Consolidated financial statements 2024

of the Volksbanken Raiffeisenbanken Cooperative Financial Network

Volksbanken Raiffeisenbanken Cooperative Financial Network

	2024 € million	2023 € million	Change (percent)
Financial performance			
Net interest income	24,316	24,107	0.9
Net fee and commission income	9,481	8,829	7.4
Gains and losses on financial and commodities activities[1]	565	1,584	−64.3
Net income from insurance business[2]	1,579	1,293	22.1
Loss allowances	−4,873	−1,809	> 100.0
Administrative expenses	−20,815	−20,370	2.2
Other net operating income	505	742	−31.9
Profit before taxes	10,758	14,375	−25.2
Net profit	7,535	10,805	−30.3
Net assets			
Loans and advances to banks	58,484	38,158	53.3
Loans and advances to customers	1,050,269	1,023,602	2.6
Financial assets held for trading	29,976	34,127	−12.2
Investments	256,283	241,273	6.2
Loss allowances	−15,827	−12,048	31.4
Investments held by insurance companies	121,404	114,329	6.2
Remaining assets	137,136	157,739	−13.1
Financial position			
Deposits from banks	138,877	139,458[3]	−0.4
Deposits from customers	1,061,003	1,031,186[3]	2.9
Debt certificates issued including bonds	100,778	97,433	3.4
Financial liabilities held for trading	38,544	44,043	−12.5
Insurance contract liabilities	111,340	105,151	5.9
Remaining liabilities	36,878	36,671	0.6
Equity	150,305	143,238	4.9
Total assets/total equity and liabilities	**1,637,724**	**1,597,180**	**2.5**

	2024 € million	2023 € million	Change (percent)
Profitability/efficiency			
Cost/income ratio (percent)	57.1	55.7	
Return on equity before taxes (percent)[4]	7.3	10.4	
Average equity	146,772	137,569	6.7
Return on capital employed (percent)[5]	0.5	0.7	
Regulatory capital ratios			
Tier 1 capital ratio (percent)	16.3	15.6	
Total capital ratio (percent)	16.9	16.2	
Employees as at reporting date	**173,489**	**171,689**	**1.0**

1 Gains and losses on trading activities, gains and losses on investments, other gains and losses on valuation of financial instruments.
2 Insurance service result, gains and losses on investments held by insurance companies and other insurance company gains and losses, insurance finance income or expenses.
3 Amount restated.
4 Ratio of profit before taxes to average equity.
5 Ratio of net profit to total assets.

Consolidated financial statements 2024

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Raiffeisenbanken
Cooperative
Financial Network

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In brief

In 2024, the Volksbanken Raiffeisenbanken Cooperative Financial Network achieved profit before taxes of €10.8 billion – the second-highest figure since the first consolidated financial statements were prepared. While this result is below the record figure of €14.4 billion from 2023, it highlights once again the Cooperative Financial Network's sustained high level of profitability.

Net interest income remained stable compared with the previous year at €24.3 billion. Growth in lending of around 2.6 percent played an important part in this context. Net fee and commission income increased again as well, rising by 7.4 percent to €9.5 billion. This was primarily driven by payments processing, including card processing, and securities brokerage. On the other hand, gains and losses on trading activities amounted to a net loss of €0.7 billion and gains and losses on investments deteriorated moderately to a net gain of €1.1 billion. The latter item once again benefited from positive valuation effects.

Loss allowances were scaled up significantly to €4.9 billion in light of the prevailing macroeconomic conditions and the upward trend in corporate and personal insolvencies. Administrative expenses rose slightly to €20.8 billion. Key drivers here included additional hires and adjustments to collective pay agreements. The cost/income ratio increased moderately to 57.1 percent.

The Cooperative Financial Network's consolidated total assets grew by 2.5 percent to €1.64 trillion in 2024. The key components of this total grew at similar rates: The lending volume rose by 2.6 percent and customer deposits by 2.9 percent. Net profit after taxes stood at €7.5 billion.

The Cooperative Financial Network also continued to strengthen its capital base. Equity rose by 4.9 percent to €150.3 billion. The Tier 1 capital ratio increased to 16.3 percent and the total capital ratio to 16.9 percent – proof of the network's robust level of capital. The current ratings awarded by the rating agencies underpin this. The Cooperative Financial Network continues to have a credit rating of AA– from Fitch and of A+ from Standard & Poor's, in both cases with a stable outlook.

Management Report 2024

General Information about the Volksbanken Raiffeisenbanken Cooperative Financial Network

Structure, business model, and features of the IPS*

This management report supplements the consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network ('Cooperative Financial Network').

The Cooperative Financial Network consists of 670 cooperative banks (December 31, 2023: 695), the DZ BANK Group, Münchener Hypothekenbank eG, the BVR protection scheme, and BVR Institutssicherung GmbH as consolidated entities. The consolidated cooperative banks include Deutsche Apotheker- und Ärztebank eG, the Sparda banks, the PSD banks, and specialized institutions such as BAG Bankaktiengesellschaft.

The cooperative banks and Münchener Hypothekenbank eG constitute the legally independent, equally ranked parent entities of the Cooperative Financial Network in the consolidated financial statements, whereas the other banking groups and entities are consolidated as subsidiaries.

The Cooperative Financial Network's institutional protection scheme (IPS) is set up as a dual cooperative scheme that comprises the BVR protection scheme and BVR Institutssicherung GmbH. The institutions are linked – through the dual cooperative protection scheme – on the basis of the rules in the statutes and in the articles of association. The protection scheme is mainly focused on avoiding and, if necessary, eliminating threats to the ability of individual institutions to continue as a going concern.

The principles and methods of the dual cooperative protection scheme are outlined in more detail in the combined opportunity and risk report.

Definition of the main operating segments

The definitions of the operating segments referred to in the management report – 'Retail Customers and SMEs', 'Central Institution and Major Corporate Customers', 'Real Estate Finance', and 'Insurance' – can be found in the notes to the consolidated financial statements starting on page 85.

* Institutional protection scheme.

Business Performance of the Volksbanken Raiffeisenbanken Cooperative Financial Network

Economic conditions

Overall economic growth in Germany remained muted in 2024. Adjusted for inflation, gross domestic product (GDP) recorded a slight fall of 0.2 percent year on year. This marks a continuation of the negative trend that emerged in 2023 when real economic output declined by 0.3 percent due to adverse structural and macroeconomic pressures. However, there was also some positive news as inflation continued to slow. In 2024, consumer prices rose by 2.2 percent on average, compared with much higher rates of 6.9 percent in 2022 and 5.9 percent in 2023.

The continued weakness was attributable in part to a lack of momentum in the global industrial sector and in part to structural challenges in Germany, such as high electricity and gas prices compared with other countries, a persistent shortage of skilled workers, considerable bureaucracy, and the widespread neglect of transportation infrastructure. Uncertainties surrounding economic policy also had an adverse impact and were further exacerbated by the collapse of Germany's governing 'traffic-light' coalition and by the victory of Donald Trump in the US presidential election in late 2024. The manufacturing sector was most affected by these factors, recording a marked decline in inflation-adjusted value creation over the year as a whole.

Consumer spending generated little growth stimulus despite easing inflationary pressures and often substantial increases in wages and pensions. The overall appetite for investment was also subdued. In light of the muted outlook for sales, low capacity utilization in the industrial sector, and significant economic uncertainty, inflation-adjusted spending on capital equipment diminished noticeably. Investment in residential construction slumped too, whereas public-sector construction remained relatively robust. The trade balance of the German economy was negative in 2024. Exports to key sales markets continued to shrink, in part due to growing international competition, while imports increased slightly.

The persistent economic downturn took a significant toll on the labor market. Unemployment rose once again. The average figure for 2024 went up by 178,000 to just under 2.8 million people, the highest level recorded since 2015. The unemployment rate climbed from 5.7 percent in 2023 to 6.0 percent in 2024. However, employment also increased in spite of macroeconomic headwinds and the continued ageing of the population. The number of people in work in Germany rose by 71,000 to a record high of nearly 46.1 million.

The European Central Bank (ECB) started to loosen its monetary policy in 2024. At its meeting in June 2024, it implemented its first interest-rate cut of 25 basis points. Further reductions were made at the meetings in September, October, and December 2024. All in all, the deposit facility rate was lowered by a total of 100 basis points in the reporting year. As part of the changes to the operational framework for implementing monetary policy that were adopted in March 2024, the interest spread between the main refinancing rate and the deposit facility rate was tightened from 50 basis points to 15 basis points. This change became effective in September 2024. Consequently, the deposit interest rate stood at 3.0 percent at the end of 2024, the interest rate for main refinancing operations at 3.15 percent, and the marginal lending facility interest rate at 3.4 percent. At its meeting in December 2024, the ECB Governing Council emphasized that while it expected inflation to stabilize sustainably at the 2.0 percent medium-term target level, the council would be following a data-dependent and meeting-by-meeting approach rather than pre-committing to a particular rate path.

Alongside the cuts to interest rates, the ECB also continued with its balance sheet reduction plan. This involves the gradual scaling back of bond positions held under the asset purchase program (APP) and the pandemic emergency purchase program (PEPP). Holdings in the APP portfolio diminished steadily as the principal payments from maturing bonds are no longer being reinvested. The PEPP portfolio volume also began to shrink over the course of 2024. Until mid-2024, principal payments from maturing bonds under this scheme were reinvested in full. In July 2024, the ECB began, as scheduled, to taper its PEPP reinvestments by €7.5 billion per month on average. At its monetary policy meeting in December 2024, the ECB Governing Council then resolved to terminate reinvestments in the PEPP portfolio completely, as previously announced. Repayments from banks in connection with targeted longer-term refinancing operations (TLTROs) also ended at the end of 2024.

Business situation

Against a backdrop of challenging market conditions fueled by geopolitical crises, the Cooperative Financial Network posted profit before taxes of €10,758 million (2023: €14,375 million).

The institutions in the Cooperative Financial Network increased their loans and advances to customers by 2.6 percent in the year under review (2023: 2.4 percent).

The total volume of deposits held by the Cooperative Financial Network grew slightly over the course of 2024. Customer deposits came to €1,061,003 million (December 31, 2023: €1,031,186 million). These deposits played a crucial part in funding the Cooperative Financial Network's lending business.

Equity amounted to €150,305 million at the end of the reporting year (December 31, 2023: €143,238 million).

The Cooperative Financial Network had a rating of A+ (2023: A+) from credit rating agency Standard & Poor's, while the rating from Fitch Ratings was AA– (2023: AA–). In 2024, the number of members of the Cooperative Financial Network fell slightly year on year. As at the end of the financial year, the cooperative banks had 17.6 million members (individuals and companies) in total, compared with 17.8 million at the end of 2023.

In the presentation of financial performance and net assets in the business report and the outlook of the 2023 consolidated financial statements, 'significant' was used in the sense of a moderate or noticeable change and 'strong' meant a significant change. In this report, 'significant' in the aforementioned chapters now refers to a significant or clear change while 'strong' describes a substantial change.

Financial performance

Net interest income amounted to €24,316 million in the year under review (2023: €24,107 million) and thus did not fall year on year, contrary to the forecast published in 2023. This was primarily due to higher-than-expected interest income. Loans and advances to customers at the institutions in the Cooperative Financial Network grew by 2.6 percent. Within the net figure, interest income rose to €41,945 million (2023: €36,988 million) and interest expense increased to €19,691 million (2023: €14,291 million). The cooperative banks' net interest income is the biggest source of income for the Cooperative Financial Network.

Net fee and commission income advanced to €9,481 million in the reporting year (2023: €8,829 million) and was thus higher than projected in the forecast from 2023. The main sources of income continued to be payments processing (including card processing) and securities brokerage business. The bulk of net fee and commission income is attributable to the cooperative banks. The volume-related income of Union Investment was the main driver behind the year-on-year change in this line item.

The Cooperative Financial Network's **gains and losses on trading activities** deteriorated strongly compared with the previous year to stand at a net loss of €643 million in 2024 (2023: net gain of €19 million). The year-on-year change in gains and losses on trading activities was largely influenced by the DZ BANK Group. It was partly due to the interest-rate-driven volatility of market prices, which in turn had opposing effects on the gains and losses on various items. More specifically, the improvement in gains and losses on non-derivative financial instruments did not entirely offset the deterioration in gains and losses on derivatives.

The net gain under **gains and losses on investments** came to €1,058 million (2023: net gain of €1,338 million). Reversals of write-downs and recoveries in the value of investments affected this item favorably in the reporting year, as projected in the outlook published in 2023. However, this positive effect was significantly smaller than in the previous year.

The **loss allowances** calculated in 2024 were up substantially, as had been forecast in 2023, and amounted to a net addition of €4,873 million (2023: net addition of €1,809 million). This increase in additions to loss allowances was a reflection of the still gloomy economic conditions, with muted economic prospects and a growing number of corporate and personal insolvencies and restructuring cases over the course of the year.

Other gains and losses on valuation of financial instruments deteriorated strongly year on year and came to a net gain of €150 million in the reporting year (2023: net gain of €227 million). This decrease was chiefly attributable to the year-on-year decline in the net gain from guarantee commitments of Union Investment. Gains and losses on derivatives used for purposes other than trading amounted to a net gain of €109 million (2023: net gain of €433 million), gains and losses on financial instruments designated as at fair value through profit or loss amounted to a net loss of €11 million (2023: net loss of €162 million), and gains and losses from fair value hedge accounting amounted to a net gain of €52 million (2023: net loss of €44 million).

Net income from insurance business, which is exclusively attributable to the R+V Group, comprises the insurance service result, gains and losses on investments held by insurance companies and other insurance company gains and losses, and insurance finance income or expenses.

As expected, net income from insurance business rose, amounting to €1,579 million in 2024 (2023: €1,293 million). The increase was primarily due to the improvement – driven by the situation in the capital markets – in gains and losses on investments held by insurance companies and other insurance company gains and losses to a net gain of €5,094 million (2023: net gain of €2,982 million). By contrast, insurance finance income or expenses deteriorated to a net expense of €5,351 million (2023: net expense of €3,297 million), largely in relation to policyholders' share of investment returns. The insurance service result amounted to a profit of €1,835 million (2023: profit of €1,607 million).

As predicted in 2023, **administrative expenses** were up slightly year on year, totaling €20,815 million in 2024, compared with €20,370 million in 2023. The bulk of the administrative expenses were attributable to staff expenses amounting to €11,316 million (2023: €11,063 million), which primarily went up owing to appointments, salary increases, and collectively agreed pay rises. Other administrative expenses, which comprise general and administrative expenses plus depreciation/amortization and impairment losses, rose to €9,498 million (2023: €9,307 million). This rise was predominantly attributable to general inflation. A countervailing effect arose because there were no longer any contributions to the bank levy.

Other net operating income decreased to €505 million (2023: €742 million), mainly due to higher expenses for restructuring.

Profit before taxes fell sharply to €10,758 million (2023: €14,375 million), which is in line with the level anticipated in the outlook issued in 2023.

Income taxes amounted to €3,222 million (2023: €3,571 million), with most of this amount (€3,331 million; 2023: €3,558 million) attributable to current income taxes.

The **net profit** after taxes stood at €7,535 million in 2024 (2023: €10,805 million). After the high level of net profit generated in 2023, mainly as a result of higher interest income, net profit for 2024 normalized to a level similar to that recorded in earlier years. The increase in loss allowances was the biggest driver in 2024.

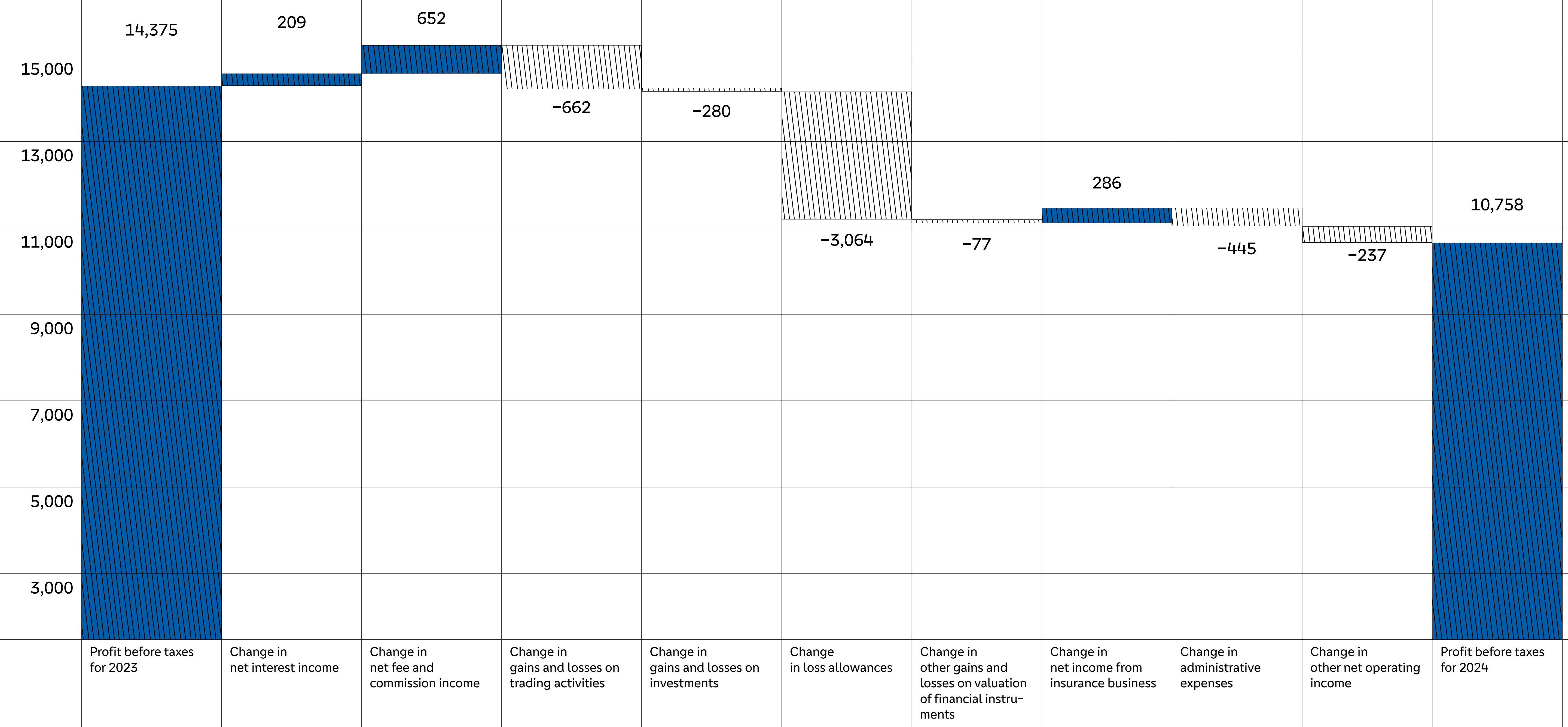
The **cost/income ratio** of the Cooperative Financial Network went up slightly year on year from 55.7 percent in 2023 to 57.1 percent in 2024. It thus remains at a healthy level in our assessment.

Financial performance

	2024 € million	2023 € million	Change (percent)
Net interest income	24,316	24,107	0.9
Net fee and commission income	9,481	8,829	7.4
Gains and losses on trading activities	−643	19	> −100.0
Gains and losses on investments	1,058	1,338	−20.9
Loss allowances	−4,873	−1,809	>100.0
Other gains and losses on valuation of financial instruments	150	227	−33.9
Net income from insurance business	1,579	1,293	22.1
Administrative expenses	−20,815	−20,370	2.2
Other net operating income	505	742	−31.9
Profit before taxes	**10,758**	**14,375**	**−25.2**
Income taxes	−3,222	−3,571	−9.8
Net profit	**7,535**	**10,805**	**−30.3**

Income statement –
breakdown of the change in profit before taxes by line item

€ million



Financial position

The consolidated **total assets** of the Cooperative Financial Network advanced to €1,637,724 million as at December 31, 2024 (December 31, 2023: €1,597,180 million). Trust activities amounted to a volume of €2,787 million (December 31, 2023: €3,239 million).

On the **assets** side of the balance sheet, cash and cash equivalents declined to €98,256 million (December 31, 2023: €119,757 million). Loans and advances to banks rose to €58,484 million (December 31, 2023: €38,158 million) and loans and advances to customers to €1,050,269 million (December 31, 2023: €1,023,602 million). This upward trend in the year under review was mainly driven by increased lending by the cooperative banks.

Hedging instruments (positive fair values) fell to €3,530 million (December 31, 2023: €5,259 million). Financial assets held for trading decreased to €29,976 million at the end of 2024 (December 31, 2023: €34,127 million). This fall in financial assets held for trading was mainly linked to a decline in receivables to €965 million (December 31, 2023: €7,735 million). By contrast, bonds and other fixed-income securities increased to €10,329 million (December 31, 2023: €8,188 million) and shares and other variable-yield securities to €2,112 million (December 31, 2023: €1,346 million).

Investments swelled to €256,283 million as at December 31, 2024 (December 31, 2023: €241,273 million). The principal reason for this was the rise in bonds and other fixed-income securities to €162,888 million (December 31, 2023: €149,864 million), along with an increase in shares and other variable-yield securities to €87,597 million (December 31, 2023: €85,751 million).

Investments held by insurance companies went up from €114,329 million as at December 31, 2023 to €121,404 million at the end of 2024. This change was largely driven by increases in assets related to unit-linked contracts to €24,859 million (December 31, 2023: €20,563 million), in fixed-income securities to €54,936 million (December 31, 2023: €53,193 million), in mortgage loans to €12,685 million (December 31, 2023: €12,008 million), in variable-yield securities to €12,257 million (December 31, 2023: €11,871 million), in deposits with ceding insurers and other investments to €223 million (December 31, 2023: €40 million), and in registered bonds to €5,029 million (December 31, 2023: €4,859 million). The main item recording a negative change was investment property, which declined to €3,655 million (December 31, 2023: €3,866 million).

On the **equity and liabilities** side of the balance sheet, deposits from banks contracted to €138,877 million (December 31, 2023: €139,458 million). Deposits from customers amounted to €1,061,003 million (December 31, 2023: €1,031,186 million).

Debt certificates issued including bonds advanced to €100,778 million (December 31, 2023: €97,433 million). Within this total figure, the portfolio of bonds issued came to €78,988 million (December 31, 2023: €81,504 million), while the portfolio of other debt certificates issued amounted to €21,789 million (December 31, 2023: €15,929 million).

Financial liabilities held for trading stood at €38,544 million as at December 31, 2024 (December 31, 2023: €44,043 million). This decline was attributable, in particular, to a decrease in liabilities to €168 million (December 31, 2023: €5,329 million) and a fall in derivatives (negative fair values) to €14,997 million (December 31, 2023: €17,136 million). By contrast, short positions rose to €2,379 million (December 31, 2023: €701 million) and bonds issued including share certificates, index-linked certificates, and other debt certificates issued advanced to €20,961 million (December 31, 2023: €20,836 million).

Insurance contract liabilities increased to €111,340 million (December 31, 2023: €105,151 million), primarily owing to the growth of the liability for remaining coverage to €98,482 million (December 31, 2023: €93,033 million).

Equity rose to €150,305 million as at the end of 2024 (December 31, 2023: €143,238 million). Within this figure, retained earnings increased to €129,265 million (December 31, 2023: €123,107 million), subscribed capital to €18,058 million (December 31, 2023: €17,410 million), and capital reserves to €1,282 million (December 31, 2023: €811 million). The reserve from other comprehensive income amounted to minus €594 million (December 31, 2023: minus €360 million).

The cooperative banks accounted for 84.3 percent of equity while the other entities in the Cooperative Financial Network accounted for 15.7 percent. This equity allocation highlights the local entrepreneurial responsibility and the great significance of a decentralized governance model for the cooperative banks in the Cooperative Financial Network.

Capital ratios

The regulatory capital ratios improved over the course of 2024 but were slightly below the forecast levels. Details are presented in the ‘Regulatory ratios’ table.

The overall changes in the capital ratios were influenced by the rise in own funds resulting from the retention of the profits reported in the 2023 financial statements. In absolute terms, the Cooperative Financial Network’s consolidated own funds increased by €9,164 million to €139,616 million. The rise in the leverage ratio was also attributable to the increase of €8,958 million in Tier 1 capital.

As at December 31, 2024, risk-weighted assets stood at €824,413 million, which was up by €21,362 million year on year (see table on page 57 for details). This increase was predominantly due to growth in exposures in the customer lending business. In total, credit risk exposures made up 91.2 percent of risk-weighted assets (December 31, 2023: 91.9 percent).

The disclosures relating to own funds and capital requirements are based on the outcome of the extended aggregated calculation in accordance with article 49 (3) of the Capital Requirements Regulation (CRR) in conjunction with article 113 (7) CRR. Further details can be found in the risk report within this management report.

Regulatory ratios

(percent)	Dec. 31, 2024	Dec. 31, 2023	Change (percentage points)
Common equity Tier 1 capital ratio	16.2	15.6	0.6
Tier 1 capital ratio	16.3	15.6	0.7
Total capital ratio	16.9	16.2	0.7
Leverage ratio	8.4	8.0	0.4

Operating segments

Retail Customers and SMEs

Net interest income amounted to €20,550 million in the year under review (2023: €20,417 million). Loans and advances to customers at the cooperative banks increased by 3.0 percent year on year (December 31, 2023: 2.7 percent), providing a boost to interest income. The rise in interest expense resulted mainly from reallocations of customer assets to deposits accounts with higher interest rates at the cooperative banks, affecting the equity and liabilities side of the balance sheet, and from a 3.9 percent increase in customer deposits. This drove up overall funding costs. Union Investment's net interest income swelled predominantly due to distributions from own-account investments. The improvement in net interest income at DZ PRIVATBANK was primarily thanks to the higher average initial yield to maturity in the securities portfolio and an increase in interest income in connection with deposit-taking business in the fund services business and private banking. TeamBank recorded a rise in net interest income that was partly the result of growth in the average volume of loans and advances to customers.

Net fee and commission income came to €9,297 million (2023: €8,713 million). In 2024, this line item was again influenced primarily by income from payments processing (including card processing) and from securities brokerage business. A further driver of net fee and commission income in the Retail Customers and SMEs operating segment was the volume-related income contribution generated by the Union Investment Group as a result of the average assets under management. DZ PRIVATBANK's contributions to income from private banking and the fund services business were up slightly year on year. As at December 31, 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 €26.1 billion (December 31, 2023: €23.4 billion). The value of funds under management was €161.8 billion as at December 31, 2024 (December 31, 2023: €188.7 billion).

Gains and losses on trading activities came to a net gain of €201 million (2023: net gain of €203 million). This line item is derived from gains and losses on trading in financial instruments, gains and losses on trading in foreign exchange, foreign notes and coins, and precious metals business, and gains and losses on commodities trading.

The net gain under **gains and losses on investments** came to €777 million in 2024 (2023: net gain of €1,151 million). Reversals of write-downs and recoveries in the value of investments affected this item favorably in the reporting year. However, this positive effect was significantly smaller than in the previous year.

Loss allowances amounted to a net addition of €3,350 million (2023: net addition of €1,337 million). This increase in additions to loss allowances was a reflection of the still gloomy economic conditions, with muted economic prospects and a growing number of corporate and personal insolvencies and restructuring cases over the course of the year.

Other gains and losses on valuation of financial instruments deteriorated to a net gain of €14 million (2023: net gain of €156 million). This was predominantly attributable to a year-on-year decline in guarantee commitments at Union Investment and liquidity-spread-related negative valuation effects on own issues measured using the fair value option at DZ PRIVATBANK.

Administrative expenses in the Retail Customers and SMEs operating segment amounted to €18,326 million in the reporting year (2023: €17,911 million). Staff expenses totaled €9,913 million (2023: €9,677 million). The year-on-year change in this item was primarily linked to appointments, salary increases, and collectively agreed pay rises. The rise in other administrative expenses to €8,413 million (2023: €8,234 million) was mostly driven by general inflation. A countervailing effect arose because there were no longer any contributions to the bank levy.

Other net operating income decreased to €336 million (2023: €559 million), mainly due to higher expenses for restructuring.

As a result of the factors described above, **profit before taxes** amounted to €9,499 million in the reporting year (2023: €11,951 million). The cost/income ratio was 58.8 percent (2023: 57.4 percent).

Central Institution and Major Corporate Customers

The **net interest income** of the Central Institution and Major Corporate Customers operating segment rose to €2,939 million in the year under review (2023: €2,612 million). In the Corporate Banking business line, net interest income went up owing to the growth of the lending volume in the operating lending business. Net interest income from structured finance was higher than in the previous year, mainly due to growth in the lending volume to German and international corporate customers. Net interest income from money market and capital markets business rose slightly. This increase was firstly attributable to the deposit-taking operating business in the short-dated maturity segment. Secondly, the rise in interest rates in the money market led to increased net interest income from the investment of liquidity from the excess of non-interest-bearing liabilities (e.g. equity) over non-interest-bearing assets.

Net fee and commission income came to €730 million in 2024 and was therefore higher than in the previous year (2023: €638 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, and safe custody). In the Corporate Banking business line, net fee and commission income was up noticeably year on year. The increase was mainly attributable to fees and commissions in connection with loan processing. The contribution to net fee and commission income in the Capital Markets business line rose significantly. One of the main reasons for this was the increase in transaction fees from the securitization business and the securities business. Net fee and commission income in the Transaction Banking business line was also up year on year.

Gains and losses on trading activities came to a net loss of €817 million in 2024, deteriorating sharply from a net loss of €103 million in the previous year. Gains and losses on trading activities essentially relate to DZ BANK's business activities in the capital markets. This change was partly due to the substantial volatility of market prices, which – as a result of risk management – had opposing effects on gains and losses on non-derivative financial instruments on the one hand and on gains and losses on derivatives on the other. More specifically, the improvement in gains and losses on non-derivative financial instruments did not offset the deterioration in gains and losses on derivatives.

Gains and losses on investments improved from a net gain of €48 million in 2023 to a net gain of €115 million in the reporting year. This was predominantly due to gains arising from the unwinding of hedges in the context of portfolio fair value hedge accounting expenses, although some of the gains were offset by expenses from the sale of securities.

Loss allowances amounted to a net addition of €508 million (2023: net addition of €99 million). The higher expenses related mainly to net additions in the lending business and for investments in stage 3.

