	-	-448	-	-	-448	-22	-470
Equity as at Jun. 30, 2024	**4,926**	**5,551**	**16,851**	**-1,323**	**3,293**	**29,299**	**1,882**	**31,181**

In the first half of 2024, a dividend of €0.25 per share was paid to the shareholders of DZ BANK AG for the 2023 financial year (first half of 2023: no dividend payment).

Further information on equity is presented in note 37.

Statement of cash flows

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Net profit	**1,246**	**1,397**
Non-cash items included in net profit	-2,541	-1,117
Subtotal	-1,295	280
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks and customers	-11,114	-8,290
Other assets and liabilities from operating activities	904	2,195
Hedging instruments (positive and negative fair values)	529	131
Financial assets and financial liabilities held for trading	-476	12,252
Deposits from banks and customers	8,887	-648
Debt certificates issued including bonds	11,602	17,624
Interest payments, dividends, and operating lease payments received (net cash flow)	1,496	1,049
Income taxes paid	-295	-197
Cash flows from operating activities	**10,238**	**24,396**
Cash flows from investing activities	**-7,056**	**-5,885**
Cash flows from financing activities	**-618**	**1,123**

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Cash and cash equivalents as at January 1	101,954	93,717
Cash flows from operating activities	10,238	24,396
Cash flows from investing activities	-7,056	-5,885
Cash flows from financing activities	-618	1,123
Cash and cash equivalents as at June 30	**104,518**	**113,351**

Statements of cash flows provide banks with limited useful information, which is why the DZ BANK Group's statement of cash flows is not material to the group. The group does not use the statement of cash flows for liquidity and financial planning, nor as a management tool.

The statement of cash flows shows the changes in cash and cash equivalents during the reporting period. Cash and cash equivalents consist of cash on hand and balances with central banks. As at January 1, 2024, cash and cash equivalents also included €124 million from disposal groups. The cash and cash equivalents do not include any financial investments with maturities of more than 3 months at the date of acquisition. Changes in cash and cash equivalents are broken down into operating, investing, and financing activities.

Cash payments from lessees in repayment of lease liabilities, which are included in cash flows from financing activities, amounted to €54 million in the first half of 2024 (first half of 2023: €56 million).

The first-time consolidation of subsidiaries generated a cash inflow of €12 million (first half of 2023: €0 million). The deconsolidation of subsidiaries resulted in a cash outflow of €149 million (first half of 2023: €0 million).

Notes

A General disclosures

» 01 Basis of preparation

Pursuant to section 115 of the German Securities Trading Act (WpHG) in conjunction with section 117 no. 2 WpHG, the interim consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, (DZ BANK) for the first half of the 2024 financial year have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). In particular, the requirements of IAS 34 *Interim Financial Reporting* have been taken into account.

All figures are rounded to the nearest whole number. This may result in very small discrepancies in the calculation of totals and percentages.

» 02 Accounting policies and estimates

Changes in accounting policies

The financial statements of the entities consolidated in the DZ BANK Group have been prepared using uniform accounting policies. The accounting policies used to prepare these financial statements were the same as those applied in the consolidated financial statements for the 2023 financial year, unless these policies are subject to the amendments described below.

First-time application in 2024 of changes in IFRS
The listed amendments to IFRS have been applied for the first time in DZ BANK's interim consolidated financial statements for the first half of the 2024 financial year:

– *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16 Leases)
– *Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants* (Amendments to IAS 1 *Presentation of Financial Statements*)
– *Supplier Finance Arrangements* (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)

The amendments to IFRS 16 clarify that the leaseback liability arising in a sale and leaseback transaction with variable payments that do not depend on an index or interest rate constitutes a lease liability pursuant to IFRS 16. They also clarify that the initial measurement requirements in IFRS 16.100(a) apply to the recognition of the right-of-use asset and the gain or loss from the sale and leaseback. Finally, the amendments clarify that the seller-lessee subsequently measures the right-of-use asset arising from the leaseback by applying IFRS 16.29-35. These amendments to IFRS 16 do not have any impact on the accounting treatment of the Group's sale-and-leaseback transactions.

The amendments to IAS 1 provide further details on how an entity must recognize debt and other liabilities on its balance sheet where the settlement date is uncertain. Such debt and other liabilities must be classified as either current (due or potentially due to be settled within one year) or non-current. The amendments also aim to improve the information that an entity should provide if its right to postpone settling a debt by 12 months or more is subject to covenants. The amendments to IAS 1 have no impact on DZ BANK's consolidated financial statements because there is no distinction between current and non-current liabilities on its balance sheet.

The amendments to IFRS 16 and IAS 1 must be applied for the first time to financial years beginning on or after January 1, 2024; early adoption is permitted.

The amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments* define additional disclosure requirements regarding supply chain finance arrangements. The aim is to make the impact of such arrangements on liabilities, cash flows, and liquidity risk more transparent. In the future, an entity will have to describe the contractual terms and conditions of such finance arrangements under IAS 7 and IFRS 7. It will also have to indicate the associated line items and their carrying amounts at the start and end of the reporting period, disclose the range of payment due dates for the relevant transactions and for comparable other liabilities, and state any risk concentrations. These amendments must be applied to financial years beginning on or after January 1, 2024. The amendments to IAS 7 and IFRS 7 have no impact on DZ BANK's consolidated financial statements.

Changes in presentation

As a consequence of the adjustments resulting from new knowledge gained in the second half of 2023 that was set out in note 02 (accounting policies and estimates) of the consolidated financial statements as at December 31, 2023, the following amounts for the prior-year period have been adjusted in the income statement and statement of comprehensive income.

Income statement for the period January 1 to June 30, 2023

€ million	Jan. 1– Jun. 30, 2023 before restatement	Amount of restatement	**Jan. 1– Jun. 30, 2023 after restatement**
(…)			
Insurance service result	1,163	-31	**1,132**
Insurance revenue	6,209	-41	**6,168**
Insurance service expenses	-4,957	10	**-4,947**
Net income/expenses from reinsurance contracts held	-89	-	**-89**
(…)			
Insurance finance income or expenses	-2,496	9	**-2,487**
(…)			
Profit before taxes	1,954	-22	1,932
Income taxes	-542	6	**-536**
Net profit	**1,412**	**-15**	**1,397**
Attributable to:			
Shareholders of DZ BANK	1,365	-14	**1,351**
Non-controlling interests	47	-2	**45**

Statement of comprehensive income for the period January 1 to June 30, 2023

€ million	Jan. 1– Jun. 30, 2023 before restatement	Amount of restatement	Jan. 1– Jun. 30, 2023 after restatement
Net profit	1,412	-15	1,397
Other comprehensive income/loss	209	-85	124
Items that may be reclassified to the income statement	**-188**	**-85**	**-273**
(…)			
Insurance finance income or expenses included in other comprehensive income	-1,107	-122	-1,229
(…)			
Income taxes	-7	37	30
(…)			
Total comprehensive income/loss	**1,621**	**-100**	**1,521**
Attributable to:			
Shareholders of DZ BANK	1,552	-91	1,461
Non-controlling interests	69	-9	60

The aforementioned changes result in related adjustments to the statement of changes in equity and statement of cash flows as well as to the associated disclosures in note 03 (segment information), note 10 (insurance finance income or expenses), note 15 (items reclassified to the income statement), note 16 (income taxes relating to components of other comprehensive income), note 37 (equity), note 45 (insurance revenue), note 46 (presentation of income and expense in the insurance business), and note 47 (change in the carrying amounts of insurance contract liabilities).

As a consequence of the changes to the statement of cash flows that were set out in note 02 (accounting policies and estimates) of the consolidated financial statements as at December 31, 2023, the comparative disclosures have been adjusted in the statement of cash flows for the reporting period January 1 to June 30, 2024, primarily in relation to the assignment of cash and non-cash changes. This resulted in changes to the amounts in the reconciliation of net profit to cash flows from operating activities and in cash flows from investing activities.

As a consequence of the changed assignment to the main geographical markets in the disclosures on revenue from contracts with customers – specifically in the disclosures on revenue from contracts with customers, broken down by operating segment – that were set out in note 02 (accounting policies and estimates) of the consolidated financial statements as at December 31, 2023, the comparative disclosures have also been adjusted for the reporting period January 1 to June 30, 2024.

Sources of estimation uncertainty

It is sometimes necessary to make assumptions and estimates in accordance with the relevant financial reporting standards in order to determine the carrying amounts of assets, liabilities, income, and expenses recognized in the interim consolidated financial statements. These assumptions and estimates are based on historical experience, planning, and expectations or forecasts regarding future events.

Assumptions and estimates are used primarily in determining the fair value of financial assets and financial liabilities and in identifying any impairment of financial assets. Estimates also have a material impact on determining the impairment of goodwill or intangible assets acquired as part of business combinations. Furthermore, assumptions and estimates affect the measurement of right-of-use assets, insurance contract liabilities, other assets held by insurance companies, provisions for employee benefits, provisions for share-based payment transactions, provisions relating to building society operations, and other provisions as well as the recognition and measurement of income tax assets and income tax liabilities.

B Disclosures relating to the income statement and the statement of comprehensive income

» 03 Segment information

Information on operating segments

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2024

€ million	BSH	R+V	TeamBank	UMH
Net interest income	282	-	262	31
Net fee and commission income	-1	-	-18	1,126
Gains and losses on trading activities	-	-	-	-
Gains and losses on investments	-	-	-	5
Other gains and losses on valuation of financial instruments	-	-	-	69
Gains and losses from the derecognition of financial assets measured at amortized cost	-	-	-	-
Insurance service result	-	954	-	-
Gains and losses on investments held by insurance companies and other insurance company gains and losses	-	3,033	-	-
Insurance finance income or expenses	-	-3,407	-	-
Gains and losses from the derecognition of financial assets measured at amortized cost in the insurance business	-	-	-	-
Loss allowances	-6	-	-86	-
Administrative expenses	-249	-	-143	-612
Other net operating income	22	6	4	-3
Profit/loss before taxes	**47**	**586**	**19**	**616**
Cost/income ratio (%)	82.2	-	57.7	49.8
Regulatory RORAC (%)	7.4	12.5	7.5	>100.0
Average own funds/solvency requirement	1,266	9,392	510	660
Total assets/total equity and liabilities as at Jun. 30, 2024	81,945	130,810	10,791	4,853

	DZ BANK – CICB	DZ HYP	DZ PRIVAT-BANK	VR Smart Finanz	DZ BANK – holding function	Other/ Consolidation	**Total**
	791	389	89	69	-77	522	2,358
	312	5	115	-17	-	43	1,565
	-72	-	12	-	-	-413	-473
	7	-	-	-	-	-	12
	88	-25	-22	-	-	2	112
	37	-	-1	-	-	-	36
	-	-	-	-	-	16	970
	-	-	-	-	-	-88	2,945
	-	-	-	-	-	-	-3,407
	-	-	-	-	-	2	2
	-53	-39	-	-23	-	1	-206
	-728	-131	-146	-39	-117	-111	-2,276
	1	9	5	-1	-	30	73
	383	**208**	**52**	**-10**	**-194**	**4**	**1,711**
	62.5	34.7	73.7	76.5	-	-	54.3
	13.7	31.1	30.9	-12.3	-	-	17.8
	5,606	1,339	337	163	-	-	19,273
	392,695	86,396	25,289	3,554	23,704	-95,930	664,107

INFORMATION ON OPERATING SEGMENTS FOR THE PERIOD JANUARY 1 TO JUNE 30, 2023

€ million	BSH	R+V	TeamBank	UMH
Net interest income	244	-	268	17
Net fee and commission income	-6	-	-22	988
Gains and losses on trading activities	-	-	-	-
Gains and losses on investments	-	-	-	-2
Other gains and losses on valuation of financial instruments	3	-	-1	71
Gains and losses from the derecognition of financial assets measured at amortized cost	-	-	-	-
Insurance service result	-	1,122	-	-
Gains and losses on investments held by insurance companies and other insurance company gains and losses	-	2,104	-	-
Insurance finance income or expenses	-	-2,487	-	-
Gains and losses from the derecognition of financial assets measured at amortized cost in the insurance business	-	3	-	-
Loss allowances	-4	-	-51	-
Administrative expenses	-269	-	-143	-595
Other net operating income	18	-2	6	-37
Profit/loss before taxes	**-14**	**740**	**57**	**442**
Cost/income ratio (%)	>100.0	-	57.0	57.4
Regulatory RORAC (%)	-2.3	16.6	23.4	>100.0
Average own funds/solvency requirement	1,261	8,895	487	649
Total assets/total equity and liabilities as at Dec. 31, 2023	84,369	127,039	10,640	5,156

	DZ BANK – CICB	DZ HYP	DZ PRIVAT-BANK	VR Smart Finanz	DZ BANK – holding function	Other/ Consolidation	**Total**
	658	346	70	60	-55	255	1,863
	203	5	109	-14	-	51	1,314
	584	-1	10	-	-	-300	293
	-1	-	-	-	-	-5	-8
	-91	27	3	-	-	51	63
	5	-	-	-	-	-	5
	-	-	-	-	-	10	1,132
	-	-	-	-	-	-29	2,075
	-	-	-	-	-	-	-2,487
	-	-	-	-	-	-	3
	36	-20	-	-12	-	-1	-52
	-732	-153	-144	-37	-139	-108	-2,320
	35	9	5	-3	-	20	51
	697	**212**	**53**	**-6**	**-194**	**-55**	**1,932**
	52.5	39.6	73.1	86.0	-	-	53.9
	25.7	31.4	33.0	-7.7	-	-	20.8
	5,421	1,354	320	160	-	-	18,548
	375,464	87,410	26,190	3,454	23,077	-98,210	644,589

General information on operating segments

The information on operating segments has been prepared using the management approach in accordance with IFRS 8. Under this standard, external reporting must include segment information that is used internally for the management of the entity and for the purposes of quantitative reporting to the chief operating decision-makers. The information on operating segments has therefore been prepared on the basis of the internal management reporting system.

Definition of operating segments

Segmentation is fundamentally based on the integrated risk and capital management system, the function of which is to create transparency, notably in respect of the risk structure and risk-bearing capacity of the individual management units. The segment information presents separate disclosures for the management units DZ HYP AG, Hamburg/Münster, (DZ HYP), TeamBank AG Nürnberg, Nuremberg, (TeamBank), DZ PRIVATBANK, and the BSH, R+V, UMH, and VR Smart Finanz subgroups. DZ BANK is broken down into the central institution and corporate bank (DZ BANK – CICB) and the group management function (DZ BANK – holding function) in line with the internal financial reporting structure. The DZ BANK – CICB operating segment comprises 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 mainly used to pool tasks carried out on behalf of the DZ BANK Group in relation to commercial law, tax, and prudential supervision. The total assets of DZ BANK – holding function include the equity, plus a number of other items such as a notional carrying amount for the long-term equity investment in DZ BANK – CICB, together with the carrying amounts of the long-term equity investments in the other management units. The notional long-term equity investment in DZ BANK – CICB is measured in an amount equating to 11 percent of the risk-weighted assets of DZ BANK – CICB. DZ BANK – holding function does not constitute an operating segment within the meaning of IFRS 8.5 but is presented separately in line with the internal reporting structure. All other companies in the DZ BANK Group, which are not required to provide regular quantitative reports to the chief operating decision-makers, and the consolidations are reported on an aggregated basis under Other/Consolidation.

Presentation of operating segments

Interest income and associated interest expenses generated by the operating segments are offset and reported as net interest income in the information on operating segments because, from a group perspective, the operating segments are managed solely on the basis of the net figure.

Measurement

Internal reporting to the chief operating decision-makers is primarily based on the IFRS accounting and measurement principles applicable to the DZ BANK Group.

Intragroup transactions between operating segments and internal transactions in the DZ BANK – CICB operating segment are carried out on an arm's-length basis. These transactions are predominantly reported internally using the financial reporting standards applied to external financial reporting.

The key indicators for assessing the performance of the operating segments are profit/loss before taxes, the cost/income ratio, and the return on risk-adjusted capital (regulatory RORAC).

The cost/income ratio shows the ratio of administrative expenses to operating income and reflects the economic efficiency of the operating segment concerned.

Operating income 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.

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 monthly figures) in accordance with the own funds/solvency requirements for the financial conglomerate. It therefore shows the return on the regulatory risk capital employed.

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 are primarily the result of the elimination of intragroup dividend payments and are also attributable to the early redemption of issued bonds and commercial paper acquired by entities in the DZ BANK Group other than the issuer. Internal transactions in the DZ BANK – CICB operating segment are 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.

