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Consolidated financial statements 2025

of the Volksbanken Raiffeisenbanken Cooperative Financial Network

Volksbanken Raiffeisenbanken Cooperative Financial Network

	2025 € million	2024 € million	Change (percent)
Financial performance			
Net interest income	24,513	24,316	0.8
Net fee and commission income	9,853	9,481	3.9
Gains and losses on financial and commodities activities[1]	478	436[3]	9.6
Net income from insurance business[2]	2,457	1,579	55.6
Loss allowances	–4,317	–4,488[3]	–3.8
Administrative expenses	–22,178	–20,815	6.5
Other net operating income	760	823[3]	–7.7
Profit before taxes	11,566	11,333[3]	2.1
Net profit	7,375	7,843[3]	–6.0
Net assets			
Loans and advances to banks	66,693	58,484	14.0
Loans and advances to customers	1,081,170	1,050,269	2.9
Financial assets held for trading	29,680	29,976	–1.0
Investments	265,427	256,166[3]	3.6
Loss allowances	–18,044	–15,454[3]	16.8
Investments held by insurance companies	124,425	121,404	2.5
Remaining assets	126,948	137,136	–7.4
Financial position			
Deposits from banks	139,714	138,877	0.6
Deposits from customers	1,089,334	1,061,003	2.7
Debt certificates issued including bonds	97,999	100,778	–2.8
Financial liabilities held for trading	41,181	38,544	6.8
Insurance contract liabilities	113,616	111,340	2.0
Remaining liabilities	35,933	36,826[3]	–2.4
Equity	158,521	150,612[3]	5.3
Total assets/total equity and liabilities	**1,676,298**	**1,637,981**	**2.3**

	2025 € million	2024 € million	Change (percent)
Profitability/efficiency			
Cost/income ratio (percent)	58.3	56.8[3]	
Return on equity before taxes (percent)[4]	7.5	7.7[3]	
Average equity	154,567	146,925[3]	5.2
Return on capital employed (percent)[5]	0.4	0.5	
Regulatory capital ratios			
Tier 1 capital ratio (percent)	16.5	16.3	
Total capital ratio (percent)	17.2	16.9	
Employees as at reporting date	**176,535**	**173,489**	**1.8**

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 2025

of the Volksbanken
Raiffeisenbanken Cooperative
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In brief

The Volksbanken Raiffeisenbanken Cooperative Financial Network fared well in 2025 despite ongoing weak economic growth in Germany. Profit before taxes came to €11.6 billion. This profit highlights the Cooperative Financial Network's competitiveness and is based on the continued growth of the customer business.

Net interest income – the Cooperative Financial Network's largest source of income – rose slightly to €24.5 billion and thereby reaffirmed the high level achieved in the previous year. Net fee and commission income increased more strongly, rising to €9.9 billion. Payments processing and the securities business continued to be the main sources of income. Gains and losses on trading activities improved significantly from a net loss of €643 million to a net gain of €384 million. One of the main reasons for this turnaround was the absence of market-related valuation effects on own issues in the reporting year. Conversely, the net gain under gains and losses on investments returned to a normal level, falling from €930 million to €142 million. There were some reversals of impairment losses but these were significantly lower than in the previous year. The insurance business was of particular note. Encouraging growth in customer business, accompanied by a lower level of claims, resulted in a significant rise in net income from insurance business, which went up by 55.6 percent to €2.5 billion.

The Cooperative Financial Network maintained its loss allowances at a high level of €4.3 billion in 2025. This reflected the continuing rise in corporate and personal insolvencies, which was attributable to the weakness of the economy. Administrative expenses went up moderately by 6.5 percent to €22.2 billion. The increase was chiefly due to higher staff expenses as a result of collectively agreed pay rises and new hires. IT expenses also rose. Net profit after taxes amounted to €7.4 billion. The cost/income ratio increased moderately to 58.3 percent.

The growth of the customer business was also reflected in the balance sheet, with loans and advances to customers rising by 2.9 percent and customer deposits by 2.7 percent. The Cooperative Financial Network's consolidated total assets thus rose to €1.68 trillion, which was 2.3 percent higher than in the previous year.

The Cooperative Financial Network also continued to strengthen its equity position. Equity rose by almost 5.3 percent to €158.5 billion. The total capital ratio increased by 0.3 percentage points to 17.2 percent. Thanks to this very sound capital adequacy, the Cooperative Financial Network is well equipped for the future – both in terms of risks and expected funding needs. 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 2025

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General Information about the Volksbanken Raiffeisenbanken Cooperative Financial Network

Structure, business model, and features of the IPS[1]

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

The Cooperative Financial Network consists of 644 cooperative banks (December 31, 2024: 670), 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 – in accordance with the rules in the statutes of the BVR protection scheme and in the articles of association of BVR Institutssicherung GmbH. 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 83.

1 Institutional protection scheme.

Business Performance of the Volksbanken Raiffeisenbanken Cooperative Financial Network

Economic conditions

The lengthy phase of weakness affecting the German economy continued in 2025. The performance of the economy as a whole did stabilize slightly, albeit at a low level. Inflation-adjusted gross domestic product (GDP) stagnated with year-on-year growth of 0.2 percent, following falls of 0.9 percent in 2023 and 0.5 percent in 2024. Price levels normalized too. Whereas consumer prices had soared by 5.9 percent in 2023, they went up by 2.2 percent on average in 2025, which was the same rate as in 2024.

Economic sentiment brightened at the start of the year, mainly thanks to the expected increase in spending on defense, infrastructure, and climate change mitigation by the newly elected German government. Once again, however, a sustained economic recovery failed to materialize over the course of the year. This was because economic growth was held back by the high level of economic uncertainty at global level – due to erratic US tariff policy and other factors – and persistent structural problems on the domestic front, such as bureaucratic hurdles and the general loss of international competitiveness.

Consumer spending played the biggest part in stabilizing the economy. Adjusted for inflation, public-sector and household consumer spending increased at a faster rate than in 2024 overall, primarily due to a further increase in spending on healthcare and social care. By contrast, the investment climate remained muted. Structural weaknesses in the business environment and the huge level of uncertainty surrounding geopolitics and economic policy meant that, once again, inflation-adjusted spending on capital equipment was at a low level. Inflation-adjusted investment in construction continued to decline, mainly because of the ongoing weakness of the housebuilding sector. The trade balance acted as a greater brake on overall economic growth than in the previous year. The headwinds generated by US trade policy, the euro's appreciation against the US dollar, and stronger competition from Chinese products caused Germany's exports to fall once again on an inflation-adjusted basis, whereas imports climbed sharply on the back of robust consumer spending and government investment in defense.

In the labor market, the number of people in work had been rising for years, but this trend ended in the reporting year. The average number of people in employment in Germany held steady at just under 46.0 million in 2025, having increased almost continuously since the mid-2000s. This stagnation was attributable to the subdued macroeconomic environment and advancing demographic change. Unemployment edged up from around 2.8 million people in 2024 to roughly 2.9 million in 2025. The unemployment rate rose from 6.0 percent to 6.3 percent.

The European Central Bank (ECB) continued to loosen its monetary policy in 2025. At its meeting in February, it lowered the deposit facility interest rate by 25 basis points to 2.75 percent, followed by further reductions at the meetings in March, April, and June 2025. All in all, the deposit facility rate was lowered by a total of 100 basis points. Consequently,

the deposit facility rate stood at 2.0 percent at the end of the year, the interest rate for main refinancing operations at 2.15 percent, and the marginal lending facility interest rate at 2.40 percent. At its meeting in December, the ECB Governing Council stated that it expected inflation to settle at the level of the medium-term inflation target of 2.0 percent. It also emphasized that it would follow a data-dependent and meeting-by-meeting approach and was not pre-committing to a particular rate path.

Alongside the cuts to interest rates, the ECB also continued with its plan to normalize the eurosystem's balance sheet by gradually scaling back 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 were no longer reinvested. The PEPP portfolio volume also shrank over the course of the year.

Business situation

Against a backdrop of challenging market conditions fueled by geopolitical crises, the Cooperative Financial Network posted profit before taxes of €11,566 million (2024: €11,333 million).

The institutions in the Cooperative Financial Network increased their loans and advances to customers to €1,081,170 million in the year under review (2024: €1,050,269 million).

The total volume of deposits held by the Cooperative Financial Network grew slightly over the course of 2025. Customer deposits totaled €1,089,334 million (December 31, 2024: €1,061,003 million). These deposits played a crucial part in funding the Cooperative Financial Network's lending business.

Equity amounted to €158,521 million at the end of the reporting year (December 31, 2024: €150,612 million).

The Cooperative Financial Network had a rating of A+ (2024: A+) from credit rating agency Standard & Poor's, while the rating from Fitch Ratings was AA– (2024: AA–). In 2025, 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 17.5 million members (individuals and companies) in total, compared with 17.6 million at the end of 2024.

Financial performance

Net interest income amounted to €24,513 million in the year under review (2024: €24,316 million; forecast for 2025: on a par with 2024). Within the net figure, interest income declined to €39,665 million (2024: €41,945 million) and interest expense decreased to €17,238 million (2024: €19,691 million). Interest income went down because of the fall in the general level of market interest rates as a result of the ECB's interest-rate cuts. The reduction in interest expense was partly attributable to the reallocation to low-yielding products on the liabilities side and to lower funding costs caused by the ECB's interest-rate cuts. The cooperative banks' net interest income is the biggest source of income for the Cooperative Financial Network.

Net fee and commission income advanced to €9,853 million in the reporting year (2024: €9,481 million; forecast for 2025: modest growth). 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 the Union Investment Group also makes a sizeable contribution to net fee and commission income.

Gains and losses on trading activities improved substantially to a net gain of €384 million in 2025 (2024: net loss of €643 million). The year-on-year change in gains and losses on trading activities was largely influenced by the DZ BANK Group. The change compared with 2024 was partly attributable to spread-related valuation effects on own issues caused by the fluctuation of market prices.

The net gain under **gains and losses on investments** came to €142 million (2024: net gain of €930 million; forecast for 2025: significant deterioration). There were reversals of impairment losses on some investments in 2025, but on a much smaller scale than in 2024. Conversely, impairment losses were recognized on longer-dated government bonds in particular owing to the rise in market interest rates.

The additions to **loss allowances** calculated in the reporting year amounted to a net addition of €4,317 million (2024: net addition of €4,488 million; forecast for 2025: fall, but remaining significantly above prior-year levels). The growing number of corporate and personal insolvencies was attributable to the weakness of the economy and was reflected in the sustained high level of loss allowances for loans and advances.

Other gains and losses on valuation of financial instruments deteriorated year on year, amounting to a net loss of €48 million (2024: net gain of €150 million). This decline was largely due to the deterioration in gains and losses on derivatives used for purposes other than trading, which outweighed the improvement in gains and losses on financial instruments designated as at fair value through profit or loss. Other negative factors included the deterioration in gains and losses on guarantee commitments and own-account investments of the Union Investment Group.

Gains and losses on derivatives used for purposes other than trading came to a net loss of €245 million (2024: net gain of €109 million).

Gains and losses on financial instruments designated as at fair value through profit or loss amounted to a net gain of €153 million (2024: net loss of €11 million). The net gain from fair value hedge accounting was €44 million (2024: €52 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. Net income from insurance business rose substantially to €2,457 million in 2025 (2024: €1,579 million; forecast for 2025: noticeable decrease). The insurance service result amounted to a profit of €3,038 million, up from €1,835 million in 2024. The insurance service result of the individual divisions was influenced by the IFRS 17 measurement methods used by them. The favorable level of claims in the non-life insurance and inward reinsurance divisions had a material impact on the insurance service result. The market conditions described in the section on the Insurance segment meant that gains and losses on investments held by insurance companies and other insurance company gains and losses amounted to a net gain of €2,272 million (2024: net gain of €5,094 million). Insurance finance income or expenses came to a net expense of €2,853 million (2024: net expense of €5,351 million), largely in relation to policyholders' share of investment returns.

Administrative expenses rose to €22,178 million (2024: €20,815 million; forecast for 2025: noticeable rise). Staff expenses grew to €12,049 million (2024: €11,316 million), mainly due to collectively agreed pay rises, salary increases, and appointments to vacant positions. Other administrative expenses, which comprise general and administrative expenses plus depreciation/amortization and impairment losses, grew to €10,129 million (2024: €9,498 million). This was attributable to general inflation and, in particular, higher expenses for IT and consultancy.

Other net operating income decreased to €760 million (2024: €823 million).

Profit before taxes improved to €11,566 million (2024: €11,333 million; forecast for 2025: lower than in 2024) and was thus higher than had been predicted in 2024.

Income taxes amounted to €4,191 million (2024: €3,489 million), with most of this amount (€3,666 million; 2024: €3,598 million) attributable to current income taxes.

The **net profit** after taxes stood at €7,375 million in 2025 (2024: €7,843 million). This decline arose because the increase in income tax expense outweighed the rise in profit before taxes.

The Cooperative Financial Network's **cost/income ratio** came to 58.3 percent in 2025 (2024: 56.8 percent).