Other gains and losses on valuation of financial instruments came to a net gain of €123 million in 2024 (2023: net loss of €103 million). Within this figure, there were increases in both credit-risk-related measurement effects relating to financial assets measured using the fair value option and the net gain from ineffectiveness in hedge accounting.

Administrative expenses amounted to €1,977 million in 2024 (2023: €2,017 million). Staff expenses increased to €944 million (2023: €906 million), principally as a result of salary increases, collectively agreed pay rises, other increases in wages and salaries, and corresponding changes in social security contributions based on a higher headcount. Other administrative expenses decreased to €1,033 million in 2024 (2023: €1,111 million), largely because there were no longer any contributions to the bank levy.

Other net operating income rose to €96 million (2023: €79 million). Compared with the previous year, the main changes in the composition of this item were lower expenses for provisions in connection with restructuring measures on the one hand and lower income from the reversal of provisions and accruals on the other hand.

Profit before taxes diminished to €701 million (2023: €1,055 million), primarily due to the deterioration in gains and losses on trading activities and higher loss allowances. The cost/income ratio was 62.1 percent in 2024 (2023: 63.6 percent).

Real Estate Finance

Net interest income came to €1,944 million (2023: €1,868 million). This increase was largely due to the encouraging performance of DZ HYP, which recorded growth in its volume of real estate loans and improved margins. Münchener Hypothekenbank eG reported a slight increase in net interest income too, whereas Bausparkasse Schwäbisch Hall saw this item decrease by a similar amount.

A net expense is traditionally reported in the Real Estate Finance operating segment under **net fee and commission income** as a result of agents' fees. This net expense increased slightly year on year to €73 million (2023: €71 million).

Gains and losses on investments improved to a net gain of €19 million (2023: net gain of €10 million). There were no material disposals during the year under review or the previous year.

Loss allowances amounted to a net addition of €282 million in 2024 (2023: net addition of €255 million). The persistently weak macroeconomic environment meant that moderately higher additions to loss allowances were required.

Other gains and losses on valuation of financial instruments deteriorated year on year, amounting to a net loss of €19 million in 2024 (2023: net gain of €82 million). This was largely attributable to the net loss on the valuation of financial instruments measured at fair value at DZ HYP.

Administrative expenses diminished to €888 million (2023: €947 million). Staff expenses fell to €442 million (2023: €463 million), primarily due to an effect on the amount of the defined benefit obligations resulting from the capitalization option granted to employees of Bausparkasse Schwäbisch Hall. Other administrative expenses decreased to €446 million in 2024 (2023: €484 million), largely because there were no longer any contributions to the bank levy.

Profit before taxes amounted to €781 million in the reporting year (2023: €801 million). The cost/income ratio in 2024 was 45.5 percent (2023: 47.3 percent).

Insurance

The **insurance service result** amounted to a profit of €1,371 million (2023: profit of €1,162 million). This figure included insurance revenue amounting to €12,165 million (2023: €11,578 million) and insurance service expenses of €10,577 million (2023: €10,339 million). Net expenses from reinsurance contracts held stood at €217 million (2023: €78 million).

In the life and health insurance business, insurance revenue amounted to €2,529 million (2023: €2,296 million). The premiums received amounted to €9,134 million (2023: €8,530 million). Besides the premiums, insurance revenue from insurance contracts issued included income of €308 million (2023: €273 million) from the amortization of the contractual service margin. The contractual service margin increased to €5,823 million in 2024 (2023: €5,143 million). This was due to the updating of the contractual service margin and, in particular, to the level of new business in unit-linked life insurance and in private supplementary health insurance calculated on a basis similar to that for non-life insurance. The release of the risk adjustment gave rise to income of €74 million (2023: €53 million). The amortization of insurance acquisition cash flows of €411 million (2023: €377 million) was matched by insurance service expenses in the same amount. Insurance service expenses amounted to €1,893 million (2023: €2,028 million). Of this sum, €1,498 million (2023: €1,686 million) was attributable to incurred claims and changes in fulfillment cash flows relating to the liability for incurred claims and €411 million (2023: €377 million) to the amortization of insurance acquisition cash flows reported under insurance revenue from insurance contracts issued. The change in onerous business came to an expense of €16 million in 2024 (2023: €35 million). The loss component for the portfolio of conventional life insurance fell from €21 million to €16 million in the German insurance business and from €53 million to €44 million in the Italian insurance business. Net expenses from reinsurance contracts held in this business stood at €5 million (2023: €0 million).

In the non-life insurance business, insurance revenue amounted to €7,598 million (2023: €7,246 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 €7,056 million (2023: €6,887 million). Of this sum, €5,254 million (2023: €5,104 million) was attributable to expenses for claims, comprising payments for claims of €5,215 million (2023: €4,980 million) and the change in the liability for incurred claims amounting to a decrease of €40 million (2023: decrease of €124 million). It also included the change in losses on insurance contracts, which amounted to a decrease of €40 million (2023: decrease of €119 million). Other insurance service expenses included insurance acquisition cash flows and administration costs and totaled €1,762 million (2023: €1,664 million). Net expenses from reinsurance contracts held in this business came to €158 million

(2023: €63 million). The combined ratio (gross), which is the ratio of insurance service expenses to insurance revenue, stood at 92.86 percent (2023: 95.04 percent). The combined ratio was better in 2024 than it had been in 2023, when it had been heavily influenced by inflation. Incurred claims from natural disasters came to a total of €217 million in 2024 (2023: €234 million).

Insurance revenue in the inward reinsurance business amounted to €2,038 million (2023: €2,036 million). This included not only premium income but also amortization of the contractual service margin in an amount of €271 million (2023: €231 million) under the general measurement model. Insurance service expenses came to €1,628 million (2023: €1,424 million). Net expenses from reinsurance contracts totaled €54 million (2023: €15 million). The combined ratio increased in 2024 following a very good prior year. Major incurred claims from natural disasters remained on a par with the prior year at €266 million in total in 2024 (2023: €279 million).

Gains and losses on investments held by insurance companies and other insurance company gains and losses improved by €2,069 million to a net gain of €5,212 million (2023: net gain of €3,143 million).

Long-term interest rates were lower than in 2023. The ten-year Bund/swap rate was 2.36 percent as at December 31, 2024 (December 31, 2023: 2.49 percent). Spreads on interest-bearing securities largely narrowed during the reporting year and had a similarly positive overall impact on gains and losses on investments held by insurance companies and other insurance company gains and losses as in the previous year, when spreads had narrowed. A weighted spread calculated in accordance with R+V’s portfolio structure stood at 65.2 basis points as at December 31, 2024 (December 31, 2023: 77.0 basis points). In the comparative period, this spread had fallen from 89.8 basis points as at December 31, 2022 to 77.0 basis points as at December 31, 2023.

During the reporting year, 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 374 points from the start of 2024, closing the year under review on 4,896 points (December 31, 2023: 4,522 points). The index had added 728 points in 2023.

In the reporting year, movements in exchange rates between the euro and various currencies were generally favorable. For example, the US dollar/euro exchange rate was 0.9657 on December 31, 2024, compared with 0.9053 as at December 31, 2023. In the previous year, the exchange rate had moved from 0.9370 as at December 31, 2022 to 0.9053 as at December 31, 2023.

These trends resulted in a €1,010 million positive change – resulting from the effects of changes in positive fair values – in unrealized gains and losses to a net gain of €2,925 million (2023: net gain of €1,915 million), a €934 million improvement in foreign exchange gains and losses to a net gain of €658 million (2023: net loss of €276 million), a €507 million rise in net income under current income and expense to €2,930 million (2023: €2,423 million), and a €111 million improvement in the balance of depreciation, amortization, impairment losses, and reversals of impairment losses to a net expense of €124 million (2023: net expense of €234 million). However, the contribution to earnings from the derecognition of investments deteriorated by €280 million to a loss of €535 million (2023: loss of €255 million. Furthermore, other non-insurance gains and losses declined by €214 million to a net loss of €643 million (2023: net loss of €429 million). The decline in other non-insurance gains and losses related, firstly, to effects from a change in the scope of consolidation resulting from the liquidation of special funds (net loss of €128 million), which was more than offset, however, by countervailing effects in other items of gains and losses on investments held by insurance companies. Secondly, there were higher foreign exchange losses of €107 million that are not attributable to financial instruments and are therefore not reported under foreign exchange gains and losses on investments held by insurance companies.

The positive trend in gains and losses on investments held by insurance companies was offset to an extent by the deterioration in insurance finance income or expenses.

Insurance finance income or expenses deteriorated by €2,054 million to a net expense of €5,351 million (2023: net expense of €3,297 million). In the life and health insurance business, this line item deteriorated to a net expense of €4,945 million (2023: net expense of €2,995 million), which was mainly due to the aforementioned compensatory effect. Insurance finance income or expenses came to a net expense of €256 million in the non-life insurance business (2023: net expense of €187 million) and a net expense of €149 million in inward reinsurance (2023: net expense of €115 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 €191 million in non-life insurance (2023: net expense of €125 million) and a net expense of €149 million in inward reinsurance (2023: net expense of €115 million).

The factors described above resulted in an increase in **profit before taxes** to €1,240 million (2023: €1,008 million).

Human Resources

The success of the institutions in the Cooperative Financial Network heavily depends on its employees and their ability and dedication. The Cooperative Financial Network seeks to empower employees to unlock their full potential and carry out their work even in challenging business conditions. The loyalty and close bond that exists between employees and their company is reflected in the long periods of service at the member institutions.

As can be seen from the chart on page 37, around 64 percent of employees in the cooperative banks and at DZ BANK have been working at these organizations for more than 10 years and one in three employees has been with their bank for more than 25 years. Internal surveys confirm that the absolute majority of the employees who participated in these surveys are very satisfied with their job and regard it as important.

Strengthening the culture of learning and offering high-quality training are key pillars of the Cooperative Financial Network's HR strategy. In 2024, the institutions supported their employees' personal development by offering a variety of continuing professional development (CPD) activities alongside training courses that are mandatory due to regulatory requirements. The CPD opportunities for employees are complemented by a wide range of training and development activities offered by regional auditing associations and academies, including initial vocational training, advanced vocational training geared to current demands, and personal development.

The mission for the institutions within the Cooperative Financial Network is to adapt their HR management to changes in the wider environment in order to make it fit for the future. In light of the shortage of skilled workers, new employer branding requirements, and shifting expectations regarding leadership and collaboration, HR management needs to be modernized in a way that is strategically sound and in touch with the reality of the workplace.

Against this backdrop, the initiative to draw up the strategic vision for HR was launched in 2023. In 2024, this vision was formulated in more detail and organized in three key pillars: employer branding, employees as the key to success, and HR effectiveness. The goal of the initiative is to enhance the degree of strategic control within the HR function, to structure key action areas more clearly, and to support the institutions within the Cooperative Financial Network with their individual implementation challenges by providing practical tools. At the heart of all this is the firm belief that the HR strategy must be a core component of strategic bank management. It needs to be embedded for the long term, follow a data-driven approach, and be practically applicable in everyday scenarios.

In 2024, the OCI (Organizational Commitment Index) score was used for the cooperative banks for the first time in the context of surveys within the network. The OCI comprises five dimensions: overall satisfaction, willingness to recommend the employer to others, willingness to take another job with the employer, personal commitment, and employer competitiveness. It is designed to help address specific qualitative action areas in an effective and targeted manner and to facilitate tracking of relative year-on-year changes over time.

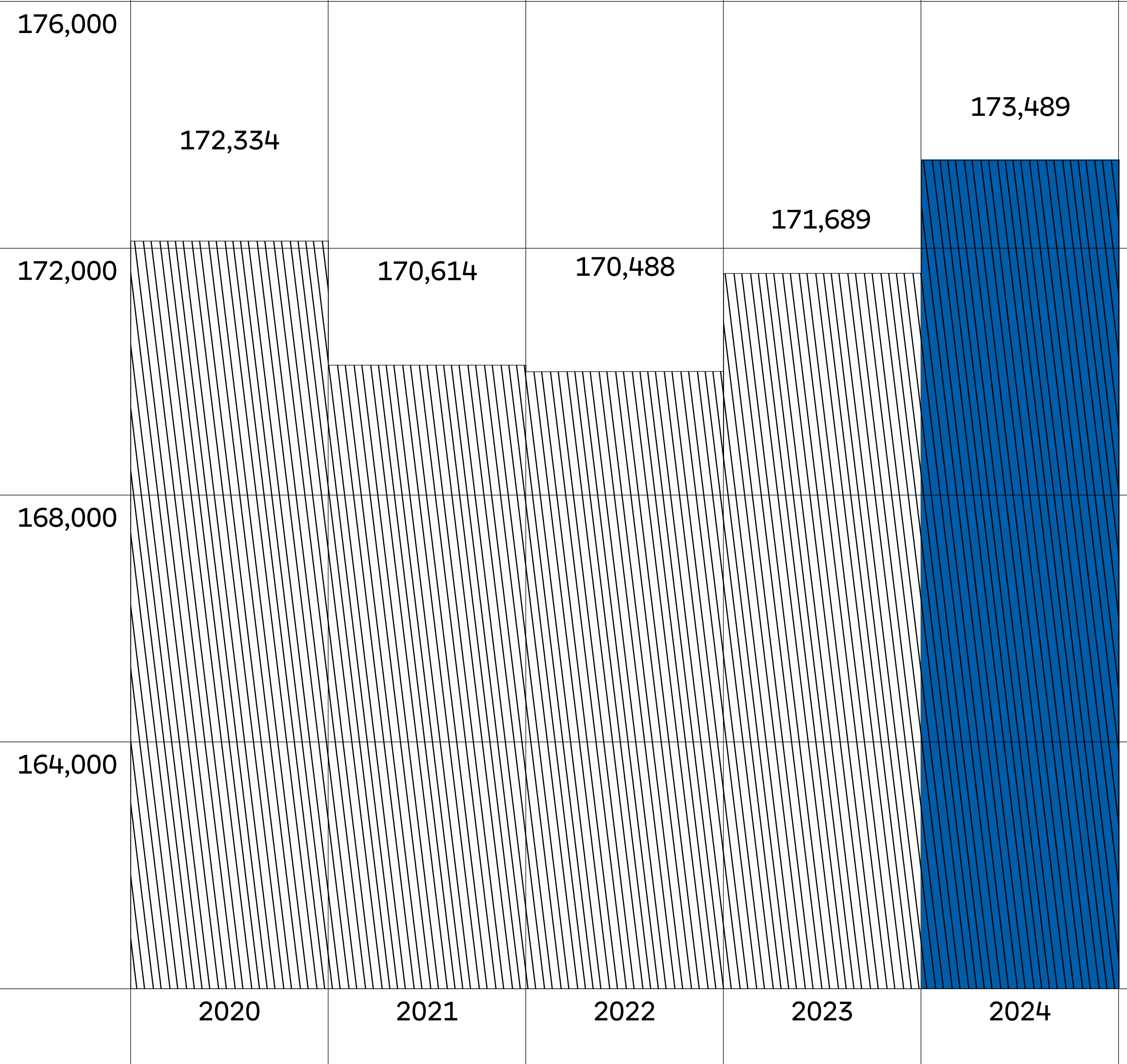
In light of the wider demographic trend, attracting talented young prospects and skilled employees remains a central plank of HR work, with an ongoing strategic focus on recruiting trainees and students, including those pursuing combined work and degree courses. This is reflected, for example, in the trainee statistics. In 2024, the ratio of trainees to other employees in the cooperative banks and at DZ BANK rose from 6.7 percent to 7.3 percent (see chart on page 38).

The BVR believes that university graduates – particularly those who studied a business-related subject – view the cooperative banks as an attractive employer. The proportion of trainees undertaking degree apprenticeships combining work and study stood at 9.9 percent as at the reporting date. The proportion of employees with a degree increased to 15.1 percent (2023: 13.9 percent; see chart on page 39).

Further success in the School Leavers Barometer, a survey carried out by Trendence Institut GmbH, confirms the strong appeal of the institutions in the Cooperative Financial Network. For the 19th time in succession, the cooperative banks were once again among Germany's best 100 employers, as chosen by schoolchildren, and received the '2024 employer of choice' seal of approval. With more than 15,000 participants, the School Leavers Barometer is one of the biggest surveys regarding schoolchildren's career goals and preferred employers.

The number of employees in the Cooperative Financial Network rose from 171,689 to 173,489 in 2024, confirming the positive trend from the previous year (see chart on page 36).

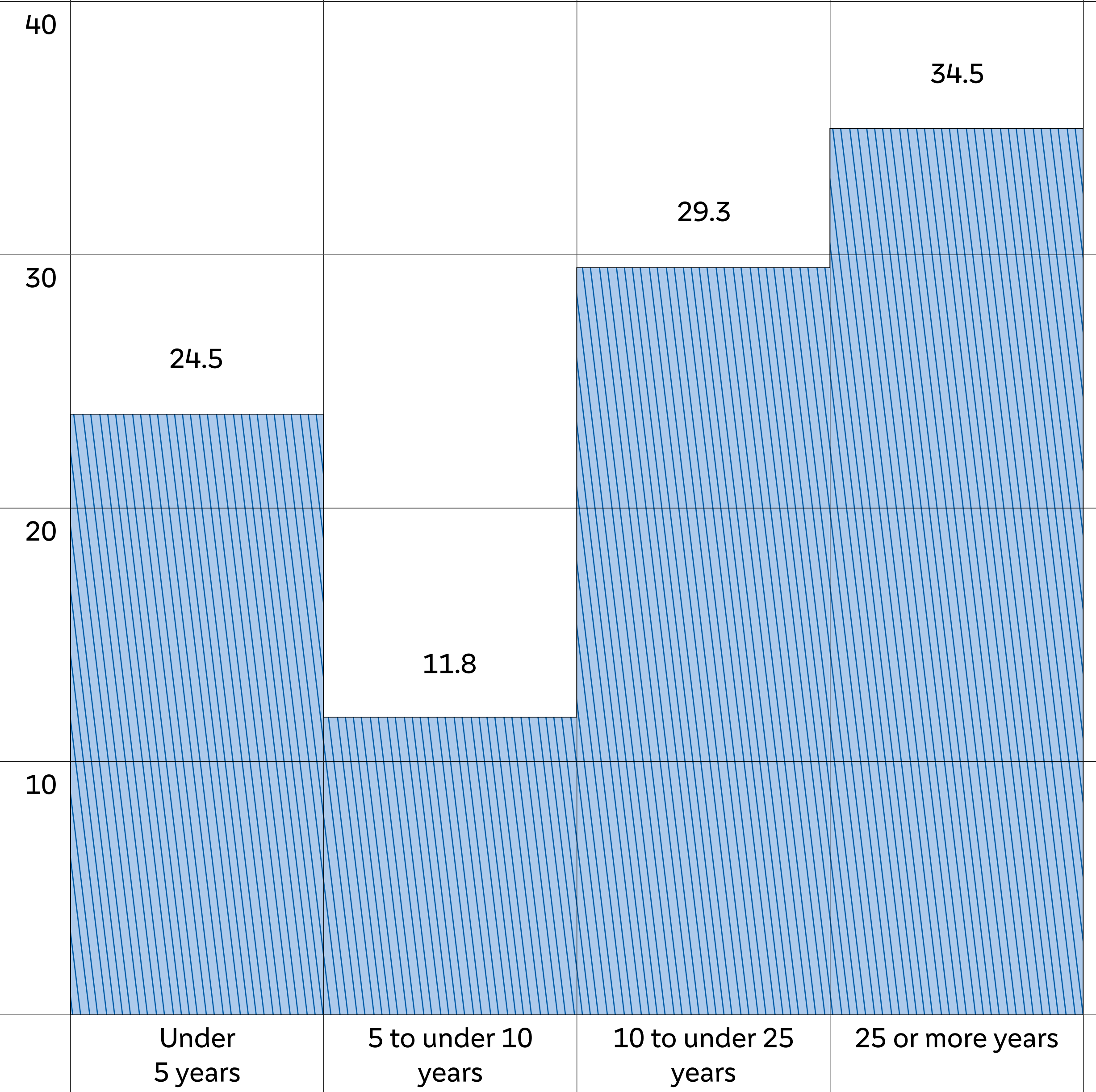
Number of employees*



* Cooperative Financial Network.

Years of service*

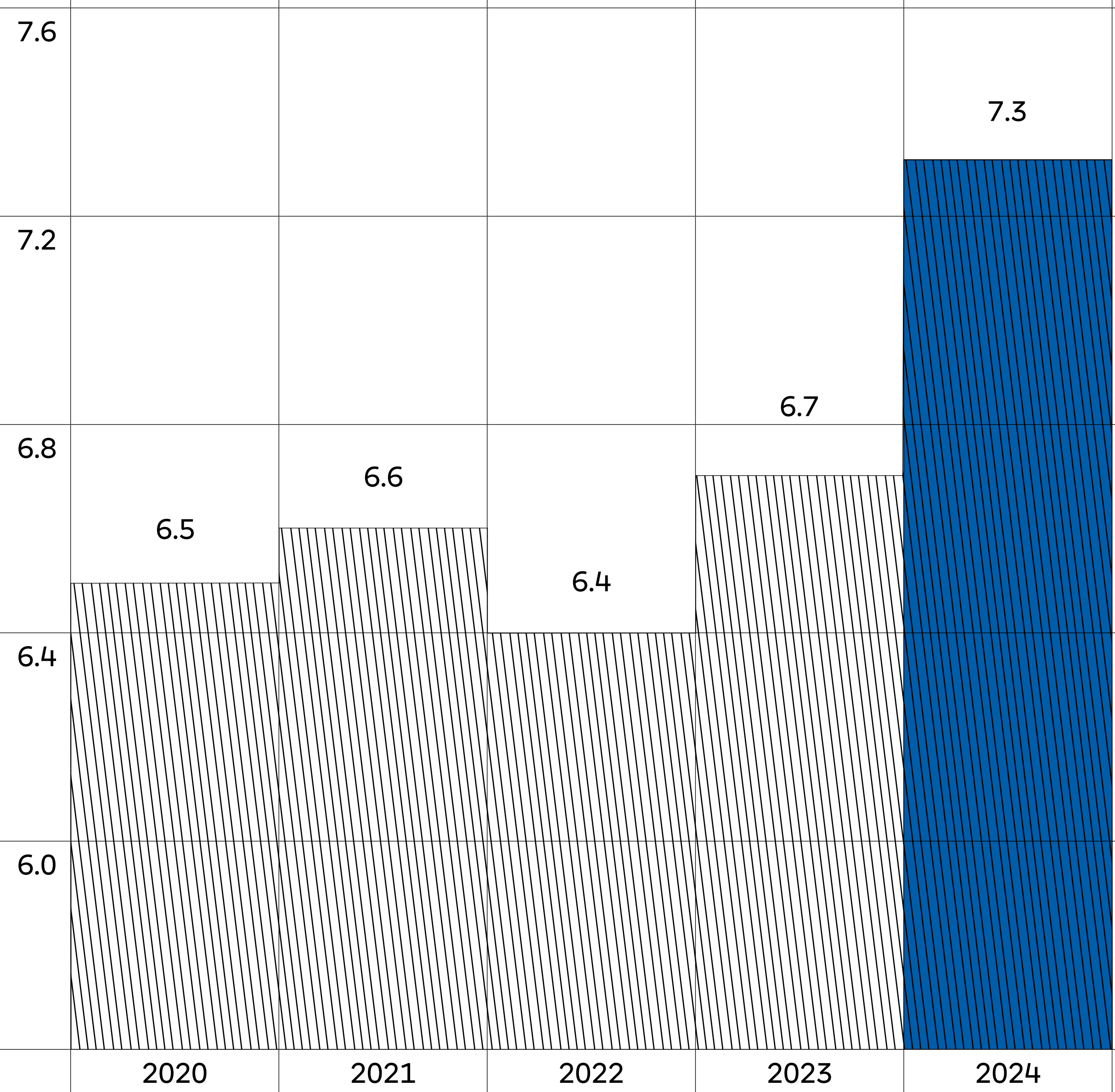
(percent)



* Cooperative banks and DZ BANK.

Ratio of trainees to other employees*

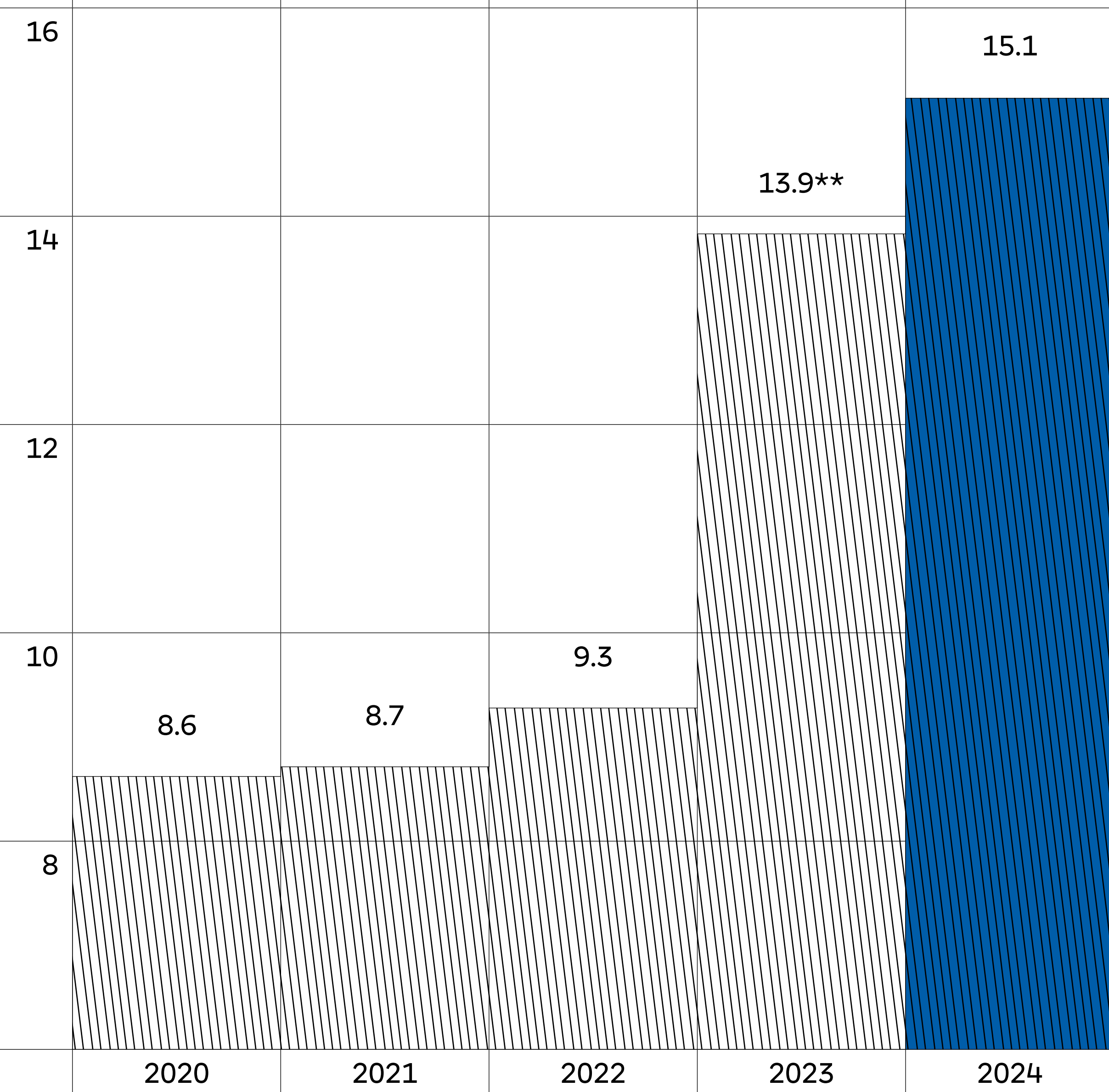
(percent)



* Cooperative banks and DZ BANK.

Proportion of employees with a degree*

(percent)



* Cooperative banks only up to and including 2022; from 2023, cooperative banks and DZ BANK.
** Prior-year figure has been restated.

Sustainability

One of the most widely used definitions of the term sustainability is the one developed by the United Nations back in 1987, but which still holds true today: It broadly states that sustainability means meeting the needs of the present without compromising the ability of future generations to meet their own needs. This concept of intergenerational justice encompasses environmental, economic, and social aspects. The international community has therefore set itself ambitious goals for greater sustainability and, as a key priority, climate neutrality. To achieve these goals, fast, determined, and concerted action at all levels is required from all parties. The financial services industry is playing an important part in this endeavor in its role as an intermediary.

Strategy

The Cooperative Financial Network upholds its responsibility to support the transition to a more sustainable economy and, as part of its sustainability guidelines, has set itself the objective of playing its part in mitigating climate change and achieving the UN's sustainable development goals. In doing so, the Cooperative Financial Network is pursuing its strategy of doing business sustainably for the benefit of society, the environment, and the regions in which it operates. The Cooperative Financial Network derives its strength from shared cooperative values and an open and transparent culture.

In accordance with their remit to provide development finance, the cooperative banks focus their corporate strategy on the long-term success of their members and customers. For more than 170 years, they have been supporting, encouraging, and advising local people and companies through their financial services and playing their role as a financial services provider for the real economy through lending based on responsible principles. They operate and do business on the basis of mutuality: Each cooperative bank belongs to its members, who benefit from the strength and solidarity of a powerful community. And, in a wide variety of ways, the local cooperative banks share their economic success with the region in which they are based. For example, they play a proactive role in the economic, social, and cultural development of their local area. They expand their cooperative network structure through donations, sponsorship, and the voluntary activities of their employees in the community. At the same time, the remit to provide development finance defines the sustainable value creation process at the core of their day-to-day business. The institutions in the Cooperative Financial Network continue to pursue their goal of updating their values-based business model for the future, in dialogue with their members and for their benefit.

The implementation of sustainability requirements calls for effective collaboration between the institutions of the Cooperative Financial Network, associations, and other cooperative partner companies, their service providers, and specialist organizations. Back in 2020, the BVR and its partners in the Cooperative Financial Network therefore undertook, in the context of the sustainability guidelines, to play a greater part in supporting global sustainability objectives.