» 04 Net interest income

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
INTEREST INCOME AND CURRENT INCOME AND EXPENSE	**7,993**	**6,135**
Interest income from	**7,953**	**6,093**
Lending and money market business	6,534	5,101
Bonds and other fixed-income securities	608	404
Portfolio hedges of interest-rate risk	813	595
Financial assets with a negative effective interest rate	-3	-6
Other assets	1	-1
Current income and expense from	**41**	**42**
Shares and other variable-yield securities	15	15
of which income from other shareholdings	4	9
Investments in subsidiaries	3	2
Entities accounted for using the equity method	22	25
of which relating to investments in joint ventures	24	19
of which relating to investments in associates	-2	6
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	1	-
INTEREST EXPENSE ON	**-5,635**	**-4,273**
Deposits from banks and customers	-4,003	-3,294
Debt certificates issued including bonds	-1,380	-720
Subordinated capital	-80	-75
Portfolio hedges of interest-rate risk	-178	-187
Financial liabilities with a positive effective interest rate	8	12
Provisions and other liabilities	-2	-8
Total	**2,358**	**1,863**

The interest income from other assets included gains from non-credit-risk-related modifications of €0 million (first half of 2023: €2 million) and losses from non-credit-risk-related modifications of €0 million (first half of 2023: €3 million), such gains and losses resulting from financial assets. The interest expense on provisions and other liabilities included interest expense on lease liabilities of €4 million (first half of 2023: €4 million).

» 05 Net fee and commission income

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Fee and commission income	**2,838**	**2,599**
Securities business	2,202	1,989
Asset management	190	167
Payments processing including card processing	180	190
Lending business and trust activities	99	91
Financial guarantee contracts and loan commitments	55	44
International business	6	6
Building society operations	18	18
Other	88	94
Fee and commission expenses	**-1,273**	**-1,285**
Securities business	-908	-929
Asset management	-120	-101
Payments processing including card processing	-106	-108
Lending business	-39	-40
Financial guarantee contracts and loan commitments	-6	-6
Building society operations	-35	-36
Other	-60	-65
Total	**1,565**	**1,314**

Fee and commission income included revenue from contracts with customers pursuant to IFRS 15 in an amount of €2,836 million (first half of 2023: €2,592 million); see note 53.

» 06 Gains and losses on trading activities

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Gains and losses on non-derivative financial instruments and embedded derivatives	-162	-937
of which gains and losses on financial instruments designated as at fair value through profit or loss that are related to derivatives held for trading purposes	283	-68
Gains and losses on derivatives	-387	1,216
Gains and losses on exchange differences	76	14
Total	**-473**	**293**

Gains and losses on exchange differences included currency translation gains of €19 million on financial instruments not measured at fair value through profit or loss (first half of 2023: gains of €9 million).

» 07 Gains and losses on investments

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Gains and losses on the disposal of bonds and other fixed-income securities	**7**	-1
Gains and losses on the disposal of shares and other variable-yield securities	**5**	-2
Gains and losses on investments in associates	**-**	-5
Impairment losses	-	-8
Reversals of impairment losses	-	3
Total	**12**	**-8**

» 08 Other gains and losses on valuation of financial instruments

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Gains and losses from fair value hedge accounting	**6**	-27
Gains and losses on derivatives used for purposes other than trading	**25**	68
Gains and losses on financial instruments designated as at fair value through profit or loss	**16**	-21
Gains and losses on non-derivative financial instruments and embedded derivatives that are not related to derivatives held for trading purposes	77	-79
Gains and losses on derivatives	-61	58
Gains and losses on financial assets mandatorily measured at fair value through profit or loss	**65**	43
Total	**112**	**63**

Gains and losses on derivatives used for purposes other than trading result from the recognition and measurement of derivatives that are used for economic hedging but are not included in hedge accounting and/or are not related to financial instruments designated as at fair value through profit or loss.

» 09 Gains and losses on investments held by insurance companies and other insurance company gains and losses

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Income from investments held by insurance companies	**4,776**	3,369
Interest income and current income	1,411	1,247
Income from reversals of impairment losses and reversals of loss allowances, and unrealized gains	393	119
Gains on valuation through profit or loss of investments held by insurance companies	2,552	1,791
Gains on disposals	421	212
Expenses in connection with investments held by insurance companies	**-1,416**	-1,098
Administrative expenses	-88	-96
Depreciation/amortization expense, additions to loss allowances, and impairment losses and unrealized losses	-85	-236
Losses on valuation through profit or loss of investments held by insurance companies	-590	-452
Losses on disposals	-653	-315
Other non-insurance gains and losses	**-415**	-196
Total	**2,945**	**2,075**

Other non-insurance gains and losses included interest expense on lease liabilities amounting to €1 million (first half of 2023: €0 million).

Income from and expenses in connection with investments held by insurance companies included additions to loss allowances of €20 million (first half of 2023: €11 million) and reversals of loss allowances of €34 million (first half of 2023: €32 million).

» 10 Insurance finance income or expenses

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Insurance finance income or expenses from insurance contracts	-3,409	-2,488
Insurance finance income or expenses from reinsurance contracts held	3	1
Total	**-3,407**	**-2,487**

» 11 Loss allowances

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Loss allowances for loans and advances to banks	**-1**	**9**
Additions	-18	-19
Reversals	15	27
Recoveries on loans and advances to banks previously impaired	2	1
Loss allowances for loans and advances to customers	**-196**	**-81**
Additions	-1,361	-1,122
Reversals	1,128	985
Directly recognized impairment losses	-23	-23
Recoveries on loans and advances to customers previously impaired	43	60
Other	17	18
Loss allowances for investments	**-**	**6**
Additions	-12	-6
Reversals	12	12
Loss allowances for other assets	**-**	**-1**
Reversals	-	1
Directly recognized impairment losses	-1	-2
Other loss allowances for loans and advances	**-9**	**14**
Additions to and reversals of provisions for loan commitments	-9	18
Additions to and reversals of provisions for financial guarantee contracts	-6	-4
Additions to and reversals of other provisions for loans and advances	7	-1
Total	**-206**	**-52**

Gains and losses from credit-risk-related modifications and other gains and losses on financial assets that are purchased or originated credit-impaired assets (POCI assets) are reported under the ‘Other’ line item. Other gains and losses on POCI assets consist of the changes in the loss allowances for these assets within the reporting period.

» 12 Administrative expenses

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Staff expenses	-1,089	-1,044
General and administrative expenses	-1,048	-1,135
Depreciation and amortization	-139	-141
Total	**-2,276**	**-2,320**

» 13 Other net operating income

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Income from the reversal of provisions and accruals	41	74
Gains and losses on non-current assets and disposal groups classified as held for sale	19	3
Restructuring expenses	-13	-
Gains on the disposal of other assets	12	11
Income and expense from impairment losses on other intangible assets, and reversals thereof, and from disposals of other intangible assets	-1	-50
Residual other net operating income	17	15
Total	**73**	**51**

» 14 Income taxes

IAS 34 states that income taxes in interim consolidated financial statements are to be calculated on the basis of the best possible estimate of the weighted average tax rate for the year as a whole. This tax rate is based on the legislation that is in force or has been adopted at the relevant balance sheet date.

» 15 Items reclassified to the income statement

The following amounts were recognized in other comprehensive income/loss or reclassified from other comprehensive income/loss to the income statement in the reporting period:

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Gains and losses on debt instruments measured at fair value through other comprehensive income	**-1,520**	935
Gains (+)/losses (-) arising during the reporting period	-1,914	845
Gains (-)/losses (+) reclassified to the income statement during the reporting period	394	90
Exchange differences on currency translation of foreign operations	**6**	-1
Gains (+)/losses (-) arising during the reporting period	6	-1
Insurance finance income or expenses included in other comprehensive income	**821**	-1,229
Gains (+)/losses (-) arising during the reporting period	821	-1,229
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	**2**	-8
Gains (+)/losses (-) arising during the reporting period	2	-8

» 16 Income taxes relating to components of other comprehensive income

The table below shows the income taxes on the various components of other comprehensive income:

€ million	Jan. 1–Jun. 30, 2024			Jan. 1–Jun. 30, 2023		
	Amount before taxes	Income taxes	Amount after taxes	Amount before taxes	Income taxes	Amount after taxes
Items that may be reclassified to the income statement	**-691**	**207**	**-484**	-303	30	-273
Gains and losses on debt instruments measured at fair value through other comprehensive income	-1,520	528	-992	935	-239	696
Exchange differences on currency translation of foreign operations	6	-7	-1	-1	2	1
Insurance finance income or expenses included in other comprehensive income	821	-314	508	-1,229	268	-962
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	2	-	2	-8	-	-8
Items that will not be reclassified to the income statement	**-160**	**113**	**-47**	549	-153	397
Gains and losses on equity instruments for which the fair value OCI option has been exercised	259	-23	236	267	-67	201
Gains and losses in relation to financial liabilities for which the fair value option has been exercised, attributable to changes in own credit risk	-550	172	-378	316	-99	217
Gains and losses arising from remeasurement of defined benefit plans	132	-37	95	-34	13	-21
Total	**-851**	**320**	**-531**	**247**	**-122**	**124**

C Balance sheet disclosures

» 17 Cash and cash equivalents

€ million	Jun. 30, 2024	Dec. 31, 2023
Cash on hand	291	366
Balances with central banks	104,227	101,463
Total	**104,518**	**101,830**

» 18 Loans and advances to banks

	Repayable on demand		Other loans and advances		Total	
€ million	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Domestic banks	**4,272**	4,945	**121,292**	117,557	**125,564**	122,502
Affiliated banks	3,482	2,831	114,512	115,153	117,994	117,984
Other banks	790	2,115	6,780	2,404	7,570	4,519
Foreign banks	**1,715**	2,108	**9,912**	4,256	**11,627**	6,364
Total	**5,987**	7,054	**131,204**	121,813	**137,191**	128,867

» 19 Loans and advances to customers

€ million	Jun. 30, 2024	Dec. 31, 2023
Loans and advances to domestic customers	180,521	178,389
Loans and advances to foreign customers	27,160	26,388
Total	**207,681**	**204,776**

» 20 Hedging instruments (positive fair values)

Hedging instruments (positive fair values) amounted to €955 million (December 31, 2023: €923 million) and resulted solely from derivatives used as fair value hedges.

» 21 Financial assets held for trading

€ million	Jun. 30, 2024	Dec. 31, 2023
DERIVATIVES (POSITIVE FAIR VALUES)	**16,014**	**16,482**
Interest-linked contracts	13,571	13,799
Currency-linked contracts	1,316	1,759
Share-/index-linked contracts	901	688
Credit derivatives	226	225
Other contracts	1	11
BONDS AND OTHER FIXED-INCOME SECURITIES	**11,556**	**8,334**
Money market instruments	928	60
Bonds	10,628	8,275
SHARES AND OTHER VARIABLE-YIELD SECURITIES	**1,771**	**1,329**
Shares	1,771	1,325
Investment fund units	-	4
RECEIVABLES	**3,184**	**8,815**
of which from affiliated banks	767	816
of which from other banks	2,039	7,522
Money market placements	**2,210**	**7,815**
with banks	2,210	7,798
with customers	-	17
Promissory notes and registered bonds	**974**	**1,000**
from banks	596	539
from customers	378	461
Total	**32,525**	**34,961**

» 22 Investments

€ million	Jun. 30, 2024	Dec. 31, 2023
Bonds and other fixed-income securities	**50,912**	**44,453**
Money market instruments	1,352	925
Bonds	49,559	43,527
Shares and other variable-yield securities	**3,005**	**2,880**
Shares and other shareholdings	379	388
Investment fund units	2,626	2,492
Investments in subsidiaries	**205**	**180**
Investments in joint ventures	**348**	**312**
Investments in associates	**170**	**145**
Total	**54,640**	**47,970**

The carrying amount of investments in joint ventures accounted for using the equity method totaled €348 million (December 31, 2023: €312 million). €149 million of the investments in associates has been accounted for using the equity method (December 31, 2023: €139 million).

» 23 Investments held by insurance companies

€ million	Jun. 30, 2024	Dec. 31, 2023
Investment property	3,799	3,866
Investments in subsidiaries	760	810
Investments in joint ventures	62	62
Investments in associates	23	-
Mortgage loans	11,959	12,008
Promissory notes and loans	5,802	5,996
Registered bonds	5,639	5,531
Other loans	955	1,014
Variable-yield securities	12,227	11,871
Fixed-income securities	54,070	53,647
Derivatives (positive fair values)	66	159
Deposits with ceding insurers and other investments	104	40
Assets related to unit-linked contracts	23,033	20,563
Total	**118,497**	**115,568**

» 24 Property, plant and equipment, investment property, and right-of-use assets

€ million	Jun. 30, 2024	Dec. 31, 2023
Land and buildings	851	858
Office furniture and equipment	172	178
Investment property	279	280
Right-of-use assets	548	554
Total	**1,850**	**1,870**

» 25 Other assets

€ million	Jun. 30, 2024	Dec. 31, 2023
Other assets held by insurance companies	3,364	3,578
Goodwill	155	155
Other intangible assets	449	437
of which software	396	388
of which acquired customer relationships	6	10
Other loans and advances	595	526
Residual other assets	1,605	1,149
Total	**6,167**	**5,845**

Residual other assets included initial margins from client clearing of €1,082 million (December 31, 2023: €522 million).

The breakdown of other assets held by insurance companies is as follows:

€ million	Jun. 30, 2024	Dec. 31, 2023
Intangible assets	149	160
Reinsurance contract assets	330	368
Insurance contract assets	-	1
Receivables	976	1,028
Credit balances with banks, checks and cash on hand	526	647
Property, plant and equipment	430	424
of which right-of-use assets held by insurance companies	57	64
Residual other assets	953	952
Loss allowances	-2	-2
Total	**3,364**	**3,578**

» 26 Loss allowances

Loss allowances for loans and advances to banks and for loans and advances to customers also comprise the loss allowances recognized for finance lease receivables.

The following table shows the changes in loss allowances, which are reported on the assets side of the balance sheet, broken down by individual balance sheet item:

	Loans and advances to banks			Loans and advances to customers			
€ million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	POCI assets
Balance as at Jan. 1, 2023	17	5	32	244	535	1,157	18
Additions	15	1	3	120	434	553	14
Utilizations	-	-	-	-	-1	-96	-2
Reversals	-17	-3	-8	-218	-293	-461	-13
Other changes	-	-	1	108	-163	54	-5
Balance as at Jun. 30, 2023	**16**	**3**	**27**	**255**	**512**	**1,208**	**11**
Balance as at Jan. 1, 2024	15	2	26	243	504	1,430	18
Additions	16	1	1	113	497	722	25
Utilizations	-	-	-	-	-1	-104	-3
Reversals	-13	-1	-2	-201	-267	-633	-24
Other changes	-	-	1	85	-154	88	-
Balance as at Jun. 30, 2024	**19**	**3**	**26**	**240**	**580**	**1,504**	**17**

	Investments			Other assets	Total
€ million	Stage 1	Stage 2	Stage 3	Stage 1	
Balance as at Jan. 1, 2023	4	11	4	2	2,029
Additions	1	1	1	-	1,143
Utilizations	-	-	-	-	-100
Reversals	-4	-2	-1	-1	-1,021
Other changes	3	-3	-	-	-5
Balance as at Jun. 30, 2023	**3**	**6**	**4**	**1**	**2,047**
Balance as at Jan. 1, 2024	3	1	4	1	2,248
Additions	1	1	4	-	1,382
Utilizations	-	-	-3	-	-110
Reversals	-1	-2	-5	-	-1,148
Other changes	-	-	-	-	21
Balance as at Jun. 30, 2024	**3**	**1**	**-**	**-**	**2,392**

» 27 Non-current assets and disposal groups classified as held for sale

The non-current assets and disposal groups classified as held for sale include individual non-current assets together with assets and liabilities from disposal groups not qualifying as discontinued operations, as described below.

The disposal groups not qualifying as discontinued operations include units in various investment funds with a carrying amount of €47 million. The sale is expected to take place within a year.

The individual non-current assets classified as held for sale comprise real estate. The carrying amount comes to a total of €20 million. The sale of these individual non-current assets classified as held for sale is expected to take place within a year.

At the level of the BSH subgroup, shares in the Hungarian subsidiary Fundamenta-Laskáskassza Lakástrakarékpénztár Zrt., Budapest, (FLK) were sold to MBH Bank Nyrt, Budapest, Hungary, which is part of Magyar Bankholding, on March 27, 2024. FLK constitutes a disposal group not qualifying as a discontinued operation. The gain on disposal amounted to €1 million and was recognized under other net operating income.

The sale of individual non-current assets classified as held for sale gave rise to income of €17 million in the period under review, which was recognized under other net operating income.

