Annual Report 2023

DKB
Deutsche Kreditbank AG

Performance indicators

in EUR million	**2023**	**2022**
Net interest income	1,937.0	1,312.9
Risk result	–63.3	–15.6
Net commission income	130.1	88.1
Administrative expenses	–795.3	–735.4
Profit/loss before taxes	1,001.8	355.6
Cost/income ratio (CIR) in %	39.3	61.9
Return on equity (ROE) in %	19.9	7.7

Balance sheet figures

in EUR million	**2023**	**2022**
Total assets	134,517	121,035
Equity	6,039	5,213
CET1 ratio (%)	16.1	11.1
Client receivables	94,775	89,258
Client deposits	102,313	85,232

Client figures

	2023	**2022**
Number of clients	5,597,825	5,342,881
Number of retail current accounts	4,396,865	4,203,122

Employee figures

	2023	**2022**
FTEs | headcount as of 31 Dec.	4,782 | 5,163	4,753 | 5,134
Average age in years	43.1	42.8
Average length of service in years	8.7	8.4
Gender breakdown m | f in %	46.9 | 53.1	46.4 | 53.6
Gender breakdown by management position m | f in %	62.4 | 37.6	61.8 | 38.2
Workforce availability in %	95.2	95.1
Training days/employee	2.5	2.4

Company profile

With over 5,000 employees and total assets of EUR 134.5 billion, Deutsche Kreditbank is one of Germany's top 20 banks. We serve more than 5.5 million clients, who are able to conduct their banking transactions comfortably and securely online using the latest technology. Our industry experts assist our business clients in person at 26 different locations.

Entrepreneurial and sustainable actions are of great importance to us. This is why, as #geldverbesserer, we are committed to sustainable lending – e.g. loans for the construction of apartments suitable for the elderly and families, energy-efficient real estate, outpatient and inpatient health facilities, and for construction projects in schools and day-care centres in Germany. With client relationships built on a foundation of sustainability, DKB is a market leader in many of these sectors, and has been for some years. Since the financing of our first wind turbine in 1996, numerous renewable energy projects in the wind, solar and water sectors have been realised with DKB as a banking partner.

We foster a culture of appreciation and togetherness – both among ourselves and with our clients and business partners. A variety of tasks and development opportunities for our employees and optimal framework conditions for daily working life make us a responsible and attractive employer. We offer internal and external training to help our employees improve their skills. We support social causes by working with external partners as part of our corporate volunteering programme, and promote diversity and inclusion within the Group and through the DKB FOUNDATION.

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Letter from the Board of Management

Dear Readers, dear #geldverbesserer,

In challenging times like the present, a balance sheet is not simply a set of figures that demonstrates and evaluates a company's commercial success or failure. Business results also reflect the courage, perseverance and adaptability of an organisation and its employees with the will to constantly question themselves, pursue new avenues and learn together.

Our Annual Report provides an insight into our financial performance, key strategic initiatives and the associated achievements of all DKB employees who, with their passion and conviction, make our products and services that little bit better for our more than 5.5 million clients every day. We would like to start by thanking our DKB team throughout the Group.

2023 was characterised by a series of global events that had a significant impact on the financial markets. The ongoing implications of the COVID-19 pandemic, geopolitical tensions, in particular Russia's ongoing war of aggression against Ukraine, and the ever more apparent consequences of climate change presented us with increasingly complex challenges. In addition, global inflation risks and the associated restrictive monetary policy measures taken by numerous central banks led to a changed market environment that offered both risks and opportunities.

Within this context, our primary goal was, and indeed still is, to strengthen the resilience of our Group through profitable growth while developing new digital services and products to meet the constantly changing needs of our clients. One focal point as part of this quest is also to drive forward the process of digital transformation with an eye on cost efficiency, and to consolidate our position as one of Germany's sustainable banking pioneers.

Thanks to a positive interest rate environment, the structural strengthening of B2B sales and a crisis-resistant market portfolio with successful new business, DKB closed the 2023 reporting year with the best result in the company's history:

At EUR 1,001.8 million, the DKB Group's earnings before taxes in 2023 were up significantly in a year-on-year comparison (EUR 355.6 million). We were able to increase our client receivables by EUR 5.5 billion to EUR 94.8 billion and our client deposits by EUR 17.1 billion to EUR 102.3 billion. Our net interest income rose considerably to EUR 1,937.0 million (previous year: EUR 1,312.9 million).

We were also able to significantly increase our net commission income to EUR 130.1 million (previous year: EUR 88.1 million).

This development was driven primarily by the EUR 36.4 million increase in income from payment transactions and account management (previous year: EUR –9.3 million) and the EUR 31.1 million increase in income from our card business (previous year: EUR 82.1 million).

As expected, our risk result of EUR –63.6 million was moderately higher than the previous year's figure (EUR –15.6 million) owing to the difficult economic environment.

Our return on equity (ROE) reached 19.9% (previous year: 7.7%). The cost/income ratio (CIR) has also shown very favourable development and stands at 39.3% (previous year: 61.9%). The development of these two figures can be traced back to earnings effects.

The switch from the Credit Risk Standardised Approach (CRSA) to the risk-sensitive internal ratings-based approach (IRBA) at the individual institution level marks a significant milestone and strengthens our capital adequacy.

Commercial successes must not distract us from the commercial challenges that lie ahead. We need a sound corporate structure in order to be successful in the long term. Cost efficiency also plays an important role here, despite high levels of income.

With this in mind, we launched our Group-wide efficiency programme "Fit4Growth" in the summer of 2023. The aim of the transformation programme, which will run until the end of 2025, is to optimise DKB's operating model in the long run, lay the foundation for further growth and, in doing so, ensure our long-term profitability. As part of the programme, we conducted a thorough review of our internal processes, organisational structures, services and products in order to further enhance our position on the competitive stage.

As a forward-looking financial institution, we also have a responsibility to support sustainable investments. Our clients can therefore join us as we take pride in the fact that the international rating agency ISS ESG awarded DKB the highest score in its sustainability rating for the eighth time running in February 2023. In the "Public & Regional Banks" peer group, DKB once again took the top spot out of 270 banks. With the position of Chief Sustainability Officer (CSO), we have also created a central function to strategically bundle the topic of sustainability both internally and externally.

Our business clients segment is a key driver of sustainable financing. We have been financing environmental and social

projects for more than 30 years, the first being a wind turbine back in 1996. Today, DKB is the largest provider of financing for renewable energy systems in Germany, with a lending volume of over EUR 14 billion. We are working to further expand this position.

With regard to our core retail client business – banking – the extensive investments made in our digital infrastructure were made visible to our clients at the front end with the launch of the new banking system in 2023 and the associated decommissioning of the old app. The new web banking system is clearly organised and intuitive. It offers everything that makes daily banking convenient and is constantly being expanded.

Digital processes, products and services are an essential component of our business model and the associated strengthening of our competitive standing. The gradual migration of IT systems to the cloud is one of the most important steps we can take in order to design new services and products more quickly and efficiently going forward. The introduction of automated release management and the development of a modular API infrastructure based on cloud architectures, among other things, will make us more flexible in our response to new client demands and developments on the market.

As well as offering our clients new digital services, it was also important to us that everyone – new and existing clients alike – would be able to benefit from rising interest rates, making saving worthwhile again. With the launch of our call money product, offering interest of 3.5% for six months, in August 2023, we have created an attractive interest-bearing add-on to our current account and have been able to attract numerous new clients. Our existing clients were also able to actively benefit from the interest rate trend.

On the product side, we introduced our "Green Mortgage" in July 2023, allowing all clients who build, buy or modernise a building with an energy efficiency rating of A or A+ to enjoy discounted interest rates for the duration of the first fixed-interest period.

All of these measures and successes are also an expression of a strong corporate culture. Diversity, equal opportunities and inclusion at DKB and its subsidiaries (DKB Group) are also key components of our culture. The role of Chief Sustainability Officer was created in order to better strategically bundle our Group-wide activities relating to diversity and inclusion.

A good corporate culture also needs an attractive location to flourish. For DKB, the city of Berlin is, and will continue to be, the beating heart and engine of our entrepreneurial drive. With the completion of the DKB Campus in the Europacity district at the turn of 2025/2026, we will be ushering in a new era for the future of one of the capital's largest employers. Furthermore, our decision bears testimony to our commitment to Berlin as a regional business hub. This makes us all the more delighted to have been able to lay the foundation stone for our future headquarters together with Mayor Kai Wegner in September 2023.

We are ambitious at DKB. In the German banking market – a challenging market subject to high client demands – we aim to play a leading role. We want to maintain our high levels of profitability in the long run, thus securing DKB's future viability and competitive standing. This is something we can only achieve together – remaining authentic, showing mutual respect and armed with the conviction that we as a bank have the power to shape developments. We want to shape today and tomorrow – together with our clients, partners, employees and with you!

The entire DKB Board of Management would like to thank you all for your ongoing trust and support.

The Board of Management

March 2024

Stefan Unterlandstättner

Tilo Hacke

Jan Walther

Arnulf Keese

Kristina Mikenberg

Executive bodies

Board of Management

Stefan Unterlandstättner
Chair of the Board of Management

- Strategy & projects
- Investments
- Business with savings banks
- Human resources and legal
- Public policy & sustainability
- Treasury
- Corporate communication, marketing
- Internal audit
- West sales region

Tilo Hacke
Member of the Board of Management

- Retail clients
- Business clients: agriculture and food, new energies, tourism, housing, energy and utilities, local authorities and social infrastructure, civic participation
- Individual clients
- South sales region

Jan Walther
Member of the Board of Management

- Finance
- Compliance & support
- Business intelligence
- Business solutions
- Regulatory office

Arnulf Keese
Member of the Board of Management

- Digitalisation
- Digital products & technology
- Data science
- Private & public cloud
- North sales region

Kristina Mikenberg
Member of the Board of Management (since 1 February 2023)

- Credit risk & portfolio management
- Risk controlling
- Credit consulting

Supervisory Board

Shareholder representatives:

Stephan Winkelmeier
Chair of the Supervisory Board
Chair of the Board of Management
of Bayerische Landesbank

Bernd Fröhlich
Chair of the Board of Management
of Sparkasse Mainfranken
Würzburg

Michael Huber
Chair of the Board of Management
of Sparkasse Karlsruhe

Marcus Kramer
Member of the Board of Management
of Bayerische Landesbank

Dr Ulrich Netzer
President of the
Sparkassenverband Bayern (Association
of Bavarian Savings Banks) (retired)

Zvezdana Seeger
Member of the Board of Management
of RWE Aktiengesellschaft (retired)

Dr Alexander Voitl
Ministerial Director
of the Bavarian State Ministry
of Finance and the Interior

Dr Markus Wiegelmann
Member of the Board of Management
of Bayerische Landesbank
Independent financial expert

Employee representatives:

Maria Miranow
Deputy Chair of the Supervisory Board
(since 16 March 2023)
Employee of Deutsche Kreditbank AG

Jens Hübler (until 16 March 2023)
Deputy Chair of the Supervisory Board
Senior employee of
Deutsche Kreditbank AG

Doreen Albrecht (until 16 March 2023)
Employee of Deutsche Kreditbank AG

Stephan Antonczyk (since 16 March 2023)
DBV representative
(Deutscher Bankangestellten-Verband;
German association of bank employees)

Michaela Bergholz (until 16 March 2023)
DBV representative
(Deutscher Bankangestellten-Verband;
German association of bank employees)

Carsten Birkholz (until 16 March 2023)
Employee of Deutsche Kreditbank AG

Janine Ecke
Employee of Deutsche Kreditbank AG

Christine Enz (until 16 March 2023)
DBV representative
(Deutscher Bankangestellten-Verband;
German association of bank employees)

Jörg Feyerabend (until 16 March 2023)
Employee of DKB Service GmbH

Janek Kuligowski (since 16 March 2023)
DBV representative
(Deutscher Bankangestellten-Verband;
German association of bank employees)

Matthias Schulz (since 16 March 2023)
Employee of Deutsche Kreditbank AG

Holm Vorpagel (since 16 March 2023)
Senior employee of
Deutsche Kreditbank AG

Danilo Wähnert (since 16 March 2023)
Employee of Deutsche Kreditbank AG

Gunter Wolf (since 16 March 2023)
Employee of Deutsche Kreditbank AG

Authorised representatives

Karsten Traum

Directors

Thomas Abrokat
Mario Bauschke
Harald Bergmann
Sabine Breitschwerdt
Mark Buhl
Matthias Burger
Dominik Butz
Sascha Dewald
Matthias Dietl
Gerhard Falkenstein
Peter Forch
Sandra Förster
Silvio Hagemann
Mark Hauel
Constanze Heintel-Wolff
Maren Heiß
Armin Hermann
Frank Heß
Markus Höhne
Uwe Jurkschat
Christoph Klein
Sascha Kloss
Jana Kröselberg
Dörte Lange
Lars Lindemann
Christiane Nachtwey
Moritz Otte
Frauke Plaß
Claudia Polaschewski
Thomas Pönisch
Wolfgang Reinert
Johann Scheiblhuber
Michael Schiwietz
Adeline Schumacher
Mario Seidler
Wulf-Dietmar Storm
Ralf Stracke
Matthias Thiele
Britta Timm
Holm Vorpagel
Jürgen Wenzler
Paul Westphal

Trustees

Dr Bernhard Krewerth
(until 31 December 2023)

Dr Christian Marburger

Dr Patrick Wilden
(Deputy trustee since 1 January 2024)

Report of the Supervisory Board

Dear Readers,

The Supervisory Board and its committees continued to regularly and critically supervise, monitor and advise the Board of Management of Deutsche Kreditbank AG (DKB) in 2023. Our discussions with the Board of Management focused in particular on the myriad challenges created by the overall geopolitical and economic environment.

Challenging aspects this year included continuing inflation and the associated significant rise in interest rates, the consequences of Russia's ongoing war of aggression against Ukraine and, most recently, Hamas' brutal attack on Israel. It is particularly impressive that DKB was able to continue on its profitable growth path and achieve extraordinary earnings performance even in these turbulent times. We were able to outstrip our planned financial targets in the context of corporate concept 9 (UK9), and used the successor concept, corporate concept 10 (UK10), to respond to the changes in overall conditions and the highly competitive market environment. Thanks to increased market penetration in the business and retail client segments and the positive development in new business in all market segments, DKB succeeded in further increasing its net interest income. Our successful sales activities, in particular, and interest rate developments helped DKB to achieve the best business result in its history. We are particularly delighted to have remained an industry leader and been crowned the most sustainable bank among the top 20 in the ISS ESG Rating in 2023 – testimony to the sustainable and responsible nature of our growth.

With the Fit4Growth programme, DKB launched a project in collaboration with the Boston Consulting Group that we are using to review our established processes, structures, products and services in terms of their efficiency and profitability. Our aim is to further improve process scalability, streamline structures where necessary and strengthen DKB's earnings power in the long run so that we can continue to provide our customers with a strong and competitive range of products and services.

2023 brought a number of personnel changes on the DKB Board of Management. Kristina Mikenberg was appointed to the Board of Management as Chief Risk Officer (CRO) as of 1 February 2023, meaning that the Board of Management once again consists of five members. Kristina Mikenberg previously worked at Swedbank Baltics AS, also in the role of CRO, and has long-standing experience in various management functions at banks on the market and risk side.

The Supervisory Board believes that the Board of Management's activities were lawful, appropriate and correct at all times. The Board of Management met its public information obligations at all times and provided information on events and measures relevant to the company on a regular basis, promptly and comprehensively. Within the Supervisory Board and its committees, there was an open and constructive exchange of views between the committee members and between members of the Supervisory Board and the Board of Management. Detailed documentation provided in advance enabled members to adequately prepare for the issues raised at the meetings.

Composition of the Supervisory Board

The Supervisory Board consisted of 16 members; eight shareholder representatives and eight employee representatives.

In 2023, the employees of DKB elected new members to the Supervisory Board. We would like to take this opportunity to express our sincere thanks to Michaela Bergholz, Carsten Birkholz, Christine Enz, Jörg Feyerabend, Jens Hübler and Doreen Albrecht, who have since left the Supervisory Board, for their excellent work over the past few years. At the same time, the shareholder representatives are looking forward to continuing their positive collaboration in the spirit of trust with the newly elected, or re-elected, employee representatives: Stephan Antonczyk, Janine Ecke, Janek Kuligowski, Maria Miranow, Matthias Schulz, Holm Vorpagel, Danilo Wähnert and Gunter Wolf. We would like to congratulate Maria Miranow on her appointment as Deputy Chair of the Supervisory Board.

Priorities of the Supervisory Board

In the course of the 2023 financial year, the Supervisory Board held four ordinary meetings and one inaugural meeting, all of which were held face to face. The meetings in March, June, September and December focused on DKB's strategy, orientation and planning, as well as current business development, major projects, monitoring the risk situation, the ongoing IRBA application process and the development in interest rates and deposits. The Supervisory Board's activities also focused on consolidating DKB's excellent position in the area of sustainability. The Chairs of the Supervisory Board and its committees were also in regular, direct contact with DKB's Board of Management between meetings. The Bank's committees were also notified of important events in writing between meetings. Where necessary, the Supervisory Board also passed resolutions between meetings using the written procedure. The

challenging market environment in 2023 was also taken by the Board of Management and Supervisory Board as an opportunity to further increase the value of the company, and improve DKB's future viability and competitive standing.

All in all, DKB has achieved a great deal: from the launch of the Fit4Growth programme, the switch to the new banking app, the successful call money campaign since 1 August, the completion of major and decisive projects (The Blue Project, Spektrum+ and Sputnik) to the best result in the company's history. In addition, a Chief Sustainability Officer (CSO) and a Chief of Diversity (CoD) were appointed for the first time in order to permanently and firmly establish DKB's long-standing commitment to sustainability and diversity within the organisation.

Looking at the ordinary meetings of the Supervisory Board, the Supervisory Board meeting held on 16 March 2023 in Berlin was mainly dominated by the annual reports. The Supervisory Board initially dealt with the annual and consolidated financial statements for 2022, which it approved at this meeting after detailed examination and discussion and with reference to the audit reports of the auditor. The Board also dealt with the annual reports of the Internal Audit department, the compliance officer, and on information security and business continuity management. The meeting also focused on the DKB risk status, business development and the efficiency review of the management and Supervisory Board activities pursuant to Section 25d (11) nos. 3 and 4 of the German Banking Act (KWG). In addition, the Board looked at the remuneration report and the remuneration control report and was provided with information on the results of the regular, annual individual and collective suitability assessments of the Supervisory Board and the Board of Management, as well as the individual suitability assessments of the key function holders. Current topics such as the impact of the Russia-Ukraine war on DKB and the situation on the money and capital markets were also discussed. As increasing cyber and fraud attacks against clients represent a major challenge for banks, the measures introduced to combat and prevent them were also addressed at the meetings. In addition, the new employee representatives introduced themselves to the Supervisory Board and the new members of the committees were also appointed.

The Supervisory Board met again on 22 June 2023, this time in Munich, and dealt, among other things, with the report on the monitoring of individual transaction conditions, the HR report, the participation report and the status report on the Privileged Access Management activities. The meeting also focused on the project status and the results to date of the ongoing IRBA application process. The launch of the Fit4Growth programme and the development of corporate concept 10, including ongoing projects, were also discussed.

At the meeting held on 21 September 2023 in Berlin, the Supervisory Board discussed, among other things, current fraud cases against clients, as well as the development of interest rates and deposits. Information was also provided on updates to role and skills profiles for the management body. The Supervisory Board also performed the annual reviews of, and in some cases made amendments to, the policies based on the EBA/ESMA Guideline and the internal governance principles of BayernLB and DKB.

The last meeting of the year, held on 8 December 2023 in Munich, focused on the financial report, DKB's risk strategy and DKB's focus with regard to the relevant sustainability criteria. The Supervisory Board also dealt with multi-year planning as well as capital, risk capital and change portfolio planning for 2024. The Supervisory Board also received reports on corporate concept 10 and the Fit4Growth programme and held intensive discussions.

Committee work

In order to effectively carry out its tasks, the Supervisory Board had five committees again in the reporting year: a Risk Committee, an Audit Committee, a Nomination Committee, a Remuneration Committee and a Mediation Committee. The four-member Mediation Committee did not meet in 2023. The four other committees were involved in the work of the Supervisory Board through regular meetings. They prepared topics that were discussed or resolved by the Supervisory Board and passed their own resolutions within the scope of their decision-making powers.

The six-member Risk Committee held five meetings in 2023. The five meetings included an inaugural meeting, which focused on the election of new members and the appointment of the Chair and Deputy Chair. Mr Bernd Fröhlich was re-elected as Chair and Dr Alexander Voitl as Deputy Chair. A circular resolution was adopted to expand the Risk and Audit Committees from five to six members. In line with its remit, the Risk Committee dealt with issues relating to the risk situation, risk provisions and risk strategy as well as current regulatory issues. Decisions were also taken on loans requiring submissions. Special topics such as the effects and prevention of fraud attacks on clients, the energy crisis and the Russia-Ukraine war were also discussed in relation to both clients and DKB.

The Audit Committee, which has six members, met a total of five times in 2023. The five meetings included an inaugural meeting at which the members, Chair and Deputy Chair were elected. Dr Ulrich Netzer was re-elected as Chair and Mr Stephan Winkelmeier as Deputy Chair. The Audit Committee supported the work of the Board in monitoring the accounting process and the annual audit as well as the effectiveness of the risk management system, in particular the internal control system and internal audit. In addition, the topics of compliance, financial reporting and monitoring the independence of the auditor were addressed as part of its area of responsibility. Current topics such as the impact of the Russia-Ukraine war on DKB and the development in interest rates and deposits were also part of the reporting.

The Nomination Committee, which consists of four members, met five times in 2023. There were four regular meetings and one inaugural meeting. The inaugural meeting was used to elect the members of this committee, as well as its Chair and Deputy Chair. Mr Stephan Winkelmeier was re-elected as Chair and Dr Ulrich Netzer as Deputy Chair. The meetings of the Nomination Committee focused on succession planning for the Board of Management. Resolutions were also passed on the revised and modified Suitability and Diversity Guidelines, as well as the Onboarding and Training Policy. The Committee also addressed the performance of the suitability assessments for the Board of Management, the Supervisory Board and executive bodies of DKB subsidiaries, as well as the efficiency review of the management and Supervisory Board activities pursuant to Section 25 (11) nos. 3 and 4 KWG. Another focal point was the reconstitution of the Supervisory Board. As a result, extensive function-based onboarding processes were implemented for the newly elected employee representatives. In addition to initial training on the tasks, rights and duties of Supervisory Board members, further training was provided on overall bank management, accounting & auditing, and corporate strategy. As part of the annual training programme for the full Supervisory Board, the members received training on the topics of sustainability, cybersecurity and IT risk management, as well as current regulatory developments.

The Remuneration Committee, consisting of four members, held a total of five meetings in 2023. It supported the Supervisory Board, among other things, in setting targets for the Board of Management. The committee also dealt with the review and adjustment of the remuneration strategy of DKB and the DKB Group. In addition, the members of the committee were elected at the inaugural meeting, along with Mr Marcus Kramer as Chair and Mr Stephan Winkelmeier as Deputy Chair.

Dependent company report

Pursuant to Section 312 of the German Stock Corporation Act (AktG), the Board of Management prepared a report on related parties for the 2023 financial year. The Supervisory Board reviewed this report and did not raise any objections. The following audit opinion was issued by the auditor.

After due examination and assessment, the auditor confirms that:

1. the factual statements made in the report are correct,
2. in respect of the legal transactions included in the report, the consideration paid by the company was not inappropriately high,
3. in respect of the measures listed in the report, there were no circumstances supporting an assessment significantly different to that made by the Management Board.

Annual audit

The consolidated financial statements and the combined management report, as well as the Group accounting records these documents are based on for 2023, were audited by the auditors appointed by the shareholders' meeting, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Berlin, and provided with an unqualified audit opinion.

After a detailed discussion and review of the consolidated financial statements, the Supervisory Board endorsed the results of the annual audit. No objections to the result of the audit of the consolidated financial statements and the combined management report were raised as of 31 December 2023. At its meeting today, the Supervisory Board approved the consolidated financial statements presented to it by the Board of Management.

Finally, the members of the Supervisory Board would like to thank the employees and the Board of Management of DKB for their extraordinary commitment and for the very successful 2023 financial year.

Berlin, 15 March 2024

On behalf of the Supervisory Board

Stephan Winkelmeier
Chair

2023 milestones

February

On 1 February, Kristina Mikenberg started in her new role as **Chief Risk Officer (CRO)** on the Board of Management. She succeeds Alexander von Dobschütz, who has left the company.

In February, the international rating agency ISS ESG awarded DKB the highest possible score in its **sustainability rating** for the eighth time running. In the "Public & Regional Banks" peer group, DKB once again took the **top spot** out of 270 banks.

March

DKB has appointed a **Chief Sustainability Officer (CSO)**. The new function will help establish the topic of ESG as an even firmer component of the bank's value creation processes.

April

With a new, fully automated application process for mortgage loans, DKB has created the opportunity for its clients to obtain mortgage loans without any further advisory services, allowing them to save time and enjoy a direct interest rate advantage.

June

With central bank interest rates on the rise, DKB also raised its **interest rates for call and term deposits** for all new and existing clients. This also allows us to create an attractive interest-bearing add-on to our current account, ideal for clients looking to save and manage their money.

July

We introduced our **"Green Mortgage"** in July 2023, allowing all clients who build, buy or modernise a building with an energy efficiency rating of A or A+ to enjoy discounted interest rates for the duration of the first fixed-interest period.

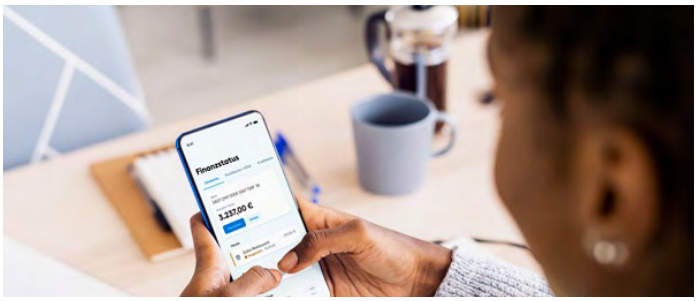
September

The foundation stone for our **new headquarters** was laid at a ceremony on the construction site for the new **DKB Campus** (near Berlin's Nordhafen district).

October

The ***Klima-Landwirtschaft*** **(climate-friendly agriculture) project**, a **cooperation between BayWa AG and DKB**, will see climate protection measures implemented at six farms over the next three years, to be closely monitored and scientifically evaluated by BayWa.

Since 10 October, there has only been one DKB in the digital world: **the new DKB Banking app and the new DKB Banking system**. By decommissioning the old DKB banking app and the old DKB banking system, we have taken another key step towards the new, modern banking world.



November

With the appointment of a **Chief of Diversity (CoD)**, DKB has created another position that aims to further improve the strategic bundling of our Group-wide **diversity and inclusion** activities. At the same time, **a Group-wide diversity strategy** was unveiled.

December

DKB continues to **grow** in the **new energies client group**. In a market environment characterised by intense competition in terms of conditions and prices, we successfully expanded our financing business in 2023 with a receivables volume of EUR 10.7 billion (as of 31 December 2023), including as a financing partner for Thüga Erneuerbare Energien GmbH & Co. KG.

Combined management report of the DKB Group and DKB AG

The management report of Deutsche Kreditbank AG and the consolidated management report for the 2023 financial year are combined. Unless DKB AG or the DKB Group are mentioned explicitly below, the mention of "DKB" means that both the DKB Group as well as DKB AG are affected.

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Basic principles of the Group

Structure and business model

One of the 20 largest banks in Germany

With total assets of EUR 134.5 billion, the DKB Group is one of Germany's major banks. Deutsche Kreditbank AG (DKB AG) is headquartered in Berlin and is a wholly owned subsidiary of Bayerische Landesbank (BayernLB). From a geographical perspective, our business activities focus on the Federal Republic of Germany, where we have operations in 26 locations.

As of the end of 2023, the DKB Group employed 5,163 staff members (previous year: 5,134). As of the balance sheet date, the DKB Group had client receivables in the amount of EUR 94.8 billion (previous year: EUR 89.3 billion) as well as client deposits in the amount of EUR 102.3 billion (previous year: EUR 85.2 billion). The net interest income realised in the financial year amounted to EUR 1,937.0 million (previous year: EUR 1,312.9 million). The profit before taxes of the DKB Group came to EUR 1,001.8 million (previous year: EUR 355.6 million). DKB AG achieved a profit before the addition pursuant to Section 340g of the German Commercial Code (HGB) and income taxes of EUR 860.7 million (previous year: EUR 436.1 million).

Our business focuses on loans to companies, local authorities and retail clients in Germany.

Two-pillar model

DKB's business is based on two pillars: retail/online banking and business clients. As an online bank, we provide online and mobile banking services to around 5.5 million retail clients throughout Germany. As a bank for business clients, we develop financing and investment solutions together with our clients at locations across Germany. We focus on selected and primarily sustainable sectors in Germany and promote, for example, the construction and operation of wind, water, bioenergy and photovoltaic plants, and the renovation and construction of residential buildings, schools, nursery schools and health centres, as well as projects in German agriculture.

Sustainable and digitally focused

Instead of maximising short-term profits, we strive for long-term and valuable business relationships. The financing is based on people's needs and, as a bank, we therefore make an important contribution to a society that is fit for the future. Our goal is to remain one of the pioneers of sustainable banking. Our sustainability strategy is based on the Paris Agreement, the United Nations Sustainable Development Goals (SDGs) and the related objectives in the German sustainability strategy. This means that we ensure compliance with environmental and social standards when granting loans. In addition, we endeavour to conserve resources in-house and take our responsibility as an employer seriously. We also meet our obligations to society through the independent DKB STIFTUNG foundation for corporate responsibility. More detailed information on our sustainable business model is provided in the "Non-financial performance indicators" section starting on p. 46.

Digital processes, products and services are an essential component of our business model and the associated strengthening of our competitive standing. At the beginning of 2000, we established the first online bank without branches and, from the outset, have consistently relied on the technical possibilities offered by modern online banking processes, innovations and targeted cooperation with fintechs and technology partners in order to create added value for our clients. We want to be among the winners of the digital transformation in the German banking market. In order to continue to have the necessary in-house expertise to enable the bank's technical development in the future, a conscious effort was made to reduce reliance on external resources in IT by expanding/establishing technical components, skills and internal IT experts. Systematic knowledge development and the onboarding of new skills through to upskilling in IT will give us greater flexibility with regard to existing and future IT projects.
We also benefit from the DKB Code Factory – our wholly owned subsidiary with a high level of process flexibility and distinctive digital expertise, including in product development. The DKB Code Factory develops solutions and services with a focus on client-oriented financial products.

Market cultivation via two segments

We divide our activities into two market segments (retail clients, business clients), as well as the financial markets and "other" segments. In order to leverage synergies, reduce complexity and set up the structures for new challenges, what were previously the infrastructure and corporate clients segments were merged to form one new organisational unit, the business clients segment, in 2023.

In the retail clients segment, we support private clients and individual clients in the healthcare and liberal professions segments with the modern financial services provided by an online bank. Here we also focus on transparent services at competitive terms. The product range essentially comprises the retail current account and DKB Business account packages, mortgage lending and retail loans, medical practice and law firm finance, real estate finance, investment products, our DKB-Broker custody account and the partner (co-branding) credit card business.

In the business clients market segment, we provide customised financing and investment products to clients in the areas of local authorities and social infrastructure, energy and utilities, new energies, residential, administrators, tourism, agriculture and food. Products include local bank and development loans, term loans and overdraft facilities, sureties, deposit

banking and the offer of business accounts including payment transaction services. We provide a high level of expertise in integrating development aid and civic participation when creating appropriate client solutions.

The financial markets segment includes DKB's treasury activities. It is also responsible for interest book management and regulatory liquidity security. Two other key refinancing instruments over and above our client deposits are Pfandbriefs and uncovered bonds in the form of green bonds and social bonds. This segment also includes the regulatory liquidity portfolio.

The "other" segment contains cross-divisional transactions and contributions to earnings which cannot be allocated to the segments according to source.

Management and supervision

Close collaboration between executive bodies

In the past financial year, the Board of Management of DKB AG consisted of five members: the Chair Stefan Unterlandstättner and the members Tilo Hacke, Jan Walther, Arnulf Keese and Kristina Mikenberg, who has held the position of CRO (Chief Risk Officer) since February 2023.

The Board of Management runs the company independently and is responsible for its operational affairs. It develops the company's strategic alignment, coordinates this with the Supervisory Board and ensures its implementation. In order for the Board to effectively perform its tasks, areas of responsibility are assigned to the Board members, who then take charge of the associated operations. Important strategic decisions as well as lending decisions are taken by the Board of Management as a whole.

The Board of Management of DKB AG is appointed by the Supervisory Board. The Supervisory Board advises the Board of Management in matters relating to the running of the company and monitors its business management. To perform this task effectively, it has formed five committees. The topics that were the focus of the Supervisory Board's work in financial year 2023 are set out in the Supervisory Board's report. At the end of 2023, the Supervisory Board comprised 16 members, with equal numbers of shareholder and employee representatives.

In the meetings and outside of meetings, the Board of Management and the Supervisory Board work closely together. The Board of Management reports regularly, promptly and comprehensively to the Supervisory Board with regard to all issues concerning corporate planning, strategic development, the earnings and financial situation, and the risk situation of the company. The cooperation between and within the executive bodies is regulated in the Articles of Association and in the respective rules of procedure. In addition, DKB's conflict of interest policy governs the handling of any conflicts of interest of the Board of Management and Supervisory Board.

Good corporate governance as a matter of course

The Board of Management and the Supervisory Board of DKB AG are committed to responsible corporate management and supervision that is focused on long-term value creation. In performing their duties, the Management Board and Supervisory Board are guided by the German Corporate Governance Code (GCGC). While DKB AG is not legally bound by the GCGC as an unlisted company, the principles of the Code nevertheless form the foundation and guideline for the conduct of everyone within the company. Where relevant, the principles of the Code are also reflected in company-wide strategies, guidelines and rules of procedure.

In the opinion of the Board of Management, good corporate governance particularly strengthens the trust that clients, business partners, investors, employees and the public have in DKB AG. It increases corporate transparency and supports the credibility of our company. From the perspective of the company's management, good corporate governance also means a strict understanding of compliance. For DKB, lawful conduct is a basic prerequisite for lasting and stable business relationships and for long-term, successful corporate development.

The Board of Management sees the topic of compliance monitoring as a key management task and expressly commits itself to lawful, socially minded and ethical conduct. DKB's demanding understanding of management and conduct is also reflected in its conduct standards and guidelines. These include the criteria employed for strategic corporate decision-making, which are oriented towards long-term success, and the Code of Conduct, by which all our employees are guided. At the reporting level, DKB AG complies with corporate governance requirements, such as via the annual publication of a remuneration report in accordance with the company's remuneration policy that can be viewed on the company's website.

Corporate management

Strategically embedded control system

The organisation of the management and control processes in the company is based on a differentiated strategic planning. This is accompanied by a regular assessment of opportunities and risks. A comprehensive risk management system is designed to safeguard the stability of the Group.

DKB develops its short- and medium-term goals on the basis of this strategic orientation as part of a multi-year plan. These goals take into account the operational plans of the organisational units, where they are linked with corresponding measures at the operational level.

Key financial figures provide information on earnings and performance

The commercial management focuses on achieving a net asset and financial position that is stable in the long term, and focused on positive earnings performance. To this end, we use key financial figures relating to earnings, profitability and value.