At the end of 2023, the BVR Association Council, on which the aforementioned stakeholders of the Cooperative Financial Network are represented, recommended the implementation of specific levels of ambition for the environmental, social, and governance (ESG) dimensions:

- **E**nvironmental: achieve climate neutrality (net zero) in operations by 2045
- **S**ocial: maintain the engagement volume in the region at no less than its current level
- **G**overnance: aim for a membership ratio of 75 percent in the long term

More granular key figures are still being discussed.

Rules and structures

To coordinate collaboration within the network more efficiently, the BVR established a center of excellence for sustainability in 2022. Its responsibilities include the strategic coordination of sustainability as an interdisciplinary topic, the further development of the sustainability strategy, the implementation of the sustainability guidelines, and taking on a leading role regarding sustainability-related advocacy activities and providing support for the sustainability committees.

Various supporting projects were implemented on this basis, including the development of an online sustainability portal that the BVR offers in conjunction with its network partners and other associations and is now used by around 580 institutions. The portal includes a sustainability cockpit, which is a tool for systematic self-assessments, and numerous sustainability-related offerings from the Cooperative Financial Network, such as product solutions incorporating sustainability aspects, training, and examples of best practice at institutions.

Based on insights gained from our ongoing dialogue with the cooperative banks, the factors that are driving the institutions in the Cooperative Financial Network to further enhance the integration of sustainability into their management processes are not purely of a regulatory nature. The focus is not only on sustainability risks that could have an impact on financial performance but also on those emanating from the institutions' own operations and investment activities. These complex matters require the institutions to devote significant resources to transformation. The BVR and the specialized service providers in the Cooperative Financial Network therefore provide support services for the cooperative banks.

In 2024, one key focus of the BVR's activities was the integration of sustainability aspects into the core business of the institutions. This included developing a framework for sustainable financial solutions. This framework specifically addresses the customer group of small and medium-sized enterprises (SMEs). With regard to meeting regulatory requirements, the focus is on embedding sustainability aspects in bank management processes.

An extensive portfolio of sustainability products is becoming established across the Cooperative Financial Network. These products are distributed by the cooperative banks. The entities in the DZ BANK Group have also established various products, concepts, and processes that are based on environmental, social, and ethical criteria. Details can be found in the DZ BANK Group's sustainability report.

Environmental aspects of sustainability

The Cooperative Financial Network's climate initiative 'Morgen kann kommen' (we're ready for tomorrow) has been running for a number of years and pursues two objectives. Firstly, the initiative aims to consolidate communications in connection with the member institutions' many local climate action projects. Secondly, the cooperative banks support a large number of charitable projects each year and wish to increase the proportion that relate to the environment.

The two Germany-wide projects launched in partnership with woodland protection organization Schutzgemeinschaft Deutscher Wald (SDW) have seen strong take-up. Under the auspices of the 'Wurzeln' (roots) project, along with other tree planting schemes at local level, more than 1.2 million saplings have been funded by the Cooperative Financial Network over the past four years. Up to February 2025, the cooperative banks had also provided funding for more than 960 elementary school classes as part of the climate education project 'Wir und der Wald' (the forest and us), which was launched in June 2023.

All in all, around 280 institutions participated in local climate projects. Information on these engagement activities is published online at https://klima-initiative.vr.de/.

Corporate social responsibility (CSR)

Every year, the BVR conducts a survey of all member institutions in order to record Germany-wide information on corporate citizenship in the Cooperative Financial Network. This provides tangible proof of how the many different engagement activities in the regions combine to create a force to be reckoned with at national level and highlights the particular contribution that the Cooperative Financial Network makes to society (CSR reports and CSR portal of the local cooperative banks, www.vielefuerviele.de).

An internal survey found that the Cooperative Financial Network continued to fulfill its role as a champion of the regions in all kinds of ways in 2024. The institutions of the Cooperative Financial Network provided financial assistance totaling €176 million to people in Germany. Around €112 million of this amount was disbursed in the form of donations; €49 million was in the form of sponsorship and €15 million was in the form of income for charitable foundations for the benefit of people in local communities. The institutions provided an additional amount of just over €16 million in the form of benefits in kind – such as donations of goods and free services – for the benefit of local people and organizations.

The foundation assets of the Cooperative Financial Network amounted to €391 million as at December 31, 2024. This sum has been rising steadily for years. In line with the sustainability and long-term orientation of the Cooperative Financial Network's business philosophy, this commitment to charitable foundations represents a very durable way of backing local projects.

Further matters close to the heart of the Cooperative Financial Network are promoting financial literacy and raising awareness of sustainable practices – among its employees, their children, and in society at large.

Principles of good corporate governance

The identity principle is what makes the cooperative different from all other types of company structure. Like members of any cooperative, the members of the cooperative banks are its owners as well as its customers.

The cooperative banking remit to provide development finance entails collaboration in a spirit of partnership. It also defines the strategic focus and how it is underpinned by ethical business practices: According to section 1 of the German Cooperative Act (GenG), the nature of the business has to be oriented to the long-term success of its members. One factor in achieving this objective is to avoid sustainability-related risk and seize sustainability-related opportunities. Based on the cooperative principles of partnership, personal responsibility, and helping people to help themselves, cooperatives and cooperative banks are called upon to support their members through sustainable transformation processes.

Cooperative advocacy, along with the annual general meeting or general assembly of representatives and the supervisory boards of the individual cooperative banks (whose members are mostly businesspeople and distinguished persons from the relevant region), underpins the regional control of the individual banks. It provides opportunities for involvement in the democratic process and seeks to encourage dialogue within society on economic, social, and environmental issues, especially in view of current challenges in the sustainability sphere.

Combined Opportunity and Risk Report

Principles

The following description of the risk governance system is based on the structure and functional principles of the Cooperative Financial Network's institutional protection scheme – the dual cooperative protection scheme – but also takes into account the risk management of the individual institutions as a secondary element. In this context, risk governance at the level of the dual cooperative protection scheme is mainly focused on avoiding threats to the ability of individual institutions to continue as a going concern.

In addition to the institutions in the dual cooperative protection scheme, risk reporting covers all entities that are consolidated for the purposes of commercial law in the consolidated financial statements.

Risk governance in a decentralized organization

The dual cooperative protection scheme – comprising the BVR protection scheme and BVR Institutssicherung GmbH – plays a key part in ensuring the stability of the entire Cooperative Financial Network and confidence in the creditworthiness of all its members.

Institutional protection scheme of the Cooperative Financial Network

BVR protection scheme (BVR-SE)

BVR-SE is Germany's and the world's oldest deposit guarantee fund for banks that is financed entirely without government support. Right from its establishment in 1934, this system has always ensured that all institutions covered by the scheme have been able to meet their financial obligations – especially toward retail customers holding deposits. BVR-SE is regulated and monitored by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) [German Federal Financial Supervisory Authority].

Since the requirement to establish a legally recognized deposit insurance scheme was introduced by the German Deposit Insurance Act (EinSiG), BVR-SE has been continued as an additional voluntary institutional protection scheme in accordance with section 2 (2) and section 61 EinSiG.

The main responsibilities of BVR-SE are to ensure stability by averting imminent financial difficulties or eliminating any such existing problems at the affiliated institutions and to prevent any negative impact on confidence in the Cooperative Financial Network. To this end, BVR-SE has established a comprehensive preventive management regime including a monitoring system and restructuring management processes. So that it can provide the necessary support in securing these aims, BVR-SE has access to a guarantee fund that is funded by contributions from the member institutions. If necessary, the institutions will also support each other with additional funding (guarantee obligations).

As can be seen from its annual report, BVR-SE was able to fulfill the responsibilities set out in its articles of association – especially its responsibilities as an institutional protection scheme – in 2024. A total of 679 institutions of the Cooperative Financial Network belonged to BVR-SE as at December 31, 2024 (December 31, 2023: 704 members). The decrease stemmed from mergers within the Cooperative Financial Network.

BVR Institutssicherung GmbH (BVR-ISG)

BVR-ISG is an officially recognized deposit guarantee scheme and, since July 1, 2015, has been operating an institutional protection scheme within the meaning of article 113 (7) of Regulation (EU) No. 575/2013 for CRR credit institutions that has been approved by the regulator. By operating the institutional protection scheme, BVR-ISG satisfies its responsibility under its articles of association to avert or eliminate imminent or existing financial difficulties in its member institutions.

To this end, BVR-ISG will initiate any preventive or restructuring action as required, coordinating closely with BVR-SE. Where, in accordance with section 10 EinSiG, BaFin identifies a compensation event in relation to a CRR credit institution that is a member of the BVR-ISG protection scheme, BVR-ISG will compensate the customers of the credit institution concerned in accordance with sections 5 to 16 EinSiG. BVR-ISG thus fulfills the statutory requirements regarding deposit protection for customers.

Together, BVR-ISG and BVR-SE form the Cooperative Financial Network's dual cooperative protection scheme. The members of the BVR-ISG protection scheme are those CRR credit institutions that also belong to the BVR, are based in Germany, and are affiliated to BVR-SE. As at December 31, 2024, the membership comprised 677 CRR credit institutions (December 31, 2023: 702).

Under section 50 (1) EinSiG, BVR-ISG is subject to supervision by BaFin and to monitoring by the Bundesrechnungshof (BRH) [German Federal Court of Audit] with regard to its responsibilities to compensate depositors in accordance with sections 5 to 16 EinSiG and with regard to funding and target funding levels in accordance with sections 17 to 19 EinSiG.

To the extent possible under EinSiG, BVR-ISG's organizational and decision-making structures match the organizational and decision-making structures of BVR-SE. A service agreement is in place so that BVR-ISG's day-to-day business operations can be carried out by the BVR employees who perform the relevant functions for BVR-SE. These include monitoring and assessing risks for all CRR credit institutions that are members of BVR-ISG.

The activities of BVR-ISG in 2024 related to the fulfillment of its responsibilities as defined by law, the articles of association, and regulatory requirements. These activities centered on the risk-based collection of contributions, which is compliant with the relevant guidance of the European Banking Authority (EBA), the management of funds, extensive operational stress tests, and management of the IPS recovery plan in accordance with the Regulation on the Minimum Requirements for the Design of Recovery Plans for Institutions (MaSanV). BVR-ISG can look back on a highly successful year, having not had to take any action to protect depositors or member institutions or pay any compensation in accordance with section 145 of the German Bank Recovery and Resolution Act (SAG) at any time in 2024.

Risk identification and analysis

Basic structures

The Cooperative Financial Network is a decentralized organization made up of legally independent institutions that are linked – through the dual cooperative protection scheme – on the basis of the rules in the statutes of BVR-SE and in the articles of association of BVR-ISG. This decentralized element is in contrast with banking groups that have a parent company at the top of a hierarchical structure. Consequently, the power to make business decisions lies with each individual institution and its independent Board of Managing Directors and Supervisory Board. This decentralized structure determines the focus of the analytical activities of the dual cooperative protection scheme, which is primarily on overall analysis of the financial risk carriers – i.e. the institutions – rather than on isolated examination of individual risk types and their scope. This fundamental methodological approach ensures that, in establishing that each individual institution's financial position and risk position are appropriate and its financial performance is adequate, the entire system – i.e. the entire Cooperative Financial Network – as a unit can be considered to be on a sound economic footing.

The dual cooperative protection scheme has systems for identifying and classifying risks and for monitoring the risks of all its members and of the institutional protection scheme as a whole. Risks are rated on the basis of BVR-SE's classification system, which has been in use since 2003. The aim of this rating process, which is based on the annual financial statements, is to obtain an all-round, transparent view of the financial position, financial performance, and risk position of all members. Rating a bank in accordance with the classification system provides the basis for determining the risk-adjusted guarantee fund contributions of BVR-SE and is also the starting point for preventive management, comprising the monitoring process and ongoing support for an institution in the form of preventive measures. The purpose of monitoring is to identify, analyze, and assess abnormalities at member institutions at an early stage, so that a decision can then be made about whether to include an institution in preventive measures. Preventive measures involve providing intensive support for the institution affected by abnormalities in order to eliminate the identified weaknesses and ensure that it has a strong and sustainable business model, primarily in order to avoid threats to its ability to continue as a going concern.

The results of the classification are supplemented by further analysis and sources of data on an ongoing basis, in particular regulatory reporting data and evaluations of the data collected as part of an annual comparative analysis. This is a data pool that the BVR compiles from data collected from its member institutions and is predominantly based on information from the institutions' accounting and reporting systems. The data from the annual comparative analysis forms the basis for analyses that use key risk indicators to identify and examine particular abnormalities. In addition, BVR-SE prepares special analyses on specific issues and specific risks.

In accordance with its risk-oriented mode of operation, BVR-SE performs individual bank analyses on institutions of major financial significance to the protection scheme as a whole. This includes applying the concept used to analyze large banks. It thus takes into account the risks resulting from the size category of the affiliated institutions.

To assess BVR-SE's risk-bearing capacity, probabilities of default are determined on the basis of various stress scenarios and Monte Carlo simulations are used to calculate the possible restructuring amounts. This involves carrying out scenario-specific classifications on the basis of different assumptions (e.g. interest-rate changes, declining credit ratings in the customer lending business).

BVR-SE classification process

The classification system uses eight key figures relating to financial position, financial performance, and risk position to assign the institutions to one of the nine credit rating categories, which range from A++ to D. The classification system is based on quantitative key figures, most of the data for which is taken from the institutions' audited annual financial statements and audit reports. BVR-SE receives this data from the regional auditing association responsible for the individual institution.

In 2023, the general meeting of members of the BVR adopted changes to the key figures and to the parameterization of the classification process. These changes were applied for the first time in 2024. January 1, 2024 marked the start of a two-year transitional period regarding the method used for determining the BVR-SE guarantee fund contributions. As part of this process, the classifications based on the 2023 and 2024 annual financial statements are being calculated twice, using the legacy method and the new method. The more favorable result will be used to determine the BVR-SE guarantee fund contributions.

Generally, all institutions covered by BVR-SE are included in the classification system. Only a small number of institutions are not included, notably those that are rated separately by an external rating company, e.g. DZ BANK and Münchener Hypothekenbank eG.

The 2024 risk assessment partly drew on the classification process based on an analysis of data from the 2023 financial statements. This risk assessment was supplemented with further up-to-date information and reporting data over the course of 2024.

Overall, the classifications showed a better distribution than in the previous year. At the same time, the spread of classifications also widened slightly. The key figures for financial performance demonstrated a positive trend in terms of income statement line items. Net interest income and net fee and commission income both increased. The administrative expenses ratio improved once again as administrative expenses rose at a slower rate than gross profit. There was a significant positive impact from interest-rate-related valuation effects on own-account investments that ran counter to the effects in the previous year and from the associated decrease in write-downs to the lower of cost and market that were avoided. A higher expense for risk in the lending business, mainly as a result of the macroeconomic slowdown, created a slight negative effect. The robust financial performance created scope to strengthen capital adequacy through profit retention.

Classification of the BVR-ISG contributions

The contributions from the CRR credit institutions that are members of BVR-ISG are calculated on a risk-oriented basis in accordance with the BVR-ISG rules on contributions. The main structural elements and the details of the calculation methodology are drawn from EBA Guidelines EBA/2015/10, in accordance with which deposit guarantee schemes and institutional protection schemes are required to collect risk-related contributions. The EBA revised and finalized this standard in 2023, replacing it with the new Guidelines EBA/GL/2023/02. Application of the new contribution rating requirements becomes mandatory for the first time for the 2025 financial year.

Risk management and monitoring

Preventive management

The aim of preventive management is to identify and counteract adverse economic trends in the member institutions at an early stage, thereby helping to prevent the need for supporting measures and providing impetus for improving the financial situation of institutions in the Cooperative Financial Network. An analysis is carried out of the available data and other information in order to identify institutions with potential issues. Further discussions are then held with the senior management of the institutions in order to agree the measures required to stabilize and improve business performance.

The results of the classification process provide important foundations for BVR-SE's systematic preventive management. An institution is brought into the scope of this preventive management approach no later than when it is classified as B− or lower on the basis of its annual financial statements. For some years now, however, other key figures (e.g. key figures from institutions' reporting systems or their financial planning and reporting data) and qualitative information have been added that supplement the classification results so that any abnormalities at institutions can be identified at an early stage. In 2024, this data included the multi-year planning and the institutions' regular reporting as well as the statutory ad hoc disclosures required pursuant to section 24 (1) no. 4 of the German Banking Act (KWG) and the outcomes of industry-wide stress tests.

Before the prevention phase, the monitoring of conspicuous institutions plays a significant role in the early identification of possible risk situations at institutions. Developments in the real estate markets continued to be particularly significant to this aspect of BVR-SE's work in 2024. However, the problem was not so much one of decreases in new traditional home finance business with retail customers – the core assets-side business of many cooperative banks – but of increased risk in the commercial finance business. Alongside a handful of initial contacts, a major focus in 2024 was on assessing institutions that were already being supported and were experiencing an accumulation of risk – reflected, for example, in a greater need to recognize impairment losses or even write-offs.

As had become established practice in previous years, the monitoring program once again also reached out to institutions that were not showing any indications of particular risk but that could potentially represent a major risk simply because of the size of their balance sheet. The proportion of these institutions continued to go up, primarily due to mergers.

Restructuring management

As before, the work of the dual cooperative protection scheme in restructuring member institutions is primarily aimed at ensuring, through the provision of supporting measures, that these institutions' annual financial statements can be prepared on a going concern basis. This also helps to avoid regulatory measures against member institutions. In 2024, some supporting measures were agreed during the year. The measures required are contractually agreed in order to ensure that the bank's business regains its future viability while accommodating the interests of all members of the Cooperative Financial Network. BVR-SE's statutes and BVR-ISG's articles of association provide the legal basis for all actions of the dual cooperative protection scheme.

The 'Manual for future-proof bank management – guidelines for reorganizing and restructuring cooperative banks' forms the basis for providing restructuring assistance and carrying out restructuring measures. The principles documented in the manual provide affected institutions with guidance on re-establishing competitive structures, e.g. through recovery, and describe concepts for restoring their fundamental profitability. The aim is for the institutions to complete this restructuring phase within no more than five years. The manual is also specifically aimed at institutions undergoing preventive measures and any institutions that have themselves identified the need for reorganization. In addition, it includes a dedicated section setting out in detail the restructuring steps that need to be carried out in close consultation with the bank undergoing restructuring and the competent cooperative auditors' association. This section of the manual addresses different potential target institutions separately and can be applied specifically to each individual case.

Over the course of 2024, a mid-single-digit number of institutions required supporting measures due to institution-specific risk factors or weaknesses. No costs were incurred for cases from previous years where risks already covered had materialized or for which a loss allowance had been recognized. These legacy cases are being progressively reduced. There were only a few noteworthy repayments under debtor warrant obligations and other guarantee release obligations.

In 2024, BVR-ISG achieved the target funding level required by law. Further contributions are only required to be paid in if there is an increase in the volume of deposits covered and the returns generated by the fund are not sufficient to meet the additional cover required. Fund assets are held and safely invested in accordance with the relevant EU directive.

Overall, the business performance meant that the capital base of the dual cooperative institutional protection scheme decreased slightly in 2024 due to the aforementioned cases where support was required.

Outlook for the dual cooperative institutional protection scheme

The main influence on the financial performance of the cooperative institutional protection scheme in 2025 will once again be the macroeconomic environment in Germany. This may lead to new restructuring cases, resulting in risks for the dual scheme and demands on its resources. However, these are expected to be lower than in the reporting year. The reduction in fund assets within BVR-SE will be replenished through income from contributions in 2025 and subsequent years with the aim of restoring the asset volume to a target significantly above the 2023 level. A changing regulatory environment for institutional protection schemes could present both a structural risk and a high financial risk to the dual cooperative institutional protection scheme. The dossiers on crisis management and deposit insurance (CMDI) and on the European deposit insurance scheme (EDIS) are of particular relevance in this context. Negotiations regarding the CMDI are at the trilogue stage of the European legislative procedure; EDIS has been put on hold until the CMDI process has been completed. In 2024, a multi-year project was launched at BVR-SE to refine the institutional protection scheme.

Capital

Regulatory capital

The consolidated financial statements of the Cooperative Financial Network provide a comprehensive overview of the main capital ratios, particularly the consolidated regulatory capital ratios. These capital ratios are fundamentally calculated in accordance with the CRR provisions using the extended aggregated calculation pursuant to article 49 (3) CRR in conjunction with article 113 (7) CRR. Information concerning the regulatory capital ratios relates to the reporting date of December 31, 2024 and does not include the retention of the profits reported in the 2024 annual financial statements. Profit is retained after the individual institution's relevant committees have given their approval. This retention of profits will further strengthen capital in 2025.

The cooperative banks hold 85.0 percent of consolidated own funds. Growth in own funds arises primarily from the profits generated, and in most cases retained, by the cooperative banks and network institutions. Rights issues by the network institutions are for the most part subscribed internally and consolidated within the Cooperative Financial Network.

Due to the exclusion of internal exposures within the network in accordance with article 113 (7) CRR, the related amounts are generally not consolidated. The consolidation measures carried out primarily include directly and indirectly held own funds instruments within the Cooperative Financial Network and therefore particularly affect equity investments of cooperative banks and subordinate receivables due to them from the network institutions, especially from DZ BANK. The own funds instruments are consolidated in the relevant own funds categories and in the total risk exposure. The impact of consolidation on the level of the risk-weighted exposure amounts is negligible. The method by which the consolidation is carried out results in a reduction in own funds. The total capital ratio for the Cooperative Financial Network is therefore lower than the corresponding ratio for the sum of all cooperative banks.

Regulatory own funds stood at €139.6 billion as at December 31, 2024 and were thus up by 7.0 percent year on year (December 31, 2023: €130.5 billion). The rise in own funds mainly resulted from the retention of the profits reported by the cooperative banks in the 2023 financial statements.

The institutions in the Cooperative Financial Network primarily use the Standardized Approach to credit risk to determine their regulatory capital requirements. Some institutions also the Internal Ratings-Based Approach (IRB Approach), including institutions in the DZ BANK Group, Münchener Hypothekenbank eG, and Deutsche Apotheker- und Ärztebank eG. The table below shows the risk-weighted assets of the institutions in the Cooperative Financial Network.

BVR-SE analyzes the regulatory capital ratios of each member institution on an ongoing basis. The institutions themselves are responsible for fulfilling the regulatory requirements at all times, including in respect of bank-specific SREP surcharges.

The total capital ratios of the individual institutions in the Cooperative Financial Network remained solid as at December 31, 2024 (see chart on pages 58–59).

The Cooperative Financial Network reported equity of €150.3 billion as at December 31, 2024 (December 31, 2023: €143.2 billion). It has continually boosted its level of capital in recent years by retaining profit. This trend substantiates the Cooperative Financial Network's sustainable business model with its broad diversification of sources of risk and income.

The Cooperative Financial Network's consolidated leverage ratio pursuant to the CRR came to 8.4 percent as at December 31, 2024 (December 31, 2023: 8.0 percent). This is continued proof of the healthy capital adequacy of the Cooperative Financial Network. The rise in the leverage ratio was attributable to the increase of €9.0 billion in Tier 1 capital. The leverage ratio is calculated for the Cooperative Financial Network in accordance with the provisions of article 429 CRR. It is based on Tier 1 capital as determined in the extended aggregated calculation in accordance with article 49 (3) CRR. The risk exposures are determined by aggregating the individual leverage ratio submissions of all the institutions in the Cooperative Financial Network and adjusting them for material internal exposures within the joint liability scheme. The leverage ratio total exposure measure increased by 2.1 percent year on year, rising to €1,602.7 billion.

Normative and economic risk-bearing capacity

Capital is proactively managed to ensure that an institution always has an adequate level of capital. This is achieved with calculations of risk-bearing capacity, in which the available risk capital is compared with the capital risks taken on. Risk-bearing capacity must be examined from two perspectives that complement each other, namely the normative and the economic perspectives. The normative perspective is centered on the institutions having adequate levels of regulatory capital. The economic perspective focuses on the institutions adequately and efficiently allocating their available internal capital across their material risk types.

Capital management is a core management task for all institutions in the Cooperative Financial Network. Pursuant to the Minimum Requirements for Risk Management (MaRisk), the institutions must structure it according to the specifics of their organization, reflecting their complexity, scope of business activities, and size. The cooperative banks' main risk types in this context are usually counterparty risk, market risk (including interest-rate risk), liquidity risk, and operational risk.

Notwithstanding the challenging economic environment, the Cooperative Financial Network again strengthened its equity position in 2024. Based on internal reporting data, the Cooperative Financial Network's normative risk-bearing capacity was satisfactory with a utilization level of 83.1 percent as at December 31, 2024 (December 31, 2023: 85.3 percent). In the economic calculation of risk-bearing capacity, the median utilization stood at 45.7 percent of the total economic capital as at December 31, 2024.

parcIT GmbH, the center of excellence for management processes in the Cooperative Financial Network helped the cooperative banks to apply and refine their procedural and calculation methods for risk-bearing capacity. Areas of focus in 2024 included integrating sustainability (ESG) risks into risk management and conducting stress tests. In addition, information on how to account for provisions for pensions and other post-employment benefits and for the present value of risk premiums for internal exposures and securities within the network were added to the risk-bearing capacity manual developed by parcIT. The template used for the parameterization of the adverse scenario in the normative perspective was updated and a revised procedure for strategic planning at the institutions was drafted.

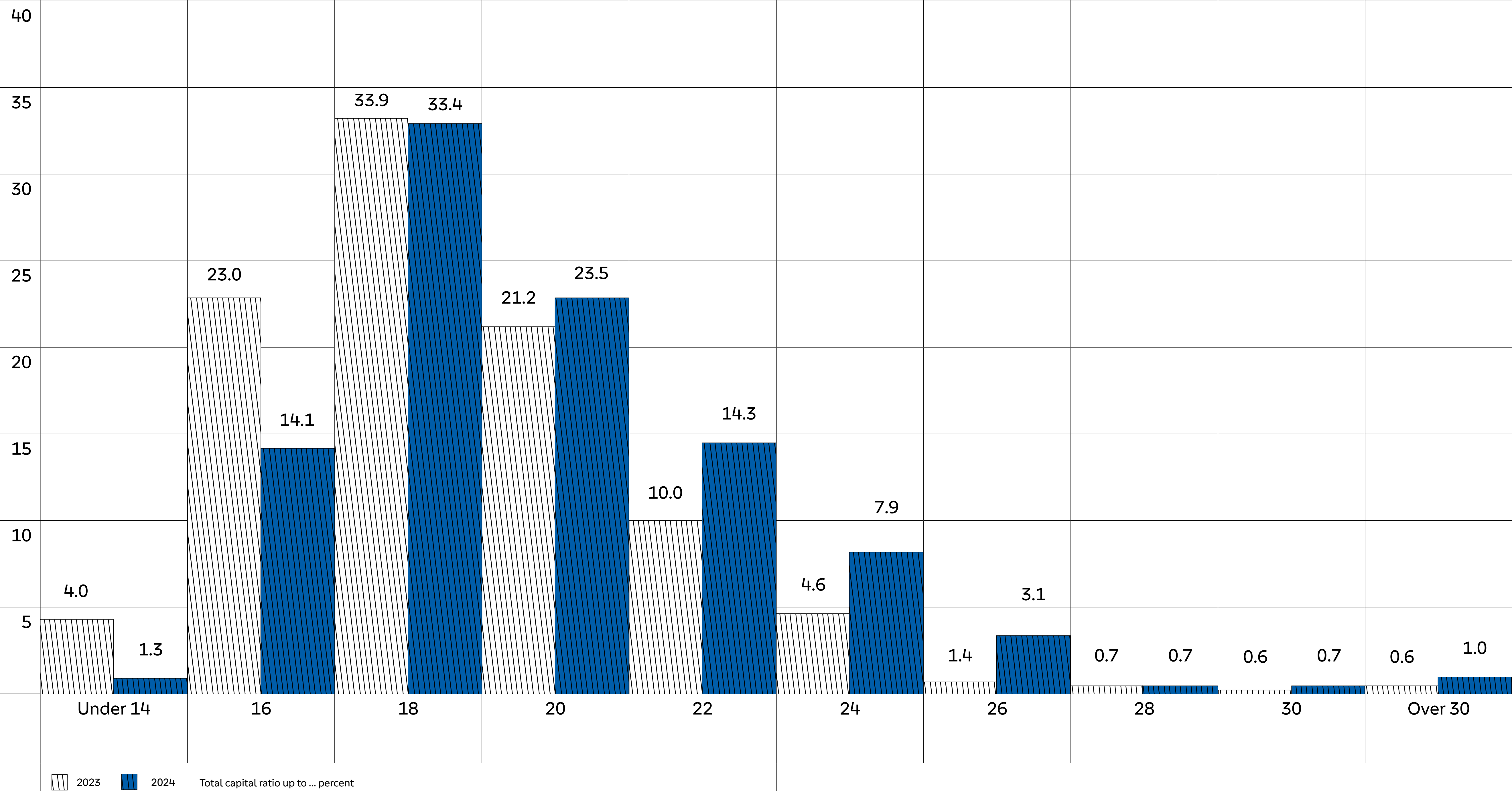
Breakdown of risk-weighted assets

	Dec. 31, 2024 € million	Dec. 31, 2023 € million	Change (percent)
Total credit risk	**751,744**	**737,956**	**1.9**
Total under the Standardized Approach to credit risk	***612,450***	***605,244***	***1.2***
of which: corporates	193,701	193,809	−0.1
of which: retail business	149,899	150,300	−0.3
of which: secured by mortgages on immovable property	117,959	112,063	5.3
of which: undertakings for collective investment in transferable securities (UCITS)	54,612	54,904	−0.5
Total under the IRB Approach to credit risk	***133,979***	***127,808***	***4.8***
of which: corporates	56,720	54,814	3.5
of which: retail business	28,230	27,635	2.2
of which: equity investments	36,390	32,398	12.3
Securitization exposures	***5,163***	***4,754***	***8.6***
Exposure amount for contributions to the default fund of a CCP[1]	***152***	***149***	***1.7***
Total market risk	**12,081**	**10,289**	**17.4**
Total operational risk	**57,047**	**52,116**	**9.5**
Total other exposures (including CVAs[2])	**3,541**	**2,690**	**31.6**
Total	**824,413**	**803,051**	**2.7**

1 Central counterparty (CCP).
2 Total risk exposure based on the credit value adjustment (CVA).

Distribution of total capital ratios in the Cooperative Financial Network

Proportion of institutions (percent)



Credit ratings of the Cooperative Financial Network

The Cooperative Financial Network has been awarded a credit rating of AA– from Fitch and of A+ from Standard & Poor’s, in both cases with a stable outlook. The agencies point to the consistently successful business model focused on retail and corporate banking as the reason for the current credit ratings. Capital adequacy is also judged to be above average in terms of quantity and quality. This means that the IPS is able to handle restructuring cases in a manner that we deem appropriate. The rating agencies recognize the Cooperative Financial Network’s ability to build up capital from its own resources by retaining profits. The granular credit structure and high proportion of mortgages in the retail business are the hallmarks of the overall high level of quality in the customer lending business. Funding based on customer deposits remains stable, even in the prevailing interest-rate environment. The dual cooperative protection scheme is seen by the rating agencies as an important connecting link and a crucial element of the risk governance system in the Cooperative Financial Network.