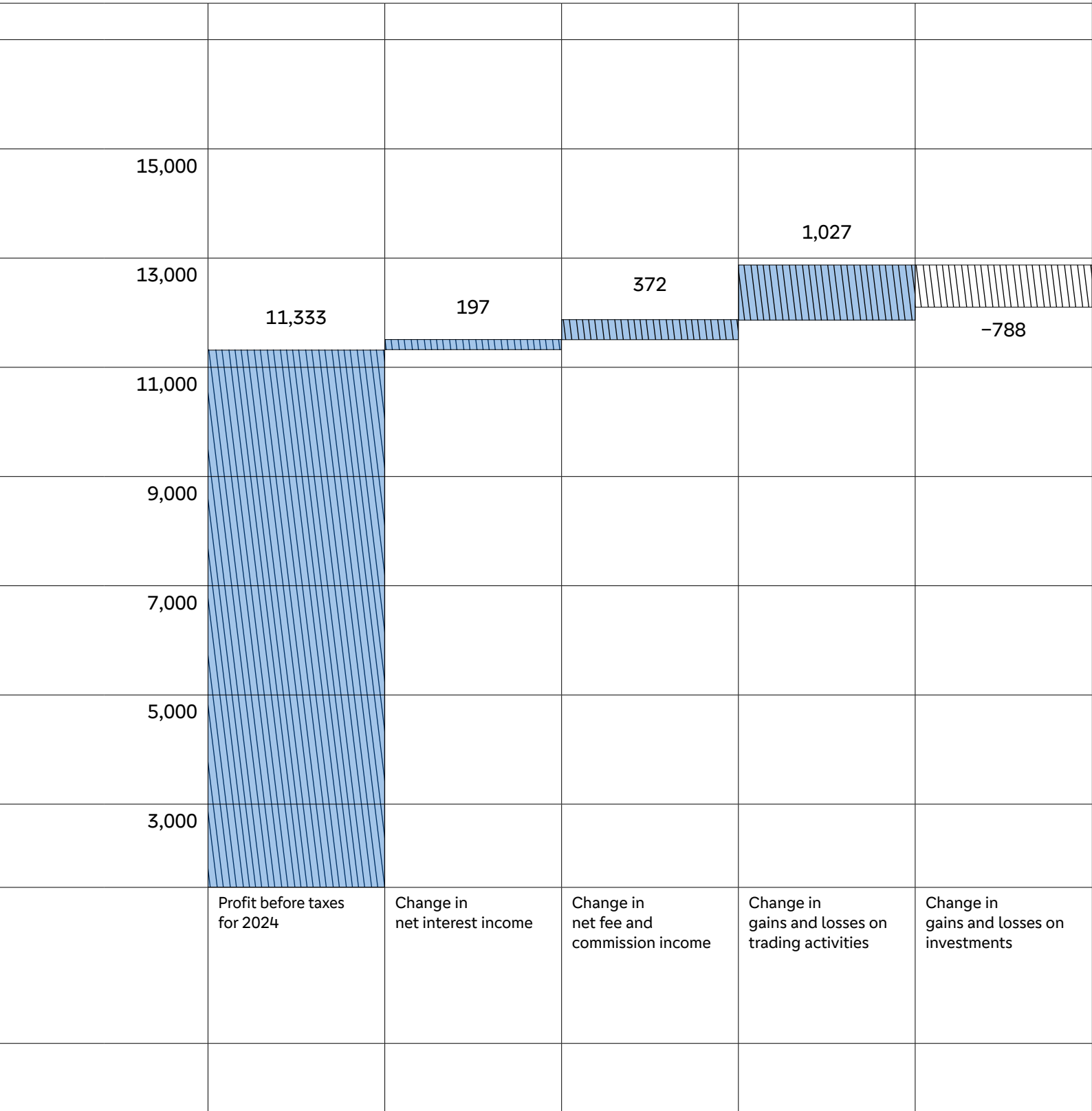
Financial performance

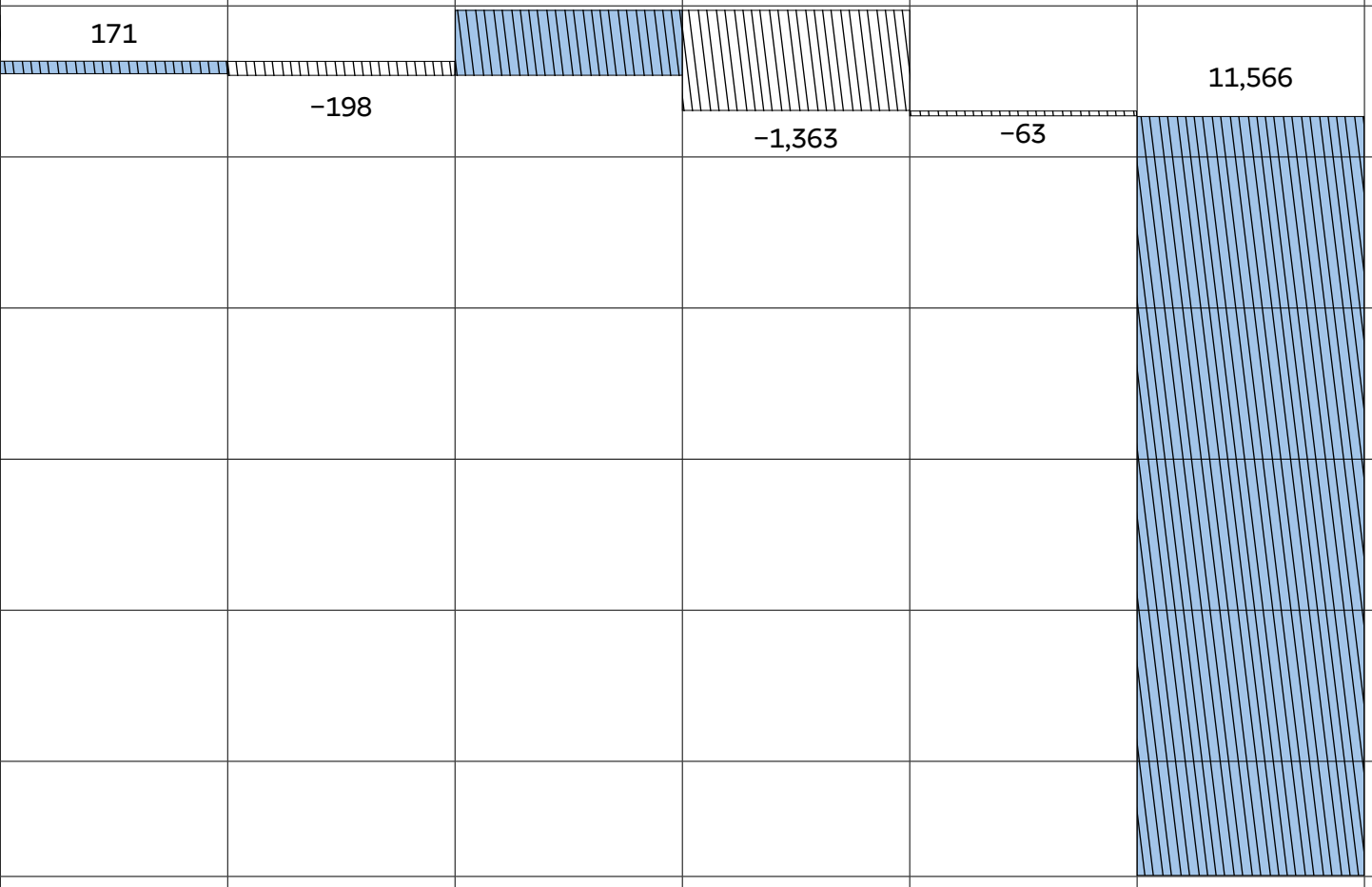
	2025 € million	2024 € million	Change (percent)
Net interest income	24,513	24,316	0.8
Net fee and commission income	9,853	9,481	3.9
Gains and losses on trading activities	384	–643	>100.0
Gains and losses on investments	142	930[1]	–84.7
Loss allowances	–4,317	–4,488[1]	–3.8
Other gains and losses on valuation of financial instruments	–48	150	>–100.0
Net income from insurance business	2,457	1,579	55.6
Administrative expenses	–22,178	–20,815	6.5
Other net operating income	760	823[1]	–7.7
Profit before taxes	**11,566**	**11,333**	**2.1**
Income taxes	–4,191	–3,489[1]	20.1
Net profit	**7,375**	**7,843**	**–6.0**

1 Amount restated.

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

€ million





Change in loss allowances	Change in other gains and losses on valuation of financial instruments	Change in net income from insurance business	Change in administrative expenses	Change in other net operating income	Profit before taxes for 2025

Financial position

The consolidated **total assets** of the Cooperative Financial Network advanced to €1,676,298 million as at December 31, 2025 (December 31, 2024: €1,637,981 million). Trust activities amounted to a volume of €2,429 million (December 31, 2024: €2,787 million).

On the **assets** side of the balance sheet, cash and cash equivalents declined to €89,698 million (December 31, 2024: €98,256 million). Loans and advances to banks rose to €66,693 million (December 31, 2024: €58,484 million) and loans and advances to customers to €1,081,170 million (December 31, 2024: €1,050,269 million). This upward trend in the year under review was mainly driven by increased lending by the cooperative banks.

Hedging instruments (positive fair values) amounted to €5,468 million (December 31, 2024: €3,530 million). Financial assets held for trading decreased to €29,680 million at the end of 2025 (December 31, 2024: €29,976 million). Within this figure, derivatives (positive fair values) declined to €13,201 million (December 31, 2024: €16,231 million) and receivables to €824 million (December 31, 2024: €965 million). By contrast, bonds and other fixed-income securities increased to €12,151 million (December 31, 2024: €10,329 million) and shares and other variable-yield securities to €3,182 million (December 31, 2024: €2,112 million).

Investments swelled to €265,427 million as at December 31, 2025 (December 31, 2024: €256,166 million). This included a rise in bonds and other fixed-income securities to €170,417 million (December 31, 2024: €162,888 million) and an increase in shares and other variable-yield securities to €89,364 million (December 31, 2024: €87,480 million).

Investments held by insurance companies went up from €121,404 million as at December 31, 2024 to €124,425 million at the end of 2025. This increase was largely due to the rise in fixed-income securities to €57,150 million (December 31, 2024: €54,936 million), in assets related to unit-linked contracts to €26,758 million (December 31, 2024: €24,859 million), in other loans to €1,021 million (December 31, 2024: €906 million), and in derivatives (positive fair values) to €157 million (December 31, 2024: €60 million). By contrast, promissory notes and loans decreased to €5,508 million (December 31, 2024: €5,937 million), registered bonds to €4,819 million (December 31, 2024: €5,029 million), deposits with ceding insurers and other investments to €23 million (December 31, 2024: €223 million), mortgage loans to €12,498 million (December 31, 2024: €12,685 million), variable-yield securities to €12,138 million (December 31, 2024: €12,257 million), and investment property to €3,538 million (December 31, 2024: €3,655 million).

On the **equity and liabilities** side of the balance sheet, deposits from banks increased to €139,714 million (December 31, 2024: €138,877 million). Deposits from customers amounted to €1,089,334 million (December 31, 2024: €1,061,003 million). Within this figure, liabilities repayable on demand were a particular area of growth, whereas savings deposits and home savings deposit declined.

Debt certificates issued including bonds fell to €97,999 million (December 31, 2024: €100,778 million). Within this figure, the portfolio of bonds issued came to €73,723 million (December 31, 2024: €78,988 million). The portfolio of other debt certificates issued amounted to €24,276 million (December 31, 2024: €21,789 million).

Financial liabilities held for trading stood at €41,181 million as at December 31, 2025 (December 31, 2024: €38,544 million). This increase was primarily the result of a rise in bonds issued, including share certificates, index-linked certificates, and other debt certificates issued, to €22,841 million (December 31, 2024: €20,961 million) and a rise in short positions to €3,578 million (December 31, 2024: €2,379 million). By contrast, derivatives (negative fair values) declined to €14,559 million (December 31, 2024: €14,997 million).

Insurance contract liabilities increased to €113,616 million (December 31, 2024: €111,340 million), primarily owing to the growth of the liability for remaining coverage to €101,014 million (December 31, 2024: €98,482 million).

Equity rose to €158,521 million as at the end of 2025 (December 31, 2024: €150,612 million). Within this figure, retained earnings increased to €136,432 million (December 31, 2024: €129,573 million), subscribed capital to €18,755 million (December 31, 2024: €18,058 million), and capital reserves to €1,293 million (December 31, 2024: €1,282 million). The reserve from other comprehensive income amounted to minus €490 million (December 31, 2024: minus €594 million).

The cooperative banks accounted for 83.4 percent of equity (December 31, 2024: 84.3 percent), while the other entities in the Cooperative Financial Network accounted for 16.6 percent (December 31, 2024: 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 2025 owing to the retention of profits and a lesser effect from the Capital Requirements Regulation III (CRR III) than had been expected. A fall in the capital ratios had been forecast.

In absolute terms, the Cooperative Financial Network's consolidated own funds increased by €9,211 million to €148,826 million. This growth was primarily attributable to the retention of profits based on the 2024 financial statements. The rise in the leverage ratio was attributable to the increase of €8,089 million in Tier 1 capital.

As at December 31, 2025, risk-weighted assets amounted to €864,067 million, which was up by €39,654 million year on year (see table on page 53 for details). This increase was predominantly due to the effect of implementing CRR III and to the growth of exposures in the customer lending business. In total,

credit risk exposures made up 90.4 percent of risk-weighted assets (December 31, 2024: 91.2 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) 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, 2025	Dec. 31, 2024	Change (percentage points)
Common equity Tier 1 capital ratio	16.4	16.2	0.2
Tier 1 capital ratio	16.5	16.3	0.2
Total capital ratio	17.2	16.9	0.3
Leverage ratio	8.7	8.4	0.3

Operating segments

Retail Customers and SMEs

Net interest income amounted to €21,566 million in the year under review (2024: €20,550 million). Loans and advances to customers at the cooperative banks increased by 3.9 percent (December 31, 2024: 3.0 percent). The cooperative banks' interest income contracted slightly. The reduction in interest expense at the cooperative banks was partly attributable to the reallocation to low-yielding products on the liabilities side and to lower funding costs caused by the ECB's interest-rate cuts. Customer deposits at the cooperative banks increased by 3.7 percent (December 31, 2024: 3.9 percent).

Net fee and commission income came to €9,565 million (2024: €9,297 million). In 2025, 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 year on year too. As at December 31, 2025, 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 €30.7 billion (December 31, 2024: €26.1 billion). Assets held for funds totaled €181.3 billion (December 31, 2024: €161.8 billion).

Gains and losses on trading activities came to a net gain of €193 million (2024: net gain of €201 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 loss under **gains and losses on investments** came to €72 million in 2025 (2024: net gain of €777 million). There were reversals of impairment losses on some investments in 2025, but on a much smaller scale than in 2024. Conversely, impairment losses were recognized on longer-dated government bonds in particular.

Loss allowances amounted to a net addition of €3,438 million (2024: net addition of €3,039 million). The increase in additions to loss allowances was attributable to the still gloomy economic conditions with muted economic prospects and to corporate and personal insolvencies over the course of the year.

Other gains and losses on valuation of financial instruments deteriorated to a net gain of €7 million (2024: net gain of €14 million).

Administrative expenses in the Retail Customers and SMEs operating segment amounted to €19,477 million in the reporting year (2024: €18,326 million). Staff expenses totaled €10,513 million (2024: €9,913 million). The year-on-year change in this item was primarily linked to appointments to vacant positions,

salary increases, and collectively agreed pay rises. Other administrative expenses grew to €8,964 million (2024: €8,413 million). This was attributable to general inflation and, in particular, higher expenses for IT and consultancy.

Other net operating income decreased to €586 million (2024: €655 million).

As a result of the factors described above, **profit before taxes** amounted to €8,930 million in the reporting year (2024: €10,129 million). The cost/income ratio was 61.2 percent (2024: 58.2 percent).

Central Institution and Major Corporate Customers

The **net interest income** of the Central Institution and Major Corporate Customers operating segment diminished to €2,158 million in the year under review (2024: €2,939 million). In the segment's Corporate Banking business line, net interest income went up slightly owing to the growth of the lending volume in the operating lending business. Net interest income from structured finance was a little 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 fell sharply. Within this figure, the fall in interest rates in the money market led to reduced 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 €791 million in 2025 and was therefore higher than in the previous year (2024: €730 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 edged up year on year. One of the main reasons for this was the increase in fees and commissions in the syndicated loan business. The contribution to net fee and commission income in the Capital Markets business line also rose slightly. The securities business was the main driver behind this rise. In addition, net fee and commission income in the Transaction Banking business line was up significantly year on year. This was mainly due to lower expenses paid under the service procurement agreement with equensWorldline SE as a result of bringing payments processing activities inhouse again at DZ BANK, a process that had commenced in 2024.

Gains and losses on trading activities came to a net gain of €191 million in 2025, improving sharply from a net loss of €817 million in the previous year. Gains and losses on trading activities essentially relate to DZ BANK's business activities in the capital markets. The change compared with 2024 was partly attributable to spread-related valuation effects on

own issues caused by the fluctuation of market prices, which – as a result of risk management – had a countervailing effect on gains and losses on non-derivative financial instruments. More specifically, the improvement in gains and losses on non-derivative financial instruments significantly outweighed the countervailing deterioration in gains and losses on derivatives.

Gains and losses on investments improved from a net gain of €115 million in 2024 to a net gain of €165 million in the reporting year. This was predominantly due to income from the sale of securities, which offset expenses arising from the unwinding of hedges in the context of portfolio fair value hedge accounting.

Loss allowances amounted to a net addition of €292 million (2024: net addition of €508 million). There were net reversals of loss allowances in stage 1. The net additions in stage 2 were considerably higher than in the previous year, whereas the net additions in stage 3 declined substantially and more than made up for the increase in stage 2.

Other gains and losses on valuation of financial instruments came to a net gain of €97 million in 2025 (2024: net gain of €123 million). Within this figure, there were decreases 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 €2,075 million in 2025 (2024: €1,977 million). Staff expenses rose to €1,023 million (2024: €944 million) on the back of higher wages and salaries – and thus higher social security expenses – resulting not only from a rise in the number of employees but also from salary increases. Other administrative expenses came to €1,052 million (2024: €1,033 million).

Other net operating income decreased to €70 million (2024: €96 million), with expenses for provisions in connection with restructuring holding steady.

Profit before taxes swelled to €1,105 million (2024: €701 million), mainly due to the improvement in gains and losses on trading activities. The cost/income ratio was 59.8 percent in 2025 (2024: 62.1 percent).

Real Estate Finance

Net interest income came to €2,051 million (2024: €1,944 million). This increase was largely due to the increase in income from home savings loans and lower interest expense in building society operations at Bausparkasse Schwäbisch Hall, as well as to an improvement at DZ HYP resulting from an increase in the average volume of real estate loans. By contrast, net interest income fell at Münchener Hypothekenbank eG.

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 amounted to €53 million in 2025 (2024: €73 million).

Gains and losses on investments deteriorated to a net loss of €49 million (2024: net

gain of €19 million), mainly because of losses on disposals of bonds.

Loss allowances amounted to a net addition of €257 million in 2025 (2024: net addition of €282 million). The net addition to loss allowances was primarily affected by individual larger exposures, the need for additions in connection with a deterioration in customer credit ratings, as evidenced by rating migrations, and updated macroeconomic parameters reflecting the challenging economic conditions.

Other gains and losses on valuation of financial instruments deteriorated year on year, amounting to a net loss of €138 million in 2025 (2024: net loss of €19 million). This was largely attributable to the negative liquidity-spread-related valuation effects on own issues and the net loss on the valuation of financial instruments measured at fair value at DZ HYP.

Administrative expenses rose to €953 million (2024: €888 million). Staff expenses totaled €495 million (2024: €442 million). This rise was predominantly due to salary increases and appointments to vacant positions. Other administrative expenses came to €458 million (2024: €446 million).

Profit before taxes fell to €674 million in the year under review (2024: €781 million). The cost/income ratio was 50.6 percent (2024: 45.5 percent).

Insurance

The **insurance service result** of the individual divisions was influenced by the IFRS 17 measurement methods used by them. The favorable level of claims in non-life insurance and inward reinsurance business had a material impact on the insurance service result, which amounted to a profit of €2,597 million overall (2024: profit of €1,371 million). This figure included insurance revenue amounting to €12,970 million (2024: €12,165 million) and insurance service expenses of €10,108 million (2024: €10,577 million). Net expenses from reinsurance contracts held stood at €264 million (2024: €217 million).

In the life and health insurance business, insurance revenue amounted to €2,757 million (2024: €2,529 million). Insurance service expenses amounted to €2,074 million (2024: €1,893 million). Net expenses from reinsurance contracts held in this division came to €6 million (2024: €5 million). This included amortization of the contractual service margin in an amount of €385 million (2024: €308 million) and release of the risk adjustment in an amount of €70 million (2024: €74 million).