Specifically, we manage the DKB Group using the following financial performance indicators:

- Cost/income ratio (CIR): This KPI measures the relationship between costs and income, and provides information on the economic efficiency. The CIR represents the ratio of administrative expenses to the total of the income items of net interest income, net commission income, gains or losses on fair value measurement, gains or losses on hedge accounting, gains or losses on financial investments, other comprehensive income and the result from the disposal of AAC-category financial instruments (as part of the risk result).
- Return on equity (ROE): This KPI measures the relationship between earnings and equity, and provides information on the return on equity employed. The ROE is calculated as a quotient between the profit before taxes and the assigned regulatory hard core capital.
- Net interest income: Given the significance of the traditional lending and deposit business for DKB, the net interest income (difference between interest income and interest expenses) is a key control parameter and an important performance indicator.
- Risk result: The performance of the risk result provides information on the achievement of the risk targets.
- Net commission income (as of the 2023 financial year): Net commission income diversifies income irrespective of interest rates.
- Profit before taxes: The profit before taxes figure is taken from the income statement and does not take the tax item into account.
- Receivables and deposit volumes in the client segments: The development of these indicators provides information on the achievement of our volume targets in the client business.

We used regular strategy reviews to adjust our growth strategy in the retail clients segment at the start of 2023. We have made a conscious decision not to pursue exponential growth and to focus instead on profitable growth. As a result, we no longer regard the number of clients in the retail clients segment as a financial performance indicator.

For DKB AG, we also consider the profit reported before the addition pursuant to Section 340g HGB and income taxes to be a control parameter.

Development of qualitative success factors represented by non-financial data

Our business success is influenced not only by financial but also by non-financial indicators. The issue of sustainability is of particular importance in this context. As an organisation, we want to combine economic, ecological and social goals in a meaningful way. This includes employee concerns such as employee satisfaction, further training and health.

In order to measure the achievement of objectives, we use quantitative indicators as well as numerous contributing measures.

The “Non-financial performance indicators” chapter explains the measures we take as we generally seek to achieve the various non-financial objectives.

Report on the economic position

Economic environment

Development of the macroeconomic environment

Economic situation characterised by inflation and economic concerns, as well as interest rate hikes – recently, however, hopes of interest rate cuts have dominated

The geopolitical situation remains very tense, with the Ukraine war being joined by the Middle East conflict in October 2023 following the terrorist attack on Israel.

Germany's economy slipped into recession in 2023, partly due to particularly high energy costs, the economic slump in China, one of the country's major trading partners, and structural problems. Deutsche Bundesbank believes that the German economy is being hit hard by the consequences of high inflation and anticipates a challenging economic recovery from the crises seen over the past three years. The German Council of Economic Experts predicts that real gross domestic product in Germany will have fallen by 0.4% in 2023.

In the eurozone, consumer prices in December were 2.9% higher than in the same month of the previous year, while the inflation rate in Germany climbed to 3.7%. Inflation in Germany averaged 5.9% in 2023. This means that, while headline inflation has fallen significantly due to the negative base effect related to energy, it is still significantly above the ECB's 2% mark, with core inflation remaining significantly higher at 3.4%.

As a result of the high inflation, the European Central Bank (ECB) gradually lifted its key interest rates, triggering a marked rise in interest rates for loans. The higher financing costs are putting a damper on private and corporate investment, for example in housing construction.

The high electricity prices in Germany compared to other industrialised nations are proving an enormous burden for energy-intensive companies, threatening a structural loss of competitiveness. In November 2023, the German government presented an electricity price package that includes a huge reduction in electricity tax for companies in the manufacturing sector. Shortly afterwards, however, the country's Federal Constitutional Court (*Bundesverfassungsgericht*) declared the reallocation of loans earmarked to combat the COVID-19 crisis for climate projects in the federal supplementary budget to be unconstitutional, putting spending on a large number of such measures and programmes at risk. In light of the Federal Constitutional Court's ruling, the issue of how to finance the country's sustainable transformation will remain of monumental importance.

Demand for labour remains at a very high level. The shortage of skilled workers is hitting the service sector and the manufacturing industry particularly hard. In 2023, the unemployment rate averaged around 5.7%.

Financial markets: volatility remains high

The considerable uncertainty surrounding the geopolitical situation, the further inflation and economic trend, and also regarding the timely raising of the US debt ceiling dominated events on the financial markets.

Central banks such as the US Federal Reserve and the ECB responded to high inflation by implementing several interest rate hikes.

The Fed raised its key interest rate to between 5.25% and 5.50% and continued to reduce the balance sheet for its asset purchase programme. While further interest rate hikes cannot be ruled out in view of the surprisingly robust US economy, the interest rate peak has probably already been reached. There are also increasing concerns that the Fed is pushing the US into a recession with its numerous rate hikes. Several US regional banks have already run into financial difficulties as a result of the rapid interest rate hikes, prompting US investors to pull their deposits out on a huge scale, which only served to exacerbate the regional banking crisis and, in some cases, led to government bailouts.

The investor confidence crisis spilled over from the US to Europe and culminated in an emergency takeover of Credit Suisse by UBS in the first half of 2023.

The European Central Bank is also likely to have reached a peak in interest rates given the falling inflation in the eurozone. The European Central Bank raised its key interest rates by 200 basis points during the reporting period. The interest rate for main refinancing operations rose from 2.50% to 4.50%, while the deposit rate for banks was increased from 2.00% to 4.00%.

The focus now is increasingly on the ECB's gradual withdrawal from its massive bond purchase programmes. For example, the ECB ended the reinvestment of its Asset Purchase Programme (APP), which had been launched back in January 2015 to lower long-term interest rates and provide additional liquidity, as of July 2023. Some central bankers are also calling for a premature end to the Pandemic Emergency Purchase Programme (PEPP), which is scheduled to run until at least the end of 2024. The long-term tenders (TLTROs) designed to boost bank liquidity are also gradually expiring, draining further liquidity from the market.

Yields on ten-year German government bonds have risen significantly since the zero interest rate policy was abandoned and reached their high for the year of around 3.00% in October. On the back of mounting hopes of interest rate cuts, however, 10Y Bund yields fell significantly at the end of the year and stood at around 2.0% as at 29 December 2023 (as against 2.57% as at 30 December 2022).

The myriad of external challenges put pressure on the stock markets worldwide and were also manifested in volatile DAX development. Germany's leading stock market index was on an upward trend at the beginning of the year. After starting at around 14,000 points in January, the DAX reached a high of around 16,529 in July against the backdrop of a (temporary) dip in interest rate concerns and good quarterly figures, plummeted in October due to fears that the conflict in the Middle East would escalate, reached a new high of 17,003 points in December and closed 2023 at 16,752 points.

The euro to US dollar exchange rate moved sideways overall in a volatile year. At the beginning of January, one euro was worth around 1.06 US dollars. By the end of December, one euro translated to about 1.10 US dollars.

Development of the industry environment

Challenging market with high client demands

The persistent economic slump, high inflation and the ECB's interest rate turnaround are having a direct impact on the banking business. The turnaround in interest rates heralded by the ECB in the summer of 2022 after several years of negative interest rates comes hand-in-hand with an increase in income from interest-based banking transactions, but has also led to increased competition in the deposit business with our retail and business clients. Although inflation is dropping back, it remains high and the structural weakness of the German economy is creating mounting risks for the banking sector. The risk of loan defaults and corporate insolvencies is increasing due to the gloomy economic environment.

The banking industry is still in a state of transition and competitive pressure is increasing at various levels. For fintech start-ups, 2023 was characterised by numerous challenges, first and foremost by a marked decline in investment. At the same time, neobanks and brokers were able to reap the benefits from the turnaround in interest rates.

In addition to innovative fintechs, Internet and technology groups which previously served other industries, such as retail, are pushing into the banking market. Customer requirements, especially in terms of convenience and usability, are oriented towards the services of these Big Techs. They are increasingly offering new banking services, taking advantage of their strong client reach. They are using their platforms to offer services tailored specifically to their clients' various life situations directly, rethinking the concept of banking completely and, last but not least, throwing down the gauntlet to competitors with conventional business models. IT companies are setting the direction for future banking innovations and business model developments. The COVID-19 pandemic has also led to an acceleration of the digitalisation of business models and processes. Big data and artificial intelligence are playing an increasingly important role in this.

On the costs side, the digitalisation of traditional banking processes requires large investments. Banks are placing more and more of an emphasis on automation, new technologies and flexible structures in order to achieve a significant competitive advantage through more cost-effective, faster processes.

In addition to the high IT costs, the burden is increasing due to mounting legal and regulatory requirements.

A large number of companies and banks have made a commitment to becoming climate-neutral by 2050. Massive investments will be required on the road to climate neutrality, for example in public utilities and municipal companies in the energy, waste, transport and (waste) water sectors. Banks have a central role to play in the sustainable transformation of the economy by supporting the path towards a climate-neutral economy. Banks can channel funds into sustainable investments and, in doing so, play a decisive role in driving the transformation of the economy.

The German government consisting of the German Social Democrats (SPD), the Greens and the Liberals (FDP) has made a commitment to making Germany the leading hub for sustainable financing based on the guiding principle of financial stability. Within this context, the German government is advocating, among other things, for European minimum requirements in the market for ESG ratings and the mandatory inclusion of sustainability risks in the credit rating processes of the major rating agencies.

Policymakers, regulators and supervisors have long recognised that climate change entails significant financial risks and that the financial sector therefore plays an important role in achieving the objectives of the Paris Agreement. The European Commission, for example, has already taken action by developing a uniform EU classification system (taxonomy). The EU taxonomy defines what is meant by a sustainable investment. Building on this, an EU Green Bond Standard (EuGB) has now been put in place as a labelling system for "European green bonds" in order to make it easier for investors to access sustainable products by providing something akin to a seal of quality.

Business performance

Overall performance of DKB

Business development at an exceptionally successful level

At EUR 1,001.8 million in 2023, the DKB Group's profit before taxes was significantly above the previous year's level (EUR 355.6 million) and was largely characterised by the changes in the interest rate environment.

The main driver of our very successful annual result was **net interest income**, which we were able to lift significantly to EUR 1,937.0 million (previous year: EUR 1,312.9 million). We benefited in particular from interest rate effects in our lending business. In addition to our new business success stories – we increased our client receivables by EUR 5.5 billion to EUR 94.8 billion year-on-year – we primarily improved net interest income from interest rate hedging for our long-term loan business by EUR 534.7 million to EUR 495.7 million. From this strong position, we were also able to pass on the increased market interest rates to our deposit clients, offering attractive conditions. Against this backdrop, our client deposits rose by EUR 17.1 billion to EUR 102.3 billion.

We were also successful on the market in terms of our **net commission income** and achieved a significant increase to EUR 130.1 million (previous year: EUR 88.1 million). This development was driven primarily by the EUR 36.4 million increase in income from payment transactions and account management (previous year: EUR –9.3 million) and the EUR 31.1 million increase in income from the card business (previous year: EUR 82.1 million).

Our **risk result** was in line with our expectations at EUR –63.3 million, but was significantly higher than the previous year's figure (EUR –15.6 million) owing to the difficult economic environment. We have taken account of possible risks associated with the current geopolitical situation, high inflation and the challenges on the energy and real estate markets by setting up additional risk provisions of EUR 154.0 million (previous year: EUR 137.9 million).

The developments in stock market prices and interest rates had a significant positive impact on our **gains or losses on fair value measurement** and our **gains or losses on hedging transactions.** Following the negative development in the previous year (EUR –38.3 million for gains or losses on fair value measurement and EUR –175.1 million for gains or losses on hedging transactions), we were able to achieve a positive result of EUR 38.5 million for gains or losses on fair value measurement and a much lower negative result of EUR –54.4 million for gains or losses on hedging transactions in 2023.

Sales of securities to optimise our own bond portfolio produced **gains or losses from financial investments** of EUR –25.0 million in 2023 (previous year: EUR –3.1 million).

The increase in **administrative expenses** to EUR –795.3 million (2022: EUR –735.4 million), which we had expected, can be traced back primarily to higher staff costs as a result of workforce expansion measures and salary increases, as well as investments in our IT infrastructure and in the implementation of new supervisory and regulatory requirements.

Fitness check for the DKB Group

In summer 2023, we launched our Group-wide efficiency programme Fit4Growth. The aim of the transformation programme, which will run until the end of 2025, is to optimise DKB's operating model in the long run, lay the foundation for further growth and, in doing so, ensure our long-term profitability.

At the start of the programme, we reviewed our internal processes, organisational structures, services and products, the aim being to identify areas in which we can make improvements to enhance our position on the competitive stage. As a result, we have identified various fields for action (particularly in our market segments, our central organisation and our IT infrastructure, as well as in cost management) that offer potential for optimisation.

These fields for action form the basis of cross-company module teams that are developing measures aimed at achieving DKB's long-term transformation into a more streamlined and scalable operating model. We are focusing in particular on leaner processes, simplified workflows and clearer responsibilities. This will come hand-in-hand with improved product and service quality that better meets the needs and demands of our clients. The measures will also serve to stabilise our administrative expenses at the current level.

As a result of the measures introduced by Fit4Growth to boost effectiveness, and specifically to optimise, simplify and digitalise numerous processes, products and services, we anticipate lower personnel requirements by 2025. As a result, the programme will also involve job cuts and measures to part ways with some of our employees.

The expenses associated with this programme led to a **restructuring and transformation result** of EUR –66.0 million in 2023.

The change in the **key ratios for return on capital and profitability** was as follows in the 2023 financial year due to the positive earnings effects referred to above: return on equity (ROE) reached 19.9% (previous year: 7.7%). The cost/income ratio (CIR) has also shown very favourable development and stands at 39.3% (previous year: 61.9%).

DKB received IRBA approval for the non-retail portfolio on 19 December 2023. The associated RWA relief in the single-entity report means that our capital ratios at the end of 2023 have increased significantly. We are also seeking to make the switch for the retail portfolio. Until then, we will continue to manage the portfolio applying the temporary partial use (TPU CSA) approach.

The forecast/actual comparison is as follows for DKB's performance indicators:

DKB Group	Forecast 2023	Actual 2023
Net interest income	Slightly above 2022 (previous year: EUR 1,312.9 million)	**Forecast exceeded by far** At EUR 1,937.0 million, net interest income was significantly higher than in the previous year, in particular due to the marked interest rate hikes implemented by the ECB.
Risk result	Significantly higher impact than in 2022 (previous year: EUR –15.6 million)	**Forecast achieved** The risk result of EUR –63.3 million was influenced by the overall economic environment and is developing in line with the expected long-term average.
Net commission income	Significantly above 2022 (previous year: EUR 88.1 million)	**Forecast achieved** Due to our measures in connection with the introduction of the debit card and an adjusted scope of services for our account and card packages, net commission income was significantly higher year-on-year at EUR 130.1 million.
Profit/loss before taxes	Significantly above 2022 (previous year: EUR 355.6 million)	**Forecast achieved** Profit before taxes of EUR 1,001.8 million outstripped our expectations by far, largely due to the developments in net interest income.
ROE	Between 9% and 11% (previous year: 7.7%)	**Forecast exceeded by far** The ROE in 2023 came in at 19.9%, in particular due to the significantly better-than-forecast profit before taxes.
CIR	Significant decline (previous year: 61.9%)	**Forecast achieved** Our CIR came to 39.3% in 2023. The much higher gross earnings compared to our forecast, particularly in net interest income, are offset by a planned increase in administrative expenses.

DKB AG	Forecast 2023	Actual 2023
Profit reported before the addition pursuant to Section 340g HGB and income taxes	At the level seen in 2022 (previous year: EUR 436.1 million)	**Forecast exceeded by far** At EUR 860.7 million, the profit before the addition pursuant to Section 340g HGB and income taxes is significantly higher than a year earlier, in line with the development in the DKB Group.

Overall performance of the segments

Forecast/actual comparison of key performance indicators

Segments	Forecast 2023	Actual 2023
Retail clients	Client growth (net): significantly reduced growth compared to the previous year (268,000) Volume of receivables: growth of EUR 1–2 billion	**Forecast achieved/exceeded** Client growth (net): around 254,000 Volume of receivables: growth of EUR 1.5 billion
Business clients	Volume of receivables: growth of EUR 1–2 billion	**Forecast exceeded** Volume of receivables: growth of EUR 4.0 billion
Deposit volumes in the client segments	At prior-year level (EUR 2.1 billion)	**Forecast exceeded** Deposit growth: EUR 18.7 billion

Retail clients segment

Improved digital client experience coupled with profitable growth

We used regular strategy reviews to adjust our growth strategy in the retail clients segment, too, at the start of 2023. We have made a conscious decision not to pursue exponential growth and to focus instead on profitable growth. This means that we have revised our target of eight million clients by 2025. At the same time, this does not mean that DKB will not continue to grow, but rather that it might grow at a slower pace but in an even more profitable manner as a result. Our

current economic performance gives us the necessary tailwind and lays the required foundation for implementing measures to make our business model even more efficient and resilient on the German banking market.

In the interest of establishing a straightforward and scalable operating model, we are striving for process excellence by further automating our retail business and providing our clients with the information they need via the relevant contact channels in an even more targeted manner. In addition to the goal of optimising the cost base, another part of making our business profitable involves critically scrutinising the product policy we have been pursuing for many years now. When changing conditions, it is important to us to create fair and transparent new offerings. For example, we made no distinction between new and existing clients the last time we adjusted our call money conditions.

The ECB's historically unprecedented interest rate hikes implemented as of 2022 are designed to help bring the high inflation rates back to a level of 2% and ensure price stability in the eurozone. At the same time, they are having an impact on the banking business. Against the backdrop of the ECB's rapid interest rate hikes in 2023, we at DKB were able to continue to offer our clients attractive conditions on their deposits. The very good market position enjoyed by our call and term deposit products is reflected in rising client deposits.

Expansion of our service portfolio: our new banking system

Our strategic goal of profitable growth was supported, among other things, by rising interest income in 2023 in the context of the interest rate turnaround initiated by the ECB.

With the amendment made to our General Terms and Conditions (GTCs) in September 2022, we laid a further foundation for the monetisation of the retail business. Clients who could not be persuaded to agree to the new terms and conditions saw parts of their business relationship – in particular debit and credit cards – being cancelled after repeated requests as part of a systematic approach. We also streamlined our current product range where it made sense to do so.

Another important pillar for profitable growth is an improved banking experience for our current and future clients. The focus is on the new DKB app and the new web banking system. The relaunch of our website at dkb.de and the decommissioning of the previous DKB app marked important milestones in modernising the user interface for our clients.

Our goal is to offer our clients lean processes with a modern design. To this end, we continued to expand our banking platform and interface connectivity and reached major milestones in replacing the previous web banking system as a client channel.

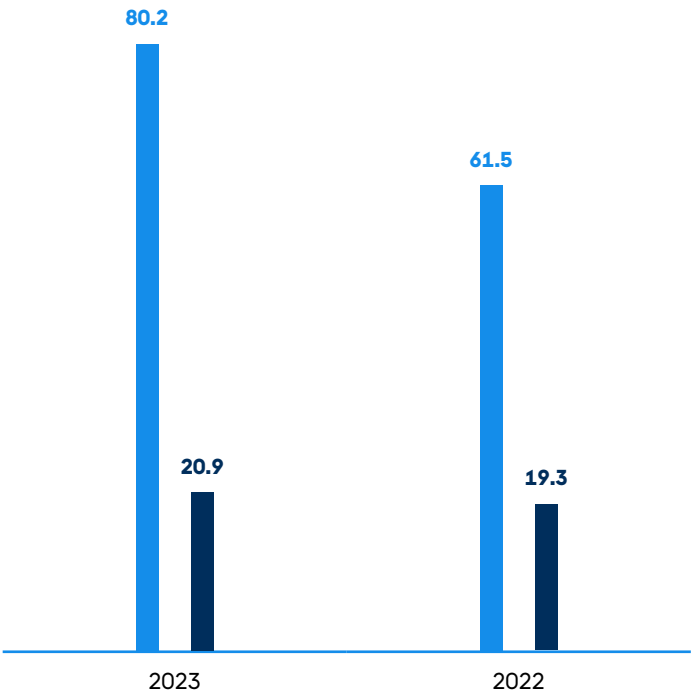
In the period leading up to the end of May, we used various channels to inform our clients about the benefits of our new DKB app and web banking system. From this point onwards, our clients were also able to access and test the new web banking system via our homepage.

The second step in July focused on the new web banking system, and positioned the login option on our homepage. It was still possible to use the previous banking system via a separate link. Now that the new web banking system has been successfully launched for our clients, we have initiated a third phase to disable the old DKB banking app. It was decommissioned on 11 October 2023 following extensive communication. This means that our clients now have access to the new web banking and DKB app services, which are being gradually expanded.

In 2023, we established ourselves as a reliable partner for fair deposit conditions in the market and offer our clients an attractive interest rate on credit balances in our free call money account. With our fixed interest rate offer, for example, we also offer clients with a medium- to longer-term investment horizon an alternative to call money. The volume of deposits in the retail clients segment rose by EUR 18.7 billion in 2023 to a total of around EUR 80.2 billion.

Retail clients deposit and receivables volume

in EUR billion



Geopolitical crises are still having a significant impact on our lending business. Our clients' leeway for investing is limited by rising key interest rates, high price inflation and the ongoing energy crisis. What is more, the availability of individual goods is still severely limited, a situation that is being exacerbated by geopolitical trouble spots. As a result, loan financing was an option for fewer clients in 2023 than in previous years, which hinders our lending growth and increases the default risk on the retail client market. We increased our risk provisions (for as yet unspecified loan defaults) for the lending business as a precautionary measure.

Lending business with our main products, mortgage lending and personal loans, remained significantly below the previous year's level at EUR 3.4 billion in new business due to the interest rate trend (previous year: EUR 5.2 billion). The introduction of green mortgages had a stabilising effect, accounting for a relevant share of new business after a brief start-up phase. Since mid-2023, our green mortgages have enabled our clients to take out financing based on improved terms and conditions for newbuilds, purchases or modernisation measures that meet defined energy efficiency criteria. The volume of new mortgage financing business in the reporting year came in at around EUR 2.0 billion (2022: around EUR 3.5 billion). Similar to mortgage financing, demand for personal loans is also clearly on the decline. The downward trend in the consumer goods segment is explained by higher prices and significantly higher loan interest rates across the market as a result of the interest rate environment. The volume of new personal loans in the reporting year came in at EUR 1.4 billion (2022: around EUR 1.7 billion). As part of our profitable growth strategy, we are continuously forging ahead with product standardisation and automation. These active measures enable us to make ongoing improvements to our processes and become even more efficient.

The receivables volume increased from EUR 19.3 billion to EUR 20.9 billion. Despite what were challenging times from a business perspective, we made significant progress in simplifying and automating loan processing considerably. In the consumer loans business, we have been able to steadily increase the share of the portfolio attributable to fully automated online consumer loans.

Our client growth was also on a par with the previous year's level in 2023. At the end of the year, our client base was 255,000 higher at 5.55 million retail clients.

At DKB Grund GmbH, market developments (e.g. lower sales of mortgage loans and payment protection insurance) are leaving their mark on revenue.

At BCS, the increase in card volumes was higher than expected, which translated into a positive revenue trend.

Successful credit card business: transactions on the rise

In addition to its main business, DKB also issues co-branded credit cards for the renowned premium brands Miles & More, Hilton and Porsche. Despite the expiry of the partnership with Miles & More on 30 June 2025, this business segment can look back on a successful financial year. Our card portfolio clients are keen travellers, meaning that they contributed to a solid recovery and development of the business in the post-pandemic period. We saw record levels of client numbers and transactions. The flourishing travel market and increased consumer prices are decisive factors behind the higher transaction levels.

Securities business: new pricing model for custody accounts

Our securities business is on a par with the previous year's level, with a total of 737,000 custody accounts as at 31 December 2023. This is largely the result of our active portfolio optimisation measures, which sought to specifically get rid of custody accounts that clients no longer needed. The total custody account volume amounts to more than EUR 25.1 billion and has increased in particular due to new client growth and inflows from savings plans.

This year, the securities business is once again being affected by a wait-and-see attitude among investors due to the war in Ukraine and inflation. In addition, the turnaround in interest rates is opening up other attractive investment opportunities for investors. In the course of the fourth quarter, we introduced a new pricing model for our custody account. Here, too, we remained true to our maxim of offering our clients fair and transparent products. As a result, we will continue to dispense with custody account fees, while at the same time, prices will be optimised in line with performance and earnings so that our clients can continue trading at competitive conditions.

Focus on client needs and satisfaction

As part of our strategic management, our aim is to meet regulatory requirements, master the challenging economic situation and at the same time meet the needs of our clients. Our approach aims to offer our clients a personalised and comprehensive banking experience with a diverse and attractive range of lending and deposit products, while steadily increasing levels of client satisfaction. To achieve this, we are linking the two mega-transformation topics of "digitalisation" and "sustainability". As we move towards establishing DKB as a tech bank, our focus therefore remains on laying a forward-looking technological foundation that will enable us to further develop our products with a focus on customer-centricity.

In 2023, fraud scams related to DKB remained challenging for our clients and, as a result, also for us: as a direct bank, we remained a target for fraudsters this year. They are becoming increasingly professional in the methods they employ (e.g. phishing emails and websites, social engineering, etc.), meaning that the number of cases of damage caused by phishing/vishing remains high throughout the market. Multi-factor authentication (MFA) has established itself as an important tool for protecting accounts and cards. AI-supported phishing content is highly sophisticated and can be difficult to identify, even for experts. Software based on artificial intelligence is increasingly being used for fraudulent purposes. In addition to continuous improvements and adaptations to our early warning systems to reflect the latest fraud scenarios, we attach particular importance to educating and warning our clients in order to protect them from fraud. This has involved mailing campaigns, DKB's financial literacy portal *Finanzwissen* and a special phishing website, for example. Our prevention rate in 2023 was over 99.9%.

Shaping forward-looking banking together

In addition to a positive banking experience through our app and web banking system, we offer our clients a whole range of initiatives to ensure that they remain enthusiastic about DKB: these include our annual winter competition featuring attractive prizes, a cashback promotion for payments using the Visa debit card via Apple Pay and Google Pay, other interesting partner offers and our exclusive National Football League (NFL) cooperation. We can now offer our clients attractive prizes for the second year running. In cooperation with Visa, we raffled off tickets for the two matches in Germany as we did in 2022. Every payment made using the Visa debit card and Visa credit card and every trade was converted into a ticket for the draw. The clients with the largest number of payments or trades received two tickets for the match of their choice. In order to increase awareness of our web banking system and the new DKB app, registration for the competition was organised exclusively via these channels. This also enabled us to communicate in an even more target-group-oriented manner and advertise the competition using our new CRM tool.

In addition to these measures, our DKB-Börsenwissen stock exchange newsletter and the Wertpapier Helden securities learning programme have been developed into established knowledge formats. These are being constantly expanded to provide our clients with basic knowledge on financial issues.

As a direct bank, client involvement and focus are key objectives for us. We involve our clients in the further development and improvement of our range of products and services and obtain target-group-oriented feedback at regular intervals, e.g. by conducting quarterly service surveys. We also actively engage in dialogue on our social media channels in order to obtain important information and ideas about client wishes and needs, which we then incorporate into the development of our products and services.

Individual clients

The individual clients segment mainly serves doctors, pharmacists, legal and tax advisers, wealthy private clients and social infrastructure clients in the small-scale lending business. Services focus on payment transaction and lending products for our clients' business operations and the financing of private real estate assets.

As expected, the loan portfolio was unable to maintain the growth momentum witnessed in previous years. As a result, new lending business is stagnating and the volume of assets is only increasing slightly. In a highly competitive environment, there was also a slight drop in margins.

We were able to use targeted marketing measures to further improve the positive demand for our DKB Business account. As a result of these measures, sales figures increased to 400–500 accounts per month. This development is also having a clearly positive effect on net commission income. We attracted around 4,000 new clients, which is significantly higher than in the previous year (2022: 2,800).

Business clients segment

Marked reluctance to invest due to higher interest rates

In order to leverage synergies, reduce complexity and set up the structures for new challenges, the infrastructure and corporate clients segments were merged in April 2023 to form one organisational unit, the business clients segment. The sectoral breakdown by client group remains unchanged.

While the direct impact of the Russia-Ukraine war and the after-effects of the COVID-19 pandemic are waning, they are still leaving their mark in the form of inflation and higher interest rates. In addition, government intervention, in particular in a quest to achieve the transformation towards a fossil-free economy, is having an increasing impact on our clients' investment decisions. The aforementioned factors are now having a structural impact, and a negative one at that, on economic development and demand for loans in the business clients segment.

Higher energy prices and disrupted (raw material) supply chains as a result of the war have led to significant cost increases at almost all levels of consumer and capital goods. As cost increases cannot be passed on immediately and in full, this is having a negative impact on our clients' earnings and liquidity. Hospitals, nursing care and agriculture are being hit particularly hard.
The higher interest rates due to inflation continue to curb the propensity to invest in new projects, primarily in the housing industry and in the tourism client group. Investments in existing homes, including for energy-efficient building refurbishment, are only being made at a significantly lower level, although they are supporting the lending business nonetheless. Largely unscathed by the (negative) factors described above, the capital-intensive expansion of renewable energies and the grid infrastructure – supported by a favourable legal framework – is making considerable strides.

Overall, new lending in the business client segment was unable to match the previous year's level. In contrast, the volume of new loans to finance photovoltaic systems and wind farms and to expand the necessary grids remained at the very high level seen a year earlier.

The receivables volume in the business clients segment rose by EUR 4.0 billion as against 31 December 2022 to EUR 73.7 billion. The main factors driving this development were the new energies, energy and utilities, and residential client groups.

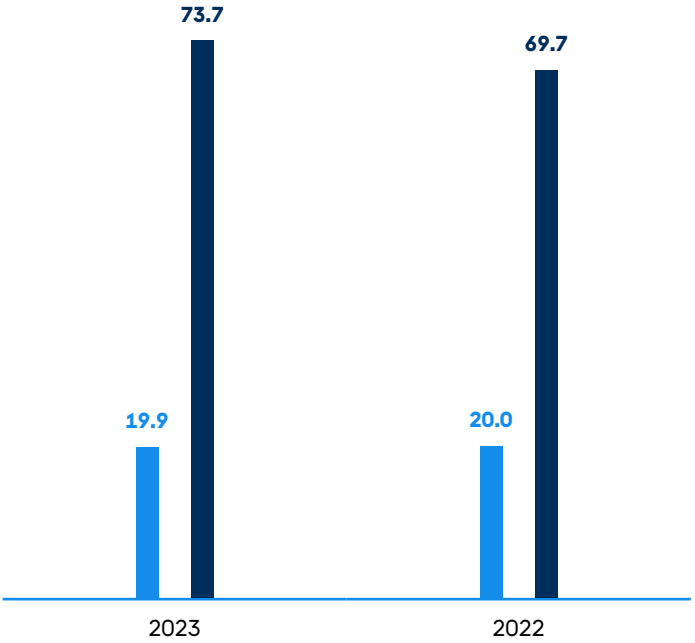
At EUR 19.9 billion, the volume of deposits is roughly on a par with the previous year. Due to the higher liquidity required to cover the increase in operating costs due to inflation, we fell short of our growth targets here. We are meeting the renewed demand for investments in the wake of the interest rate turnaround by offering new products ranging from call money to medium-term investments at standard market conditions.

Our risk policy, which is focused on economically stable and established counterparties, provides support to our loan portfolio in the business clients segment, even in an environment marred by challenging conditions. This portfolio has remained well diversified and, thanks to the conservative parameters for collateral valuation, crisis-proof. Across all client groups in the business clients segment, risk provisions were reduced by EUR 35.6 million as against 31 December 2022 to EUR 214.1 million.

In order to keep pace with our clients' ever-louder calls for faster and more transparent lending decisions, we are constantly scrutinising and optimising our financing parameters and internal processes. With the bank-wide efficiency programme launched in the 2023 financial year, we aim to take a significant step forward in terms of process efficiency and client focus in order to further maintain and expand our leading role in the individual client groups. Among other things, the focus for the business clients segment is on more extensive digitalisation of the lending process and greater standardisation of necessary lending documents across client groups.

Business clients deposit and receivables volume

in EUR billion



Local authorities and social infrastructure: another year of major challenges

Even following the end of the COVID-19 pandemic, local authorities and social infrastructure companies were faced with a number of challenges, which led to both client groups adopting a more cautious approach to investment and to demand for financing in this sector stagnating overall.

Local authority revenues increased again in 2023 compared to the previous year. This applies in particular to trade tax revenue, as the economy bounced back after the COVID-19 crisis and tax payments that had been deferred were finally received. Local authority expenditure rose at a faster rate than revenue in 2023, particularly expenditure on non-staff costs (due to inflation) and on accommodation for refugees. Whereas a slight surplus had been achieved in the previous year, local authorities are forecasting a deficit of around EUR 9 billion for 2023. This and the significant increase in financing costs led to a slight year-on-year decline in demand for investment loans in 2023.

The local authority investment deficit, however, has increased further. Digitalisation remains a top priority in Germany's towns and cities. The main focus is on implementing the German Online Access Act (*Online-Zugangsgesetz*) and on broadband expansion.

For most hospitals, the end of the pandemic did not lead to the hoped-for decline in case numbers back to pre-pandemic levels. In addition to low capacity utilisation, delayed adjustments in prices to reflect the drastic rise in costs placed an additional burden on profitability and liquidity across the board. The ongoing hospital reform debate and the

associated uncertainties also prompted many hospitals to postpone upcoming investments, resulting in fewer financing enquiries overall.

The weak demand for financing for nursing care properties is also due to the ongoing reluctance to invest, which can be attributed to a number of different factors. The significant rise in interest rates is impacting both the cost-effectiveness of new construction projects and the profitability of portfolio transactions. The delay in passing on the sharp rise in costs for energy, food and staff also affected the profitability of many care home operators and was a contributing factor in decisions to postpone planned investments in new and existing buildings. The ongoing shortage of skilled staff forced many operators to close entire wards despite existing demand, which led to low occupancy rates and put additional pressure on care home profitability.

Looking back, the social economy has coped better than expected with the economic challenges directly associated with the COVID-19 pandemic, thanks in part to extensive government aid payments. Now that the pandemic is over, however, the social economy is confronted with a number of its lasting implications, which, taken as a whole, mean that investment volumes and demand for loans have so far remained well below pre-pandemic levels.

The volume of receivables in the local authorities and social infrastructure client group increased by around EUR 0.9 billion year-on-year to EUR 19.8 billion. The deposit volume fell to around EUR 4.5 billion.

Energy and utilities: ongoing need for substantial investment

Developments on the energy market as a result of the Russia-Ukraine conflict have still not led to any significant drop in the investment needs of utilities and waste management companies. Despite the continued intense competitive environment with considerable margin pressure, the loan business showed positive development in 2023. The momentum in year-end business declined somewhat due to the year-on-year rise in interest rates and the high level of personnel resources that energy utilities companies required to cope with the energy crisis.

Most municipal utilities companies can generally act from a position of financial strength. The economic situation in Germany in recent years and stable cash flows in the business model have enabled them to prepare well for the future. The various investments required to decarbonise energy and heat generation and local public transport will pose a challenge to many companies in terms of implementation and financing. We are preparing internally for complex financing requests from our municipal utility clients and will continue to support the transformation investments by making loans available.

Nevertheless, we are keeping a very close eye on our municipal utility portfolio and remain engaged in close dialogue with our clients. At municipal utility portfolio level, the energy market crisis and the associated trends in electricity and gas prices could continue to impact the results of some companies.

In addition to the investments of energy suppliers, new lending business continued to be dominated by investments in the water/waste water and transport sectors.

The volume of receivables in the energy and utilities client group amounted to EUR 9.8 billion as of 31 December 2023. Compared to the previous year, this represents an increase of around EUR 0.9 billion. The deposit volume came to around EUR 1.3 billion (previous year: EUR 1.4 billion).

New energies: business continues to grow

As we expected, the German Renewable Energy Sources Act (EEG 2023), which had already been adopted in the course of 2022, has triggered a significant increase in the expansion of wind energy and photovoltaic systems in Germany. Due to the increased subsidies available under the EEG, new installation records were set in 2023 despite a sharp rise in interest rates on the one hand, and a significant drop in electricity prices on the other. The tender volumes made available for onshore wind energy have not yet been exhausted, as not enough permits have been issued for new projects. This means that there is further potential for growth in the coming years.