Credit risk, market risk, liquidity risk, and operational risk

Credit risk

Credit risk is the risk of losses that may arise as a result of the default or deterioration in the creditworthiness of a borrower, issuer, counterparty, or equity investment. As at December 31, 2024, the credit risk-weighted assets of the Cooperative Financial Network amounted to €751.7 billion (December 31, 2023: €738.0 billion), which equated to 91.2 percent of total risk-weighted assets (December 31, 2023: 91.9 percent). This means that credit risk is the most significant risk category for the Cooperative Financial Network’s risk-bearing capacity in the normative perspective.

To assess the creditworthiness of individual borrowers in the customer business, the institutions use segment-specific rating systems. Most of the institutions measure risk in the economic perspective on the basis of value at risk (VaR), which is calculated using a credit-portfolio model. These processes are validated annually at both parameter level and overall model level.

To assess the credit quality of own-account investments, the institutions use segment-specific rating systems and, in some cases, assessments from external rating agencies. In the case of own-account investments too, economic risk is usually measured on the basis of VaR, which is calculated using a regularly validated portfolio model. Furthermore, scenario analysis and stress analysis are regularly used both in the customer lending business and for own-account investments.

Lending to regional retail and corporate customers is a core element of the Cooperative Financial Network’s strategy. This involves the profit-oriented assumption of risk, taking account of the level of equity and pursuing a risk-conscious lending policy. For the institutions in the Cooperative Financial Network, knowledge about customers plays a central role in lending, as does the capacity of customers to meet their obligations. Overall, the Cooperative Financial Network’s customer lending business has a predominantly granular credit structure and a high proportion of loans secured against real estate. The granularity and extensive regional diversification of the Cooperative Financial Network’s business activities in Germany limit the formation of risk clusters.

The Cooperative Financial Network’s lending business grew slightly in 2024. Loans and advances to customers increased by 2.6 percent year on year (2023: 2.4 percent). Long-term home finance remained the principal driver of the growth in lending. Consumers benefited from rising income levels and the slowdown in inflation. Slightly more attractive borrowing costs and higher purchasing power led to an increase in demand for mortgages. Residential property prices stabilized in 2024. On average for the reporting year, prices edged down only marginally, following a sharp decline that had begun in mid-2022. According to data from the Verband deutscher Pfandbriefbanken (vdp) [Association of German Pfandbrief Banks], prices for owner-occupied housing went down by 1.6 percent in 2024, compared with a drop of 4.1 percent in the previous year. Prices also fell less sharply in the commercial real estate market, which recorded a year-on-year decrease of 5.4 percent (2023: decrease of 10.2 percent).

The growth in the local cooperative banks' corporate banking business was predominantly driven by lending to companies in the service and energy sectors. Because of their regional roots, the local cooperative banks regularly assist with projects in the renewable energies market and provide financial support to companies in relation to projects for increased energy efficiency and for power generation from renewable sources. The DZ BANK Group's lending business was primarily focused on entities within the Cooperative Financial Network, on corporate banking, and on real estate finance in the reporting year.

The number of insolvencies in 2024 was higher than in the previous year. According to estimates by Creditreform, personal insolvencies went up by 8.5 percent to 72,100 in the reporting year. Meanwhile, figures published by the German Federal Statistical Office show an even steeper increase of 22.4 percent in corporate insolvencies in 2024. In the retail customer business of the institutions in the Cooperative Financial Network, insolvencies were mainly driven by the higher cost of living and rising credit interest rates. Key factors in the corporate customer business included high energy prices, excessive bureaucracy, political uncertainty, muted consumer spending, and the phasing-out of exemptions that had been introduced during the coronavirus pandemic. Companies in the transportation, warehousing, construction, and hospitality sectors were particularly affected.

Work to refine our methodologies in 2024 focused on the further development of the credit portfolio model for own-account investments and of loss estimates in the customer business. A new procedure for real estate customers was added to the segment-specific rating systems in order to enhance the coverage of all relevant segments in the lending business.

The expense for loss allowances amounted to €4.9 billion in 2024 (2023: €1.8 billion) and was mainly attributable to the larger addition required for loss allowances as a result of the gloomier economic conditions and the increase in corporate and personal insolvencies over the course of the reporting year. According to the internal reporting, the Cooperative Financial Network's NPL ratio (non-performing loans as a proportion of the total lending volume) rose to 1.9 percent as at December 31, 2024 (December 31, 2023: 1.5 percent). This rise in the NPL ratio was attributable to the increase in the volume of NPLs. Nevertheless, the NPL ratio remains at a low level. In summary, the institutions in the Cooperative Financial Network operate a healthy lending business overall.

Market risk

Market risk is the risk of losses that could arise from adverse changes in market prices or in factors that influence prices. Market risks are generally grouped into the following categories: equity risk, interest-rate risk, currency risk, and commodity risk. As at December 31, 2024, the risk-weighted assets of the Cooperative Financial Network for market risk amounted to €12.1 billion (December 31, 2023: €10.3 billion), which equated to 1.5 percent of total risk-weighted assets (December 31, 2023: 1.3 percent).

The institutions in the Cooperative Financial Network chiefly use VaR models to measure and manage their market risk. They also use various scenario analyses (planning, adverse, and stress scenarios), for example to produce their capital plans and create transparency about the impact of developments in the markets.

The assumption of market risk – particularly interest-rate risk – has a significant influence on the institutions' financial performance. As in previous years, the largest proportion of net interest income was generated from net interest margin contributions in the customer business.

Following sharp interest-rate hikes in 2022 and a general sideways trend in interest rates in 2023, the central banks of many major economies began to lower their base rates in 2024. Longer-term yields, as measured by ten-year Bunds, went up year on year. However, yield movements remained volatile during the reporting year. The outlined conditions caused the inversion of the yield curve to revert over the course of 2024. In 2024, net interest income in the Cooperative Financial Network increased by 0.9 percent compared with the previous year.

The cooperative banks have a suitable system for managing market risk in the economic perspective. This process, the present-value market risk model, was further refined by parcIT GmbH in 2024 and is validated at regular intervals. Present-value models for measuring market risk are also used by the institutions in the DZ BANK Group, Münchener Hypothekenbank eG, and Deutsche Apotheker- und Ärztebank eG. The institutions within the Cooperative Financial Network calculate their market risk based on a one-year horizon and a confidence level of 99.9 percent.

Liquidity risk

In the Cooperative Financial Network, liquidity risk is managed with the aim of ensuring that a bank can meet its payment obligations at all times. In accordance with the cooperative principle of subsidiarity, each cooperative bank is in charge of its own liquidity management and risk management. Compliance with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), which are regulatory normative key figures, is a core aspect of liquidity analysis for the institutions in the Cooperative Financial Network. The institutions also deploy business management tools, for example to determine liquidity risk and any changes in liquidity levels. Stress tests are carried out too.

For many years, the Cooperative Financial Network has had a reliable liquidity structure that is deemed crisis-resistant. The loan to deposit ratio of the Cooperative Financial Network is 99.0 percent (December 31, 2023: 99.3 percent). The basis for this lies in the diversifying, risk-mitigating effect created by the stable and granular business structure of the cooperative banks and, in particular, in the institutions' traditional method of obtaining funding through customer deposits. This reflects the recognition by customers of the Cooperative Financial Network of the effectiveness of the institutional protection provided by BVR-SE and BVR-ISG, which is particularly aimed at safeguarding deposits and goes beyond the statutory requirements regarding deposit protection.

The liquidity of the Cooperative Financial Network is characterized by the strong portfolio of deposits from retail and corporate customers. This deposit portfolio has an extremely granular structure. Excess liquidity is invested using the Cooperative Financial Network's internal market system at DZ BANK. As the central institution, DZ BANK is responsible for offsetting liquidity peaks that arise by pooling the excess liquidity from individual cooperative banks and balancing out differences in their liquidity levels. BVR-SE shares information about the liquidity situation of the individual institutions with DZ BANK on an ongoing basis. In addition, BVR-SE monitors the liquidity situation of the individual institutions and of the network as a whole as part of its statutory responsibilities.

The liquidity situation at the institutions remained stable in 2024. The consolidated LCR for the Cooperative Financial Network stood at 161.6 percent as at December 31, 2024 and thus held steady compared with the figure of 162.0 percent as at December 31, 2023.

The NSFRs were also monitored as a way of measuring the institutions' ability to meet their payment obligations over the longer term. The median NSFR for all institutions in the Cooperative Financial Network exhibited a very low level of volatility during the reporting year. As at December 31, 2024, this figure came to 121.1 percent (December 31, 2023: 120.5 percent), remaining at the largely stable level seen over a longer-term observation period. Once again, the Cooperative Financial Network's liquidity structures proved resilient even during a challenging year characterized by a rapidly changing market environment.

Operational risk

Based on the definition used by the banking regulator, operational risk is the risk of losses arising from inadequate or failed internal processes, personnel, or systems, or from external events. As at December 31, 2024, the risk-weighted assets of the Cooperative Financial Network attributable to operational risk amounted to €57.0 billion (December 31, 2023: €52.1 billion), which equated to 6.9 percent of total risk-weighted assets (December 31, 2023: 6.5 percent). The level of reputational risk for the Cooperative Financial Network increased in 2024 as a result of the restructuring cases that emerged and the associated press coverage. BVR is addressing this issue systematically with the Geno Next Level project, which is primarily focused on optimizing BVR-SE's processes.

The cooperative banks' internal control system (ICS) is aimed at reducing operational risk. It comprises an internal management system and an internal monitoring system that, in turn, consists of monitoring mechanisms that are built into processes as well as cross-process monitoring mechanisms. The various mechanisms include procedural instructions, application of the principle of separation of functions, the use of standardized contract templates that have been reviewed by a legal expert, and the appointment of IT security, compliance, data protection, and anti-money-laundering officers. In addition, business continuity plans for failure of technical equipment are in place.

Internal control processes are designed to ensure that material operational risks are identified, analyzed, and assessed on a regular basis. The institutions can use guidelines to conduct a systematic risk assessment in keeping with market standards. The institutions record any loss events in their own database. Based on the outcome of the loss event analysis, internal procedures are adjusted and preventive safeguards implemented as necessary.

Operational risk is measured in consideration of the business model of the individual institution. parcIT GmbH supported the cooperative banks with an update of the process map and additions to the reporting for the loss event data pool. Most institutions use lump sums for quantification, while some use VaR approaches.

Opportunities and opportunity management

Customer membership is a distinctive feature of the cooperative banks' business model and one that is ideally suited to conveying the values of the cooperative idea. It offers the cooperative banks and product suppliers in the Cooperative Financial Network the opportunity to differentiate themselves from rival banking groups. The extensive branch network allows the institutions in the Cooperative Financial Network to continue to reach a wide range of customers in a way that online banks cannot. Strong customer loyalty results in measurable economic benefits, such as income growth for the institutions in the Cooperative Financial Network and protection of their market share. In our view, the cooperative principle has received a boost – partly because the coronavirus pandemic and geopolitical tensions have resulted in a trend toward regionalization – that creates new opportunities for the cooperative banks to strengthen their competitive position.

Sustainability is firmly enshrined in the DNA of the cooperative identity. Financial success and socially responsible business are inextricably linked for the institutions in the Cooperative Financial Network and are always geared toward working together to support the common good. In its sustainability guidelines, the Cooperative Financial Network has made a commitment to the Paris climate goals and the UN's global sustainable development goals (SDGs). It has also set itself the objective of playing a significant role in creating sustainable forms of employment in the regions and a climate-friendly economy.

Even in the digital age, the business model of the institutions in the Cooperative Financial Network puts people and their wishes and objectives first. The aim is to forge ahead with digitalizing the cooperative banks' products and services and to offer all of the touchpoints that customers want (local branches as well as online and hybrid banking).

The advance of digitalization and automation, along with the expanded availability of omnichannel products and services on the new sales platform, is designed to allow the Cooperative Financial Network to take account of the changes in customer behavior and to adjust and strengthen the overall business model accordingly. The focus is on the comprehensive omnichannel presence and thus the implementation of efficient processes at all levels. Nonetheless, personal contact remains a key component of the customer relationship, alongside high-quality advice and the possibility for customers to choose how they would like to communicate with their bank. The Cooperative Financial Network is therefore establishing a variety of different customer touchpoints and giving its members integrated access to all information and services through all the relevant channels, whether in branch or via digital media.

By marketing new digital payment services, implementing an online inquiry process for all of the main products, and offering digital membership, banks can address customer needs and should be able to attract new customers. This also enables them to target young, tech-savvy customers and members. The BVR believes that, by establishing the smart data company Truuco, it has created the structures that allow highly tailored recommendations to be created for customers based on smart data. Furthermore, the new strategic equity investment and company-building unit Amberra, which invests in relevant start-ups and develops new business models, allows ecosystem offerings to be provided that go beyond banking products in the traditional sense.

We believe that the downward trend in interest rates that set in from mid-2024 presents opportunities for growth for the institutions' lending business, especially in connection with an upturn in real estate finance. This will positively affect net interest income, not least because market-related pressures on interest rates on liability-side products are expected to ease. The management of interest-rate risk remains of crucial importance in this environment. However, macroeconomic and geopolitical risks are currently at high levels, and the actual effect of changes in the interest-rate environment on earnings in 2025 will depend on the extent to which these risks materialize.

Outlook

Real economy and banking industry

The domestic and foreign policy parameters changed considerably for the German economy in spring 2025. Moreover, unpredictable US trade policy is weighing heavily on macroeconomic growth in Germany, and the security situation in Europe has deteriorated since the new administration took over in Washington. However, the new German government is likely to have access to more headroom for borrowing in order to respond to these challenges, which provides grounds for optimism. Amendments to legislation that will allow the German government and the federal states to spend more on defense, other security policy matters, climate action, and infrastructure have been passed by both chambers of the German parliament.

The broader economic recovery is likely to be delayed further, mainly due to US tariff policy. Against this backdrop, the economic research institutes contributing to the Joint Economic Forecast have significantly lowered their growth forecast for Germany for 2025. In their 2024 autumn report, the researchers had still forecast growth of 0.8 percent in inflation-adjusted gross domestic product (GDP), whereas their more recent spring report effectively predicts the stagnation of real economic output (growth of 0.1 percent). The expected substantial rise in government spending will invigorate the economy only over a longer forecast horizon. For 2026, the research institutes project inflation-adjusted economic growth of 1.3 percent.

Spending on capital equipment will probably not start to rise again until the second half of 2025, when structural changes in the manufacturing sector are expected to have less of a dampening effect and international business should start to pick up. With regard to construction investment, the ground seems prepared for a trend reversal, but the recovery is likely to take a while. Likewise, the revival of consumer spending will be a slow process. The research institutes predict that consumer prices will rise by 2.1 percent next year, a slightly lower rate than this year (2.2 percent). Unemployment is also expected to edge down, from an average of 6.3 percent for 2025 to an average of 6.2 percent for 2026.

Most major central banks started to loosen their monetary policy in 2024 by lowering interest rates. The ECB continued on a less restrictive policy trajectory in early 2025. At its meeting on April 17, 2025, it not only cut interest rates again, but also confirmed that the disinflation process was progressing well and that inflation was moving in line with the expectations of ECB experts. It anticipates that the medium-term inflation target of 2 percent will be reached. At the same time, the ECB Governing Council emphasized that the current market environment was characterized by heightened uncertainty and reiterated that it would not commit to any specific trajectory for interest rates in advance. Going forward, the council intends to make data-driven decisions from meeting to meeting, based on analyses of the outlook for inflation, the underlying inflation drivers, and the effectiveness of the monetary policy transmission mechanism.

Although the ECB Governing Council has ruled out committing to specific future interest-rate actions, it emphasized at its meeting in March 2025 that monetary policy in the eurozone has already become significantly less restrictive. It explained that the interest-rate cuts that have been implemented so far have lowered the cost of new borrowing for companies and consumers, and lending growth is gaining traction again. At the same time, because certain effects of interest-rate changes take a long time to materialize, historical interest-rate increases are still affecting existing loans and lending activity remains muted overall. Following the interest-rate cut in April, the reference to the restrictive impact of monetary policy was removed from the monetary policy press statement. Central banks commonly use estimates of the neutral interest-rate level to provide guidance on when the restrictive effect of monetary policy is likely to cease. In a publication from February 2025, the ECB estimated that the neutral interest-rate level was in a range from 1.75 percent to 2.25 percent. This estimate leaves only limited scope for further interest-rate reductions before monetary policy in the eurozone would cross back into expansionary territory.

The aforementioned macroeconomic effects also impact on our outlook for the banking sector in various ways. For instance, the BVR believes that risk costs in the lending business in 2025 will be at least on a par with 2024 due to economic uncertainties in Europe and geopolitical risks. Weaker economic conditions are likely to cause many companies' resilience to stagnate or even decline, which, in combination with persistently higher funding costs, could adversely affect the servicing of debt. Net interest income in the German banking sector is predicted to hold steady in 2025, partly because the ECB will probably reduce its key interest rates further and partly because interest rates on liability-side products are set to come down in 2025. New lending business should grow more robustly than in 2024. Property prices are not expected to drop further and an increase in average debt service capacity, primarily due to collectively agreed pay rises, should help a new equilibrium to be reached to some extent.

Outlook for the Volksbanken Raiffeisenbanken Cooperative Financial Network

The high risks arising from the geopolitical and macroeconomic environment will have a marked influence on the results for 2025. Net interest income is expected to be on a par with 2024. Net fee and commission income should grow modestly year on year. These two components will be the main factors for earnings. The bulk of fees and commissions will continue to be generated from payments processing and the brokerage of investment products.

There will be a further net gain under gains and losses on investments in 2025 thanks to expected reversals of impairment losses on investments, although the net gain will be significantly smaller than in 2024. We still do not anticipate any material credit-quality-related risks in connection with investments. In light of the extended period of economic weakness in Germany and global geopolitical risks, expenses for loss allowances are forecast to fall in 2025 but will remain significantly above the levels of previous years. This is because loan defaults in the customer business, especially among corporate customers, are still expected to rise. Net income from insurance business is predicted to decrease noticeably in 2025, primarily owing to a marked increase in expenses in the insurance business. In addition, a moderate rise in administrative expenses is forecast for 2025 in connection with collectively negotiated pay increases.

Taking account of the factors described above, profit before taxes is expected to be lower in 2025 than in 2024.

The regulatory capital ratios will fall in 2025 as the growth of the customer lending business and CRR III transition effects will lead to a rise in risk-weighted assets that probably cannot be fully offset through retention of profits.

Consolidated Financial Statements 2024 of the Volksbanken Raiffeisenbanken Cooperative Financial Network

Income statement for the period January 1 to December 31, 2024

	(Note no.)	2024 € million	2023 € million
Net interest income	7	24,316	24,107
Interest income and current income and expense		*44,006*	*38,399*
Interest expense		*-19,691*	*-14,291*
Net fee and commission income	8	9,481	8,829
Fee and commission income		*11,100*	*10,407*
Fee and commission expenses		*-1,619*	*-1,578*
Gains and losses on trading activities	9	-643	19
Gains and losses on investments	10	1,058	1,338
Loss allowances	11	-4,873	-1,809
Other gains and losses on valuation of financial instruments	12	150	227
Insurance service result	13	1,835	1,607[1]
Gains and losses on investments held by insurance companies and other insurance company gains and losses	14	5,094	2,982
Insurance finance income or expenses	15	-5,351	-3,297[1]
Administrative expenses	16	-20,815	-20,370
Other net operating income	17	505	742
Profit before taxes		**10,758**	**14,375**
Income taxes	18	-3,222	-3,571
Net profit		**7,535**	**10,805**
Attributable to:			
Shareholders of the Cooperative Financial Network		7,375	10,691
Non-controlling interests		161	114

1 Amount restated

Statement of comprehensive income for the period January 1 to December 31, 2024

	2024 € million	2023 € million
Net profit	**7,535**	**10,805**
Other comprehensive income/loss	**54**	**144**
Items that may be reclassified to the income statement	***97***	***566***
Gains and losses on debt instruments measuredat fair value through other comprehensive income	886	4,679
Exchange differences on currency translation of foreign operations	50	-12
Insurance finance income or expenses included in other comprehensive income	-829	-3,745
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	5	-8
Income taxes	-16	-349
Items that will not be reclassified to the income statement	***-43***	***-421***
Gains and losses on equity instruments for which the fair value OCI option has been exercised	189	-47
Gains and losses in relation to financial liabilities for which the fair value OCI option has been exercised, attributable to changes in own credit risk	-513	300
Gains and losses arising on remeasurements of defined benefit plans	183	-743
Income taxes	98	69
Total comprehensive income/loss	**7,589**	**10,949**
Attributable to:		
Shareholders of the Cooperative Financial Network	7,418	10,761
Non-controlling interests	172	188

Balance sheet as at December 31, 2024

Assets	Note no.	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Cash and cash equivalents	19	98,256	119,757
Loans and advances to banks	20	58,484	38,158
Loans and advances to customers	20	1,050,269	1,023,602
Hedging instruments (positive fair values)	21	3,530	5,259
Financial assets held for trading	22	29,976	34,127
Investments	23	256,283	241,273
Loss allowances	24	-15,827	-12,048
Investments held by insurance companies	25	121,404	114,329
Property, plant and equipment, investment property and right-of-use assets	26	18,621	18,117
Income tax assets	27	9,023	8,929
Other assets	28	7,706	5,677
Total assets		**1,637,724**	**1,597,180**

Equity and liabilities	Note no.	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Deposits from banks	29	138,877	139,458[1]
Deposits from customers	29	1,061,003	1,031,186[1]
Debt certificates issued including bonds	30	100,778	97,433
Hedging instruments (negative fair values)	21	660	624
Financial liabilities held for trading	31	38,544	44,043
Provisions	32	11,190	11,592
Insurance contract liabilities	33	111,340	105,151
Income tax liabilities	27	6,130	5,859
Other liabilities	34	11,684	11,883
Subordinated capital	35	7,214	6,713
Equity	36	150,305	143,238
Equity of the Cooperative Financial Network		148,200	141,158
Subscribed capital		*18,058*	*17,410*
Capital reserves		*1,282*	*811*
Retained earnings		*129,265*	*123,107*
Reserve from other comprehensive income		*-594*	*-360*
Additional equity components		*189*	*190*
Non-controlling interests		2,105	2,080
Total equity and liabilities		**1,637,724**	**1,597,180**

1 Amount restated

Statement of changes in equity

The composition of equity is detailed in Note 36.

€ million	Subscribed capital	Capital reserve	Retained earnings	Reserves from other comprehensive income	Additional equity components
Equity as at Jan. 01, 2023	**16,485**	**795**	**113,400**	**-874**	**180**
Net profit	–	–	10,691	–	–
Other comprehensive income/loss	–	–	-504	575	–
Total comprehensive income/loss	**–**	**–**	**10,187**	**575**	**–**
Issue and repayment of equity	925	16	–	–	10
Acquisition/disposal of non-controlling interests	–	–	-35	–	–
Reclassifications within equity	–	–	61	-61	–
Dividends paid	–	–	-497	–	–
Distribution on additional equity components	–	–	-8	–	–
Equity as at Dec. 31, 2023	**17,410**	**811**	**123,107**	**-360**	**190**
Net profit	–	–	7,375	–	–
Other comprehensive income/loss	–	–	145	-102	–
Total comprehensive income/loss	**–**	**–**	**7,519**	**-102**	**–**
Issue and repayment of equity	648	471	–	–	-1
Changes in the scope of consolidation	–	–	2	–	–
Acquisition/disposal of non-controlling interests	–	–	-221	-6	–
Reclassifications within equity	–	–	126	-126	–
Dividends paid	–	–	-1,259	–	–
Distribution on additional equity components	–	–	-9	–	–
Equity as at Dec. 31, 2024	**18,058**	**1,282**	**129,265**	**-594**	**189**

€ million	Equity of the Cooperative Financial Network	Non-controlling interests	Total equity
Equity as at Jan. 01, 2023	**129,987**	**1,912**	**131,899**
Net profit	10,691	114	10,805
Other comprehensive income/loss	71	74	144
Total comprehensive income/loss	**10,761**	**188**	**10,949**
Issue and repayment of equity	951	-1	950
Acquisition/disposal of non-controlling interests	-35	13	-21
Reclassifications within equity	–	–	–
Dividends paid	-497	-32	-529
Distribution on additional equity components	-8	–	-8
Equity as at Dec. 31, 2023	**141,158**	**2,080**	**143,238**
Net profit	7,375	161	7,535
Other comprehensive income/loss	43	11	54
Total comprehensive income/loss	**7,418**	**172**	**7,589**
Issue and repayment of equity	1,118	–	1,118
Changes in the scope of consolidation	2	-97	-95
Acquisition/disposal of non-controlling interests	-227	-13	-240
Reclassifications within equity	–	–	–
Dividends paid	-1,259	-38	-1,297
Distribution on additional equity components	-9	–	-9
Equity as at Dec. 31, 2024	**148,200**	**2,105**	**150,305**

Statement of cash flows

	2024 € million	2023 € million
Net profit	**7,535**	**10,805**
Non-cash items included in net profit and reconciliation to cash flows from operating activities		
Depreciation, amortization, impairment losses, and reversal of impairment losses on assets, and other non-cash changes in financial assets and liabilities	2,092	407
Non-cash changes in provisions	73	1,229
Non-cash changes in insurance contract liabilities	3,672	3,194
Other non-cash income and expenses	566	-4,213
Gains and losses on the disposal of assets and liabilities	-2,749	-2,463
Other adjustments (net)	-22,410	-22,352
Subtotal	**-11,221**	**-13,393**
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks and customers	-47,688	-17,979
Other assets from operating activities	-1,376	1,019
Hedging instruments (positive and negative fair values)	-351	-1,211
Financial assets and financial liabilities held for trading	-1,911	10,640
Deposits from banks and customers	29,124	-25,158
Debt certificates issued including bonds	2,951	27,299
Other liabilities from operating activities	2,346	575
Interest, dividends and operating lease payments received	43,627	38,990
Interest paid	-20,064	-14,120
Income taxes paid	-1,583	-1,404
Cash flows from operating activities	**-6,146**	**5,258**

	2024 € million	2023 € million
Proceeds from the sale of investments	19,808	29,919
Proceeds from the sale of investments held by insurance companies	23,278	26,841
Payments for acquisitions of investments	-33,203	-29,043
Payments for acquisitions of investments held by insurance companies	-23,630	-30,222
Net payments for acquisitions of property, plant and equipment, and investment property (excl. assets subject to operating leases)	-1,658	-1,920
Net payments for acquisitions of intangible non-current assets	-166	-158
Changes in the scope of consolidation	-23	–
thereof: proceeds from the disposal of consolidated subsidiaries less cash disposed	-35	–
Cash flows from investing activities	**-15,594**	**-4,583**
Proceeds from capital increases by shareholders of the Cooperative Financial Network	1,118	951
Dividends paid to shareholders of the Cooperative Financial Network	-1,259	-497
Dividends paid to non-controlling interests	-38	-32
Distribution on additional equity components	-10	-8
Other payments to non-controlling interests	–	-1
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	304	829
Cash flows from financing activities	**115**	**1,242**

	2024 € million	2023 € million
Cash and cash equivalents as at January 1	**119,881**	**117,964**
Cash flows from operating activities	-6,146	5,258
Cash flows from investing activities	-15,594	-4,583
Cash flows from financing activities	115	1,242
Cash and cash equivalents as at December 31	**98,256**	**119,881**

The statement of cash flows shows the changes in cash and cash equivalents during the financial year. Cash and cash equivalents consist of cash on hand and balances with central banks as well as from cash and cash equivalents in the amount of €0 million (December 31, 2023: €124 million) resulting from non-current assets held for sale and disposal groups. The cash reserve does not include any financial investments with a maturity of more than three months at the date of acquisition. Changes in cash and cash equivalents are broken down into operating, investing and financing activities.

Cash flows from operating activities comprise cash flows mainly arising in connection with the revenue-generating activities of the Cooperative Financial Network or other activities that cannot be classified as investing or financing activities. Cash flows related to the acquisition and sale of non-current assets are allocated to investing activities. Cash flows from financing activities include cash flows arising from transactions with equity owners and from other borrowings to finance business activities, particularly from subordinated capital.

A General information

1. Explanatory information on the consolidated financial statements

The consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network to be prepared by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) [National Association of German Cooperative Banks] are based on the significant financial reporting principles set out in the annex. The cooperative shares and share capital of the local cooperative banks are held by their members. The local cooperative banks own the share capital of the central institution either directly or through intermediate holding companies. The Cooperative Financial Network does not qualify as a corporate group as defined by the International Financial Reporting Standards (IFRS), the German Commercial Code (HGB) or the German Stock Corporation Act (AktG).

These consolidated financial statements have been prepared for informational purposes and to present the business development and performance of the Cooperative Financial Network, which is treated as a single economic entity in terms of its risks and strategies. In addition, the financial statements were prepared in compliance with the provisions set out in article 113(7)(e) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (Capital Requirements Regulation – CRR). These consolidated financial statements are not a substitute for analysis of the consolidated entities' financial statements.

The underlying data presented in these consolidated financial statements is provided by the separate and consolidated financial statements of the entities in the Cooperative Financial Network and also includes data from supplementary surveys of the local cooperative banks. The consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK) included in these consolidated financial statements have been prepared on the basis of IFRS as adopted by the European Union.

The financial year corresponds to the calendar year. The consolidated companies prepare their financial statements as at the reporting date of December 31, 2024. With 20 exceptions (December 31, 2023: 19 exceptions), the separate financial statements of the entities accounted for using the equity method are prepared using the same balance sheet date as that of the consolidated financial statements. As the effects are insignificant at the subsidiaries and the associates, we elected not to prepare interim financial statements.