In the non-life insurance business, insurance revenue amounted to €8,214 million (2024: €7,598 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 €6,937 million (2024: €7,056 million). Of this sum, €5,236 million (2024: €5,254 million) was attributable to expenses for claims, comprising

payments for claims of €5,166 million (2024: €5,215 million) and the change in the liability for incurred claims amounting to a decrease of €70 million (2024: decrease of €40 million). It also included the change in the loss component, which amounted to an increase of €159 million (2024: decrease of €40 million). Other insurance service expenses included insurance acquisition cash flows and administration costs and totaled €1,861 million (2024: €1,762 million). Net expenses from reinsurance contracts held in this business came to €177 million (2024: €158 million). The combined ratio (net), which is the ratio of the sum of insurance service expenses and net income/expenses from reinsurance contracts held to insurance revenue, stood at 86.62 percent (2024: 94.94 percent). Major incurred claims from natural disasters came to a total of €25 million in 2025 (2024: €217 million).

Insurance revenue in the inward reinsurance business amounted to €1,999 million (2024: €2,038 million). This included not only premium income but also amortization of the contractual service margin in an amount of €254 million (2024: €271 million) under the general measurement model. Insurance service expenses came to €1,096 million (2024: €1,628 million). Net expenses from reinsurance contracts held in this business came to €81 million (2024: €54 million). The combined ratio (net), which is the ratio of the sum of insurance service expenses and net income/expenses from reinsurance contracts held to insurance revenue, stood at 58.91 percent (2024: 82.55 percent).

Gains and losses on investments held by insurance companies and other insurance company gains and losses deteriorated to a net gain of €2,367 million (2024: net gain of €5,212 million).

Long-term interest rates were higher than in 2024. The 10-year Bund/swap rate was 2.93 percent as at December 31, 2025 (December 31, 2024: 2.36 percent). A weighted credit spread calculated in accordance with R+V's portfolio structure, which was largely stable in 2025, stood at 44.0 points as at December 31, 2025 (December 31, 2024: 65.2 points). In 2024, this spread had fallen from 77.0 points as at December 31, 2023 to 65.2 points as at December 31, 2024.

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 895 points from the start of 2025, closing the year under review on 5,791 points (December 31, 2024: 4,896 points). The index had added 374 points in 2024.

In the reporting year, movements in exchange rates between the euro and various currencies were generally less favorable than in the previous year. For example, the US dollar/euro exchange rate on December 31, 2025 was 0.8515 compared with 0.9657 as at December 31, 2024. In the previous year, the exchange rate had moved from 0.9053 as at December 31, 2023 to 0.9657 as at December 31, 2024.

These trends resulted in a deterioration in foreign-exchange gains and losses to a net loss of €1,169 million (2024: net gain of

€658 million) and a negative change – resulting from the effects of changes in negative fair values, primarily of fixed-income investments in fund-linked business – in unrealized gains and losses to a net gain of €1,192 million (2024: net gain of €2,925 million). However, the contribution to earnings from the derecognition of investments improved to a net loss of €140 million (2024: net loss of €535 million), other non-insurance gains and losses improved to a net loss of €384 million (2024: net loss of €643 million), net income under current income and expense climbed to €2,972 million (2024: €2,930 million), and the balance of depreciation, amortization, impairment losses, and reversals of impairment losses improved to a net expense of €103 million (2024: net expense of €124 million). Changes in gains and losses on investments held by insurance companies are offset to an extent by corresponding changes in insurance finance income or expenses, so the overall effect on profit or loss is only partial.

Insurance finance income or expenses improved to a net expense of €2,853 million (2024: net expense of €5,351 million). In the life and health insurance business, this line item amounted to a net expense of €2,491 million (2024: net expense of €4,945 million). The improvement was mainly due to the aforementioned compensatory effect. Insurance finance income or expenses came to a net expense of €210 million in the non-life insurance business (2024: net expense of €256 million) and a net expense of €152 million in inward reinsurance (2024: net expense of €149 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 €189 million in non-life insurance (2024: net expense of €191 million) and a net expense of €193 million in inward reinsurance (2024: net expense of €149 million).

Other net operating income rose to €33 million (2024: €8 million), mainly as a result of the year-on-year improvement in gains and losses on the disposal of non-current assets and disposal groups classified as held for sale, especially real estate.

There was a considerable rise in **profit before taxes** to €2,144 million, mainly because of the factors described above (2024: €1,240 million).

Human Resources

The BVR believes that the enduring success of the institutions in the Cooperative Financial Network heavily depends on its employees and their skills, dedication, and ability to embrace change. 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 33, around 61 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.

Strengthening the culture of learning and offering high-quality training are pillars of the Cooperative Financial Network's human resources (HR) strategy. In 2025, 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, the BVR believes that 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 updated in 2025. It comprises three key pillars: employer branding, employees as the key to success, and HR effectiveness. The remit of the initiative is to enhance the degree of strategic control within the HR function, to clearly structure key HR action areas, and to support the institutions within the Cooperative Financial Network with their individual implementation challenges by providing practical tools. In this regard, the BVR believes 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 2025, the OCI (Organizational Commitment Index) score was again used for the cooperative banks 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 facilitates the tracking of relative year-on-year changes. The OCI score increased to 75 out of 100, compared with 72 in the previous

year. This was primarily because the survey participants gave higher scores in respect of overall satisfaction, willingness to recommend the employer to others, and willingness to take another job with the employer. The institutions' competitiveness was also rated more highly in the context of the OCI for 2025.

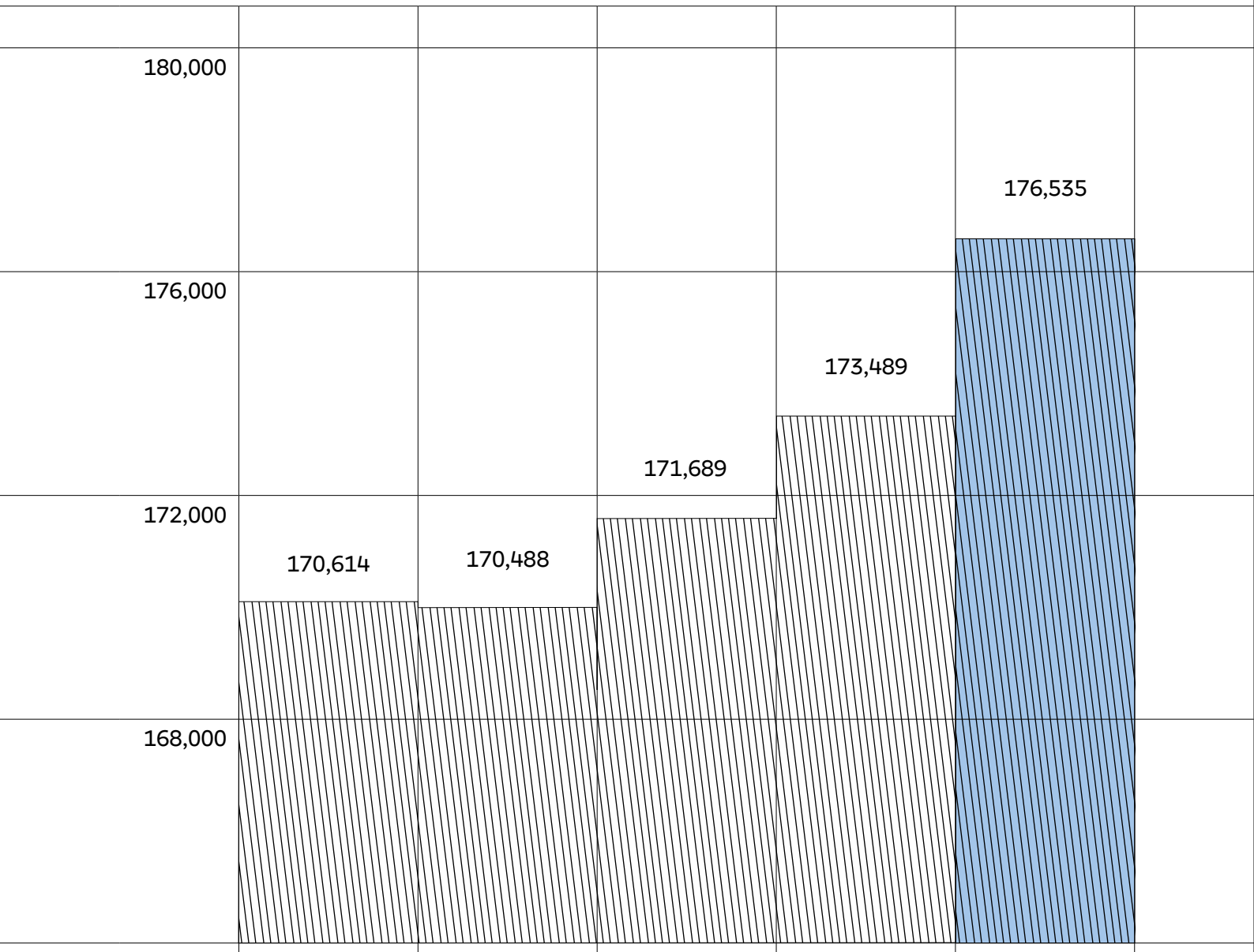
In light of the wider demographic trend, attracting talented young prospects and skilled employees remains a central plank of HR work, with an ongoing strategic focus on recruiting trainees and students, including those pursuing combined work and degree courses. This is reflected, for example, in the trainee statistics. In 2025, the ratio of trainees to other employees in the cooperative banks and at DZ BANK rose from 7.3 percent to 7.7 percent (see chart on page 34). In 2025, the BVR ran its High Potential Circle talent program for the first time, with 21 people taking part. The program is aimed at high-potential employees at the institutions in the Cooperative Financial Network.

The BVR believes that university graduates – particularly those who studied a business-related subject – view the institutions in the Cooperative Financial Network as attractive employers. The proportion of trainees undertaking degree apprenticeships combining work and study stood at 11.0 percent as at the reporting date. The proportion of employees with a degree increased to 15.4 percent (2024: 15.1 percent; see chart on page 35).

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 20th time in succession, the cooperative banks were once again among Germany's best 100 employers, as chosen by schoolchildren, and received the '2025 employer of choice' seal of approval. With more than 20,000 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 173,489 to 176,535 in 2025, confirming the positive trend from the previous year (see chart on page 32).

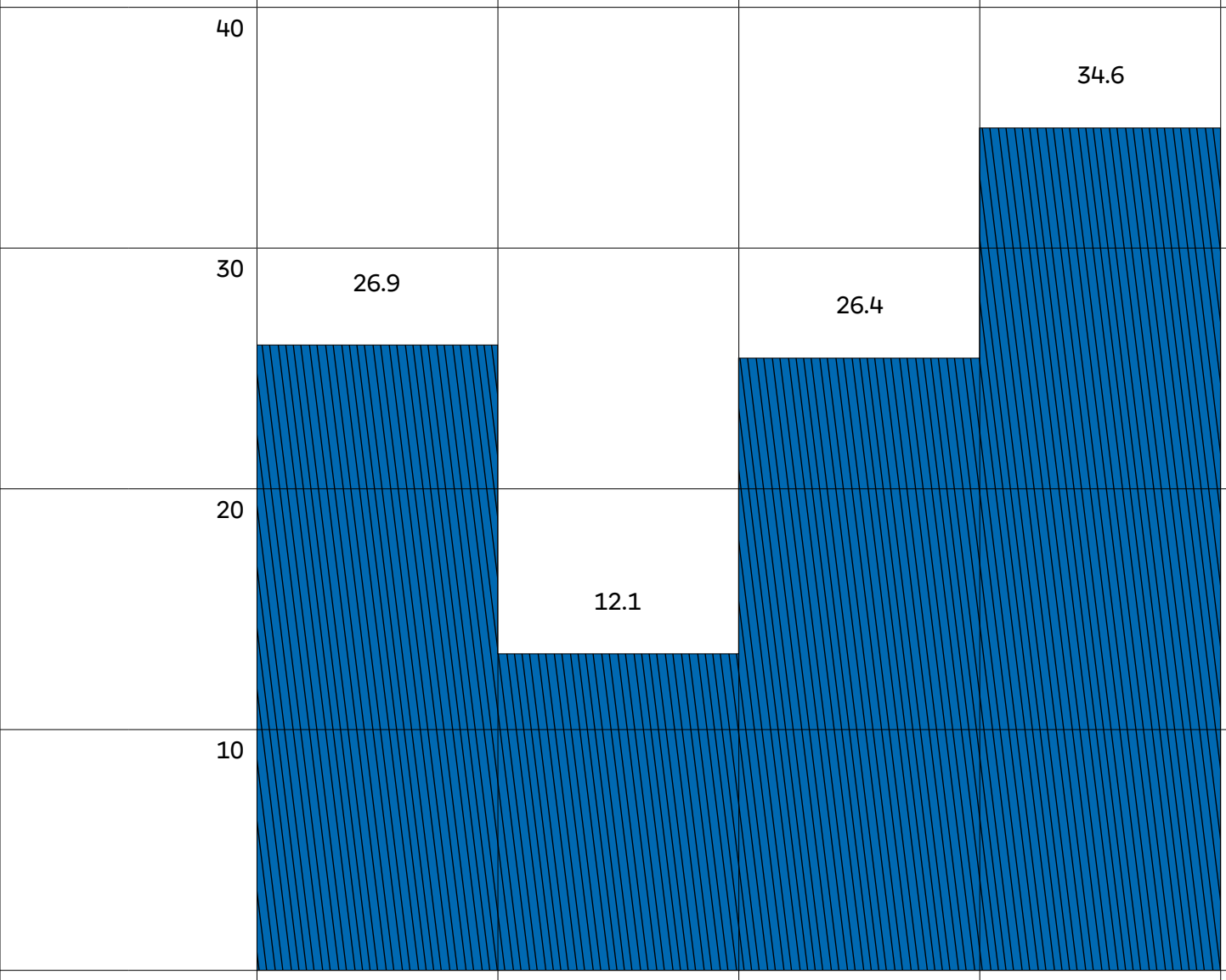
Number of employees[1]



[1] Cooperative Financial Network.

Years of service[1]

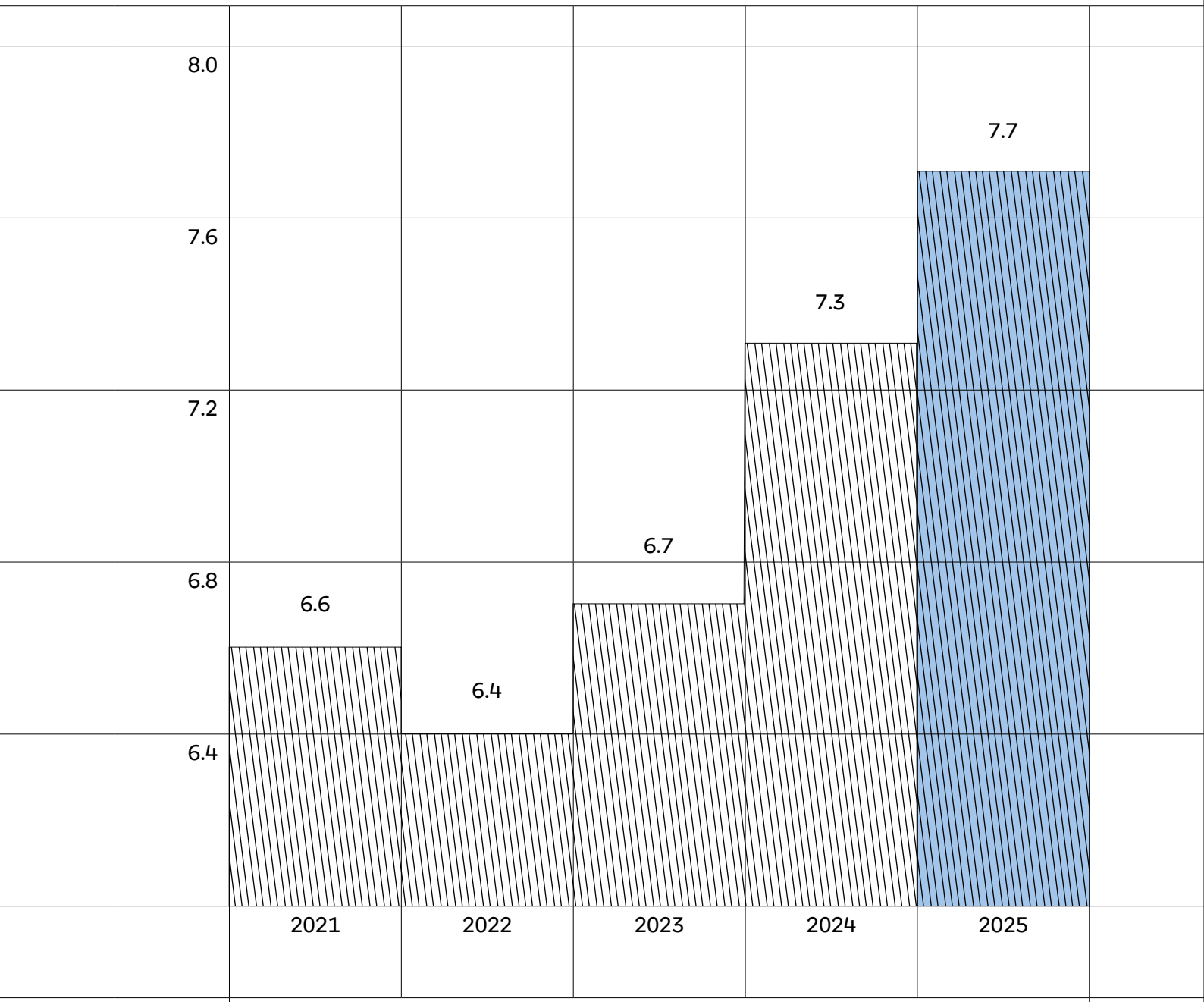
(percent)



[1] Cooperative banks and DZ BANK.