We were able to successfully expand our financing business in a market environment that remained characterised by intense competition in terms of conditions and prices despite the higher volume of new installations. The focus was once again on the financing of onshore wind turbines.

In the energy solutions sub-segment, the previous year's positive trend in the area of contracting financing for PV systems in conjunction with storage and charging infrastructure continued. This is still due to the strong demand for sustainable energy supply solutions that allow for self-sufficiency. Rental models are playing an increasingly important role in this regard. We are supporting these models by providing portfolio financing for selected players. Projects in which heat pumps are integrated for heating and hot water supply were a new addition in the reporting year.

We have also witnessed a significant increase in demand for battery storage projects. These are becoming increasingly important for grid stability and currently offer interesting risk/return profiles thanks to multi-use concepts. Our financing solutions were also highly sought-after here.

Although projects for the production of green hydrogen were also in demand in 2023, they still do not offer a sufficiently reliable long-term financing basis from our perspective, which is why we are continuing to work on future-proof product concepts without concluding any relevant business deals. Looking ahead to the future, however, we believe that this area will offer increasing market opportunities.

The national hydrogen strategy envisages the provision of electrolysis capacity of at least 10 GW and a hydrogen refuelling infrastructure by 2030. We aim to make a significant contribution to the production of green hydrogen in Germany by helping our client groups to invest in hydrogen electrolysers. Our ambition is to become the leading bank in Germany within our client groups when it comes to financing green hydrogen projects.

In the 2023 financial year, the volume of receivables in our new energies client group increased further to EUR 10.7 billion at the year-end (previous year: EUR 9.8 billion). In addition, guarantees rose by EUR 0.2 billion to EUR 1.2 billion. Client deposits came to EUR 2.2 billion (previous year: EUR 2.4 billion).

Residential: market environment remains challenging

As expected, the market environment for the residential client group proved challenging in 2023. The continued rise in interest rates in conjunction with a further increase in construction costs has jeopardised the commercial feasibility of construction projects. Many investment plans were scaled back or at least postponed. The number of building permits declined and building completions will fall well short of the political target of 400,000 new housing units per year. The transaction business was also sluggish, with the exception of a small number of lighthouse projects. Property developers were confronted with a significant decline in demand among end buyers due to interest rates, a trend that is having a negative impact on liquidity in project calculations and creates economic risks for developers with low levels of equity.

In addition to less attractive government subsidies than in previous years, many market participants were hampered by the uncertainty surrounding the expected regulatory requirements – be it the debate on the Buildings Energy Act (*Gebäudeenergiegesetz*) or possible mandatory refurbishments as a result of the EU Energy Performance of Buildings Directive, which made it more difficult to prioritise necessary modernisation measures in existing buildings.

In addition to these negative factors, the lack of affordable housing has been thrust further into the spotlight, especially in metropolitan regions, and has become one of the most pressing social challenges. The industry is increasingly faced with conflicting objectives: on the one hand, massive investments are required to achieve the sustainable transformation of the building stock. On the other hand, these investments can only be made commercially viable by imposing a need to share the associated modernisation costs. These costs would either lead to a further increase in the cost of housing or are difficult or impossible to push through in structurally weak regions.

As a financing partner to the real estate sector, we will drive the transformation of the real estate sector across Germany by offering customised financing for energy-efficient new construction and modernisation/refurbishment projects. We will further expand our sustainable loan for condominium owners' associations, which grants a reduced interest rate when projects with an ecological or social impact are financed. We are developing new sustainable real estate financing products for retail and business clients alike, taking into account both ecological and social aspects of housing.

In order to provide the best possible impetus for the required "refurbishment wave", we will provide our business clients with even more intensive support in the financing of energy contracting in the future, alongside conventional loans for modernisation and refurbishment projects.

We aim to continue to systematically expand the volume of financing extended to housing companies in the lower and medium rental price segment. With the ongoing development of our DKB investment crowdfunding platform, we will also ensure that it is even easier for our clients to do their bit in helping to create affordable housing. In order to be able to evaluate our financing even better from a sustainability angle in the future, we are working on an analysis tool within the Group that addresses individual EU taxonomy aspects related to real estate.

In addition, the long-term upward trend in residential property prices came to an end this year: the vdp property index published by the Association of German Pfandbrief Banks (vdp) shows a 6.3% decline in residential property prices in Germany over the course of the year. The sustained high demand for affordable housing and parallel drop in construction activity counteracted the downward spiral in prices. Conservative financing and valuation parameters are also contributing to a stable collateralisation situation in this environment.

Ultimately, the demand for loans was significantly lower than in previous years, as was to be expected. The volume of receivables in the residential client group rose to around EUR 27.9 billion. The increase of EUR 1.0 billion was down on the previous year (2022: EUR +1.4 billion). The deposit volume remained stable at around EUR 1.9 billion (previous year: EUR 2.0 billion). Our market penetration rate among housing companies remains at a very high level of 68%. The calculation is based on the housing companies organised in the German Association of German Housing and Real Estate Companies (GdW).

Administrators: stable development

Business development in the client group of administrators continued on the growth path seen in previous years. We acquired more than 500 new clients in the reporting year.

The assets managed in administrator accounts increased to EUR 8.5 billion (previous year: EUR 7.5 billion). At the end of the year, more than 11,800 commercial property managers with over 93,000 condominium owner associations managed their portfolios with us. A total of more than 108,000 clients (commercial property managers and private landlords) use our DKB administration platform to manage their rents, rent deposits, maintenance reserves and homeowners' association fees.

The increase in interest rates, inflation and disrupted supply chains are still leaving their mark on property prices. Residential rents in Germany remain on the rise. The client group of administrators, which operates in the existing property market, continues to be very stable. The considerable potential associated with refurbishment requirements at DKB is clearly demonstrated by the 15% growth in financing for condominium owner associations. One encouraging aspect was the keen interest in financing solutions for energy-efficient and age-appropriate refurbishment measures in jointly owned properties in the reporting year.

Tourism: lack of market momentum slams the brakes on new business and growth

The current challenging market environment is dominated by a combination of increased construction costs, inflation, rising interest rates and differences in price expectations on the buyer and seller side. The transaction volume fell sharply compared to previous periods. Project developments have been reduced significantly as increased construction and capital costs drive up overall investment costs, with restraint on the demand side due to a lack of price equilibrium. As a result, portfolio developments and conversions are playing more and more of a role. The relationship between expected returns and the cost of capital, resulting in higher equity requirements, proved to be a key factor limiting market growth in the reporting period.

On the operator side, further price increases were implemented to offset rising procurement costs, wage increases and lease indexing. In the leisure hotel industry, the limits of guests' willingness to pay seem to have been exhausted, as an increasing volume of flights means that attractively priced foreign destinations are available as alternatives to holidays within Germany. As a result, price concessions were used to optimise revenue in the off-season period. Business travel and the event business stabilised earlier than forecast, supporting developments in the city hotel sector. The leisure hotel industry led in a comparison of room rates and net room revenue, while the city hotel segment reported greater momentum in terms of key operating indicators. Given the need for investment to optimise building energy efficiency and the lack of agreement between owners and leaseholders on who should bear the costs of ESG CapEx, operators increasingly changed hands as leases expired.

In line with the market environment, we recorded fewer financing enquiries than in previous periods. The increased equity required due to the higher interest rates became a critical factor. Ultimately, new business lagged behind the level seen in previous years.

The expectations we expressed for market developments in the previous year have largely been confirmed, although we moderately overestimated the expected effect on new business potential due to the significant interest rate turnaround. The volume of receivables remained constant at around EUR 1.1 billion due to challenging new business conditions.

Agriculture and food: unclear overall conditions continue to hamper agricultural investment

After Russia's war of aggression against Ukraine placed a heavy burden on supply chains in 2022, with producer prices soaring to record levels in some cases, the market stabilised again at a lower level in 2023. Producer prices for grain, rapeseed and milk fell significantly in 2023. After skyrocketing to EUR 0.60/kg last year, the price of milk has fallen back to the EUR 0.40 mark again, but is still ahead of the ten-year average. Since October 2023, the price barometer for milk has been pointing upwards again for the first time due to a structural decline in global milk volumes coupled with rising demand for dairy products. We expect the positive trend to continue in the coming months. 2023 brought price increases for fruit, selected vegetables (e.g. potatoes) and pork. Nevertheless, the structural change in pig farming continues unabated, with 7.3% fewer pigs being kept since May 2023 in a year-on-year comparison.

On the cost side, farmers were hit by higher input and energy costs, particularly at the beginning of the year. In addition, the trend towards rising prices for agricultural land has also continued, with prices up by 8% in 2022. Fertiliser prices have halved again since 2022, but remain at a high level. The cost increases were largely cushioned by the liquidity buffer built up in the previous year. Signs of a slight reduction in input costs had already started to emerge in the second half of 2023.

Weather conditions presented farmers with particular challenges in the reporting year. A relatively cold and wet spring was followed by a dry early summer and excessive rainfall in the late summer months, which made harvesting very difficult in some cases and resulted in quality and yield losses. There were also severe regional weather events, such as heavy rain, storms and hail. Overall, grain and rapeseed harvests were slightly below average. The volume of the maize harvest outstripped the previous year.

The client group faced various challenges in 2023 – higher costs, high interest rates and more stringent requirements in terms of supply chain diligence and ESG. While corporate financing via promissory note loans has increased, the slight decline in investment reflects the caution exercised by the corporate sector. Overall, this sub-segment recorded growth.

The demand for loans was subdued throughout the year. In livestock farming in particular, the propensity to invest remained restrained due to uncertainty surrounding future livestock farming standards. New business was largely based on granular transactions, such as the purchase of agricultural equipment, as well as large-volume business such as company acquisitions. There is clear growing interest in PV projects. Overall, the volume of receivables in the agriculture and food client group stands at EUR 3.7 billion, as in the previous year.

Our goal is to increase the proportion of organic farms in our agricultural portfolio to 15% by the end of 2030, almost doubling it (as against 6% in 2021). In the period from 2023 to 2026, we will finance humus formation measures at six farms as part of a sponsorship arrangement, with the aim of storing carbon in the soil and promoting soil health (incl. nutrient and water balance) and biodiversity.

Since the beginning of 2023, we have only financed the construction of new pigsties if they meet at least husbandry level 3 or if the farm participates in a programme for sustainable regional marketing. In the dairy farming segment, it is our stated goal to significantly increase the share of dairy farms that work at husbandry level 3 in our loan portfolio, bringing it up to a figure of 50% by 2030. We will also be examining the impact of our financing on biodiversity and will develop measures based on this analysis.

Civic participation: the future of energy involves participation

The range of products and services in our centre of competence for financial **civic participation** remains a combination of involvement in product-related financial projects (DKB-Bürgersparen citizen savings scheme, DKB-Crowdfunding), a digital platform solution for crowd-donating (DKB-Herzenswunsch) and supplementary specialist competencies in topics such as communal living and cooperatives.

In the business clients segment, civic participation solutions are key factors in business success in the core financing business. The focus is on participation and acceptance products that can be incorporated into the financing structure. Demand remains high against the backdrop of the ambitious expansion targets for renewable energies. The number of civic participation projects implemented increased to a total of 212 in 2023.

In 2023, the previous year's level was almost reached with seven DKB-Bürgersparen citizen savings scheme projects.

With regard to DKB crowdfunding, DKB-Crowdfunding GmbH, working in cooperation with DKB, was able to realise projects primarily in the field of renewable energies. The volume placed increased as a result by EUR 6.3 million year-on-year to a total of around EUR 24 million.

As was to be expected, the market environment for communal living proved to be challenging. Communal living is becoming more and more of a social issue and calls for sustainable building development are increasingly changing the overall conditions.

2023 was also a successful year for crowd-donating. Since the platform was launched back in May 2022, a total of 112 projects throughout Germany have been financed successfully via the DKB-Herzenswunsch donation platform. Thanks to more than 4,690 supporters and our own funding, a total of around EUR 700,830 has been raised for social projects so far.

Leasing and factoring

We support selected leasing companies with the aim of purchasing lease receivables within the context of forfaiting in the target client industries. Direct refinancing business is realised selectively with our forfaiting partners. The forfaiting business was the focus of our activities in 2023 and is to be expanded further going forward.

DKB syndicated business

As we have established ourselves as a professional financing partner on the German banking market, DKB is increasingly receiving enquiries from other banks to participate in syndicates. The increase in enquiries in the area of renewable energies in cooperation with the Bavarian savings banks is also significant. In 2023, deals were relatively evenly distributed across all client groups. New business almost matched the previous year's level. Fortunately, subscriptions to promissory note loans made a notable contribution to this trend, with a focus on the food industry. As of the end of the financial year, our syndicated business portfolio stood at EUR 2.8 billion.

Digitalisation in the business clients segment

In 2023, further (sub)processes were streamlined and digitalised with a focus on process excellence and cost discipline. Both online sales for loan applications and the successful campaign for the DKB Business account for business clients made a considerable contribution to new business.

At the same time, various campaigns were organised to strengthen the lending and deposit business. A particular emphasis was placed on online marketing activities tailored to suit the target group in order to expand the digital client experience.

Transitioning processes to paperless and interactive client campaigns led to an improvement in data quality. This also resulted in a significant increase in IT delivery capability, which had a positive impact on the user-friendliness of our CRM. This enabled us to address our clients in a more targeted and standardised manner and lay the foundation for implementing an information exchange platform.

The digitalisation of the lending process was driven forward by the systematic expansion of the lending universe, with a further reduction in the number of different media required. In addition, the increased processing of electronic business client enquiries led to improved collaboration within the business client and service areas of the company.

The digital lending process for our business clients was expanded further and gradually rolled out in the course of 2023. The application is now an integral component and is used daily by our client relationship managers. Intensive dialogue with users during the development process is reflected in the very high level of user acceptance.

Financial markets segment

2023 was dominated by what remained very high levels of volatility on the capital market. Securities holdings in the liquidity portfolio decreased by a net nominal amount of around EUR 3 billion, in particular due to the lower collateral requirements in connection with the full TLTRO III repayment (EUR 8.5 billion in September 2023). Market developments led to a reduction in the negative revaluation reserves in DKB AG's liquidity portfolio.

Due to the positive development on the stock markets overall, the valuation result for the sustainability mutual funds held by DKB showed favourable development.

Refinancing

We continue to rely on the three refinancing pillars of client deposits, development business and bond issues, with our client deposits growing by a total of around EUR 17.1 billion compared to the previous year, the greatest driver being the EUR 18.7 billion increase in retail deposits.

To strengthen longer-term refinancing, we very successfully placed our second mortgage Pfandbrief in the form of a social bond, the DKB Social Housing Bond, on the financial market in January 2023. The demand among investors was high and the bond was more than twice oversubscribed with a volume of EUR 500 million, a maturity of twelve years and a coupon of 3%. The underlying assets for this transaction are made up of loans granted by DKB to housing cooperatives in Germany. This issue was increased by EUR 250 million in May. In addition to the benchmark issue, registered Pfandbriefs with a total volume of EUR 74 million were issued.

Intra-Group transactions were executed to strengthen the equity base and own funds (raising of EUR 100 million in AT1 capital). In addition, subordinated issues totalling EUR 2.25 billion were made to meet the regulatory MREL requirement as at 1 January 2024.

Moody's ratings remain unchanged at A2 for the outstanding senior non-preferred unsecured bonds (junior senior unsecured), A1 for the senior preferred unsecured bonds (equivalent to the issuer rating) and Aaa for the public and mortgage Pfandbriefs.

DKB's ratings

	Public-sector Pfandbriefs	Mortgage Pfandbriefs	Issuer rating	Unsecured bonds (junior senior unsecured)
Moody's rating	Aaa	Aaa	A1	A2
ISS ESG rating	–	–	B– (prime status)	–

Total on-lending and global loans amounted to approximately EUR 15.6 billion at the end of 2023 (31 December 2022: EUR 14.4 billion). New on-lending loans with a volume of EUR 2.6 billion (31 December 2022: EUR 3.3 billion) were agreed. Demand continued to focus on energy turnaround and sustainability products.

With regard to our business clients, one of the highest-volume programmes remains the "Renewable Energies Standard" programme of the German state-owned development bank (KfW), and we believe that the increase in the maximum loan amount that took effect in October will make the product much more attractive to our clients.

Compared to previous years, demand among our retail clients for KfW's housing programmes increased significantly in the second half of the year. The new "Home Ownership for Families" programme has made a slow start so far. The market response to the increase in income limits and maximum subsidy amounts from 16 October 2023 was a positive one.

Demand for the "Focus on fields of the future" programme introduced by the agricultural development bank Landwirtschaftliche Rentenbank is proving to be sluggish. The market perception of the programmes as very complex is proving difficult to shake off. Due to the significant increase in the EU interest rate benchmark on 1 June 2023, non-subsidy-related market conditions increased, making some programmes less attractive (in relation to non-subsidy-related conditions). Finally, the budget freeze imposed at the end of November 2023 slammed the door on applications and commitments in some programmes. This created considerable uncertainty on the market.

The drop in the volume of applications for on-lending loans can therefore be traced back to general market developments.

The successful cooperation with the European Investment Bank was expanded by concluding a new global loan of EUR 100 million for the expansion of renewable energies and successfully drawing down the final tranche of EUR 150 million under the 2022 framework agreement in 2023.

"Other" segment

The "other" segment contains cross-divisional transactions and contributions to earnings which cannot be allocated to the segments according to source. These include the central administrative expenses of DKB AG, the transformation and restructuring results, the earnings contribution of DKB Service GmbH and the non-core business.

DKB Service GmbH continued its activities in line with its task profile for the DKB Group. In the first half of 2023, it again provided the majority of its services for DKB AG. In 2023, activities continued to focus on the implementation of the service strategy and, as a result, on the organisation's further development in all areas.

The DKB Campus project is being transferred to DKB Service GmbH. Most recently, DKB Campus GmbH acted as project developer and project manager for the future property tenant DKB Service GmbH; these tasks had been transferred to DKB Service GmbH in full by the end of 2023. DKB Campus GmbH ceased operations at the end of 2023 and will continue to operate as a shelf company.

Results of operations and net assets of the DKB Group (IFRS)

Results of operations

in EUR million	2023	2022	Change
Net interest income	1,937.0	1,312.9	624.1
Risk result	–63.3	–15.6	–47.7
Net interest income after risk result	**1,873.7**	**1,297.4**	**576.4**
Net commission income	130.1	88.1	42.0
Gains or losses on fair value measurement	38.5	–38.3	76.9
Gains or losses on hedging transactions	–54.4	–175.1	120.7
Gains or losses on financial investments	–25.0	–3.1	–21.9
Administrative expenses	–795.3	–735.4	–59.9
Bank levies, deposit guarantee scheme and banking supervision	–100.5	–85.0	–15.5
Other income and expenses	0.7	5.6	–4.9
Restructuring and transformation result	–66.0	1.4	–67.4
Profit/loss before taxes	**1,001.8**	**355.6**	**646.2**
Income taxes	–308.8	–132.5	–176.3
Consolidated profit/loss	**693.0**	**223.1**	**469.9**
attributable to DKB AG owners	688.7	220.1	468.6
attributable to minority interests	4.3	3.0	1.3

Net interest income

in EUR million	2023	2022	Change
Interest income and positive interest expenses	3,392.6	1,899.5	1,493.1
Interest expenses and negative interest income	–1,455.6	–586.5	–869.0
Net interest income	**1,937.0**	**1,312.9**	**624.1**

Against the backdrop of the turnaround in interest rates implemented by the ECB, we were able to increase interest income from our client receivables and the associated hedging transactions by EUR 865.2 million (previous year: EUR 1,359.2 million). In addition, our interest income from reinvestment effects at Deutsche Bundesbank improved by EUR 768.6 million (previous year: EUR 126.1 million).

From this strong position, we were also able to pass on the higher market interest rates to our deposit clients by offering attractive conditions, resulting in an increase in interest expenses for our client deposits of EUR 715.9 million (previous year: EUR –115.9 million).

Net interest income is allocated to the **segments** as follows:

in EUR million	2023	2022	Change
Retail clients	760.0	481.4	278.6
Business clients	1,069.3	697.9	371.3
Financial markets	123.6	136.0	–12.4
Other	7.9	26.4	–18.5
Reconciliation/consolidation	–23.8	–28.8	4.9
Net interest income	**1,937.0**	**1,312.9**	**624.1**

Risk result

in EUR million	2023	2022	Change
Risk provisions result	–58.9	–12.5	–46.4
Result from the disposal of AAC-category financial instruments	–4.3	–3.0	–1.3
Risk result	**–63.3**	**–15.6**	**–47.7**

The risk result is allocated to the **segments** as follows:

in EUR million	2023	2022	Change
Retail clients	–105.2	–46.7	–58.5
Business clients	36.6	27.2	9.5
Other	5.3	4.0	1.3
Risk result	**–63.3**	**–15.6**	**–47.7**

In order to reflect the **risks from potential loan defaults due to the current economic situation**, the risk result for the financial year includes an additional allocation of EUR 16.1 million as part of a post-model adjustment.

in EUR million	2023	2022	Change
Retail clients	71.6	34.8	36.8
Business clients	82.4	103.1	–20.7
Post model adjustment – portfolio	**154.0**	**137.9**	**16.1**

Net commission income

in EUR million	2023	2022	Change
Card business	113.2	82.1	31.1
Account management and payment transactions	27.0	–9.3	36.4
Securities and fund business	9.9	14.3	–4.4
Lending business	–27.2	–27.2	0.0
Other net commission income	7.1	28.2	–21.1
Net commission income	**130.1**	**88.1**	**42.0**

In the card business and in account management and payment transactions, we benefited from an improved cost base due to the switch to debit cards in 2022 and the pricing of services, e.g. credit cards and accounts.

Other net commission income in the previous year was characterised by commission income relating to other periods (including from the reversal of provisions) of EUR 19.6 million (reporting year: EUR 0.0 million).

Net commission income is allocated to the **segments** as follows:

in EUR million	2023	2022	Change
Retail clients	72.5	41.5	31.0
Business clients	47.6	36.6	11.0
Financial markets	–5.2	–5.3	0.2
Other	4.1	–3.9	8.1
Reconciliation/consolidation	11.1	19.3	–8.2
Net commission income	**130.1**	**88.1**	**42.0**

Gains or losses on fair value measurement

in EUR million	2023	2022	Change
Result from derivatives in commercial hedging relationships	–2.0	5.5	–7.5
Fair value result from FVPLM financial instruments and from the FV option	40.5	–43.9	84.4
Gains or losses on fair value measurement	**38.5**	**–38.3**	**76.9**

The development in the fair value result from FVPLM financial instruments and from the FV option primarily reflects the positive performance of our DKB sustainability funds.

Gains or losses on hedging transactions

Gains or losses on hedging transactions of EUR –54.4 million (previous year: EUR –175.1 million) reflect the interest-rate-induced effects of the interest rate derivatives concluded for hedging purposes and their underlying transactions as part of hedge accounting.

Gains or losses on hedging transactions have to be viewed in the context of the interest result from hedging transactions:

in EUR million	2023	2022	Change
Interest income from hedging transactions	393.5	0.4	393.1
Interest expenses from hedging transactions	0.0	–142.6	142.6
Amortisation of valuation effects of hedged transactions and hedging transactions	102.2	103.3	–1.1
Interest result from hedging transactions	**495.7**	**–38.9**	**534.7**

Gains or losses on financial investments

As in the previous year, gains or losses on financial investments arise from the sale of securities.

Administrative expenses

in EUR million	2023	2022	Change
Staff costs	–415.9	–379.0	–36.9
Other administrative expenses	–313.8	–302.3	–11.4
Depreciation and impairments on property, plant and equipment and intangible assets	–65.6	–54.1	–11.6
Administrative expenses	**–795.3**	**–735.4**	**–59.9**

The higher administrative expenses are mainly due to salary increases, price increases due to inflation and depreciation of investments in our IT landscape.

Administrative expenses are allocated to the **segments** as follows:

in EUR million	2023	2022	Change
Retail clients	–429.9	–395.7	–34.2
Infrastructure	–301.7	–274.7	–27.0
Financial markets	–12.1	–11.1	–1.1
Other	–261.0	–265.0	4.0
Reconciliation/consolidation	209.4	211.2	–1.7
Administrative expenses	**–795.3**	**–735.4**	**–59.9**

Bank levies, deposit guarantee scheme and banking supervision

in EUR million	2023	2022	Change
Bank levies	–34.9	–42.5	7.6
Deposit guarantee scheme	–58.3	–36.6	–21.6
Banking supervision	–7.3	–5.8	–1.5
Expenses from bank levies, deposit guarantee scheme and banking supervision	**–100.5**	**–85.0**	**–15.5**

Other income and expenses

in EUR million	2023	2022	Change
Other income	37.4	33.1	4.4
Other expenses	–36.8	–27.5	–9.3
Other income and expenses	**0.7**	**5.6**	**–4.9**

Restructuring and transformation result

As a result of the measures introduced by our Fit4Growth efficiency programme to boost effectiveness, and specifically to optimise, simplify and digitalise numerous processes, products and services, we anticipate lower personnel requirements by 2025. As a result, the programme will also involve job cuts and measures to part ways with some of our employees as a result. The corresponding expenses for an addition to provisions, together with the consultancy costs incurred as part of the programme, led to a restructuring and transformation result of EUR –66.0 million (previous year: EUR 1.4 million).

Return on capital in accordance with Section 26a (1) sentence 4 German Banking Act (KWG) (ratio of net gains and total assets)

The return on capital in the financial year was 0.52% (previous year: 0.18%).

Net assets

Assets

in EUR million	2023	2022	Change
Cash reserves	1,099.0	1,045.2	53.8
Loans and advances to banks	35,392.8	25,761.5	9,631.2
Loans and advances to clients	94,775.3	89,258.1	5,517.2
Risk provisions	–399.4	–371.4	–28.0
Portfolio hedge adjustment	–2,612.4	–3,762.4	1,150.0
Assets held for trading	75.6	98.7	–23.1
Positive fair values from derivative financial instruments	0.7	0.1	0.6
Financial investments	5,652.4	8,401.1	–2,748.7
Other assets	532.8	603.8	–71.0
Total assets	**134,516.8**	**121,034.8**	**13,482.0**

The increase in **loans and advances to clients** is driven by both market segments. An increase of EUR 1,511.8 million was attributable to the retail clients segment and EUR 3,970.6 million to the business clients segment.

The **risk provisions** developed as follows in the financial year:

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 Jan.	**–136.1**	**–104.3**	**–126.6**	**–4.4**	**–371.4**
Additions from lending/purchases	–45.8	–14.5	–27.5	–1.5	–89.3
Reversals from disposal/repayment/sale	34.9	101.7	39.8	1.4	177.7
Credit-rating-related changes	29.2	–181.2	–24.7	1.0	–175.7
Usage/depreciation	0.0	0.1	54.8	1.4	56.3
Reallocation to Stage 1	–12.6	12.6	–	–	–
Reallocation to Stage 2	13.3	–25.5	12.2	–	–
Reallocation to Stage 3	8.5	50.6	–59.1	–	–
Unwinding	–	–	3.1	–0.1	3.0
As of 31 Dec.	**–108.6**	**–160.6**	**–128.1**	**–2.1**	**–399.4**

The **portfolio hedge adjustment** is determined from the fair value hedges on interest rate risks formed at the portfolio level. The development of the portfolio hedge adjustment corresponds to the development of the market values from derivative financial instruments (hedge accounting).

The liquidity held in the cash reserve, **loans and advances to banks** and **financial investments** increased by EUR 6,936.4 million overall, matching the development in liabilities.

Liabilities

in EUR million	2023	2022	Change
Liabilities to banks	16,126.0	23,326.6	–7,200.6
Liabilities to clients	102,313.2	85,232.3	17,081.0
Securitised liabilities	4,868.0	4,653.9	214.1
Trading liabilities	85.4	99.4	–14.1
Negative fair values from derivative financial instruments	2.7	1.1	1.6
Provisions	205.5	145.8	59.7
Other liabilities	725.6	558.1	167.5
Subordinated capital	4,151.8	1,804.7	2,347.1
Equity	6,038.8	5,212.9	825.9
Total equity and liabilities	**134,516.8**	**121,034.8**	**13,482.0**

The lower **liabilities to banks** are due primarily to the TLTRO repayment in the amount of EUR 8.5 billion.

EUR 18,711.3 million of the increase in **liabilities to clients** is attributable to the retail clients segment and is primarily the result of significantly higher balances in call money accounts as part of the call money campaign we organised in the second half of 2024. Deposits from business clients were almost unchanged (EUR –47.8 million), while institutional deposits in the financial markets segment declined (EUR –1,588.9 million).

The development of **securitised liabilities**, which include public and mortgage Pfandbriefs as well as bearer bonds, results from the issue of securities, which slightly exceeded maturing securities.

Provisions include provisions for pensions and other personnel obligations of EUR 84.7 million (previous year: EUR 76.6 million), provisions in the lending business of EUR 20.7 million (previous year: EUR 22.9 million), restructuring and transformation provisions of EUR 73.5 million (previous year: EUR 26.0 million) and other provisions of EUR 26.6 million (previous year: EUR 20.1 million).

The increase in our **subordinated capital** is primarily due to measures to build up promissory note loans to satisfy the minimum requirement for own funds and eligible liabilities (iMREL) that DKB will have to meet as of 1 January 2024.

Equity consists of the following:

in EUR million	2023	2022	Change
Subscribed capital	339.3	339.3	0.0
Capital reserve	2,814.4	2,814.4	0.0
Retained earnings	2,120.3	2,003.3	117.1
Revaluation reserve	–59.2	–198.7	139.6
Minority interests	12.4	10.9	1.6
Consolidated net retained profits/net accumulated losses	811.6	243.8	567.7
Equity	**6,038.8**	**5,212.9**	**825.9**

Retained earnings increased mainly due to the allocation of the consolidated balance sheet profit.

The development in the **revaluation reserve** results primarily from the fair value measurement of FVOCIM financial instruments.

The change in the **consolidated profit** results from the consolidated net income less allocations to retained earnings.

Results of operations and net assets of DKB AG (HGB)

Results of operations

in EUR million	2023	2022	Change
Net interest income and income from investments	1,829.1	1,271.5	557.6
Net commission income	36.3	–50.5	86.7
Administrative expenses and amortisation of intangible assets	–770.1	–707.9	–62.2
Other operating profit	–62.3	–15.1	–47.2
Operating profit before risk provisions and net measurement gain	**1,033.0**	**498.1**	**534.9**
Risk provisions and net measurement gain	–104.8	–61.9	–42.8
Profit/loss on ordinary activities	**928.2**	**436.1**	**492.1**
Extraordinary result	–67.5	0.0	–67.5
Profit reported before the addition pursuant to Section 340g HGB and income taxes	**860.7**	**436.1**	**424.6**
Addition pursuant to Section 340g HGB	–371.3	–305.8	–65.5
Taxes on income	–291.8	–130.3	–161.5
Net profit for the year	**197.7**	**0.0**	**197.7**

Net interest income and income from investments

in EUR million	2023	2022	Change
Interest income	3,290.4	1,507.8	1,782.6
Interest expenses	–1,478.4	–260.1	–1,218.3
Current income from variable-yield securities, participating interests and shares in affiliated companies	5.9	5.7	0.3
Income from profit pools, profit transfer and partial profit transfer agreements	11.1	18.1	–7.0
Net interest income and income from investments	**1,829.1**	**1,271.5**	**557.6**

Interest income, at EUR 1,734.4 million (previous year: EUR 1,403.8 million), results primarily from loans and advances to clients. The year-on-year increase in interest income is also due primarily to the improved interest income from our account with Deutsche Bundesbank (2023: EUR 768.6 million; 2022: EUR 126.1 million) as a result of the turnaround in interest rates, as well as to net interest income from swap agreements (2023: EUR +400.2 million; 2022: interest expenses of EUR –85.5 million).

Interest expenses include EUR –833.4 million (previous year: EUR –145.2 million) in interest expenses from liabilities to clients and EUR –430.5 million (previous year: EUR –136.1 million) in interest expenses from liabilities to banks.

Net commission income

in EUR million	2023	2022	Change
Commission income	403.8	374.9	29.0
Commission expenses	–367.5	–425.3	57.8
Net commission income	**36.3**	**–50.5**	**86.7**

Commission income is broken down as follows:

in EUR million	2023	2022	Change
Card business	235.4	223.5	11.9
Account management and payment transactions	69.2	31.9	37.3
Securities and fund business	52.8	62.1	–9.3
Lending business	31.0	27.9	3.2
Other commission income	15.3	29.5	–14.2
Commission income	**403.8**	**374.9**	**29.0**

We benefited from the pricing of services in the **card business**, as well as in **account management and payment transactions**.

Other commission income in the previous year included commission income relating to other periods (including from the reversal of provisions).

Commission expenses are broken down as follows:

in EUR million	2023	2022	Change
Card business	–175.4	–190.9	15.5
Brokerage commission	–96.2	–133.9	37.8
Securities business	–37.2	–42.3	5.1
Payments	–47.9	–46.5	–1.4
Other commission expenses	–10.8	–11.6	0.8
Commission expenses	**–367.5**	**–425.3**	**57.8**

Expenses in the **card business** fell due to the improved cost base resulting from the switch to debit cards in 2022.

The lower level of new business in the retail client products mortgage and personal loans led to a drop in **brokerage commission**.

Administrative expenses and amortisation of intangible assets

in EUR million	2023	2022	Change
Staff costs	–270.3	–248.7	–21.7
Other administrative expenses	–470.2	–436.3	–33.9
Amortisation of intangible assets	–29.6	–22.9	–6.6
Administrative expenses and amortisation of intangible assets	**–770.1**	**–707.9**	**–62.2**

The higher **administrative expenses** are mainly due to our workforce expansion measures and salary increases, as well as to the amortisation of investments in our IT landscape.

Other operating profit

in EUR million	2023	2022	Change
Other operating income	9.9	46.5	–36.6
Other operating expenses	–72.2	–61.6	–10.6
Other income and expenses	**–62.3**	**–15.1**	**–47.2**

Other operating income primarily includes income from the reversal of provisions of EUR 4.9 million (previous year: EUR 22.4 million). The previous year also includes input tax refunds from previous periods totalling EUR 16.6 million (reporting year: zero).

Other operating expenses primarily include the contribution to the restructuring fund for banks (bank levy) totalling EUR 34.9 million (previous year: EUR 42.5 million).

Risk provisions and net measurement gain

in EUR million	2023	2022	Change
Risk provisions in the lending business	–70.3	–79.8	9.5
Net measurement gain on securities and investments	–21.6	28.0	–49.6
Expenses from loss assumptions	–12.9	–10.2	–2.7
Risk provisions and net measurement gain	**–104.8**	**–61.9**	**–42.8**

Risk provisions in the lending business are as follows:

in EUR million	2023	2022	Change
Net result from portfolio-based valuation allowances	–28.9	–55.9	27.0
Net result from specific valuation allowances	–34.2	–4.3	–30.0
Net result from loan loss provisions	2.0	–16.6	18.6
Direct write-offs	–15.0	–11.8	–3.2
Recoveries on loans written off	5.8	8.8	–2.9
Risk provisions in the lending business	**–70.3**	**–79.8**	**9.5**

The **net result from portfolio-based valuation allowances** of EUR –16.1 million (previous year: EUR –14.8 million) is designed to take account of potential loan defaults due to the overall macroeconomic conditions.

Due to the **first-time application of the IDW RS BFA 7 standard of the Institute of Public Auditors in Germany (IDW)**, there were also additions to risk provisions (portfolio-based valuation allowances and loan loss provisions) totalling EUR 49.2 million in the previous year.

The **net measurement gain on securities and investments** is as follows:

in EUR million	2023	2022	Change
Net measurement gain on securities held as fixed assets	–23.6	–1.9	–21.7
Net measurement gain on securities held in the liquidity reserve	2.1	–5.5	7.6
Net measurement gain on investments	0.0	35.5	–35.5
Net measurement gain on securities and investments	**–21.6**	**28.0**	**–49.6**

The **net measurement gain on securities held as fixed assets** results primarily from the sale of securities.