In the interest of clarity, some items on the face of the income statement and the balance sheet have been aggregated and are explained by additional disclosures. All figures are rounded to the nearest whole number. This may result in minor discrepancies in the calculation of totals and percentages.

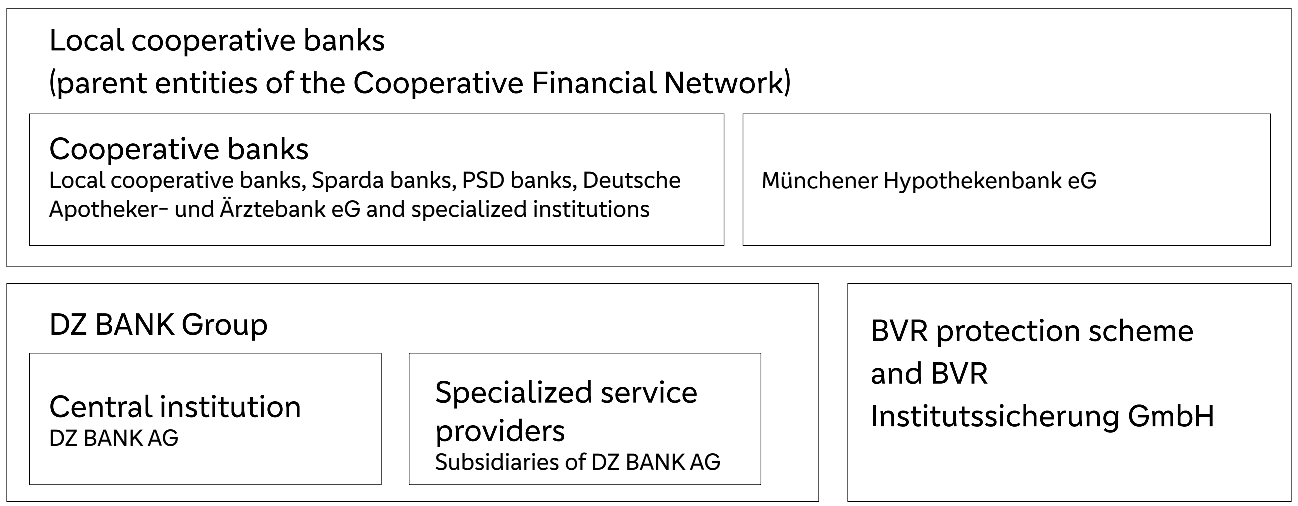
If amounts have changed as regards prior-year figures, this is indicated by a footnote next to the previous year's figure that has changed. The resulting follow-up changes, especially for totals, are not highlighted.

Information as regards the significant financial reporting principles can be found in the annex to the consolidated financial statements.

2. Scope of consolidation

The consolidated financial statements comprise, as consolidated entities, 670 primary banks (December 31, 2023: 695) as well as all companies included in the consolidated financial statements of DZ BANK, Münchener Hypothekenbank eG (MHB), the BVR protection scheme, and BVR Institutssicherung GmbH. The consolidated cooperative banks include Deutsche Apotheker- und Ärztebank eG, the Sparda banks, the PSD banks, and specialized institutions such as BAG Bankaktiengesellschaft.

Volksbanken Raiffeisenbanken Cooperative Financial Network



The cooperative banks and MHB are the legally independent, horizontally structured parent entities of the Cooperative Financial Network, whereas the other companies and the DZ BANK Group are consolidated as subsidiaries. The cooperative central institution and a total of 102 subsidiaries (December 31, 2023: 111) have been consolidated in the DZ BANK Group. In the year under review, the scope of consolidation of the DZ BANK Group changed primarily due to the deconsolidation of a subsidiary that was no longer deemed material.

In the consolidated financial statements, the equity method was used to account for seven joint ventures between a consolidated entity and at least one other non-network entity (December 31, 2023: 5) and 24 associates (December 31, 2023: 23) over which a consolidated entity has significant influence.

B Selected disclosures of interests in other entities

3. Investments in subsidiaries

Share in the business operations of the Cooperative Financial Network attributable to non-controlling interests

DZ BANK is included in the consolidated financial statements as a subgroup together with its respective subsidiaries. DZ BANK is focused on its customers and owners, the local cooperative banks, as central institution, commercial bank and holding company. The objective of this focus is to sustainably expand the position of the Cooperative Financial Network as one of the leading bancassurance groups in Germany.

The shares of DZ BANK, with its headquarters in Frankfurt/Main, Germany, are held by the cooperative banks and by MHB, with ownership interests amounting to 95.1 percent (December 31, 2023: 95.1 percent). The remaining shares of 4.9 percent (December 31, 2023: 4.9 percent) are attributable to shareholders that are not part of the Cooperative Financial Network. The pro-rata share in net profit attributable to non-controlling interests amounted to €161 million (December 31, 2023: €114 million). The carrying amount of non-controlling interests amounted to €2,105 million (December 31, 2023: €2,080 million). In the financial year under review, the dividend payment made to non-controlling interests amounts to €38 million (December 31, 2023: €32 million).

Nature and extent of significant limitations

National regulatory requirements, contractual provisions, and provisions of company law restrict the ability of the DZ BANK Group companies included in the consolidated financial statements to transfer assets within the group. Where restrictions can be specifically assigned to individual line items on the balance sheet, the carrying amounts of the assets and liabilities subject to restrictions on the balance sheet date are shown in the following table:

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Assets	**104,540**	**110,433**
Loans and advances to banks	336	431
Loans and advances to customers	6,869	4,974
Investments	596	731
Investments held by insurance companies	96,240	103,852
Other assets	499	445
Liabilities	**153,395**	**162,409**
Deposits from banks	824	962
Deposits from customers	62,493	63,708
Provisions	833	913
Insurance contract liabilities	89,244	96,825

4. Interests in joint arrangements and investments in associates

Nature, extent and financial effects of interests in joint arrangements
The carrying amount of individually immaterial joint ventures accounted for using the equity method totaled €366 million as at the balance sheet date (December 31, 2023: €293 million).

Aggregated financial information for individually immaterial joint ventures accounted for using the equity method:

	2024 € million	2023 € million
Share of profit/loss from continuing operations	78	80
Share of other comprehensive income/loss	14	-26
Share of total comprehensive income	92	54

Nature, extent and financial effects of interests in associates
The carrying amount of individually immaterial associates accounted for using the equity method totaled €163 million as at the balance sheet date (December 31, 2023: €139 million).

Aggregated financial information for individually immaterial associates accounted for using the equity method:

	2024 € million	2023 € million
Share of profit/loss from continuing operations	-2	-1
Share of total comprehensive income	-2	-1

5. Interests in unconsolidated structured entities

Structured entities are entities that have been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity. The Cooperative Financial Network mainly distinguishes between the following types of interests in unconsolidated structured entities, based on their design and the related risks; these entities exclusively concern companies of the DZ BANK Group:

- Interests in investment funds issued by the Cooperative Financial Network
- Interests in investment funds not issued by the Cooperative Financial Network
- Interests in securitization vehicles

Interests in investment funds issued by the Cooperative Financial Network The interests in the investment funds issued by the Cooperative Financial Network comprise holdings of the DZ BANK Group issued by entities in the Union Investment Group in accordance with the contractual form model without voting rights and, to a lesser extent, those that are structured as a company with a separate legal personality. In addition, there may be other holdings that do not constitute holdings of the DZ BANK Group.

The maximum exposure of the investment funds issued and managed by the Cooperative Financial Network is determined as a gross value, excluding deduction of available collateral, and amounts to €3,337 million as at the reporting date (December 31, 2023: €3,102 million). These investment fund assets resulted in income of €3,707 million (2023: €3,203 million) as well as losses of €7 million (December 31, 2023: €4 million).

Moreover, the Cooperative Financial Network holds investment fund assets issued by itself in connection with unit-linked life insurance policies of the R+V Group (R+V) amounting to €5,668 million (2023: €5,064 million) that, however, do not result in a maximum exposure.

Interests in investment funds not issued by Cooperative Financial Network
The interests in the investment fund assets not issued by the Cooperative Financial Network comprise holdings of the DZ Bank Group. These primarily include investment fund assets managed by companies of Union Investment Group within the scope of their own decision-making powers as well as investment fund assets and parts of such investment fund assets that have been issued by entities outside the Cooperative Financial Network. Their total volume amounted to €39,900 million (December 31, 2023: €38,100 million). Moreover, loans to investment funds are extended in order to generate interest income. In addition, there are investment funds in connection with unit-linked life insurance of R+V amounting to €19,091 million (December 31, 2023: €15,428 million) that were issued by entities outside the Cooperative Financial Network. The unit-linked life insurance policies do not result in a maximum exposure. In addition, there may be further interests held in investment funds not issued by the Cooperative Financial Network that do not constitute holdings of the DZ BANK Group.

The maximum exposure arising from the investment funds not issued by the Cooperative Financial Network is determined as a gross value, excluding deduction of available collateral, and amounts to €10,132 million as at the reporting date (December 31, 2023: €10,244 million). Income generated from these investment fund assets in financial year 2024 amounted to €437 million (2023: €394 million). Losses arising from shares in investment funds not issued by the Cooperative Financial Network amounted to €−1 million (December 31, 2023: €0 million).

Interests in securitization vehicles
The interests in securitization vehicles are interests in vehicles where the Cooperative Financial Network involvement goes beyond that of an investor.

The material interests in securitization vehicles comprise the two multi-seller asset-backed commercial paper ABCP programs CORAL and AUTOBAHN as well as the asset-backed securities (ABS) of R+V. DZ BANK acts as sponsor and program agent for CORAL and AUTOBAHN. It is also the program administrator for AUTOBAHN.

The maximum exposure of the interests in securitization vehicles in the Cooperative Financial Network is determined as a gross value, excluding deduction of available collateral, and amounts to €8,362 million as at the reporting date (December 31, 2023: €7,535 million). These interests resulted in income of €282 million (2023: €236 million) as well as losses of €−9 million (2023: €0 million) in the year under review. Income recognized outside profit or loss amount to €22 million in the year under review (2023: €39 million).

C Income statement disclosures

6. Information on operating segments

Financial year 2024

€ million	Retail Customers and SMEs	Central Institution and Major Corporate Customers	Real Estate Finance	Insurance	Other/ Consolida-tion	**Total**
Net interest income	20,550	2,939	1,944	–	-1,117	**24,316**
Net fee and commission income	9,297	730	-73	–	-473	**9,481**
Gains and losses on trading activities	201	-817	–	–	-27	**-643**
Gains and losses on investments	777	115	19	–	147	**1,058**
Loss allowances	-3,350	-508	-282	–	-733	**-4,873**
Other gains and losses on valuation of financial instruments	14	123	-19	–	32	**150**
Insurance service result	–	–	–	1,371	464	**1,835**
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	5,212	-118	**5,094**
Insurance finance income or expenses	–	–	–	-5,351	–	**-5,351**
Administrative expenses	-18,326	-1,977	-888	–	376	**-20,815**
Other net operating income	336	96	80	8	-15	**505**
Profit before taxes	**9,499**	**701**	**781**	**1,240**	**-1,464**	**10,758**
Cost/income ratio (percent)	58.8	62.1	45.5	–	–	**57.1**

Financial year 2023

€ million	Retail Customers and SMEs	Central Institution and Major Corporate Customers	Real Estate Finance	Insurance	Other/ Consolida-tion	**Total**
Net interest income	20,417	2,612	1,868	–	-790	**24,107**
Net fee and commission income	8,713	638	-71	–	-451	**8,829**
Gains and losses on trading activities	203	-103	-1	–	-80	**19**
Gains and losses on investments	1,151	48	10	–	129	**1,338**
Loss allowances	-1,337	-99	-255	–	-118	**-1,809**
Other gains and losses on valuation of financial instruments	156	-103	82	–	91	**227**
Insurance service result	–	–	–	1,162[1]	446	**1,607**
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	3,143	-161	**2,982**
Insurance finance income or expenses	–	–	–	-3,297[1]	–	**-3,297**
Administrative expenses	-17,911	-2,017	-947	–	505	**-20,370**
Other net operating income	559	79	115	–	-11	**742**
Profit before taxes	**11,951**	**1,055**	**801**	**1,008**	**-440**	**14,375**
Cost/income ratio (percent)	57.4	63.6	47.3	–	–	**55.7**

1 Amount restated

Definition of operating segments
The Volksbanken Raiffeisenbanken Cooperative Financial Network is founded on the underlying principle of decentralization. It is based on the local cooperative banks, whose business activities are supported by the central institution – DZ BANK – and by specialized service providers within the cooperative sector. The main benefit derived by the cooperative banks from their collaboration with these specialized services providers and the central institution is that they can offer a full range of financial products and services.

The operating segment "Retail Customers and SMEs" covers private banking and activities relating to asset management. The segment focuses on retail clients. It mainly includes cooperative banks as well as DZ PRIVATBANK, TeamBank AG Nürnberg (TeamBank) and the Union Investment Group.

The operating segment "Central Institution and Major Corporate Customers" combines the activities of the Cooperative Financial Network in the corporate customers, institutional customers and capital markets businesses. The operating segment focuses on corporate customers. It essentially comprises DZ BANK and the VR Smart Finanz sub-group.

The Real Estate Finance operating segment encompasses the buildings society operations, mortgage banking, and real estate business. The entities allocated to this operating segment include the Bausparkasse Schwäbisch Hall Group (BSH), DZ HYP AG, and MHB.

Insurance operations are reported under the Insurance operating segment. This operating segment consists solely of R+V.

Other/Consolidation contains the BVR protection scheme (BVR-SE) as well as BVR Institutssicherung GmbH (BVR-ISG), whose task is to avert impending or existing financial difficulties faced by member institutions by taking preventive action or implementing restructuring measures. This operating segment also includes intersegment consolidation items.

Presentation of the disclosures on operating segments
The information on operating segments presents the interest income generated by the operating segments and the associated interest expenses on a netted basis as net interest income.

Intersegment consolidation
The adjustments to the figure for net interest income resulted largely from the consolidation of dividends paid within the Cooperative Financial Network.

The figure under Other/Consolidation for net fee and commission income relates specifically to the fee and commission business transacted between the primary banks, TeamBank, BSH, and R+V.

The figure under Other/Consolidation for administrative expenses includes the contributions paid to BVR-SE and BVR-ISG by member institutions of the Cooperative Financial Network.

The remaining adjustments are also largely attributable to the consolidation of income and expenses.

7. Net interest income

	2024 € million	2023 € million
Interest income and current income and expense	**44,006**	**38,399**
Interest income from	***41,945***	***36,988***
Lending and money market business	37,420	33,181
of which: Building society operations	1,159	1,117
of which: Finance leases	19	20
Fixed-income securities	3,024	2,408
Other assets	1,505	1,405
Financial assets with a negative effective interest rate	-4	-6
Current income from	***1,961***	***1,313***
Shares and other variable-yield securities	1,784	1,148
Investments in subsidiaries and equity investments	177	164
Income/loss from using the equity method for	***32***	***34***
Investments in joint ventures	34	34
Investments in associates	-2	–
Income from profit-pooling, profit-transfer and partial profit-transfer agreements	***68***	***64***
Interest expense	**-19,691**	**-14,291**
Interest expense on	***-19,193***	***-14,007***
Deposits from banks and customers	-16,012	-11,649
of which: Building society operations	-622	-698
Debt certificates issued including bonds	-2,555	-1,696
Subordinated capital	-283	-238
Other liabilities	-366	-465
Financial liabilities with a positive effective interest rate	23	40
Other interest expense	***-498***	***-284***
Total	**24,316**	**24,107**

The interest income from other assets and the interest expense on other liabilities result from gains and losses on the amortization of fair value changes of the hedged items in portfolio hedges of interest-rate risk.

8. Net fee and commission income

	2024 € million	2023 € million
Fee and commission income	**11,100**	**10,407**
Securities business	5,219	4,804
Asset management	739	625
Payments processing including card processing	3,614	3,473
Lending business and trust activities	191	200
Financial guarantee contracts and loan commitments	247	231
International business	165	164
Building society operations	37	35
Other	888	875
Fee and commission expenses	**-1,619**	**-1,578**
Securities business	-493	-507
Asset management	-173	-140
Payments processing including card processing	-265	-280
Lending business	-105	-99
Financial guarantee contracts and loan commitments	-37	-41
International business	-25	-28
Building society operations	-64	-51
Other	-456	-430
Total	**9,481**	**8,829**

9. Gains and losses on trading activities

	2024 € million	2023 € million
Gains and losses on trading in financial instruments	-956	-219
Gains and losses on trading in foreign exchange, foreign notes and coins, and precious metals	154	68
Gains and losses on commodities trading	159	171
Total	**-643**	**19**

10. Gains and losses on investments

	2024 € million	2023 € million
Gains and losses from securities	1,156	1,730
Gains and losses on investments in subsidiaries and equity investments	-98	-393
Total	**1,058**	**1,338**

11. Loss allowances

	2024 € million	2023 € million
Additions	-7,682	-5,246[1]
Reversals	3,133	3,332[1]
Directly recognized impairment losses	-234	-152
Recoveries on loans and advances previously impaired	195	213
Other	30	33
Changes in the provisions for loan commitments, provisions for financial guarantee contracts and other provisions for loans and advances	-315	11
Total	**-4,873**	**-1,809**

1 Amount restated

12. Other gains and losses on valuation of financial instruments

	2024 € million	2023 € million
Gains and losses from fair value hedges	52	-44
Gains and losses on derivatives held for purposes other than trading	109	433[1]
Gains and losses on financial instruments designated as at fair value through profit or loss	-11	-162[1]
Total	**150**	**227**

1 Amount restated

13. Insurance service result

	2024 € million	2023 € million
Insurance revenue	12,165	11,578[1]
Insurance services expenses	-10,113	-9,893[1]
Net gains or losses from reinsurance contracts	-217	-78
Total	**1,835**	**1,607**

1 Amount restated

14. Gains and losses on investments held by insurance companies and other insurance company gains and losses

	2024 € million	2023 € million
Interest income and current income	3,049	2,512
Administrative expenses	-175	-154
Gains and losses on valuation and disposals as well as from additions to and reversals of loss allowances	2,923	1,155
Other non-insurance gains and losses	-704	-530
Total	**5,094**	**2,982**

The net amount of additions to and reversals of loss allowances as well as directly recognized impairment losses recorded in the financial year equated to income in the amount of €19 million (2023: expense of €62 million).

15. Insurance finance income or expenses

	2024 € million	2023 € million
Insurance finance income or expenses from insurance contracts	-5,356	-3,298[1]
Insurance finance income or expenses from reinsurance contracts	5	2
Total	**-5,351**	**-3,297**

1 Amount restated

16. Administrative expenses

	2024 € million	2023 € million
Staff expenses	-11,316	-11,063
General and administrative expenses	-8,111	-7,924
Depreciation, amortization and impairment	-1,387	-1,383
Total	**-20,815**	**-20,370**

17. Other net operating income

	2024 € million	2023 € million
Gains and losses on non-current assets held for sale and disposal groups	30	25
Other operating income	1,482	1,499
Other operating expenses	-1,008	-782
Total	**505**	**742**

18. Income taxes

	2024 € million	2023 € million
Current tax expense	-3,331	-3,558
Income from/expense on deferred taxes	109	-13
Total	**-3,222**	**-3,571**

As in the prior year, current taxes in relation to the German limited companies are calculated using an effective corporation tax rate of 15.825 percent based on a corporation tax rate of 15 percent plus the solidarity surcharge. The effective rate for trade tax is 15.330 percent (2023: 15.260 percent) based on an average trade tax multiplier of 438 percent (2023: 436 percent).

Deferred taxes must be calculated using tax rates expected to apply when the tax asset or liability arises. The tax rates used are therefore those that are valid or have been announced for the periods in question as at the balance sheet date.

The following table shows a reconciliation from notional income taxes to recognized income taxes based on application of the current tax law in Germany.

	2024 € million	2023 € million
Profit before taxes	**10,758**	**14,375**
Notional rate of income tax of the Cooperative Financial Network (percent)	31.155	31.085
Income taxes based on notional rate of income tax	**-3,352**	**-4,468**
Tax effects	**129**	**898**
Tax effects of tax-exempt income and non-tax deductible expenses	-128	71
Tax effects of different tax types, different trade tax multipliers, and changes in tax rates	109	69
Tax effects of different tax rates in other countries	37	26
Current and deferred taxes relating to prior reporting periods	42	-38
Change in deferred tax assets due to impairment	-2	38
Other tax effects	72	732
Total	**-3,222**	**-3,571**

D Balance sheet disclosures

19. Cash and cash equivalents

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Cash on hand	6,430	6,243
Balances with central banks	91,826	113,513
Total	**98,256**	**119,757**

20. Loans and advances to banks and customers

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Loans and advances to banks	**58,484**	**38,158**
Repayable on demand	***40,212***	***29,104***
Other loans and advances	***18,272***	***9,054***
Mortgage loans and other loans secured by mortgages on real estate	15	14
Local authority loans	1,373	1,592
Other loans and advances	16,884	7,448
Loans and advances to customers	**1,050,269**	**1,023,602**
Mortgage loans and other loans secured by mortgages on real estate	437,633	422,604
Local authority loans	29,129	30,306
Home savings loans advanced by building society	65,298	64,631
Finance leases	385	463
Other loans and advances	517,825	505,598

21. Hedging instruments (positive and negative fair values)

The positive fair values of hedging instruments amount to €3,530 million (December 31, 2023: €5,259 million), the negative fair values of hedging instruments amount to €660 million (2023: €624 million). Both positive and negative fair values of hedging instruments exclusively result from derivative hedging instruments for fair value hedges.

22. Financial assets held for trading

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Derivatives (positive fair values)	**16,231**	**16,482**
Interest-linked contracts	12,752	13,799
Currency-linked contracts	2,686	1,759
Share- and index-linked contracts	571	688
Credit derivatives	222	225
Other contracts	1	11
Securities	**12,441**	**9,533**
Bonds and other fixed-income securities	10,329	8,188
Shares and other variable-yield securities	2,112	1,346
Receivables	**965**	**7,735**
Inventories and trade receivables	**339**	**377**
Total	**29,976**	**34,127**

23. Investments

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Securities	**250,485**	**235,614**
Bonds and other fixed-income securities	162,888	149,864
Shares and other variable-yield securities	87,597	85,751
Investments in subsidiaries	**3,154**	**3,054**
Equity investments	**2,644**	**2,604**
Investments in joint ventures	366	293
Investments in associates	186	145
Other shareholdings	2,092	2,167
Total	**256,283**	**241,273**

24. Loss allowances

Loss allowances for loans and advances to banks

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2023	**26**	**131**	**32**	**–**	**190**
Additions	28	31	8	–	66
Reversals	-30	-76	-13	–	-119
Other changes	–	–	-1	–	-1
Balance as at Dec. 31, 2023	**25**	**85**	**26**	**–**	**136**
Additions	30	21	18	–	69
Reversals	-31	-59	-6	–	-96
Other changes	–	-3	-2	–	-4
Balance as at Dec. 31, 2024	**23**	**45**	**36**	**–**	**104**

Loss allowances for loans and advances to customers

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2023	**654**	**5,256**	**4,196**	**18**	**10,124**
Additions	311	1,359	3,360[1]	31	5,061
Utilizations	–	-2	-495	-5	-501
Reversals	-558	-1,241	-1,182[1]	-21	-3,003
Other changes	196	-357	152	-5	-13
Balance as at Dec. 31, 2023	**603**	**5,015**	**6,032**	**18**	**11,669**
Additions	321	1,831	5,164	59	7,375
Utilizations	–	-2	-811	-5	-818
Reversals	-413	-879	-1,559	-52	-2,904
Other changes	152	-345	261	–	69
Balance as at Dec. 31, 2024	**664**	**5,620**	**9,087**	**20**	**15,391**

1 Amount restated

Loss allowances for investments

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2023	**76**	**261**	**4**	**–**	**341**
Additions	4	95	1	–	101
Reversals	-20	-177	-2	–	-199
Other changes	8	-8	–	–	–
Balance as at Dec. 31, 2023	**67**	**172**	**4**	**–**	**242**
Additions	4	215	4	–	224
Utilizations	–	-12	-3	–	-14
Reversals	-10	-105	-5	–	-120
Balance as at Dec. 31, 2024	**61**	**271**	**–**	**–**	**332**

Loss allowances for other assets

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2023	**2**	**–**	**–**	**–**	**2**
Reversals	-1	–	–	–	-1
Balance as at Dec. 31, 2023	**1**	**–**	**–**	**–**	**1**
Balance as at Dec. 31, 2024	**–**	**–**	**–**	**–**	**–**

25. Investments held by insurance companies

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Investment property	3,655	3,866
Investments in subsidiaries, joint ventures and associates	857	872
Mortgage loans	12,685	12,008
Promissory notes and loans	5,937	5,913
Registered bonds	5,029	4,859
Other loans	906	984
Variable-yield securities	12,257	11,871
Fixed-income securities	54,936	53,193
Derivatives (positive fair values)	60	159
Deposits with ceding insurers and other investments	223	40
Assets related to unit-linked contracts	24,859	20,563
Total	**121,404**	**114,329**

26. Property, plant and equipment, investment property and right-of-use assets

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Land and buildings	6,795	6,996
Office furniture and equipment	1,312	1,312
Investment property	285	280
Other fixed assets	9,718	8,980
Right-of-use assets	511	549
Total	**18,621**	**18,117**

27. Income tax assets and liabilities

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Income tax assets	**9,023**	**8,929**
Current income tax assets	946	1,072
Deferred tax assets	8,076	7,858
Income tax liabilities	**6,130**	**5,859**
Current income tax liabilities	1,941	1,704
Deferred tax liabilities	4,188	4,155

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2024 € million	Dec. 31, 2023 € million	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Tax loss carryforwards	49	118		
Loans and advances to banks and customers	76	33	218	222
Financial assets and liabilities held for trading, and hedging instruments (positive and negative fair values)	792	812	47	29
Investments	466	635	22	5
Loss allowances	1,782	1,485	–	–
Investments held by insurance companies	2,506	2,745	240	223
Deposits from banks and customers	203	196	193	310
Debt certificates issued including bonds	1	2	400	713
Provisions	3,153	3,085	137	106
Insurance contract liabilities	1,204	1,162	4,929	4,746
Other balance sheet items	643	471	800	687
Total (gross)	**10,874**	**10,744**	**6,987**	**7,041**
Netting of deferred tax assets and deferred tax liabilities	-2,798	-2,886	-2,798	-2,886
Total (net)	**8,076**	**7,858**	**4,188**	**4,155**

Deferred tax assets and liabilities are recognized for temporary differences in respect of the balance sheet items shown in the table as well as for tax loss carryforwards.

28. Other assets

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Other assets held by insurance companies	3,977	3,570
Goodwill	169	171
Other intangible assets	600	607
Prepaid expenses	303	351
Other receivables	4,845	4,536
Non-current assets and disposal groups classified as held for sale	68	1,790
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	-4,038	-6,463
Residual other assets	1,782	1,115
Total	**7,706**	**5,677**

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

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Intangible assets	**187**	**160**
Reinsurance contract assets	**312**	**368**
Benefit reserve	32	34
Provision for claims outstanding	279	334
Insurance contract assets	**–**	**1**
Benefit reserve	1	1
Receivables	**1,119**	**1,028**
Receivables arising out of direct insurance operations	134	114
Receivables arising out of reinsurance operations	21	41
Other receivables	964	873
Credit balances with banks, checks and cash on hand	**1,029**	**647**
Property, plant and equipment	**459**	**416**
Residual other assets	**872**	**952**
Prepaid expenses	63	53
Remaining assets held by insurance companies	809	899
Loss allowances	**-2**	**-2**
Total	**3,977**	**3,570**

Property, plant and equipment includes right-of-use assets in the amount of €51 million (December 31, 2023: €57 million).