» 28 Deposits from banks

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Domestic banks	**48,617**	48,289	**110,027**	109,078	**158,644**	157,367
Affiliated banks	45,504	44,407	26,020	27,644	71,524	72,052
Other banks	3,113	3,881	84,007	81,434	87,120	85,315
Foreign banks	**10,825**	9,219	**13,804**	7,995	**24,629**	17,214
Total	**59,442**	**57,507**	**123,830**	**117,073**	**183,273**	**174,580**

» 29 Deposits from customers

	Repayable on demand		With agreed maturity or notice period		Total	
€ million	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Domestic customers	38,326	38,660	96,834	97,628	135,160	136,288
Foreign customers	21,731	19,529	3,050	3,824	24,781	23,354
Total	**60,057**	**58,189**	**99,884**	**101,452**	**159,941**	**159,641**

» 30 Debt certificates issued including bonds

€ million	Jun. 30, 2024	Dec. 31, 2023
Bonds issued	**89,493**	**88,011**
Mortgage Pfandbriefe	33,079	31,859
Public-sector Pfandbriefe	1,684	1,696
Other bonds	54,730	54,457
Other debt certificates issued	**26,156**	**15,757**
Total	**115,649**	**103,768**

As was also the case as at December 31, 2023, all other debt certificates issued are commercial paper.

» 31 Hedging instruments (negative fair values)

Hedging instruments (negative fair values) amounted to €592 million (December 31, 2023: €624 million) and resulted solely from derivatives used as fair value hedges.

» 32 Financial liabilities held for trading

€ million	Jun. 30, 2024	Dec. 31, 2023
DERIVATIVES (NEGATIVE FAIR VALUES)	**16,525**	**17,131**
Interest-linked contracts	13,720	13,687
Currency-linked contracts	1,235	1,897
Share-/index-linked contracts	1,421	1,362
Other contracts	78	112
Credit derivatives	70	73
SHORT POSITIONS	**2,473**	**701**
BONDS ISSUED	**21,910**	**20,836**
DEPOSITS	**3,938**	**9,007**
of which from affiliated banks	3,724	3,688
of which from other banks	140	4,943
Money market deposits	**3,786**	**8,854**
from banks	3,765	8,571
from customers	21	284
Promissory notes and registered bonds issued	**152**	**153**
to banks	98	60
to customers	53	93
Total	**44,845**	**47,675**

As was also the case as at December 31, 2023, bonds issued mainly comprise share certificates and index-linked certificates.

» 33 Provisions

€ million	Jun. 30, 2024	Dec. 31, 2023
Provisions for employee benefits	**1,348**	**1,508**
Provisions for defined benefit plans	919	1,045
Provisions for other long-term employee benefits	198	213
of which for semi-retirement schemes	76	79
Provisions for termination benefits	209	221
of which for early retirement schemes	24	26
of which for restructuring	148	156
Provisions for short-term employee benefits	22	29
Provisions for share-based payment transactions	**46**	**58**
Other provisions	**1,573**	**1,669**
Provisions for onerous contracts	11	10
Provisions for restructuring	32	31
Provisions for loan commitments	147	138
Provisions for financial guarantee contracts	110	105
Other provisions for loans and advances	46	52
Provisions relating to building society operations	832	913
Residual provisions	397	420
Total	**2,967**	**3,235**

The underlying discount rate used to measure the defined benefit obligations rose from 3.20 percent as at December 31, 2023 to 3.60 percent as at June 30, 2024. The assumptions about salary and annuity trends were unchanged compared with December 31, 2023.

» 34 Insurance contract liabilities

€ million	Jun. 30, 2024	Dec. 31, 2023
Insurance contract liabilities	**108,869**	**105,150**
Liability for remaining coverage	96,711	93,033
Liability for incurred claims	12,158	12,117
Reinsurance contract liabilities	**1**	**1**
Liability for remaining coverage	1	2
Total	**108,871**	**105,151**

» 35 Other liabilities

€ million	Jun. 30, 2024	Dec. 31, 2023
Other liabilities of insurance companies	5,426	5,620
Accruals	1,060	1,518
Other payables	241	250
Lease liabilities	574	576
Residual other liabilities	885	907
Total	**8,187**	**8,872**

Residual other liabilities included initial margins from client clearing of €503 million (December 31, 2023: €489 million).

The table below gives a breakdown of insurance companies' other liabilities.

€ million	Jun. 30, 2024	Dec. 31, 2023
Other provisions	377	394
Payables and residual other liabilities	5,050	5,226
Total	**5,426**	**5,620**

Other provisions included provisions for defined benefit plans of €112 million (December 31, 2023: €125 million). The underlying discount rate used to measure the defined benefit obligations rose from 3.20 percent as at December 31, 2023 to 3.60 percent as at June 30, 2024. The assumptions about salary and annuity trends were unchanged compared with December 31, 2023.

Payables and residual other liabilities included lease liabilities of €69 million (December 31, 2023: €75 million).

» 36 Subordinated capital

€ million	Jun. 30, 2024	Dec. 31, 2023
Subordinated liabilities	4,309	4,257
Share capital repayable on demand	4	5
Total	**4,313**	**4,261**

» 37 Equity

The table below shows a breakdown of the reserve from other comprehensive income:

	Items not reclassified to the income statement		Items reclassified to the income statement		
€ million	Reserve from equity instruments for which the fair value OCI option has been exercised	Reserve from gains and losses on financial liabilities for which the fair value option has been exercised, attributable to changes in own credit risk	Reserve from debt instruments measured at fair value through other comprehensive income	Currency translation reserve	Reserve for insurance contracts measured at fair value through other comprehensive income
Equity as at Jan. 1, 2023	690	59	-10,786	80	8,785
Other comprehensive income/loss	179	217	603	-12	-856
Total comprehensive income/loss	**179**	**217**	**603**	**-12**	**-856**
Acquisition/disposal of non-controlling interests	-	-	16	-	-16
Reclassifications within equity	-190	-1	-	-	-
Equity as at Jun. 30, 2023	**679**	**275**	**-10,166**	**68**	**7,913**
Equity as at Jan. 1, 2024	514	267	-7,889	62	6,405
Other comprehensive income/loss	212	-377	-874	4	434
Total comprehensive income/loss	**212**	**-377**	**-874**	**4**	**434**
Changes in scope of consolidation	-	-	-	22	-
Acquisition/disposal of non-controlling interests	-	-	1	-	-
Reclassifications within equity	-100	-2	-	-	-
Equity as at Jun. 30, 2024	**625**	**-112**	**-8,763**	**88**	**6,839**

The changes in loss allowances included in the reserve from other comprehensive income, broken down by individual balance sheet item, were as follows:

	Investments			Investments held by insurance companies			Total
€ million	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Balance as at Jan. 1, 2023	7	-	24	34	17	1	83
Additions	3	-	-	4	1	6	**15**
Utilizations	-	-	-	-	-	-6	**-6**
Reversals	-4	-	-	-27	-5	-	**-37**
Other changes	-	-	-	17	-8	-	**9**
Balance as at Jun. 30, 2023	**6**	**-**	**24**	**27**	**5**	**1**	**63**
Balance as at Jan. 1, 2024	9	2	25	31	35	13	115
Additions	5	1	-	8	10	2	**26**
Utilizations	-	-	-	-	-	-2	**-2**
Reversals	-3	-1	-	-7	-10	-18	**-39**
Other changes	-	-1	-	-1	-	17	**15**
Balance as at Jun. 30, 2024	**10**	**2**	**25**	**30**	**35**	**12**	**115**

The information on regulatory capital and on capital management pursuant to IAS 1.134-136, which also forms part of these IFRS interim consolidated financial statements, can be found in the interim group management report in chapter VI ‘Risk report’, section 5 ‘Capital adequacy’.

D Financial instruments and fair value disclosures

» 38 Classes, categories, and fair values of financial instruments

The following tables show the breakdown of net carrying amounts and fair values of financial assets and financial liabilities by class (in accordance with IFRS 7) and by category of financial instrument (in accordance with IFRS 9):

€ million	Jun. 30, 2024 Carrying amount	Jun. 30, 2024 Fair value	Dec. 31, 2023 Carrying amount	Dec. 31, 2023 Fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**192,138**	**192,155**	**188,770**	**188,785**
Financial assets measured at fair value through profit or loss	**74,844**	**74,861**	**75,149**	**75,164**
Financial assets mandatorily measured at fair value through profit or loss	***70,556***	***70,573***	***70,134***	***70,149***
Loans and advances to customers	231	231	221	221
Hedging instruments (positive fair values)	955	955	923	923
Financial assets held for trading	32,525	32,542	34,961	34,975
Investments	3,517	3,517	3,385	3,385
Investments held by insurance companies	33,327	33,327	30,644	30,644
Financial assets designated as at fair value through profit or loss	***4,288***	***4,288***	***5,015***	***5,015***
Loans and advances to banks	1,175	1,175	1,202	1,202
Loans and advances to customers	567	567	613	613
Investments	2,545	2,545	3,200	3,200
Financial assets measured at fair value through other comprehensive income	**117,246**	**117,246**	**113,573**	**113,573**
Financial assets mandatorily measured at fair value through other comprehensive income	***111,724***	***111,724***	***108,080***	***108,080***
Loans and advances to banks	-	-	31	31
Loans and advances to customers	2,043	2,043	2,115	2,115
Investments	33,638	33,638	30,169	30,169
Investments held by insurance companies	76,042	76,042	75,765	75,765
Financial assets designated as at fair value through other comprehensive income	***5,522***	***5,522***	***5,493***	***5,493***
Investments	407	407	394	394
Investments held by insurance companies	5,114	5,114	5,099	5,099
Non-current assets and disposal groups classified as held for sale	**48**	**48**	**48**	**48**
FINANCIAL ASSETS MEASURED AT AMORTIZED COST	**455,627**	**442,320**	**440,080**	**428,109**
Cash and cash equivalents	104,227	104,226	101,463	101,462
Loans and advances to banks	135,969	130,819	127,591	122,965
Loans and advances to customers	202,076	191,281	199,175	189,565
Investments	14,030	13,948	10,362	10,288
Investments held by insurance companies	110	118	154	193
Other assets	1,929	1,929	2,043	2,043
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	-2,713		-2,389	
Non-current assets and disposal groups classified as held for sale	-	-	1,680	1,592
FINANCE LEASES	**423**	**411**	**456**	**447**
Loans and advances to customers	423	411	456	447
Non-current assets and disposal groups classified as held for sale	-	-	1	1

€ million	Jun. 30, 2024 Carrying amount	Jun. 30, 2024 Fair value	Dec. 31, 2023 Carrying amount	Dec. 31, 2023 Fair value
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE	**77,918**	**77,811**	**78,663**	**78,591**
Financial liabilities mandatorily measured at fair value through profit or loss	**47,740**	**47,671**	**50,554**	**50,515**
Hedging instruments (negative fair values)	592	592	624	624
Financial liabilities held for trading	44,845	44,776	47,675	47,636
Other liabilities	2,303	2,303	2,256	2,256
Financial liabilities designated as at fair value through profit or loss	**30,177**	**30,140**	**28,109**	**28,076**
Deposits from banks	3,658	3,657	3,804	3,804
Deposits from customers	7,646	7,626	7,420	7,399
Debt certificates issued including bonds	18,874	18,856	16,885	16,872
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	**434,357**	**425,766**	**417,111**	**409,333**
Deposits from banks	179,615	175,202	170,776	167,289
Deposits from customers	152,296	150,824	152,222	150,921
Debt certificates issued including bonds	96,775	93,573	86,883	83,583
Other liabilities	2,019	2,020	2,098	2,098
Subordinated capital	4,313	4,146	4,261	3,933
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	-660		-634	
Liabilities included in disposal groups classified as held for sale	-	-	1,505	1,509
LEASES	**643**	**643**	**664**	**664**
Other liabilities	643	643	652	652
Liabilities included in disposal groups classified as held for sale	-	-	12	12
FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS	**256**	**510**	**242**	**585**
Financial guarantee contracts	**110**	**110**	**105**	**105**
Provisions	110	110	105	105
Loan commitments	**147**	**400**	**138**	**480**
Provisions	147	400	138	480

There is no active market with quoted prices pursuant to IFRS 13.76 for home savings loans, home savings deposits, or similar assets and liabilities. The specific features of a home savings product also mean that there is currently no suitable method for calculating fair value in accordance with IFRS 13. The home savings contracts cannot be measured individually because the allocation of home savings loans depends on the overall performance of the collective building society operations (allocation assets) and thus, in particular, on the performance of the home savings deposits (link to the collective). Consequently, the financial assets and financial liabilities resulting from collective building society operations are shown only at their carrying amounts in the table above.

Building society simulation models are used to calculate risk-bearing capacity and for regulatory purposes. These models have been updated in line with the increased requirements imposed by the banking supervisor in recent years. Statistical parameters, empirical values, and current market assessments are used in the models. The present value of the expected future cash flows from the collective contracts in force, less cost components and risk margins, is compared with the balance of the carrying amounts from building society operations below. The balance of the carrying amounts from building society operations amounted to an excess of liabilities and stood at minus €56,940 million (December 31, 2023: minus €60,338 million), whereas the collective present value came to minus €48,130 million (December 31, 2023: minus €52,854 million).

The differences between the carrying amount and the fair value of financial assets held for trading, financial liabilities held for trading, deposits from banks, deposits from customers, and debt certificates issued including bonds in the 'financial assets measured at fair value' and 'financial liabilities measured at fair value' classes are due to the deferral of unrecognized day-one profit or loss on financial instruments at the time of initial recognition, which is based on unobservable valuation parameters.

» 39 Differences not recognized at the time of initial recognition

Differences that are not recognized at the time of initial recognition of financial instruments (day-one profit or loss) arise if the fair value of a financial instrument differs from its transaction price at the time of initial recognition and the calculation of the fair value is not substantiated by a price quoted in an active market for an identical asset or identical liability or is not based on a valuation technique that only uses data from observable markets. Such transactions are initially recognized at fair value on the balance sheet, plus the unrecognized day-one profit or loss. This unrecognized difference is amortized to profit or loss over the maturity period or at the time that all parameters factored into the valuation models are observable.

The following table shows the deferred day-one profit or loss that has not yet been amortized to profit or loss, broken down by class pursuant to IFRS 7.

	Measured at fair value	
€ million	Financial assets	Financial liabilities
Balance as at Jan. 1, 2023	14	87
Additions as a result of transactions	9	19
Differences amortized to profit or loss	-2	-42
Balance as at Jun. 30, 2023	**21**	**64**
Balance as at Jan. 1, 2024	15	72
Additions as a result of transactions	5	80
Differences amortized to profit or loss	-1	-48
Reclassifications	-3	3
Balance as at Jun. 30, 2024	**16**	**107**

» 40 Assets and liabilities measured at fair value on the balance sheet

Fair value hierarchy

The fair value measurements are assigned to the levels of the fair value hierarchy as follows:

	Level 1		Level 2		Level 3	
€ million	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2024	Dec. 31, 2023
Assets	**99,543**	86,356	**59,834**	68,911	**32,776**	33,518
Loans and advances to banks	-	-	1,175	1,232	-	-
Loans and advances to customers	-	-	2,205	2,309	636	641
Hedging instruments (positive fair values)	-	-	955	918	-	5
Financial assets held for trading	9,828	5,870	21,418	27,368	1,295	1,737
Investments	28,779	23,171	9,165	11,536	2,165	2,442
Investments held by insurance companies	60,889	57,267	24,916	25,549	28,680	28,692
Non-current assets and disposal groups classified as held for sale	47	48	-	-	-	-
Liabilities	**2,959**	623	**73,552**	76,664	**1,300**	1,304
Deposits from banks	-	-	3,657	3,804	-	-
Deposits from customers	-	-	7,258	7,109	368	290
Debt certificates issued including bonds	682	-	17,636	16,363	538	510
Hedging instruments (negative fair values)	-	-	592	624	-	-
Financial liabilities held for trading	2,257	617	42,125	46,514	394	505
Other liabilities	20	6	2,283	2,250	-	-

The investments held by insurance companies measured at fair value include assets related to unit-linked contracts. These are offset within insurance contract liabilities by financial liabilities that arise from unit-linked insurance products and are measured using the variable fee approach under IFRS 17, and within other liabilities by liabilities measured at fair value from investment contracts that are allocated to unit-linked life insurance.

Transfers

Assets and liabilities held at the balance sheet date and measured at fair value on a recurring basis were transferred as follows between Levels 1 and 2 of the fair value hierarchy:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Financial assets measured at fair value	**3,447**	2,038	**14,626**	15,103
Financial assets held for trading	862	46	4,763	6,394
Investments	2,004	1,552	7,323	8,060
Investments held by insurance companies	581	440	2,539	649
Financial liabilities measured at fair value	**15**	2,534	**1,055**	1,665
Debt certificates issued including bonds	-	2,520	682	-
Financial liabilities held for trading	15	13	374	1,665

Transfers from Level 1 to Level 2 were due to quoted prices no longer being obtainable in active markets for identical assets or liabilities. Transfers from Level 2 to Level 1 were due to the availability of quoted prices in active markets that had previously not existed.