The **net measurement gain on investments** in the previous year was due primarily to the sale of shares in Visa Inc.

Extraordinary result

As a result of the measures introduced by our Fit4Growth efficiency programme to boost effectiveness, and specifically to optimise, simplify and digitalise numerous processes, products and services, we anticipate lower personnel requirements by 2025. As a result, the programme will also involve job cuts and measures to part ways with some of our employees. The corresponding expenses for an addition to provisions led to an extraordinary result of EUR 67.5 million (previous year: zero).

Addition pursuant to Section 340g HGB

In the financial year under review, DKB AG allocated EUR 371.3 million (previous year: EUR 305.8 million) to the reserve in accordance with Section 340g HGB to strengthen its regulatory capital.

Taxes on income

Taxes on income mainly result from corporate income tax (incl. solidarity surcharge) in the amount of EUR 149.6 million (previous year: EUR 71.1 million) and trade tax in the amount of EUR 142.1 million (previous year: EUR 67.6 million).

Return on capital in accordance with Section 26a (1) sentence 4 German Banking Act (KWG) (ratio of net gains and total assets)

Based on the profit on ordinary activities, the return on capital amounted to 0.68% in the financial year (previous year: 0.35%).

Net assets

Assets

in EUR million	2023	2022	Change
Cash reserves	1,099.0	1,045.2	53.8
Loans and advances to banks	35,564.1	25,788.2	9,775.9
Loans and advances to clients	94,098.6	88,650.3	5,448.3
Debt instruments and other fixed-income securities	5,305.0	8,326.3	–3,021.3
Other assets	563.1	544.8	18.4
Total assets	**136,629.8**	**124,354.8**	**12,275.0**

Liabilities

in EUR million	2023	2022	Change
Liabilities to banks	16,239.5	23,397.0	–7,157.5
Liabilities to clients	102,374.7	85,303.6	17,071.1
Securitised liabilities	4,886.1	4,665.6	220.6
Provisions	431.8	296.1	135.7
Other equity and liabilities	2,877.8	3,779.3	–901.5
Subordinated capital, profit participation rights and additional regulatory Tier 1 capital	4,129.6	1,792.0	2,337.6
Reserve pursuant to Section 340g HGB	1,656.7	1,285.4	371.3
Equity	4,033.6	3,835.9	197.7
Total equity and liabilities	**136,629.8**	**124,354.8**	**12,275.0**

The net asset position of DKB AG is almost the same as that of the DKB Group. For this reason, only the items that differ significantly from the DKB Group are mentioned below.

Other equity and liabilities consist primarily of cash collateral received for derivatives subject to clearing requirements (EUR 2,658.3 million, previous year: EUR 3,664.0 million).

Balance sheet **equity** mainly comprises subscribed capital (EUR 339.3 million, as in the previous year), the capital reserve (EUR 2,814.4 million, as in the previous year) and retained earnings (EUR 579.7 million, previous year: EUR 682.2 million). Net retained profits of EUR 300.2 million result from the net profit for the year under review and a withdrawal of EUR 102.5 million from retained earnings.

Financial position of DKB

Our liquidity situation is described in detail in the risk report. For this reason, we will refrain from including a detailed analysis at this point, and instead refer to the statements made in the risk report and to the cash flow statement of the DKB Group.

Non-financial performance indicators

As a bank, we are convinced that we are making a key contribution to a sustainable and forward-looking society. On the one hand, we achieve this through innovative banking products geared to client needs and by financing projects that people need to live now and in the future. On the other hand, as a Group we have a responsibility towards our employees and the environment. Since our establishment in 1990, we have therefore relied on a sustainable business model that combines economic, ecological and social goals in a meaningful way. We act in a forward-looking manner and focus on economic success that is in harmony with people and the environment. We therefore regard sustainability and employee concerns as non-financial performance indicators for managing our company.

Sustainability

Our sustainability strategy

With our approach of "blue sustainability", we are #geldverbesserer in partnership with our employees, clients and partners. We have set out on a journey towards making Germany a bit more sustainable and "bluer" every day. In order to live up to this mission, we revised our sustainability strategy, which was first published back in 2019, as part of a broad-based materiality analysis in 2021. With the involvement of our stakeholders, we were able to identify the following five fields for action in which we will continue to drive forward our sustainability activities:

- Sustainability for clients
- Sustainability for the climate and environment
- Sustainability for our employees
- Sustainability for future-proof corporate governance
- Sustainability for society

We have also set ourselves ambitious targets within the individual fields of action as part of our sustainability strategy, which we want to achieve within the next few years. We are implementing numerous specific initiatives and measures, are measuring our progress today and will continue to do so in the future.

The following provides a taster of our roadmap for sustainable corporate development at DKB AG.

Selection of implemented measures

- We restructured our sustainability management system in 2023 and established the new Sustainability Office. This underpins and strengthens the importance of the Sustainability Office as an ESG management and coordination unit. We also launched the cross-functional ESG project, which is responsible for ensuring compliance with key regulatory sustainability requirements and reporting obligations. Overall responsibility for sustainability continues to lie with the Chair of the Board of Management.
- The role of Chief Sustainability Officer (CSO) was created for the first time in 2023. The new function is designed to help establish the topic of ESG as an even firmer component of the bank's value creation processes, and to monitor and strategically assess the many and varied developments in sustainable finance within the market environment.
- By publishing our Sustainable Lending Framework, we provide transparent information on the criteria that financing has to meet in order to be considered green or social. It was developed on the basis of current market standards in order to make the transformation process tangible for specific financing arrangements.
- With the launch of our green mortgage, we have expanded our range of sustainable products for retail clients. All clients who build, buy or modernise a building with an energy efficiency rating of A or A+ receive an attractive interest rate discount for the duration of the first fixed-interest period.
- In 2022, we included a sustainability training session on sustainable finance for our employees as an e-learning course in our training programme; in the reporting year, it became mandatory for all employees and also for the Board of Management of DKB AG.
- We have published our Group-wide diversity strategy. In cross-company and cross-divisional teamwork, a cross-functional team of colleagues from DKB AG, DKB Service GmbH, DKB Grund GmbH and DKB Code Factory GmbH has laid down common goals and measures that will help us to promote and further develop diversity within the DKB Group. DKB created another new position at the end of November 2023 with the appointment of the Chief of Diversity (CoD), the aim being to further improve the strategic bundling of our Group-wide diversity and inclusion activities.

– We have signed up to the Corporate Digital Responsibility (CDR) Initiative operated by the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) and have published our first CDR report.

Sustainability for clients

We aim to play a key role in shaping sustainable change in the industries we finance. The excerpts provided in the section below report on our performance, progress and objectives in the areas of energy, mobility, water supply and waste water disposal, housing, healthcare and social affairs, agriculture and food, and civic participation.

With a lending volume of more than EUR 14 billion, DKB is the largest provider of financing for renewable energy systems in Germany. We are working to further expand this position. Our aim is to help advance the German government's plans hand-in-hand with our clients. From 2023 to the end of 2027, our goal is to finance 14 GW of newly installed capacity in the wind, solar and biogas sectors. To date, we have already financed 6,900 plants with installed output of around 15 GW.

In the wind energy sector, we will continue to provide support exclusively for the financing of onshore wind power plants, as the financing of offshore plants is handled by our parent company, BayernLB. By the end of 2023, we had financed around 15% (over 9 GW) of the installed output of all onshore wind turbines across Germany (= 61 GW). We are aiming to further expand this share in the long term.

Since 2012, our centre of competence for civic participation has supported over 212 projects accounting for an investment volume of around EUR 2.4 billion. We will continue to expand this commitment in view of the current social challenges (energy turnaround, housing shortage, demographic change, etc.). In 2023, we implemented a total of 19 new projects. We fell short of our goal of implementing at least nine DKB-Bürgersparen citizen savings scheme projects a year in 2023, with seven projects completed.

DKB finances every second municipal utilities company in Germany. We will provide public utilities companies with at least around EUR 300 million a year in long-term loans for investments so that they can supply electricity, heating and gas to households and companies alike. In the reporting year, we were able to grant a total of EUR 1.4 billion in loans to public utilities companies.

By focusing on financing local public transport, we at DKB have a great deal of leverage at our disposal to help advance climate-friendly mobility. We will therefore be providing annual loans worth at least around EUR 100 million for investments in public transport (e.g. for state-of-the-art bus fleets and trams). In 2023, we were able to provide more than EUR 200 million in loans for public transport, significantly overshooting our target.

With the financing we provide in the biogas and biomethane sector, we will do our bit for a more sustainable gas supply. Specifically in agriculture, we will support farmers in making the switch from biogas to biomethane plants.

In order to further promote the maintenance of Germany's water supply and waste water disposal infrastructure and to support our clients with the big issues of the future (e.g. adapting the water supply to reflect new climatic conditions), we will provide a total of approximately EUR 150 million in loans on an annual basis. We were able to achieve this objective in the reporting year with a figure of EUR 179 million.

Sustainability for our employees

Our Sustainable Finance Board, created in 2019, serves as a cross-divisional dialogue platform for all employees to obtain information on sustainability-related topics, participate in discussions and form working groups. Four meetings were held in the reporting year involving over 700 participants.

In autumn 2023, we held our first Sustainable Finance Day as the successor format to the previous sustainability symposium. The one-day format was aimed at the entire DKB Group and served as a cross-divisional further training event in the area of sustainable finance. We welcomed more than 550 of our colleagues in total.

Sustainability for future-proof corporate governance

Further information on our corporate sustainability performance can be found in our annual Sustainability Report, which we have been publishing since 2016. As part of a declaration of conformity with the German Sustainability Code (DNK), we report on specific targets and measures relating to the 20 criteria covered by the German Sustainability Code, including on our core business/strategy, environmental concerns, employee concerns and society, as well as corporate governance.

In addition to our Sustainability Report based on DNK standards, we also publish our annual environmental statement and impact reports for our sustainable bonds.

Sustainability for society

To bring our social commitment under one roof and contribute every day to a sustainable and future-ready society, in 2004 we launched our DKB STIFTUNG foundation with start-up capital of EUR 15 million. The foundation deals with current social challenges and addresses those areas that we, as a bank, want to support and promote in the long term. The DKB STIFTUNG foundation focuses on the areas of education for sustainable development, inclusion and prevention, cultural education and the promotion of up-and-coming young talent, as well as cultural heritage.

Employees

Shaping sustainable transformation: structures, culture, working environment

The DKB Group was also faced with a challenging and dynamic environment in 2023. In order to bring our structures and skills into line with the digital transformation in particular, and the resulting requirements in the long term, the transformation process was continued systematically with support from the internal change management system. In the knowledge that this will probably also involve job cuts, the DKB Group has set up transformation provisions for expenses in connection with measures to part ways with some of our employees. A responsible approach to these measures is a top priority for us.

In addition to structural transformation, we also focused on the further development of our corporate culture this year. Based on the findings from our third major cultural survey in 2022, management workshops were organised on collaboration, values and cultural best practices. In order to identify developments in our DKB culture and the mood among our employees at more regular intervals, we have supplemented the comprehensive cultural survey that is conducted within the DKB Group every three years to include brief, topic-based "pulse checks" that are coordinated and carried out on a regular basis at DKB AG and DKB Service GmbH. With a regular participation rate of over 50%, we were able to supply our managers with valuable information so that they could discuss cooperation in their own unit with their employees and join forces to develop any necessary measures.

In the context of our collaboration within the DKB Group in the reporting year, enhanced face-to-face and hybrid formats for knowledge transfer, co-creation, networking and the onboarding of new employees continued to replace the remote formats introduced in response to the pandemic. Our goal is to create a permanent hybrid working environment involving a mix of on-site work and working arrangements that are flexible with regard to both location and time. The structure of these models will also be one of our focal points in the coming year.

As in the past, we continue to pay particular attention to protecting and promoting the health of our employees during the transformation process. Accordingly, the workforce availability rate in the DKB Group was once again high in the reporting year at 95.2% (previous year: 95.1%), slightly exceeding the 95% target set out in our sustainability strategy. In collaboration with our internal health coaches, we will continue to systematically develop our occupational health management system in 2024.

Targeted staff development for long-term success

The focus of our HR development work in 2023 was on the topics of professional upskilling, sustainability and management development.

For example, we strengthened the professional expertise of business analysts through a modular training programme and trained employees as agricultural finance managers in theoretical and hands-on units as part of our "Agricultural Practice Programme". For the new energies growth market, selected colleagues were able to acquire the additional qualifications relevant to this client group in targeted training formats.

The DKB-specific e-learning programme "Sustainable Finance" was introduced as a new mandatory training course to ensure a shared knowledge base among all employees and to impart sustainability knowledge to new colleagues in particular.

We also trained 20 employees in cooperation with the EBS Executive School over a period of several months to become "Sustainable Finance Experts" who will act as sustainability specialists and a port of call for colleagues and clients in the future.

Our development programme for managers was a particular focal point for us in the reporting year. The content of our existing "First Leadership" programme, which we use to support colleagues taking on management roles for the first time, was revised and the target group expanded to include expert managers. We also created new programmes for experienced managers, such as the "Leading in the Matrix" format, which supports managers tasked with implementing structural changes. We will continue to gradually expand our development portfolio in this area in order to provide our managers with the best possible guidance and support as they face the challenges associated with transformation.

Our further training programmes are supplemented by a systematic talent management system. In 2023, we once again identified colleagues interested in leadership as part of our annual development dialogue and invited them to an external orientation event on career prospects in leadership. In addition, the development modules available to participants in DKB's internal leadership talent pools were enhanced further, for example by expanding the mentoring scheme and through cooperation with business schools.

On average, each employee received 2.5 days of training in 2023 (previous year: 2.4 days). A broad range of 356 different in-house training programmes (previous year: 342) contributed to this.

Attractive to our employees in the long run

In addition to a constructive corporate culture characterised by dialogue on an equal footing and comprehensive staff development opportunities, we offer numerous special benefits in order to remain an attractive employer for our employees. These include voluntary (and above the general pay scale) social benefits, subsidies for insurance and childcare, and benefits for retirement provision. In what is known as the cafeteria model, employees can decide for themselves which additional special benefit they would like to use from various options (voucher card for benefits in kind, job ticket/Deutschlandticket public transport passes, company bikes). We also offer our employees the opportunity to take sabbaticals and work from other European countries for up to 30 days a year. We subsidise individual preventative health measures by providing a health subsidy. All colleagues in the DKB Group, including their relatives, can also take advantage of an external employee counselling service free of charge, e.g. for childcare solutions, rapid assistance with childcare bottlenecks and as a point of contact for topics on which employees need advice.

In view of the general price increase in the reporting year, the DKB Group paid out an inflation compensation bonus totalling EUR 3,000 and made a voluntary special payment of EUR 1,000 to its employees.

Social engagement with corporate volunteering

In 2023, the employees of the DKB Group spent a total of 512 corporate volunteering hours working on social projects. Many assignments were organised via DKB STIFTUNG, which is committed to promoting inclusion, sustainability and cultural projects in rural areas. Our corporate volunteering programme also includes numerous other opportunities for social and community engagement, e.g. in areas such as refugee and migrant integration, the environment and education.

Attracting talent and strengthening the employer brand

Our aim remains to recruit highly qualified specialists that are an ideal cultural fit for vacancies in the DKB Group. To ensure sustainable development opportunities for our existing employees, we prefer to fill vacant positions in-house. In 2023, we further centralised and specialised our recruitment system and optimised existing recruitment processes with the aim of boosting efficiency in order to also attract external talent to us as an employer. We are also increasingly finding new talent through active sourcing, i.e. by targeting them on social media channels. Accordingly, we expanded our active sourcing measures for tech talent in the reporting year to include all skill profiles sought throughout the bank.

We continued to focus in particular on recruiting young talent for our trainee and junior expert programmes in 2023. We launched a new digital networking format "All about: Trainee Programme/Junior Expert Programme" to allow potential applicants to establish personal contact with DKB to find out more and to ask questions about our trainee programmes. We were also able to strengthen our positioning as a sustainable employer with a target-group-specific recruitment campaign launched on the social media platform Instagram. In the reporting year, we supervised a total of 31 trainees specialising in IT, business analytics, sustainable finance and banking transformation. As specialists, 21 junior experts brought their expertise to their new roles, primarily in our central regions and central units.

In addition to operational recruitment, we once again focused on using employer branding measures to strengthen our employer brand. Since January 2023, DKB AG has been showcasing itself as an employer with a completely revamped careers section, both visually and in terms of content, on the company website at dkb.de. New advertising and information materials allow our employees to promote DKB independently as an employer, for example at trade fairs or in their lives outside of work. We have supplemented our onboarding programme to feature a regular introductory face-to-face event where new employees can get to know the DKB Group and their colleagues in person and lay the foundations for establishing their own network within the company.

The DKB Group had a total of 4,782 employees (based on capacity) at the end of 2023 (previous year: 4,753 employees). Of these, DKB AG employed 2,637 people (previous year: 2,624 employees). The average age in the DKB Group was 43.1 years (previous year: 42.8 years). The proportion of employees under 30 was 12.3% (previous year: 13.0%). The average length of service was 8.7 years (previous year: 8.4 years).

Diversity as an aspect of sustainability

The Supervisory Board of DKB AG consists of 16 members, three of whom are women, which corresponds to a share of 18.8%. With effect from 30 June 2027, a minimum target of 31.3% was set for the Supervisory Board. This corresponds to a share of at least five women.

As DKB AG and DKB Service GmbH jointly make up the majority of the Group's employees, the figures for both companies are provided below: The Board of Management of DKB AG comprises five members. Due to a change in the Board of Management, DKB AG has worked hard, and indeed successfully, to fill the vacant position with a woman, bringing the proportion of women on the Board of Management to 20% since the first quarter of 2023. This matches the minimum target to be met as of 30 June 2027. At DKB Service GmbH, two out of four management positions are occupied by women, bringing the proportion of women to 50% (minimum target: 30%).

The proportion of women at the first management level is currently 23.7% at DKB AG (previous year: 20.5%). This is to be increased to at least 33.3% by 30 June 2027. DKB Service GmbH has a proportion of women of 10.5% at the first management level (previous year: 33.3%). The target is not to fall below a figure of 40.0% as of 30 June 2027. The proportion of women at the second management level is 33.3% at DKB AG (previous year: 34.2%), and 36.4% at DKB Service GmbH (previous year: 22.2%). Both companies are aiming to increase the proportion of women to at least 40% by 30 June 2027.

We are aiming to achieve our targets in the long term. To this end, we published a diversity strategy in the reporting year, setting a harmonised Group-wide direction for our measures for the very first time. We are guided by the results of an employee survey on diversity conducted at the end of 2021, which enabled us to identify three main fields for action for DKB AG and its subsidiaries: the establishment of gender equality, the promotion of a culture of cross-generational collaboration based on mutual appreciation, and the further development of our language and communication culture. The measures agreed as part of these fields for action are aimed, among other things, at equal pay and a balanced gender ratio within our management functions, and are now being implemented by the relevant divisions within the time frames defined in the strategy.

In the reporting year, we also introduced mandatory training for all employees on the German General Act on Equal Treatment (AGG) and unconscious bias. Our established DKB network for women in leadership also strengthened participants' personal development in 2023 through dialogue opportunities, knowledge transfer, external events and keynote speeches. 19 female employees of DKB AG and, for the first time, eleven female employees of DKB Service GmbH received targeted support in their internal professional positioning and career planning as part of a cross-company mentoring programme (MentorMe). We are also using our systematic talent management system to help identify and promote high potentials for management positions while maintaining a balanced gender ratio. The proportion of women in the talent pools after the last identification round was 54%.

Non-financial statement

DKB AG makes use of the exemption provision of Section 315b (2) sentence 2 HGB to add a non-financial Group statement to the combined management report. As the parent company within the meaning of this provision, Bayerische Landesbank (BayernLB) prepares a separate non-financial consolidated report in accordance with Section 315b (3) HGB. It is published together with the consolidated financial statements and the combined management report of BayernLB in accordance with Section 325 HGB in the company register and is also published on BayernLB's website (www.bayernlb.de) no later than four months after the closing date.

Report pursuant to Section 312 AktG on related parties

In accordance with the provisions set out in Section 312 of the German Stock Corporation Act (AktG), the Board of Management of DKB AG has prepared a report on related parties for the 2023 financial year which concludes with the following statement: "Based on the circumstances known to it during the period in which the legal transactions were executed or measures were taken or dispensed with, DKB received appropriate consideration for each legal transaction and has not been placed at any disadvantage by the fact that measures were taken or dispensed with."

Risk report

Basic principles of risk management

The risk management system described below generally relates to the material risks faced by the DKB Group. DKB AG, the parent company, has a dominant share in the DKB Group. The consolidated figures are therefore essentially from DKB AG.

Risks are understood as potential future developments or events that may result in negative deviations from forecasts or targets for the bank. For opportunities, we refer to the statements in the opportunities report.

For quantitative information that goes beyond the statements in the risk report, and in particular serves to meet the requirements of IFRS 7.31 to IFRS 7.42, we refer to the notes to the consolidated financial statements (note "Risks from financial instruments").

Development of the overall risk situation

2023 remained dominated by the effects of Russia's war of aggression against Ukraine, as well as by a tense economic environment with sustained high inflation and a marked increase in short-term interest rates in particular, even though the inflationary pressure had tapered off by the end of the year. On the real estate market, the current interest rates and the gloomy economic situation are triggering a general decline in demand, meaning that prices for residential and commercial properties have already dropped. Further uncertainties result from legal initiatives to reduce CO_2 in the building sector. We expect to see differences in prices emerge on the market based on buildings' energy efficiency classifications, with properties with a comparatively poorer efficiency classification being traded at in some cases significant discounts. Possible consequences for DKB AG are being analysed on an ongoing basis and measures such as adjustments to the lending process or the conclusion of interest rate hedges are being implemented.

The impact on DKB AG's credit risk remained low. Due to its business model, which focuses on the sales market in Germany, DKB AG has no exposure to counterparties from Ukraine or Russia, meaning that it is not directly affected by the consequences of Russia's war of aggression against Ukraine. Secondary effects have also not had any significant impact on portfolio quality in the business and retail client business so far. Nevertheless, secondary effects are impossible to rule out and will depend on further economic developments, especially in the retail business, which we are keeping a close eye on. The comparatively small property development portfolio is also currently facing challenges as a result of the decline in demand on the real estate market and the rise in construction costs.

As part of the regular forecasting process, the impact of a potential severe economic downturn on DKB AG's capital and liquidity resources was analysed based on macroeconomic assumptions. The effects of a potential drop in property prices and a combined inflation/recession scenario were also analysed. The results did not pose any risk to our risk-bearing capacity.

Ensuring risk-bearing capacity and compliance with regulatory capital requirements are key components of the management process. In the period under review, the DKB Group met both the regulatory requirements with regard to capital adequacy and liquidity, as well as the requirements for economic capital adequacy as part of the calculation of risk-bearing capacity. All known risks are adequately taken into account through precautionary measures, with suitable instruments implemented for detecting risks early on.

In its general administrative act issued on 31 January 2022, the German Federal Financial Supervisory Authority (BaFin) set the domestic countercyclical capital buffer pursuant to Section 10d of the German Banking Act (KWG) at 0.75% with effect from 1 February 2022. The countercyclical capital buffer has to be complied with from 1 February 2023 onwards over and above the existing minimum requirements. In addition, on 30 March 2022, BaFin imposed a capital buffer for systemic risks associated with financing secured by residential property in the amount of 2.0% with effect from 1 April 2022. This ratio has to be applied, as with the countercyclical capital buffer, from 1 February 2023 for calculating the capital buffer for systemic risks. Converting the increased capital requirements from the sub-portfolio to the total capital requirement results in an additional total capital requirement of approx. 0.5% based on the business plan. Compliance with the increased capital requirements was ensured by including corresponding own funds components and by retaining profits.

This results in a minimum requirement (including management buffer) for the total capital ratio of 15.25% with a total SREP capital requirement (TSCR) of 10% as of the reporting date of 31 December 2023.

The corresponding bank regulatory KPIs of DKB AG (normative perspective) as of the reporting date, following adoption of the annual financial statements and the expected appropriation of profits, are shown in the following table.*

Regulatory capital adequacy

in EUR million	31 December 2023	31 December 2022
Counterparty risks	30,563	40,874
Operational risks	1,592	1,522
Credit valuation adjustment (CVA)	0	0
Total positions subject to mandatory inclusion	32,155	42,396
Own funds	6,830	6,611
of which Tier 1 capital	5,807	5,512
of which CET1 capital	5,107	4,912
Total capital ratio	21.24%	15.59%
Tier 1 capital ratio	18.06%	13.00%
CET1 capital ratio	15.88%	11.59%

* The data on counterparty risks and the resulting capital ratios may differ slightly from the disclosure report due to different dates of preparation.

The significant reduction in risk positions for counterparty risks in the single-entity report was mainly due to the switch to the IRB for selected rating procedures at the end of 2023.

The leverage ratio also had to be complied with in the reporting period. As at 31 December 2023, it came to 4.25% (previous year: 4.27%), putting it significantly above the regulatory minimum ratio of 3%.

Intangible assets, irrevocable payment obligations to deposit guarantee schemes or resolution funds, insufficient regulatory cover for defaulted risk positions, adjustment items due to valuation adjustments and the shortfall from the IRB value adjustment comparison are recognised as deductions from Common Equity Tier 1 capital.

DKB AG generated a HGB result of EUR 569 million in the 2023 financial year. Of this amount, EUR 269 million was allocated to CET1 capital (allocation to the Section 340g reserve totalling EUR 371 million from the profit for the first half of the year and withdrawal from retained earnings of EUR 102 million). Due to the adequate capital ratios of DKB AG, BayernLB will participate in the economic profit for 2023 (IFRS result > EUR 1 billion) and EUR 300 million will be distributed to BayernLB.

In the reporting year (01/2023), AT1 capital totalling EUR 100 million was raised. The AT1 capital amounted to EUR 700 million as of 31 December 2023 (previous year: EUR 600 million).

Eligible Tier 2 capital fell to EUR 1,023 million (previous year: EUR 1,099 million) due to the reduction in subordinated capital required to meet regulatory requirements and the termination of profit participation certificates.

From 1 January 2024, DKB will be subject to its own minimum requirement for own funds and eligible liabilities (iMREL) in accordance with Articles 92, 429 and 429a CRR. Within this context, a portfolio of eligible liabilities (iMREL) in the form of promissory note loans with a nominal value of EUR 2.25 billion was created in the reporting period.

The minimum capital ratios required by the regulatory authorities were complied with at all times during the reporting year.

Economic risk-bearing capacity was also ensured at all times during the period under review. The risk capital requirement increased considerably year-on-year by EUR 575 million to EUR 2,177 million. This was mainly due to the significant increase in market price risk due to strong inflows of deposits in the second half of the financial year.

The risk profile in the economic perspective as of the reporting date is shown in the table below.

in EUR million	31 December 2023	31 December 2022
Counterparty default risks	574	513
of which client receivables	515	449
of which Group-internal receivables from BayernLB	59	64
Market price risks	1,376	882
Investment risks	52	44
Operational risks	175	163
Liquidity price risks	0	0
Business risks	0	0
Risk capital requirement (aggregated)	**2,177**	**1,602**
Available cover funds	**5,971**	**5,460**
of which allocated as limits	3,670	2,770
Utilisation of the available cover funds	36%	29%
Utilisation of the limit	59%	58%

Due to the marked increase in the business result, the available cover funds rose considerably by EUR 511 million to EUR 5,971 million in the reporting period. EUR 3,670 million of this amount had been allocated as a limit to cover business operations as of the reporting date. The remaining portion is also available to cover unexpected losses (e.g. caused by severe stress scenarios). In the "global economic crisis" stress scenario, the aggregate risk capital requirement amounted to EUR 3,686 million, with available cover funds of EUR 5,767 million. Thus, DKB AG is sufficiently capitalised even in the simulated scenario of a severe adverse economic development.

DKB's liquidity position was very comfortable throughout the financial year in both the normative and the economic perspective.

Risk management system

Organisation of risk management

The risk management organisation is based on the three-lines-of-defence model. In this context, the business units as risk owners form the first line of defence. The second line of defence is responsible for developing overarching risk management frameworks and monitoring the implementation of procedures in the business units. The third line of defence is Internal Audit as an objective and independent audit and advisory body. It conducts risk-oriented and process-independent audits and assesses the effectiveness and appropriateness of risk management, the internal control system and the correctness of all activities and processes.

The Board of Management is responsible for the correct organisation of risk management, the definition and implementation of the risk strategy and the development, fostering and integration of an appropriate risk culture. It is clearly committed to risk-appropriate behaviour. In order to meet its responsibility for implementing an appropriate and functioning risk management system, the Board of Management has established a risk management organisation that, in particular, is responsible for the determination and documentation of principles relating to the risk policy. In accordance with the corresponding regulatory requirements at European and national level, processes for identifying, assessing, managing, monitoring and communicating risks have been implemented in addition to regulations on organisational structures and workflows.

The Risk Committee of the Supervisory Board advises and supports the Supervisory Board in monitoring current and future overall risk appetite and strategy, as well as the defined risk limits. In addition, the Audit Committee supports the Supervisory Board in monitoring the effectiveness of the risk management system, in particular the internal control system and Internal Audit.

The areas of Risk Controlling, Credit Risk and Portfolio Management, Credit Consult, Compliance & Support and Finance form the basis for the risk management and monitoring system and are assigned to the Chief Risk Officer or the Chief Financial Officer. In accordance with AT 4.4.1 MaRisk, Risk Controlling is responsible for the tasks related to risk controlling. Above all, this includes supporting the Board of Management in all risk policy matters, i.e. in particular in developing and implementing the risk strategy and in designing the system for limiting overall bank risks via risk management and controlling processes. Climate and environmental risks are also given due

consideration. The Risk Controlling division is supported in particular by the Compliance & Support division. The Compliance & Support division bundles tasks relating to risk management for non-financial risks and risks from financial transactions in the areas of money laundering and fraud prevention, as well as in the securities business.

Credit risk management is a joint task of the front and back office, taking into account the principle of segregation of duties. The Credit Risk and Portfolio Management division performs the back office function together with the Credit Consult division. In addition to market-independent voting, Credit Risk and Portfolio Management is responsible for risk analysis, assessment and management with regard to risk-relevant commitments. As part of the lending process, the division is also responsible for the requirements to ensure that climate-related and environmental risks are taken into account at portfolio level.

Risk-bearing capacity is monitored jointly by the Risk Controlling and Finance divisions. Responsibility for the economic perspective lies with Risk Controlling, while responsibility for the normative perspective lies with Finance.

As a member of the BayernLB Group, DKB AG is included in its Group-wide risk management and risk-bearing capacity concept. The standards and methods applicable at BayernLB are generally adopted. Should the DKB Group's risk profile require a different view, however, the Group will use its own procedures and methods that are coordinated with BayernLB.

Risk inventory and significant risk types

A regular risk inventory is carried out in order to identify significant risks and to review the appropriateness of the risk management system in relation to the degree of risk. The loss events recorded and the results of the OpRisk self-assessment are also used to assess non-financial risks. The assessment of the materiality of risks is based, for instance, on the potential risk capital requirement. Depending on their materiality for the overall risk profile, subsidiaries of DKB AG are included in the strategic guidelines and in the risk management system.

ESG risk analysis

In addition to traditional types of risks, ESG (sustainability) risks are also analysed as part of the risk inventory. ESG risks comprise climate-related and environmental risks (E), risk from events, developments or actions in the social sphere (S), and risk relating to corporate governance (G). These risks are not a separate type of risk, but rather act as risk factors that have an impact on established risk types.

Climate and environmental risks result from structural changes caused by climate change and environmental degradation. They are split into physical risks and transition risks.

Physical risks result from the consequences of climate change. These include damage caused by extreme weather events and damage from environmental degradation (for example in the form of air and water pollution, land pollution, water stress, loss of biodiversity and deforestation). The physical risk is considered to be "acute" if it arises due to extreme events such as droughts, floods and storms. If it is the result of gradual changes (e.g. rising temperatures, rising sea levels, water stress, loss of biodiversity and scarcity of resources), it is classified as "chronic". The effects can occur directly (e.g. as material loss or damage or in the form of reduced productivity) or can indirectly lead to subsequent events, such as supply chain interruptions.

Transition risks arise directly or indirectly as a result of the adjustment process to a lower-carbon and more sustainable economy. These risks can materialise as a result of political or regulatory measures relating to climate and environmental protection, technical advances or changes in the preferences of market participants, for example.

Even though DKB AG's business policy already places a strong emphasis on sustainability, ESG risks can have an impact on the risk situation in its portfolio. This is also increasingly taken into account as part of the further development of the risk management system, with any risks identified being integrated into risk management.

Across the main risk types, transmission channels for both the physical and transition risks were devised and were assessed with the relevant units responsible for the risks ("second line") as part of the regular risk inventory. The short-, medium- and long-term impacts and transmission channels were taken into account here, with the result being shared with the Board of Management.

A client-group-level portfolio analysis is used as an essential tool for assessing the impacts of climate-related and environmental risks on the credit risk. This analysis is based on a structured and data-driven expert survey that takes into account the market-side experts' knowledge that is specific to the client (group).

Data from the reinsurance company Munich Re was also used to assess physical climate risks. Both historical and forecast climate risk data was taken into account. The focus was on risks associated with drought, fire stress, forest fires, heat stress, hail, heavy rain, flooding, storm surges, tornadoes, winter storms and lightning strikes. The analysis was carried out taking different IPCC RCP (representative concentration pathways) scenarios into account over different time horizons. The quantities of greenhouse gases emitted, which are calculated in accordance with the PCAF (Partnership for Carbon Accounting Financials) standard, were used to assess transition risks.

These analyses were supplemented by an analysis of risks resulting from the loss of biodiversity. With the help of publicly available data, the physical and transition environmental risks to which the DKB AG portfolio is exposed were analysed, and the relevant transmission mechanisms and dependencies on ecosystem services for the lending portfolio were identified.

The assessments of the individual sub-aspects were aggregated into an overall result as part of the portfolio analysis. According to this result, the impacts of the examined risk factors arising from climate and environmental changes and from social and governance aspects on the credit risk are currently classified as being non-material. For the majority of the portfolio, only minor ESG risks were identified. The agriculture and food client group in the business clients segment alone, with a gross exposure (BEX) of EUR 4.4 billion as at 31 December 2023, has moderate ESG risks, particularly due to the influence of physical risks.

A structured expert survey was conducted for the market price risk. The primary impact of climate and environmental risks is considered to be low due to the composition of the portfolio and the sustainable investment principles.

The analysis of liquidity risk looked primarily at possible outflows of liquidity from deposits due to the materialisation of climate and environmental risks. Physical risks (e.g. severe storms or flooding) can lead to a reduction in deposits as damage to infrastructure has to be repaired. For certain client groups, such as energy and utilities or DKB's business with local authorities, this could lead to an increased outflow of liquidity. Transition risks (e.g. ad hoc deterioration in reputation) can also lead to a reduction in deposits (particularly among retail clients). Assessing the impact of an increased outflow of liquidity is already a key component of our system for monitoring liquidity risks.

Risk factors such as extreme weather events can also have an impact on operational risks, e.g. resulting from the operation of DKB's locations. Consequently, the locations of the DKB Group's sites and critical outsourcing companies (e.g. data centre locations) were evaluated for business continuity management purposes to identify their exposure to climate and environmental weather events using Munich Re data. It was ultimately found that the precautions taken to maintain business operations already adequately address the corresponding risks.

In addition, risks from the inadequate handling of ESG issues are taken into account as part of reputational risk management. Potential liability risks due to non-compliance with obligations will be reviewed at regular intervals going forward. Climate and environmental risks are also part of the existing operational risk framework, meaning that they are a component of the operational risk strategy as a result. This means that climate and environmental risks are also captured as part of the operational self-assessment process.

One of the biggest challenges in connection with the assessment of ESG risks is data quality and availability (including real data on energy certificates), which we are continuously working to improve. The pool of data available for climate and environmental risks is being expanded and improved continuously as part of an in-house ESG project. Where real data on borrowers and collateral is available, this is added to the data repository.