29. Deposits from banks and customers

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Deposits from banks	**138,877**	**139,458**
Repayable on demand	14,464	16,848[1]
With agreed maturity or notice period	124,413	122,610
Deposits from customers	**1,061,003**	**1,031,186**
Savings deposits and home savings deposits	***191,423***	***204,453***
Savings deposits with agreed notice period of three months	119,631	131,577
Savings deposits with agreed notice period of more than three months	9,304	9,174
Home savings deposits	62,487	63,702
Other deposits from customers	***869,580***	***826,733***
Repayable on demand	609,515	604,498[1]
With agreed maturity or notice period	260,065	222,235

1 Amount restated

30. Debt certificates issued including bonds

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Bonds issued	**78,988**	**81,504**
Mortgage Pfandbriefe	56,828	56,187
Public-sector Pfandbriefe	2,800	1,737
Other bonds	19,360	23,580
Other debt certificates issued	**21,789**	**15,929**
Total	**100,778**	**97,433**

31. Financial liabilities held for trading

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Derivatives (negative fair values)	**14,997**	**17,136**
Interest-linked contracts	11,148	13,692
Currency-linked contracts	2,314	1,897
Share- and index-linked contracts	1,397	1,362
Credit derivatives	77	73
Other contracts	61	112
Short positions	**2,379**	**701**
Bonds issued including share and index and other debt certificates	**20,961**	**20,836**
Liabilities	**168**	**5,329**
Liabilities from commodities transactions and commodity lending	**39**	**41**
Total	**38,544**	**44,043**

32. Provisions

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Provisions for defined benefit plans	5,455	5,939
Provisions for loan commitments	560	345
Provisions for financial guarantee contracts	236	233
Other provisions for loans and advances	156	52
Provisions relating to building society operations	833	913
Residual provisions	3,949	4,109
Total	**11,190**	**11,592**

33. Insurance contract liabilities

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Insurance contract liabilities	**111,339**	**105,150**
Benefit reserve	98,482	93,033
Provision for claims outstanding	12,856	12,117
Reinsurance contract liabilities	**1**	**1**
Benefit reserve	2	2
Total	**111,340**	**105,151**

Claims rate trend for direct non-life insurance business including claim settlement costs

The following table shows the change in the gross provision for claims outstanding for direct non-life insurance business plus payments made against the original provision:

€ million	Total	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Gross provision for claims outstanding											
At the end of the year		5,245	5,237	4,479	5,067						
1 year later			5,412	4,882	5,152	3,930					
2 years later				4,902	5,196	3,885	4,074				
3 years later					5,213	3,865	4,057	3,927			
4 years later						3,840	4,027	3,904	3,583		
5 years later							4,015	3,896	3,574	3,574	
6 years later								3,899	3,559	3,559	3,240
7 years later									3,583	3,531	3,231
8 years later										3,522	3,220
9 years later											3,221
Total claim payments made	***36,328***	***2,492***	***4,315***	***4,218***	***4,663***	***3,502***	***3,724***	***3,620***	***3,362***	***3,340***	***3,092***
Provision for claims outstanding in respect of claims that occurred in 2015 to 2024	**6,524**	**2,753**	**1,097**	**684**	**550**	**338**	**291**	**279**	**221**	**182**	**129**
Provision for claims outstanding in respect of claims that occurred before 2015	1,068										
Discounting effect	-893										
Risk adjustment	84										
Gross provision for claims outstanding	**6,783**										

The following table shows the change in the net provision for claims outstanding for direct non-life insurance business plus payments made against the original provision:

€ million	Total	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net provision for claims outstanding											
At the end of the year		5,220	5,099	4,762	5,057						
1 year later			5,275	4,864	5,142	3,948					
2 years later				4,886	5,072	3,900	4,078				
3 years later					5,123	3,882	4,061	3,946			
4 years later						3,857	4,029	3,922	3,588		
5 years later							4,016	3,914	3,578	3,604	
6 years later								3,917	3,562	3,589	3,247
7 years later									3,586	3,561	3,238
8 years later										3,552	3,227
9 years later											3,227
Total claim payments made	***36,273***	***2,488***	***4,192***	***4,206***	***4,659***	***3,520***	***3,729***	***3,639***	***3,370***	***3,371***	***3,099***
Provision for claims outstanding in respect of claims that occurred in 2015 to 2024	**6,386**	**2,732**	**1,083**	**680**	**464**	**337**	**287**	**278**	**216**	**181**	**128**
Provision for claims outstanding in respect of claims that occurred before 2015	1,047										
Discounting effect	-886										
Risk adjustment	81										
Net provision for claims outstanding	**6,628**										

Claims rate trend for inward reinsurance business

The following table shows the change in the gross provision for claims outstanding for inward business plus payments made against the original provision:

€ million	Total	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Gross provision for claims outstanding											
At the end of the year		2,010	1,937	1,989	2,079						
1 year later			2,357	2,385	2,512	2,944					
2 years later				2,478	2,543	2,974	2,688				
3 years later					2,637	2,922	2,749	2,352			
4 years later						2,936	2,748	2,364	2,355		
5 years later							2,758	2,363	2,379	1,631	
6 years later								2,386	2,367	1,637	1,391
7 years later									2,354	1,616	1,380
8 years later										1,630	1,364
9 years later											1,359
Total claim payments made	***16,749***	***329***	***1,182***	***1,674***	***1,933***	***2,402***	***2,384***	***2,084***	***2,101***	***1,435***	***1,225***
Provision for claims outstanding in respect of claims that occurred in 2015 to 2024	**6,156**	**1,681**	**1,175**	**804**	**704**	**534**	**374**	**302**	**253**	**195**	**134**
Provision for claims outstanding in respect of claims that occurred before 2015	424										
Discounting effect	-941										
Risk adjustment	68										
Gross provision for claims outstanding	**5,707**										

The following table shows the change in the net provision for claims outstanding for inward business plus payments made against the original provision:

€ million	Total	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net provision for claims outstanding											
At the end of the year		2,004	1,893	1,978	1,942						
1 year later			2,266	2,374	2,369	2,947					
2 years later				2,468	2,391	2,974	2,686				
3 years later					2,492	2,924	2,747	2,350			
4 years later						2,939	2,745	2,362	2,353		
5 years later							2,756	2,361	2,377	1,632	
6 years later								2,384	2,366	1,639	1,389
7 years later									2,353	1,618	1,378
8 years later										1,632	1,362
9 years later											1,358
Total claim payments made	***16,624***	***328***	***1,178***	***1,666***	***1,821***	***2,406***	***2,382***	***2,082***	***2,100***	***1,437***	***1,224***
Provision for claims outstanding in respect of claims that occurred in 2015 to 2024	**6,028**	**1,676**	**1,088**	**802**	**671**	**533**	**374**	**302**	**253**	**195**	**134**
Provision for claims outstanding in respect of claims that occurred before 2015	423										
Discounting effect	-935										
Risk adjustment	67										
Net provision for claims outstanding	**5,583**										

Maturity analysis

The following table contains an analysis of the remaining undiscounted contractual net cash flows for insurance contracts, by estimated maturity. Benefit reserves measured under the premium allocation approach were excluded from this analysis.

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
≤ 1 year	6,429	5,768
> 1 year – 2 years	4,981	3,517
> 2 years – 3 years	3,931	3,145
> 3 years – 4 years	3,847	2,549
> 4 years – 5 years	3,801	2,727
> 5 years – 10 years	23,156	17,808
> 10 years – 20 years	36,035	32,449
> 20 years – 30 years	37,123	34,501
> 30 years – 40 years	29,969	26,134
> 40 years – 50 years	21,401	18,805
> 50 years	28,088	24,604

The insurance contract liabilities repayable on demand amounted to €65,514 million (December 31, 2023: €61,991 million).

34. Other liabilities

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Other liabilities of insurance companies	5,758	5,529
Other liabilities and accruals	4,552	3,838
Liabilities included in disposal groups	–	1,533
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	-142	-577
Lease liabilities	539	571
Residual other liabilities	977	988
Total	**11,684**	**11,883**

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

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Residual provisions	**391**	**394**
Provisions for employee benefits	340	344
Provisions for share-based payment transactions	4	4
Other provisions	48	46
Payables and residual other liabilities	**5,366**	**5,136**
Subordinated capital	87	100
Deposits received from reinsurers	6	6
Payables arising out of direct insurance operations	350	340
Payables arising out of reinsurance operations	7	8
Debt certificates issued including bonds	42	39
Deposits from banks	336	348
Derivatives (negative fair values)	266	44
Liabilities from investment contracts	3,180	3,145
Lease liabilities from insurance business	59	68
Other liabilities	360	345
Residual other liabilities	672	694
Total	**5,758**	**5,529**

35. Subordinated capital

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Subordinated liabilities	7,206	6,699
Profit-sharing rights	7	9
Share capital repayable on demand	1	5
Total	**7,214**	**6,713**

36. Equity

Breakdown of subscribed capital

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Cooperative shares	17,774	17,145
Share capital	242	228
Capital of silent partners	42	37
Total	**18,058**	**17,410**

The capital reserves comprise the amounts by which the notional value of the shares of the corporations included in the consolidated financial statements was exceeded upon the issuance of the shares.

Retained earnings contain the undistributed equity earned by the companies included in the consolidated financial statements as well as the gains and losses arising on remeasurements of defined benefit plans after taking into account deferred taxes.

The reserve from other comprehensive income consists of the following items:

€ million	No reclassification to the income statement		Reclassification to the income statement		
	Reserve from equity instruments for which the fair value OCI option has been exercised	Reserve from gains and losses in relation to financial liabilities for which the fair value option has been exercised, attributable to changes in own credit risk	Reserve from debt instruments measured at fair value through other comprehensive income	Currency translation reserve	Reserve from insurance contracts measured at fair value through other comprehensive income
Equity as at Jan. 1, 2023	**793**	**56**	**-10,874**	**84**	**9,067**
Other comprehensive income/loss	-120	196	2,977	-18	-2,460
Total comprehensive income/loss	**-120**	**196**	**2,977**	**-18**	**-2,460**
Acquisition/disposal of non-controlling interests	–	–	-4	–	4
Reclassifications within equity	-62	1	–	–	–
Equity as at Dec. 31, 2023	**611**	**254**	**-7,901**	**66**	**6,611**
Other comprehensive income/loss	147	-335	593	48	-555
Total comprehensive income/loss	**147**	**-335**	**593**	**48**	**-555**
Acquisition/disposal of non-controlling interests	–	–	-7	–	1
Reclassifications within equity	-128	2	–	–	–
Equity as at Dec. 31, 2024	**630**	**-80**	**-7,315**	**114**	**6,057**

The additional equity components include Additional Tier 1 (AT1) capital issued by MHB, reduced by shares held by companies included in the consolidated financial statements. The AT1 capital was issued in the previous years in a nominal amount of CHF 200 million in order to generate additional regulatory Tier 1 capital. In financial year 2023, the AT1 capital increased by €10 million as a result of the acquisition of a mortgage bank by MHB.

The non-controlling interests include the shares in the equity of consolidated companies that are not attributable to the Cooperative Financial Network.

E Financial instruments disclosures

37. Fair value of financial instruments

The disclosures on the fair value of financial instruments included in the following table correspond to the disclosures reported in the published annual reports of DZ BANK for the financial instruments of the DZ BANK Group, while the fair value was deemed to equal the carrying amount for all other companies included in the consolidated financial statements.

	Dec. 31, 2024 € million		Dec. 31, 2023 € million	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents[1,2]	91,826	91,826	113,513	113,512
Loans and advances to banks[1]	58,379	55,694	38,022	33,396
Loans and advances to customers[1]	1,034,879	1,028,294	1,011,933	1,002,314
Hedging instruments (positive fair values)	3,530	3,530	5,259	5,259
Financial assets held for trading[2]	29,637	29,657	33,750	33,765
Investments[1,3]	255,422	255,452	240,599	240,525
Investments held by insurance companies[1,2,3]	117,526	117,514	110,422	110,461
Other assets[1,2]	2,865	4,175	1,380	3,681
Liabilities				
Deposits from banks	138,877	136,570	139,458[4]	135,971[4]
Deposits from customers	1,061,003	1,059,940	1,031,186[4]	1,029,864[4]
Debt certificates issued including bonds	100,778	98,931	97,433	94,120
Hedging instruments (negative fair values)	660	660	624	624
Financial liabilities held for trading[2]	38,505	38,451	44,002	43,963
Provisions[5]	795	997	578	921
Other liabilities[2]	7,556	7,729	7,936	8,575
Subordinated capital	7,214	7,142	6,713	6,385

1 Carrying amounts less loss allowances.
2 Fair values and carrying amounts are only disclosed for financial instruments and for assets and liabilities held for sale.
3 Excluding investments in joint ventures and in associates accounted for using the equity method.
4 Amount restated.
5 Provision for loan commitments and financial guarantee contracts.

In addition, there are the following differences, all of which were determined using simplified procedures. At BSH, there are net unrealized gains in the amount of €7.0 billion (2023: €7.5 billion) from collective building society operations, which result from the balance of the carrying amounts recorded for the home savings business of €−55.7 billion (December 31, 2023: €−60.3 billion (surplus of liabilities in each case)) and the present value of the home savings pool of €−48.7 billion (December 31, 2023: €−52.9 billion) calculated using simulation calculations for building society operations. In addition, there are net unrealized gains in the amount of €1.9 billion (December 31, 2023: net unrealized losses of €−1.4 million) from the investments of the cooperative banks and of MHB.

38. Maturity analysis

Balance as at Dec. 31, 2024

€ million	≤ 3 months	> 3 months – 1 year	> 1 year	Indefinite
Loans and advances to banks	29,833	6,975	30,341	173
Loans and advances to customers	60,802	83,150	909,789	21,144
Deposits from banks	41,695	13,988	87,038	81
Deposits from customers	837,348	91,486	72,151	62,479
Debt certificates issued including bonds	14,555	16,318	76,949	–

Balance as at Dec. 31, 2023

€ million	≤ 3 months	> 3 months – 1 year	> 1 year	Indefinite
Loans and advances to banks	18,105	4,387	24,134	220
Loans and advances to customers	55,759	79,895	891,599	20,747
Deposits from banks	38,413[1]	14,985	89,578	184
Deposits from customers	817,795[1]	79,963	72,641	63,765
Debt certificates issued including bonds	7,946	19,177	76,558	–

1 Amount restated.

The contractual maturities shown in the table do not match the estimated actual cash inflows and cash outflows and include undiscounted cash flows as well as partially also discounted carrying amounts.

F Other disclosures

39. Capital requirements and regulatory indicators

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Total capital	**139,616**	**130,452**
Tier 1 capital	134,234	125,276
of which: Common Equity Tier 1	133,954	124,994
of which: Additional Tier 1 capital	280	282
Tier 2 capital	5,382	5,176
Total risk exposure	**824,413**	**803,051**
Common Equity Tier 1 capital ratio (percent)	16.2	15.6
Tier 1 capital ratio (percent)	16.3	15.6
Total capital ratio (percent)	16.9	16.2
Leverage ratio (percent)	8.4	8.0

The capital ratios as well as the leverage ratio have been calculated on the basis of rules similar to IFRS methods.

40. Financial guarantee contracts and loan commitments

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Financial guarantee contracts	24,216	24,067
Loan commitments	104,443	106,354
Total	**128,659**	**130,421**

The amounts shown for financial guarantee contracts and loan commitments are the nominal values of the respective exposure.

41. Trust activities

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Trust assets	**2,787**	**3,239**
of which: trust loans	2,465	2,949
Trust liabilities	**2,787**	**3,239**
of which: trust loans	2,465	2,949

42. Defined benefit obligations

Funding status of defined benefit obligations

	Provisions		Other liabilities	
	Dec. 31, 2024 € million	Dec. 31, 2023 € million	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Present value of defined benefit obligations funded by plan assets	3,088	3,155	1,477	1,517
Present value of defined benefit obligations not funded by plan assets	5,298	5,474	53	56
Present value of defined benefit obligations	**8,386**	**8,629**	**1,530**	**1,573**
less fair value of plan assets	-3,117	-2,832	-1,713	-1,715
Asset ceiling	131	123	286	267
Defined benefit obligations (net)	**5,400**	**5,920**	**103**	**125**
Recognized surplus	54	18	–	–
Provisions for defined benefit plans	**5,455**	**5,939**	**103**	**125**

Defined benefit obligations (net)

Provisions

€ million	Present value of the defined benefit obligation	Fair value of plan assets	Asset ceiling	Defined benefit obligations (net)
Balance as at Jan. 1, 2023	**7,851**	**-2,722**	**126**	**5,256**
Current service cost	83	–	–	83
Interest income/expense	287	-99	5	193
Return on plan assets (excluding interest income)	–	-73	–	-73
Actuarial gains (–)/losses (+)	802	–	–	802
Changes in the effect from the asset ceiling	–	–	-8	-8
Contributions to plan assets	6	-38	–	-32
Pension benefits paid including plan settlements	-407	102	–	-305
Other changes	7	-5	–	2
Balance as at Dec. 31, 2023	**8,629**	**-2,832**	**123**	**5,920**
Current service cost	84	–	–	84
Interest income/expense	274	-90	4	188
Return on plan assets (excluding interest income)	–	-13	–	-13
Actuarial gains (–)/losses (+)	-167	–	–	-167
Changes in the effect from the asset ceiling	–	–	6	6
Past service cost	-21	–	–	-21
Contributions to plan assets	6	-236	–	-230
Pension benefits paid including plan settlements	-427	58	–	-369
Other changes	7	-5	–	2
Balance as at Dec. 31, 2024	**8,385**	**-3,118**	**132**	**5,400**

Other liabilities

€ million	Present value of the defined benefit obligation	Fair value of plan assets	Asset ceiling	Defined benefit obligations (net)
Balance as at Jan. 1, 2023	**1,497**	**-1,653**	**275**	**119**
Current service cost	25	–	–	25
Interest income/expense	54	-61	11	4
Return on plan assets (excluding interest income)	–	-24	–	-24
Actuarial gains (–)/losses (+)	64	–	–	64
Changes in the effect from the asset ceiling	–	–	-19	-19
Contributions to plan assets	–	-36	–	-36
Pension benefits paid including plan settlements	-68	59	–	-9
Balance as at Dec. 31, 2023	**1,573**	**-1,715**	**267**	**125**
Current service cost	26	–	–	26
Interest income/expense	49	-54	9	4
Return on plan assets (excluding interest income)	–	31	–	31
Actuarial gains (–)/losses (+)	-47	–	–	-47
Changes in the effect from the asset ceiling	–	–	11	11
Contributions to plan assets	–	-36	–	-36
Pension benefits paid including plan settlements	-70	61	–	-9
Balance as at Dec. 31, 2024	**1,530**	**-1,713**	**286**	**103**

Actuarial assumptions used for defined benefit obligations

	Provisions		Other liabilities	
	Dec. 31, 2024 (percent)	Dec. 31, 2023 (percent)	Dec. 31, 2024 (percent)	Dec. 31, 2023 (percent)
Weighted discount rate	3.40	3.20	3.40	3.20
Weighted salary increase	2.22	2.23	2.25	2.50
Weighted pension increase	2.10	2.20	2.20	2.30

43. Asset management by the Union Investment Group

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Fund assets	**461,955**	**417,221**
Other types of asset management	**59,290**	**53,888**
Unit-linked asset management	9,554	7,500
Institutional asset management	7,747	7,196
Advisory and outsourcing	41,989	39,192
Accounts managed by third parties	**-16,538**	**-15,957**
Total	**504,707**	**455,152**

As at the balance sheet date, the Union Investment Group (through Union Asset Management Holding AG) had total assets under management of €504,707 million (December 31, 2023: €455,152 million). The fund assets comprise equity funds, fixed-income funds, money market funds, mixed funds, other securities funds, capital preservation funds, real estate funds, alternative investment funds, and hybrid funds issued by Union Investment Group.

In addition, Union Investment Group has assets under management within the scope of institutional asset management, unit-linked asset management, and advisory and outsourcing. The fund volume of funds that have been issued by Union Investment Group but whose portfolio management has been outsourced is shown as a deduction. The definition of assets under management is based on the aggregate statistics from the Federal Association of German Fund Management Companies (BVI), Frankfurt/Main.

44. Leases

Finance leases with the Cooperative Financial Network as lessor

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Gross investment	**419**	**494**
Up to 1 year	132	170
More than 1 year and up to 2 years	107	117
More than 2 years and up to 3 years	76	89
More than 3 years and up to 4 years	50	58
More than 4 years and up to 5 years	28	32
More than 5 years	27	28
less unearned finance income	**-34**	**-32**
Net investment	**385**	**463**
less present value of unguaranteed residual values	**-12**	**-13**
Present value of minimum lease payment receivables	**373**	**449**

The VR Smart Finanz sub-group is also active as finance lessor in the Cooperative Financial Network. The entities of the VR Smart Finanz sub-group enter into leases for motor vehicles, machinery used in production, photovoltaic systems, and office equipment, among others.

45. Changes in the contract portfolios held by Bausparkasse Schwäbisch Hall

Home savings sum (€ million)	Not allocated		Allocated		Total	
	Number of contracts	Home savings sum	Number of contracts	Home savings sum	Number of contracts	Home savings sum
Balance as at Dec. 31, 2023	**6,434,896**	**301,076**	**573,625**	**20,496**	**7,008,521**	**321,572**
Additions in 2024 as a result of						
New contracts (redeemed contracts)[1]	412,222	27,178	–	–	412,222	27,178
Transfers	13,121	583	1,438	123	14,559	706
Allocation waivers and cancellations	4,698	224	–	–	4,698	224
Splitting	108,714	–	386	–	109,100	–
Allocations and acceptance of allocations	–	–	535,010	17,222	535,010	17,222
Other	90,036	3,762	43	3	90,079	3,764
Total	**628,791**	**31,747**	**536,877**	**17,347**	**1,165,668**	**49,094**
Disposals in 2024 as a result of						
Allocations and acceptance of allocations	-535,010	-17,222	–	–	-535,010	-17,222
Reductions	–	-931	–	–	–	-931
Termination	-229,557	-7,690	-367,416	-9,627	-596,973	-17,317
Transfers	-13,121	-583	-1,438	-123	-14,559	-706
Pooling[1]	-80,802	–	-7	–	-80,809	–
Expiration	–	–	-78,118	-2,305	-78,118	-2,305
Allocation waivers and cancellations	–	–	-4,698	-224	-4,698	-224
Other	-90,036	-3,762	-43	-3	-90,079	-3,764
Total	**-948,526**	**-30,187**	**-451,720**	**-12,282**	**-1,400,246**	**-42,469**
Net addition/disposal	-319,735	1,560	85,157	5,065	-234,578	6,625
Balance as at Dec. 31, 2024	**6,115,161**	**302,636**	**658,782**	**25,561**	**6,773,943**	**328,196**

1 Including increases

Volume of unredeemed contracts

Home savings sum (€ million)	Number of contracts	Home savings sum
Contracts signed prior to Jan. 1, 2024	48,638	4,572
Contracts signed in 2024	171,777	13,016

46. Changes in the allocation assets of Bausparkasse Schwäbisch Hall

	2024 € million
Additions	
Amounts carried forward from 2023 (surplus)	
Amounts not yet disbursed	59,295
Additions in 2024	
Savings deposits (including credited residential construction bonuses)	9,264
Repayable amounts (including credited residential construction bonuses)[1]	1,715
Interest on home savings deposits	658
Total	**70,931**
Withdrawals	
Withdrawals in 2024	
Amounts allocated (if disbursed)	
Home savings deposits	10,142
Home savings loans	3,677
Repayment of deposits on non-allocated home savings contracts	1,377
Surplus of additions	
(Amounts not yet disbursed) at the end of 2024[2]	55,735
Total	**70,931**

1 Repayable amounts are the portion of the loan principal actually repaid.
2 The surplus amounts allocated include:
a) undisbursed home savings deposits from allocated home savings contracts: €115 million
b) undisbursed home savings loans from funds allocated: €3,111 million

47. Cover statement for the mortgages and local authority loans extended by the mortgage banks

	Mortgage Pfandbriefe		Public-sector Pfandbriefe	
	Dec. 31, 2024 € million	Dec. 31, 2023 € million	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Ordinary cover	**89,865**	**90,050**	**12,720**	**13,178**
Loans and advances to banks	64	43	603	315
of which: Mortgage loans	64	43	–	–
of which: Local authority loans	–	–	603	315
Loans and advances to customers	89,654	89,860	11,050	11,680
of which: Mortgage loans	89,654	89,860	5	23
of which: Local authority loans	–	–	11,045	11,657
Investments consisting of bonds and other fixed-income securities	–	–	1,067	1,183
Property, plant and equipment	147	147	–	–
Extended cover	**3,584**	**3,076**	**–**	**–**
Loans and advances to banks	5	135	–	–
Investments consisting of bonds and other fixed-income securities	3,579	2,941	–	–
Total cover	**93,449**	**93,126**	**12,720**	**13,178**
Pfandbriefe requiring cover	**-77,700**	**-77,757**	**-11,012**	**-10,700**
Nominal excess cover	**15,749**	**15,369**	**1,708**	**2,478**
Present value of excess cover	**17,521**	**17,417**	**1,846**	**2,499**
Risk-related present value of excess cover	**15,869**	**15,809**	**1,551**	**2,199**

The present value of excess cover is higher than the nominal excess cover because it includes an interest component.

Maturity structure of mortgage Pfandbriefe and public-sector Pfandbriefe in issue

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Mortgage Pfandbriefe	**77,700**	**77,757**
≤ 6 months	3,543	4,118
> 6 months and ≤ 12 months	4,017	3,237
> 12 months and ≤ 18 months	4,673	3,554
> 18 months and ≤ 2 years	4,308	4,143
> 2 years and ≤ 3 years	8,807	8,074
> 3 years and ≤ 4 years	7,619	8,785
> 4 years and ≤ 5 years	8,563	7,679
> 5 years and ≤ 10 years	21,511	22,278
> 10 years	14,659	15,889
Public-sector Pfandbriefe	**11,012**	**10,700**
≤ 6 months	812	590
> 6 months and ≤ 12 months	468	444
> 12 months and ≤ 18 months	619	795
> 18 months and ≤ 2 years	276	496
> 2 years and ≤ 3 years	1,078	872
> 3 years and ≤ 4 years	753	1,073
> 4 years and ≤ 5 years	1,073	771
> 5 years and ≤ 10 years	3,370	2,130
> 10 years	2,563	3,529

Fixed-interest periods of cover assets

	Dec. 31, 2024 € million	Dec. 31, 2023 € million
Mortgage Pfandbriefe	**93,449**	**93,126**
≤ 6 months	4,550	4,560
> 6 months and ≤ 12 months	5,528	4,084
> 12 months and ≤ 18 months	4,881	3,995
> 18 months and ≤ 2 years	4,673	5,371
> 2 years and ≤ 3 years	9,574	8,858
> 3 years and ≤ 4 years	7,888	8,974
> 4 years and ≤ 5 years	8,214	7,196
> 5 years and ≤ 10 years	26,332	27,877
> 10 years	21,809	22,211
Public-sector Pfandbriefe	**12,720**	**13,178**
≤ 6 months	547	588
> 6 months and ≤ 12 months	652	718
> 12 months and ≤ 18 months	643	489
> 18 months and ≤ 2 years	586	612
> 2 years and ≤ 3 years	981	1,325
> 3 years and ≤ 4 years	965	921
> 4 years and ≤ 5 years	866	894
> 5 years and ≤ 10 years	2,889	2,889
> 10 years	4,591	4,742

1 property was in forced administration as at the audit committee reporting date (December 31, 2023: 4).

48. Board of Managing Directors of the BVR

Marija Kolak (President)

Tanja Müller-Ziegler

Daniel Quinten

Berlin, June 23, 2025

National Association of German Cooperative Banks BVR

Board of Managing Directors

Marija Kolak	Tanja Müller-Ziegler	Daniel Quinten

Annex:
Significant Financial Reporting Principles 148–174

Basis of preparation of the consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network

The consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network for the period from January 1 to December 31, 2024, to be prepared by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR), have to be prepared for a specific purpose pursuant to the significant financial reporting principles set out below. Significant financial reporting principles have to be incorporated only for accounting issues that are material to the consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network. They have been prepared for informational purposes and to present the business development and performance of the Volksbanken Raiffeisenbanken Cooperative Financial Network, which is treated as a single economic entity in terms of its risks and strategies. In addition, the financial statements have been prepared in compliance with the provisions set out in article 113(7)(e) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (Capital Requirements Regulation – CRR).

The consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network, as broadly defined, have to include the following components:

- Consolidated financial statements that have to include the following components:
  - Income statement for the period from January 1 to December 31, 2024 (pursuant to IAS 1.81A, IAS 1.81B, IAS 1.82 (b), IAS 1.82 (ca) to IAS 1.89, IAS 1.91 (b) and IAS 1.97 to IAS 1.105),
  - Statement of comprehensive income for the period from January 1 to December 31, 2024 (pursuant to IAS 1.81A, IAS 1.81B, IAS 1.82 (b), IAS 1.82 (ca) to IAS 1.89, IAS 1.91(b) and IAS 1.97 to IAS 1.105),
  - Balance sheet as at December 31, 2024 (pursuant to IAS 1.54 (a) to (d), (g) to (m) and (n) to (r), IAS 1.55 to IAS 1.78, IAS 1.79 (b) and IAS 1.80A),
  - Statement of changes in equity for the period from January 1 to December 31, 2024 (pursuant to IAS 1.106 to IAS 1.106A and IAS 1.108 to IAS 1.110 sentence 1 to 3),
  - Statement of cash flows for the period from January 1 to December 31, 2024 (pursuant to IAS 7.1 to IAS 7.47)
  - Explanatory information on the consolidated financial statements,
- Management report including risk report for the period from January 1 to December 31, 2024

The consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network have to include prior year comparatives. The consolidated financial statements of the Volksbanken Raiffeisenbanken Cooperative Financial Network have to be prepared in euro. Unless stated otherwise, all amounts have to be shown in millions of euros (€ million). This may result in minor discrepancies in the calculation of totals and percentages. If prior year comparatives have to be adjusted, a footnote with the description “Amount adjusted” has to be added to such figures.

Statement of cash flows

The cash flows for the sections “operating activities,” “investing activities” and “financing activities” are determined using a simplified procedure. Moreover, non-cash changes of the statement of changes in financial position are not fully determined for all consolidated entities, and cash flows are partially recognized only on a net basis and on higher aggregation levels.

Scope of consolidation

Regardless of whether consolidation criteria are met under other national or international financial reporting principles, the consolidated financial statements have to include as consolidated entities all financial statements of cooperative banks existing as at the reporting date (the local cooperative banks, Sparda banks, PSD banks, Deutsche Apotheker- und Ärztebank eG as well as specialized institutions) as well as all companies included in the IFRS consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main (DZ BANK), Münchener Hypothekenbank eG (MHB), the BVR protection scheme, and BVR Institutssicherung GmbH.

Procedures of consolidation

The consolidated subsidiaries generally have to prepare their financial statements on the basis of a financial year ended December 31.

As the Cooperative Financial Network does not qualify as a corporate group as defined by the International Financial Reporting Standards (IFRS), the German Commercial Code (HGB) or the German Stock Corporation Act (AktG), it has to be assessed whether control or significant influence within the meaning of IFRS 10 and IFRS 11, respectively, can be assumed to exist or whether interests in companies have to be reported in total as other shareholdings under “Equity investments” in the balance sheet item “Investments.” In particular, this applies to a situation when control or significant influence would result solely from the aggregation of the shareholding ratio of individual consolidated companies without the possibility of control or significant influence being exercised by a consolidated company as a whole through direct or indirect ownership arising from the shareholdings. The following rules apply if there is evidence that control or significant influence exists.

Similar to IFRS 3.4-53 in conjunction with IFRS 10, business combinations have to be accounted for using the purchase method by offsetting the acquisition cost of a subsidiary against the share of the equity that is attributable to the parent entities and remeasured at fair value on the relevant date when control is acquired. Any multiple gearing of eligible own funds and any inappropriate creation of own funds for regulatory purposes between the consolidated entities listed above have to be eliminated through acquisition accounting. Any positive difference has to be recognized as goodwill under other assets and is subject to an annual impairment test in accordance with IAS 36.80-108. Any negative goodwill has to be recognized immediately in profit or loss. Any share of subsidiaries’ net assets not attributable to the parent entities has to be reported as non-controlling interests within equity.

Interests in joint ventures and investments in associates in accordance with IFRS 11.4–19 are generally accounted for using the equity method pursuant to IAS 28.10–15 and reported under investments.