In the DZ BANK Group, transfers between Levels 1 and 2 take place when there is a change in the inputs that is relevant to categorization in the fair value hierarchy.

Fair value measurements within Levels 2 and 3

Fair value measurements within Level 2 of the fair value hierarchy either use prices available in active markets for similar, but not identical, financial instruments or use valuation techniques largely based on observable market data. If valuation techniques are used that include a material valuation parameter that is not observable in the market, the relevant fair value measurements are categorized within Level 3 of the fair value hierarchy.

Generally, the discounted cash flow (DCF) method is used in the model-based measurement of the fair value of financial instruments without optionalities. Modeling of the yield curves is based on a multi-curve approach with collateral discounting. Simple products on which options exist are measured using customary standard models in which the inputs are quoted in active markets. For structured products on which options exist, a wide range of standard valuation techniques are used. Valuation models are calibrated to available market prices and validated regularly. The fair values of structured products can be measured by breaking these products into their constituent parts, which are then measured using the valuation methods described below.

The basis for measurement is the selection of an adequate yield curve for each specific instrument. The measurement is carried out by selecting appropriate tenor-specific forward curves for projecting variable cash flows. The nature and collateralization of the transactions determines how they are discounted using yield curves that can be adjusted on the basis of relevant spreads.

Prices in active markets are used (provided these prices are available) for the fair value measurement of loans and advances as well as unstructured bonds. Otherwise, the DCF method is mainly used. Discounting is based on yield curves that are adjusted for liquidity-related and credit rating-related costs using spreads. Product-dependent funding spreads are added to the yield curve for liabilities attributable to registered creditors, debt certificates issued including bonds, and subordinated capital. Bonds and other fixed-income securities are adjusted using issuer-specific spreads or spreads derived from the issuer’s internal and external credit rating, sector, and risk category. Customer-appropriate spreads and collateralization rates are taken into account for the measurement of loans when the DCF method is used. If material unobservable inputs are used for measurement and there are no indications that the transaction price is not identical to the fair value at the time of first-time recognition on the balance sheet, the valuation method is calibrated in such a way that the model price at the time of acquisition corresponds to the transaction price. In exceptional cases, the nominal amount of the debt instrument in question provides the best evidence of fair value.

The fair value measurement of shares and other variable-yield securities and of other shareholdings is determined by applying income capitalization approaches and observing transaction prices. The best indicator of fair value is obtained from the transaction prices for recent transactions involving the relevant financial instruments, provided there have been any such transactions. Otherwise, the fair value is measured using income capitalization approaches in which future income and dividends – calculated on the basis of forecasts and estimates – are discounted, taking risk parameters into account.

The fair value measurement of investment fund units is determined using the pro rata net asset value. This is adjusted for any outstanding performance-related remuneration entitlements of fund managers; risk adjustments are also taken into account. Some investments in real estate companies are also measured at net asset value. In this case, the liabilities are subtracted from the fair values of the real estate tied up in the company and the result is multiplied by the percentage of shareholding. The prices of units in real estate funds that are not managed by the DZ BANK Group are provided by the asset management company that manages these funds. These units are measured regularly at net asset value. Fair value measurement is also based on valuations, current values, and prices in recent transactions.

The fair value measurement of standardized derivatives traded in liquid markets is based on observable market prices and/or industry-standard models using observable inputs. To discount the cash flows of derivatives, a distinction is made between non-collateralized and collateralized transactions when using yield curves in order to take into account the specific funding costs. Moreover, calculation of the model prices for products on which options exist mostly requires the input of additional market data (e.g. volatilities, correlations, repo rates). As far as possible, this data is derived implicitly from quoted market prices that are available. If observable quoted market prices are not available, or only available to a limited extent, the DZ BANK Group uses customary interpolation and extrapolation mechanisms, historical time series analyses, and fundamentals analyses of economic variables to generate the required inputs. It also uses expert assessments on a small scale.

The fair value measurement of OTC financial derivatives applies the option in IFRS 13.48, which enables the total net amount to be measured. In the first step, credit risk is not taken into account. Next, counterparty-specific credit risk arising from derivatives is recognized after the total net amount has been determined. Credit valuation adjustments (CVAs) are recognized to take into account counterparty credit risk and debt valuation adjustments (DVAs) are recognized to take into account the group's own credit risk. Their measurement also takes account of collateral and uses market-implied parameters with matching maturities or internal parameters with matching maturities for the probability of default and loss given default.

The measurement of financial instruments also involves carrying out measurement adjustments to a suitable degree. These include, among other things, model reserves that enable uncertainties regarding model selection, model parameters, and model configuration to be taken into account. The DZ BANK Group measures financial instruments at the price at which these financial instruments can be realized in the market. If this differs from the measurement of the individual instruments (e.g. measurement at middle rates), the bid/ask adjustments (close-out reserves) are determined on a net basis applying the option in IFRS 13.48. Measurement takes account of the group's funding structure.

If the value of the financial instruments is based on unobservable inputs and they are thus assigned to Level 3 of the fair value hierarchy, the exact value of these inputs can be determined as at the balance sheet date from a range of appropriate possible alternatives. Determining the value for the inputs from a range has an impact on the fair value recognized. The following disclosures explain the material unobservable input categories (known as risk categories) for Level 3 financial instruments. These categories are factored into the significance analysis. Their areas of application are also shown below.

Risk categories

Asset-backed-securities spreads (ABS spreads)

ABS spreads encompass ABS spread curves derived from sector, rating, or expert assessments. These curves are used, for example, to measure ABSs and other structured bonds. The presentation of the sensitivities to ABS spreads relates to a shift of plus 1 basis point.

Adjustment spreads

Adjustment spreads help to calibrate model prices to transaction prices. They are particularly factored into the measurement of bonds and registered securities. Financial instruments for which subordinated spreads are available are all assigned to Level 3 as these generally have their own specific unobservable spreads with a significant effect on fair value.

Probability of default

Probability of default describes a banking regulation-related risk parameter used to measure credit risk. The probability of default of a borrower, issuer, or counterparty is the probability that the borrower, issuer, or counterparty will not be able to meet its payment obligations or other contractual obligations in the future. The presentation of the sensitivities to probability of default relates to a shift of plus 1 basis point.

Bond spreads

Bond spreads contain both credit rating-related and issuer-related spread curves for corporates and governments. Also in this category are benchmark bond spread curves that, for example, are factored into the measurement of issues, bonds, promissory notes, bond futures, and bond options. The presentation of the sensitivities to bond spreads relates to a shift of plus 1 basis point.

Credit default swap spreads (CDS spreads)

This category encompasses CDS spreads for corporates and governments. They are used to measure CDSs and are factored into the measurement of structured issues. The presentation of the sensitivities to CDS spreads relates to a shift of plus 1 basis point.

Discount rate for investments in companies

Both observable and unobservable inputs are factored into the discount rate for investments in companies. The risk-free basic interest rate is an observable input. The material unobservable inputs are the premium for market risk, the company-specific beta factor and, if applicable, a growth markdown. A sensitivity analysis is carried out at the level of the discount rate as a whole rather than at the level of the individual unobservable inputs factored into the discount rate. The presentation of the sensitivities to the discount rate for investments in companies relates to a shift of plus 1 basis point.

Dividend estimate

This category covers estimated future dividend yields as well as repo yields and convenience yields. The presentation of the sensitivities to dividends relates to a shift of plus 1 percent.

Duration

Duration is the unobservable, weighted average lifetime of mortgage-backed securities. The presentation of the sensitivities to duration relates to a shift of plus 1 year.

Equity prices
This category includes not only equity prices but also prices for equity indices. Equity prices are used to measure equities and derivative products based on equities, but they are also used to measure issues and profit-sharing rights. The presentation of the sensitivities to equity prices relates to a shift of plus 1 percent in relation to fair value.

Fair value adjustments
As a component of fair value, fair value adjustments must be taken into account in the significance analysis in their full absolute amount, provided they are unobservable. The absolute amount of the fair value adjustment must be disclosed as the sensitivity.

Fund prices
This category contains prices both for commodity funds and for equity funds. Fund prices are factored into the measurement of funds and issues. The presentation of the sensitivities to fund prices relates to a shift of plus 1 percent in relation to fair value.

Funding and treasury spreads
Funding and treasury spreads are internal measurement spreads for determining the fair values of own issues. The presentation of the sensitivities to funding and treasury spreads relates to a shift of plus 1 basis point.

Impairment
Impaired financial instruments are generally assigned to Level 3 of the fair value hierarchy. The absolute amount must be disclosed as the sensitivity.

Mean reversion
This category comprises the unobservable parameter ‘mean reversion’ in the Hull-White model, which is used to model short rates. The presentation of the sensitivities to mean reversion relates to a shift of plus 1 basis point.

Illiquid market prices
In some circumstances, depending on the liquidity of the bond spread curve, liquid market price information may not be available as at the valuation date for marked-to-market financial instruments such as bonds. Where this is the case, the financial instruments are assigned to Level 3 of the fair value hierarchy. The presentation of the sensitivities to illiquid market prices relates to a shift of plus 1 percent in relation to fair value (fair value changes by 1 percent of the current market price).

Volatilities
These include various volatilities for commodities, equities, and currencies as well as cap/floor volatilities and swaption volatilities. For the latter, particularly derivative products such as swaps and options, fly volatilities and risk reversal volatilities are also factored into the calculations. The presentation of the sensitivities to volatilities relates to a shift of plus 1 percentage point for volatilities with log-normal distribution and a shift of plus 1 basis point for volatilities with normal distribution.

Yield curves

In addition to standard yield curves, this category covers cross-currency spread curves and tenor basis spread curves as well as fixing, fund, and swap rates. Yield curves are factored into the measurement of most financial instruments. The presentation of the sensitivities to yield curves relates to a shift of plus 1 basis point.

Aggregate sensitivity

For each product type whose fair value is based on unobservable inputs and are therefore assigned to Level 3, the inputs used in the measurement of the assets and liabilities are used to determine and present an aggregate sensitivity. The aggregate sensitivity, presented in euros, provides information about the sensitivity of assets and liabilities in each class to a change in the unobservable inputs used in the measurement of this class, such inputs belonging to the risk category identified for this class. The aggregate sensitivity relates to a standardized change in the inputs in the risk category, for example relating to a change of plus 1 basis point. For example, an aggregate sensitivity of €1 million for the ‘yield curves’ risk category means that a change of plus 10 basis points would result in an increase in fair value of €10 million for the line item.

The following tables show the valuation techniques, risk categories, sensitivity reference values, and the aggregate sensitivities used for the fair value measurements at Level 3 of the fair value hierarchy.

Measurements of fair value at Level 3 as at June 30, 2024

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
Loans and advances to customers	Other bank loans	21	Mark-to-model (DCF)	Probability of default	Shift of +1 basis point	-
	Other bank loans	14	Present value for which loss allowances have been recognized	Impairment	Absolute amount (impairment)	-
	Registered securities	405	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	3
			Mark-to-model (DCF)	Probability of default	Shift of +1 basis point	-
			Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Other loans and advances	196	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	2
Financial assets held for trading	Shares	1	Mark-to-market	Fair value adjustments	Absolute amount (fair value adjustment)	-
	Bonds	4	Black model (simple option pricing model)	Fair value adjustments	Absolute amount (fair value adjustment)	-
			Mark-to-market	Fair value adjustments	Absolute amount (fair value adjustment)	-
	Bonds	189	Mark-to-market	Illiquid market prices	Shift of +1% in relation to fair value	2
	Bonds	37	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	-
			Black model (simple option pricing model)	Fair value adjustments	Absolute amount (fair value adjustment)	5
			Black model (simple option pricing model)	Volatilities (log-normal)	Shift of +1 percentage point	1
	Derivatives	61	Black model (simple option pricing model)	Volatilities (normal)	Shift of +1 basis point	-5
			Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	2
	Derivatives	17	Analytical yield curve model	Volatilities (normal)	Shift of +1 basis point	26
			Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	48
	Derivatives	564	Multi-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	10
	Derivatives	6	Local volatility model	Volatilities (log-normal)	Shift of +1 percentage point	-
			One-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	8
			One-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	2
	Derivatives	89	One-factor yield curve model	Mean reversion	Shift of +1 basis point	-
	Derivatives	141	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	16
	Promissory notes and registered bonds	187	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	-

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
Investments	Shares and other shareholdings	258	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
			Mark-to-model (DCF)	Dividend estimate	Shift of +1 percentage point	2
	Shares and other shareholdings	120	Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Shares and other shareholdings	1	Simplified income capitalization approach			-
			Mark-to-market	Illiquid market prices	Shift of +1% in relation to fair value	12
	Bonds	1,187	Mark-to-market	Fair value adjustments	Absolute amount (fair value adjustment)	-
			Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	-
			Mark-to-model (DCF)	Duration	Shift of +1 year	-6
	Bonds	295	Mark-to-model (DCF)	Adjustment spreads	Shift of +1 basis point	-
	Bonds	17	Present value for which loss allowances have been recognized	Impairment	Absolute amount (impairment)	-
	Investments in associates	16	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in associates	1	Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Investments in associates	4	Simplified income capitalization approach			-
	Investments in subsidiaries	75	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in subsidiaries	46	Simplified income capitalization approach			-
	Investments in subsidiaries	73	Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Investments in subsidiaries	10	Net asset value			-
	Investment fund units	53	Mark-to-model (other)	Fund prices	Shift of +1% in relation to fair value	1
	Investment fund units	9	Net asset value			-

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
Investments held by insurance companies	Shares and other variable-yield securities	3	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Shares and other variable-yield securities	25	Valuation reports			-
	Shares and other variable-yield securities	12	Simplified income capitalization approach			-
	Shares and other variable-yield securities	5,729	Net asset value			-
	Investments in associates	10	Simplified income capitalization approach			-
	Investments in associates	13	Net asset value			-
	Investments in joint ventures	4	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in joint ventures	58	Net asset value			-
	Investments in subsidiaries	276	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in subsidiaries	1	Simplified income capitalization approach			-
	Investments in subsidiaries	220	Net asset value			-
	Fixed-income securities	518	Multi-factor yield curve model	Bond spreads	Shift of +1 basis point	-1
			Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-2
	Fixed-income securities	2,823	Mark-to-model (DCF)	ABS spreads	Shift of +1 basis point	-
	Fixed-income securities	1	Mark-to-market	Illiquid market prices	Shift of +1% in relation to fair value	-
	Mortgage loans	11,955	Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-10
			Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-3
	Registered bonds	2,400	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	46
	Registered bonds	1,248	Multi-factor yield curve model	Bond spreads	Shift of +1 basis point	-2
	Promissory notes and loans	2,858	Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-2
	Promissory notes and loans	303	Multi-factor yield curve model	Bond spreads	Shift of +1 basis point	-
	Other loans and receivables	105	Amortized cost			-
	Other loans and receivables	117	Mark-to-model (DCF)	Probability of default	Shift of +1 basis point	-
	Assets managed for third parties	2	Net asset value			-

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
			Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	7
Deposits from customers	Other deposits	211	Multi-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	4
			Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	1
	Other deposits	157	Analytical yield curve model	Volatilities (normal)	Shift of +1 basis point	-12
	Other bonds	360	Mark-to-market	Illiquid market prices	Shift of +1 percentage point	-4
	Other bonds	16	Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	-
Debt certificates issued including bonds			Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	5
			Multi-factor yield curve model	Funding & treasury spreads	Shift of +1 basis point	1
	Other bonds	163	Multi-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	-
	Bonds issued, share certificates and index-linked certificates, and other debt certificates issued	2	Black model (simple option pricing model)	Fair value adjustments	Absolute amount (fair value adjustment)	-
	Bonds issued, share certificates and index-linked certificates, and other debt certificates issued	95	Local volatility model	Fair value adjustments	Absolute amount (fair value adjustment)	3
			Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	2
	Derivatives	9	Analytical yield curve model	Volatilities (normal)	Shift of +1 basis point	9
			Black model (simple option pricing model)	Fair value adjustments	Absolute amount (fair value adjustment)	8
			Black model (simple option pricing model)	Volatilities (log-normal)	Shift of +1 percentage point	-1
Financial liabilities held for trading	Derivatives	93	Black model (simple option pricing model)	Volatilities (normal)	Shift of +1 basis point	-6
			Local volatility model	Fair value adjustments	Absolute amount (fair value adjustment)	3
	Derivatives	37	Local volatility model	Volatilities (log-normal)	Shift of +1 percentage point	-2
			Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	27
			Mark-to-model (DCF)	Volatilities (log-normal)	Shift of +1 percentage point	-7
	Derivatives	60	Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Derivatives	1	Mark-to-model (other)	Expert appraisal	Shift of +1% in relation to fair value	-
	Derivatives	64	Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	6
			One-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	2
			One-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	-1
	Derivatives	33	One-factor yield curve model	Mean reversion	Shift of +1 basis point	-