Risk strategy

The DKB risk strategy framework, in conjunction with the corporate concept and the multi-year plan, describes the overall conditions within which the DKB Group operates. The objective here is to continue to expand the sustainable financing and product portfolio in a manner that is consistent with the United Nations Sustainable Development Goals and is geared towards people's needs. This was a deliberate decision that, in line with the sustainability strategy and the sustainability policy, reflects the DKB Group's fundamental strategic focus on achieving sustainable results while keeping risks relatively low. The Board of Management is responsible for determining and implementing the risk strategy, which it reviews as required and adjusts to current developments where applicable. As part of the annual review and updating process, the risk strategy is brought to the attention of and discussed with the Supervisory Board.

The risk strategy consists of several sub-risk strategies and comprises principles for the individual major risk types. Climate and environmental risks are also given due consideration. The content of the risk strategy is based on the business strategy and takes into account corresponding requirements from the BayernLB Group's risk strategy. The risk strategy defines the objectives of risk management in the major business activities and thereby specifies the planning premises made in the business strategy with respect to the identification, control and monitoring of significant risks. It also contains statements on risk appetite and the distribution of risk capital among the main management-related risk types. The stipulations set out in the risk strategy are intended to meet the company's objectives based on the risk profile aimed for over time and thereby to ensure a balanced risk-return ratio as well as continuous risk-bearing capacity. The risk strategy therefore forms the basis for guaranteeing risk-bearing capacity.

At a business strategy level, climate and environmental risks are countered by focusing on selected client groups and on Germany as a business region, among other things. When loans are granted, increased physical risks for property collateral are reduced by taking out insurance against damage to buildings and natural hazards. The bank takes into account the effects of extreme weather events on borrower profitability, for example in the agricultural client group, but also transition risks, for example for the residential client group, using conservative approaches to the assessment of debt servicing capacity and a focus on clients with strong credit ratings.

Any risks arising from earnings concentrations due to the business model focus are deliberately assumed and monitored on a regular basis, as are other concentrations.

Risk reporting

The risk status acts as a top-level reporting instrument and serves to manage and monitor all significant risk types. The Risk Controlling division submits monthly reports to the full Board of Management and the Supervisory Board. In addition to the central presentation of the normative and economic risk-bearing capacity, the risk status also contains information on the portfolio structure and portfolio development. Furthermore, it reports on the main key figures at the risk type level. The Chief Risk Officer / full Board of Management also receives regular additional specific reports on counterparty default, liquidity and market price risks and on non-financial risks. Information on climate and environmental risks is provided as part of the sector portfolio reports.

Risk-bearing capacity and stress testing

Risk-bearing capacity

The analysis of risk-bearing capacity as part of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) is a key component of overall bank management.

The risk-bearing capacity in the ICAAP is considered to be ensured if the available capital is sufficient in both the normative and economic management cycle to cover risks from the underlying transactions. By actively managing the risk-bearing capacity, the bank ensures that the risks it is exposed to, or the planned risks, are at all times in line with the bank's capital resources. In line with the conservative corporate policy, complete depletion of the risk cover funds should be virtually ruled out. For this reason, a high confidence level is taken as the basis for quantifying risks and a safety buffer is also maintained for the occurrence of extraordinary events.

Under the normative perspective, the ability to consistently meet the regulatory and supervisory capital requirements relevant to DKB AG is assessed over a period of at least three years. A management buffer that exceeds the minimum regulatory capital requirements is taken into account. The assessment is carried out in the context of multi-year planning and the planning indication calculations performed during the year using both the baseline scenario and at least one adverse scenario. As in the economic perspective, all significant management-related risks are taken into account in this assessment.

In the economic perspective, risk-bearing capacity is assessed on the basis of an economic risk capital amount. The procedures for quantifying the economic risk capital amount are generally based on a value-at-risk approach or, in determining the increase in liquidity price risk, on a scenario-based approach. When using the value-at-risk approach, a confidence level of 99.9% and a holding period of one year are assumed. Regulatory procedures are used to quantify investment risks, among other things. The risk capital requirements calculated for the individual risk types relevant for management are aggregated additively, i.e. without taking into account diversification effects between the risk types.

The aggregated risk capital requirements are compared with the available coverage capital. The available cover funds are determined using an economic approach. The starting point is equity adjusted for deductions from Common Equity Tier 1 capital in accordance with the IFRS. This figure is adjusted to reflect credit-rating-induced migration gains or losses in the loan portfolio and a possible surplus of deferred tax assets.

As part of the ILAAP, risk-bearing capacity is considered to be ensured if the existing liquidity reserve fully covers the liquidity outflows that could potentially arise under stress conditions (economic) and all regulatory ratios (LCR, NSFR) are adhered to (normative). For a presentation of the monitoring of liquidity risks, please see the section on liquidity risks.

The actual utilisation is reported, among other things, in the monthly risk status.

Stress testing

Stress and scenario analyses are used to analyse the effects of extraordinary but plausible events for all major risk types. The programme includes stress tests both for individual risk types and across risk types. The stress tests spanning all risk types look at both macroeconomic scenarios and scenarios based on institution-specific vulnerabilities. The Financial Self-Assessment Panel (FSA Panel), which meets at least once a quarter and is chaired by the Risk Controlling division, acts as a dialogue platform for identifying and assessing potential scenarios. The panel consists, among others, of senior management members from the Risk Controlling, Finance, Credit Risk and Portfolio Management, Credit Consult, Compliance & Support divisions and market segments. The panel estimates the impact of the scenarios on capital and liquidity in a normative and economic perspective. The further treatment of the scenarios depends on the result of this assessment. If the result of this assessment requires the scenarios to be analysed in greater detail and quantified, this is usually performed within the framework of multi-year planning and planning indication calculations. This involves analysing the effects of a possible global economic crisis, for example. The results of the stress tests are reported to the Board of Management and, as part of multi-year planning, to the Supervisory Board. In addition, further scenarios are analysed in greater detail as required. A possible drop in property prices, a combined inflation/recession scenario and deposit withdrawal scenarios were quantified in the financial year under review.

In addition, the potential effects of a severe economic downturn on the level of risk requirements and the available cover funds are determined monthly in the economic perspective. The utilisation in this scenario (ICAAP stress) is reported to the Board of Management and Supervisory Board in the risk report.

Regular sensitivity analyses and risk-type-specific stress tests are carried out in addition to the overarching process and the monthly determination of the effects of a severe economic downturn in the economic perspective.

Inverse stress tests are regularly carried out in addition to conventional stress tests. In a deviation from the conventional stress tests, retrograde scenarios are identified that may put the survival of the DKB Group at risk. The quantification as well as the presentation of the stress test results and their analysis take place at least once per year.

DKB AG is also involved in the BayernLB Group's stress testing programme, which analyses the effects of other scenarios.

For all stress scenarios, the responsibility for quantification and commentary with regard to the economic perspective lies with Risk Controlling. The analysis of normative risk-bearing capacity is the responsibility of the Finance division, which derives the stress effects based on the information supplied by the persons responsible for the risk types (from the Risk Controlling division). Both perspectives are determined in a mutually consistent manner.

Climate stress tests were also incorporated into the internal stress testing framework. In line with the ECB climate stress test and based on the scenarios of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), direct (in particular rising CO_2 prices) and indirect effects in the form of macroeconomic changes (growth, unemployment rate, interest rate development, etc.) were also analysed. Scenarios with a long-term time horizon spanning several decades were considered.

As part of the BayernLB Group, DKB AG also took part in the EBA stress test in 2023.

Counterparty default risks

Risk management and monitoring

Counterparty default risks comprise the risk that a contractual partner (borrower, counterparty, debtor or issuer) cannot, or cannot completely, meet their contractual obligations or that their credit rating deteriorates. Counterparty default risks also include the risk of loss and changes in value arising from collateral provided and country risk resulting from country specifics (such as in the form of political or economic crises or currency restrictions). Furthermore, risks due to an uneven distribution of exposure in the concentration risk are recorded as part of the counterparty default risk. These include concentrations on individual borrowers (cluster risks), portfolios (client groups), countries and collateral concentrations due to the type of collateral provided.

Counterparty default risks are entered into in the traditional client business (credit risk) and in the form of issuer and counterparty risks, particularly with regard to securities in the liquidity reserve. Country risks arise mainly in the securities portfolio in the case of foreign issuers. These are not significant given the portfolio as a whole. The bank is exposed to counterparty risks in the form of replacement risks only to a negligible extent, mainly for hedging interest rate risks and in secured money market trading.

The bank does not permit products such as securitisations in the form of ABS and MBS structures or the purchase of securitised receivables. As a result, it is not exposed to such risks.

Organisation

Management of the counterparty default risk is a joint task for the front and back office units. In this process, the Credit Risk, Portfolio Management and Credit Consult divisions assume the back office function and are responsible for risk analysis, assessment and management with regard to risk-related exposures. Furthermore, they bear responsibility for the ongoing creditworthiness and transactions analysis, and give the back office the authority to approve loans. The credit authorisation regulation governs the competencies of the various authorised persons depending on the credit volume to be approved, the client group and the rating category.

The credit risk strategy is determined taking into account the business strategy, risk profile and risk appetite. It defines relevant policies and forms the basis for quantitative and qualitative guidelines, as well as for counterparty risk limits. It defines measures to be used to achieve strategic objectives and the instruments to be used for controlling purposes (including multi-year planning, monitoring of risk capital requirements and targets for new business).

The lending business is governed by the lending policy, which sets out the general philosophy for the credit risk as well as the methods for actively controlling the risk. The lending policy defines important organisational requirements, competencies and responsibilities as well as principles for credit risk management, and applies to all lending business.

The written rules (SfO) contain guidelines for each client group which set the framework conditions from a sales and risk perspective for new client acquisition, new business and renewals.

At issuer level, a credit approval and credit valuation process along the lines of the counterparty default risks of the lending business and a limit system ensure that the principle of "no transaction without a limit" is also observed for trading transactions. Depending on the credit rating of the respective issuer, the maximum amount of the limit is determined and broken down into product-specific sub-limits for debtor, issuer, replacement and settlement risks. Risk Controlling monitors compliance with the limits on a daily basis and includes this in the daily and monthly report. If the limits are exceeded, the escalation process in place is activated.

Risk assessment

Risk classification procedure

In order to assess the creditworthiness of clients and thereby to determine the probability of default, the DKB Group mainly makes use of the risk classification procedure offered by the service providers S Rating und Risikosysteme GmbH (SR) and RSU GmbH & Co. KG (RSU) as part of its credit risk management. DKB's own procedures for expert-based risk classification are also applied. The majority of the rating systems used are permitted for calculating the regulatory capital requirements in the context of the IRBA Group notification of BayernLB. For the first time, approval for the IRBA for the standard rating, real estate rating, country and transfer risks, as well as project financing (wind), procedures has been available at DKB single-entity level since the end of 2023.
All rating procedures are subject to ongoing maintenance and validation, which ensures their adequacy for the correct determination of default probabilities in the respective client or financing segments. Maintenance and validation includes both quantitative and qualitative analyses. Among other things, the rating factors, the selectivity and calibration of the methods, the data quality and the design of the models are checked using statistical and qualitative analyses as well as user experience from ongoing use.

The Credit Risk Control unit is responsible for maintaining the quality of the systems, the implementation and quality assurance of processes and the ongoing maintenance and implementation of recalibrations. The validation of the processes using the above-mentioned analyses is carried out by the Model Validation department. Both departments are part of the Risk Controlling division.

Risk quantification at portfolio level

Value at risk at portfolio level is determined using a simulative credit portfolio model which quantifies migration and default risks with a horizon of one year and a confidence level of 99.9%. Dependencies between the borrowers in the portfolio are quantified using an industry-specific sector model. Finally, uncertainties are also taken into account when determining loss ratios. The risk contributions of the individual business partners to the value at risk of the overall portfolio are determined for the purposes of risk analysis.

Besides the probability of default, the counterparty default risk is mainly influenced by the loan amount outstanding at the time of default as well as the forecast loss ratio.

The estimated loan amount outstanding at the time of default (exposure at default) takes into account assumptions regarding (partial) drawdowns on unutilised lines and contingent liabilities. For trading transactions, the current market value is taken as the basis. Replacement risks are recognised at the risk exposure value in accordance with Article 274 CRR.

In addition to the internal procedures mainly used to determine the outstanding loan amount and the loss ratio, RSU procedures are also used.

The portfolio model and the critical parameters are validated and maintained at least once per year.

Risk management

Collateral management

One key instrument used to minimise risk in the lending business is the acceptance and continuous valuation of generally accepted collateral. In line with its client structure, the collateral portfolio consists primarily of property provided as collateral by retail clients, housing associations and housing industry investors, local authority guarantees and suretyships, as well as assignments of receivables and assignments by way of security of the new energies client group. Other relevant collateral is of minor importance in the lending business. Derivative transactions are also concluded to hedge against interest rate risks. To hedge the counterparty risk, these transactions are settled indirectly via a clearing member. Existing excess receivables are hedged by receiving cash collateral as part of variation margins.

The authorities and responsibilities for collateral processing and valuation in the lending business are set out in the collateral policy, which is based on BayernLB's Group standard. The regulations contained in the collateral policy form the basis for availing of regulatory relief in accordance with the German Banking Act (KWG) and CRR, and taking into account the collateral in accordance with economic interests.

Determining the market and loan values for mortgage collateral is crucial for collateral valuation. In the case of real estate to be financed with a loan amount to be secured from EUR 600 thousand (including prior charges), a valuation report by an expert in accordance with Section 6 of the German Regulation on the Determination of the Mortgage Lending Value (BelWertV) must always be prepared. The external expertise is utilised in the process. The plausibility check and determination of the mortgage lending values determined by the appraisers in accordance with Section 6 BelWertV is carried out independently of the market by the Business Solutions division within DKB AG. The mortgage lending value proposed by the appraisers constitutes the upper mortgage lending value limit. In the case of small loans in accordance with Section 24 BelWertV (loan amount below EUR 600 thousand, including prior charges), a simplified procedure is used to determine the mortgage lending value for residential real estate collateral in Germany. The subsidiary DKB Service is responsible for determining the mortgage lending values pursuant to Section 24 BelWertV. The plausibility check and determination of the mortgage lending values determined by DKB Service in accordance with the German Regulation on the Determination of the Mortgage Lending Value is carried out independently of the market by the Business Solutions division within DKB AG. The civil engineers who work on a decentralised basis are also assigned to the Business Solutions division.

The collateral value to be recognised is determined on the basis of market values for all management cycles (CRR, ICAAP/internal management, risk provisions). The mortgage lending value is also used for the purposes of determining the collateral value of commercial properties to be recognised in the CRSA. The appropriateness of the valuations is regularly reviewed when determining the loan value. The property values are also reviewed as part of the regular property monitoring process in accordance with the requirements set out in the CRR. The Board of Management receives reports on the collateral amounts and composition as part of the credit risk report provided by the Risk Office.

Risk concentration and sub-portfolio limits

Various limit systems and portfolio benchmarks have been implemented to monitor and limit risk concentrations. The limits are monitored regularly by Risk Controlling. If limits are exceeded, recommendations for action and measures in accordance with the approved escalation model are implemented. Utilisation of the limits is reported to the Board of Management and the Supervisory Board of DKB AG in the monthly risk status. In addition, the limits and portfolio benchmarks are presented in detail in the credit risk limit report on a monthly basis.

The limits relate to the gross exposure, i.e. without offsetting collateral provided.

In order to limit the industry risks in the BayernLB Group, Group-wide industry limits are set out for selected industries. The DKB Group participates in this process in accordance with its multi-year planning and risk profile. Sub-limits are granted to the DKB Group in this process. In addition, specific portfolio guidelines are set that are also subject to monitoring.

The DKB Group also sets client group limits for the respective client groups in the areas of business clients, retail clients, individual clients and treasury. These limits are derived from the multi-year plan and take the Group-wide industry limits into account.

BayernLB Group has limits in place for business with the public sector for the German states and the federal government. The DKB Group is also granted sub-limits from these.

Due to the predominant focus on domestic borrowers and foreign issuers from investment-grade countries, country risks are not substantial and are currently not considered separately in the economic risk measurement due to their marginal nature.

To manage country risks in the securities portfolio, the DKB Group is involved in the BayernLB Group's limit allocation process and receives sub-limits accordingly. The utilisation of the sub-limits granted is monitored on a daily basis.

In addition, a process to monitor collateral concentrations is in place. The relevant collateral concentrations are identified at least once per year and subjected to a stress test in order to quantify the potential loss. This ensures that concentrations from homogeneously reacting collateral are identified and can be monitored.

Risk concentrations and borrower limits

In order to limit borrower-related risk concentrations, the DKB Group is included in the Group-wide limits for counterparty risk concentrations in accordance with the corresponding guideline of the BayernLB Group.

New business and increases that exceed or extend the gross limit of a group of related clients of EUR 50 million pursuant to Art. 4 (1) no. 39 of the CRR are monitored in order to identify risk concentrations at an early stage. For exposures with a gross limit of at least EUR 400 million at the level of the BayernLB Group, the limits and sub-limits are allocated by BayernLB. The utilisation of the sub-limits is checked daily. If limits are exceeded, escalation measures are initiated.

In addition, the DKB Group has set an institution-specific cluster ceiling of EUR 280 million for internal management purposes. The cluster ceiling is exceeded if the amount relevant to authorisation, in accordance with the credit authorisation regulation, of a group of related clients reaches or exceeds the cluster ceiling. The cluster ceiling is subject to an annual review conducted by the Risk Controlling department.

Compliance with the cluster ceiling is monitored in the operating business on a continuous basis as part of the credit approval process. For new loan approvals that exceed the internal cluster ceiling, a strategy must be worked out for the commitment as part of the preparation of the loan documents. The Board of Management approves the commitment. Risk Controlling reports on groups of related clients that exceed the cluster ceiling to the Board on a quarterly basis.

Project financing for the new energies client group is excluded from the internal cluster management. For groups of related clients with EEG project financing and the biggest client in the new energies client group, an individual exposure limit applies instead of the cluster ceiling. The maximum exposure limit is EUR 350 million. The exposure limit is exceeded if the amount relevant to authorisation, in accordance with the credit authorisation regulation, of a group of related clients reaches or exceeds the exposure limit. In justified exceptional cases, credit approvals above this limit may only be granted with the approval of the Board of Management and the risk committee in accordance with the credit authorisation regulation. Limits are monitored quarterly by Risk Controlling.

Early risk detection

In order to identify borrowers or exposures with (emerging) increased risks, DKB has implemented a process of extended rating process-independent early risk identification as the main element of early risk detection, alongside the risk classification procedures. The aim is to be able to provide risk-adequate support and initiate measures to minimise risks at an early stage. The early risk detection principles are laid down in the risk early-warning guidelines.

Management of problematic exposures

In line with the guidelines, the risk management of impending or actual problematic commitments is linked to the rating and the rating-independent early risk detection process. Loan exposures whose deteriorated creditworthiness and/or liquidity require special monitoring are divided into exposures for intensive support and problem loan support. Irrespective of the rating class, the Credit Consult division has the right to allocate exposures to intensive or problem loan support.

The client service units receive a monthly summary of the relevant commitments from the Credit Consult division in order to fulfil the requirements for the monitoring, support and documentation of problematic commitments.

Rating class	Form of support	Responsible market-independent unit
1–9	Normal support	Credit Risk and Portfolio Management (CR)
10–12	Intensive support	Credit Consult (CC)
13–15	Problem loan monitoring	Credit Consult (CC)
16–18	Problem loan monitoring	Credit Consult (CC)

Creation of loan loss provisions

The risk provisions of the DKB Group are based on the regulations of IFRS 9. The impairment model of IFRS 9 provides for the following stages that reflect the development of the credit quality of a financial asset:

- Stage 1: If a financial instrument is acquired and there is no significant increase in credit risk or no impaired creditworthiness (credit-impaired), the valuation allowances are measured at the amount of the expected twelve-month credit loss.
- Stage 2: In the event of a significant increase in credit risk since addition, but in the absence of an impaired credit rating, the valuation allowances are measured at the amount of the credit losses expected over the term.
- Stage 3/POCI: In the case of a financial asset the creditworthiness of which is impaired at the balance sheet date or the creditworthiness of which was already impaired at the time of acquisition (POCI), the valuation allowances are measured in the amount of the expected credit losses over the term.

The impairment amount for Stage 1 and Stage 2 receivables and for Stage 3/POCI non-significant receivables (individual loan commitments with a maximum gross exposure of EUR 750 thousand) is determined using parameter-based models. For significant Stage 3/POCI receivables (individual loan commitments with a gross exposure of over EUR 750 thousand), risk provisions are determined on the basis of expert estimates of expected recoveries (discounted cash flow method).

Risk provisioning at DKB AG is based on the provisions of the German Commercial Code, which distinguishes between portfolio-based allowances and specific allowances:

The amount of the relevant valuation allowance is determined in accordance with the IFRS 9 methodology. The Stage 1 and 2 risk provisions correspond to the portfolio-based valuation allowance, and the Stage 3 risk provisions correspond to the specific valuation allowance.

When calculating risk provisions, a regular review is also carried out (at least every six months) to determine whether the parameters used for calculating risk provisions (e.g. probabilities of default) are sufficiently forward-looking within the meaning of IFRS 9 based on various sufficiently realistic scenarios and, in particular, whether they take full account of macroeconomic forecasts and financial market forecasts for the coming years. If necessary, an adjustment is made at the level of the risk provisions by means of a post-model adjustment (PMA).

Reporting

The development of counterparty default risks is reported as part of the regular reporting process (risk status, credit risk report). In addition to the Supervisory Board and the Board of Management, the market segments and the back office function are also provided with information on the content of the reports.

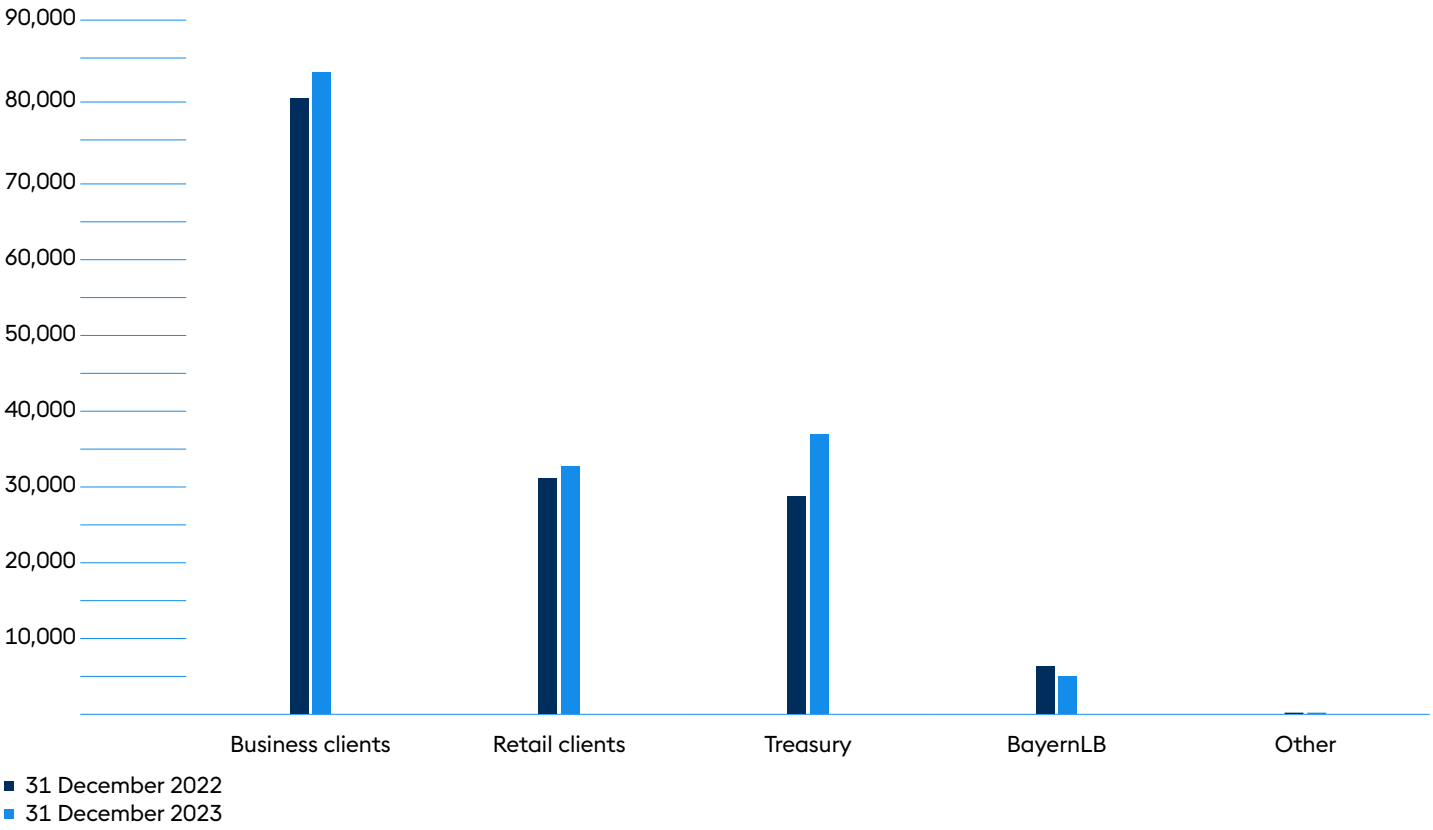
Development of the risk situation

The development of the risk situation is presented based on the business fields of the DKB Group. The transactions of the Treasury division, including intra-Group refinancing transactions with BayernLB, are part of the financial markets segment.

The breakdown of gross exposure by business area is shown in the following chart.

Gross exposure by business segment

in EUR million



The gross exposure increased by EUR 11.8 billion to EUR 159.7 billion in the reporting year (31 December 2022: EUR 147.8 billion), mainly due to new lending business in the market segments and client deposit inflows. The gross exposure of EUR 159.7 billion is offset by a marked increase in collateral of EUR 44.4 billion (31 December 2022: EUR 40.7 billion), resulting in a net exposure of EUR 115.3 billion (31 December 2022: EUR 107.1 billion).

Collateral has mainly increased in the residential client group secured by mortgages (business clients) and with regard to consumer real estate loans in the retail clients segment.

The significant increase in gross exposure in the business clients segment to EUR 84.8 billion (31 December 2022: EUR 81.2 billion) is due in particular to growth in the new energies client group and with clients in the areas of local authorities and social infrastructure.

In the retail clients business segment, gross exposure increased considerably by EUR 1.5 billion to EUR 32.7 billion compared to the previous year. The increase in the gross exposure is primarily the result of growth in consumer real estate loans and personal loans.

The Treasury division mainly comprises DKB AG's liquidity portfolio. The marked increase in the gross exposure by EUR 8.1 billion to EUR 37.0 billion reflects the increase in client deposits in particular.

As of 31 December 2023, receivables from BayernLB amounted to EUR 5.1 billion (31 December 2022: EUR 6.4 billion).

The table below shows the gross exposure by region. The focus of the lending business is on Germany with 99.4% of gross exposure (previous year: 99.0%).

	Issuer risk		Debtor		Replacement risk		Total	
Gross exposure in EUR million	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
Western Europe								
Germany	6,808	3,246	139,140	153,661	324	365	146,271	157,271
Belgium	55	114					55	114
Denmark	24	3					24	3
Finland	79	101					79	101
France	214	345	126	106	2	2	341	453
Italy	112	144					112	144
Netherlands	132	55					132	55
Norway	116	140					116	140
Austria	71	235					71	235
Sweden	99	56					99	56
Switzerland		86		100				186
Spain	19	158					19	158
North America								
Canada	31	60					31	60
United States of America	92	115					92	115
No regional allocation								
International organisations	363	565					363	565
	8,215	**5,423**	**139,266**	**153,868**	**326**	**366**	**147,807**	**159,657**

The issuer risk includes all securities and fell by EUR 2.8 billion to EUR 5.4 billion.

Debtor risks relate almost exclusively to Germany. Exceptions include project financing in France totalling EUR 106 million in the new energies client group and current term money transactions (Switzerland) in the amount of EUR 100 million in the Treasury division.

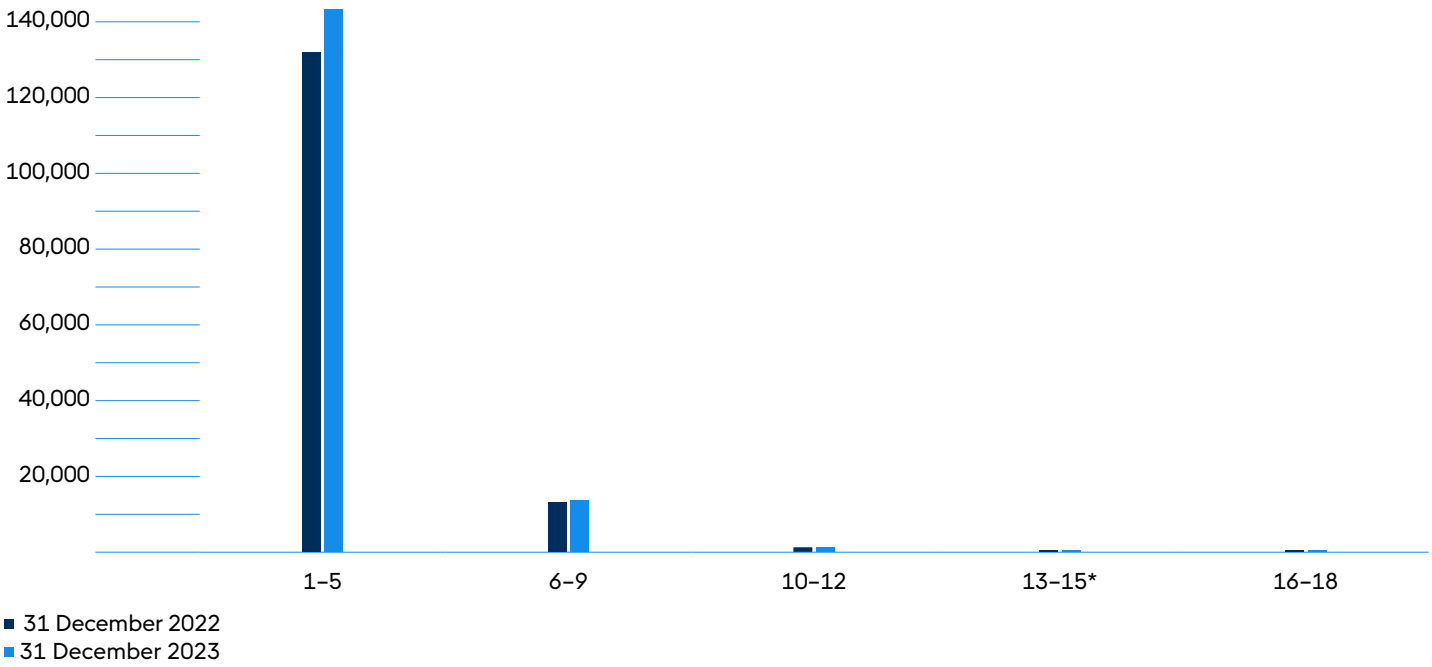
In addition to bonds issued by domestic and euro area governments with first-class credit ratings, the securities portfolio primarily comprises bonds issued by supranational issuers and development banks.

The share of replacement risks is marginal and applies almost exclusively to Germany (EUR 365 million in 2023) and France (EUR 2 million in 2023).

The portfolio development by rating class is shown in the graphic below.

Gross exposure by rating class

in EUR million



* Clients with no rating automatically assigned to a rating of 15: 31 December 2022: EUR 6 million; 31 December 2023: EUR 10 million.

The investment grade share, i.e. the share in positions with ratings in classes 1 to 5, increased slightly to 89.9% due to the increase in the liquidity portfolio (31 December 2022: 89.5%). The average probability of default in the portfolio with ratings in classes up to and including 15 fell slightly to 0.25% (31 December 2022: 0.27%). This corresponds to an average rating class of 4, which is unchanged year-on-year (31 December 2022: 4).

The share of exposures in default (rating classes 16–18) is up sharply compared to the previous year, particularly following the default of a major counterparty in the residential client group, and stood at 0.42% as of 31 December 2023 (31 December 2022: 0.30%).

As of 31 December 2023, 24 groups of related clients pursuant to Article 4 (1) no. 39 CRR were identified as cluster commitments.

As of 31 December 2023, eight clients in the new energies client group exceeded the maximum exposure limit of EUR 350 million.

Market price risks

Risk management and monitoring

Market price risks arise exclusively from the investment book. Market price risk comprises the following sub-risks: interest rate risks (consisting of the general interest rate risk, including risks from the measurement of pension provisions, and the earnings-oriented interest rate risk [in accordance with the IRRBB and CSRBB]), credit spread risks (CSRBB), equity risks, volatility and foreign currency risks, and market liquidity risks. Currency risks are essentially only entered into in connection with strategic investments. Otherwise, there are no significant open foreign currency positions. Foreign currency risks entered into in exceptional cases are generally hedged using offsetting transactions. Implicit options from termination rights and interest limitation agreements are also taken into account when measuring the interest rate risk of the banking book.

Market liquidity risk is also a market price risk. Market liquidity risk is defined as the risk that risk positions can only be closed at financially less favourable conditions than expected. In addition to the present value consideration of the interest rate risk, the net interest income risk (NIIR) and the earnings at risk (EaR) are used to determine an earnings perspective. Net interest income risk / earnings at risk are a special form of interest rate risk and describe the risk of a reduction in net interest income / surplus earnings in the banking book.

Organisation

The monitoring of market price risks, including regular reporting, is carried out independently of trading in the Risk Controlling division. The division is also responsible for the market conformity check.

Treasury is responsible for managing the interest rate risks from the interest-bearing business in accordance with the specifications of the Board of Management as well as for the development of interest rate strategies and the conclusion of interest rate derivatives. At the same time, the Treasury division is responsible for managing the positions of the bank's own investments and monitoring the performance of the individual funds.

Risk assessment

Market price risks are assessed on the basis of the value at risk (VaR), among other things. This is calculated using a historical simulation with a holding period of one day and a confidence level of 99%. To determine the economic risk capital requirement for the purposes of calculating risk-bearing capacity, this figure is then scaled to a confidence level of 99.9% and a uniform holding period of 250 days. All the positions bearing market price risks are included in the determination of the VaR. Deposits and overdraft facilities with indefinite capital and interest rate commitments from non-institutional clients are modelled. The remaining deposits are shown with short-term fixed interest rate periods. Optional interest rate risks from termination rights granted to borrowers or depositors are accounted for using separate option pricing models. In accordance with regulatory requirements, own funds of indefinite duration are not taken into account. Interest rate, credit spread, equity, foreign currency and volatility risks are taken into account in the calculation. The market liquidity risk is implicitly considered over a holding period of 250 trading days.

In addition, for custody account A (securities business), a separate, correlated VaR is determined as a portion of the overall portfolio that takes into account the interest rate, credit spread, equity and volatility risks in the securities portfolio. There are no foreign currency risks in the securities portfolio.

As part of the analysis of net interest income risk (NIIR) and earnings at risk (EaR), the change in interest-sensitive items in the income statement is analysed applying various interest rate scenarios and on the basis of defined business developments over the next twelve months. The NIIR is limited using a loss limit in accordance with the requirements set out in EBA Guideline 2022/14. EaR are also limited.

In addition to VaR, market-risk-specific stress tests are analysed at regular intervals using sensitivity or scenario analyses. Historical and hypothetical scenarios are considered. All the relevant risk factors (interest rate, credit spread, volatility, foreign currency and share risks) are included in the stress test analyses. In an additional analysis, a drop in prices is simulated for all positions subject to a share risk. In credit spread scenarios, credit spreads are widened. An extensive set of stress tests exists for the interest rate risk factor, which also reflects the dependencies between interest rate and volatility risks.

Another key performance indicator in the stress test programme is the interest rate risk coefficient and the early warning indicator in accordance with the provisions of EBA RTS 2022/10. In these six regulatory scenarios, which differ in the amount of the interest rate shifts to be used, the maximum present value loss in the investment book is limited to 20% of the regulatory capital of DKB AG and the ratio is monitored in relation to Tier 1 capital.