Ratio of trainees to other employees[1]

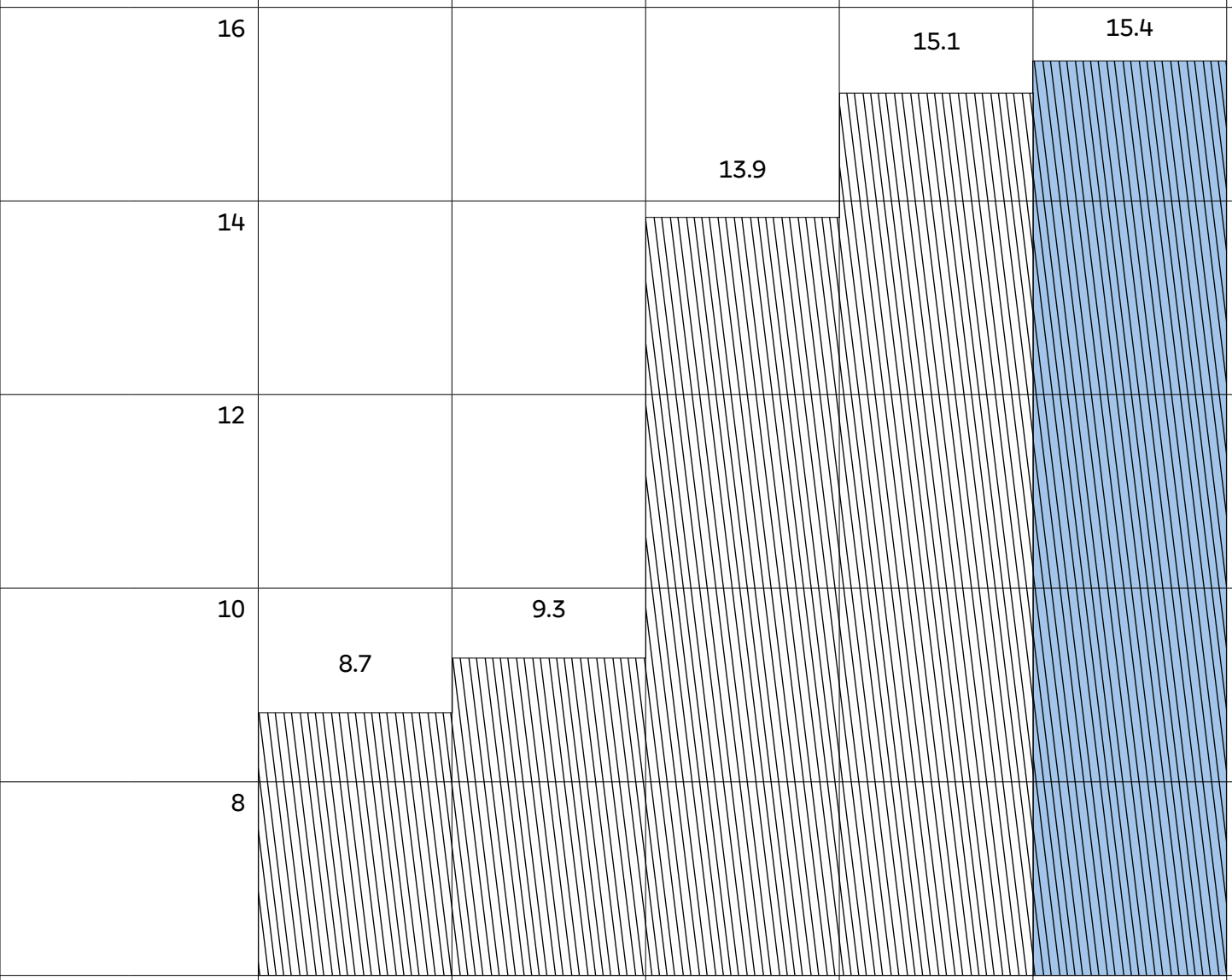
(percent)



[1] Cooperative banks and DZ BANK.

Proportion of employees with a degree[1]

(percent)



[1] Cooperative banks only up to and including 2022; from 2023, cooperative banks and DZ BANK.

Sustainability

The definition of the term sustainability developed by the United Nations in 1987 remains widely accepted. It broadly states that sustainable development means meeting the needs of the present without compromising the ability of future generations to meet their own needs. This understanding encompasses environmental, economic, and social dimensions in equal measure.

The international community has formulated ambitious goals, especially with regard to climate change mitigation and climate neutrality. Achieving them requires coordinated and determined action from all parties. The financial services industry has an important part to play in its role as an intermediary, supporting and financing the transformation of the real economy.

In the BVR's opinion, global challenges – not only climate change but also geopolitical changes – and the continuing high level of regulatory requirements mean that doing business sustainably is becoming ever-more important, including in terms of resilience.

Strategy and key figures

Sustainability is a core guiding principle in the Cooperative Financial Network, which upholds its responsibility to support the transition to a more sustainable economy. In doing so, it 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.

For more than 170 years, the cooperative banks 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, the BVR, and the network's regional banking associations, as well as other cooperative partner companies, their service providers, and specialist organizations. Back in 2020, these stakeholders therefore agreed, in the context of the network's sustainability guidelines, to play a greater part in supporting global sustainability objectives.

At the end of 2023, the BVR Association Council recommended the implementation of specific levels of ambition for the environmental, social, and governance (ESG) dimensions:

- Environmental: achieve climate neutrality (net zero) in operations by 2045
- Social: maintain the engagement volume in the region at no less than its current level
- Governance: aim for a membership ratio of 75 percent of customers in the long term

Further, subordinated ESG key figures were developed in 2025. These include the proportion of renewable energy (relative to total energy consumption), the proportion of female first-level managers (including the Board of Managing Directors) and, as a demographic factor, the ratio of employees under the age of 30 to employees over the age of 55. In addition, a maturity level was introduced within the sustainability cockpit that indicates the development stage that the cooperative banks have reached with their sustainability activities, ranging from a few individual activities to systematic management or even full integration into their strategy, processes, core business, and corporate culture. These key figures were made available to the institutions in the Cooperative Financial Network in the first half of 2026. This provides the institutions with greater assistance with their strategic management of sustainability within their organization.

Services for the network; structures

The BVR's center of excellence for sustainability was established to coordinate sustainability activities. 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 relevant dialogue formats and working groups.

One of the main support tools is the web-based sustainability portal, provided by the Cooperative Financial Network's specialized service provider DG Nexolution. Nearly all of the cooperative banks have now registered for the portal, which offers a variety of features. These include the sustainability cockpit, which is a systematic self-assessment tool, and implementation checklists, guidelines, production solutions, training, bank case studies, and a moderated discussion forum.

In 2025, a key focus of the BVR's activities was the continued integration of sustainability aspects into the core business of the institutions. The initiative 'Nachhaltigkeit in Wirkung bringen' (putting sustainability into effect) was launched in May 2025, thereby restructuring the support services for the member institutions. The aim of the initiative is to comprehensively integrate sustainability into the cooperative banks in six action areas: strategy, risk management &strategic bank management, business operations, core business,

communication & society, and corporate culture. In terms of operations, for example, the framework for ESG-focused finance solutions was expanded in 2025 to include retail customer business with a focus on consumer home finance. With regard to regulation, the BVR is concentrating on helping the institutions to implement the updated Corporate Sustainability Reporting Directive (CSRD), the objective of which is to simplify and harmonize sustainability reporting requirements.

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.

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 in their respective regions 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 1.3 million saplings have been funded by the Cooperative Financial Network over the past five years. A recent study conducted by the Institut für ökologische Wirtschaftsforschung (IÖW) [Institute for Ecological Economy Research] shows that the cost/benefit ratio is very positive, with the benefits far outweighing the costs – even when the effects on climate change are viewed in isolation. This provides evidence of the advantages of reforestation for the whole of society. In addition, the cooperative banks have so far provided funding for around 1,290 elementary school classes as part of the climate education project 'Wir und der Wald' (the forest and us), which has been running since June 2023.

Since summer 2025, it has also been possible for private individuals to get involved with the 'Wurzeln' tree planting scheme. Donations starting at €7.50 per sapling can be made to support tree planting in twelve selected afforestation projects in Germany.

All in all, around 290 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 Germany-wide survey of all member institutions in order to record information on corporate citizenship in the Cooperative Financial Network. This provides tangible proof of how the different engagement activities in the regions combine to create a force to be reckoned with at national level and highlights the contribution that the Cooperative Financial Network makes to society (CSR reports and CSR portal of the 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 various ways in 2025. It showed that the institutions of the Cooperative Financial Network provided voluntary financial assistance totaling €141.0 million to people in Germany. Of this sum, €99.5 million was donated and €41.4 million was in the form of sponsorship for the benefit of people in local communities. The institutions provided an additional €6.6 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 €265.5 million as at December 31, 2025. 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

In accordance with the fundamental idea of the cooperative movement, the members of a cooperative are both its owners and its customers – and this is also the case for the members of the cooperative banks.

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.

The cooperative governance structure – combining 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) – is designed to ensure broad

involvement in, and control of, the individual banks. The BVR believes that this promotes transparency, strengthens involvement in the democratic process, and makes it possible to incorporate different perspectives into business decisions, especially in view of the current sustainability-related challenges.

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. This is supplemented by the network perspective, which considers the Cooperative Financial Network as a whole.

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 (BVR-SE) and BVR Institutssicherung GmbH (BVR-ISG) – 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 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 2025. Its work focused on restructuring management and on the early identification of institutions with a heightened risk profile.

In 2025, BVR-SE took further strides in the development of the institutional protection scheme in the context of the Geno Next Level project. The objectives of the project are earlier risk monitoring, enhanced intervention rights for BVR-SE, and contributions that are more appropriate to the level of risk. The project also focuses on drawing up a code for boards of managing directors and supervisory boards and on updating network-wide risk and financial management while maintaining decentralized responsibility at cooperative bank level.

A total of 654 institutions of the Cooperative Financial Network belonged to BVR-SE as at December 31, 2025 (December 31, 2024: 679 members). The decrease stemmed from mergers within the Cooperative Financial Network.

BVR Institutssicherung GmbH

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, 2025, the membership comprised 652 CRR credit institutions (December 31, 2024: 677).

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 2025 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 classification of contributions in line 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) in 2025.

Decision-making structures and committees

The dual cooperative protection scheme has its own governance structures and dedicated committees for BVR-SE and for BVR-ISG so that it can satisfy the regulatory requirements. The organization of BVR-SE and BVR-ISG is built around an appropriate internal framework that sets out the rules regarding responsibilities, processes, procedures, and internal controls. The BVR-ISG committees were established on the basis of the committees already established for BVR-SE. Where legally permissible, they have the same responsibilities and members as this allows for efficient decision-making.

The Board of Managing Directors of the BVR and the senior management of BVR-ISG are responsible for running BVR-SE and BVR-ISG themselves and independently. There are also centralized committees and regional restructuring committees of BVR-SE and BVR-ISG that play an advisory role. Final decisions, in particular about whether to put member institutions into preventive measures or to carry out supporting measures, are made by the BVR Board of Managing Directors, taking account of the committees' proposals in accordance with their duties pursuant to the articles of association.

Internal quality assurance system

Quality assurance should primarily focus on the fulfillment of tasks, reporting, and the underlying sources of data. The internal control system is operated as a management and monitoring system. It consists of the entire array of procedures, methods, and measures aimed at securing the proper running of operational processes.

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 in accordance with the rules in the statutes of BVR-SE and in the articles of association of BVR-ISG. This decentralized element is in sharp 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 is because the risks within the decentralized structure predominantly

arise in the institutions. In addition, the risks throughout the Cooperative Financial Network that are deemed relevant are considered from a network perspective. This fundamental methodological approach should ensure 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 an individual 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 institutions with potential issues in the form of preventive measures. The purpose of monitoring is to identify, analyze, and assess potential issues 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 potential issues 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 analysis and other available sources of data on an ongoing basis, in particular regulatory reporting data, evaluations of the data collected as part of an annual comparative analysis, and data from VR Control. 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 and risk management information. This data forms the basis for analyses that use key risk indicators to identify and examine specific potential issues. 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. In this context, BVR-SE analyzes institutions that do not show any indications of particular risk but could potentially represent a major risk simply because of the size of their balance sheet. The proportion of such institutions continues to go up, primarily due to mergers. BVR-SE 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 of the BVR-SE member institutions are determined for the years ahead on the basis of the forecasts for macroeconomic

parameters, and Monte Carlo simulations are used to calculate the possible costs to BVR-SE resulting from new restructuring cases.

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 BVR general meeting of members 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 is 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. the institutions in the DZ BANK Group and Münchener Hypothekenbank eG.

In 2025, the risk assessment partly drew on the classification process based on an analysis of data from the 2024 financial statements. This risk assessment was supplemented with further up-to-date information and reporting data over the course of 2025.

The classifications showed a slightly poorer distribution than in the previous year. The two key figures for financial performance derived from the annual financial statements demonstrated a generally negative trend. Net interest income edged down, whereas net fee and commission income increased modestly. With a comparable structure to that of administrative expenses, the administrative expenses ratio therefore held more or less steady year on year. A further rise in the expense for risk in the lending business had a slight negative effect on the classifications. Profit retention meant that the key figures relating to financial position made a positive contribution to the classification results, but only on a small scale. As a result of loan portfolios with heightened latent risk, the key figures relating to the risk position deteriorated compared with 2024. This had an adverse impact on the institutions' overall results.

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. The new contribution rating requirements were applied for the first time in 2025.

Risk management and monitoring

Preventive management

The aim of preventive management at the level of the individual institutions 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 from the individual institutions and other information in order to identify institutions with potential issues. Further discussions are then held with the senior management and supervisory body 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. Institutions are put into preventive management measures if, based on the classification results, further key figures (e.g. key figures from institutions' reporting systems or their financial planning and reporting data), qualitative information, and meetings held with the institutions on this basis indicate that a change of business policy is necessary.

Before the prevention phase, the monitoring of institutions with potential issues 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 2025. 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.

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. 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 business basis for providing restructuring assistance and carrying out restructuring measures.

The principles documented in the manual are designed to 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.

Over the course of 2025, a mid-single-digit number of institutions required supporting measures from BVR-SE due to institution-specific risk factors or weaknesses. There were only a few noteworthy repayments under debtor warrant obligations and other transfer obligations.

BVR-ISG had already achieved the target funding level required by law in 2024. Further contributions would only be required to be paid in if there were an increase in the volume of deposits covered and the returns generated by the fund were not sufficient to meet the additional cover required. This was not the case in 2025. Fund assets are held and safely invested in accordance with the relevant EU directive.

Overall, the business performance meant that the capital adequacy of the dual cooperative institutional protection scheme was almost at the prior-year level in 2025, despite 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 2026 will once again be the macroeconomic environment in Germany. Geopolitical tensions stemming from the Iran war could have a negative impact on the economy too. This may lead to new restructuring cases, resulting in risks for the dual cooperative institutional protection scheme and demands on its resources. However, these are again 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 2026 and subsequent years with the aim of restoring the asset volume to a target significantly above the 2023 level. Consequently, we believe that the IPS will be able to handle any further restructuring cases. 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. In 2026, the focus will primarily be on updating the ‘Manual for future-proof bank management’ and refining BVR-SE’s classification process. The Geno Next Level project is also due to be completed.

The legislative process regarding crisis management (crisis management and deposit insurance, CMDI) at EU level has now been signed off without any structural consequences for the dual cooperative protection scheme, which means greater attention will be devoted to the creation of a European deposit insurance

scheme (EDIS). We expect the European Commission's initial proposals to be published from mid-2026 onward, followed by specific legislative proposals in 2027.

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, 2025 and does not include the retention of profits based on the 2025 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 2026.

The cooperative banks hold 84.0 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 effects of consolidation on the level of the risk-weighted exposure amounts are 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 €148.8 billion as at December 31, 2025 and were thus up by 6.6 percent year on year (December 31, 2024: €139.6 billion). The rise in own funds mainly resulted from the retention of profits by the cooperative banks based on the 2024 financial statements.

The institutions in the Cooperative Financial Network primarily use the Standardized Approach to credit risk (CRSA) to determine their regulatory capital requirements. Some institutions also apply 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.