Measurements of fair value at Level 3 as at December 31, 2023

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
Loans and advances to customers	Other bank loans	18	Mark-to-model (DCF)	Probability of default	Shift of +1 basis point	-
	Other bank loans	14	Present value for which loss allowances have been recognized	Impairment	Absolute amount (impairment)	-
	Registered securities	14	Black model (simple option pricing model)	Bond spreads	Shift of +1 basis point	-
	Registered securities	405	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	4
	Other loans and advances	1	Mark-to-model (DCF)	Probability of default	Shift of +1 basis point	-
			Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Other loans and advances	189	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	3
Derivatives used for hedging (positive fair values)	Derivatives	5	Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
Financial assets held for trading	Shares	1	Mark-to-market	Equity prices	Shift of +1% in relation to fair value	-
	Bonds	35	Black model (simple option pricing model)	Bond spreads	Shift of +1 basis point	-
	Bonds	182	Mark-to-market	Illiquid market prices	Shift of +1 percentage point	1
	Bonds	74	Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	-
			Black model (simple option pricing model)	Fair value adjustments	Absolute amount (fair value adjustment)	4
	Derivatives	83	Black model (simple option pricing model)	Volatilities (normal)	Shift of +1 basis point	-6
			Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	2
	Derivatives	22	Analytical yield curve model	Volatilities (normal)	Shift of +1 basis point	14
			Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	53
	Derivatives	508	Multi-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	10
			Local volatility model	Dividend estimate	Shift of +1 basis point	-
	Derivatives	13	Local volatility model	Volatilities (log-normal)	Shift of +1 percentage point	-2
			One-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	9
	Derivatives	58	One-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	2
			Mark-to-model (DCF)	ABS spreads	Shift of +1 basis point	-
			Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	27
	Derivatives	478	Mark-to-model (DCF)	Volatilities (log-normal)	Shift of +1 percentage point	4
	Promissory notes and registered bonds	1	Multi-factor yield curve model	Bond spreads	Shift of +1 basis point	-
	Promissory notes and registered bonds	282	Mark-to-model (DCF)	Bond spreads	Shift of +1 percentage point	-

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
	Shares and other shareholdings	118	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Shares and other shareholdings	126	Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Shares and other shareholdings	3	Simplified income capitalization approach			-
	Shares and other shareholdings	141	Mark-to-model (DCF)	Dividend estimate	Shift of +1 percentage point	1
	Bonds	1	Black model (simple option pricing model)	ABS spreads	Shift of +1 basis point	-
			Mark-to-market	Illiquid market prices	Shift of +1% in relation to fair value	5
	Bonds	553	Black model (simple option pricing model)	Fair value adjustments	Absolute amount (fair value adjustment)	1
			Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	-
	Bonds	303	Mark-to-model (DCF)	Illiquid market prices	Shift of +1% in relation to fair value	4
Investments	Bonds	6	Present value for which loss allowances have been recognized	Impairment	Absolute amount (impairment)	-
	Bonds	699	Mark-to-market	Illiquid market prices	Shift of +1% in relation to fair value	7
	Bonds	255	Mark-to-model (DCF)	Duration	Shift of +1 year	-7
	Bonds	12	Present value for which loss allowances have been recognized	Impairment	Absolute amount (impairment)	-
	Investments in associates	6	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in subsidiaries	67	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in subsidiaries	43	Simplified income capitalization approach			-
	Investments in subsidiaries	59	Mark-to-model (DCF)	Yield curves	Shift of +1 basis point	-
	Investments in subsidiaries	10	Net asset value			-
	Investment fund units	31	Mark-to-model (other)	Fund prices	Shift of +1% in relation to fair value	-
	Investment fund units	9	Net asset value			-

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
Investments held by insurance companies	Shares and other variable-yield securities	3	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Shares and other variable-yield securities	24	Valuation reports			-
	Shares and other variable-yield securities	11	Simplified income capitalization approach			-
	Shares and other variable-yield securities	5,194	Net asset value			-
	Investments in joint ventures	4	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in joint ventures	58	Net asset value			-
	Investments in subsidiaries	276	Income capitalization approach	Discount rate for investments in companies	Shift of +1 basis point	-
	Investments in subsidiaries	1	Simplified income capitalization approach			-
	Investments in subsidiaries	418	Net asset value			-
	Fixed-income securities	1,962	Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-2
	Fixed-income securities	485	Multi-factor yield curve model	Bond spreads	Shift of +1 basis point	-1
	Fixed-income securities	1,194	Mark-to-model (DCF)	ABS spreads	Shift of +1 basis point	-
	Fixed-income securities	3	Mark-to-market	Illiquid market prices	Shift of +1% in relation to fair value	-
	Mortgage loans	12,004	Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-11
	Registered bonds	2,058	Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-3
	Registered bonds	1,353	Multi-factor yield curve model	Bond spreads	Shift of +1 basis point	-3
	Promissory notes and loans	3,125	Mark-to-model (DCF)	Bond spreads	Shift of +1 basis point	-3
	Promissory notes and loans	310	Multi-factor yield curve model	Bond spreads	Shift of +1 basis point	-
	Other loans and receivables	105	Amortized cost			-
	Other loans and receivables	102	Mark-to-model (DCF)	Probability of default	Shift of +1 basis point	-
	Assets managed for third parties	1	Net asset value			-

Class according to IFRS 13	Assets/liabilities	Fair value (€ million)	Valuation technique	Risk category	Sensitivity reference value	Aggregate sensitivity (€ million)
Deposits from customers	Other deposits	180	Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	5
			Multi-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	3
			Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	1
	Other deposits	110	Analytical yield curve model	Volatilities (normal)	Shift of +1 basis point	-6
Debt certificates issued including bonds	Other bonds	310	Mark-to-model (DCF)	Illiquid market prices	Shift of +1 percentage point	-4
	Other bonds	26	Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	-
	Other bonds	173	Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	4
Financial liabilities held for trading	Bonds issued, share certificates and index-linked certificates, and other debt certificates issued	116	Local volatility model	Dividend estimate	Shift of +1 basis point	-
			Local volatility model	Fair value adjustments	Absolute amount (fair value adjustment)	3
			Local volatility model	Volatilities (log-normal)	Shift of +1 percentage point	1
	Derivatives	5	Analytical yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	2
	Derivatives	71	Black model (simple option pricing model)	Fair value adjustments	Absolute amount (fair value adjustment)	6
			Black model (simple option pricing model)	Volatilities (normal)	Shift of +1 basis point	-5
	Derivatives	28	One-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	2
			One-factor yield curve model	Volatilities (normal)	Shift of +1 basis point	-1
	Derivatives	131	Local volatility model	Dividend estimate	Shift of +1 basis point	-
			Local volatility model	Fair value adjustments	Absolute amount (fair value adjustment)	6
			Local volatility model	Volatilities (log-normal)	Shift of +1 percentage point	-16
	Derivatives	94	Mark-to-model (DCF)	CDS spreads	Shift of +1 basis point	-
			Mark-to-model (DCF)	Fair value adjustments	Absolute amount (fair value adjustment)	14
	Derivatives	58	Multi-factor yield curve model	Fair value adjustments	Absolute amount (fair value adjustment)	5
	Derivatives	1	One-factor yield curve model	Mean reversion	Shift of +1 basis point	-

Fair value measurements within Level 3 of the fair value hierarchy

The table below shows the changes in the fair value measurements of assets within Level 3 of the fair value hierarchy:

€ million	Loans and advances to customers	Derivatives used for hedging (positive fair values)	Financial assets held for trading	Investments	Investments held by insurance companies
Balance as at Jan. 1, 2023	596	-	623	1,985	20,366
Additions (purchases)	4	-	828	240	1,714
Transfers	44	-	1,041	1,376	28
from Level 3 to Levels 1 and 2	-2	-	-173	-725	-2
from Levels 1 and 2 to Level 3	46	-	1,214	2,101	30
Disposals (sales)	-14	-	-964	-676	-777
Changes resulting from measurement at fair value	-1	-	21	-36	-1
through profit or loss	-2	-	27	20	-93
through other comprehensive income	1	-	-6	-56	92
Other changes	3	7	-9	2	-17
Balance as at Jun. 30, 2023	**632**	**7**	**1,538**	**2,891**	**21,314**
Balance as at Jan. 1, 2024	641	5	1,737	2,442	28,692
Additions (purchases)	-	-	1,055	371	1,704
Transfers	-	-	-326	-354	-555
from Level 3 to Levels 1 and 2	-	-	-672	-874	-688
from Levels 1 and 2 to Level 3	-	-	346	520	133
Disposals (sales)	-11	-	-1,170	-321	-1,018
Changes resulting from measurement at fair value	-1	-	-5	10	-182
through profit or loss	-4	-	2	6	177
through other comprehensive income	3	-	-7	4	-359
Other changes	7	-5	5	17	39
Balance as at Jun. 30, 2024	**636**	**-**	**1,295**	**2,165**	**28,680**

The table below shows the changes in the fair value measurements of liabilities within Level 3 of the fair value hierarchy:

€ million	Deposits from customers	Debt certificates issued including bonds	Derivatives used for hedging (negative fair values)	Financial liabilities held for trading	Subordinated capital
Balance as at Jan. 1, 2023	-	404	-	98	69
Additions (issues)	-	93	-	403	-
Transfers	128	3	-	224	-
from Level 3 to Level 2	-	-	-	-1,874	-
from Level 2 to Level 3	128	3	-	2,099	-
Disposals (settlements)	-	-62	-	-193	-68
Changes resulting from measurement at fair value	-	-1	-	46	-
through profit or loss	2	-1	-	69	1
through other comprehensive income	-2	-	-	-23	-1
Other changes	-	1	3	-11	-1
Balance as at Jun. 30, 2023	**127**	**438**	**3**	**568**	**-**
Balance as at Jan. 1, 2024	290	510	-	505	-
Additions (issues)	-	68	-	996	-
Transfers	63	-	-	-180	-
from Level 3 to Level 2	-	-	-	-464	-
from Level 2 to Level 3	63	-	-	284	-
Disposals (settlements)	-	-52	-	-853	-
Changes resulting from measurement at fair value	16	12	-	-74	-
through profit or loss	-8	-5	-	-53	-
through other comprehensive income	23	17	-	-21	-
Other changes	-1	-	-	-	-
Balance as at Jun. 30, 2024	**368**	**538**	**-**	**394**	**-**

As part of the processes for fair value measurement, the DZ BANK Group reviews whether the valuation methods used for the measurement are typical. This review takes place at every balance sheet date, i.e. at least every 6 months. For the valuation parameters used in the valuation methods, a review is carried out as part of a significance analysis to examine whether unobservable inputs have a significant influence on the fair value.

For each input used in the calculation of fair value, a liquidity score is determined on an ongoing basis that provides information on whether the underlying market is active and the input is observable. Various parameters are used to determine the liquidity score, irrespective of the market data group. In respect of equity prices, for example, a check is carried out of whether the equity was traded in a specified period and whether the trading volume has exceeded a certain threshold. For bonds, the bid-ask spread and the number of price contributors are taken into account. The rules on determining the liquidity score are set centrally by DZ BANK AG and apply to all group entities. On the basis of the liquidity scores determined, the fair value measurements are assigned to the levels of the fair value hierarchy, provided that the group entities use the centralized market database. In the DZ BANK Group, transfers between the levels generally take place as soon as there is a change in the inputs that is relevant to categorization in the fair value hierarchy.

In each step of these processes, both the distinctive features of the particular product type and the distinctive features of the business models of the group entities are taken into consideration.

Transfers of fair values from Levels 1 and 2 to Level 3 of the fair value hierarchy are largely attributable to a revised estimate of the market observability of the valuation parameters used in the valuation methods. Transfers from Level 3 to Levels 1 or 2 are essentially due to the availability of a price listed in an active market and to the inclusion in the valuation method of material valuation parameters observable in the market.

The amount of gains or losses recognized in profit or loss resulting from the recurring fair value measurements within Level 3 of assets and liabilities held at the balance sheet date constituted a net gain of €311 million during the reporting period (first half of 2023: net loss of €142 million). The gains or losses are predominantly included in the line items net interest income, gains and losses on trading activities, other gains and losses on valuation of financial instruments, and gains and losses on investments held by insurance companies and other insurance company gains and losses.

Exercise of option pursuant to IFRS 13.48

The option offered by IFRS 13.48 of measuring a net risk position for financial assets and financial liabilities is used for portfolios whose components are recognized under the balance sheet items loans and advances to banks, loans and advances to customers, financial assets held for trading, investments, and financial liabilities held for trading. If allocation of the portfolio-based valuation adjustments to the assets and liabilities is required, it is generally carried out in proportion to the nominal amounts of the financial instruments in question.

Sensitivity analysis

In the DZ BANK Group, financial instruments are generally assigned to Level 2 and Level 3 of the fair value hierarchy using a sensitivity-based significance analysis of unobservable inputs. Taking a prudent valuation approach pursuant to article 105 of the Capital Requirements Regulation (CRR), an uncertainty spread is formed for the unobservable inputs that, as a rule, equates to the 90 percent quantile and the 10 percent quantile for the distribution of the input; the change in fair value at the ends of the spread is also examined.

The following table shows the changes in the fair values of financial instruments assigned to Level 3 of the fair value hierarchy that would occur if all inputs in each risk category were factored into the measurement with the ends of each uncertainty spread. Changes in fair value at the lower and upper end of the uncertainty spread are shown separately. In practice, however, it is unlikely that all unobservable inputs would be at the extreme end of their uncertainty spread at the same time.

Changes in fair values, using alternative assumptions for unobservable inputs

€ million	Jun. 30, 2024 Alternative assumptions at the lower end of the uncertainty spread	Jun. 30, 2024 Alternative assumptions at the upper end of the uncertainty spread	Dec. 31, 2023 Alternative assumptions at the lower end of the uncertainty spread	Dec. 31, 2023 Alternative assumptions at the upper end of the uncertainty spread
Loans and advances to customers				
Other loans and advances	3	-3	2	-2
Financial assets held for trading				
Derivatives	-1	1	-1	1
Investments				
Shares and other shareholdings	4	1	6	-2
Bonds	4	-4	-8	7
Investments in subsidiaries	5	-4	1	-1
Investment fund units	-5	3	-3	1
Investments held by insurance companies				
Investments in subsidiaries	19	-16	19	-16
Fixed-income securities	33	-34	33	-31
Mortgage loans	2	-2	2	-2
Registered bonds	145	-145	163	-163
Promissory notes and loans	55	-75	65	-36
Other loans	2	-3	2	-2
Debt certificates issued including bonds				
Other bonds	-1	1	-1	1
Financial liabilities held for trading				
Bonds issued, share certificates and index-linked certificates, and other debt certificates issued	-	-	-1	1
Derivatives	1	-1	4	-4

» 41 Reclassification

On January 1, 2021, financial assets had been reclassified prospectively due to a change to the business model that was attributable to the R+V-wide strategic program known as ‘Wachstum durch Wandel’ (growth through change).

Financial assets of €15,606 million categorized as ‘financial assets measured at amortized cost’ had been reclassified as ‘financial assets measured at fair value through other comprehensive income’ in 2021.

Financial assets of €3,139 million categorized as ‘financial assets measured at fair value through profit or loss’ had been reclassified as ‘financial assets measured at fair value through other comprehensive income’ in 2021. At the time of reclassification, the reclassified assets had an average effective interest rate of 2.25 percent. During the reporting period, these assets generated interest income of €24 million (first half of 2023: €31 million).

» 42 Hedge accounting

Gains and losses arising on hedging instruments and hedged items that need to be recognized in profit or loss are reported in the gains and losses from hedge accounting under other gains and losses on valuation of financial instruments. The breakdown of gains and losses from hedge accounting, by type of hedge, is as follows:

€ million	Jan. 1–Jun. 30, 2024	Jan. 1–Jun. 30, 2023
Gains and losses on fair value hedges	**-**	-
Gains and losses on hedging instruments	54	-24
Gains and losses on hedged items	-54	24
Gains and losses on portfolio fair value hedges	**5**	-27
Gains and losses on hedging instruments	995	24
Gains and losses on hedged items	-989	-51
Total	**6**	-27

» 43 Nature and extent of risks arising from financial instruments

Disclosures pursuant to IFRS 7.35F(a)-36(b) can be found in this note in the notes to the interim consolidated financial statements. With the exception of the qualitative and quantitative disclosures pursuant to IFRS 7.35F(a)-36(b), further disclosures on the nature and extent of risks arising from financial instruments (IFRS 7.31-42) are included in the interim group management report in chapter VI ‘Risk report’, section 4 ‘Liquidity adequacy’ and for the Bank sector in sections 6 ‘Credit risk’ and 8 ‘Market risk’.