Assets and liabilities as well as income and expenses arising within the Cooperative Financial Network have to be offset against each other. Gains and losses arising from transactions between entities within the Cooperative Financial Network have to be eliminated.

Financial instruments

Financial instruments have to be designated upon initial recognition to the categories set out below if their characteristics and intended use meet the criteria of the relevant category. The following categories have been defined:

Financial assets measured at fair value through profit or loss (fair value PL)

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income have to be classified as "financial assets measured at fair value through profit or loss." This category is broken down into the following subcategories.

Financial assets mandatorily measured at fair value through profit or loss

The subcategory "financial assets mandatorily measured at fair value through profit or loss" has to comprise financial assets that do not meet the cash flow criteria pursuant to IFRS 9.B.4.1.2C and financial assets that are acquired for the purpose of selling them in the near term. In addition, this sub-category comprises financial assets that are a component of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and derivatives, except for derivatives that are designated hedging instruments in effective hedging relationships.

The primary financial instruments held by cooperative banks in the trading portfolio under commercial law have to be allocated to this category. This category also includes equity instruments held by cooperative banks outside the trading portfolio under commercial law and whose fair value may not exceed their cost. Any changes in the fair value of instruments allocated to the category "financial assets mandatorily measured at fair value through profit or loss" have to be recognized in profit or loss.

Contingent considerations in a business combination

Contingent considerations classified by the acquirer in a business combination as financial assets have to be allocated to this subcategory. All changes in the fair value have to be recognized in the category "Contingent considerations in a business combination."

Financial assets designated as at fair value through profit or loss (fair value option)

Financial assets have to be assigned to the subcategory "financial assets designated as at fair value through profit or loss" by exercising the fair value option, provided that the application of this option eliminates or significantly reduces measurement or recognition inconsistencies (accounting mismatches).

Any changes in the fair value of instruments allocated to the category "financial assets designated as at fair value through profit or loss" have to be recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income (fair value OCI)

This category is broken down into the following subcategories.

Financial assets mandatorily measured at fair value through other comprehensive income

A financial asset has to be assigned to this subcategory if it is held in accordance with a business model aimed both at collecting contractual cash flows and at selling financial assets. Moreover, the contractual terms of the financial asset must give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (so-called "cash flow criterion").

Because of the cash flow criterion, only financial assets in the form of debt instruments may be allocated to this category. These financial assets have to be measured at fair value. Interest income, loss allowances, and currency translation effects must be recognized in profit or loss. However, any differences not resulting from loss allowances or currency translation between the amortized cost and the fair value have to be recognized in other comprehensive income. The amounts recognized in other comprehensive income must be reclassified to the income statement upon derecognition (so-called "recycling").

Financial assets designated as at fair value through other comprehensive income (fair value OCI option)

There is an irrevocable option to designate equity instruments as "financial assets designated as at fair value through other comprehensive income" (fair value OCI option) upon initial recognition. Changes in fair value have to be recognized in other comprehensive income, except in the case of dividends that do not constitute repayment of capital. The cumulative other comprehensive income must not be recycled subsequently to the income statement, e.g. due to derecognition of the instrument. After derecognition of these equity instruments, the cumulative other comprehensive income has to be reclassified to retained earnings. The general fair value OCI option can be exercised only for equity instruments that are not held for trading and do not constitute contingent consideration recognized by the acquirer in a business combination pursuant to IFRS 3.58.

Financial assets measured at amortized cost (AC)

A financial asset has to be assigned to this category if it is held in accordance with a business model aimed at holding financial assets for the purpose of collecting contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (so-called "cash flow criterion").

Because of the cash flow criterion, only financial assets in the form of debt instruments may be allocated to this category. Financial assets included in this category have to be measured at amortized cost. Interest income, loss allowances, and currency translation effects must be recognized in profit or loss.

Financial debt instruments of the cooperative banks that are not held in the trading portfolio under commercial law have to be allocated to this category.

Financial liabilities measured at fair value through profit or loss (fair value PL)

Financial liabilities that are not measured at amortized cost have to be classified as "financial liabilities measured at fair value through profit or loss." This category has to be broken down into the following subcategories:

Financial liabilities mandatorily measured at fair value through profit or loss

The subcategory "financial liabilities mandatorily measured at fair value through profit or loss" covers financial liabilities that are issued with the intention of repaying them in the near term and financial liabilities that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that are not designated as hedging instruments also have to be included in this subcategory. Any changes in the fair value of instruments allocated to the category "financial liabilities mandatorily measured at fair value through profit or loss" have to be recognized in profit or loss.

Contingent considerations in a business combination

Contingent considerations classified by the acquirer in a business combination as financial liabilities have to be allocated to this subcategory. All changes in the fair value have to be recognized in the category "Contingent considerations in a business combination."

Financial liabilities designated as at fair value through profit or loss (fair value option)

Financial liabilities have to be assigned to the subcategory "financial liabilities designated as at fair value through profit or loss" by exercising the fair value option in the following two cases: firstly, to eliminate or significantly reduce measurement or recognition inconsistencies (accounting mismatches); and secondly, if these financial liabilities are managed as a portfolio on a fair value basis or comprise one or more embedded derivatives required to be separated from the host contract.

In the case of financial liabilities designated as at fair value through profit or loss, any net gain or loss resulting from the changes in the fair value of the financial liability attributable to the changes in that liability's credit risk has to be recorded in other comprehensive income. The rest of the change in the fair value of these liabilities has to be recognized in profit or loss. The amounts recognized in other comprehensive income may not be reclassified to the income statement on derecognition of the relevant financial liability.

Financial liabilities measured at amortized cost (AC)

For measurement subsequent to initial recognition, all financial liabilities have to be categorized generally as "financial liabilities measured at amortized cost," except in the following cases:

- Financial liabilities measured at fair value through profit or loss
- Financial liabilities that arise when a transfer of a financial asset does not satisfy the condition for derecognition or accounting treatment is based on a continuing involvement
- Financial guarantee contracts
- Loan commitments with an interest rate below the market interest rate and
- Contingent consideration recognized by the acquirer in a business combination pursuant to IFRS 3.39 et seqq.

In accordance with IAS 32.15-32, shares in partnerships normally have to be classified as debt instruments. Given their subordinated status compared with the liabilities of the partnerships concerned, non-controlling interests in this case have to be reported as subordinated capital. Profit attributable to non-controlling interests and not yet distributed has to be recognized under other liabilities, provided that the resulting liability is not of a subordinated nature. Non-controlling interests in partnerships have to be classified as "share capital repayable on demand" and have to be assigned to the "financial liabilities measured at amortized cost" category.

This category also has to include liabilities under compensation payment obligations owed to non-controlling interests in consolidated subsidiaries. These liabilities arise if DZ BANK AG or some other entity controlled by DZ BANK AG has concluded a profit transfer agreement with a subsidiary in accordance with section 291 (1) of the German Stock Corporation Act (AktG) under which there are non-controlling interests. Liabilities under compensation payment obligations have to be recognized at the amount of the obligation discounted to the balance sheet date.

In addition, this category has to include liabilities from investment contracts that are not designated as unit-linked insurance products. There is no significant transfer of insurance risk in these investment contracts and consequently they do not satisfy the criteria for an insurance contract under IFRS 17. As a consequence, such transactions need to be treated as financial instruments in accordance with the above-mentioned principles.

Other financial instruments

Other financial instruments have to comprise insurance-related financial assets and financial liabilities, receivables and liabilities arising from finance leases, or liabilities from financial guarantee contracts.

Insurance-related financial assets and financial liabilities as well as receivables and liabilities from finance leases have to be recognized and measured pursuant to the principles set out in this section and in the sections entitled "Insurance business" or "Leases," respectively.

Liabilities from financial guarantee contracts within the DZ BANK Group have to be recognized by the guarantor at fair value at the time the commitment is made. The fair value at the time the commitment is made normally has to correspond to the present value of the consideration received for issuing the financial guarantee contract. The obligation has to be subsequently measured at the higher of a provision recorded and the original amount less any amortization recognized subsequently.

Initial recognition and derecognition of financial assets and financial liabilities

Derivatives have to be initially recognized on the trade date. Regular way purchases and sales of non-derivative financial assets and liabilities generally have to be recognized and derecognized using settlement date accounting. In the case of consolidated investment funds, the financial instruments have to be recognized on the trade date.

All financial instruments have to be measured at fair value on initial recognition. In the case of financial assets or financial liabilities not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset or issue of the financial liability concerned have to be added or deducted on initial recognition.

Financial assets have to be derecognized if the contractual rights to the cash flows from the financial assets have expired or these rights have been transferred to third parties, and no substantial risks or rewards of ownership in the financial assets remain. If the criteria for derecognizing financial assets are not satisfied, the transfer to third parties has to be recognized as a secured loan. Financial liabilities have to be derecognized when the contractual obligations have been settled, extinguished or have expired.

Loss allowances for financial assets

Loss allowances are recognized only for financial assets that represent debt instruments as well as for loan commitments and financial guarantee contracts. In contrast, equity instruments and derivatives do not fall within the scope of the loss allowances set out in IFRS 9. Loss allowances have to be recognized for the following financial assets:

- Financial assets of the category "financial assets measured at amortized cost,"
- Financial assets (only debt instruments) of the category "financial assets measured at fair value through other comprehensive income,"
- Finance lease receivables that fall within the scope of IFRS 16, and
- Trade receivables and contract assets that fall within the scope of IFRS 15,

as well as for

- Undrawn loan commitments where there is a current legal obligation to extend credit (irrevocable loan commitments), to the extent that these are not measured at fair value through profit or loss, and

- Financial guarantee contracts, to the extent that these are not measured at fair value through profit or loss

The calculation generally has to be made on the basis of the regulatory model (probability of default, loss given default, and expected loan exposure at default), with adjustments made to the model to meet IFRS 9 requirements.

Expected losses have to be determined using a three-stage approach:

- Stage 1: All financial assets have to be assigned to Stage 1 upon initial recognition, with the exception of financial assets that are purchased or originated credit-impaired assets (POCI). Due to the cooperative banks' business model, the POCI rules must not be applied in this context. The 12-month expected credit losses represent the minimum measurement amount for loss allowances regarding Stage 1 assets.

- Stage 2: As at each reporting date, assets have to be allocated to Stage 2 if their credit risk has increased significantly since initial recognition, but where there is no objective evidence of impairment, which would require their assignment to stage 3. The identification of a significant increase in credit risk and thus the definition of the stages for the cooperative banks have to be made on the basis of the current rating grade allocation. For these assets, the loss allowances have to be measured at the amount of the lifetime expected credit losses. Cooperative banks have to assess the relevant assets by similar risk classes; discounting is not applicable. In addition, individual contractual residual maturities are used, and values of collateral observable as of the relevant reporting date and included in the analysis of loss rates are not extrapolated into the future. The stages have to be defined on the basis of the rating grade allocation.

  Provided that historical probabilities of default for financial instruments are not available without undue effort and, to that extent, there is no original estimate of the probability of default over the remaining term, financial instruments have to be assigned to Stage 2 if the current credit assessment no longer meets the criteria for a rating equivalent to investment grade and an allocation to Stage 3 is not required.

- Stage 3: Financial assets that are classified as credit-impaired have to be assigned to Stage 3 accordingly. The loss allowance for these assets is measured at the amount of the lifetime expected credit losses or, for cooperative banks, at the amount of the specific valuation allowance or the specific valuation allowance assessed on a portfolio basis, both of which are determined in accordance with the German Commercial Code (HGB). Financial assets are classified as credit-impaired upon the occurrence of one or more events that have a negative effect on the expected future cash flows of the financial asset or when they are deemed defaulted in accordance with Article 178 of the Capital Requirements Regulation (CRR).

Financial assets that are subject to the loss allowance provisions set out in IFRS 9.5.5 have to be reviewed at each reporting date to ascertain whether one or more events have occurred that have a negative effect on the expected future cash flows of the relevant financial asset.

Purchased or originated credit-impaired (POCI) financial assets have to be recognized, upon initial recognition, at their carrying amount reduced by lifetime expected credit losses and have to be amortized, accordingly, using a risk-adjusted effective interest rate. At the reporting date, only the cumulative changes in lifetime expected credit losses since initial recognition have to be recorded as a loss allowance. There is no transfer between individual stages for these assets. Due to the cooperative banks' business model, the POCI rules must not be applied in this context.

The modification rules set out in IFRS 9.5.4.3 have to be applied, except for non-substantial modifications at the cooperative banks.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative financial instrument (host contract), with the effect that some of the cash flows of the combined financial instrument vary in a way similar to those of a stand-alone derivative. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

If a hybrid contract contains a host contract that is a financial asset, the categorization rules for financial assets have to be applied to the entire hybrid contract.

If a hybrid contract contains a host contract that is a financial liability, an embedded derivative has to be separated from the host contract and accounted for separately if:

- the economic characteristics and risks of the derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms would meet the definition of a derivative, and
- the hybrid contract is not measured at fair value through profit or loss.

If the embedded derivative does not meet all of these conditions, it may not be separated from the host contract. When an embedded derivative is separated, the host contract has to be accounted for in accordance with the measurement principles presented regarding financial instruments.

If a contract includes one or more embedded derivatives and the host contract is not a financial asset, the entire hybrid contract can be categorized as measured at fair value through profit or loss. This is not the case where embedded derivatives have only an insignificant impact on the contractually specified cash flows or, upon initial comparison with similar hybrid instruments, it is evident without – or with only minor – analysis that separation of the embedded derivative(s) is not permitted.

Hedge accounting

Fair value hedges

A fair value hedge is intended to ensure that changes in the fair value of the hedged item attributable to the hedged risk are offset by countervailing changes in the fair value of the hedging instrument. Changes in the fair value of the hedged item attributable to the hedged risk and changes in the fair value of the hedging instrument are recognized in profit or loss. Risks must be hedged by designating hedges either on an individual or on a portfolio basis.

Hedged items categorized as “financial assets measured at amortized cost” and “financial liabilities measured at amortized cost” have to be measured in accordance with the general measurement principles for these financial instruments. The values have to be adjusted for the change in fair value attributable to the hedged risk. Hedged items categorized as “financial assets measured at fair value through other comprehensive income” have to be measured at fair value, although only changes not attributable to the hedged changes in fair value have to be recognized in other comprehensive income. Interest income and interest expense arising from hedged items or hedging instruments have to be recognized under net interest income.

If the fair value is hedged against interest-rate risks on a portfolio basis, the cumulative changes in fair value attributable to the hedged risk have to be reported on the balance sheet under fair value changes of the hedged items in portfolio hedges of interest-rate risk, either under other assets or other liabilities depending on whether the portfolio comprises financial assets or financial liabilities.

In fully effective hedges, the changes in fair value attributable to the hedged risk offset each other over the lifetime of the hedging relationship. Any changes in fair value recognized in the carrying amount of the hedged items have to be amortized through profit or loss not later than by the time the hedge has been terminated.

Cooperative banks may only designate hedging relationships on a portfolio basis. In this respect, the balance of derivatives not held in the trading portfolio has to be reported as either positive or negative fair value from hedging instruments. The hedging gains or losses attributable to hedged items of the cooperative banks represent a countervailing adjustment related to the fair value changes of the hedging instruments and have to be recorded as fair value changes from portfolio hedges of financial assets/liabilities in other assets/liabilities.

Currency translation

All monetary assets and liabilities, together with unsettled spot transactions, have to be translated at the closing rate into the relevant functional currency of the consolidated entities. Cash in foreign currency has to be translated using the buying rate for cash on the balance sheet date. The translation of non-monetary assets and liabilities has to be based on the way in which these assets and liabilities are measured. If non-monetary assets are measured at amortized cost, they have to be translated using the historical exchange rate. Non-monetary assets measured at fair value have to be translated at the closing rate. Income, expenses, gains, and losses have to be translated on the date they are recognized either in profit or loss or in other comprehensive income.

If the functional currency of companies included in the consolidated financial statements is different from the reporting currency (euros), all assets and liabilities have to be translated at the exchange rate at the reporting date. Equity (except for the reserve from other comprehensive income) has to be translated at the historical rate. Income and expenses have to be translated at the relevant spot rate on the date of the transaction or, for simplification, at average rates. To the extent that there are no material effects compared with the application of average rates, the rate on the reporting date can be used. Any differences arising from currency translation have to be reported in the currency translation reserve.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported as a net amount on the balance sheet if the group currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The legal right of set-off cannot be contingent on a future event and must be exercisable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy of the entity or any of the counterparties.

Sale and repurchase agreements and securities lending transactions

Sale and repurchase agreements (repos) are transactions in which the parties agree the sale and subsequent repurchase of securities at a fixed price and time. The risks and rewards of ownership of the sold securities remain in full with the original seller, provided that the buyer is under an obligation to sell back the securities. In case repos are entered into as original seller, the securities sold continue to be recognized on the balance sheet of the consolidated financial statements. A liability corresponding to the amount of the purchase price received is recognized. In case reverse repos are entered into as buyer, the securities purchased must not be recognized on the balance sheet of the consolidated financial statements. A receivable corresponding to the amount of the purchase price paid is recognized.

Securities lent as part of securities lending transactions remain on the balance sheet. Where cash collateral is received in this regard, a liability is recognized. Borrowed securities must not be recognized on the balance sheet. Any cash collateral provided in connection with borrowed securities is reported as a receivable.

Sale and repurchase agreements and securities lending transactions result in transfers in which the transferred assets remain on the balance sheet in their entirety.

Collateral

Receivables are recognized for assets pledged as collateral in the form of cash deposits. Other assets pledged as collateral continue to be reported on the balance sheet unchanged. Where cash collateral is received, a liability for a corresponding amount is recognized. Other financial or non-financial assets received as collateral are not recognized on the balance sheet unless the assets are obtained in connection with the recovery of collateral or a bail-out purchase of real estate that was previously held as collateral.

Insurance business

General information on the accounting treatment of insurance business

Insurance contracts are recognized in accordance with the requirements of IFRS 17. Investment contracts have to be classified as financial instruments and are recognized in accordance with the mentioned principles. Service contracts are subject to the revenue recognition requirements specified in IFRS 15.9–104.

Insurance business in the Cooperative Financial Network is generally reported under specific insurance items on the face of the income statement and balance sheet.

Financial assets and financial liabilities

Financial assets and financial liabilities held or entered into in connection with insurance operations have to be accounted for and measured in accordance with the financial reporting principles for financial instruments. Financial assets and financial liabilities have to be reported under investments held by insurance companies, other assets held by insurance companies, and other liabilities of insurance companies. Loss allowances on investments held by insurance companies and other assets held by insurance companies have to be deducted from the relevant assets' carrying amounts or have to be reported in the reserve from other comprehensive income, respectively. Loss allowances are presented on a net basis for investments held by insurance companies measured at amortized cost and for other assets held by insurance companies. However, in the notes on these balance sheet items, the loss allowances are presented on a gross basis.

Other liabilities of insurance companies include the benefit obligations under investment contracts for which no material insurance risk is assumed when the policy is concluded. These have to be reported under liabilities from investment contracts within payables and residual other liabilities. The underlying financial instruments in these transactions have to be reported as part of assets related to unit-linked contracts under investments held by insurance companies.

Investment property

The investment property included in the investments held by insurance companies has to be measured at amortized cost in accordance with the cost model. As part of subsequent measurement, investment property has to be depreciated on a straight-line basis over the useful life on the basis of the cost.

Any expenditure that increases value and extends the useful life of real estate or results in a significant improvement in the fabric of a building has to be capitalized. Maintenance and repair costs have to be expensed as incurred.

Recoverable amounts of real estate have to be determined in the context of impairment tests pursuant to the provisions of IFRS 13.27-33. For this purpose, standard valuation methods have to be used, based on the requirements of the German Real Estate Valuation Guidelines (WertR 2006) and the German Building Code (BauGB). Accordingly, the current value of real estate has to be determined by using the sales comparison approach, income approach, or cost approach and taking into account the provisions of any relevant contracts.

Any benefits gained from non-interest-bearing, low-interest or forgivable loans, including development loans, have to be recognized in the same way as government grants. The amount of financial assistance as well as any government grants have to be deducted when the carrying amount of the asset is identified and then have to be recognized in profit or loss over the period covered by the assistance or grant by means of a reduced depreciation charge.

General measurement methods

IFRS 17 includes 3 measurement methods, the main one being the general measurement model. In addition, there is the premium allocation approach – a simplified approach used if no material differences are expected in the measurement of the benefit reserve compared to the general measurement model, or for short-term business with a maximum term of one year, as well as the variable fee approach for insurance contracts with direct participation features. All of the measurement models are used. However, the degree to which the measurement models are used in the individual business segments varies due to the differences in the nature of the aggregated business segments.

The general measurement model has to be used for inward reinsurance and for reinsurance contracts held (with the exception of the fire, property, and hail portfolios in inward reinsurance), the risk part of the casualty insurance with premium refund business in non-life insurance, and credit insurance as part of the personal insurance business.

The premium allocation approach has to be applied for the non-life insurance business (except for casualty insurance with premium refund), for the fire, property, and hail portfolios in inward reinsurance, for international travel healthcare insurance in personal insurance, and for reinsurance contracts held.

The variable fee approach has to be used for the personal insurance business (except for credit insurance and international travel healthcare insurance) and for the savings component in casualty insurance with premium refund in the non-life insurance business.

Insurance contract assets and liabilities

Benefit reserve

Fulfillment cash flows

For the non-life portfolios, cash flows – calculated using the general measurement model – for estimated future claims and the associated premiums and costs are needed to be able to determine the benefit reserve. The estimated future cash flows have to be determined using estimated ratios, realization patterns, estimated premiums written, and estimated premiums earned.

The following ratios have to be modeled:

- Estimated ultimate claims rates in order to model the future claims expenses for compensation payments, recourse, excess proceeds, and loss sharing agreements as well as external claim settlement costs,
- Expected ratios for internal claim settlement costs, insurance acquisition cash flows, administration costs, fire protection taxes, premium refunds, and lapse.

Various realization patterns have to be modeled for settlement purposes. The payment pattern for future compensation payments, recourse, excess proceeds, loss sharing agreements and claim settlement costs have to be derived from the settlement pattern used in the recognition of claims provisions. In addition, various payment patterns for the insurance acquisition cash flows, administration costs, fire protection taxes, and premium refunds have to be modeled.

In the personal insurance business, the fulfillment cash flows have to be based on a projection of future cash flows within the contract boundaries. This has to take account of all cash inflows and outflows that are needed to settle the insurance liabilities during their term to maturity. These have to comprise premium payments and related cash flows, all payments to policyholders and beneficiaries (including future policyholder participation), and all expenses incurred in order to fulfill the insurance obligations, where these can be allocated directly.

Premiums, guaranteed benefits, and costs have to be projected for the main portfolios on an individual contract basis until expiry. The stochastic measurement has to be primarily based on these deterministic cash flows, with other factors such as dynamic policyholder behavior also taken into account. Business that is not modeled on an individual contract basis has to be taken into account using an appropriate scaling approach.

In addition to the product and portfolio data at the start of the projection, assumptions about changes in the portfolio over the course of the projection also have to be incorporated. These are assumptions about biometrics and policyholder behavior, such as second-order mortality probabilities, probabilities for lump-sum payments, and lapse probabilities. Inflation assumptions have to be taken into account in the cost projection.

To measure the policyholder participation payments, the policyholder participation has to be allocated for each year of the projection depending on the funds available from the provision for premium refunds under HGB. The HGB provision for premium refunds is updated in accordance with the German Minimum Addition Regulation (MindZV).

The value of the options and guarantees have to be determined using stochastic simulation.

In inward reinsurance, the fulfillment cash flows – both for the benefit reserve and for the provision for claims outstanding – have to be measured using estimates of future cash flows determined in accordance with IFRS 17.33-35 and taking account of IFRS 17.B65, B66, and B66(a). A distinction has to be made in the modeling between cash flows related to premiums, cash flows related to benefits, and cash flows related to costs. The costs modeled have to include the administration costs that can be allocated and other insurance-related costs. IFRS 17.59(a) applies only if insurance acquisition cash flows within the meaning of IFRS 17 exist.

The estimates of future cash flows have to be determined for each GIC, broken down into items relating to premiums, claims, and costs, using a multi-stage model as a best estimate on the basis of past data and forecasts. The future cash flows of the outstanding payments have to be generated using actuarial payment flow patterns. Changes to estimates of future cash flows have to be based predominantly on information from previous insurers and on historic and current data. Changes to estimates that are based on the exercise of judgment have to be documented separately. The modeling of the estimated cash flows has to be based on the 5 biggest currencies in terms of volume (euro, US dollar, pound sterling, Japanese yen, and South African rand).

The outstanding cash flows then have to be divided into those for coverage already provided (provision for claims outstanding) and those for coverage still outstanding (benefit reserve). The future cash flows have to be determined on an underwriting year basis, although forecasts of future claims and the settlement of claims incurred are combined. It is therefore necessary to allocate the remaining claims provision to future coverage and past coverage. The basis for this distribution has to be the breakdown of the total estimate of premiums at each balance sheet date. Analysis of the settlement year enables the premium payments to be allocated to the actual coverage provided by the previous insurer.

Risk adjustment for non-financial risks

A confidence level technique has to be used to determine the risk adjustment for non-financial risk. A uniform confidence level of 75 percent has to be set. The option to not split the change in the risk adjustment into an insurance service component and an insurance finance component may not be exercised. When determining the risk adjustment for each GIC, no risk compensation effects are taken into account that go beyond the level of the individual legal entity.

Discount rates

All cash flows have to be discounted with a risk-free yield curve that has been adjusted to reflect the liquidity characteristics of the insurance contracts. The liquidity of an insurance contract has to be determined by the predictability of its cash flows. The amount of the liquidity premium is derived from the liquidity of the reference market. Uncertainties in determining the discount rates and, in particular, the differences between different insurance contracts have to be taken into account in the measurement of the fulfillment cash flows at another point and are thus not taken into account by adjusting the yield curve. The relevant uncertainties arising from financial risk have to be factored into the estimate of the cash flows as part of a stochastic measurement that has to be based on up-to-date market prices of relevant hedging instruments. Non-financial uncertainties have to be reflected in the risk adjustment for non-financial risks. No further differentiation in terms of liquidity has to be made therefore in the measurement yield curve. The yield curve has to be determined for each currency using a bottom-up approach. In a two-step process, the risk-free and liquid basic yield curve has to be determined and then adjusted for an illiquidity premium.

The risk-free, liquid basic yield curve has to be determined using the risk-free, liquid swap rates based on 6M Euribor, which have to be derived from observable market prices and which have to be extrapolated for maturities for which no observable market prices can be determined. The Nelson Siegel method has to be used for the extrapolation. If no suitable discount rates are observable in the market, they have to be estimated in accordance with IFRS 17.B78. Market data that is fundamentally observable but cannot be obtained from liquid markets with sufficient transaction volumes may not be regarded as reliable. In this case, judgment has to be exercised in order to assess the degree of similarity between the features of the insurance contracts to be measured and the observable market prices.

To reflect the liquidity characteristics of the insurance contracts, the risk-free, liquid basic yield curve has to be adjusted for an illiquidity premium. As the complete illiquidity of a cash flow is, by definition, not observable in the market, it has to be determined only approximately from observable market data. This process of determination results in a lower-end barrier for the complete illiquidity premium and thus in an abstract, risk-free, and completely illiquid yield curve pursuant to IFRS 17.B84. Higher illiquidity premiums cannot be established due to a lack of available data and are thus not estimated on the basis of reliable data. To determine the illiquidity premium from market data, the yield differential between German Pfandbriefe and German government securities with 1, 5, and 10-year maturities as at the reporting date have to be used, with interpolation between these maturities. Estimation uncertainties are also taken into account for longer yield differentials.

In inward reinsurance, there are transactions in foreign currencies for which yield curves for discounting also have to be provided in the following main currencies: US dollar, pound sterling, Japanese yen, and South African rand. The foreign currency curves have to be determined using a methodology that involves determining the difference between the risk-free interest rates and the risk-free euro yield curve and adjusting the euro IFRS 17 interest rate curve by the individual maturity-related interest-rate differentials.

Investment component

The investment component of a contract has to be determined by calculating the amount that has to be repaid to the policyholder in all scenarios that have commercial substance, irrespective of the occurrence of an insured event. Investment component payments may not be recognized as part of insurance revenue or insurance service expenses.

In personal insurance, the investment component has to be calculated as the cash surrender value defined in the contract terms and conditions less any fees due. Policyholder participation in the form of the interest-bearing accumulated amount or unit-linked policyholder participation also have to constitute an investment component.

In inward reinsurance, the amount of the guaranteed payment to the ceding insurer and thus the investment component have to be calculated as the minimum of the benefit and the contractual agreements if no claim is made. Owing to the nature of the reinsurance business, it has to be assumed that the guaranteed benefit if no claim is made is smaller than the benefits in a loss event. As the contractual terms and conditions are clearly defined, the amount of the investment component can be unequivocally determined when the contract is signed.

Contractual service margin (CSM)

At initial measurement, the CSM of a GIC essentially represents the unearned profit that has to be recognized in the future as the entity provides services under the insurance contracts in the group.

In the case of insurance contracts without direct participation features, the CSM has to be calculated at each reporting date from the carrying amount at the end of the preceding reporting period, adjusted by the following:

- The CSM for all new contracts added to the GIC over the course of the year,
- The interest accreted on the carrying amount of the CSM during the reporting period,
- The changes to the fulfillment cash flows relating to future services,
- The effect of any currency exchange differences on the CSM,
- The amount recognized as insurance revenue on the basis of the services performed during the year.

In the case of insurance contracts with direct participation features, the CSM has to be calculated at each reporting date from the carrying amount at the end of the preceding reporting period, adjusted by the following:

- The CSM for all new contracts added to the GIC over the course of the year,
- The change in the amount of the entity's share of the fair value of the underlying items,
- The changes to the fulfillment cash flows relating to future services,
- The effect of any currency exchange differences on the CSM,
- The amount recognized as insurance revenue on the basis of the services performed during the year.

In each period, a share of the CSM of a GIC has to be recognized in profit or loss in order to reflect the services provided on the basis of the number of coverage units provided in the year. At each reporting date, the coverage units have to be reviewed and updated for each contract, taking account of the scope of the services provided and the expected coverage period.