The market price risk measuring procedures are reviewed regularly in respect of reliability and quality. Back testing is carried out to compare the risk forecast with the actual result. All stress tests are validated and the model maintained once per year or as required.

Risk management and monitoring

In order to monitor the market price risks, a limit system has been implemented based on VaR consistent with the risk-bearing capacity calculation.

Risk Controlling monitors adherence to the limits on a daily (securities), weekly (banking book) or weekly/monthly (stress scenarios) basis and includes this in its regular reports. If limits are exceeded or about to be exceeded, relevant escalation measures are initiated.

In addition to the risk factors at the level of the bank as a whole, there is a sub-risk limit for the securities portfolio that is measured and monitored on a correlated basis. Due to the high proportion of fixed-interest securities from public issuers in Germany, the securities portfolio is dominated by interest rate risks. In addition, DKB AG invests in shares via the purchase of fund products.

The nominal bond portfolio (excluding own issues) dropped to EUR 5.3 billion in financial year 2023 (31 December 2022: EUR 8.3 billion). The bond portfolio primarily relates to liquidity holdings for liquidity risk management required by the regulator, which ensures that enough securities that are eligible for rediscount with the central bank and securities that are quickly realisable on private markets without value losses are available at all times.

Interest rate swaps are used to hedge and reduce interest rate risks. In order to reduce fluctuations in value arising from changes to fair values in the income statement, hedging relationships are established between interest rate swaps concluded to control the interest rate risks and receivables from clients (hedge accounting). The Finance division is responsible for the continuous supervision of the effectiveness of the hedging relationships.

In the daily reports prepared by the Risk Controlling division, the division heads of Treasury and Risk Controlling are informed about the performance and VaR of custody account A and compliance with the limits for the risk capital requirement for market price risks at the level of the bank as a whole, as well as receiving information on the risk factors.

In the weekly or monthly reports to the Board of Management, the results of the present value, periodic and income-related stress scenarios are reported in addition to a presentation of risk-bearing capacity. The results of scenarios that are regarded as relevant to risk for the DKB Group, taking into account the current interest rate situation as of the reporting date, are noted and commented on in the risk status.

Development of the risk situation

The VaR for market price risks is mainly characterised by general interest rate risks. All other risk types play much less of a role in comparison.

	31 December 2023	31 December 2022	1 January 2023 to 31 December 2023		
in EUR million			Average	Maximum	Minimum
General interest rate VaR	1,469	692	970	2,019	447
Specific interest rate VaR (credit spread)	327	118	73	328	32
Currency VaR	16	19	16	20	11
Share VaR	75	116	102	122	69
Total VaR	1,376	882	1,017	1,957	643

The risk capital requirement for the total market price risk of EUR 1,376 million rose considerably compared with 31 December 2022 (EUR 882 million). This was due primarily to the high inflow of client deposits in the second half of the year. The increase in the relevant interest rate reduction scenario was partially offset by various management measures introduced, including the purchase of securities, as well as the ongoing new lending business. The highest risk capital requirement of EUR 1,957 million was reached in August 2023 and the lowest value of EUR 643 million in June 2023.

Due to the new CSRBB requirements, asset-side registered bonds were integrated into the credit spread risk in full. As a result, the specific interest rate VaR increased significantly to EUR 327 million (31 December 2022: EUR 118 million).

At EUR 621 million (31 December 2022: EUR 637 million), the risk capital requirement for custody account A is almost unchanged compared to the previous year.

Risk concentrations are limited and controlled in accordance with the issuer, similar to the applicable cluster regulation, and in accordance with the portfolio for regional concentrations.

The present value interest rate risk in the event of a sudden and unexpected change in interest rates (in accordance with EBA RTS 2022/10) rose sharply from EUR 205 million on 31 December 2022 to EUR 698 million. In relation to the own funds in accordance with CRR, this is equivalent to a share of 10.1% (31 December 2022: 3.2%) and in relation to Tier 1 capital, 11.8% (31 December 2022: 3.9%). The relevant net present value loss for this scenario is the largest amount resulting from the six regulatory scenarios.

This means that, compared to the previous year's reporting date, there was a significant increase of EUR 493 million in the relevant net present value loss. Once again, the increase was due in particular to the high inflow of client deposits in the second half of the year. New lending business and the purchase of securities partially compensated for the increase. The lowest relevant net present value loss was EUR 139 million in July and the highest was EUR 849 million in August. The relevant net present value loss in 2023 was mainly attributable to the parallel down scenario.

Liquidity risks

Risk management and monitoring

Liquidity risk is defined as the risk that due payment obligations cannot be met in full or on time (insolvency risk) or – in the event of a liquidity crisis – that refinancing funds can only be obtained at higher market rates (liquidity price risk). In the context of risk-bearing capacity, liquidity risks are considered in conjunction with reputational risks.

Organisation

The Board of Management bears the overall responsibility for measuring and controlling liquidity risks. It is informed of the liquidity situation at the weekly meetings of the Board of Management and when defined events occur, and also when the need arises, and uses this information to derive measures for fine-tuning liquidity risks or requests the responsible divisions to implement them.

The Asset Liability Committee (ALCO) is made up of the Board of Management and the heads of Treasury and Risk Controlling. It monitors the strategic liquidity situation on the basis of the risk reports submitted and the liquidity status, and elaborates medium and long-term control measures. In addition, an emergency committee has been formed in which, in addition to ALCO, the heads of the Corporate Development & Solutions, Legal and Management Staff divisions are represented. It meets in the case of a liquidity emergency, decides measures to deal with the emergency and monitors their execution.

To ensure uniform management across the Group, BayernLB has provided the DKB Group with a substantive and organisational framework for dealing with liquidity risks in the form of guidelines. These guidelines on controlling liquidity risk have been incorporated into the bank's regulations via the sub-risk strategy for liquidity risks, the refinancing strategy, the liquidity policy and the liquidity contingency plan. The sub-risk strategy for liquidity risks provides the strategic framework for dealing with liquidity risks. These framework conditions are then specified and described in detail in the liquidity policy. The organisational framework for the event of a liquidity crisis or liquidity emergency is set out in the liquidity contingency plan. The refinancing strategy specifies the principles and processes for refinancing.

The liquidity policy defines the type and scope of the liquidity risk management system. In addition to the organisational structure and division of responsibilities, it also governs risk measurement, limits, reporting and liquidity management. This includes, on the one hand, the normative perspective with the regulatory reports (including the LCR, NSFR and the asset encumbrance report) and, on the other, the economic perspective with the liquidity maturity statement and the intraday liquidity risk. In addition to presenting the risk management system, the liquidity policy defines the term "contingency". The liquidity contingency is described in more detail in the liquidity contingency plan in which, for instance, the composition of the emergency committee, including its function and competencies, as well as the procedure and communication channels in an emergency, are defined and possible courses of action are prepared.

The Treasury division is responsible for managing short-term liquidity, taking into account the regulatory requirements and the strategic medium-term and long-term funding. Furthermore, this division manages the intraday liquidity and prepares the liquidity status at the close of trading.

Risk Controlling carries out independent risk measurement, monitoring and reporting, and escalates any limit breaches. In addition, stress tests are calculated both for individual risk types and across risk types, risk concentrations are monitored and early warning indicators are evaluated.

The framework conditions for refinancing are set out in DKB AG's refinancing strategy, which is in line with the corresponding guidelines of the BayernLB Group. Based on the DKB Group's multi-year planning, Treasury prepares an annual funding plan in which the refinancing components of the money and capital markets are planned in detail. The liquidity requirements in a stress case are also taken into account.

Risk management and monitoring

The liquidity situation is monitored at the economic and normative level. Various limit systems have been implemented that are linked to the different escalation levels for this purpose. The escalation models ensure that undesired changes in the liquidity position can be countered early on. In addition, intraday liquidity is monitored in accordance with the BCBS-248 key figures.

The basis of the economic liquidity assessment is the comparison of the netted future incoming and outgoing funds in the capital maturity statement and the liquidity coverage potential. Both components together form the liquidity progress review. The liquidity coverage potential describes the ability of the DKB Group to procure liquid funds. Core elements are liquidation proceeds from securities, central bank money potential, cover register potential and irrevocable loan commitments received. The free cover register potential is taken into account via the loans in the cover pool and their capacity to be used as central bank money facilities.

The economic liquidity status is monitored on the basis of the standard scenario within the BayernLB Group (management case) as well as bank-specific scenarios that take the DKB Group's risk profile into account.

The management case represents a scenario in a slightly stressed market and client environment, and considers a period of five years. In addition, the expected new business derived from the multi-year plan is included for the observation period of the next three months. The management case is calculated daily.

Taking into account additional leeway, it is the net cash flow from the capital maturity statement and the liquidity coverage potential that is of significance for the limits of the management case, whereby the minimum liquidity surplus is measured for multiple periods under consideration. Up to four escalation levels are determined for each period under consideration.

The bank-specific stress scenarios comprise a market stress test that examines the effects of market distortions on the liquidity situation and also takes into account the market liquidity risk, as well as the infrastructure client stress and the retail client stress. In both cases, fund outflows are assumed for these client groups. In the context of combined stress scenarios, the simultaneous occurrence of bank-specific and market-related events are analysed.

MaRisk specifies the time horizons for a week and a month for which liquidatable assets are to be held. Accordingly, the liquidity coverage potential is determined, which can be liquidated within one week (LDP0) or one month (LDP1). To determine the escalation level, the minimum liquidity leeway is determined for both time horizons on the basis of LDP0 or LDP1. The liquidity leeway is defined by how far the liquidity surplus is from the relevant applicable limit. In addition, the time-to-wall, i.e. the earliest time at which the respective liquidity coverage potential is not adequate to meet the net payment obligations of the scenario concerned is determined with reference to LDP0 and LDP1.

The minimum liquidity leeway in the respective horizon under consideration is crucial for allocation to an escalation level. Besides these quantitative criteria, each member of the emergency committee can also declare a higher liquidity status, for example if a changed market environment justifies this in the view of the member.

To manage the quantitative requirements of the liquidity coverage ratio (LCR), there is a limit system in place with escalation levels, to which recommendations for action and responsibilities are linked depending on the forecast of liquidity development for the next reporting date and the defined limit values for liquidity availability, and which is reported to the Board of Management on a monthly basis. In addition to the LCR as a key figure that represents the short-term liquidity coverage requirements, the Net Stable Funding Ratio (NSFR) is also included in the monthly reporting as a structural liquidity ratio. The Regulatory Reporting unit in the Finance division is responsible for monitoring the escalation model for regulatory liquidity management (LCR and NSFR).

Liquidity overviews are prepared daily and are communicated in a daily MaRisk report to ensure the short-term management of the liquidity situation. The Board of Management decides on the short-term and strategic orientation of liquidity management and key individual requirements, for example on the basis of an annual funding plan. The liquidity overviews are also used (at least once a month) within the ALCO and the risk status as a basis for analyses of the assets and liabilities side, the diversification of the liabilities side and the development of the liquidity coverage potential.

In addition to risk measurement for the purposes of insolvency risk, the liquidity price risk is taken into account via liquidity cost scenarios in the context of the ICAAP economic perspective.

Development of the risk situation

The DKB Group refinances itself primarily from client deposits, the development banking business and the issue of capital market products. The fundamental strategy involves refinancing net new business in the client lending area using client deposits. The high proportion of deposit business makes the DKB Group significantly less sensitive to disruptions on the money and capital markets.

Client deposits represent more than half of the refinancing base and, due to the high number of clients, in particular in the retail clients segment, are very granular. In the reporting period, deposits rose significantly by EUR 17.1 billion due to the temporary increase in call money interest rates. The total volume of client deposits now amounts to EUR 102.3 billion (31 December 2022: EUR 85.2 billion). As the interest promotion expired at the end of January 2024, a certain outflow of newly acquired deposits is expected. Developments will be monitored closely with alternative offers being launched as part of the process.

In addition to client deposits, subsidies represent another important pillar of refinancing. In 2023, new on-lending loans with a volume of EUR 2.6 billion (31 December 2022: EUR 3.3 billion) were agreed. Total on-lending and global loans amounted to approximately EUR 15.6 billion at the end of 2023 (31 December 2022: EUR 14.4 billion).

DKB AG has the option of issuing uncovered bonds and Pfandbriefs in a benchmark or private placement format in order to raise medium-term and long-term refinancing funds. In addition to a mortgage Pfandbrief structured as a social bond with a volume of EUR 750 million, registered Pfandbriefs with a volume of EUR 74 million were successfully issued in the reporting period. The rating agency Moody's continued to rate DKB AG's public sector and mortgage Pfandbriefs at "Aaa". The outstanding unsecured senior preferred bonds of DKB AG were rated at "A1", with the senior non-preferred bonds being awarded a rating of "A2".

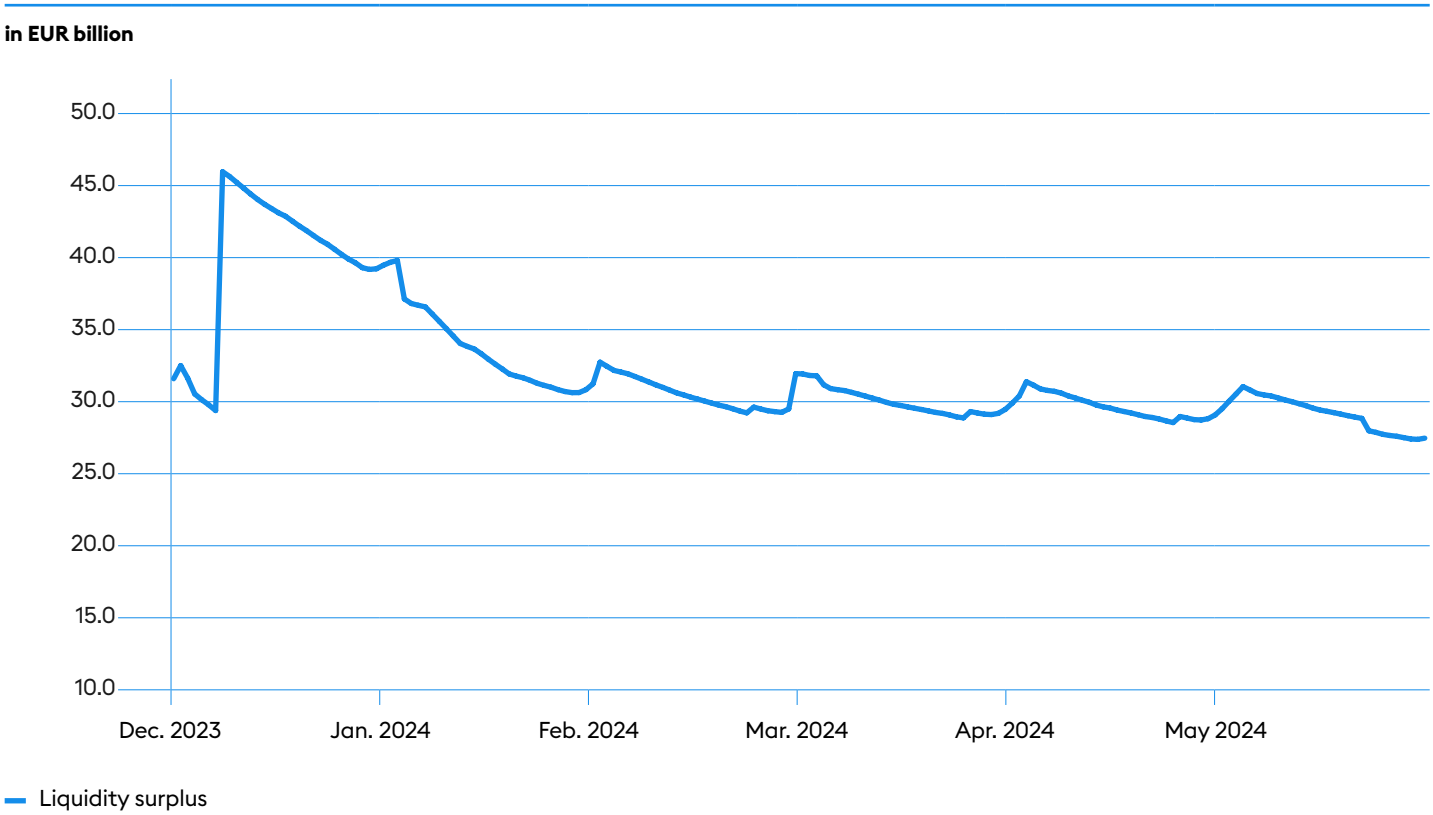
Intra-Group transactions were executed to strengthen the equity base and own funds (raising of EUR 100 million in AT1 capital). In addition, subordinated issues totalling EUR 2.25 billion were made to meet the regulatory MREL requirement as at 1 January 2024. Utilisation of the TLTRO III in the amount of EUR 8.5 billion was reduced in the reporting period. If necessary, the interbank money market is used for short-term refinancing and liquidity management/optimisation.

The nominal value of the securities in the liquidity portfolio decreased to EUR 5.3 billion in the course of the year. As of the reporting date, approximately EUR 2.2 billion of this amount was used, among other things, as collateral to cover margin commitments from derivatives clearing and as liquid surplus cover for the Pfandbrief cover pools.

During the reporting year, the DKB Group was able to meet all its liabilities by the due dates.

Due to the refinancing strategy chosen, the greatest risk is a massive, sudden outflow of client deposits. In addition, there is the risk of having to cover existing future liquidity bottlenecks at higher refinancing costs.

DKB AG's liquidity overview as at 31 December 2023 has the following structure in the management case for the next 180 days:



The strategic liquidity management is carried out with the help of a rolling liquidity forecast. The liquidity coverage potential covered the liquidity gaps in the capital maturity statement at all times. The balance arising from the capital maturity statement and the liquidity coverage potential is called the liquidity surplus. With the currently prevailing limit system, the lowest liquidity surplus within the next 180 days was EUR 27.0 billion as of the reporting date. DKB AG thus has sufficient liquidity.

Furthermore, the additional observation periods of one week and one month for capital-market-oriented institutions in accordance with BTR 3.2 MaRisk are analysed for several stress scenarios.

Besides the effects of a market liquidity crisis, the rapid outflow of funds in the important retail client and infrastructure segments, as well as combinations of stress events, are considered in other scenarios. The minimum liquidity surplus for the next 180 days is EUR 14.4 billion in a worst-case scenario (combination of market and retail client stress).

Operational risks

Risk management and monitoring

As part of the non-financial risks, operational risks, closely modelled on the banking regulatory requirements of CRR, are defined as the risk of losses caused by human conduct, process and control weaknesses, technological failures, disasters or external influences. The following significant sub-risks are included under operational risks: general legal risk, compliance risk and tax law risk, fraud risk, personnel risk, outsourcing risk, model risk, (business) process risk, project risk and information security risk (including cyber risk, IT security risk and non-IT security risk).

Organisation

The Board of Management is responsible for the correct organisation of risk management. In ensuring the appropriate and effective functioning of the risk management system for operational risks, it is supported by the central Risk Controlling and Compliance & Support units from the second line of defence. For those responsible, the focus is on providing the best possible support for the online bank business model while maintaining a conscious and appropriate risk appetite. The functioning risk management system includes risk analysis with risk identification and assessment, audits by the second line of defence and other monitoring measures, including

action management and reporting. Based on this specified framework, operational risk is managed on a decentralised basis in the individual client service units and central units.

The management of operational risks focuses on the early identification of these risks in order to take targeted measures to keep any losses from operational risks at an acceptable level.

Various instruments and methods are used to record, measure, analyse and assess the risk situation.

Risk assessment

Recording loss data allows loss events to be identified, analysed and assessed so that patterns, trends and concentrations of operational risks can be identified. On the basis of a defined loss reporting process, loss events are reported to Compliance & Support by the organisational units within DKB AG and its major subsidiaries for recording. Passive legal disputes are also subject to the reporting obligation.

Depending on the significance of the losses incurred, measures to avoid, reduce or transfer the risk in the future are initiated, taking cost/benefit aspects into account. Where appropriate, a deliberate decision is also made to accept the risk.

During the annual OpRisk Self-Assessment (OSA), operational risks are determined and assessed under the coordination of the Compliance & Support division with all organisational units of the bank and its subsidiaries. Rare but realistic and potentially serious risks are also taken into account. Significant risks are analysed in more detail in order to specify and assess risk drivers, internal and external factors influencing the probability of occurrence, the extent of damage and thus the overall loss distribution. This enables more precise management (e.g. by implementing further measures and/or controls), meaning that the remaining risk corresponds to the risk appetite for non-financial risks.

The results of this method are fed into the calculation of the amount of risk capital requirement for operational risks. The economic risk capital is calculated using an OpVaR model. The limits for the risk capital are calculated as part of the annual risk capital allocation process.

Risk management and monitoring

Particular focus is placed on the risk drivers that are relevant to the business model. To this end, the framework described above is elaborated in greater detail and expanded specifically in order to take into account the specific features of the risk drivers and to continuously monitor and manage them.

As a result, Compliance & Support (the ICS unit) carries out adequacy checks on process-inherent risks and defined control measures for risk mitigation. Regular effectiveness tests are carried out for the key controls in accordance with risk-oriented audit planning. In the event of findings, corrective or remedial measures are defined and implemented.

Particular attention is paid to time-critical processes. A crisis management team has been appointed by the Board of Management and is authorised to act in emergencies and crises. The crisis team is set up for an indefinite period and consists of heads of central DKB AG divisions and managing directors of DKB Service. In addition, there are Group-wide requirements imposed by BayernLB and DKB AG's own requirements for business continuity management, as well as contingency plans for all time-critical processes, which are tested at regular intervals.

Critical risk indicators (key risk indicators) also enable early statements to be made on trends and accumulations in risk development and allow weaknesses in business processes to be identified at an early stage and measures to be adopted without delay. The key risk indicators for the significant risk types that are allocated to operational risk are defined in the individual (sub)risk strategies. The significant risks that are particularly relevant include legal and compliance risks, fraud risks, information security risks and outsourcing risks.

Legal and compliance risks

When determining legal risks arising due to or in connection with charges filed against the bank (passive processes), the competent legal unit assesses the risk parameters with respect to their probability of occurrence as well as any potential effects in terms of quantity and quality. Identified legal risks are limited and reduced by legal or procedural measures, or provisions are set up to provide a corresponding buffer.

With regard to the associated compliance risks, the fundamental aim is to avoid these and to comply with banking supervisory standards, consumer protection requirements and regulatory provisions. In accordance with AT 4.4.2 MaRisk, these risks include the risk of losses incurred by the bank as a result of non-compliance with legal regulations and requirements (standards).

A compliance management system (CMS) is in place to ensure that compliance risks are avoided. The risk and compliance management system is reviewed on an ongoing basis in order to fulfil the constantly evolving regulatory requirements and any changes in the risk situation. The compliance management system ensures adherence to legal and ethical standards and protects against unlawful behaviour. It comprises measures to prevent, monitor and sanction breaches of the rules with the aim of ensuring that the bank operates on the market with integrity and in accordance with the law. This system also includes the fight against money laundering, white-collar crime and terrorist financing.

The cornerstone of the compliance culture is DKB AG's Code of Conduct, which serves as a normative guide for employees in their day-to-day work. It lists the main legal and social requirements, including insider knowledge, competition law, protection of intellectual property, data protection, confidentiality, information security, employee responsibility, protection against discrimination and transparent communication. The Code applies to all business areas, employees and members of the Board of Management and Supervisory Board.

The compliance risk is determined on a regular basis and at least annually on the basis of the existing processes. In addition to general process information, the potential financial risks, regulatory sanctions and possible reputational risks are included in the assessment of a process.

Compliance risk management includes the ongoing monitoring of legal standards, regular controls for significant compliance risks and the involvement of the MaRisk compliance function in consultation sessions and further developments, particularly in the context of adjustment processes in accordance with MaRisk.

Regular reports are submitted to the Board of Management to ensure that compliance risks are addressed systematically.

Fraud risks

The risk of criminal offences that could jeopardise the institution's assets is identified and assessed by means of a risk analysis. A distinction is made between:

a) Criminal offences which are directed at DKB AG either externally or internally and which could therefore pose a direct threat to the bank's assets, and

b) Criminal offences directed at clients of DKB AG that could pose an indirect threat to the bank's assets (e.g. in the form of loan defaults or damages and goodwill payments).

Criminal offences directed externally or internally at DKB AG are criminal offences that are targeted directly at DKB AG and pose a risk to the assets of, or compliance with the laws applicable to, DKB AG. The zero-tolerance principle is our utmost priority.

To this end, DKB AG has issued guidelines and monitors compliance as part of its second-line function with the aim of increasing the probability of criminal offences being detected, striving to conduct targeted investigations in suspected cases and imposing appropriate consequences if suspicions of both internal and external compliance cases are confirmed. In the long term, this is designed to help establish an effective culture of prevention within the DKB Group and prevent criminal offences. In the event of suspected criminal activity, the zero-tolerance principle includes, among other things, the rejection or termination of a business relationship, refusal to execute a transaction, criminal charges, the submission of a suspected money laundering activity report and the minimisation of losses through the systematic pursuit of civil law options, taking into account possible reputational risks as well as proportionality and financial considerations.

To prevent criminal offences, we ensure that regular risk-oriented training is offered and that all organisational units and subsidiaries are informed, and made aware, of fraud patterns, trends and relevant current incidents. DKB AG also cooperates with the relevant investigating authorities in Germany to protect against criminal offences that could jeopardise the bank's assets.

Criminal offences committed by third parties against DKB AG clients include criminal offences that third parties use to target clients and which could lead to indirect reputational damage or, in the context of reimbursements, to financial losses for the bank.

DKB AG pursues a risk-oriented approach to these cases in line with its risk management principles.

To this end, the relevant DKB AG client service unit always weighs up economic, security and user-related aspects to protect its clients, determines its "risk appetite" and implements safeguards to limit risks.

Information security risks

As a result of the DKB AG business model, there is a particular focus on information security risks. These risks include the loss of confidentiality of information and the limited availability of systems.

The top priority of the information security policy is to protect the confidentiality, integrity, authenticity and availability of the bank's own information and resources, and those entrusted to it, in order to safeguard the value chain of banking and business-related processes and to ensure that the Group can achieve its corporate objectives. This includes protecting both IT systems and related processes against IT attacks (cyber risks) from outside (e.g. via the Internet). DKB AG evaluates and develops specific measures to improve security controls on an ongoing basis.

The management and monitoring of information security is performed by the Information Security Officer as part of the Information Security Management System (ISMS).

Information security defines appropriate regulations and minimum standards in guidelines, which are operationalised in a risk-oriented manner while taking cost-effectiveness considerations into account. Information security uses deviation analyses to guarantee adequate protection for primary and secondary assets (information network). In addition, processes are in place to analyse the impact of an information security incident on information security and the implementation of resulting measures.

DKB AG has established an Information Security Risk Management (ISRM) process to identify and address information security risks. Taking the defined risk appetite into account, DKB monitors information security risks as part of the ISRM process and takes appropriate action as and when necessary.

The Board of Management of DKB AG receives updates on information security risks from the Information Security Officer on at least a quarterly basis. The information security

objectives and strategic approaches are monitored using key risk indicators (KRI).

The importance of the human factor in information security is taken into account through extensive training and awareness-raising measures, as well as through the internal control system and the process controls defined as part of this system.

Outsourcing risks

The outsourcing risk describes the risk of loss or damage for DKB AG resulting from non-compliance with agreements or the non-availability of the outsourcing company.

In view of Sections 25a and 25b KWG in conjunction with AT 9 MaRisk, outsourcing is a particularly important topic. Responsibility for the outsourced process or activity always remains with DKB AG.

The overall conditions for monitoring and managing the in-house and statutory requirements, and with regard to quality control for outsourced services, are defined by the central outsourcing management team at DKB AG.

The Board of Management of DKB AG approves all material outsourcing arrangements.

Material outsourcing arrangements are monitored on a quarterly basis using defined KRIs/KPIs. Depending on how the KRIs/KPIs develop, control measures are initiated and action taken. The Board of Management is provided with information on outsourcing risks on a quarterly basis in the NFR report, and also as part of a separate annual report.

Reporting

From the monthly risk reports it receives, the Board of Management obtains an overview of the level of losses incurred, observed accumulations as well as the development of OpRisk-relevant indicators on an ongoing basis. Particularly relevant risk information is communicated directly to the Board of Management. There is also the NFR report, which provides further detailed information on the development of significant operational risks on a quarterly basis. This comprehensive reporting ensures that operational risks are managed promptly and effectively.

In addition, the DKB Group is included in the Group-wide risk management system and therefore in the reporting process of the BayernLB Group. All OpRisk events, including risks, are then reported to BayernLB on a regular or ad hoc basis.

Development of the risk situation

The profile of operational risks is characterised primarily by the Internet-based processes in the retail clients business. In the first instance, operational risks exist in terms of system availability for seamless settlement of all transactions, disruption of the bank's client access due to external influences, the security of data from unauthorised access, account opening or credit fraud with falsified documents and fraud with electronic payment means. In addition to direct financial losses, the occurrence of such risks can also result in a change in the public perception of DKB AG and thus lead to reputational risks (see chapter "Further risks"). These can have an indirect negative impact on the liquidity situation (withdrawal of deposits) and the continued achievement of the business objectives of DKB AG (acquisition of new clients).

The German Federal Office for Information Security (BSI) continues to rate the threat situation for information security as high due to Russia's war of aggression against Ukraine. Germany is not, however, the main focal point, although the IT security situation can change at any time. Potential effects of the current situation on DKB AG and the existing security mechanisms are being analysed on a regular basis, and irregularities are detected using a specific set of rules. Employees are also provided with regular information to raise their awareness. So far, no specific campaigns with an impact on DKB AG have been identified.

Furthermore, a query was conducted among the bank's service providers with regard to outsourcing and, according to the feedback provided, no services are provided, and no data is stored, in Russia, Belarus or Ukraine, nor are there any service providers based in these countries.

In the context of business operations, relevant risks currently arise in particular in connection with transactions in Internet banking and DKB apps, the use of cards and the granting of loans. The majority of the loss potential for clients is associated with the use of online banking or the banking app, in which clients disclose their data, in particular TANs, to an unauthorised third party. The methods used by unauthorised third parties are becoming increasingly sophisticated and

include contact by email, telephone or text message. The aim is always to obtain the client's access data in order to execute transactions against the compromised account.

The total losses incurred in 2023 due to operational risks, after implementation of measures to reduce losses, were up considerably compared to the previous year and, as of the reporting date, amounted to EUR 30.1 million (31 December 2022: EUR 9.8 million). The increase is mainly due to fraud in cashless transactions.

In addition to the industry security standard of two-factor authentication, DKB AG is continuously developing numerous preventive measures, and expanding existing measures, to protect its clients. These range from technical security measures, to processes and communications to protect clients, to campaigns to raise client awareness of current fraud scenarios and ways in which they can protect themselves.

The Board of Management is provided with regular and, if necessary, ad hoc information on the development of risks and losses.

Other risks

Reputational risks

The way in which stakeholders perceive DKB AG's competence, performance, integrity and trustworthiness forms its reputation.

Reputational risk is defined as the risk that negative public criticism or the bank's own negative image, both externally and internally, could lead to a loss of reputation from the point of view of the stakeholders and cause financial losses for DKB AG. Reputational risks exist, in particular, in the context of unexpected outflows of client deposits, as well as the consequence of a massive loss of trust in the bank's creditworthiness or IT security with impacts on liquidity holdings and refinancing costs.

Reputational risks can generally arise in all business activities. In addition to direct financial losses, the occurrence of loss events can also result in a change in the public perception of DKB AG and thus lead to reputational risks. These can have an indirect negative impact on the liquidity situation (e.g. withdrawal of deposits). This is why, among other things, liquidity risks are considered in conjunction with reputational risks in the context of risk-bearing capacity.

Central principles for protecting the Group against reputational loss/damage are set out in the written rules (SfO).

Reputational risk is monitored and managed using a separate set of rules, including strategy, a specific guideline, various topic-specific policies and corresponding definitions of tasks and authorities for employees, managers and other roles specific to reputational risk. These rules also stipulate that the Central Reputational Risk Management is to be involved in all matters associated with a reputational risk, and has a right of veto in matters that entail a high reputational risk. These matters can also include high-risk business activities that fall within the scope of existing ESG standards and policies relating to environmental or social issues, for example.

The development of this type of risk is reported in the NFR report and in the risk status on a quarterly basis. The situation with regard to DKB's reputational risk is currently to be classified as slightly increased due to issues that have arisen in the retail clients segment.

Business risks

Business risks comprise the risk of economic losses induced by unexpected changes in the economic, legal, regulatory, political, technological, social or ecological business environment that were not already explicitly or implicitly regarded as other risk types included in the risk-bearing capacity statement. Business risks also include strategic risks.

As part of strategic controlling, the Corporate Development & Solutions division monitors the implementation of the corporate strategy on an ongoing basis and reports to the Board of Management. The corporate concept and all sub-strategies developed based on this concept are reviewed in full at least once a year. In the event of any significant deviations and changes in the influencing factors, a root cause analysis is carried out and, where appropriate, early checks are performed on, and changes made to, both the measures designed to allow for target achievement and, if necessary, the (sub-)strategies themselves. As far as operational controlling is concerned, the achievement of financial targets is monitored on a monthly basis by the Finance division.

Business and strategic risk is taken into account in the monthly risk-bearing capacity calculation. The procedure used is based on the deviations observed in the past between planned and actual values for selected earnings components. As of 31 December 2023, the risk capital requirement was EUR 0 million (31 December 2022: EUR 0 million).

Investment risks

Investment risks comprise counterparty default risks from investment positions. These relate to potential losses in value due to the provision of equity or equity-type financing (such as silent partnerships) from liability risks, as well as losses in value from payment obligations or profit transfer agreements. Loans to participating interests form an element of the counterparty default risk.

The investment strategy governs the principles for entering into equity risks and risks from equity-like financing.

With regard to strategic participations, DKB AG strives to set the strategic direction in line with the current business strategy and multi-year planning as well as the risk strategy of the DKB Group. This generally takes place by acquiring majority shareholdings. Furthermore, it is possible to influence the business and risk policies of the investee companies by taking appropriate measures (articles of association, rules of procedure, membership of supervisory bodies, etc.) or by concluding appropriate inter-company agreements.

The portfolio management of the entire shareholding and participation portfolio is carried out by the Board of Management.

The Legal and Management Staff division and the Compliance & Support division are responsible for the continuous monitoring and control of shareholder risks. In contrast to the monitoring of investment risks, the monitoring of credit risks from loans granted to subsidiaries is the responsibility of the Credit Risk and Portfolio Management and Risk Controlling divisions.

The impacts that investment risks have on the risk-bearing capacity are detailed in the monthly reports by Risk Controlling. In addition, the Legal and Management Staff division reports regularly to the Board of Management. It prepares a quarterly report on the participations. Furthermore, the Supervisory Board is given an annual participation report for their information. The Supervisory Board also receives information on the current participation topics at its regular meetings. The Board of Management is promptly informed of any matters relating to the participations.

For the investment portfolio, the risk capital requirement is calculated using the risk weighting method based on the probability of default in accordance with Art. 155 of the CRR, or based on a carrying amount approach for the investment in Visa Inc. The risk capital requirement amounted to EUR 52 million as of 31 December 2023 (previous year: EUR 44 million).

Internal control system in relation to the accounting process

Objectives and organisation

As the legal representative of DKB AG, the Board as a whole is, pursuant to Section 264 HGB in conjunction with Section 242 HGB, responsible for preparing the annual financial statements and management report of DKB AG and, pursuant to Section 290 HGB, the consolidated financial statements and Group management report of the DKB Group. The Board as a whole bears responsibility for the structure, i.e. the design, implementation, maintenance and monitoring of an appropriate and effective internal control and risk management system with respect to the accounting process. On the recommendation of the Chief Financial Officer, the full Board of Management decides on all strategies and key issues.