The disclosures published in the risk report form part of the content of these notes to the consolidated financial statements.

Credit risk management practices

The rules for recognizing loss allowances are based on the calculation of expected losses in the lending business, on investments, on investments held by insurance companies, and on other assets. The impairment rules are applied only to those financial assets that are not measured at fair value through profit or loss. These are:

- financial assets measured at amortized cost; and
- financial assets mandatorily measured at fair value through other comprehensive income.

The impairment rules are also applied to:

- financial guarantee contracts and loan commitments that fall within the scope of IFRS 9 and are not recognized at fair value through profit or loss;
- lease receivables; and
- trade receivables and contract assets pursuant to IFRS 15.

In accordance with IFRS 9, the three-stage approach is used, additionally taking POCI assets into account, to determine the expected losses:

- Stage 1: For financial assets whose credit risk has not increased significantly since initial recognition that were not credit-impaired upon initial recognition, the 12-month credit loss is recognized. Interest is recognized on the basis of the gross carrying amount.
- Stage 2: For financial assets whose credit risk has increased significantly since initial recognition but are not considered credit-impaired, the loss allowances are determined in the amount of the assets' lifetime expected credit losses. Interest is recognized on the basis of the gross carrying amount.
- Stage 3: Financial assets are classified as credit-impaired and thus assigned to stage 3 if they are deemed to be in default pursuant to article 178 CRR as operationalized in the DZ BANK Group's definition of default. Because the indicators and events deemed to be stage 3 criteria under IFRS 9 cover the same scope and, at the same time, lead to default pursuant to article 178 CRR, there is a correlation between these two classifications. Therefore, if the financial assets are in default, they are also classified as credit-impaired and assigned to stage 3. Here too, loss allowances are recognized in the amount of the lifetime expected credit losses. Interest income on credit-impaired financial assets is calculated on the amortized cost after loss allowances using the effective interest method.
- POCI assets: Financial assets that are already deemed credit-impaired upon initial recognition are not assigned to the 3-stage model. Instead, they are recognized at their fair value rather than at their gross carrying amount. Consequently, interest is recognized for these assets using a risk-adjusted effective interest rate.

The review of whether the credit risk of financial assets, financial guarantee contracts, and loan commitments has increased significantly since initial recognition is carried out on an ongoing basis. The assessment is conducted both for individual financial assets and for portfolios of assets using quantitative and qualitative analysis. As a rule, quantitative analysis looks at the expected credit risk over the entire residual life of the financial instruments in question. Macroeconomic information is also taken into account in the form of shift factors. The model-driven default probability profiles used in economic and regulatory risk management are adjusted on the basis of these shift factors (see the section 'Impact of macroeconomic conditions'). For the quantitative transfer criterion, the credit risk as at the balance sheet date for the residual life is compared with the assets' credit risk over the same maturity period estimated at the time of initial recognition. The thresholds that indicate a significant increase in credit risk are determined for each portfolio separately as the ratio of the latest changes in the lifetime probability of default (lifetime PD) to the portfolio's past lifetime PD. Internal risk measurement systems, external credit ratings, and risk forecasts are also used to assess the credit risk of financial assets. The maximum value for these transfer thresholds is 200 percent.

There are also 3 qualitative transfer criteria: assets for which forbearance measures have been agreed, assets where the counterparty has been put on the watchlist for the early identification of risk, and assets where payments are more than 30 days past due. These also have significantly increased credit risk and are assigned to stage 2, unless they need to be assigned to stage 3. Payments being more than 30 days past due is deemed a backstop criterion because, as a rule, the other transfer criteria mean that financial assets are allocated to stage 2 well before payments become more than 30 days past due.

Assets with low credit risk and/or an investment-grade credit rating are also monitored for increases in credit risk and for credit rating changes. If the quantitative transfer threshold is exceeded, however, the low credit risk exemption means that these assets are transferred to stage 2 only if a qualitative transfer criterion applies or if a non-investment-grade credit rating is awarded. The low credit risk exemption applies to securities.

If, on the balance sheet date, it is found that there is no longer a significant increase in credit risk compared with previous balance sheet dates, the financial assets in question are transferred back to stage 1 and the loss allowances are brought back down to the level of the 12-month expected credit loss. If a financial instrument in stage 3 recovers, the difference between the interest income determined for the period of credit impairment on the basis of amortized cost and the actual interest income recognized in respect of the financial instrument for the period concerned is reported as a reversal of an impairment loss or a reversal of loss allowances. A transfer back from stage 3 is carried out if there are no longer indicators of credit impairment. As there is assumed to be a methodological correlation between stage 3 and default status, the transfer back from stage 3 always takes place when the default status ceases to apply due to recovery of the financial instrument.

Expected losses are calculated as the probability-weighted present value of the expected outstanding payments. In the case of transactions assigned to stage 1 of the impairment model, the expected defaults in the next 12 months are analyzed. For stage 2 transactions, the residual life is used. The expected losses are discounted with the original effective interest rate for the transaction and variable-rate assets with the current interest rate. The calculation uses the regulatory model (probability of default, loss given default, and expected loan amount at the time of default), with adjustments to satisfy the requirements of IFRS 9. The estimated parameters incorporate historical, current, and forward-looking default information. This is applied when loss allowances are determined, in the form of shifts in the default probabilities calculated using statistical methods (known as shift factors). Depending on the portfolio and exposure amount, the calculation of the expected loss for specific exposures in stage 3 also uses this type of parameter-based approach or draws on individual expert appraisals of the expected cash flows and probability-weighted scenarios at individual transaction level.

For the purpose of calculating loss allowances for portfolios, the portfolios are grouped according to shared credit risk characteristics, e.g. credit rating, date of origination, residual life, industry and origin of the borrower, and type of asset.

Directly recognized impairment losses reduce the carrying amounts of assets directly. Unlike loss allowances, which are estimates, directly recognized impairment losses are specified in an exact amount if this is justified because the receivable is not collectible (e.g. as a result of the notification of an insolvency ratio). Impairment losses can be recognized directly by writing down the asset value and/or by using existing loss allowances. As a rule, asset values are written down directly after all recovery and enforcement measures have been completed. Directly recognized impairment losses are also applied to immaterial amounts.

Post-model adjustments are carried out in the retail consumer finance business because, for various input parameters in the loss allowance model, it is assumed that developments observable in the past are no longer fully representative of future developments. The evaluation for the first half of 2024 shows that the contribution to the post-model adjustment resulting from the impact of insolvency law reforms is no longer appropriate; the contribution was therefore reversed as at June 30, 2024. The contribution to the post-model adjustment recognized for the discrepancy in the forecast of the sales scorecard in Germany has been retained, as has the contribution that anticipates the decrease in internal replacements. The contribution to the post-model adjustment resulting from elevated risk in Austria will be reversed, as planned, in the second half of the year when a new scorecard goes live. After taking portfolio growth and an increase in risk into consideration, the updating of the post-model adjustments resulted in an overall reduction of €21 million in the expense for loss allowances in the first half of 2024, which led to a post-model adjustment volume of €25 million as at the reporting date (December 31, 2023: €46 million).

Impact of macroeconomic conditions

The established models and processes for calculating expected losses on specific exposures or at portfolio level in line with IFRS 9 have generally been retained. The impact of geopolitical risks is also examined at specific exposure level. Primary effects due to customer or supplier relationships and secondary effects such as rising energy prices are considered as part of impact analyses. These effects are factored into the calculation of specific loan loss allowances and, in a more nuanced manner, in the credit assessment and in decisions concerning inclusion in watchlists for the early identification of risk. At portfolio level, the forecast macroeconomic conditions are taken into account by adjusting the model-driven default probability profiles used in economic and regulatory risk management on the basis of shift factors.

The macroeconomic scenarios specifically look at future trends in the labor market, interest rates in the money market, changes in gross domestic product, inflation, real estate prices, and energy prices and are primarily based on economic forecasts provided by the Economic Roundtable, which is made up of representatives from the entities in the DZ BANK Group. The Economic Roundtable considers various scenarios when deciding on its macroeconomic forecasts. At a minimum, these scenarios must include a baseline scenario and a risk scenario that have a significant probability of occurrence in a relevant macroeconomic environment. The Economic Roundtable participants determine the probability of occurrence of the scenarios relative to each other.

The shift factors used as at June 30, 2024 are based on 2 macroeconomic scenarios developed by the Economic Roundtable of the DZ BANK Group in April 2024 (baseline scenario 80 percent and risk scenario 20 percent). The shift factors are then derived from macroeconomic inputs for various levels of default probability using stress test models that already existed or that were developed for IFRS 9.

The risk parameters adjusted on the basis of the macroeconomic scenarios are then factored into the calculation of loss allowances.

The methods and assumptions, including the forecasts, are validated regularly.

The main macroeconomic forecasts for 2024 to 2028 used to calculate the expected loss as at June 30, 2024 were as follows:

		2024		2025		2026		2027		2028	
		Baseline	Risk	Baseline	Risk	Baseline	Risk	Baseline	Risk	Baseline	Risk
DAX 40, Germany	Index	18,300	14,200	19,600	17,700	20,800	18,700	22,000	19,800	23,300	21,000
EURO STOXX 50, European Monetary Union (EMU)	Index	5,000	3,850	5,300	4,800	5,565	5,100	5,850	5,400	6,150	5,750
Unemployment rate, Germany	%	3.30	3.40	3.10	3.20	3.00	3.00	3.00	3.00	3.00	3.00
Harmonized unemployment rates, EU	%	5.90	6.10	5.70	5.90	5.70	5.80	5.70	5.80	5.70	5.70
Real GDP growth, Germany (seasonally and calendar-adjusted)	Compared with prior year (%)	0.25	-1.00	1.25	1.25	1.00	1.25	0.75	0.75	0.75	0.75
Real GDP growth, EU (seasonally and calendar-adjusted)	Compared with prior year (%)	1.00	-0.50	1.70	1.70	1.50	1.80	1.30	1.30	1.30	1.30
Consumer price index, Germany	Compared with prior year (%)	2.50	6.00	2.50	5.00	2.25	3.50	2.25	2.25	2.25	2.25
Oil price (Brent), USD/bbl	At year-end	95	110	90	105	85	105	82	100	80	95
Natural gas price, USD/MMBtu	At year-end	3.20	8.90	3.00	8.70	2.90	7.40	2.90	6.70	2.80	5.50
Commercial real estate price index, Germany	Compared with prior year (%)	-6.00	-8.00	-1.00	-2.50	0.00	-1.00	1.00	0.00	2.00	2.00
3m Euribor, EMU	%	3.15	4.55	2.30	3.70	2.30	2.70	2.30	2.30	2.30	2.30
10-year government bonds, Germany	%	2.50	3.50	2.75	3.75	2.75	3.50	2.75	3.00	2.75	2.75

On the basis of consultation with relevant experts, the shift factors determined using statistical methods were overridden again as at June 30, 2024 in order to better represent the currently critical market situation. This ensures that the shift factors used are in line both with experts' expectations and with the forecast changes in macroeconomic factors for the calculation of expected losses. The methodology for the process of overriding the model shift factors at group level was unchanged compared with December 31, 2023. This aspect includes all identifiable material increases in risk resulting from current developments and factors influencing the economy that have yet to be included in the credit rating. These factors specifically include the war in Ukraine, other geopolitical risks, commodity shortages, supply chain difficulties, high inflation coupled with soaring energy prices, and the consideration of climate-related and environmental risks. Overall, additional loss allowances of €302 million were recognized as at June 30, 2024 due to the expert-led override of the shift factors determined using statistical methods.

The shifted lifetime PDs are then factored into the decision on stage assignment. An increase in the lifetime PDs resulting from the shift factors being overridden does not necessarily lead to a transfer to stage 2. Consequently, a second override was carried out for portfolios that were particularly affected. Unlike the first override component, this second override component resulted in a general stage 2 classification for all unimpaired exposures in certain sectors. The automotive supplier, construction, home improvement store, and textile/clothing sectors and the asset classes hotels, department stores, shopping malls, inner-city commercial properties, building contractors, project developers, and office real estate were classified as stage 2 as at June 30, 2024, as had also been the case at December 31, 2023. This decision reflects current macroeconomic developments, such as supply chain disruptions, high inflation (primarily persistently high energy prices and increased construction costs), unavailability of materials, the shortage of skilled workers, the rise in interest rates, the gloomy economic outlook, and a changed competitor structure. The fixed staging that had been in place at the end of 2023 was reviewed again in the second quarter of 2024 and, given the continued high level of uncertainty, was retained.

Climate and environmental parameters are included in the Economic Roundtable's scenario analysis. In the first instance, the focus is on carbon pricing, which is a factor in assessing macroeconomic variables. The scenarios devised by the Network for Greening the Financial System (NGFS), which show how climate change and action can affect key economic variables, are used in this context. In terms of the impact on macroeconomic variables, the Economic Roundtable's forecast table is based on the legal situation in Germany and the technical assumptions of the European Central Bank (ECB). The impact on macroeconomic variables has been minimal to date. The introduction of a carbon price should only have a minor to moderate increasing effect on the annual average rate of inflation in Germany and the eurozone. This price effect is already included in inflation rates. As the carbon price is not expected to rise significantly in either Germany or the eurozone in the next few years, the pressure on prices from climate parameters is expected to remain immaterial over the forecast period. The climate and environmental parameters have only had an immaterial impact on loss allowances so far. Given the growing importance of sustainability aspects, the intention is to include climate and environmental parameters in the models for calculating loss allowances as at December 31, 2024.

Loss allowances and gross carrying amounts

In the DZ BANK Group, loss allowances are recognized for the classes ‘financial assets measured at fair value’, ‘financial assets measured at amortized cost’, ‘finance leases’, and ‘financial guarantee contracts and loan commitments’ in the amount of the expected credit losses. Trade receivables and contract assets that fall within the scope of IFRS 15 are assigned to the ‘financial assets measured at amortized cost’ class.

Financial assets measured at fair value

	Stage 1		Stage 2		Stage 3	
€ million	Loss allowances	Fair value	Loss allowances	Fair value	Loss allowances	Fair value
Balance as at Jan. 1, 2023	41	95,034	17	795	25	32
Addition/increase in loan drawdowns	6	11,952	-	20	-	-
Change to financial assets due to transfer between stages	14	309	-14	-331	-	22
Transfer from stage 1	-	-64	-	62	-	3
Transfer from stage 2	14	374	-14	-393	-	19
Use of loss allowances/directly recognized impairment losses	-	-	-	-	-6	-6
Derecognitions and repayments	-6	-6,584	-1	-91	-	-3
Changes to models/risk parameters	-24	-	-4	-	6	-
Additions	2	-	1	-	6	-
Reversals	-26	-	-5	-	-	-
Modifications	-	-1	-	-1	-	-
Modification losses	-	-1	-	-1	-	-
Amortization, fair value changes, and other changes in measurement	-	933	-	9	-	-
Exchange differences and other changes	-	-44	-	2	-	1
Deferred taxes	3	-	6	-	-	-
Balance as at Jun. 30, 2023	**34**	**101,597**	**5**	**403**	**24**	**46**
Balance as at Jan. 1, 2024	40	106,087	37	1,849	38	144
Addition/increase in loan drawdowns	8	14,287	-	55	-	-
Change to financial assets due to transfer between stages	-1	-96	1	89	-	7
Transfer from stage 1	-2	-179	2	173	-	6
Transfer from stage 2	1	83	-1	-84	-	1
Use of loss allowances/directly recognized impairment losses	-	-	-	-	-2	-2
Derecognitions and repayments	-5	-8,671	-6	-174	-	-5
Changes to models/risk parameters	-	-	6	-	-16	-
Additions	5	-	11	-	2	-
Reversals	-5	-	-5	-	-18	-
Amortization, fair value changes, and other changes in measurement	-	-2,017	-	51	-	23
Exchange differences and other changes	-	93	-	3	-	-
Deferred taxes	-	-	-2	-	17	-
Balance as at Jun. 30, 2024	**41**	**109,684**	**37**	**1,872**	**37**	**167**

Financial assets measured at amortized cost

€ million	Stage 1		Stage 2		Stage 3		POCI assets	
	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount	Loss allowances	Gross carrying amount
Balance as at Jan. 1, 2023	266	388,040	548	38,094	1,185	2,716	18	142
Addition/increase in loan drawdowns	85	13,426,861	67	19,226	356	1,254	1	96
Change to financial assets due to transfer between stages	110	-1,741	-165	1,267	55	475	-	-
Transfer from stage 1	-25	-4,217	23	4,134	1	83	-	-
Transfer from stage 2	132	2,456	-205	-3,002	73	546	-	-
Transfer from stage 3	3	19	17	135	-19	-154	-	-
Use of loss allowances/directly recognized impairment losses	-	-2	-1	-	-96	-19	-2	-4
Derecognitions and repayments	-71	-13,397,077	-76	-20,433	-345	-1,682	-6	-157
Changes to models/risk parameters	-118	-	148	-	78	-	6	-
Additions	50	-	368	-	199	-	13	-
Reversals	-169	-	-220	-	-122	-	-7	-
Modifications	-	-	-	-	1	1	-	-
Modification gains	-	2	-	-	1	1	-	-
Modification losses	-	-2	-	-1	-	-	-	-
Amortization, fair value changes, and other changes in measurement	-	-97	-	-1	-	-4	-	-
Positive change in fair value of POCI assets	-	-	-	-	-	-	-	17
Exchange differences and other changes	1	63	-	8	-1	15	-5	2
Balance as at Jun. 30, 2023	**273**	**416,047**	**521**	**38,161**	**1,233**	**2,756**	**11**	**97**
Balance as at Jan. 1, 2024	263	397,607	506	41,967	1,457	3,325	18	133
Addition/increase in loan drawdowns	78	13,092,374	53	35,448	470	3,014	4	58
Change to financial assets due to transfer between stages	85	-3,602	-154	3,149	69	453	-	-
Transfer from stage 1	-31	-7,112	30	7,041	1	71	-	-
Transfer from stage 2	113	3,479	-195	-4,011	82	532	-	-
Transfer from stage 3	2	30	11	119	-13	-149	-	-
Use of loss allowances/directly recognized impairment losses	-	-	-1	-	-107	-20	-3	-4
Derecognitions and repayments	-65	-13,072,686	-65	-37,760	-446	-3,331	-9	-56
Changes to models/risk parameters	-98	-	243	-	64	-	7	-
Additions	51	-	443	-	254	-	21	-
Reversals	-149	-	-200	-	-191	-	-14	-
Amortization, fair value changes, and other changes in measurement	-	261	-	24	-	4	-	-
Positive change in fair value of POCI assets	-	-	-	-	-	-	-	17
Exchange differences and other changes	-	252	1	38	20	20	-	3
Changes in the scope of consolidation	-	-	-	40	-	-	-	-
Addition of subsidiaries	-	-	-	40	-	-	-	-
Balance as at Jun. 30, 2024	**262**	**414,207**	**583**	**42,905**	**1,526**	**3,466**	**17**	**151**

The undiscounted expected credit losses on purchased or originated credit-impaired financial assets measured at amortized cost that were recognized for the first time during the reporting period totaled €119 million (first half of 2023: €150 million).