The 4.8 percent increase in risk-weighted assets to €864.1 billion as at December 31, 2025 was mainly due to the effects of implementing CRR III on credit risk under the CRSA. The reduction in the exposures under the IRB Approach was primarily attributable to reclassifying equity exposures to the CRSA as part of the implementation of CRR III.

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 based on the Supervisory Review and Evaluation Process (SREP).

In terms of the regulatory minimum capital requirements and the SREP requirements, the total capital ratios of the individual institutions in the Cooperative Financial Network were solid as at December 31, 2025 (see chart on pages 54–55).

The Cooperative Financial Network reported equity of €158.5 billion as at December 31, 2025 (December 31, 2024: €150.6 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 8.7 percent as at December 31, 2025 (December 31, 2024: 8.4 percent). In terms of the regulatory minimum capital requirements and the SREP requirements, 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 €8.1 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 2.5 percent year on year, rising to €1,642.3 billion.

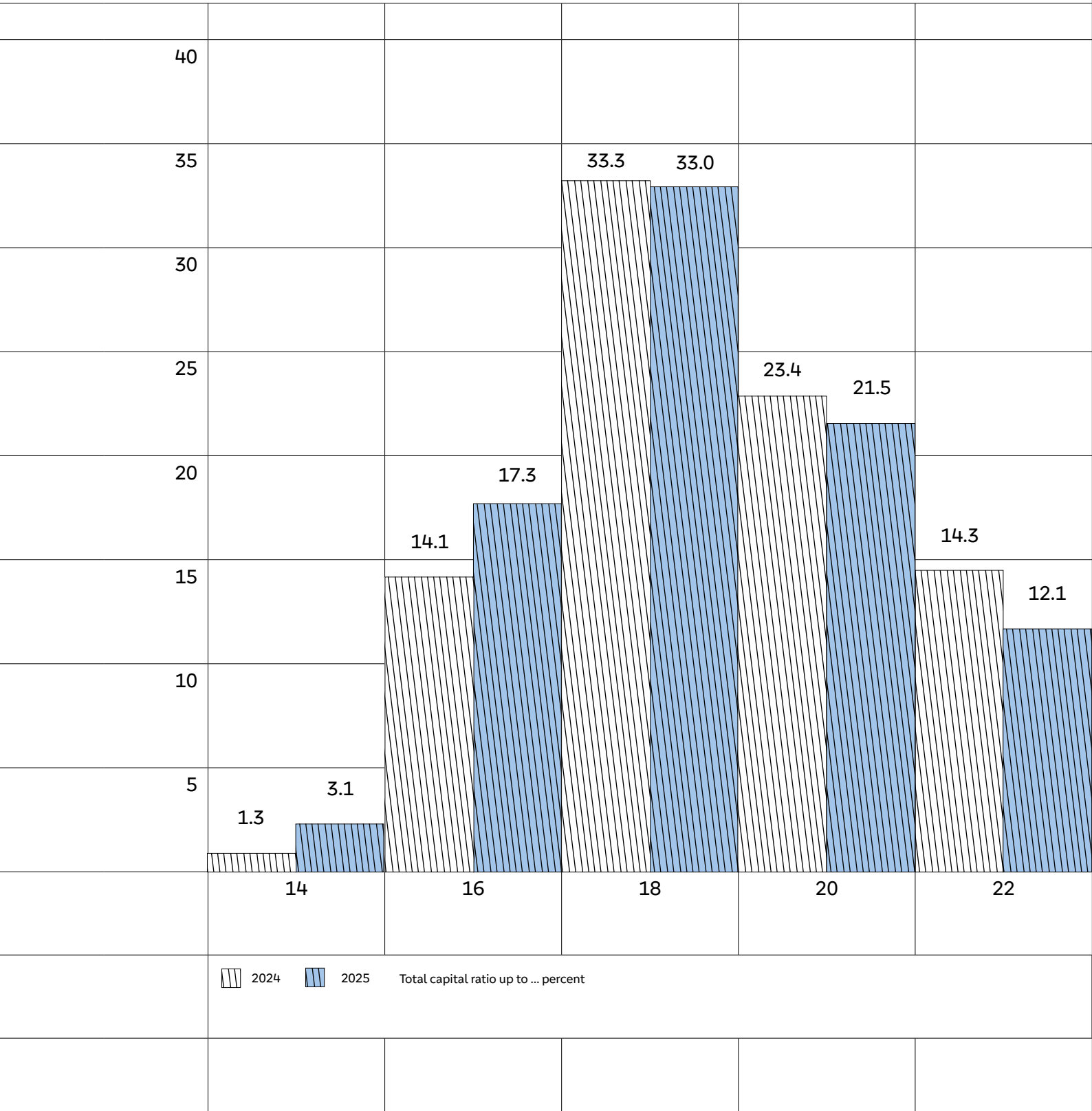
Breakdown of risk-weighted assets

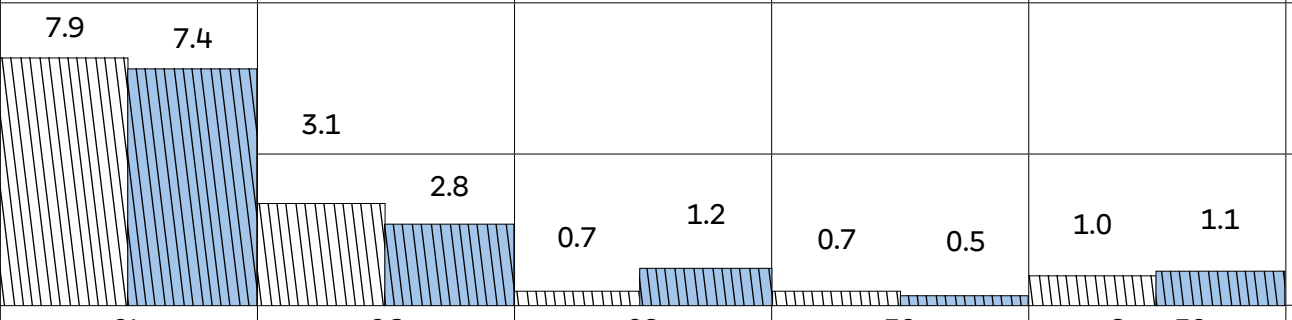
	Dec. 31, 2025 € million	Dec. 31, 2024 € million	Change (percent)
Credit risk	**781,030**	**751,744**	**3.9**
of which: CRSA	696,708	612,450	13.8
of which: IRB Approach	79,412	133,979	–40.7
of which: securitization exposures	4,710	5,163	–8.8
of which: exposure amount for contributions to the default fund of a CCP[1]	200	152	31.9
Market risk	**11,979**	**12,081**	**–0.8**
Operational risk	**65,993**	**57,047**	**15.7**
Total other exposures (including CVAs[2])	**5,065**	**3,541**	**43.0**
Total	**864,067**	**824,413**	**4.8**

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)




7.9
7.4
3.1
2.8
0.7
1.2
0.7
0.5
1.0
1.1
24
26
28
30
Over 30

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 adequate and efficient allocation of an institution's risk coverage potential across its 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.

For the purposes of the IPS, the normative and economic perspectives of risk-bearing capacity are calculated annually on the basis of the aggregated risk data from the individual member institutions. Despite the challenging economic environment, the Cooperative Financial Network strengthened its consolidated equity position in 2025. Based on internal reporting data, the Cooperative Financial Network's normative risk-bearing capacity was satisfactory with a utilization level of 81.3 percent as at December 31, 2025 (December 31, 2024: 83.1 percent). In the economic calculation of risk-bearing capacity, the median utilization for the institutions in the Cooperative Financial Network stood at 43.7 percent of the total economic capital as at December 31, 2025.

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 2025 included optimization of risk-bearing capacity processes following a special audit pursuant to section 44 of the German Banking Act (KWG) and the development of special guidelines for small and very small cooperative banks. In addition, the central support services for integrating sustainability risks (ESG risks) into strategic bank management were updated.

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 continues to be judged as above average in terms of quantity and quality. 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, 2025, the credit risk-weighted assets of the Cooperative Financial Network amounted to €781.0 billion (December 31, 2024: €751.7 billion), which equated to 90.4 percent of total risk-weighted assets (December 31, 2024: 91.2 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; generally with a confidence level of 99.9 percent and a holding period of 250 days), 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 (generally with a confidence level of 99.9 percent and a holding period of 250 days), which is calculated using a regularly validated portfolio model. Scenario analysis and stress analysis are regularly used both in the customer lending business and for own-account investments to supplement the credit-portfolio models.

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 2025. Loans and advances to customers increased by 2.9 percent year on year (2024: 2.6 percent). Long-term home finance remained the principal driver of the growth in lending. Demand for mortgages rose as households adjusted to the new level of interest rates and the prospects for the housing market improved. Prices in the German housing market over the course of 2025 point to a recovery. According to data from the Verband deutscher Pfandbriefbanken

(vdp) [Association of German Pfandbrief Banks], prices for owner-occupied residential property went up by 2.6 percent in 2025. This followed around two years of falling prices (2024: fall of 1.6 percent; 2023: fall of 4.1 percent). Prices also stabilized in the commercial real estate market, climbing by 2.9 percent year on year (2024: fall of 5.4 percent; 2023: fall 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. 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.

There was a further increase in the number of insolvencies in 2025. According to the Statistisches Bundesamt [German Federal Statistical Office], personal insolvencies went up by 8.4 percent to 77,219 in the year under review. The number of corporate insolvencies rose by 10.3 percent. As had been the case in 2024, the transportation, warehousing, construction, and hospitality sectors were particularly affected.

The expense for loss allowances amounted to €4.3 billion in 2025 (2024: €4.5 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 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 2.2 percent as at December 31, 2025 (December 31, 2024: 1.9 percent). This rise in the NPL ratio was attributable to Germany's sustained period of economic weakness over many years and the diminishing ability of German businesses and individuals to service their debts. In summary, the institutions in the Cooperative Financial Network operate a healthy lending business overall.

In 2025, work to refine the methodologies used for the counterparty risk process focused on optimizing the present-value credit portfolio model, including the estimation of loss rates. Among the segment-specific rating systems, the systems for real estate customers and corporate customers were refined.

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: interest-rate risk, equity risk, currency risk, and commodity risk. As at December 31, 2025, the risk-weighted assets of the Cooperative Financial Network for market risk amounted to €12.0 billion (December 31, 2024: €12.1 billion), which equated to 1.4 percent of total risk-weighted assets (December 31, 2024: 1.5 percent). Interest-rate risk is the most significant form of market risk, directly followed by equity risk. Other types of market risk are less important to the Cooperative Financial

Network's risk profile owing to the business structure of the network.

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.

With the yield curve returning to normal and the aforementioned adjustments to interest rates being made, the Cooperative Financial Network's net interest income improved by 0.8 percent in 2025. Economic interest-rate risks in the banking book are determined as part of the reporting for all institutions using six regulatory interest-rate scenarios. The level of risk rose slightly year on year over the course of 2025. The scenario with the biggest impact in terms of amount was a strong parallel up scenario.

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. In 2025, the refined process underwent initial validation and the related process documents were finalized. Present-value models for measuring market risk are also used by the institutions in the DZ BANK Group and Münchener Hypothekenbank 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

Liquidity risks in the Cooperative Financial Network can be divided into insolvency risk (liquidity risk in the narrow sense of the term), funding cost risk, and market liquidity risk. In the Cooperative Financial Network, liquidity risk in the narrow sense 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 liquidity structure that is deemed reliable and crisis-resistant. The loan to deposit ratio of the Cooperative Financial Network is 99.3 percent (December 31, 2024: 99.0 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 the aggregate liquidity situation of the network as a whole as part of its responsibilities under its statutes.

As a result of the ample loan to deposit ratio and the excess of liquidity that the cooperative banks hold at DZ BANK as the central institution, the funding cost risk of the Cooperative Financial Network is structurally limited, although it is becoming more significant at a time of volatile short-term interest rates and aggressive new market players.

The liquidity situation at the institutions remained stable in 2025. The consolidated LCR for the Cooperative Financial Network stood at 170.1 percent as at December 31, 2025 and was thus higher than the figure of 165.0 percent[1] as at December 31, 2024.

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, 2025, this figure came to 120.2 percent (December 31, 2024: 121.1 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.

From the network's perspective, market liquidity risk is of lesser importance because a material proportion of own-account investments are held in high-quality liquid assets and central bank reserves.

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, 2025, the risk-weighted assets of the Cooperative

1 Prior-year figure has been restated.

Financial Network attributable to operational risk amounted to €66.0 billion (December 31, 2024: €57.0 billion), which equated to 7.6 percent of total risk-weighted assets (December 31, 2024: 6.9 percent). This increase arose as a result of switching the methodology to CRR III in 2025. Otherwise, operational risk held steady.

One of the aims of the cooperative banks' internal control system (ICS) is to reduce operational risk. The ICS 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 accordance 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. 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. In our view, the cooperative principle has received a boost – partly because geopolitical tensions have resulted in a trend toward regionalization – that creates new opportunities for the cooperative banks to strengthen their competitive position. Regional roots and an extensive branch network also help the cooperative banks to maintain proximity to their customers. At the same time, products and services are being digitalized and are being offered to members and customers through all of the touchpoints that they want, from local branches to online and hybrid banking.

Headed up by the BVR, the Germany-wide strategic portfolio (BSP) was developed in close collaboration with the institutions and network partners in order to bring together strategic initiatives of the Cooperative Financial Network. The portfolio is updated on an ongoing basis. The aim of the BSP is to create transparency with regard to the network's material strategic initiatives and to develop specific solutions for the cooperative banks. The BSP thus enables a structured discussion on strategic areas of focus and their prioritization within the network.

Material initiatives in the BSP are aligned with the strategic objective of strengthening customer and market relevance. In addition to strengthening membership as a unique selling proposition, the focus is on attracting young customers and further expanding digital products and services. At the same time, long-standing members and customers are served by a comprehensive range of advisory services that are supplemented by intergenerational management. Competition is particularly fierce in securities business involving securities account solutions. In this business, the cooperative banks are – starting from a strong position – tapping into additional market opportunities by offering contemporary digital products and services combined with personal advice.

With Wero now being rolled out to retail customers and merchants, the institutions in the Cooperative Financial Network are participating in the establishment of a European payment solution that supports the independence of international payment systems.

The expansion of the Corporate Banking business line in the cooperative banks is one of the main drivers of the growth of the customer business. The initiative 'Effizienzen und Potenziale im Firmenkundengeschäft' (efficiencies and potential in corporate banking) brings together various sales approaches, linking them with new technical solutions for an improved customer experience and enabling more efficient and more profitable marketing in the cooperative banks. The Cooperative Financial Network has also created structures for its marketing that, based on the strategic use of data, allows it to offer even more tailored advice to

its retail and corporate customers and address them efficiently through all channels.

To ensure the long-term profitability and stability of the Cooperative Financial Network, the focus is not only on topics relating to bank management but also on the development of processes and solutions for the efficient and automated handling of cases through to their closure. The aim is to develop processes in the new operating model that can make a lasting difference in the cooperative banks.

Embedding sustainability across the board requires transparency both internally and externally. This can be seen, for example, by products and services that are aligned with sustainability criteria in order to help members and customers with the transition to a sustainable economy and society and to promote sustainable livelihoods in the regions. Opportunities arise here in connection with supporting the shift toward decentralized power generation and expanding the regional electricity grid infrastructure. The Cooperative Financial Network can be a reliable partner for the regional implementation of Germany's sustainability strategy, which covers affordable and clean energy, sustainable cities and communities, and climate action.

At the core of the strategic objective 'ability to change' is the Cooperative Financial Network's strategic HR management. This gives the banks the opportunity to strengthen their future viability over the long term thanks to the strategic structuring of key action areas, primarily employer branding and the systematic refinement of the concept of employees as the key to success. The goal is to proactively shape demographic change and, at the same time, ensure that the institutions in the Cooperative Financial Network can continue to attract skilled workers in the long term.

Outlook

Real economy and banking industry

In spring 2026, the German economy still appears weak and fragile. Macroeconomic conditions are being influenced by various factors, both positive and negative. On the one hand, the heavily expansionary direction of fiscal policy is providing noticeable growth stimulus. On the other, the effects of higher US tariffs are taking their toll on the economy, as are the further decline in the competitiveness of German export industries and an energy price shock triggered by the Iran war. These effects are likely to hinder the economic recovery but not halt it entirely.

Primarily in view of the economic fallout from the Iran war, the economic research institutes contributing to the Joint Economic Forecast have significantly lowered their growth forecast for Germany for 2026. In autumn 2025, they were still forecasting a rise in inflation-adjusted GDP of 1.3 percent, whereas they anticipate growth of just 0.6 percent in their latest spring report. By contrast, the prediction for the rate of inflation has been raised markedly from 2.0 percent to 2.8 percent. For 2027, the research institutes expect inflation-adjusted economic growth of 0.9 percent, with inflation remaining high at 2.9 percent.

The main basis for these forecasts is the assumption – based on market expectations – that energy prices will start to fall again from summer 2026. However, they are likely to stay above their pre-war level until the end of the forecast period. Provided this is the case, the adverse impact on worldwide production should be limited and temporary.