An internal control and risk management system relevant for the accounting process, however, cannot give absolute certainty as to whether the related objectives will be achieved. As with all discretionary decisions, those relating to the establishment of appropriate systems may, in principle, be flawed due to errors, misconceptions, changes in environmental variables or unlawful circumventions. Due to these limits, incorrect statements in the financial statements may not be discovered or prevented with absolute certainty.

Our internal control and risk management system with respect to the accounting process reflects the organisational structures and workflows. While the management accounting is decentralised with respect to the recording of business transactions, the bookings relating to the annual financial statements and the preparation of the financial statements and consolidated financial statements are exclusively the responsibility of the Finance division. With respect to the organisational structure, there is a clear separation of the activities relating to execution, booking and administration. Furthermore, there are clear responsibility structures, function allocations and separations of the divisions and employees involved in the accounting process. In addition to largely standardised processes and software, adequate instructions for core activities and processes are set out in our organisational structure. In addition, the “two pairs of eyes” rule is obligatory for large business transactions. The measures for the organisational structure comprise the regulations internal to DKB as well as subsidiaries. The supervisory committees of the major Group companies largely have the same members, which ensures uniform management.

The Finance division is responsible for the proper execution of accounting, including the proper implementation of the requirements of the European Single Electronic Format (ESEF) reporting format, and for the establishment and effectiveness of the accounting process. The major tasks in this respect include the preparation of the annual and consolidated financial statements, the development of accounting policies, the initiation of projects relating to the accounting processes and, in cooperation with the Corporate Development & Solutions division, the preparation of the management report and the Group management report. The Finance division is also responsible for implementing the relevant accounting standards and the legal accounting requirements as embodied in the accounting directives. These directives, which are an important component of the accounting-based internal control system, consist of the (Group) accounting manual, rules of procedure and work instructions, and team manuals, as well as specialised and product concepts. The annual financial statements and consolidated financial statements and the management and consolidated management report prepared on the basis of the accounting directives are prepared by the Board as a whole, audited by the auditor and submitted to the Supervisory Board for adoption and approval. The Supervisory Board has formed an Audit Committee that is responsible for discussing the audit reports and making preparations for the Supervisory Board’s decision to adopt or approve the annual financial statements, consolidated financial statements,

management report and consolidated management report. The Audit Committee is also responsible for monitoring the accounting process and the effectiveness of the internal control, audit and risk management system. The auditor participates in the Supervisory Board's accounts review meeting and reports on the significant results of the audit, in particular material weaknesses in the internal control and risk management system in relation to the accounting process.

The Audit division audits the business operations of DKB AG and reports to the Chair of the Board of Management. The audit activity is based on a risk-oriented audit approach and comprises all the relevant activities and processes of DKB, including the outsourced activities. It includes a review of the effectiveness and appropriateness of the internal control system and risk management. Internal Audit carries out its task independently of the activities, processes and functions to be audited, taking into account the relevant applicable legal and regulatory requirements. In order to be able to carry out its duties, Internal Audit has a full and unrestricted right to information on activities, processes and the IT systems.

Control environment and control procedures
The Compliance & Support division, which is assigned to the Chief Financial Officer, is responsible for monitoring compliance with statutory and regulatory requirements.

All the risk management regulations and rules relevant to the accounting-related internal control system are reviewed and updated on a regular basis.

DKB has implemented a number of controls to ensure complete and correct processing of business transactions, including proper booking, data input and documentation. In particular, these include clear segregation of functions, a differentiated access and authorisation concept, and ongoing controls in terms of the workflow, taking into account the "two pairs of eyes" rule as well as system-based controls within the IT systems employed. As part of the internal controls, the focus is mainly on coordinating the general and subsidiary ledgers, monitoring manual bookings and executing booking runs. This process is supplemented by additional controls and coordination to ensure appropriate transfer of the data between various IT systems. In the course of preparing the financial statements, the technically correct recognition of the underlying facts is checked by means of the "two pairs of eyes" rule, and quality assurance measures are carried out with respect to the data and information included in the annual financial statements and consolidated financial statements and in the management report and consolidated management report. The data of the Group companies included in the consolidated financial statements is reported in a uniform, standardised schedule of items using consolidation software implemented throughout the Group. The approval of the audited subsidiaries' figures by the appointed auditors is also carried out in the consolidation software.

Our accounting process is subject to regular controls with respect to inherent risks in order to be able to initiate relevant measures for the further development of the internal control system.

We have outsourced part of our services, mainly IT services, services relating to securities settlements and the card business, to external companies. The integration of the outsourced areas into DKB's internal control system is largely ensured by the outsourcing officers, who are responsible for the ongoing monitoring of the respective external service provider. In addition to the checks carried out by the internal audit departments of the outsourced companies, the outsourcing measures are audited by the Internal Audit unit of DKB AG at regular intervals.

Opportunities report

Opportunities profile and opportunities management

DKB regards opportunities as being positive deviations from its plans in terms of strategy and market development. Strategic opportunities for the company arise in connection with the implementation of measures initiated in line with our strategy. The effects realised via these measures can be more extensive or occur sooner than expected in our planning.

Market opportunities arise with market developments that occur more strongly than expected in DKB's favour irrespective of strategic decisions. These can arise due to regulatory amendments, particularly favourable developments on the (financial) markets or from positive business trends that arise at short notice.

The management of opportunities is linked to company management

DKB integrates opportunity development directly into its strategic corporate plan. As part of its forward-looking management, the Board of Management and the business units directly assigned to it regularly analyse short-, medium- and long-term market developments. They identify trends and devise possible development scenarios based on facts.

An important factor for deciding which resources will be made available for the development of additional potential in the respective segments is their expected effect on results and our estimate of their probability of occurrence.

DKB continually adapts its assessment of the opportunities by continuously observing the markets and trends, as well as through established feedback processes. The high degree of up-to-date information in the evaluations allows quick reactions to short-term events and developments.

Current opportunities situation

Overall, we are sticking to our strategic focus, even against the backdrop of the current developments as described above.

Thanks to our balanced positioning in our various business segments, we see ourselves as resistant to crisis. This allows us to adopt an innovative and forward-looking approach, especially with regard to sustainable transformation in the context of renewable energies. In addition to limiting climate change, this also involves mitigating the emerging risks of social divisions in our society, e.g. by financing affordable housing.

We assess the opportunities available to DKB as follows:

In the **retail clients segment**, the demand for digital channels has increased due to the increased use of digital banking solutions. With our innovative and intuitive new banking universe, we strive to fulfil our clients' evolving requirements with regard to digital solutions. In line with this quest, our focus is on profitable growth and the continuous further development of our features and products. In addition to the desire for seamless technological solutions, we are increasingly picking up on a need among our clients to take social and environmental concerns into account when conducting their own banking transactions. We want to make our contribution to this trend in the retail clients segment.

In all client groups in the **business clients** segment, the energy, heating and mobility transitions remain topics that are becoming increasingly important. Our clients are focusing on investing in the necessary infrastructure and energy-saving measures, particularly in the real estate sector, as well as on switching to fossil-free energy production. Policymakers have set the regulatory course for the expansion of renewable energies, in particular, and will continue to improve the overall conditions that apply in this area. The transformation process we have embarked on is relevant for all of our client groups and our clients see it as an opportunity to further develop their business models. Sustainability investments will require considerable capital over the coming years. We will remain on hand for our clients as a reliable financing partner in this area.

In particular thanks to our successful digitalisation of the lending process, we are planning further efficiency gains in the medium term, simplifying work processes and freeing up capacities for other activities. This could have either a positive or moderating effect on DKB's administrative expenses.

The increase in the number of new market participants such as fintechs and proptechs as a result of advances in digitalisation offers the opportunity for cooperation in deploying highly technical, innovative solutions and new technologies and thus improving our market position. DKB is appropriately positioned to take advantage of these opportunities.

The plans for the ecological and social transformation of the economy and society at large driven by policymakers, society and science offer us numerous opportunities as a bank. We can provide our clients from the renewable energy sector with even better support as they strive for decarbonisation and, with our financing, can also provide a helping hand to industries whose path to climate neutrality involves a greater need for transformation.

As market participants and central banks increase their focus on sustainability, investor interest in sustainable financial offers could increase sharply. Based on DKB's excellent reputation in this field, which has been further strengthened by the issuance of numerous green and social bonds, demand for DKB's investment products could grow at a higher rate than expected. In addition, there are numerous European and international initiatives for the political and regulatory promotion of sustainable business models. Should these proposals lead to concrete political or regulatory measures to support sustainable lending business, this could be advantageous for DKB. The probability of this scenario occurring is considered to be rather low. DKB is appropriately positioned to take advantage of opportunities as and when they arise.

In addition, there could be an unexpected short-term boost from the regulatory environment: pending regulatory changes could result in lower equity than planned and result in more financial leeway for DKB. At present, the bank regards the probability of this scenario materialising to be very low.

Report on expected developments

Expected developments in the business environment

Cautious economic recovery expected

Further developments on the financial markets will once again depend to a considerable degree on geopolitical factors, energy prices and inflation trends, and the resulting economic effects. The unpredictability of political events and their economic impact means that any forecasts are associated with considerable uncertainty. As a result, we expect the money and capital markets to remain highly volatile in the future, with interest rates likely to be lower overall.

According to estimates by the German Council of Economic Experts from November 2023, falling inflation and rising incomes were expected to gradually lead to a modest recovery in the German economy over the course of 2024, with gross domestic product tipped to increase by 0.7%. Now, however, the Council of Economic Experts is forecasting a gloomier outlook for the German economy. Various economists have lowered their economic forecasts for 2024, while the German government only predicts stagnation in its annual economic report.

Deutsche Bundesbank believes that the German economy is under structural pressure to adapt as a result of decarbonisation, which has been exacerbated by the uncertain geopolitical situation and the climate crisis. Accordingly, credit risks are likely to arise in the medium term, particularly for companies with high debt levels that will have to make considerable adjustments to adapt to the new overall conditions.

The ECB's key interest rate hikes have led to higher financing costs, which is putting a damper on investment and is also having an impact on demand for loans. The trend towards weaker credit growth could continue. The ECB is expected to cut interest rates for the first time in 2024.

In addition, energy prices could rise again, for example due to the discontinuation of energy subsidies in Germany, the conflict in the Middle East and a potential reduction in oil production volumes by the OPEC-plus alliance, triggering a renewed surge in inflation in the future.

We have reflected the considerable degree of uncertainty surrounding future economic development in our projections by considering various scenarios. With regard to our client groups, we expect the expansion targets set out in the Renewable Energy Sources Act for the period leading up to 2030 to have a positive impact and to accelerate the expansion of renewable energies.

Expected development of the banking market

The changes in the interest rate environment with the end of the period of low and negative interest rates presents banks with new challenges. While rising interest rates in the lending business tend to increase financing costs for retail and business clients, banks can benefit from higher coupons on the assets side. On the deposit side, new opportunities are emerging for both banks and clients due to the higher interest rates. Deposits are an attractive source of refinancing for banks, which is reflected in increased competition with regard to conditions and deposits, a trend that is also benefiting clients. At the same time, it remains important for banks to maintain a diversified refinancing mix so that they have options available to them to react to different market situations.

In the banking environment, further consolidation is expected, as is an increased introduction of or increase in fees. Neobanks and BigTechs are increasingly making inroads into the banking business. Artificial intelligence, robotic process automation, blockchain technology, cloud computing and data analytics are creating a whole range of new opportunities for banking business.

From the perspective of banks, this means taking very extensive measures to drive the digitalisation of internal business processes. In this environment, banks are starting to evolve into platform organisations. Platforms are digital ecosystems for client relationships. In order to remain competitive, many banks plan to expand their business model using digital ecosystems that extend far beyond conventional banking IT.

Consumers increasingly prefer contactless and mobile payment methods. The boom in contactless payments at the checkout since the start of the COVID-19 pandemic is continuing, and the number of electronic transactions continues to rise, although cash remains an important means of payment.

Against this backdrop, the ECB is now working on the development of a digital euro and has completed the two-year investigation phase. During the preparatory phase, which has been under way since November 2023, a set of rules for a possible digital euro is to be finalised. The aim is also to select providers that could develop a platform and the necessary infrastructure. These plans are scheduled to have been finalised by November 2025.

In addition, there is a trend emerging towards climate-aware and sustainable action. The topic is increasingly influencing consumer behaviour and is also becoming a key driving force behind the transformation of the banking industry. Against this background, sustainable financial products will play an increasingly important role.

Within this context, we are taking a close look at the question of the impact that our financing has. We are convinced that this is the crucial aspect of sustainability for banks. As far as our clients are concerned, we expect the demand for green bonds and sustainable investments to increase significantly in years to come. The importance of taking ESG factors into account has increased significantly in recent years. In this context, our sustainable orientation and the increased focus on communications create growth potential that can be effectively harnessed.

Expected developments within the Group

DKB Group	Actual 2023	Forecast 2024
Net interest income	EUR 1,937.0 million	**Significantly below 2023 level** In view of the expected interest rate trend, we anticipate a reduction in net interest income.
Risk result	EUR –63.3 million	**Significantly higher negative impact than in 2023** Due to the uncertain overall conditions, we expect to see a much lower risk result.
Net commission income	EUR 130.1 million	**Significantly above 2023 level** An expansion in the commission business is expected for both retail and business clients.
Profit/loss before taxes	EUR 1,001.8 million	**Significantly below 2023 level** The reduction in net interest income will translate into lower earnings.
ROE	19.9%	**Between 14% and 18%** In line with our earnings development with strengthened capital resources through reinvestment, we expect to see a drop in RoE.
CIR	39.3%	**Between 44% and 46%** The reduction in gross earnings with virtually constant administrative expenses will lead to an increase in the CIR.

DKB AG	Actual 2023	Forecast 2024
Profit reported before the addition pursuant to Section 340g HGB and income taxes	EUR 860.7 million	**Significantly below 2023 level** In line with the development in the consolidated financial statements, we expect the profit reported before the addition pursuant to Section 340g HGB and income taxes to be lower in 2024 than in 2023.

Expected developments in the segments

Segments	Actual 2023	Forecast 2024
Retail clients	Volume of receivables: growth of EUR 1.5 billion	Volume of receivables: growth of EUR 2–3 billion
Business clients	Volume of receivables: growth of EUR 4.0 billion	Volume of receivables: growth of EUR 3–4 billion
Retail and business clients	Deposit volume: growth of EUR 18.7 billion	Deposit volume at previous year's level

We are investing to accelerate our growth and transformation into a tech bank. Investments are being made primarily in core products, scalability and automation in order to achieve future growth targets and to be able to react quickly to internal and external requirements. The focus is on a simple and scalable operating model that enables us to achieve profitable growth and promises a higher satisfaction factor in our day-to-day work. We are ambitious. In the German banking market – a challenging market subject to high client demands – we aim to play a leading role. We want to maintain our high levels of profitability in the long run, thus securing DKB's future viability and competitive standing.

Retail clients segment

In the retail clients segment, we are continuing to pursue our sustainable and profitable growth strategy. Our anchor product for attracting new clients remains our free current account for clients with EUR 700 in incoming funds or for anyone under the age of 28. We also anticipate a continuous increase in card usage and a rising volume of foreign transactions in the card business.

Looking ahead to 2024, we are forecasting a continued moderate market recovery in the lending business. The sharp rise in prices and higher interest rates are, however, creating a discrepancy between supply and demand, especially in mortgage lending. Due to the ongoing geopolitical and consumer market uncertainty, the development in consumer demand remains difficult to predict.

The securities business is also likely to be influenced by external factors and manifest itself in volatile markets, which could lead to cautious investor behaviour. In addition, the increased appeal of risk-free investment opportunities will influence developments in the securities business.

We are actively monitoring the interest rate decisions of the European Central Bank and are adjusting our deposit rates at regular intervals in order to be able to offer our clients attractive products in all product segments.

For the business with individual clients in the healthcare and freelance professions segments, as well as wealthy retail clients, we expect to see a highly competitive environment in 2024 due to the only slight decline in interest rates and the only slight dip in property prices. To improve scalability, streamlined processes and product standardisation will remain a focal point in 2024.

Business clients segment

We will continue to position ourselves as a strategic partner for financing the transformation process and support clients in our target sectors as they seek to turn the energy, heating and mobility transitions into a reality.

We do not expect to see any fundamental changes in the overall conditions relevant to our client groups in the coming year. We expect demand for loans in the renewable energies sector to continue unabated. The realisation of transformative investments, e.g. in grid infrastructure, will also depend on budgetary decisions at federal level and on clarity surrounding public subsidies. For our client groups outside of the energy generation and distribution segments, we expect to see a more restrained willingness to invest and new lending business that will be roughly on a par with the level seen in the reporting year due to the ongoing pressure on costs/margins and the fact that some aspects of the legal framework remain unclear.

In organisational and procedural terms, we expect to see positive effects from the strengthening of client support staff in the new energies client group and from the efficiency programme. We take account of increased demands for flexible financing in the energy sector in all client groups by adjusting financing parameters based on credit ratings.

On the risk side, we will continue to focus on the structural challenges facing the healthcare and nursing care sector and to monitor property price trends. We expect the resilience shown by our clients in previous years to continue in the year that lies ahead. In part due to our conservative valuation parameters for real estate collateral, we do not currently expect any serious increase in the risk provisioning requirements for the loan portfolio.

In the **local authorities and social infrastructure** client group, we expect to see rather restrained growth (local authorities) or stagnating business (social infrastructure) in 2024. We do not expect the tense financial situation faced by public budgets to improve in the coming year, either. The high level of investment required by local authorities to upgrade public infrastructure comes at a time when interest rates have also risen sharply. Rising financing costs are likely to weaken the high demand for loans among local authorities.

In the area of social infrastructure, we expect companies' propensity to invest and demand for financing to remain weak for the time being. There is still no end in sight to hospitals' difficult earnings and liquidity situation. The forthcoming hospital financing reform is also causing uncertainty and exacerbating the industry's existing reluctance to invest in the short term. We only expect to see an increase in investment again, and a corresponding rise in financing enquiries in this sector, once the impact that the reforms will have on hospitals becomes clear. Companies operating in the elderly care sector also continue to face major economic challenges. In the short term, sluggish payments from funding agencies are putting pressure on liquidity. In the medium and long term, the shortage

of skilled labour and the significant rise in financing costs will slam the brakes on urgently needed investments and put a damper on lending demand.

In the **energy and utilities** client group, we continue to expect stable, low-risk development in the industry. The development of energy market prices in the wake of the Russia-Ukraine conflict had an impact on some of our municipal utilities clients' balance sheets, but only had minor effects on the long-term investment activities of many municipal utilities companies. The investment requirements of target clients to ensure the stability of supply and waste disposal remain very high. The implementation of the energy, heat and mobility revolution will also translate into considerable capital requirements in the coming years. In this environment, the bank expects to see stable new lending business and will try to use this to offset the high level of repayments and achieve further growth.

As far as our **new energies** client group is concerned, we expect to see continued positive development in all core segments in 2024. The expansion pathways set out in the Renewable Energy Sources Act (EEG 2023) for the period leading up to 2030 will ensure continued high levels of new investment in renewable generation systems, with a focus on wind energy and photovoltaics. The EU's new Renewable Energy Directive (RED III) will also provide additional support. Among other things, the directive also sets out various simplification and acceleration requirements for the authorisation procedures for new systems that Germany will have to adopt. Against this backdrop, we expect the market to set new records for newly installed capacity both next year and in subsequent years, and we intend to participate fully in this trend. To this end, we have also specifically expanded our employee capacities in this client group and trained our employees accordingly.

When it comes to the financing of photovoltaic systems, we will focus on project financing for large free-standing and roof-mounted systems, on combined systems (e.g. PV systems with battery storage) and on innovative system concepts. We will also support the German government's ambitious renewable energy expansion targets through our centre of competence for civic participation, which enables citizens to make a financial contribution to renewable energy plants in their region.

In addition to the energy transition, the German government and numerous commercial enterprises are increasingly focusing on the heating and transport transitions. This will also lead to a further increase in investments in sector coupling projects. As a result, we also expect demand for financing for storage projects, power-to-X projects and charging infrastructure concepts to pick up in the energy solutions subsegment in 2024. Our goal is to raise our profile as a partner for cross-sector energy projects even further in the future and to continuously increase the associated financing volume.

Against the backdrop of population growth in conjunction with reduced new construction activity, demand for housing is expected to remain high. As new residential construction in this segment remains a goal that has the support of policymakers, the development of the **residential** client group is also expected to be positive in 2024. Consequently, key growth drivers in this sector remain intact in the medium term and will receive ongoing support in the coming years through the huge investment required to achieve the climate targets for the real estate industry.

Due to the long-term planning and permit approval periods, however, negative factors in the current market environment and the associated cuts/delays in investment plans could continue to weigh on demand for lending in this sector next year. As a result, we expect the volume of assets in the residential client group to continue to grow in 2024, although growth will be comparable to that witnessed in the current reporting year. In view of our nationwide local presence and our focus on financing affordable housing, however, we believe we are well positioned in this environment too.

Developments in the client group of **administrators** are expected to be positive in 2024. There are around 43.4 million homes in Germany, ten million of which are owner-occupied. Demand for property will continue to rise over the next few years, partly due to the political push for residential construction. Due to the large number of older existing properties in Germany and in view of the climate targets to be achieved in the real estate industry, there is considerable potential for refurbishment work.

This will create rising demand over the next few years for financing solutions for energy-efficient refurbishment. As a result, we believe our product range puts us in a good position to realise innovative, climate-friendly and age-appropriate projects in jointly owned properties. In house, we are continuing to work on process optimisation and digitalisation so that we can meet the requirements of this sector.

In the **tourism** client group, we expect transaction volumes to remain at a low level with a slight upturn in the second half of 2024 due to the fact that pricing between sellers and buyers has not yet been finalised. Irrespective of the existing interest in the asset class, the high equity requirements for borrowers due to the interest rate level will limit the number of potential buyers. The dynamic regulatory development in sustainability requirements is prompting portfolio managers to analyse and plan ESG investments in greater depth, with these investments also likely to be implemented in subsequent periods. As a result, we expect to see moderate growth in our receivables volume due to a revival in demand for financing from the second half of the year.

In the **agriculture and food** client segment, we expect the volume of business to remain unchanged in 2024. The uncertainty surrounding overall conditions in agriculture, especially in livestock farming, is not expected to be resolved at any time in the near future. We expect impetus to come from investments in the field of renewable energies. In the food business, we expect growth to continue in 2024 due to the ongoing need for investment, particularly to improve processes, expand the product range and reduce reliance on external energy supplies.

Mandatory offers for financial **civic participation** in the field of renewable energies will significantly increase the demand for civic participation products in the coming years. In line with its range of products and services for civic participation, DKB will play a significant role in this as the largest provider of financing for renewable energy systems in Germany.

The market environment for communal living projects in the real estate sector remains challenging. New projects continue to be hampered in particular by the increased interest rates, the unclear subsidy situation and volatile construction costs.

In the 2024 financial year, capacities will gradually shift towards new digital solutions in the administration business thanks to the progress made in digitalising lending processes. The aim is to renew the technical basis in order to expand our market leadership and automate processes in this client group. Interfaces to the client are to be optimised further.

Financial markets segment

We will continue to pursue our tried-and-tested refinancing strategy, which is based on client deposits, capital market issues and the development business. For the purposes of our liquidity reserve, we are concentrating on a portfolio of highly liquid bonds from issuers with strong credit ratings. We will continue to focus on sustainable bonds in the future.

As far as the 2024 financial year is concerned, we expect to see further adjustments within the funding landscape and anticipate a corresponding need for advice. The budget freeze imposed by the German government in November 2023 will have a further impact on the funding landscape. We expect the programmes for new residential construction and energy-efficient refurbishment to be developed further. We are also eagerly awaiting the introduction of individual funding measures as part of the "Federal Action Plan on Nature-based Solutions for Climate and Biodiversity" (ANK) of the agricultural development bank Landwirtschaftliche Rentenbank in cooperation with the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV).

The development of new business in relation to on-lending loans in 2024 will depend on further political and economic developments and, in particular, on the interest rate level and on non-subsidy-related / mandatory subsidy-based conditions. The renewed increase in the EU interest rate benchmark from 1 April 2024 will further reduce the appeal of some funding programmes (with regard to non-subsidy-related conditions).

It remains to be seen whether the amendments to the General Block Exemption Regulation (GBER) and the resulting increase in allowances for subsidies will have a significantly positive effect on investment behaviour in our client groups.

The long-standing collaboration with the European Investment Bank will be continued in 2024.

"Other" segment

DKB Service GmbH will continue its activities in 2024 in line with its task profile for the DKB Group. The focus remains on continuing with the transformation of our organisation.

Conclusion

We expect to see stable business development in our retail and business clients market segments, which will once again translate into a very good result in 2024. The extraordinarily positive effects from the sharp rise in interest rates, however, will no longer apply in this financial year. We also expect the difficult economic situation to have a greater impact on our result due to increasing risk provisions. Against this backdrop, we expect earnings to remain at a very good level in 2024, but to be significantly lower than in 2023. The volatile environment creates risks, particularly with regard to interest, risk and valuation results.

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Consolidated balance sheet

As of 31 December 2023

Assets

in EUR million	Notes	31 Dec. 2023	31 Dec. 2022
Cash reserves	(7/39)	1,099.0	1,045.2
Loans and advances to banks	(8/40)	35,392.8	25,761.5
Loans and advances to clients	(8/41)	94,775.3	89,258.1
Risk provisions	(9/42)	–399.4	–371.4
Portfolio hedge adjustment on the assets side	(10)	–2,612.4	–3,762.4
Assets held for trading	(11/43)	75.6	98.7
Positive fair values from derivative financial instruments (hedge accounting)	(12)	0.7	0.1
Financial investments	(13/44)	5,652.4	8,401.1
Property, plant and equipment	(15)	89.0	144.5
Intangible assets	(16)	127.4	110.9
Current income tax assets	(27/45)	8.5	7.6
Deferred income tax assets	(27/45)	47.9	115.4
Non-current assets held for sale	(17)	26.1	
Other assets	(18/46)	233.9	225.4
Total assets		**134,516.8**	**121,034.8**

For mathematical reasons, rounding differences of +/– one unit may arise in the table.

Liabilities

in EUR million	Notes	31 Dec. 2023	31 Dec. 2022
Liabilities to banks	(19/47)	16,126.0	23,326.6
Liabilities to clients	(19/48)	102,313.2	85,232.3
Securitised liabilities	(19/49)	4,868.0	4,653.9
Trading liabilities	(20/50)	85.4	99.4
Negative fair values from derivative financial instruments (hedge accounting)	(21)	2.7	1.1
Provisions	(22/51)	205.5	145.8
Current income tax liabilities	(27/52)	158.2	68.6
Deferred income tax liabilities	(27/52)	–	–
Other liabilities	(23/53)	567.2	489.5
Subordinated capital	(24/54)	4,151.8	1,804.7
Equity	(55)	6,038.8	5,212.9
Equity excluding non-Group shares		6,026.4	5,202.1
Subscribed capital		339.3	339.3
Capital reserve		2,814.4	2,814.4
Retained earnings		2,120.3	2,003.3
Revaluation reserve		–59.2	–198.7
Consolidated net retained profits/net accumulated losses		811.6	243.8
Minority interests		12.4	10.9
Total liabilities		**134,516.8**	**121,034.8**

For mathematical reasons, rounding differences of +/– one unit may arise in the table.

Consolidated statement of comprehensive income

for the period from 1 January 2023 to 31 December 2023

Income statement

in EUR million	Notes	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
Interest from financial instruments calculated using the effective interest method		1,930.4	1,293.8
Interest income		3,378.7	1,715.5
Positive interest expenses		0.7	162.9
Interest expenses		–1,448.6	–428.4
Negative interest income		–0.3	–156.2
Other interest		6.6	19.2
Interest income		12.4	20.1
Positive interest expenses		0.9	1.0
Interest expenses		–6.7	–1.8
Negative interest income		–	–0.1
Net interest income	(29)	1,937.0	1,312.9
Risk provisions result		–58.9	–12.5
Result from the disposal of AAC-category financial instruments		–4.3	–3.0
Risk result	(30)	–63.3	–15.6
Net interest income after risk result		1,873.7	1,297.4
Commission income		459.9	436.2
Commission expenses		–329.8	–348.1
Net commission income	(31)	130.1	88.1
Gains or losses on fair value measurement	(32)	38.5	–38.3
Gains or losses on hedging transactions (hedge accounting)	(61)	–54.4	–175.1
Gains or losses on financial investments	(33)	–25.0	–3.1
Administrative expenses	(34)	–795.3	–735.4
Expenses from bank levies, deposit guarantee scheme and banking supervision	(35)	–100.5	–85.0
Other income and expenses	(36)	0.7	5.6
Restructuring and transformation result	(37)	–66.0	1.4
Profit/loss before taxes		**1,001.8**	**355.6**
Income taxes	(27/38)	–308.8	–132.5
Consolidated profit/loss		**693.0**	**223.1**
attributable to DKB AG owners		688.7	220.1
attributable to minority interests		4.3	3.0

For mathematical reasons, rounding differences of +/– one unit may arise in the table.

Reconciliation of total comprehensive income for the period

in EUR million	1 Jan.–31 Dec. 2023	1 Jan.–31 Dec. 2022
Consolidated profit/loss	**693.0**	**223.1**
Temporary components of other comprehensive income not recognised in profit or loss		
Changes in the revaluation reserve from FVOCIM financial instruments	**139.6**	**–215.3**
Change in measurement	169.3	–312.9
Change in portfolio due to realisation of profit or loss	32.3	1.8
Change in deferred taxes	–62.1	95.8
Components of other comprehensive income permanently not recognised in profit or loss		
Changes from the revaluation of defined-benefit pension plans	**–4.6**	**25**
Change in measurement	–6.7	36.1
Change in deferred taxes	2.1	–11.1
Other comprehensive income	**134.9**	**–190.3**
Total comprehensive income	**828.0**	**32.8**
attributable to DKB AG owners	823.7	29.8
attributable to minority interests	4.3	3.0

For mathematical reasons, rounding differences of +/– one unit may arise in the table.

Consolidated cash flow statement

in EUR million	2023	2022
Consolidated profit/loss	**693.0**	**223.1**
Non-cash items included in consolidated profit/loss and reconciliation to cash flow from operating activities		
Depreciation, allowances and attributions on/to receivables, property, plant and equipment, and financial investments	155.6	95.8
Changes to provisions	87.6	9.4
Changes to other non-cash items	59.5	309.4
Result from the sale of financial investments and property, plant and equipment	0.1	0.1
Other adjustments (on balance)	–1,936.2	–1,312.3
Subtotal	**–940.3**	**–674.5**
Change in assets and liabilities from operating activities after correction for non-cash components		
Loans and advances to banks	–9,602.0	1,946.7
Loans and advances to clients	–5,564.5	–5,137.8
Securities (insofar as these are not financial investments)	3,003.9	393.3
Other assets from operating activities	–846.4	3,351.2
Liabilities to banks	–7,281.5	–17,166.8
Liabilities to clients	17,082.5	1,756.5
Securitised liabilities	193.5	440.2
Other liabilities from operating activities	–27.3	715.5
Interest and dividends received	3,322.9	1,860.5
Interest paid	–1,553.0	–510.2
Income tax payments	–0.8	–0.7
Cash flow from operating activities	**–2,213.2**	**–13,026.0**
Payments received from the sale of financial investments	–	51.9
Payments received from the sale of property, plant and equipment and intangible assets	2.2	0.2
Payments made for the acquisition of financial investments	0.0	–0.1
Payments made for the acquisition of property, plant and equipment and intangible assets	–54.8	–60.8
Cash flow from investing activities	**–52.7**	**–8.9**

For mathematical reasons, rounding differences of +/– one unit may arise in the table.

in EUR million	**2023**	**2022**
Payments made to shareholders and non-controlling interests	–2.7	–3.0
Payments received from issuing subordinated capital	2,351.0	650.0
Payments received from the repayment of subordinated capital	–28.6	–0.8
Cash flow from financing activities	**2,319.7**	**646.2**
Cash and cash equivalents as of the end of the previous period	**1,045.2**	**13,433.9**
Cash flow from operating activities	–2,213.2	–13,026.0
Cash flow from investing activities	–52.7	–8.9
Cash flow from financing activities	2,319.7	646.2
Cash and cash equivalents as of the end of the period	**1,099.0**	**1,045.2**

For mathematical reasons, rounding differences of +/– one unit may arise in the table.

Notes to the cash flow statement

The cash flow statement presents the development and composition of the cash and cash equivalents for the financial year, and is divided into the sections "Operating activities", "Investing activities" and "Financing activities".

Cash flow from operating activities is presented based on the consolidated profit/loss using the indirect method.

Here, payment flows from receivables and liabilities vis-à-vis banks and clients, securities held for trading, securitised liabilities and other assets and liabilities are shown. Interest and dividend payments resulting from operating activities are also included.

The cash flow from investing activities comprises the payment processes for the investments and securities portfolio as well as property, plant and equipment.

Cash flow from financing activities shows the cash-effective portion of the change in subordinated capital and payments to the company shareholders. The non-cash changes in subordinated capital totalling EUR 24.7 million relate to accrued interest.

The cash and cash equivalents reported are equivalent to the cash reserve balance sheet item and thus include cash on hand and balances with central banks.

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Capital reserve	Retained earnings	Revaluation reserve	Consolidated net retained profits/ net accumulated losses	Equity before minority interests	Minority interests	Total equity
As of 31 December 2021	**339.3**	**2,814.4**	**1,671.2**	**16.6**	**330.2**	**5,171.7**	**10.9**	**5,182.6**
Changes in the revaluation reserve from FVOCIM financial instruments	–	–	–	–215.3	–	–215.3	–	–215.3
Changes from the revaluation of defined-benefit pension plans	–	–	25.0	–	–	25.0	–	25.0
Other comprehensive income	**–**	**–**	**25.0**	**–215.3**	**–**	**–190.4**	**–**	**–190.4**
Consolidated profit/loss	–	–	–	–	220.1	220.1	3.0	223.1
Total comprehensive income	**–**	**–**	**25.0**	**–215.3**	**220.1**	**29.7**	**3.0**	**32.7**
Capital increases/capital reductions	–	–	–	–	–	–	0.0	0.0
Changes in the scope of consolidation and other changes	–	–	–	–	–	–	–	–
Transfers into/removals from reserves	–	–	307.1	–	–306.4	0.6	–	0.6
Distribution	–	–	–	–	–	–	–3.0	–3.0
As of 31 December 2022	**339.3**	**2,814.4**	**2,003.3**	**–198.7**	**243.8**	**5,202.1**	**10.9**	**5,212.9**
Changes in the revaluation reserve from FVOCIM financial instruments	–	–	–	139.6	–	139.6	–	139.6
Changes from the revaluation of defined-benefit pension plans	–	–	–4.6	–	–	–4.6	–	–4.6
Other comprehensive income	**–**	**–**	**–4.6**	**139.6**	**–**	**134.9**	**–**	**134.9**
Consolidated profit/loss	–	–	–	–	688.7	688.7	4.3	693.0
Total comprehensive income	**–**	**–**	**–4.6**	**139.6**	**688.7**	**823.7**	**4.3**	**828.0**
Capital increases/capital reductions	–	–	–	–	–	–	–	–
Transfers into/removals from reserves	–	–	121.7	–	–121.0	0.6	–	0.6
Distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–2.7**	**–2.7**
As of 31 December 2023	**339.3**	**2,814.4**	**2,120.3**	**–59.2**	**811.6**	**6,026.4**	**12.4**	**6,038.8**

For mathematical reasons, rounding differences of +/– one unit may arise in the table.

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Notes to the consolidated financial statements

The consolidated financial statements of Deutsche Kreditbank Aktiengesellschaft (DKB), with its registered office at Taubenstrasse 7–9 in 10117 Berlin, Germany (Berlin-Charlottenburg Local Court, commercial register number: HRB 34165), were prepared in compliance with Section 315e (1) of the German Commercial Code (HGB) and EC Regulation No 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as other regulations on the adoption of specific international accounting standards on the basis of the International Financial Reporting Standards (IFRSs) adopted and published by the International Accounting Standards Board (IASB). Along with the standards designated as IFRSs, the IFRSs also encompass the International Accounting Standards (IASs) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). These consolidated financial statements are based on the IFRSs as applicable in the EU.