Held-for-sale financial assets measured at amortized cost

€ million	Stage 1 Loss allowances	Stage 1 Gross carrying amount	Stage 2 Loss allowances	Stage 2 Gross carrying amount	Stage 3 Loss allowances	Stage 3 Gross carrying amount
Balance as at Jan. 1, 2024	8	1,560	2	115	15	30
Addition/increase in loan drawdowns	-	60	-	-	-	-
Change to financial assets due to transfer between stages	1	-8	2	6	-3	1
Transfer from stage 1	-	-36	-	35	-	1
Transfer from stage 2	-	27	-	-33	-	6
Transfer from stage 3	1	2	2	5	-3	-6
Derecognitions and repayments	-	-34	-	-2	-	-1
Changes to models/risk parameters	-1	-	-2	-	3	-
Additions	-	-	-	-	3	-
Reversals	-1	-	-2	-	-	-
Amortization, fair value changes, and other changes in measurement	-	-23	-	-2	-	-
Exchange differences and other changes	-	-52	-	-4	-	-1
Changes in scope of consolidation	-7	-1,504	-2	-113	-14	-29
Derecognition of subsidiaries	-7	-1,504	-2	-113	-14	-29
Balance as at Jun. 30, 2024	**-**	**-**	**-**	**-**	**-**	**-**

Finance leases

€ million	Stage 1 Loss allowances	Stage 1 Gross carrying amount	Stage 2 Loss allowances	Stage 2 Gross carrying amount	Stage 3 Loss allowances	Stage 3 Gross carrying amount
Balance as at Jan. 1, 2023	1	435	3	111	9	19
Addition/increase in loan drawdowns	1	93	2	3	1	-
Change to finance leases due to transfer between stages	-	23	-	-25	-	2
Transfer from stage 1	-	-41	-	41	-	-
Transfer from stage 2	-	65	-1	-68	-	3
Transfer from stage 3	-	-	-	2	-	-2
Derecognitions and repayments	-1	-111	-3	-27	-4	-4
Balance as at Jun. 30, 2023	**2**	**441**	**2**	**62**	**7**	**17**
Balance as at Jan. 1, 2024	1	394	3	63	3	6
Addition/increase in loan drawdowns	-	66	-	2	-	1
Change to finance leases due to transfer between stages	-	-11	-	8	-	3
Transfer from stage 1	-	-26	-	25	-	-
Transfer from stage 2	-	15	-	-18	-	4
Transfer from stage 3	-	-	-	1	-	-1
Derecognitions and repayments	-1	-85	-3	-14	-1	-3
Changes to models/risk parameters	1	-	2	-	1	-
Additions	1	-	3	-	2	-
Reversals	-1	-	-1	-	-1	-
Balance as at Jun. 30, 2024	**1**	**364**	**2**	**59**	**3**	**6**

Financial guarantee contracts and loan commitments

€ million	Stage 1 Loss allowances	Stage 1 Nominal amount	Stage 2 Loss allowances	Stage 2 Nominal amount	Stage 3 Loss allowances	Stage 3 Nominal amount	POCI assets Loss allowances	POCI assets Nominal amount
Balance as at Jan. 1, 2023	53	80,472	95	7,903	89	242	-	2
Addition/increase in loan drawdowns	33	47,158	27	2,459	34	109	1	6
Change to financial guarantee contracts and loan commitments due to transfer between stages	14	-303	-28	178	13	124	-	-
Transfer from stage 1	-3	-856	3	845	-	10	-	-
Transfer from stage 2	17	552	-31	-668	13	116	-	-
Transfer from stage 3	-	1	-	1	-	-2	-	-
Derecognitions and repayments	-41	-43,344	-30	-3,571	-29	-142	-	-2
Changes to models/risk parameters	-3	-	-4	-	-3	-	-	-
Additions	12	-	23	-	21	-	-	-
Reversals	-14	-	-27	-	-23	-	-	-
Amortization, fair value changes, and other changes in measurement	-	-20	-	-1	-	-1	-	-
Exchange differences and other changes	-	13	-	4	1	-	-	-
Balance as at Jun. 30, 2023	**57**	**83,976**	**60**	**6,973**	**104**	**332**	**1**	**5**
Balance as at Jan. 1, 2024	54	80,932	85	12,056	104	332	-	7
Addition/increase in loan drawdowns	33	31,997	32	4,199	43	133	1	8
Change to financial guarantee contracts and loan commitments due to transfer between stages	6	-554	-4	499	-1	54	-	-
Transfer from stage 1	-2	-1,127	2	1,121	-	6	-	-
Transfer from stage 2	7	573	-9	-625	2	52	-	-
Transfer from stage 3	-	1	3	3	-3	-4	-	-
Derecognitions and repayments	-39	-32,240	-45	-5,291	-49	-188	-1	-6
Changes to models/risk parameters	-	-	2	-	37	-	3	-
Additions	11	-	25	-	49	-	3	-
Reversals	-11	-	-23	-	-12	-	-	-
Amortization, fair value changes, and other changes in measurement	-	81	-	10	-	1	-	-
Exchange differences and other changes	-2	-140	2	-10	-2	-	-	-
Balance as at Jun. 30, 2024	**52**	**80,074**	**71**	**11,463**	**131**	**332**	**3**	**10**

The undiscounted expected credit losses on purchased or originated credit-impaired financial guarantee contracts and loan commitments that were recognized for the first time during the reporting period totaled €2 million (first half of 2023: €0 million).

Held-for-sale financial guarantee contracts and loan commitments

The nominal values of financial guarantee contracts and loan commitments classified as held for sale in stage 1 amounted to €14 million as at January 1, 2024. During the reporting period, there were increases of €31 million and derecognitions of €27 million. Following the sale of FLK, there were no longer any financial guarantee contracts and loan commitments classified as held for sale as at June 30, 2024. No financial guarantee contracts and loan commitments had been classified as held for sale during the first half of 2023.

» 44 Issuance activity

The following table shows the new issues, early repurchases, and repayments upon maturity in connection with issuance activity for unregistered paper, broken down by line item.

€ million	Jan. 1–Jun. 30, 2024 New issues	Jan. 1–Jun. 30, 2024 Repurchases	Jan. 1–Jun. 30, 2024 Repayments	Jan. 1–Jun. 30, 2023 New issues	Jan. 1–Jun. 30, 2023 Repurchases	Jan. 1–Jun. 30, 2023 Repayments
DEBT CERTIFICATES ISSUED INCLUDING BONDS	**50,760**	**-931**	**-39,099**	62,685	-822	-44,204
Bonds issued	**11,984**	**-579**	**-11,059**	17,564	-813	-5,009
Mortgage Pfandbriefe	2,985	-41	-1,797	2,241	-19	-1,210
Public-sector Pfandbriefe	-	-	-20	492	-	-100
Other bonds	8,998	-538	-9,242	14,832	-794	-3,699
Other debt certificates issued	**38,777**	**-352**	**-28,041**	45,120	-10	-39,195
FINANCIAL LIABILITIES HELD FOR TRADING	**7,049**	**-662**	**-5,476**	5,877	-498	-4,413
SUBORDINATED CAPITAL	**-**	**-1**	**-**	-	-5	-114
Total	**57,809**	**-1,594**	**-44,576**	68,562	-1,325	-48,731

The transactions shown under other debt certificates issued all relate to commercial paper. The transactions presented under financial liabilities held for trading are carried out using bonds issued, including share certificates, index-linked certificates, and other debt certificates. The transactions under subordinated capital are carried out using subordinated liabilities.

E Insurance business disclosures

» 45 Insurance revenue

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Insurance revenue not under the premium allocation approach	1,937	2,175
Insurance revenue under the premium allocation approach	4,220	3,993
Total	**6,158**	**6,168**

» 46 Presentation of income and expense in the insurance business

Insurance finance income or expenses, recognized in profit or loss and in other comprehensive income, from insurance contracts and reinsurance contracts

€ million	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Insurance finance income or expenses from insurance contracts	**-2,674**	**-3,744**
Changes in the fair value of underlying items relating to insurance contracts with direct participation features	-1,645	-2,554
Interest accretion effects	-1,063	-1,171
Effects of changes in the discount rate	109	-6
Foreign exchange gains and losses, net	-75	-13
Insurance finance income or expenses from reinsurance contracts held	**7**	**9**
Interest accretion effects	7	9
Total	**-2,667**	**-3,735**
of which recognized in profit or loss	-3,488	-2,506
of which recognized in other comprehensive income	820	-1,229

The portion of the net foreign exchange gains and losses recognized in profit or loss, which amounted to a net loss of €81 million (first half of 2023: net loss of €19 million), is included in other non-insurance gains and losses within gains and losses on investments held by insurance companies and other insurance company gains and losses in the income statement.

» 47 Change in the carrying amounts of insurance contract liabilities

The following tables show the change in the carrying amounts of the liability for remaining coverage and the liability for incurred claims:

€ million	Liability for remaining coverage: Excluding the loss component	Liability for remaining coverage: Loss component	Liability for incurred claims: No premium allocation approach	Liability for incurred claims: Premium allocation approach: present value of expected cash flows	Liability for incurred claims: Premium allocation approach: risk adjustment	Total
Carrying amount of insurance contract assets as at Jan. 1, 2024	-1	-	-	-	-	-1
Carrying amount of insurance contract liabilities as at Jan. 1, 2024	92,568	464	3,854	8,170	92	105,150
Balance as at Jan. 1, 2024	92,568	464	3,854	8,170	92	105,149
OVERALL CHANGE RECOGNIZED IN PROFIT OR LOSS AND IN OTHER COMPREHENSIVE INCOME	**-3,569**	**-4**	**1,478**	**3,632**	**-**	**1,538**
Insurance service result from insurance contracts	-5,644	-5	1,090	3,516	-1	**-1,045**
Insurance revenue	*-6,158*	-	-	-	-	***-6,158***
Insurance contracts measured using the modified retrospective approach at the transition date	-1,053	-	-	-	-	-1,053
Insurance contracts measured using the fair value approach at the transition date	-32	-	-	-	-	-32
All other insurance contracts	-5,073	-	-	-	-	-5,073
Insurance service expenses	*514*	-5	*1,090*	*3,516*	*-1*	***5,113***
Incurred claims and other insurance service expenses	-23	-	969	3,637	3	4,586
Amortization of insurance acquisition cash flows	537	-	-	-	-	537
Changes in the fulfillment cash flows relating to the liability for incurred claims	-	-	121	-121	-5	-5
Changes that relate to future service under onerous contracts	-	-5	-	-	-	-5
Expenses for/income from investment components	497	-	321	38	-	**856**
Insurance finance income or expenses	1,654	1	7	79	1	**1,743**
Other	-76	-	61	-	-	**-15**
CONSOLIDATION EFFECTS	16	-	-	-	-	**16**
CHANGES RESULTING FROM CASH FLOWS	7,235	-	-1,465	-3,604	-	**2,166**
Premium income	10,892	-	-	-	-	10,892
Insurance acquisition cash flows	-783	-	-	-	-	-783
Incurred claims paid and other insurance service expenses paid	-2,874	-	-1,465	-3,604	-	-7,943
Balance as at Jun. 30, 2024	**96,250**	**461**	**3,867**	**8,198**	**92**	**108,869**
Carrying amount of insurance contract liabilities as at Jun. 30, 2024	96,250	461	3,867	8,199	92	108,869

€ million	Liability for remaining coverage		Liability for incurred claims			Total
	Excluding the loss component	Loss component	No premium allocation approach	Premium allocation approach: present value of expected cash flows	Premium allocation approach: risk adjustment	
Carrying amount of insurance contract assets as at Jan. 1, 2023	-3	-	2	-	-	-2
Carrying amount of insurance contract liabilities as at Jan. 1, 2023	86,353	387	3,842	7,655	90	98,328
Balance as at Jan. 1, 2023	86,350	387	3,843	7,655	90	98,326
OVERALL CHANGE RECOGNIZED IN PROFIT OR LOSS AND IN OTHER COMPREHENSIVE INCOME	**-2,490**	**26**	**1,517**	**3,327**	**2**	**2,380**
Insurance service result from insurance contracts	-5,700	26	1,276	3,175	-	**-1,222**
Insurance revenue	*-6,168*	-	-	-	-	***-6,168***
Insurance contracts measured using the modified retrospective approach at the transition date	-2,164	-	-	-	-	-2,164
Insurance contracts measured using the fair value approach at the transition date	-131	-	-	-	-	-131
All other insurance contracts	-3,873	-	-	-	-	-3,873
Insurance service expenses	*468*	*26*	*1,276*	*3,175*	-	***4,947***
Incurred claims and other insurance service expenses	-23	-	1,188	3,145	1	4,311
Amortization of insurance acquisition cash flows	492	-	-	-	-	492
Changes in the fulfillment cash flows relating to the liability for incurred claims	-	-	89	30	-1	118
Changes that relate to future service under onerous contracts	-	26	-	-	-	26
Expenses for/income from investment components	-7	-	213	37	-	**243**
Insurance finance income or expenses	3,363	-	-8	132	2	**3,488**
Other	-147	-	36	-17	-	**-129**
CONSOLIDATION EFFECTS	**10**	-	-	-	-	**10**
CHANGES RESULTING FROM CASH FLOWS	**7,375**	-	**-1,620**	**-3,378**	-	**2,377**
Premium income	10,357	-	-	-	-	10,357
Insurance acquisition cash flows	-709	-	-	-	-	-709
Incurred claims paid and other insurance service expenses paid	-2,273	-	-1,620	-3,378	-	-7,271
Balance as at Jun. 30, 2023	**91,244**	**413**	**3,740**	**7,604**	**92**	**103,093**
Carrying amount of insurance contract assets as at Jun. 30, 2023	-3	-	3	-	-	-
Carrying amount of insurance contract liabilities as at Jun. 30, 2023	91,247	413	3,737	7,604	92	103,093

The following tables show the change in the insurance contracts for which the premium allocation approach is not applied:

€ million	Present value of expected cash flows	Risk adjustment	CSM	**Total**
Carrying amount of insurance contract liabilities as at Jan. 1, 2024	90,163	810	5,421	96,394
Balance as at Jan. 1, 2024	90,163	810	5,421	96,394
OVERALL CHANGE RECOGNIZED IN PROFIT OR LOSS AND IN OTHER COMPREHENSIVE INCOME	**1,773**	**3**	**-33**	**1,743**
Insurance service result	**955**	**-12**	**-1,641**	**-698**
Changes that relate to current service	***-455***	***-64***	***-278***	***-797***
Amortization of the CSM in profit or loss based on provision of service	-	-	-278	-278
Release of the risk adjustment through profit or loss	-	-64	-	-64
Deviation from budgeted figures	-455	-	-	-455
Changes that relate to future service	***1,283***	***58***	***-1,363***	***-21***
New business	-438	85	358	5
Changes in estimates that adjust the CSM	1,746	-26	-1,721	-
Changes in estimates that result in losses on onerous contracts or reversals of such losses	-25	-1	-	-26
Changes that relate to past service	***127***	***-6***	***-***	***121***
Change in the liability for incurred claims	127	-6	-	121
Insurance finance income or expenses	**909**	**12**	**1,602**	**2,523**
Other	**-92**	**2**	**7**	**-83**
CHANGES RESULTING FROM CASH FLOWS	**820**	**-**	**-**	**820**
Premium income	5,459	-	-	5,459
Insurance acquisition cash flows	-300	-	-	-300
Incurred claims paid and other insurance service expenses paid	-4,339	-	-	-4,339
Balance as at Jun. 30, 2024	**92,756**	**813**	**5,388**	**98,957**
Carrying amount of insurance contract liabilities as at Jun. 30, 2024	92,756	813	5,388	98,957

Of the amortization of the contractual service margin (CSM), an approximated amount of €71 million was attributable to contracts measured on a modified retrospective basis on the date of transition to IFRS 17 (first half of 2023: €68 million) and €6 million to contracts measured using the fair value approach (first half of 2023: €9 million).