The research institutes anticipate that the elevated rate of inflation will act as a noticeable brake on household consumer spending in Germany. Nevertheless, public-sector consumer spending will increase markedly due to the sharp rise in new debt taken on to fund spending on defense, infrastructure, and climate change mitigation. Companies in the defense and civil engineering sectors should be the main beneficiaries of this. However, the situation will remain subdued for most of the manufacturing sector. Although there are signs that exports have now turned the corner and will pick up slightly over the course of the year, international business is likely to provide only a little impetus at first. In addition to US tariff policy, German exports are also being weighed down by higher energy prices and the accompanying uncertainty. It is therefore probable that capital expenditure by companies in Germany will recover only slowly. Such spending will also be held back by risk-conscious financing conditions that reflect the persistently difficult economic situation. In turn, this will have an impact on investment in housebuilding.

At its meeting on June 11, 2026, the ECB Governing Council decided to raise interest rates by 25 basis points, taking the deposit facility rate to 2.25 percent. The updated macroeconomic projections factor in the increase in energy prices resulting from the Iran war, thereby leading to higher inflation projections. In the baseline scenario, the average inflation rate for 2026 is expected to be 3.0 percent. In light of the Iran war, economic growth of 0.8 percent is forecast for the eurozone, which is lower than had been predicted in March 2026. The ECB Governing Council also 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. 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 a predetermined rate path, it emphasized at its meeting in June that the eurozone was well positioned to navigate the prevailing uncertainty. At the same time, the Iran war has had a significant impact on financial markets worldwide. Financing conditions have become stricter, equity markets have dipped at times and are subject to heightened volatility, and market interest rates in the eurozone have surged, especially for short-dated instruments.

Taking the aforementioned effects into consideration, the BVR anticipates that risk costs in the lending business will be at least on a par with 2025 due to economic uncertainties in Europe and the geopolitical risks. Moreover, fiercer competition for deposits may create performance risks for certain institutions. The continuation of weaker economic conditions means that the resilience of many companies is viewed as stagnant or even declining, which, in combination with the higher funding costs, may adversely affect their ability to service their debt. Net interest income in the German banking sector is predicted to rise slightly in 2026 because the ECB's key interest rates are expected to go up. New lending business is likely to decline year on year. Property prices are forecast to edge up in Germany. The Iran war does not appear to have had a material impact on the real estate market so far, but the increased uncertainty will continue to delay the market's expected recovery.

Outlook for the Volksbanken Raiffeisenbanken Cooperative Financial Network

The high risks arising from the geopolitical and macroeconomic environment could have a marked influence on the results for 2026. Net interest income is expected to increase noticeably year on year in 2026 owing to the anticipated rise in interest rates and the resulting potential for wider margins. Net fee and commission income is forecast to hold steady, with the bulk of fees and commissions continuing to be generated from payments processing and the brokerage of investment products.

In light of the ongoing period of economic weakness in Germany and global geopolitical risks, expenses for loss allowances for loans and advances will remain at a high level relative to the longer-term average in 2026, primarily owing to the continued large number of loan defaults in corporate banking. However, loss allowances will be down significantly compared with 2025. In 2026, a small net loss is expected under gains and losses on investments due to heightened uncertainty in the capital market environment and the resulting market turmoil. Net income from insurance business will fall substantially in 2026. In addition, administrative expenses will again increase markedly in 2026 as a result of collectively agreed pay rises and higher inflation. Taking account of the factors described above, profit before taxes is expected to be significantly lower in 2026 than in the previous year.

The regulatory capital ratios will likely hold steady in 2026 because the growth of risk-weighted assets will be fully offset by the retention of profits.

The forecast results are subject to considerable uncertainty owing to the effects of the Iran war and the related movements in goods markets and financial markets.

Consolidated Financial Stat
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Income statement
for the period January 1 to December 31, 2025

	Note no.	2025 € million	2024 € million
Net interest income	4	24,513	24,316
Interest income and current income and expense		*41,751*	*44,006*
Interest expense		*–17,238*	*–19,691*
Net fee and commission income	5	9,853	9,481
Fee and commission income		*11,709*	*11,100*
Fee and commission expenses		*–1,857*	*–1,619*
Gains and losses on trading activities	6	384	–643
Gains and losses on investments	7	142	930[1]
Loss allowances	8	–4,317	–4,488[1]
Other gains and losses on valuation of financial instruments	9	–48	150
Insurance service result	10	3,038	1,835
Gains and losses on investments held by insurance companies and other insurance company gains and losses	11	2,272	5,094
Insurance finance income or expenses	12	–2,853	–5,351
Administrative expenses	13	–22,178	–20,815
Other net operating income	14	760	823[1]
Profit before taxes		**11,566**	**11,333**
Income taxes	15	–4,191	–3,489[1]
Net profit		**7,375**	**7,843**
Attributable to:			
Shareholders of the Cooperative Financial Network		7,141	7,682[1]
Non-controlling interests		234	161

1 Amount restated.

Statement of comprehensive income for the period January 1 to December 31, 2025

	2025 € million	2024 € million
Net profit	**7,375**	**7,843**[1]
Other comprehensive income/loss	**616**	**54**
Items that may be reclassified to the income statement	***–345***	***97***
Gains and losses on debt instruments measured at fair value through other comprehensive income	–1,133	886
Exchange differences on currency translation of foreign operations	–74	50
Gains and losses on hedges of net investments in foreign operations	2	
Insurance finance income or expenses included in other comprehensive income	966	–829
Share of other comprehensive income/loss of joint ventures and associates accounted for using the equity method	–11	5
Income taxes	–94	–16
Items that will not be reclassified to the income statement	***960***	***–43***
Gains and losses on equity instruments for which the fair value OCI option has been exercised	719	189
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	35	–513
Gains and losses arising on remeasurements of defined benefit plans	508	183
Income taxes	–301	98
Total comprehensive income/loss	**7,990**	**7,897**
Attributable to:		
Shareholders of the Cooperative Financial Network	7,724	7,725[1]
Non–controlling interests	266	172

1 Amount restated.

Balance sheet as at December 31, 2025

Assets	Note no.	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Cash and cash equivalents	16	89,698	98,256
Loans and advances to banks	17	66,693	58,484
Loans and advances to customers	18	1,081,170	1,050,269
Hedging instruments (positive fair values)	19	5,468	3,530
Financial assets held for trading	20	29,680	29,976
Investments	21	265,427	256,166[1]
Loss allowances	22	–18,044	–15,454[1]
Investments held by insurance companies	23	124,425	121,404
Property, plant and equipment, investment property and right–of–use assets	24	18,656	18,621
Income tax assets	25	8,324	9,023
Other assets	26	4,802	7,706
Total assets		**1,676,298**	**1,637,981**

1 Amount restated.

Equity and liabilities

	Note no.	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Deposits from banks	27	139,714	138,877
Deposits from customers	28	1,089,334	1,061,003
Debt certificates issued including bonds	29	97,999	100,778
Hedging instruments (negative fair values)	19	518	660
Financial liabilities held for trading	30	41,181	38,544
Provisions	31	10,618	11,139[1]
Insurance contract liabilities	32	113,616	111,340
Income tax liabilities	25	5,818	6,130
Other liabilities	33	11,208	11,684
Subordinated capital	34	7,771	7,214
Equity	35	158,521	150,612
Equity of the Cooperative Financial Network		156,177	148,508
Subscribed capital		*18,755*	*18,058*
Capital reserves		*1,293*	*1,282*
Retained earnings		*136,432*	*129,573*[1]
Reserve from other comprehensive income		*–490*	*–594*
Additional equity components		*187*	*189*
Non–controlling interests		2,344	2,105
Total equity and liabilities		**1,676,298**	**1,637,981**

1 Amount restated.

Statement of changes in equity

€ million	Subscribed capital	Capital reserve	Retained earnings	Reserves from other comprehensive income	Additional equity components
Equity as at Jan. 1, 2024	**17,410**	**811**	**123,107**	**–360**	**190**
Net profit	–	–	7,682[1]	–	–
Other comprehensive income/loss	–	–	145	–102	–
Total comprehensive income/loss	**–**	**–**	**7,827**	**–102**	**–**
Issue and repayment of equity	635[1]	–[1]	–	–	–1
Changes in the scope of consolidation	–	–	2	–	–
Acquisition/disposal of non–controlling interests	–	–	–221	–6	–
Reclassifications within equity	14[1]	470[1]	–357[1]	–126	–
Dividends paid	–	–	–776[1]	–	–
Distribution on additional equity components	–	–	–9	–	–
Equity as at Dec. 31, 2024	**18,058**	**1,282**	**129,573**	**–594**	**189**
Net profit	–	–	7,141	–	–
Other comprehensive income/loss	–	–	296	287	–
Total comprehensive income/loss	**–**	**–**	**7,437**	**287**	**–**
Issue and repayment of equity	697	12	–	–	–2
Changes in the scope of consolidation	–	–	32	–	–
Acquisition/disposal of non–controlling interests	–	–	–49	–1	–
Reclassifications within equity	–	–	182	–182	–
Dividends paid	–	–	–733	–	–
Distribution on additional equity components	–	–	–9	–	–
Equity as at Dec. 31, 2025	**18,755**	**1,293**	**136,432**	**–490**	**187**

1 Amount restated.

€ million	Equity of the Cooperative Financial Network	Non–controlling interests	Total equity
Equity as at Jan. 1, 2024	**141,158**	**2,080**	**143,238**
Net profit	7,682	161	7,843
Other comprehensive income/loss	43	11	54
Total comprehensive income/loss	**7,725**	**172**	**7,897**
Issue and repayment of equity	634	–	634
Changes in the scope of consolidation	2	–97	–95
Acquisition/disposal of non–controlling interests	–227	–13	–240
Reclassifications within equity	–	–	–
Dividends paid	–776	–38	–813
Distribution on additional equity components	–9	–	–9
Equity as at Dec. 31, 2024	**148,508**	**2,105**	**150,612**
Net profit	7,141	234	7,375
Other comprehensive income/loss	583	32	616
Total comprehensive income/loss	**7,724**	**266**	**7,990**
Issue and repayment of equity	706	–	706
Changes in the scope of consolidation	32	41	73
Acquisition/disposal of non–controlling interests	–50	–21	–72
Reclassifications within equity	–	–	–
Dividends paid	–733	–47	–780
Distribution on additional equity components	–9	–	–9
Equity as at Dec. 31, 2025	**156,177**	**2,344**	**158,521**

The composition of equity is detailed in Note 35.

Statement of cash flows

	2025 € million	2024 € million
Net profit	**7,375**	**7,843**[1]
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	5,396	1,835[1]
Non–cash changes in provisions	–109	22[1]
Non–cash changes in insurance contract liabilities	–259	3,672
Other non–cash income and expenses	409	566
Gains and losses on the disposal of assets and liabilities	–3,208	–2,749
Other adjustments (net)	–21,909	–22,410
Subtotal	**–12,305**	**–11,221**
Cash changes in assets and liabilities arising from operating activities		
Loans and advances to banks and customers	–40,660	–47,688
Other assets from operating activities	1,148	–2,115[1]
Hedging instruments (positive and negative fair values)	–207	–351
Financial assets and financial liabilities held for trading	2,673	–1,911
Deposits from banks and customers	29,221	29,124
Debt certificates issued including bonds	–2,778	2,951
Other liabilities from operating activities	2,858	2,346
Interest, dividends and operating lease payments received	41,466	43,627
Interest paid	–16,461	–20,064
Income taxes paid	–2,042	–1,583
Cash flows from operating activities	**2,913**	**–6,885**

	2025 € million	2024 € million
Proceeds from the sale of investments	34,139	19,808
Proceeds from the sale of investments held by insurance companies	24,501	23,278
Payments for acquisitions of investments	–43,210	–33,203
Payments for acquisitions of investments held by insurance companies	–25,848	–23,630
Net payments for acquisitions of property, plant and equipment, and investment property (excl. assets subject to operating leases)	–1,380	–919[1]
Net payments for acquisitions of intangible non–current assets	–138	–166
Changes in the scope of consolidation	2	–23
thereof: proceeds from the disposal of consolidated subsidiaries less cash disposed	–	–35
of which: assumption of cash upon initial consolidation	2	12
Cash flows from investing activities	**–11,934**	**–14,855**
Proceeds from capital increases by shareholders of the Cooperative Financial Network	706	634[1]
Dividends paid to shareholders of the Cooperative Financial Network	–733	–776[1]
Dividends paid to non–controlling interests	–47	–38
Distribution on additional equity components	–9	–9
Net change in cash and cash equivalents from other financing activities (including subordinated capital)	546	304
Cash flows from financing activities	**463**	**115**

	2025 € million	2024 € million
Cash and cash equivalents as at January 1	**98,256**	**119,881**
Cash flows from operating activities	2,913	–6,885[1]
Cash flows from investing activities	–11,934	–14,855[1]
Cash flows from financing activities	463	115
Cash and cash equivalents as at December 31	**89,698**	**98,256**

1 Amount restated.

The statement of cash flows shows the changes in cash and cash equivalents in the financial year. Cash and cash equivalents consist of cash on hand and balances with central banks. 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.

Notes to the consolidated financial statements

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 Zentralgenossenschaftsbank (DZ BANK) included in these consolidated financial statements have been prepared on the basis of IFRS as adopted by the European Union.

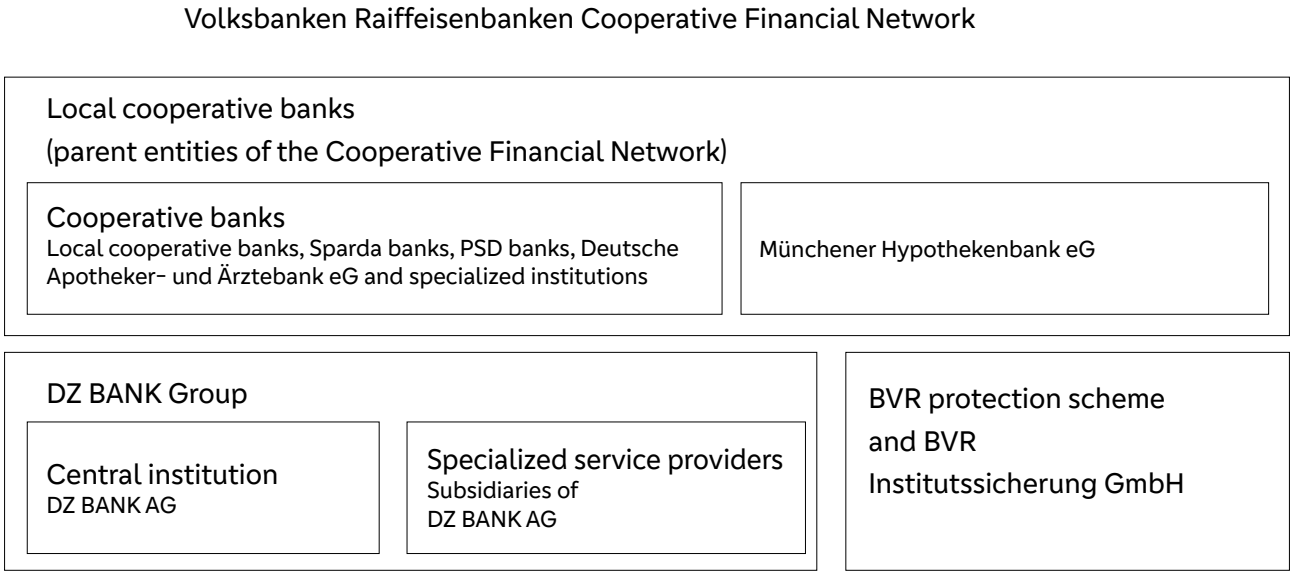
The financial year corresponds to the calendar year. The consolidated companies prepare their financial statements as at the reporting date of December 31, 2025. With 18 exceptions (December 31, 2024: 20 exceptions), the separate financial statements of the entities accounted for using the equity method are prepared using the same balance sheet date as that of the consolidated financial statements. As the effects are insignificant at the joint ventures 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 footnotes next to the previous year's figure that has changed. The resulting follow-up changes, especially for totals, are not highlighted. There are no additional explanations as regards the adjusted previous year's figures. 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, 644 primary banks (December 31, 2024: 670) 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.



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 98 subsidiaries (December 31, 2024: 102) 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, 2024: 7) and 22 associates (December 31, 2024: 24) over which a consolidated entity has significant influence.