The projected risk result, which can be applied consistently across all life insurance product types, has to be used as a measure of the benefits provided by insurance coverage in life insurance. In health insurance, the total value – calculated for each rate scale – of the profile of benefit drawdown normalized to a single age has to be used. Both the projected risk result and the rate-scale-specific benefit drawdown constitute an adequate approximation for the rate-scale-specific insurance benefit payment. For investment-related services, the amounts invested in the capital markets have to be used. The projected benefit reserve under HGB has to be an equivalent value derived from the setting of insurance rates and HGB accounting principles.

In the case of biometric products, the relative weighting between the benefits provided by insurance coverage and the investment-related service is significantly different from that for savings-focused products. This difference reflects the character of the service being provided. Biometric protection predominates in the case of biometric products. By contrast, the investment-related service is a more important aspect in the case of savings-focused products, although biometric protection is not to be regarded as immaterial.

In the personal insurance business, policyholders of insurance contracts with direct participation features share in both the risk result and the gains and losses on investments. This participation can be structured as a variable fee paid to the entity for the services to be provided. The insurance coverage protection has to be weighted using the projected risk result, with the weighting determined in line with MindZV. The weighting of the investment-based service has to be based on the range determined for shareholders' historical share of gains and losses on investments held by insurance companies from the projected HGB benefit reserve. Finally, the weighting factors have to be used to determine the ratio of the fees for the benefits provided by insurance coverage to the investment-related service.

In inward reinsurance, the settlement pattern for premiums earned has to be used to measure the coverage units and amortize the CSM. Due to the contract-specific, complex structure of reinsurance products, there is not a more objective method of quantifying the insurance benefit payment that could be used to compare and contrast the individual contracts. Using premiums earned rather than premiums written ensures that amounts are accrued and recognized accordingly.

Provision for claims outstanding

In non-life insurance, the provision for claims outstanding in respect of a GIC has to be recognized in the amount of the fulfillment cash flows related to claims incurred. The future cash flows have to be discounted at current discount rates.

To calculate the provision for claims outstanding, the following three components must be measured:

Claims provision

Claims provisions are provisions for known claims and claims incurred but not reported. The final amount of the claims and the timing of payment are not known. Claims provisions contain compensation payments, annuities that have not been accepted, external claim settlement costs, internal claim settlement costs, recourse, excess proceeds, and loss sharing agreements.

Claims provisions have to be calculated using the chain ladder method or other actuarial loss reserving technique. The chain ladder method is an actuarial method of calculating claims provisions on the basis of claim payments and claims expenses. This multiplicative reserving technique is the market standard in non-life insurance. It is based on the assumption that historical claim settlement patterns are indicative of future claim settlement patterns. It is also assumed that the individual years in which claims are incurred are independent of each other. Settlement for a particular year is based on a settlement pattern that is identical for all years. This settlement pattern is then used to estimate the expected future cash flows.

The very short period for the settlement of claims in the personal insurance business means that the claims provision in this business has to be calculated in the amount of the nominal values of the expected payments for claims incurred. In the life insurance business, benefits paid due to occupational incapacity or total unfitness for work are part of the liability for remaining coverage.

For calculation of the claims provision in inward reinsurance, please refer to the section on the liability for remaining coverage and the information on the difference between the liability for remaining coverage and the liability for incurred claims.

Provision for accepted annuities

Provisions for accepted annuities cover obligations from claims that previously had to be recognized in the claims provisions and were annuitized. Annuities can arise in the liability insurance, casualty insurance, and motor vehicle liability insurance businesses. These annuities have to be measured in the same way as in the life insurance business.

Risk adjustment

A confidence level technique has to be used to determine the risk adjustment. A uniform confidence level of 75 percent has to be set. The necessary distribution assumptions have to be determined on the basis of stochastic simulations and using market-standard distributions, particularly log-normal distribution. The parameters used have to include the expected values and the forecasting errors in the recognition of claims provisions.

Recognition of onerous business on the balance sheet

If, for contracts not measured using the premium allocation approach, the increase in the fulfillment cash flows resulting from changes in estimates relating to remaining coverage exceeds the amount of the CSM, a loss has to be recognized in profit or loss in the amount of this difference. The loss component has to be recognized as part of the liability for remaining coverage and reduced to zero on a systematic basis over the coverage period. If, for contracts measured using the premium allocation approach, facts and circumstances indicate at any time during the coverage period that a GIC is onerous, the loss has to be recognized in profit or loss. The benefit reserve has to be increased by the amount by which the current estimates of the fulfillment cash flows relating to remaining coverage exceed the carrying amount of the benefit reserve. This difference also has to be reduced to zero on a systematic basis over the coverage period.

The change in the liability for remaining coverage due to onerous contracts also results in a pro rata change in the loss recovery component from reinsurance contracts held.

Option of presentation in other comprehensive income

The accounting policy choice to disaggregate and recognize the total insurance finance income or expenses in profit or loss and in other comprehensive income has to be exercised (option of recognition in other comprehensive income). Exercising this option pursuant to IFRS 17.89(b) for insurance contracts with direct participation features, the amount recognized in other comprehensive income is equal to the cumulative amount of the underlying items recognized in other comprehensive income. On subsequent measurement, insurance finance income or expenses have to be disaggregated in such a way that this amount combined with the income and expenses recognized in profit or loss for the underlying items gives a balance of zero for the items presented separately in profit or loss. Exercising the option of recognition in other comprehensive income in accordance with IFRS 17.88(b) for insurance contracts without direct participation features, the amount recognized in other comprehensive income in accordance with IFRS 17.C19(b)(i) has to be calculated on the basis of the discount rates determined at initial recognition of a GIC. On subsequent measurement, insurance finance income or expenses has to be disaggregated in such a way that the cumulative amount recognized in other comprehensive income always corresponds to the difference between the carrying amount of the GIC applying the yield curve valid as at the reporting date and the carrying amount of the GIC applying the yield curve valid at the time of initial recognition of the GIC (locked-in yield curve). The locked-in yield curve to be used for the claims provision for insurance contracts under the premium allocation approach is determined on the basis of when the claim is incurred.

Leases

Cooperative Financial Network as lessor

A lease has to be classified as a finance lease if substantially all the risks and rewards incidental to the ownership of an asset are transferred from the lessor to the lessee. If the risks and rewards remain substantially with the lessor, the lease is an operating lease.

If a lease is classified as a finance lease, a receivable due from the lessee must be recognized. The receivable has to be measured at an amount equal to the net investment in the lease at the inception of the lease. Lease payments have to be apportioned into payment of interest and repayment of principal. The interest portion has to be recognized as interest income on an accrual basis.

If a lease is classified as an operating lease, the lessor retains beneficial ownership of the leased asset. These leased assets have to be reported as assets. The leased assets have to be measured at cost less depreciation and any impairment losses. Unless another systematic basis is more representative of the pattern of income over time, lease income has to be recognized in profit or loss on a straight-line basis over the term of the lease and has to be included in other net operating income.

Cooperative Financial Network as lessee

The lessee has to recognize a right-of-use asset in a leased asset as well as a corresponding lease liability for all leases. The only exceptions are short-term leases (term of less than one year from the commencement date) and leases for low-value assets (cost of new purchase of up to €5,000 net); in these cases, the lease payments are recognized as an expense.

In principle, the amount of the right-of-use asset has to correspond to the amount of the lease liability at its inception. In subsequent periods, the right-of-use asset has to be measured at amortized cost. As a rule, the depreciation has to be made on a straight-line basis over the entire term and has to be recognized as administrative expenses.

The lease liability has to be measured as the present value of the future lease payments and has to be reported as other liabilities. Lease payments have to be apportioned into payment of interest and repayment of principal. While the interest portion has to be recorded on the basis of the interest rate implicit in the lease or the lessee's incremental borrowing rate, the principal portion has to reduce the liability.

Income

Interest and dividends received

Interest income has to be accrued and recognized in the relevant period.

Premiums and discounts have to be allocated over the expected life of financial instruments. Any additional directly attributable transaction costs also have to be recorded on an accrual basis and amortized over the term when these are directly connected with the acquisition or sale of a financial asset or a financial liability. Such costs include sales charges directly associated with the origination of home savings contracts.

Interest income and interest expense arising in connection with derivatives that were not entered into for trading purposes or are used to hedge financial instruments for which the fair value option was exercised, have to be reported under net interest income.

In contrast to interest income, current income does not have to be recorded on an accrual basis but has to be recognized in its full amount at the date of realization. Current income represents actually received income that does not result from interest-bearing financial instruments or the measurement of non-interest-bearing financial instruments. Dividends have to be recognized as soon as a legal entitlement to the payment of such a dividend is established.

Revenue from contracts with customers

Revenue from contracts with customers has to be recognized when the underlying services have been performed, it is probable that the economic benefits will flow to the group, and the amount of revenue can be reliably measured. Performance obligations have to be satisfied either at a point in time when the services are provided or over time.

Fee and commission income from the securities business, from payments processing including card processing as well as fee and commission income from the lending business and trust activities have to be recognized immediately after the provision of the service. Fees for administration and safe custody as part of securities business and asset management as well as for the provision of financial guarantees are recognized over the period in which the related service is performed.

In the case of performance-related management fees, income has to be recognized when the contractually agreed performance criteria have been satisfied.

The distinction of fee and commission income between IFRS 9 and IFRS 15 has to be based on whether fees and commissions are a material part of the effective interest rate. Fees and commissions that represent an integral component of the effective interest rate do not fall within the scope of IFRS 15.

Insurance business

The amounts recognized in the income statement and statement of comprehensive income are disaggregated into Insurance service result , consisting of insurance revenue, insurance service expenses and net gains or losses from reinsurance contracts, and insurance finance income or expenses. Insurance revenue represents the amount recognized to depict the provision of services relating to the GIC in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these services. Amounts resulting from experience adjustments for premiums earned and for insurance acquisition cash flows that do not relate to future periods are recognized in insurance revenue. The insurance revenue and insurance service expenses recognized in profit or loss must not contain any investment components.

Insurance finance income or expenses generally comprise the changes in the carrying amount of the GIC arising from the effect of the time value of money, the effect of financial risk, and changes in these effects. The accounting policy choices of partial presentation in other comprehensive income pursuant to IFRS 17.88(b) and IFRS 17.89(b) have to be exercised consistently throughout the Group.

Cash and cash equivalents

Cash on hand and balances with central banks have to be recognized as cash and cash equivalents.

Cash on hand has to comprise euros and other currencies measured at face value or translated at the buying rate. Balances with central banks have to be assigned to the "Financial assets measured at amortized cost" category. Interest income on cash and cash equivalents has to be recognized as interest income from lending and money market business.

Loans and advances to banks and customers

All receivables attributable to registered debtors that are categorized as "financial assets measured at amortized cost," "financial assets measured at fair value through profit or loss," "financial assets measured at fair value through other comprehensive income" or "financial assets designated as at fair value through profit or loss" (fair value option) have to be recognized as loans and advances to banks and customers. In addition to fixed-term receivables and receivables payable on demand in connection with lending, lease, and money market business, loans and advances to banks and customers have to include promissory notes and registered bonds.

Loans and advances to banks and customers have to be measured at amortized cost. In fair value hedges, the carrying amounts of hedged receivables have to be adjusted by the change in the fair value attributable to the hedged risk. The resulting hedge adjustments to the carrying amount have to be recognized within other gains and losses on valuation of financial instruments under gains and losses from hedge accounting. To avoid or significantly reduce accounting mismatches, certain loans and advances have to be designated as "financial assets measured at fair value through profit or loss." Finance lease receivables have to be recognized and measured in accordance with the requirements for the accounting treatment of leases.

Interest income on loans and advances to banks and customers has to be recognized as interest income from lending and money market business. This also includes gains and losses on the sale of loans and advances to banks and customers classified as "financial assets measured at amortized cost" and the amortization of hedge adjustments to the carrying amounts arising on the accounting for fair value hedges.

Hedging instruments (positive and negative fair values)

The carrying amounts of financial instruments designated as hedging instruments in effective and documented hedging relationships have to be reported under either "Hedging instruments (positive fair values)" or "Hedging instruments (negative fair values)."

These financial instruments have to be measured at fair value. Changes in the fair value of hedging instruments of the categories "Financial assets measured at fair value through profit or loss" and "Financial liabilities measured at fair value through profit or loss" used in fair value hedges have to be recognized in the income statement as an element of other gains and losses on valuation of financial instruments under gains and losses from hedge accounting. If the hedged item is an equity instrument in which changes in fair value are recognized in other comprehensive income, the changes in the fair value of the hedging instruments also have to be recognized in other comprehensive income.

Financial assets and financial liabilities held for trading

Financial assets and financial liabilities held for trading have to comprise solely financial assets and financial liabilities that are held for trading.

Derivatives with positive fair values have to be classified as financial assets held for trading if they were entered into for trading purposes or, despite being intended to be used as hedges, do not meet the requirements for an accounting treatment as hedging instruments.

The procedure for classifying derivatives with negative fair values as financial liabilities held for trading has to be the same as that used for financial assets held for trading.

Financial instruments reported as financial assets or financial liabilities held for trading always have to be measured at fair value through profit or loss. Gains and losses on valuation, interest income and expense, and dividends arising from financial assets and financial liabilities held for trading have to be recognized under gains and losses on trading activities, provided that there is an actual intent to trade the instruments concerned.

Gains and losses on the valuation of derivative financial instruments entered into for hedging purposes, but not recognized under hedge accounting criteria, have to be recognized under other gains and losses on valuation of financial instruments as gains and losses on derivatives held for purposes other than trading. If, to avoid accounting mismatches, hedged items are classified as "financial instruments designated as at fair value through profit or loss," the valuation gains and losses on the related derivatives concluded for hedging purposes are recognized under gains and losses on financial instruments designated as at fair value through profit or loss. Interest income and interest expense arising in connection with derivatives that were not entered into for trading purposes or are used to hedge financial instruments designated as at fair value through profit or loss have to be reported under net interest income.

Investments

The following have to be recognized as investments: bearer bonds and other fixed-income securities, shares and other variable-yield securities, investment shares, and other bearer or registered shareholdings in entities where there is no significant influence, provided that these securities or shares are not held for trading purposes. Investments also have to include investments in immaterial subsidiaries as well as investments in joint ventures and associates.

In general, investments have to be recognized initially at fair value. Joint ventures and associates accounted for using the equity method in accordance with IAS 28.10-15 have to be recorded at cost upon initial recognition. These investments have to be subsequently measured in accordance with the principles applicable to the relevant measurement category. In the case of investments in joint ventures and associates, the equity method generally has to be used for subsequent measurement.

Loss allowances on investments have to be reported either as a separate line item on the assets side of the balance sheet or in the reserve from other comprehensive income.

Interest and any investment premiums or discounts amortized over the maturity of the investment have to be recognized under net interest income. Dividends derived from equity instruments have to be recognized as current income under net interest income. Gains or losses on investments accounted for using the equity method also have to be reported under net interest income. Impairment losses and reversals of impairment losses as well as gains and losses realized on the sale of investments in associates and in joint ventures accounted for using the equity method have to be included in gains and losses on investments.

Loss allowances

Loss allowances for cash and cash equivalents, loans and advances to banks and customers, investments and other assets measured at amortized cost or designated as finance leases have to be reported as a separate line item on the assets side of the balance sheet. Additions to loss allowances for these balance sheet items, and any reversals of such allowances, have to be recognized under loss allowances in the income statement.

Loss allowances for investments held by insurance companies and other assets held by insurance companies measured at amortized cost have to be netted with the carrying amounts of these assets. Additions to loss allowances for these balance sheet items, and any reversals of such allowances, have to be recognized under gains and losses on investments held by insurance companies and other insurance company gains and losses in the income statement.

Loss allowances for loans and advances to banks and customers, for investments, and for investments held by insurance companies that are measured at fair value through other comprehensive income do not have to be reported on the assets side of the balance sheet but instead have to be reported in the reserve from other comprehensive income. Additions and reversals of loss allowances have to be recognized in the income statement under loss allowances and gains and losses on investments held by insurance companies and other insurance company gains and losses.

Loss allowances also has to cover changes in the provisions for loan commitments, provisions for financial guarantee contracts, and other provisions for loans and advances. Any additions to, or reversals of, provisions for loan commitments and financial guarantee contracts and other provisions for loans and advances also have to be recognized in profit or loss under loss allowances.

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

Property, plant and equipment, investment property and right-of-use assets have to comprise land and buildings, office furniture and equipment with an estimated useful life of more than one year used by the Cooperative Financial Network. In addition, right-of-use assets from leases must be reported.

Investment property has to include real estate held for the purposes of generating rental income or capital appreciation.

Property, plant and equipment, and investment property have to be measured at cost, subsequently less cumulative depreciation and impairment losses.

Right-of-use assets from leases have to be recognized in accordance with lease accounting rules and have to be reduced subsequently by cumulative depreciation and impairment losses.

Depreciation on property, plant and equipment, investment property and right-of-use assets have to be recognized as administrative expenses. Impairment losses and reversals of impairment losses have to be recognized under other net operating income.

Income tax assets and liabilities

Current and deferred tax assets have to be shown under the income tax assets balance sheet item; current and deferred tax liabilities have to be reported under the income tax liabilities balance sheet item. Current income tax assets and liabilities have to be recognized in the amount of any expected refund or future payment.

Deferred tax assets and liabilities have to be recognized in general for temporary differences between the carrying amounts recognized in the consolidated financial statements and those of assets and liabilities recognized in the financial statements for tax purposes. Deferred tax assets also have to be recognized in respect of as yet unused tax loss carryforwards, provided that utilization of these loss carryforwards is sufficiently probable. Deferred taxes are not required to be recognized for cooperative banks in case there is an excess of deferred tax assets. Deferred tax assets have to be measured using the national and company-specific tax rates expected to apply at the time of realization.

Deferred tax assets and liabilities do not have to be discounted. Where temporary differences arise in relation to items recognized directly in other comprehensive income, the resulting deferred tax assets and liabilities also have to be recognized in other comprehensive income. Current and deferred tax income and expense to be recognized through profit or loss has to be reported under income taxes in the income statement.

Other assets

Other assets comprise, among others, intangible assets and assets held for sale.

Intangible assets have to be recognized at cost. In the subsequent measurement of software, acquired customer relationships, and other intangible assets with a finite useful life, carrying amounts have to be reduced by cumulative amortization and cumulative impairment losses. Goodwill and other intangible assets with an indefinite useful life do not have to be amortized, but are subject to an impairment test at least once during the financial year in accordance with IAS 36.7-57.

Non-current assets held for sale have to include assets or groups of assets and liabilities for which a sale is planned and where the carrying amount is recovered principally through a sale transaction rather than through their continuing use. Therefore, they need to be classified as held for sale if the criteria set out below are satisfied.

To be classified as held for sale, the assets or disposal groups must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and it must be highly probable that a sale will take place. A sale is deemed to be highly probable if there is a commitment to a plan to sell the asset or disposal group, an active program to locate a buyer and complete the plan has been initiated, the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to the current fair value, and a sale is expected to be completed within one year of the date on which the asset or disposal group is classified as held for sale.

Assets classified as held for sale have to be measured at the lower of carrying amount and fair value less costs to sell. The assets no longer have to be depreciated from the date on which they are classified as held for sale.

Assets and disposal groups classified as held for sale have to be shown on the balance sheet under other assets as assets and disposal groups classified as held for sale and in other liabilities as liabilities included in disposal groups classified as held for sale. Gains and losses arising on measurement as well as gains and losses on the sale of these assets or disposal groups that do not belong to a discontinued operation have to be recognized in the income statement under other net operating income. If the assets or disposal groups belong to discontinued operations, all gains and losses arising from these assets and disposal groups must be shown separately as profit/loss from discontinued operations.

Deposits from banks and customers

All liabilities attributable to registered creditors not classified as “financial liabilities mandatorily measured at fair value through profit or loss” have to be recognized as deposits from banks and customers.

Deposits from banks and customers generally have to be measured at amortized cost. Where deposits from banks and customers are designated as a hedged item in an effective fair value hedge, the carrying amount has to be adjusted for any change in the fair value attributable to the hedged risk. If, to avoid or significantly reduce accounting mismatches, the fair value option is applied for deposits from banks and customers, the liabilities have to be measured at fair value as at the balance sheet date.

Interest expenses on deposits from banks and customers have to be recognized separately under net interest income. Interest expense also includes gains and losses on early repayment and on the amortization of hedge adjustments to carrying amounts due to fair value hedges. Hedge adjustments to the carrying amount due to fair value hedges have to be reported within other gains and losses on valuation of financial instruments under gains and losses from hedge accounting.

Debt certificates issued including bonds

Debt certificates issued including bonds have to cover Pfandbriefe, other bonds and other debt certificates evidenced by paper for which transferable bearer certificates have been issued.

Debt certificates issued including bonds and gains and losses on these certificates have to be measured and recognized in the same way as deposits from banks and customers.

Provisions

Provisions are liabilities in which the amounts or due dates are uncertain. Provisions have to be recognized for present obligations arising out of past events, in which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

The provisions have to be recognized and measured based on the best estimate of the present value of their anticipated utilization, taking into account risks and uncertainties associated with the issues concerned as well as future events.

Provisions for defined benefit plans

Where a commitment is made to defined contribution plans, fixed contributions have to be paid to external pension providers. The amount of the contributions and the income earned from the pension assets determine the amount of future pension benefits. The risks arising from the obligation to pay such benefits in the future lie with the pension provider. No provisions have to be recognized for these defined contribution pension commitments. The contributions paid have to be recognized as pension and other post-employment benefit expenses under administrative expenses.

Under a defined benefit plan, the employer promises a specific benefit and bears all the risks arising from this commitment. Defined benefit obligations are measured on the basis of the projected unit credit method. The measurement depends on various actuarial assumptions. These have to include, in particular, assumptions about long-term salary and pension trends and average life expectancy. Assumptions about the salary trend have to be based on past trends and take account of expectations about future labor market trends; the assumptions about the pension trend are based on changes in the inflation rate. In Germany, the 2018 G mortality tables published by Professor Dr. Klaus Heubeck have to be used to estimate average life expectancy; the applicable mortality tables have to be used in foreign countries. The discount rate used to discount future payment obligations is an appropriate market interest rate for high-quality fixed-income corporate bonds with a maturity equivalent to that of the defined benefit obligations. The discount rate depends on the obligation structure (duration) and must be determined using a portfolio of high-quality corporate bonds that must satisfy certain quality criteria. One of the notable quality criteria is a credit rating of AA from at least one of the two rating agencies with the greatest coverage in the currency area in question. For the eurozone, these are Moody’s Investors Service and Standard & Poor’s, both New York. Bonds with existing call options in the form of embedded derivatives do not have to be included in this process.

Plan assets in accordance with IAS 19 have to include both the amount determined for the consolidated financial statements of DZ BANK and the amount that is offset against the pension obligations at the cooperative banks which are settled by R+V Pensionsversicherung a.G. The remaining plan assets reported by the cooperative banks may not be used for the consolidated financial statements, as they cannot be subjected to a review in accordance with IAS 19.8.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding the defined benefit obligations, and gains and losses arising from the remeasurement of plan assets and reimbursement rights have to be recognized in other comprehensive income in the reporting period in which they occur.

Some of the cooperative banks have transferred their pension obligations to a pension fund, R+V Pensionsfonds AG (indirect pension obligation). The resulting pension obligations are matched with guarantee assets in an equivalent amount. Offsetting is not applied. These indirect pension obligations have to be reported in the item “Liabilities from capitalization transactions” under “Other liabilities of insurance companies.” The guarantee assets are reported as part of assets related to unit-linked contracts under investments held by insurance companies.

Provisions for loan commitments and provisions for financial guarantee contracts

Provisions for loan commitments and provisions for financial guarantee contracts have to be recognized at the amount of the loss allowance for expected credit losses on the basis of the same model used for financial assets.

Other provisions for loans and advances

Other provisions for loans and advances have to factor in the usual sector-specific level of uncertainty. Other provisions represent all provisions that arise within the context of loans and advances, rather than loan commitments under the scope of IAS 37. The underlying assumptions and estimates used have to include figures based on past experience as well as expectations and forecasts relating to future trends and developments.

Provisions relating to building society operations

Provisions relating to building society operations have to be recognized to cover the payment of any bonuses that may have been agreed in the terms and conditions of home savings contracts. These bonuses may take the form of a reimbursement of some of the sales charges or interest bonuses on deposits. In order to measure provisions relating to building society operations, building society simulations (collective simulations) that are available for evaluation of the options and that forecast home savings customers' future behaviors are used. These options available to home savings customers include, for example, drawing down the home savings loan, waiving the loan after allocation, or continuing with the home savings contract.

Residual provisions

The residual provisions have to include, among others, additional provisions for employee benefits, such as provisions for other long-term employee benefits in accordance with IAS 19.153-158 (e.g. for semi-retirement arrangements, *Altersteilzeit*), provisions for termination benefits in accordance with IAS 19.159-170 (e.g. early retirement arrangements) and provisions for short-term employee benefits in accordance with IAS 19.9-12.

Residual provisions also have to include provisions for restructuring measures as well as provisions for risks arising from ongoing legal disputes. Provisions for risks arising from ongoing legal disputes have to be recognized when it is more likely than not that the relevant legal dispute will result in a payment obligation. The recognized amount is based on the potential resulting losses.

Subordinated capital

Subordinated capital has to comprise all debt instruments in bearer or registered form that, in the event of insolvency or liquidation, are repaid only after settlement of all unsubordinated liabilities but before distribution to shareholders of any proceeds from the insolvency or liquidation.

Subordinated capital and gains and losses on this capital have to be measured and recognized in the same way as deposits from banks and customers.

Equity

Equity has to represent the residual value of the Cooperative Financial Network's assets minus its liabilities. Cooperative shares of the independent local cooperative banks and capital of silent partners have to be treated as economic equity in the consolidated financial statements and have to be recognized as equity. Equity thus has to comprise subscribed capital – consisting of cooperative shares or share capital and capital of silent partners – plus capital reserves of the local cooperative banks. In addition, retained earnings, the reserve from other comprehensive income, additional equity components as well as non-controlling interests in the equity of consolidated companies also have to be included.

Trust activities

Trust activities are defined as business transacted on one's own behalf for a third-party account. Assets and liabilities held as part of trust activities do not satisfy the criteria for recognition on the balance sheet.

Income and expenses arising from trust activities have to be recognized as fee and commission income or as fee and commission expenses. Income and expenses resulting from the passing-through and administration of trust loans have to be netted and have to be included in the fee and commission income earned from lending and trust activities.

Explanatory information on the consolidated financial statements

The consolidated financial statements must include explanatory information in accordance with the following prerequisites:

- Disclosure of information required pursuant to IFRS 12 “Disclosure of Interests in Other Entities”
- Disclosure of a segment report in accordance with IFRS 8.5-19 “Operating Segments”
- Further explanations and breakdowns of the material components of income statement and balance sheet items
- Presentation of the changes in the development of loss allowances (balance sheet and income statement; reconciliation of opening balance to closing balance)
- Reconciliation in accordance with IAS 12.81(c) to present the relationship between notional income taxes and recognized income taxes, based on application of the current tax law in Germany
- Changes in the present value of defined benefit obligations as well as changes in plan assets in accordance with IAS 19.140
- Disclosures on financial instruments in accordance with IFRS 7.25 and IFRS 7.39(a)
- Disclosures on capital requirements and regulatory indicators:
  - The disclosures have to refer to the institutional protection system (cooperative joint liability scheme). The disclosures in relation to own funds and capital requirements have to be based on the information of the extended aggregated calculation (EAC) in accordance with article 49 (3) CRR in conjunction with article 113 (7) CRR
  - As at December 31, 2024, the presentation of the leverage ratio of the bank-specific protection system of the Cooperative Financial Network has to comply with the requirements set out in article 429 CRR. Tier 1 capital has to be used as the capital measure pursuant to the extended aggregated calculation in accordance with article 49 (3) CRR, adjusted by any Tier 1 capital items of the members of the bank-specific protection system held internally within the Cooperative Financial Network. The exposure values have to be determined by aggregating the individual figures reported for the leverage ratio of all member institutions and adjusted by material items held internally within the Cooperative Financial Network.
  - The cooperative banks and Münchener Hypothekenbank have to be included on an individual basis using the respective reports. DZ BANK has to be taken into account based on its own reporting on a consolidated basis. The report submitted by the DZ BANK Group has to be based on the regulatory scope of consolidation.
- The underlying report forms of the members of the IPS (“Institutional Protection Scheme”) as at December 31, 2024 are based on Commission Implementing Regulation (EU) No. 2021/451.
- Breakdowns of the composition of financial guarantee contracts and loan commitments, trust activities, asset management of Union Investment Group, changes in the contract portfolios as well as changes in the allocation assets of Bausparkasse Schwäbisch Hall, cover statement for the mortgages and local authority loans extended by the mortgage banks
- Disclosures on insurance business in accordance with IFRS 17.130 and IFRS 17.132(b)
- Disclosures on leases in accordance with IFRS 16.94

- A list of the members of BVR's Board of Managing Directors
- The signing of the consolidated financial statements by the Board of Managing Directors, including the signature date.

Management report, including risk report

The principles set out in section 315 (1) sentences 1 to 4 HGB have to be complied with in the preparation of the management report, including the risk report. Non-financial performance indicators within the meaning of section 315 (3) HGB have to be disclosed accordingly. The relevant non-financial indicators concerning employee matters such as training quota, the number of employees, the length of employee service, and the academics quota have to be presented in the section "Human resources." The relevant non-financial performance indicators regarding corporate social responsibility and financial assistance such as sponsoring have to be presented in the section "Sustainability." The risk report has to present the disclosures pursuant to section 315 (2) sentence 1 No. 1 HGB based on a corresponding application for the Volksbanken Raiffeisenbanken Cooperative Financial Network taken as a whole and has to fulfill the purpose of a bank-specific protection system. In addition, a presentation has to be made regarding material opportunities and risk management within the Cooperative Financial Network and, in connection with the report on expected developments, an outlook has to be provided about the development of major elements of the income statement and regulatory capital ratios.

The Volksbanken Raiffeisenbanken Cooperative Financial Network

Ratings	Fitch Ratings (network rating)	Standard & Poor's
Long-term issuer default rating	AA–	A+
Short-term issuer default rating	F1+	A–1
Support rating	no support	*
Outlook	Stable	Stable
Individual rating	aa–	a+

* Standard & Poor's does not provide this kind of rating.

Publisher

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