€ million	Present value of expected cash flows	Risk adjustment	CSM	**Total**
Carrying amount of insurance contract assets as at Jan. 1, 2023	-1	-	1	-
Carrying amount of insurance contract liabilities as at Jan. 1, 2023	84,472	955	4,788	90,214
Balance as at Jan. 1, 2023	84,471	955	4,788	90,214
OVERALL CHANGE RECOGNIZED IN PROFIT OR LOSS AND IN OTHER COMPREHENSIVE INCOME	**2,416**	**135**	**142**	**2,693**
Insurance service result	**1,471**	**108**	**-2,370**	**-791**
Changes that relate to current service	***-566***	***-67***	***-240***	***-874***
Amortization of the CSM in profit or loss based on provision of service	-	-	-240	-240
Release of the risk adjustment through profit or loss	-	-67	-	-67
Deviation from budgeted figures	-566	-	-	-566
Changes that relate to future service	***1,940***	***184***	***-2,130***	***-6***
New business	-445	71	377	4
Changes in estimates that adjust the CSM	2,394	113	-2,507	-
Changes in estimates that result in losses on onerous contracts or reversals of such losses	-9	-	-	-9
Changes that relate to past service	***97***	***-9***	***-***	***89***
Change in the liability for incurred claims	97	-9	-	89
Insurance finance income or expenses	**1,060**	**25**	**2,512**	**3,597**
Other	**-115**	**1**	**-**	**-114**
CHANGES RESULTING FROM CASH FLOWS	**1,013**	**-**	**-**	**1,013**
Premium income	5,191	-	-	5,191
Insurance acquisition cash flows	-285	-	-	-285
Incurred claims paid and other insurance service expenses paid	-3,893	-	-	-3,893
Balance as at Jun. 30, 2023	**87,900**	**1,089**	**4,931**	**93,920**
Carrying amount of insurance contract liabilities as at Jun. 30, 2023	87,901	1,089	4,931	93,920

» 48 Yield curves

The following table shows the yield curves as at the latest measurement date used to measure the cash flows for insurance contracts and for reinsurance contracts held:

	1 year		**5 years**		**10 years**		**15 years**		**20 years**	
Percent	**Jun. 30, 2024**	Dec. 31, 2023	**Jun. 30, 2024**	Dec. 31, 2023	**Jun. 30, 2024**	Dec. 31, 2023	**Jun. 30, 2024**	Dec. 31, 2023	**Jun. 30, 2024**	Dec. 31, 2023
EUR	4.14	4.02	3.68	3.26	3.59	3.28	3.62	3.36	3.52	3.29
GBP	5.50	5.29	4.77	4.19	4.61	4.06	4.71	4.17	4.75	4.21
JPY	0.88	0.63	1.50	1.30	1.84	1.65	2.15	1.96	2.40	2.19
USD	5.63	5.33	4.85	4.34	4.67	4.23	4.67	4.27	4.63	4.24
ZAR	8.89	8.68	9.30	8.91	10.71	10.26	11.47	11.01	11.66	11.01

» 49 Risk and capital management

Further disclosures on the nature and extent of risks arising from insurance contracts (IFRS 17.121-132) are included in the interim group management report in chapter VI ‘Risk report’, sections 4 ‘Liquidity adequacy’ and 6 ‘Credit risk’ and for the Insurance sector in sections 12 ‘Actuarial risk’ and 13 ‘Market risk’.

The disclosures published in the risk report form part of the content of these notes to the consolidated financial statements.

F Other disclosures

» 50 Contingent liabilities

€ million	Jun. 30, 2024	Dec. 31, 2023
Contingent liabilities arising from contributions to the resolution fund for CRR credit institutions	169	169
Contingent liabilities in respect of litigation risk	10	10
Total	**178**	**179**

The contingent liabilities arising from contributions to the resolution fund for CRR credit institutions consist of irrevocable payment commitments (IPCs) that the Single Resolution Board (SRB) approved in response to applications that were made to furnish collateral in partial settlement of the contribution to the European bank levy. The DZ BANK Group has pledged cash collateral of the same amount. The pledged collateral is included within other loans and advances under other assets on the balance sheet. In light of a non-binding judgment of the European General Court (EGC) dated October 25, 2023 in a legal dispute between the SRB and a French bank, there is legal uncertainty as to whether the irrevocable payment commitments are annulled if a bank leaves the Single Resolution Mechanism (in particular if a banking license is handed back) and whether the cash collateral provided by the bank is returned to the bank without it having to pay the irrevocably committed amount. The case is pending a decision by the Court of Justice of the European Union (CJEU).

In addition, the contingent liabilities in respect of litigation risk comprise a small number of court proceedings relating to different cases. Where provisions have been recognized for particular claims, no contingent liabilities have to be recognized.

» 51 Financial guarantee contracts and loan commitments

€ million	Jun. 30, 2024	Dec. 31, 2023
Financial guarantee contracts	**11,980**	**11,441**
Loan guarantees	5,435	5,345
Letters of credit	1,016	912
Other guarantees and warranties	5,528	5,184
Loan commitments	**79,899**	**81,886**
Credit facilities to banks	28,617	30,073
Credit facilities to customers	37,733	37,644
Guarantee credits	1,479	1,751
Letters of credit	264	297
Global limits	11,807	12,120
Total	**91,879**	**93,327**

The amounts shown for financial guarantee contracts and loan commitments are the nominal values of the commitment in each case.

» 52 Trust activities

Trust assets and trust liabilities amounted to €1,777 million as at June 30, 2024 (December 31, 2023: €1,944 million).

» 53 Disclosures on revenue from contracts with customers

Disclosures on revenue from contracts with customers, broken down by operating segment

JANUARY 1 TO JUNE 30, 2024

€ million	BSH	R+V	TeamBank	
Income type				
Fee and commission income from securities business	-	-	-	
Fee and commission income from asset management	-	-	-	
Fee and commission income from payments processing including card processing	-	-	-	
Fee and commission income from lending business and trust activities	-	-	2	
Fee and commission income from financial guarantee contracts and loan commitments	-	-	-	
Fee and commission income from international business	-	-	-	
Fee and commission income from building society operations	17	-	-	
Other fee and commission income	35	-	17	
Fee and commission income in gains and losses on investments held by insurance companies and other insurance company gains and losses	-	33	-	
Other income in gains and losses on investments held by insurance companies and other insurance company gains and losses	-	60	-	
Other operating income	23	-	3	
Total	**75**	**93**	**22**	
Main geographical markets				
Germany	75	90	22	
Rest of Europe	-	4	-	
Rest of World	-	-	-	
Total	**75**	**93**	**22**	
Type of revenue recognition				
At a point in time	49	20	22	
Over a period of time	27	73	-	
Total	**75**	**93**	**22**	

	UMH	DZ BANK – CICB	DZ HYP	DZ PRIVAT-BANK	VR Smart Finanz	Other/ Consolidation	**Total**
	1,882	262	-	105	-	-48	2,202
	13	-	-	178	-	-2	190
	-	145	-	1	-	34	180
	-	59	4	-	-	34	99
	-	54	3	-	-	-1	55
	-	6	-	-	-	-	6
	-	-	-	-	-	-	17
	-	31	-	2	3	-1	87
	-	-	-	-	-	-1	32
	-	-	-	-	-	-	60
	7	-	-	-	-	10	43
	1,903	**558**	**7**	**287**	**3**	**24**	**2,971**
	1,404	518	7	26	3	16	2,161
	498	1	-	260	-	8	771
	-	40	-	-	-	-	40
	1,903	**558**	**7**	**287**	**3**	**24**	**2,971**
	167	201	5	102	3	21	590
	1,735	357	2	184	-	3	2,381
	1,903	**558**	**7**	**287**	**3**	**24**	**2,971**

JANUARY 1 TO JUNE 30, 2023

€ million	BSH	R+V	TeamBank	
Income type				
Fee and commission income from securities business	-	-	-	
Fee and commission income from asset management	-	-	-	
Fee and commission income from payments processing including card processing	-	-	-	
Fee and commission income from lending business and trust activities	-	-	2	
Fee and commission income from financial guarantee contracts and loan commitments	-	-	-	
Fee and commission income from international business	-	-	-	
Fee and commission income from building society operations	18	-	-	
Other fee and commission income	33	-	13	
Fee and commission income in gains and losses on investments held by insurance companies and other insurance company gains and losses	-	33	-	
Other income in gains and losses on investments held by insurance companies and other insurance company gains and losses	-	41	-	
Other operating income	25	-	4	
Total	**75**	**74**	**19**	
Main geographical markets				
Germany	70	71	19	
Rest of Europe	5	3	-	
Rest of World	-	-	-	
Total	**75**	**74**	**19**	
Type of revenue recognition				
At a point in time	62	5	19	
Over a period of time	12	69	-	
Total	**75**	**74**	**19**	

	UMH	DZ BANK – CICB	DZ HYP	DZ PRIVAT-BANK	VR Smart Finanz	Other/ Consolidation	**Total**
	1,677	254	-	104	-	-46	1,989
	12	-	-	156	-	-2	167
	-	154	-	1	-	35	190
	-	59	3	-	-	26	91
	-	43	3	-	-	-1	44
	-	6	-	-	-	-	6
	-	-	-	-	-	-	18
	-	33	-	2	3	4	87
	-	-	-	-	-	-1	32
	-	-	-	-	-	-	41
	6	-	-	-	-	5	39
	1,695	**549**	**7**	**263**	**3**	**18**	**2,704**
	1,275	514	7	26	3	12	1,997
	420	-	-	238	-	6	672
	-	34	-	-	-	-	34
	1,695	**549**	**7**	**263**	**3**	**18**	**2,704**
	198	198	5	101	3	14	606
	1,497	351	2	163	-	4	2,098
	1,695	**549**	**7**	**263**	**3**	**18**	**2,704**

» 54 Government grants

Government grants of €27 million were deducted from the carrying amount of investment property held by insurance companies (December 31, 2023: €28 million). The grants are non-interest-bearing, low-interest or forgivable loans. In addition, income subsidies of €1 million were recognized in profit or loss (first half of 2023: €1 million).

» 55 Employees

Average number of employees by employee group:

	Jan. 1– Jun. 30, 2024	Jan. 1– Jun. 30, 2023
Full-time employees	26,008	26,093
Part-time employees	7,653	7,431
Total	**33,660**	**33,524**

» 56 Board of Managing Directors

Uwe Fröhlich
(Co-Chief Executive Officer until June 30, 2024)

Dr. Cornelius Riese
(Chief Executive Officer since July 1, 2024)
(Co-Chief Executive Officer until June 30, 2024)
Responsibilities: Cooperative Banks/Verbund; Communications & Marketing; Group Audit; Legal; Strategy & Group Development (including Sustainability Coordination)

Souâd Benkredda
Responsibilities: Capital Markets Trading; Capital Markets Institutional Clients; Capital Markets Retail Clients; Group Treasury Structured Finance

Uwe Berghaus
Responsibilities: Corporate Banking Baden-Württemberg; Corporate Banking Bavaria; Corporate Banking North and East; Corporate Banking West/Central; Investment Promotion; Central Corporate Banking

Dr. Christian Brauckmann
Responsibilities: IT; Services & Organisation

Ulrike Brouzi
Responsibilities: Bank Finance; Compliance; Group Finance; Group Financial Services

Johannes Koch
(Member of the Board of Managing Directors since January 1, 2024)
Responsibilities: Group Human Resources; Research and Economics; Strategy & Group Development (including Sustainability Coordination)

Michael Speth
Responsibilities: Group Risk Controlling; Group Risk Control & Services; Credit

Thomas Ullrich
Responsibilities: Operations & Depository Bank; Payments & Accounts; Transaction Management

» 57 Supervisory Board

Henning Deneke-Jöhrens
(Chairman of the Supervisory Board)
Chief Executive Officer
Volksbank eG Hildesheim-Lehrte-Pattensen

Ulrich Birkenstock
(Deputy Chairman of the Supervisory Board)
Employee
R+V Allgemeine Versicherung AG

Ingo Stockhausen
(Deputy Chairman of the Supervisory Board)
Chief Executive Officer
Volksbank Oberberg eG
(Member of the Supervisory Board until May 16, 2024)

Dr. Gerhard Walther
(Deputy Chairman of the Supervisory Board
since May 16, 2024)
Chief Executive Officer
VR-Bank Mittelfranken Mitte eG

Uwe Barth
Spokesman of the Board of Managing Directors
Volksbank Freiburg eG

Heiner Beckmann
Senior manager
Sales Director South-West
R+V Allgemeine Versicherung AG
(Member of the Supervisory Board until May 16, 2024)

Pia Erning
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Timm Häberle
Chief Executive Officer
VR-Bank Ludwigsburg eG

Dr. Peter Hanker
Spokesman of the Board of Managing Directors
Volksbank Mittelhessen eG

Andrea Hartmann
Employee
Bausparkasse Schwäbisch Hall AG

Pilar Herrero Lerma
Employee
DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

Dr. Dierk Hirschel
Head of the Economic Policy Division
ver.di Bundesverwaltung

Josef Hodrus
Spokesman of the Board of Managing Directors
Volksbank Allgäu-Oberschwaben eG

Marija Kolak
President
Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V. (BVR)

Sascha Monschauer
Chief Executive Officer
VR Bank RheinAhrEifel eG

Dr. Florian Müller
Member of the Board of Managing Directors
Volksbank Sauerland eG
(Member of the Supervisory Board since May 16, 2024)

Wolfgang Nett
Sales Director
Union Investment Privatfonds GmbH

Rolf Dieter Pogacar
Employee
R+V Allgemeine Versicherung AG

Michael Sauer
Customer and Sales Director North
R+V Allgemeine Versicherung AG
(Member of the Supervisory Board since May 16, 2024)

Stephan Schack
Chief Executive Officer
Volksbank Raiffeisenbank eG, Itzehoe

Sigrid Stenzel
Freelance employee
ver.di Niedersachsen-Bremen

Kevin Voß
Labor union secretary
Banking industry group
ver.di Bundesverwaltung

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group in accordance with German principles of proper accounting, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.

Frankfurt am Main, August 20, 2024

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank

The Board of Managing Directors

Dr. Riese Benkredda Berghaus Dr. Brauckmann

Brouzi Koch Speth Ullrich

Review report[i]

To DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and selected explanatory consolidated notes – and the interim group management report of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, for the period from 1 January to 30 June 2024 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, 20th August 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Ralf Schmitz Wirtschaftsprüfer (German Public Auditor)	sgd. Kerstin Voeller Wirtschaftsprüfer (German Public Auditor)

[i] Translation of the auditor's report issued in German language on the condensed consolidated interim financial statements prepared in German language by the management of DZ BANK AG Deutsche Zentral-Genossenschaftsbank. The German review report is authoritative.

Editorial information

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main
Platz der Republik
60325 Frankfurt am Main
Germany

Postal address:
60265 Frankfurt am Main
Germany

Telephone +49 (0)69 7447 01
Fax +49 (0)69 7447 1685
mail@dzbank.de
www.dzbank.com

This half-year financial report is available
in electronic form on our website at
www.halfyearreport.dzbank.com.

DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt am Main
Platz der Republik
60325 Frankfurt am Main
Germany

www.dzbank.com