B Income statement disclosures

3. Information on operating segments

Financial year 2025 € million	Retail Customers and SMEs	Central Institution and Major Corporate Customers	Real Estate Finance	Insurance	Other/ Consolida-tion	**Total**
Net interest income	21,566	2,158	2,051	–	–1,262	**24,513**
Net fee and commission income	9,565	791	–53	–	–450	**9,853**
Gains and losses on trading activities	193	191	1	–	–1	**384**
Gains and losses on investments	–72	165	–49	–	98	**142**
Loss allowances	–3,438	–292	–257	–	–330	**–4,317**
Other gains and losses on valuation of financial instruments	7	97	–138	–	–14	**–48**
Insurance service result	–	–	–	2,597	441	**3,038**
Gains and losses on investments held by insurance companies and other insurance company gains and losses	–	–	–	2,367	–95	**2,272**
Insurance finance income or expenses	–	–	–	–2,853	–	**–2,853**
Administrative expenses	–19,477	–2,075	–953	–	327	**–22,178**
Other net operating income	586	70	72	33	–1	**760**
Profit before taxes	**8,930**	**1,105**	**674**	**2,144**	**–1,287**	**11,566**
Cost/income ratio (percent)	61.2	59.8	50.6	–	–	**58.3**

Financial year 2024

€ million	Retail Customers and SMEs	Central Institution and Major Corporate Customers	Real Estate Finance	Insurance	Other/ Consolidation	**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	–	18[1]	**930**
Loss allowances	–3,039[1]	–508	–282	–	–659[1]	**–4,488**
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	655[1]	96	80	8	–15	**823**
Profit before taxes	**10,129**	**701**	**781**	**1,240**	**–1,519**	**11,333**
Cost/income ratio (percent)	58.2	62.1	45.5	–	–	**56.8**

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 Instituts-sicherung 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.

4. Net interest income

	2025 € million	2024 € million
Interest income and current income and expense	**41,751**	**44,006**
Interest income from	***39,665***	***41,945***
Lending and money market business	35,751	37,420
of which: Building society operations	1,203	1,159
of which: Finance leases	19	19
Fixed–income securities	3,459	3,024
Other assets	456	1,505
Financial assets with a negative effective interest rate	–	–4
Current income from	***1,981***	***1,961***
Shares and other variable–yield securities	1,860	1,784
Investments in subsidiaries and equity investments	122	177
Income/loss from using the equity method for	***25***	***32***
Investments in joint ventures	34	34
Investments in associates	–9	–2
Income from profit–pooling, profit–transfer and partial profit–transfer agreements	***80***	***68***
Interest expense	**–17,238**	**–19,691**
Interest expense on	***–17,139***	***–19,193***
Deposits from banks and customers	–14,134	–16,012
of which: Building society operations	–550	–622
Debt certificates issued including bonds	–2,577	–2,555
Subordinated capital	–303	–283
Other liabilities	–150	–366
Financial liabilities with a positive effective interest rate	25	23
Other interest expense	***–99***	***–498***
Total	**24,513**	**24,316**

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.

5. Net fee and commission income

	2025 € million	2024 € million
Fee and commission income	**11,709**	**11,100**
Securities business	5,518	5,219
Asset management	852	739
Payments processing including card processing	3,705	3,614
Lending business and trust activities	221	191
Financial guarantee contracts and loan commitments	237	247
International business	183	165
Building society operations	39	37
Other	954	888
Fee and commission expenses	**–1,857**	**–1,619**
Securities business	–591	–493
Asset management	–232	–173
Payments processing including card processing	–238	–265
Lending business	–107	–105
Financial guarantee contracts and loan commitments	–37	–37
International business	–28	–25
Building society operations	–61	–64
Other	–561	–456
Total	**9,853**	**9,481**

6. Gains and losses on trading activities

	2025 € million	2024 € million
Gains and losses on trading in financial instruments	179	–956
Gains and losses on trading in foreign exchange, foreign notes and coins, and precious metals	51	154
Gains and losses on commodities trading	155	159
Total	**384**	**–643**

7. Gains and losses on investments

	2025 € million	2024 € million
Gains and losses from securities	195	1,027[1]
Gains and losses on investments in subsidiaries and equity investments	–54	–98
Total	**142**	**930**

1 Amount restated.

8. Loss allowances

	2025 € million	2024 € million
Net addition (–)/net reversal (+)	–4,096	–4,164[1]
Directly recognized impairment losses	–274	–234
Recoveries on loans and advances previously impaired	242	195
Other	36	30
Net addition (–)/net reversal (+) of provisions for loan commitments, provisions for financial guarantee contracts and other provisions for loans and advances	–225	–315
Total	**–4,317**	**–4,488**

1 Amount restated.

9. Other gains and losses on valuation of financial instruments

	2025 € million	2024 € million
Gains and losses from fair value hedges	44	52
Gains and losses on derivatives held for purposes other than trading	–245	109
Gains and losses on financial instruments designated as at fair value through profit or loss	153	–11
Total	**–48**	**150**

10. Insurance service result

	2025 € million	2024 € million
Insurance revenue	12,970	12,165
Insurance service expenses	–9,667	–10,113
Net gains or losses from reinsurance contracts	–264	–217
Total	**3,038**	**1,835**

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

	2025 € million	2024 € million
Interest income and current income	3,104	3,049
Administrative expenses	–192	–175
Gains and losses on valuation and disposals	–216	2,904[1]
Other non–insurance gains and losses	–419	–704
Net addition (–)/net reversal (+) of loss allowances	–5	18[1]
Total	**2,272**	**5,094**

1 Amount restated.

The loss allowances include additions and reversals for investments held by insurance companies and for other assets held by insurance companies.

12. Insurance finance income or expenses

	2025 € million	2024 € million
Insurance finance income or expenses from insurance contracts	−2,858	−5,356
Insurance finance income or expenses from reinsurance contracts	5	5
Total	**−2,853**	**−5,351**

13. Administrative expenses

	2025 € million	2024 € million
Staff expenses	−12,049	−11,316
General and administrative expenses	−8,689	−8,111
Depreciation, amortization and impairment	−1,440	−1,387
Total	**−22,178**	**−20,815**

14. Other net operating income

	2025 € million	2024 € million
Gains and losses on non-current assets held for sale and disposal groups	43	30
Other operating income	1,672	1,749[1]
Other operating expenses	–955	–957[1]
Total	**760**	**823**

1 Amount restated.

15. Income taxes

	2025 € million	2024 € million
Current tax expense	–3,666	–3,598[1]
Expense on/income from deferred taxes	–525	109
Total	**–4,191**	**–3,489**

1 Amount restated.

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 remains unchanged at 15.330 percent based on an average trade tax multiplier of 438 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 Act on an Immediate Tax Investment Program to Strengthen Germany as a Business Location, which took effect on July 19, 2025, provides for a gradual reduction in the corporate income tax rate. The corporate income tax rate will be reduced by one percentage point each year in the period from 2028 to 2032, from 15.0 percent to 10.0 percent. The timing of the reversal of temporary differences and the applicable corporate income tax rate is used in the measurement of deferred taxes.

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

	2025 € million	2024 € million
Profit before taxes	**11,566**	**11,333**[1]
Notional rate of income tax of the Cooperative Financial Network (percent)	31.155	31.155
Income taxes based on notional rate of income tax	**–3,603**	**–3,531**
Tax effects	**–588**	**41**
Tax effects of tax-exempt income and non-tax deductible expenses	–241	–145[1]
Tax effects of different tax types, different trade tax multipliers, and changes in tax rates	–106	109
Tax effects of different tax rates in other countries	18	37
Current and deferred taxes relating to prior reporting periods	29	42
Change in deferred tax assets due to impairment	9	–2
Other tax effects	–296	1[1]
Total	**–4,191**	**–3,489**

1 Amount restated.

C Balance sheet disclosures

16. Cash and cash equivalents

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Cash on hand	6,180	6,430
Balances with central banks	83,518	91,826
Total	**89,698**	**98,256**

17. Loans and advances to banks

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Repayable on demand	**44,339**	**40,212**
Other loans and advances	***22,353***	***18,272***
Mortgage loans and other loans secured by mortgages on real estate	19	15
Local authority loans	966	1,373
Other loans and advances	21,368	16,884
Total	**66,693**	**58,484**

18. Loans and advances to customers

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Mortgage loans and other loans secured by mortgages on real estate	462,192	437,633
Local authority loans	28,556	29,129
Home savings loans advanced by building society	65,259	65,298
Finance leases	301	385
Other loans and advances	524,862	517,825
Total	**1,081,170**	**1,050,269**

19. Hedging instruments (positive and negative fair values)

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Hedging instruments (positive fair values)	**5,468**	**3,530**
for fair value hedges	5,465	3,530
for hedges of net investments in foreign operations	3	–
Hedging instruments (negative fair values)	**518**	**660**
for fair value hedges	518	660

20. Financial assets held for trading

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Derivatives (positive fair values)	**13,201**	**16,231**
Interest-linked contracts	10,881	12,752
Currency-linked contracts	1,369	2,686
Share- and index-linked contracts	646	571
Credit derivatives	250	222
Other contracts	55	1
Securities	**15,333**	**12,441**
Bonds and other fixed-income securities	12,151	10,329
Shares and other variable-yield securities	3,182	2,112
Receivables	**824**	**965**
Inventories and trade receivables	**322**	**339**
Total	**29,680**	**29,976**

21. Investments

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Securities	**259,780**	**250,368**
Bonds and other fixed-income securities	170,417	162,888
Shares and other variable-yield securities	89,364	87,480[1]
Investments in subsidiaries	**3,133**	**3,154**
Equity investments	**2,514**	**2,644**
Investments in joint ventures	372	366
Investments in associates	174	186
Other shareholdings	1,967	2,092
Total	**265,427**	**256,166**

1 Amount restated.

22. Loss allowances

Loss allowances for loans and advances to banks

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2024	**25**	**85**	**26**	**–**	**136**
Net addition (+)/net reversal (–)	–1	–38	12	–	–27
Other changes	–	–3	–2	–	–4
Balance as at Dec. 31, 2024	**23**	**45**	**36**	**–**	**104**
Net addition (+)/net reversal (–)	–4	–32	–4	–	–41
Utilizations	–	–	–1	–	–1
Other changes	–	–	7	–	7
Balance as at Dec. 31, 2025	**19**	**13**	**38**	**–**	**69**

Loss allowances for loans and advances to customers

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2024	**603**	**5,015**	**6,032**	**18**	**11,669**
Net addition (+)/net reversal (–)	–92	951	3,348[1]	6	4,214
Utilizations	–	–2	–811	–5	–818
Other changes	152	–345	261	–	69
Balance as at Dec. 31, 2024	**664**	**5,620**	**8,831**	**20**	**15,134**
Net addition (+)/net reversal (–)	–112	1,303	2,877	69	4,137
Utilizations	–	–2	–1,476	–6	–1,484
Other changes	158	–345	164	–	–22
Balance as at Dec. 31, 2025	**710**	**6,576**	**10,396**	**83**	**17,766**

1 Amount restated.

Loss allowances for investments

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2024	**67**	**172**	**4**	**–**	**242**
Net addition (+)/net reversal (–)	–6	–18[1]	–1	–	–25
Utilizations	–	–[1]	–3	–	–3
Balance as at Dec. 31, 2024	**61**	**154**	**–**	**–**	**215**
Net addition (+)/net reversal (–)	–11	3	–	–	–9
Balance as at Dec. 31, 2025	**49**	**157**	**–**	**–**	**206**

1 Amount restated.

Loss allowances for other assets

€ million	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at Jan. 1, 2024	**1**	**–**	**–**	**–**	**1**
Balance as at Dec. 31, 2024	**–**	**–**	**–**	**–**	**–**
Net addition (+)/net reversal (–)	3	–	–	–	3
Balance as at Dec. 31, 2025	**3**	**–**	**–**	**–**	**3**

23. Investments held by insurance companies

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Investment property	3,538	3,655
Investments in subsidiaries, joint ventures and associates	815	857
Mortgage loans	12,498	12,685
Promissory notes and loans	5,508	5,937
Registered bonds	4,819	5,029
Other loans	1,021	906
Variable-yield securities	12,138	12,257
Fixed-income securities	57,150	54,936
Derivatives (positive fair values)	157	60
Deposits with ceding insurers and other investments	23	223
Assets related to unit-linked contracts	26,758	24,859
Total	**124,425**	**121,404**

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

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Land and buildings and other fixed assets	6,846	6,795
Office furniture and equipment	1,459	1,312
Investment property	9,908	10,003[1]
Right-of-use assets	443	511
Total	**18,656**	**18,621**

1 Amount restated.

25. Income tax assets and liabilities

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Income tax assets	**8,324**	**9,023**
Current income tax assets	995	946
Deferred tax assets	7,329	8,076
Income tax liabilities	**5,818**	**6,130**
Current income tax liabilities	1,395	1,941
Deferred tax liabilities	4,424	4,188

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2025 € million	Dec. 31, 2024 € million	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Tax loss carryforwards	63	49		
Loans and advances to banks and customers	76	76	265	218
Financial assets and liabilities held for trading, and hedging instruments (positive and negative fair values)	641	792	48	47
Investments	376	466	24	22
Loss allowances	2,048	1,782	–	–
Investments held by insurance companies	2,410	2,506	143	240
Deposits from banks and customers	149	203	223	193
Debt certificates issued including bonds	–	1	327	400
Provisions	2,705	3,153	129	137
Insurance contract liabilities	1,108	1,204	5,078	4,929
Other balance sheet items	453	643	887	800
Total (gross)	**10,031**	**10,874**	**7,125**	**6,987**
Netting of deferred tax assets and deferred tax liabilities	–2,702	–2,798	–2,702	–2,798
Total (net)	**7,329**	**8,076**	**4,424**	**4,188**

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.

26. Other assets

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Other assets held by insurance companies	3,514	3,977
Goodwill	214	169
Other intangible assets	534	600
Prepaid expenses	262	303
Other receivables	4,880	4,845
Non-current assets and disposal groups classified as held for sale	49	68
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	–5,990	–4,038
Residual other assets	1,338	1,782
Total	**4,802**	**7,706**

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

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Intangible assets	**333**	**187**
Reinsurance contract assets	**313**	**312**
Liability for remaining coverage	59	32
Provision for claims outstanding	254	279
Receivables	**1,168**	**1,119**
Receivables arising out of direct insurance operations	145	134
Receivables arising out of reinsurance operations	14	21
Other receivables	1,010	964
Credit balances with banks, checks and cash on hand	**288**	**1,029**
Property, plant and equipment	**534**	**459**
Residual other assets	**879**	**872**
Prepaid expenses	61	63
Remaining assets held by insurance companies	819	809
Loss allowances	**–2**	**–2**
Total	**3,514**	**3,977**

Property, plant and equipment includes right-of-use assets in the amount of €52 million (December 31, 2024: €51 million).

27. Deposits from banks

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Repayable on demand	16,105	14,464
With agreed maturity or notice period	123,609	124,413
Total	**139,714**	**138,877**

28. Deposits from customers

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Savings deposits and home savings deposits	**188,675**	**191,423**
Savings deposits with agreed notice period of three months	118,729	119,631
Savings deposits with agreed notice period of more than three months	8,382	9,304
Home savings deposits	61,564	62,487
Other deposits from customers	**900,659**	**869,580**
Repayable on demand	639,361	609,515
With agreed maturity or notice period	261,298	260,065
Total	**1,089,334**	**1,061,003**

29. Debt certificates issued including bonds

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Bonds issued	**73,723**	**78,988**
Mortgage Pfandbriefe	57,420	56,828
Public-sector Pfandbriefe	2,751	2,800
Other bonds	13,552	19,360
Other debt certificates issued	**24,276**	**21,789**
Total	**97,999**	**100,778**

30. Financial liabilities held for trading

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Derivatives (negative fair values)	**14,559**	**14,997**
Interest-linked contracts	11,484	11,148
Currency-linked contracts	1,385	2,314
Share- and index-linked contracts	1,537	1,397
Credit derivatives	56	77
Other contracts	97	61
Short positions	**3,578**	**2,379**
Bonds issued including share and index and other debt certificates	**22,841**	**20,961**
Liabilities	**160**	**168**
Liabilities from commodities transactions and commodity lending	**43**	**39**
Total	**41,181**	**38,544**

31. Provisions

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Provisions for defined benefit plans	4,919	5,455
Provisions for loan commitments	567	560
Provisions for financial guarantee contracts	381	236
Other provisions for loans and advances	185	156
Provisions relating to building society operations	799	833
Residual provisions	3,767	3,898[1]
Total	**10,618**	**11,139**

1 Amount restated.

32. Insurance contract liabilities

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Insurance contract liabilities	**113,616**	**111,339**
Liability for remaining coverage	101,014	98,482
Provision for claims outstanding	12,602	12,856
Reinsurance contract liabilities	**–**	**1**
Liability for remaining coverage	–	2
Total	**113,616**	**111,340**

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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Gross provision for claims outstanding											
At the end of the year		5,067	5,245	5,237	4,779	5,067					
1 year later			5,322	5,412	4,882	5,152	3,930				
2 years later				5,479	4,902	5,196	3,885	4,074			
3 years later					4,934	5,213	3,865	4,057	3,927		
4 years later						5,284	3,840	4,027	3,904	3,583	
5 years later							3,867	4,015	3,896	3,574	3,574
6 years later								4,031	3,899	3,559	3,559
7 years later									3,909	3,583	3,531
8 years later										3,599	3,522
9 years later											3,524
Total claim payments made	***38,239***	***2,410***	***4,145***	***4,744***	***4,410***	***4,787***	***3,564***	***3,771***	***3,655***	***3,397***	***3,357***
Provision for claims outstanding in respect of claims that occurred in 2016 to 2025	**6,778**	**2,657**	**1,177**	**735**	**525**	**497**	**303**	**261**	**255**	**202**	**167**
Provision for claims outstanding in respect of claims that occurred before 2016	1,146										
Discounting effect	–1,054										
Risk adjustment	86										
Gross provision for claims outstanding	**6,956**										

