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.