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.

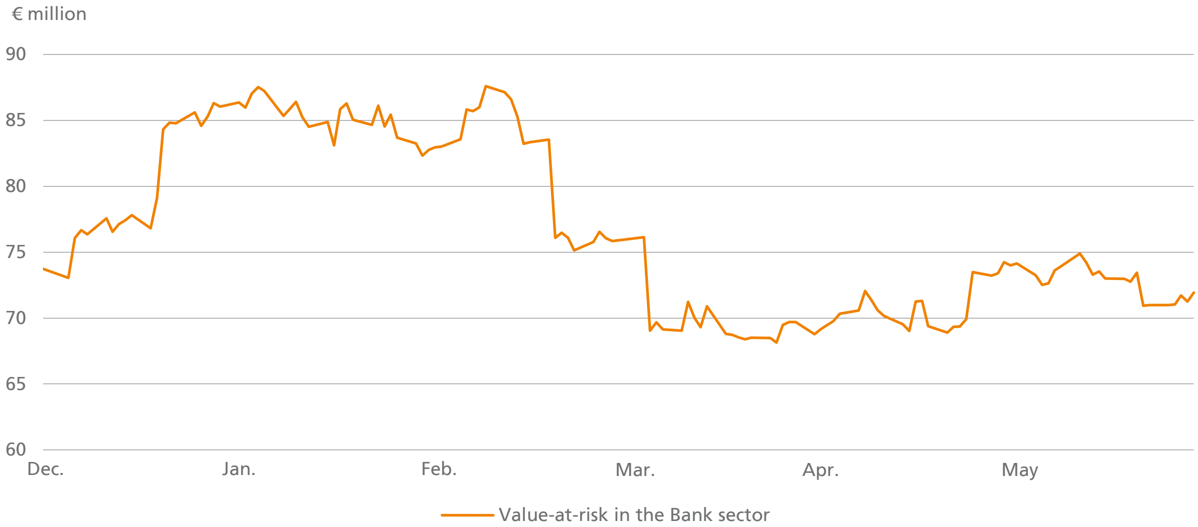
As at June 30, 2024, the value-at-risk totaled €72 million (December 31, 2023: €74 million).

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).