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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net provision for claims outstanding											
At the end of the year		5,039	5,220	5,099	4,762	5,057					
1 year later			5,289	5,275	4,864	5,142	3,948				
2 years later				5,342	4,886	5,072	3,900	4,078			
3 years later					4,916	5,123	3,882	4,061	3,946		
4 years later						5,245	3,857	4,029	3,922	3,588	
5 years later							3,884	4,016	3,914	3,578	3,604
6 years later								4,029	3,917	3,562	3,589
7 years later									3,927	3,586	3,561
8 years later										3,598	3,552
9 years later											3,554
Total claim payments made	***38,140***	***2,402***	***4,130***	***4,613***	***4,397***	***4,783***	***3,582***	***3,772***	***3,674***	***3,399***	***3,389***
Provision for claims outstanding in respect of claims that occurred in 2016 to 2025	**6,684**	**2,638**	**1,160**	**729**	**520**	**462**	**302**	**256**	**253**	**198**	**166**
Provision for claims outstanding in respect of claims that occurred before 2016	1,126										
Discounting effect	–1,047										
Risk adjustment	83										
Net provision for claims outstanding	**6,846**										

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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Gross provision for claims outstanding											
At the end of the year		1,957	2,010	1,937	1,989	2,079					
1 year later			2,200	2,357	2,385	2,512	2,944				
2 years later				2,253	2,478	2,543	2,974	2,688			
3 years later					2,394	2,637	2,922	2,749	2,352		
4 years later						2,618	2,936	2,748	2,364	2,355	
5 years later							2,842	2,758	2,363	2,380	1,631
6 years later								2,717	2,386	2,367	1,637
7 years later									2,355	2,354	1,616
8 years later										2,326	1,630
9 years later											1,635
Total claim payments made	***17,767***	***326***	***1,141***	***1,635***	***1,880***	***2,106***	***2,493***	***2,466***	***2,138***	***2,132***	***1,451***
Provision for claims outstanding in respect of claims that occurred in 2016 to 2025	**5,530**	**1,631**	**1,059**	**618**	**514**	**512**	**349**	**251**	**218**	**194**	**184**
Provision for claims outstanding in respect of claims that occurred before 2016	472										
Discounting effect	–812										
Risk adjustment	63										
Gross provision for claims outstanding	**5,252**										

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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net provision for claims outstanding											
At the end of the year		1,918	2,004	1,893	1,978	1,942					
1 year later			2,159	2,266	2,374	2,369	2,947				
2 years later				2,175	2,468	2,391	2,973	2,686			
3 years later					2,384	2,492	2,924	2,747	2,350		
4 years later						2,485	2,939	2,745	2,361	2,353	
5 years later							2,844	2,756	2,361	2,378	1,632
6 years later								2,715	2,384	2,366	1,639
7 years later									2,353	2,353	1,618
8 years later										2,325	1,632
9 years later											1,637
Total claim payments made	***17,615***	***326***	***1,134***	***1,617***	***1,871***	***1,987***	***2,496***	***2,464***	***2,136***	***2,131***	***1,453***
Provision for claims outstanding in respect of claims that occurred in 2016 to 2025	**5,382**	**1,592**	**1,025**	**558**	**513**	**499**	**349**	**251**	**218**	**194**	**184**
Provision for claims outstanding in respect of claims that occurred before 2016	471										
Discounting effect	−805										
Risk adjustment	62										
Net provision for claims outstanding	**5,110**										

Maturity analysis

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

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
≤ 1 year	7,107	6,429
> 1 year – 2 years	5,249	4,981
> 2 years – 3 years	4,626	3,931
> 3 years – 4 years	4,250	3,847
> 4 years – 5 years	5,256	3,801
> 5 years – 10 years	23,349	23,156
> 10 years – 20 years	41,763	36,035
> 20 years – 30 years	47,596	37,123
> 30 years – 40 years	38,135	29,969
> 40 years – 50 years	26,322	21,401
> 50 years	33,666	28,088

The insurance contract liabilities repayable on demand amounted to €67,414 million (December 31, 2024: €65,514 million).

33. Other liabilities

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Other liabilities of insurance companies	5,515	5,758
Other liabilities and accruals	4,905	4,552
Fair value changes of the hedged items in portfolio hedges of interest-rate risk	–293	–142
Lease liabilities	472	539
Residual other liabilities	609	977
Total	**11,208**	**11,684**

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

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Residual provisions	**393**	**391**
Provisions for employee benefits	337	340
Provisions for share-based payment transactions	4	4
Other provisions	52	48
Payables and residual other liabilities	**5,122**	**5,366**
Subordinated capital	66	87
Deposits received from reinsurers	7	6
Payables arising out of direct insurance operations	336	350
Payables arising out of reinsurance operations	22	7
Debt certificates issued including bonds	46	42
Deposits from banks	299	336
Derivatives (negative fair values)	35	266
Liabilities from investment contracts	3,125	3,180
Lease liabilities from insurance business	51	59
Other liabilities	347	360
Residual other liabilities	788	672
Total	**5,515**	**5,758**

34. Subordinated capital

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Subordinated liabilities	7,765	7,206
Profit-sharing rights	6	7
Share capital repayable on demand	–	1
Total	**7,771**	**7,214**

35. Equity

Breakdown of subscribed capital

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Cooperative shares	18,441	17,774
Share capital	272	242
Capital of silent partners	42	42
Total	**18,755**	**18,058**

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:

	No reclassification to the income statement		Reclassification to the income statement		
€ million	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, 2024	**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**
Other comprehensive income/loss	591	21	–1,327	–64	1,066
Total comprehensive income/loss	**591**	**21**	**–1,327**	**–64**	**1,066**
Acquisition/disposal of non-controlling interests	–	–	–2	–	1
Reclassifications within equity	–185	3	–	–	–
Equity as at Dec. 31, 2025	**1,036**	**–56**	**–8,644**	**50**	**7,124**

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 addition, the AT1 capital includes an additional €10 million from MHB's acquisition of a mortgage bank in previous years.

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

D Financial instruments disclosures

36. 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, 2025 € million		Dec. 31, 2024 € million	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents[1, 2]	83,518	83,518	91,826	91,826
Loans and advances to banks[1]	66,624	63,584	58,379	55,694
Loans and advances to customers[1]	1,063,404	1,056,969	1,035,135[4]	1,028,550[4]
Hedging instruments (positive fair values)	5,468	5,468	3,530	3,530
Financial assets held for trading[2]	29,358	29,376	29,637	29,657
Investments[1, 3]	264,701	264,707	255,422	255,452
Investments held by insurance companies[1, 2, 3]	120,864	120,861	117,526	117,514
Other assets[1, 2]	232	1,791	2,865	4,175
Liabilities				
Deposits from banks	139,714	137,191	138,877	136,570
Deposits from customers	1,089,334	1,088,052	1,061,003	1,059,940
Debt certificates issued including bonds	97,999	96,443	100,778	98,931
Hedging instruments (negative fair values)	518	518	660	660
Financial liabilities held for trading[2]	41,138	41,096	38,505	38,451
Provisions[5]	948	1,109	795	997
Other liabilities[2]	7,180	7,474	7,556	7,729
Subordinated capital	7,771	7,742	7,214	7,142

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 €10.7 billion (December 31, 2024: €7.0 billion) from collective building society operations, which result from the balance of the carrying amounts recorded for the home savings business of €–52.9 billion (December 31, 2024: €–55.7 billion (surplus of liabilities in each case)) and the present value of the home savings pool of €–42.2 billion (December 31, 2024: €–48.7 billion) calculated using simulation calculations for building society operations. In addition, there are net unrealized gains in the amount of €2.2 billion (December 31, 2024: €1.9 billion) from the investments of the cooperative banks and of MHB.

37. Maturity analysis

Balance as at Dec. 31, 2025

€ million	≤ 3 months	> 3 months - 1 year	> 1 year	Indefinite
Loans and advances to banks	35,325	8,089	32,490	126
Loans and advances to customers	63,925	83,325	941,488	19,045
Deposits from banks	43,772	13,518	87,383	47
Deposits from customers	865,544	90,722	74,479	61,418
Debt certificates issued including bonds	13,231	16,424	76,534	–

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	–

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.

E Other disclosures

38. Capital requirements and regulatory indicators

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Total capital	**148,826**	**139,616**
Tier 1 capital	142,322	134,234
of which: Common Equity Tier 1	142,061	133,954
of which: Additional Tier 1 capital	261	280
Tier 2 capital	6,504	5,382
Total risk exposure	**864,067**	**824,413**
Common Equity Tier 1 capital ratio (percent)	16.4	16.2
Tier 1 capital ratio (percent)	16.5	16.3
Total capital ratio (percent)	17.2	16.9
Leverage ratio (percent)	8.7	8.4

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

39. Financial guarantee contracts and loan commitments

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Financial guarantee contracts	25,360	24,216
Loan commitments	108,915	104,443
Total	**134,276**	**128,659**

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

40. Trust activities

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Trust assets	**2,429**	**2,787**
of which: trust loans	2,076	2,465
Trust liabilities	**2,429**	**2,787**
of which: trust loans	2,076	2,465

41. Defined benefit obligations

Funding status of defined benefit obligations

	Provisions		Other liabilities	
	Dec. 31, 2025 € million	Dec. 31, 2024 € million	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Present value of defined benefit obligations funded by plan assets	2,867	3,088	1,362	1,477
Present value of defined benefit obligations not funded by plan assets	4,834	5,298	50	53
Present value of defined benefit obligations	**7,701**	**8,386**	**1,413**	**1,530**
less fair value of plan assets	–3,077	–3,117	–1,713	–1,713
Asset ceiling	178	131	379	286
Defined benefit obligations (net)	**4,802**	**5,400**	**79**	**103**
Recognized surplus	117	54	–	–
Provisions for defined benefit plans	**4,919**	**5,455**	**79**	**103**

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, 2024	**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**
Current service cost	72	–	–	72
Interest income/expense	281	–104	5	182
Return on plan assets (excluding interest income)	–	48	–	48
Actuarial gains (–)/losses (+)	–591	–	–	–591
Changes in the effect from the asset ceiling	–	–	41	41
Contributions to plan assets	6	–32	–	–26
Pension benefits paid including plan settlements	–450	122	–	–328
Other changes	–3	5	–	2
Balance as at Dec. 31, 2025	**7,700**	**–3,078**	**177**	**4,801**

Other liabilities

€ million	Present value of defined benefit obligations	Fair value of plan assets	Asset ceiling	Defined benefit obligations (net)
Balance as at Jan. 1, 2024	**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**
Current service cost	24	–	–	24
Interest income/expense	51	–58	10	3
Return on plan assets (excluding interest income)	–	32	–	32
Actuarial gains (–)/losses (+)	–120	–	–	–120
Changes in the effect from the asset ceiling	–	–	83	83
Contributions to plan assets	–	–37	–	–37
Pension benefits paid including plan settlements	–72	63	–	–9
Balance as at Dec. 31, 2025	**1,413**	**–1,713**	**379**	**79**

Actuarial assumptions used for defined benefit obligations

	Provisions		Other liabilities	
	Dec. 31, 2025 (percent)	Dec. 31, 2024 (percent)	Dec. 31, 2025 (percent)	Dec. 31, 2024 (percent)
Weighted discount rate	4.10	3.40	4.10	3.40
Weighted salary increase	2.05	2.22	2.25	2.25
Weighted pension increase	2.00	2.10	2.10	2.20

42. Leases

Finance leases with the Cooperative Financial Network as lessor

	Dec. 31, 2025 € million	Dec. 31, 2024 € million
Gross investment	**330**	**419**
Up to 1 year	113	132
More than 1 year and up to 2 years	86	107
More than 2 years and up to 3 years	59	76
More than 3 years and up to 4 years	38	50
More than 4 years and up to 5 years	20	28
More than 5 years	15	27
less unearned finance income	**–29**	**–34**
Net investment	**301**	**385**
less present value of unguaranteed residual values	**–10**	**–12**
Present value of minimum lease payment receivables	**291**	**373**

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.

43. Board of Managing Directors of the BVR

Marija Kolak (President)

Tanja Müller-Ziegler

Daniel Quinten

Berlin, July 2, 2026

National Association of German Cooperative Banks BVR

Board of Managing Directors

Marija Kolak	Tanja Müller-Ziegler	Daniel Quinten

Annex: Significant Financial Reporting Principles

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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, 2025, prepared by the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR), has 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, 2025 (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, 2025 (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, 2025 (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, 2025 (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, 2025 (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, 2025

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. There are no additional explanations as regards the previous year’s figures to be adjusted.

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 cooperative banks (the local cooperative banks, Sparda banks, PSD banks, Deutsche Apotheker- und Ärztebank eG as well as specialized institutions) as well as all equity investments 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 or consolidated 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.B4.1.2C 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.

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 of the loss allowances 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, The 12-month expected credit losses represent the minimum measurement amount for loss allowances regarding Stage 1 assets. An exception to this Stage 1 assignment rule are financial assets that are purchased or originated credit-impaired assets (POCI).

- 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 due to objective evidence of impairment 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 as a rule.

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 if, 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.

Cash flow hedges

Hedging instruments have to be measured at fair value. Changes in fair value attributable to the effective portion of the hedge have to be recognized in other comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge have to be recognized in profit or loss. Hedged items have to be recognized and measured in accordance with the general principles for the relevant measurement category. At the end of a hedging relationship, any changes in fair value recognized in other comprehensive income must be reclassified to profit or loss on the date on which the hedged items or transactions are also recognized in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations have to be accounted for in the same way as cash flow hedges.

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 have to be 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 and the German Building Code. 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. This is a simplified approach used if no material differences are expected in the measurement of the liability for remaining coverage compared to the general measurement model. It is also used for short-term business with a maximum term of one year. The third approach is 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

Liability for remaining coverage

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 liability for remaining coverage. 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 (liability for remaining coverage). 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. The coverage units have to be reviewed and updated in regular intervals 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 represents 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 and for 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 no 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 liability for remaining coverage 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 liability for remaining coverage. 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 as interest expense 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 service result

The insurance service result comprises insurance revenue and insurance service expenses from insurance contracts issued, plus net income/expenses from reinsurance contracts held. The insurance service result recognized in profit or loss does not contain any investment components.

Insurance revenue from insurance contracts issued 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. In the case of contracts not measured using the premium allocation approach (PAA), this amount comprises the reversal of expected incurred claims and other insurance service expenses, the release of the risk adjustment for non-financial risks of non-onerous contracts, the amortization of the contractual service margin, and experience adjustments for premiums that are allocated to current and past periods. For contracts measured using the PAA, insurance revenue equates to the premium income allocated to a period on the basis of the passage of time.

The insurance service expenses from insurance contracts issued comprise incurred claims, changes in fulfillment cash flows relating to the liability for incurred claims, the amortization of insurance acquisition cash flows, and changes that relate to future service under onerous contracts.

Net income/expenses from reinsurance contracts held comprises amounts recovered from the reinsurer and premiums paid.

Insurance finance income or expenses

Insurance finance income or expenses from insurance contracts issued and reinsurance contracts held comprises the changes in the carrying amount of the GIC arising from the effect of, and changes in, the time value of money and from the effect of, and changes in, financial risk. It does not include any changes in GICs with direct participation features that would adjust the contractual service margin. Changes in the fulfilment cash flows in business involving contracts with direct participation features resulting from changes in the fair value – recognized in other comprehensive income – of the underlying items are recognized in the reserve from other comprehensive income within other comprehensive income.

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 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 accounted for 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), depending on their classification. 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.

In the case of financial instruments used for cash flow hedges or hedges of net investments in foreign operations, changes in fair value attributable to the effective portion of the hedges have to be recognized in other comprehensive income, and reported in equity in the reserves from other comprehensive income. Changes in fair value attributable to the ineffective portion of hedges have to be included in other gains and losses on valuation of financial instruments under gains and losses from hedge accounting.

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.

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. In July 2025, the process for determining the discount rate was refined owing to the expansion of the bond universe. If the process had not been refined, the discount rate would have been 20 basis points lower and the present value of the defined benefit obligations would therefore have been €152 million higher under provisions and €34 million higher under other liabilities.

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), 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 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, 2025, 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, 2025 are based on Commission Implementing Regulation (EU) No. 2021/451.
- Breakdowns of the composition of financial guarantee contracts and loan commitments, trust activities
- 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 (e.g. involvement with charitable foundations) and financial assistance (e.g. 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 key elements of the income

statements and regulatory capital ratios presented in the forecast report have to be based, for the DZ BANK Group, on its planning of IFRS earnings, and for all other consolidated entities, on their planning of earnings under German commercial law. Consolidation effects should not be taken into account in the forecast compiled for the Volksbanken Raiffeisenbanken Cooperative Financial Network.

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	[1]
Outlook	Stable	Stable
Individual rating	aa–	a+

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

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