All mandatory standards and interpretations were taken into consideration, where relevant to the DKB Group.

The consolidated financial statements include the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the Notes, including segment reporting. The reporting and functional currency is the euro.

The consolidated management report is printed in a separate section of the annual report. Part of the risk reporting is presented as a component of the risk report in the consolidated management report.

In addition to the comments in the risk report, please refer to the disclosures on risks associated with financial instruments in accordance with IFRS 7.31-IFRS 7.42 in Note 68 "Risks from financial instruments".

To improve the transparency and informative value of the Notes, the DKB Group makes use of the option in IAS 1.31 to waive certain IFRS disclosure requirements insofar as this information is not material for an understanding of the DKB Group's net assets, financial position and results of operations. As a result, the Notes do not provide any further information on the items investment property, property, plant and equipment, intangible assets and non-current assets or disposal groups held for sale, or on leases in accordance with IFRS 16.

All amounts are shown in millions of euros (EUR million) unless otherwise indicated. For mathematical reasons, rounding differences of +/– one unit may arise.

General accounting policies

(1) Fundamentals of consolidated financial reporting

The consolidated financial statements were prepared under the assumption that this is a going concern. Income and expenses are accrued and recognised through profit or loss for the period to which they relate.

Accounting in the DKB Group is performed according to uniform Group accounting and measurement methods.

The consolidated financial statements contain values which we have determined using estimates and assumptions, as permitted. The estimates and assumptions used are based on historical information and other factors, such as expectations with respect to future events. The estimates and assessments themselves, as well as the underlying assessment factors and estimate methods, are regularly examined and compared against the actually occurring events. In our view, the parameters used are appropriate. Estimation uncertainties result, inter alia, during the determination of provisions, risk provisions in the lending business, deferred tax assets and during the fair value determination of financial instruments.

When determining provisions, estimation uncertainties exist with respect to the settlement amount and the likelihood of occurrence.

For financial instruments measured at amortised acquisition costs, the Group publishes the fair value. In principle, there is little to no trading activity for these financial instruments, which is why significant estimates by management are required to determine the fair value.

Financial assets, liabilities and derivative hedging instruments are classified and measured in accordance with the principles of IAS 32, IAS 9 and IFRS 13.

Assets are recognised if the company has control over them as a result of past events and if an economic benefit can be generated from this right.

Obligations are recognised if the company is obliged to transfer economic resources as a result of past events.

IFRSs applied for the first time

All standards and interpretations that are mandatory in the EU for the 2023 financial year were taken into account in the preparation of the consolidated financial statements. We have opted against the early application of standards and interpretations that are not to be implemented until the 2024 financial year or later.

In the 2023 financial year, the following new or amended standards and interpretations were applicable for the first time:

- In February 2021, the IASB published amendments to IAS 1 "Presentation of Financial Statements", which specify the disclosures in the Notes on accounting policies. In addition to the amendments to IAS 1, IFRS Practice Statement 2 was also amended to provide guidance to entities on the practical application of the concept of materiality to accounting policy disclosures.
- In February 2021, the IASB issued amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which introduced a definition of an accounting estimate.
- In May 2021, the IASB published amendments to IAS 12 "Income Taxes". They clarify that deferred tax should be recognised for transactions that give rise to taxable and deductible temporary differences of the same amount on initial recognition of an asset and a liability.
- In December 2021, the Organisation for Economic Co-operation and Development (OECD) published global rules to combat base erosion and profit shifting (BEPS) as part of the Pillar 2 framework. For further information, please refer to Note 27 "Taxes".
- In May 2023, the IASB published further amendments to IAS 12 "Income Taxes" to introduce a mandatory temporary exemption for the recognition of deferred taxes resulting from the implementation of the Pillar 2 model rules and the disclosure requirements.
- The new standard IFRS 17 "Insurance Contracts", which replaces IFRS 4 "Insurance Contracts", sets out new regulations regarding the accounting of insurance contracts. The provisions of IFRS 17 always apply if the criteria for definition as an insurance contract are met. Contracts meet this definition when one party accepts significant insurance risk from another by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. When issuing guarantee agreements, DKB always has an immediate right to claim the guarantee amount paid back from the policyholder. A credit assessment is always performed on the policyholder before a guarantee is issued. This assessment takes into account stringent lending criteria, which require a good credit rating and/or loan collateralisation. This means that DKB is not exposed to any significant insurance risk.

The changes have no material impact on the consolidated financial statements of the DKB Group.

IFRSs to be applied in the future

Amendments to IAS 1 "Presentation of Financial Statements", IAS 7 "Statement of Cash Flows", IFRS 7 "Financial Instruments: Disclosures" and IFRS 16 "Leases" have been published for financial years beginning on or after 1 January 2024.

Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" are mandatory for financial years beginning on or after 1 January 2025.

As expected, the amendments have no impact on the DKB Group.

(2) Changes on the previous year

The accounting policies applied in the reporting period are the same as those applied in our consolidated financial statements as of 31 December 2022.

(3) Principles of consolidation

In the consolidated financial statements, the parent company DKB and the subsidiaries included in the group of consolidated companies are presented as one economic unit.

Subsidiaries comprise all companies that are controlled by the DKB Group, regardless of their legal structure. A subsidiary is deemed to be controlled when the DKB Group is exposed to variable return flows from the commitment with this company or has rights to these and the ability to influence these returns by means of its decision-making power over the company.

Variable returns are all returns that can vary depending on the performance of the company. Consequently, returns from the commitment to another company can be both positive and negative. Variable returns include dividends, fixed and variable interest, remunerations and fees, fluctuations in the value of the investment and other economic advantages and disadvantages.

The DKB Group has decision-making powers over a company if it has rights that give it the current ability to control the relevant activities of the company. The relevant activities are those which, depending on the nature and purpose of the company, have a significant impact on its cash flows. These may also be structured entities in which voting rights or similar rights are not the dominant factor in assessing control.

The assessment as to whether decision-making power exists takes place on the basis of the relevant activities of the company and the DKB Group's powers to exert influence in this regard. In this process, both voting rights and other contractual rights to control the relevant activities are taken into consideration, unless economic or other obstacles exist for the exercise of the existing rights. A subsidiary is also controlled by the DKB Group if the decision-making power is exercised by a third party in the interests or on behalf of the DKB Group. Whether such a delegated decision-making power exists is determined on the basis of the existing powers to appoint people to boards and committees, the legal and constructive decision-making leeway and on the commercial incentive structure.

In individual cases, DKB directly or indirectly holds proportions of voting rights in excess of 50% in companies which, due to contractual or legal restrictions, do not bring with them the corresponding controlling influence. In such cases, no control is assumed for the purposes of defining the group of consolidated companies, despite a majority shareholding. Conversely, in individual cases, DKB holds a controlling influence due to contractual rights to influence legal relationships, despite holding fewer than 50% of the voting rights.

Subsidiaries are included in the consolidated financial statements by means of full consolidation. At the time of acquisition, insofar as a business combination in accordance with IFRS 3 is involved, the acquisition costs of the subsidiary are offset against the Group's share in the fully recalculated equity as part of capital consolidation. This equity is the balance between the assets valued at their respective fair values at the time of initial consolidation and the debts of the acquired company, taking into consideration the deferred taxes as well as discovered hidden reserves and hidden charges. If asset-side differences arise between the higher acquisition costs and the proportionate, newly calculated equity, these are disclosed in the balance sheet as goodwill under intangible assets. Any remaining negative difference is recognised as income at the time of acquisition.

All receivables and liabilities, income and expenses as well as intercompany profits and losses from intercompany transactions are eliminated as part of the consolidation of debts, expenses and income and the elimination of intercompany profits and losses, unless they are not of minor significance.

Shares in subsidiaries, which, due to their subordinate significance for the net assets and financial position and results of operations of the DKB Group, are not consolidated, are accounted for in accordance with the recognition and measurement provisions of IFRS 9 as financial instruments of the FVPLM category.

Joint arrangements are based on contractual agreements, on the basis of which two or more partners can establish a commercial activity which is subject to joint management. Joint management exists when the partners must work together to manage the relevant activities of the joint arrangement and when decisions require the unanimous agreement of the partners involved. Such a joint arrangement is a joint venture when the partners who exercise the joint management have rights and obligations with respect to the net assets of the arrangement. If, on the other hand, the partners have direct rights to assets attributable to the joint arrangement or obligations for their debts, the arrangement is deemed to be a joint operation.

Associates are companies over which DKB can exercise, directly or indirectly, a significant influence but not a controlling influence. A significant influence is deemed the ability to participate in the financial and operational policy decisions of another company, without, however, controlling it. Significant influence is deemed, in principle, to exist when DKB as an investor directly or indirectly holds 20% or more of the voting rights. A company can also be deemed to be an associate if DKB directly or indirectly holds less than 20% of the voting rights, but, due to other factors, is able to participate in the financial and operational policy decisions of the company. This includes, in particular, the participation of the DKB Group in the company's decision-making body.

There are currently no material joint ventures or associates included in accordance with the equity method. Shares in joint ventures or associates, which, due to their subordinate significance for the net assets and financial position and results of operations of the DKB Group, are not included in the consolidated financial statements in accordance with the equity method, are accounted for in accordance with the recognition and measurement provisions of IFRS 9 as financial instruments of the FVPLM category and reported under financial investments.

(4) Scope of consolidation

In addition to DKB, the consolidated financial statements as of 31 December 2023 include seven subsidiaries in which DKB AG holds 100% of the capital either directly or indirectly.

As in the previous year, DKB AG also holds 50.1% of the shares in its subsidiary Bayern Card-Services GmbH – S-Finanzgruppe (BCS). The co-shareholder of BCS (Bayern Card Services Beteiligungs GmbH Co. KG) holds the remaining share of 49.9%. This is reported in the DKB Group under non-controlling interests.

In addition, the three DKB sustainability funds in which DKB AG holds a stake are also included in the scope of consolidation. The DKB sustainability funds are managed by BayernInvest Luxembourg S.A. (an affiliate of DKB AG). The financial liabilities to the non-Group shareholders of the DKB sustainability funds are reported under other liabilities. The financial year of the DKB sustainability funds ends on 31 March, meaning that they have a different reporting date to the DKB Group. For the purposes of consolidation within the DKB Group, BayernInvest Luxembourg S. A. provides DKB AG with an IFRS reporting package as of the reporting date of the DKB Group in accordance with the requirements set out in IFRS 10.B92.

The group of consolidated companies or companies measured in accordance with the equity method was determined in accordance with materiality criteria. Companies measured in accordance with the equity method are not included in the consolidated financial statements. A complete overview of the subsidiaries included in the consolidated financial statements is provided in the shareholding list (see also Note 72 "Shareholdings").

(5) Currency translation

All assets and liabilities in foreign currencies are translated into the functional currency, the euro, on initial recognition at the spot rate applicable on the respective transaction date. In the following periods, a differentiation will be drawn between monetary and non-monetary items for currency translation. Monetary assets and debts denominated in foreign currencies are translated at the rate on the balance sheet reporting day. Non-monetary assets and debts in foreign currencies are not included in the consolidated financial statements. Profits and losses arising from the currency translation are recognised in profit and loss.

Specific accounting and measurement methods

(6) Financial instruments

Recognition and measurement

A financial instrument is a contract which simultaneously leads to the creation of a financial asset for one company and to the creation of a financial liability or an equity instrument for another. Financial instruments are recognised in the accounts as of the date from which the company drawing up the accounts becomes party to the contract and is entitled/obliged to perform/render the agreed services/considerations. In this process, purchases or sales of securities are recognised as of the trading day.

A financial asset or financial liability is first recognised in the initial measurement at fair value. Financial instruments, which are accounted for at amortised cost or at fair value through other comprehensive income (FVOCI), are measured taking into consideration transaction costs directly attributable to the acquisition of the financial instrument. For financial instruments that are recognised at fair value in the subsequent measurement (FVPL), there is an immediate recognition of the transaction costs through profit or loss.

The subsequent measurement of financial instruments is based on their assignment to certain measurement categories. IFRS 9 classifies financial assets using the respective business model for managing financial assets and the contractually agreed repayment and interest payment terms.

IFRS 9 distinguishes between the following business models:

- The objective of the "hold" business model is to hold financial assets to collect the contractual cash flows.
- The objective of the "hold and sell" business model is to collect the contractual cash flows and sell the financial assets.
- Financial assets held for trading or those not meeting the criteria of the two business models mentioned above are allocated to a residual business model.

The business model underlying the loan portfolio of the DKB Group is derived from the business strategy as well as the client group and functional strategies. These are determined by the Board of Management as part of the strategy process. The aim of the DKB Group is to enter into long-term and valuable client relationships. This strategic orientation is also reflected in the risk strategy and multi-year planning of the DKB Group. Against this background, the loan portfolio of the DKB Group was largely allocated to the "hold" business model. Sales from the loan portfolio are unusual in the DKB Group. The bank has adopted regulations which, under certain conditions, permit a harmless sale from the "hold" business model. The regulations take into account the reason (primarily the sale due to a deterioration in the client's creditworthiness or due to exceptional circumstances or to avert a loss for DKB) and the effects (primarily measured by the gross carrying amount of the transactions sold in relation to the total gross carrying amount or by the disposal result in relation to the total gross interest income/expense of the respective segment) of possible sales.

The securities held by the DKB Group primarily serve to secure liquidity as part of liquidity management in accordance with regulatory requirements and the Group's strategic objectives. They are part of a business strategy, the objective of which is to hold securities in order to collect their contractual cash flows. As part of the liquidity and earnings management, sales are also carried out on an ad-hoc basis. As a result, the securities of the DKB Group were allocated to the "hold and sell" business model.

For financial instruments of the "hold" and "hold and sell" business models, the extent to which the contractual terms of the financial asset result in cash flows that represent exclusively principal and interest payments on the outstanding principal amount (the SPPI criterion) must be assessed upon addition of the financial asset.

The lending business of the DKB Group is based on loan agreements that exclusively contain terms and conditions that result in repayments and interest payments on the outstanding principal amount.

With the exception of the investment funds held by the Group, the securities portfolio of the DKB Group exclusively comprises principal and interest payments on the outstanding capital amount.

In accordance with IFRS 9, a financial asset:

- Is to be allocated to the category "at amortised cost" (AAC category) if it is subject to the "hold" business model and is SPPI-neutral. In this case, it is measured at amortised cost.
- Is to be allocated to the category "fair value through other comprehensive income mandatory" (FVOCIM category) if it is subject to the "hold and sell" business model and is SPPI-neutral. In this case, it is measured at fair value with no effect on income.
- Is to be allocated to the category "fair value through profit and loss mandatory" (FVPLM category) if it is subject to the residual business model or if it is detrimental to the SPPI criterion. In addition, equity instruments and derivatives are also assigned to this category. In this case, the fair value is measured through profit or loss.

The DKB Group does not make use of the option to voluntarily allocate financial assets to the two fair value categories (designation). Accordingly, no financial instruments are allocated to the categories "fair value through other comprehensive income designated" (FVOCID category) or "fair value through profit and loss designated" (FVPLD category).

Financial instruments in the AAC and FVOCIM categories with impaired creditworthiness at the time of acquisition are classified as "purchased or originated credit-impaired financial assets" (POCI) in accordance with IFRS 9. POCIs are measured at amortised cost or at fair value with no effect on income, taking into account a credit-risk-adjusted effective interest rate (CAEIR).

The financial liabilities "at amortised cost" (category AAC) include financial instruments that are not held for trading and for which the fair value option is not applied. They are measured at amortised cost.

Modifications

For contract amendments to financial assets and financial liabilities that change the contractual cash flows but are not significant enough to result in derecognition, the gross carrying amount of the financial instrument is recalculated by discounting the modified contractual payments at the original effective interest rate or the credit-risk-adjusted effective interest rate (non-significant modification). Any resulting modification is recognised in the income statement under net interest income (for Stage 1 receivables) or in the risk result (for Stage 2 or Stage 3 receivables or POCI receivables). In subsequent accounting, the resulting modification recognised is amortised over the remaining term of the financial instrument. Amortisation is reported under net interest income.

If the contractual rights to cash flows are modified so that they are de facto deemed to have expired or lapsed, the financial instrument is derecognised and the modified financial instrument is recognised (significant modification). The DKB Group identifies such a significant modification on the basis of qualitative factors such as debtor or product changes or a change in the present value of the contractual rights to cash flows of at least 10%. Any resulting income or expense is recognised in profit or loss in the risk result.

Fair value option

In accordance with the provisions set out in IFRS 9.4.2.2, financial liabilities can be irrevocably designated at fair value through profit or loss upon initial recognition (fair value option). The DKB Group uses this option for the financial liabilities to non-Group shareholders of the DKB sustainability funds, which are reported under other liabilities, in order to ensure that the changes in the value of the assets and liabilities of the DKB sustainability funds are recognised appropriately in the fair value result.

The fund/liability is managed on a fair value basis in accordance with the requirements of IFRS 9.4.2.2 (b), meaning that the conditions for using the fair value option are met.

The results from the measurement of the financial liabilities to the non-Group shareholders of the funds are recognised in gains or losses on fair value measurement. There are no changes in value resulting from the default risk of the DKB Group that have to be shown in the revaluation reserve under equity in accordance with IFRS 9.5.7.7.

Determination of fair value

The fair value of an asset is, according to IFRS 13, the amount at which this could be sold between knowledgeable, willing and mutually independent business partners. The fair value thus corresponds to a sales price.

For liabilities, the fair value is defined as the price at which the debt could be transferred to a third party within the framework of a normal transaction. In addition, the bank's own default risk must be taken into consideration when measuring debts.

The relevant market for determining the fair value is, in principle, the market with the highest level of activity to which the DKB Group has access (main market). If there is no main market, the most advantageous market is used. To determine the fair value, the quoted market price (taken over unchanged) for an identical instrument in an active market is used, where possible (Level 1). These include investment funds and bonds which are traded in highly liquid markets.

If no quoted prices are available, the fair value is determined, where possible, using measurement methods for which the measurement parameters are directly (as prices) or indirectly (derived from prices) observable and do not fall under Level 1 (Level 2). This can include quoted prices in active markets for similar financial instruments, quoted prices in inactive markets, other observable input parameters (such as interest rates and exchange rates) or market-supported input factors. The objective here is to determine the price at which a normal transaction could take place among market participants at the measurement date under current market conditions. These include off-market derivatives and debt securities that are not allocated to Level 1.

If this market-oriented valuation is also not possible, the DKB Group uses valuation techniques that are also based on input factors not observable on the market (Level 3). The financial instruments in this category have at least one input parameter which is not observable on the market and has a material influence on their fair values (such as internally calculated margins and creditworthiness spreads). These include off-market derivatives, advances to clients and company shares.

If the fair value of the financial instrument is determined on the basis of several measurement parameters, the overall fair value is allocated in accordance with the measurement parameter with the lowest level material to the fair value calculation.

To identify whether there is an active market, the DKB Group examines the extent to which tradable prices are present in the Bloomberg BondTrader trading system, so that it can be assumed that business transactions occur at a sufficient frequency and in sufficient volumes so as to enable the continuous availability of price information.

In the DKB Group, recognised measurement models are used which are mainly based on observable market data. The measurement models mainly encompass the discounted cash flow method and the option price models.

The fair values of interest-bearing financial instruments are determined using the discounted cash flow method. For lending transactions, the credit-risk-adjusted cash flow is discounted in principle using the risk-free yield curve, which has been adjusted by a transaction-specific spread. In addition to a margin to cover costs and profit expectations, this spread includes a premium that the bank pays for its own borrowing on the capital market. In the case of liability transactions, cash flows are discounted using the risk-free yield curve and a liquidity spread that reflects the current creditworthiness of the DKB Group.

The fair values of receivables acquired on the non-performing loan market and secured with real estate are determined via the discounting of the recovery value of the relevant collateral over the estimated use period with a risk-adjusted interest rate.

The collateral is measured, in principle, from capitalised earnings value perspectives, predominantly in combination with a review of the value against benchmark values. Observable market parameters (bid prices for other properties) are also used as benchmarks to determine the recovery values, as is information from previous transactions. The expected recovery period is determined in accordance with the forecast period required to establish delivery capability (depending on the form of recovery, such as foreclosure), plus the period to be calculated for the sale following the assessment of the relevant market situation. In some cases, experience from past transactions is also factored into the assessment of the recovery time (for example, the period between foreclosure acceptance and the time the money is received). Discounting takes place using the risk-free yield curve and a risk-adequate spread.

Investments not listed on the capital market are generally valued using the capitalised earnings method. The valuation-relevant cash flows are derived from the planning of the respective company. These are determined for the entire planning period. In addition, a forecast for the terminal value is prepared. The terminal value is derived from previous planning years and reflects the long-term sustainable assessment of business activity. The cash flows calculated in this way are discounted using the capitalisation rate. The terminal value is considered separately, as a growth discount is taken into account here and is used for a perpetual annuity. The capitalisation rate is calculated using the Capital Asset Pricing Model (CAPM), which takes into account the risk-free base rate, a market risk premium and a company-specific beta factor that describes the correlation between the fluctuation in value of the company being valued and the fluctuation in value of the market.

The preference shares of Visa Inc. held by DKB AG are valued on the basis of the market price of Visa Inc. ordinary shares, taking into account the expected subscription ratio.

OTC derivatives such as interest rate swaps are valued on the basis of the cash flow structure, taking into account nominal values, residual maturities and the agreed interest payment method. The cash flow structure is determined using the agreed cash flows and forward curves. Discounting takes place using yield curves with matching currencies and maturities. The choice of yield curve takes into account whether the derivative is secured or unsecured.

Interest options are measured using the option price models.

For unsecured OTC derivatives, the counterparty default risk, the bank's own default risk and the liquidity costs are all taken into consideration.

The financial liabilities to non-Group shareholders of the DKB sustainability funds are calculated based on the fund prices and the amount of the non-Group shares.

Financial instruments which are not measured at fair value are not managed on the basis of their fair value. This is the case for loans and deposits, for example. The fair value is only calculated for such instruments for the purposes of disclosure in the Notes. Changes to the calculated fair values have no impact on either the consolidated balance sheet or the consolidated statement of comprehensive income.

Day-one profit or loss

The use of a valuation model can lead to differences between the transaction price and the fair value at the time of acquisition. If the relevant market for determining the fair value differs from the market in which the transaction was concluded and the valuation model is not based exclusively on observable inputs, these differences (known as day-one profits or losses) are recognised on a straight-line basis as a day-one profit or loss reserve over the term of the corresponding financial instruments.

The DKB Group concludes derivatives with its customers. These transactions are not executed on the interbank market (main market). The valuation model takes into account the counterparty default risk, meaning that it is not based exclusively on observable inputs. The difference between the transaction price and the fair value calculated at the time of acquisition is recognised as a day-one profit or loss reserve in assets held for trading and is reversed on a straight-line basis over the term.

The day-one profits are not part of the fair values. This means that the information on assets held for trading in Note 57 deviates from the balance sheet value in the amount of the day-one profit or loss reserve.

Hedge accounting

The DKB Group uses the IFRS 9 option of continuing to account for hedging relationships in accordance with IAS 39.

Hedge accounting in the DKB Group is based on risk management decisions to manage the interest rate risks of DKB AG. Further information on the risk strategy and on the management and monitoring of the interest rate risk can be found in the risk report in the combined management report.

As part of interest rate risk management, derivative financial instruments are used to hedge recognised financial assets. The hedging relationships that qualify for hedge accounting within the meaning of IAS 39 are currently exclusively fair value hedges. In this process, a recognised financial asset or a portfolio of financial instruments can be protected against changes in the fair value that arise from the interest rate risk and could have consequences on the result for the period. The DKB Group uses the portfolio hedge in the broader sense to secure the fixed interest rate position from the client loans business.

Within the framework of portfolio hedges in the broader sense, the interest rate risk is managed by the use of interest rate swaps. Calendar time buckets are defined for the portfolio, to which the expected payment flows (interest and repayments) from the receivables are assigned. Thus, the corresponding (partial) cash flows of a portfolio of underlying transactions are assigned to each time bucket. The hedging transactions are assigned to the time buckets in accordance with their due date. After the assignment of the underlying and hedging transactions, the proportion of each underlying transaction that is to be included in the hedging relationship of the time bucket (hedge ratio) is stipulated. When determining the hedge ratio, the terms of the underlying transactions and hedging transactions are taken into account in such a way that interest rate sensitivities are calculated for both sides and compared with each other. The interest rate swaps are fully designated as hedging transactions. The hedge ratio is held constant until the end of the hedging period and is the basis for prospective and retrospective effectiveness tests. The effectiveness is measured monthly per time bucket.

A high level of effectiveness is required here, whereby changes in the fair value of a secured underlying transaction are compensated for with respect to the secured risk and hedging derivative in a bandwidth of 80% to 125%. If the effectiveness of the hedging relationship is outside this range, the hedge is ineffective and must be dissolved at the time of the last proven effectiveness.

Possible causes of hedge ineffectiveness during the term are the following:

- Value fluctuations of the variable side of the hedging instruments, especially in the last interest period or after the last interest rate fixing
- Multi-curve effects resulting from the measurement of the underlying transaction and hedging instrument with different yield curves
- Differences between expected and actual payments, for example due to unscheduled repayments of the underlying transactions

A dynamic hedge strategy is used as part of the portfolio hedge in the broader sense. The predefined hedge period is one month. At the end of this period, the respective hedges are recompiled or adjusted, whereby the adjustment is made primarily on the basis of the varying underlying transaction side. Re-designations and de-designations of hedging instruments take place during the month, in line with the representation of the hedging relationships in risk management. The hedge strategy is documented during designation of the hedging relationship.

Interest rate swaps are measured at fair value; any resultant value changes are recognised through profit or loss under gains or losses on hedging transactions (hedge accounting). The hedging instruments are reported in the balance sheet item "Positive fair values from derivative financial instruments (hedge accounting)" or "Negative fair values from derivative financial instruments (hedge accounting)".

The book values of the underlying transactions are adjusted through profit or loss by the measurement results which can be traced back to the hedged risk. The adjustment takes place in the balance sheet item "Portfolio hedge adjustment attributable to assets". The measurement results are shown under gains or losses on hedging transactions (hedge accounting).

Derivative financial instruments in commercial hedge relationships that do not fulfil the prerequisites for hedge accounting according to IAS 39 are recognised in the assets or liabilities held for trading and measured at fair value. Current income and expenses are shown under net interest income; the valuation result is shown under gains or losses on fair value measurement.

Further information on the development of derivative transactions and hedging relationships (hedge accounting) in the year under review can be found in Note 61.

Derecognition

Financial assets are derecognised when the contractual rights to cash flow from the relevant assets have expired or when the Group has substantially transferred all opportunities and risks.

Financial liabilities are derecognised when the contractual obligations have been discharged, set aside or have expired.

Offsetting

Financial assets and financial liabilities are offset if, at the current time, there is an enforceable legal right to offset the amounts and the intention is to settle on a net basis (see Note 63).

(7) Cash reserves

The cash reserves encompass the cash in hand as well as credit balances with central banks. The cash reserves are allocated to the "hold" business model. There are no SPPI-harming agreements. They are recognised at nominal value on the basis of the AAC category.

(8) Loans and advances to banks and clients

The loans and advances to banks and clients are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and are not held for trading purposes.

Loans and advances to banks and clients are largely allocated to the "hold" business model and have only negligible SPPI-harming contractual components. Most of them are therefore in the AAC category. Premiums and discounts are distributed over the term in accordance with the effective interest method and included through profit or loss in the net interest income.

Due to the "hold and sell" business model, a small portion of receivables is allocated to the FVOCIM category and measured at fair value with no effect on income. The interest-rate-induced measurement result is recognised in the revaluation reserve. Credit-rating-related fair value adjustments are recognised in the income statement under provisions for losses on loans and advances in the statement of comprehensive income.

A further small portion of receivables is allocated to the FVPLM category due to SPPI-harming contractual agreements and measured at fair value through profit or loss. The measurement result is reported under gains or losses on fair value measurement in the statement of comprehensive income.

Loans and advances to clients also include financial instruments with a credit rating impaired at the time of acquisition (POCI).

(9) Impairments

The provisions of IFRS 9 on the recognition of impairment losses on financial assets relate to AAC and FVOCI financial instruments as well as financial guarantees and loan commitments.

Impairments due to changes in creditworthiness are shown in the balance sheet as follows:

- AAC-category receivables: reported under the asset item risk provisioning
- FVOCIM-category receivables: reported within equity
- Financial guarantees and loan commitments: reported under provisions in the lending business

Expenses for additions to loan loss provisions, income from the reversal of loan loss provisions and recoveries on loans written off are shown in the risk result in the statement of comprehensive income.

The impairment model of IFRS 9 provides for the following three levels that reflect the development of the credit quality of a financial asset:

- **Stage 1:** If a financial instrument is acquired and there is no significant increase in credit risk or no impaired creditworthiness (credit-impaired), the valuation allowances are measured at the amount of the expected twelve-month credit loss. In the DKB Group, valuation adjustments are calculated using parameter-based models.
- **Stage 2:** In the event of a significant increase in credit risk since addition, but in the absence of an impaired credit rating, the valuation allowances are measured at the amount of the credit losses expected over the term. In the DKB Group, valuation adjustments are calculated using parameter-based models.

  A significant increase in credit risk in the DKB Group is determined using a relative transfer criterion. The relative transfer criterion is based on the comparison of the rating of a financial instrument at the measurement date with its rating at the acquisition date. If a certain significance limit is exceeded as a result of the comparison, the credit risk of the financial instrument is deemed to have increased significantly. The significance limits are set for each rating sub-module, acquisition rating and the past term of the financial instrument. To determine the significance limit, each financial instrument is assigned an expected development of the probability of default (PD profile). Based on this expected normal migration behaviour of the financial instrument, a tolerance range is generated within which an increase in credit risk is not considered significant. The tolerance range is calculated on the basis of the one-year migration matrix valid for the financial instrument at the time of acquisition. The significance limit for each point in time is the sum of the expected PD profile and the defined tolerance limits. If the rating valid on the measurement date exceeds the significance limit valid for this date, the credit risk of the financial instrument is deemed to have increased significantly.

  In addition to the relative transfer criterion, an assignment is made to Stage 2 if there is a payment delay of more than 30 days, a forbearance measure is pending or if the loan is assigned to problem loan processing.

  A financial instrument is reclassified from Stage 2 to Stage 1 if the default risk is no longer significantly increased compared to the initial recognition on the balance sheet date. The procedure with regard to transfer between stages applies analogously to non-significantly amended financial instruments.
- **Stage 3:** In the case of a financial asset the creditworthiness of which is impaired as of the balance sheet date, the valuation adjustments are measured in the amount of the credit losses expected over the term. The DKB Group distinguishes between significant and insignificant receivables when determining the valuation adjustment. For individual loan commitments with a gross exposure of over EUR 750 thousand (significant receivables), risk provisions are calculated on the basis of expert estimates of expected recoveries, taking into account at least two possible scenarios and their probability of occurrence (discounted cash flow method). For non-significant receivables (with a maximum gross exposure of EUR 750 thousand), risk provisions are calculated using parameter-based models.

  The DKB Group considers the creditworthiness of a loan exposure to be impaired as soon as the DKB Group has to assume that the debtor will no longer meet its credit obligations in full. The DKB Group has defined the following indicators (impairment triggers):

  - Significant financial difficulties experienced by the debtor
  - Breaches of contract such as interest or principal defaults or default
  - Granting of (contractual) concessions to a debtor, such as deferrals, restructuring or waivers of claims
  - Possible insolvency or financial reorganisation of the debtor
  - The disappearance of an active market for the financial asset due to financial difficulties of the debtor

  In addition to these indicators, a credit exposure is considered impaired if contractually agreed payments of a significant amount are more than 90 days past due.

  These criteria are also used for internal credit risk management and are based on the regulatory definition of a defaulted loan pursuant to Art. 178 (1) CRR.

  As soon as the default criterion is no longer met, the financial instrument is reassigned to Stage 1 or 2. The allocation to Level 1 is made if the default risk is no longer significantly increased compared to the initial recognition on the balance sheet date. The procedure with regard to transfer between stages applies analogously to non-significantly amended financial instruments.

In the case of financial instruments with a credit rating impaired at the time of initial recognition (POCI), impairment losses are recognised for changes in expected credit losses over the term of the instrument since initial recognition. The risk-adjusted effective interest rate (CAEIR) is used as the discount rate when calculating expected credit losses.

When parameter-based models are used, the credit loss expected over the term is the sum of the individual expected period losses. The respective period losses result from the following key parameters:

- Probability of default (PD)
- Loss given default (LGD)
- Anticipated exposure at default (EaD)

One-year PDs are used to calculate the expected 12-month credit loss at Stage 1 and the level demarcation. The DKB Group primarily uses the models of Sparkassen Rating und Risikosysteme GmbH (SR) and Rating Service Unit GmbH & Co. KG (RSU). Lifetime PDs are also relevant for determining the credit loss expected over the term at Stage 2. For this purpose, PD profiles are made available to the DKB Group by SR and RSU. The PD profiles of RSU and SR are derived on the basis of historically observed information. No external default data is included in the determination of PD profiles. In addition, the bank's own expert estimates are used to a limited extent.

In addition to its own models, the DKB Group also uses RSU's LGD model to determine the LGDs. The models are based on historical portfolio data, taking into account macroeconomic factors (such as market price time series to reflect the performance of collateral).

The EaDs are derived from the expected cash flows of the respective financial instrument. In addition to contractually agreed cash flow factors, such as contractual rights for the client to terminate or extend the original term of the contract or the right to make unscheduled repayments, assumptions about the drawing behaviour of clients for products with an unused portion of the commitment are also taken into account. A credit conversion factor (CCF) is also used to calculate the EaDs for off-balance-sheet commitments.

The parameters used by DKB are regularly validated and quality assured by our own verifications of representativeness.

Future-oriented information is taken into account when calculating the expected credit loss. For each individual financial instrument, forward-looking information – provided it has a relevant impact on the respective financial instrument or the associated client – is first included in the determination of the various credit risk parameters (in particular PD and LGD). This also applies to relevant macroeconomic variables such as the expected development of interest rates and the inflation rate as well as future developments in the respective market (such as purchase price and rental price developments). For LGDs, forward-looking macroeconomic scenarios are also taken into account in order to reflect long-term price and value developments. In addition, effects are simulated in a post-model adjustment based on various macroeconomic scenarios and are taken into account in the expected credit loss.

The DKB Group's securities portfolio is primarily used for liquidity management and exclusively comprises securities with investment grade ratings. Due to this low risk of default, the option under IFRS 9 to waive the assessment of a significant increase in the default risk is used here as long as the security remains in the investment-grade range.

The expected credit loss is discounted using the original effective interest rate or an approximation thereof.

Depreciations are performed when, based on the current information, the conviction exists that all possible commercially reasonable measures to limit the loss have been taken. This is done, in principle, by writing off formed risk provisions. If no sufficient risk provisions were created, this is done via direct depreciation. The parameters for the model calculation have been maintained and updated.

(10) Portfolio hedge adjustment attributable to assets

In this balance sheet item, the book value adjustments for the underlying transactions designated in hedge accounting that are attributable to the hedged interest rate risk are recognised. The designated underlying transactions continue to be reported at amortised cost in the loans and advances to clients.

(11) Assets held for trading

Assets held for trading include derivatives concluded with our clients and derivative financial instruments with positive fair values concluded for hedging purposes which are not designated as hedging instruments within the framework of hedge accounting in accordance with IAS 39. Measurement is at fair value in accordance with the FVPLM category.

(12) Positive fair values from derivative financial instruments (hedge accounting)

This balance sheet item contains derivative financial instruments (interest rate swaps) with positive market values that are included in hedge accounting within the meaning of IAS 39. The derivative instruments (FVPLM category) are measured at fair value. The fair value changes in the hedging instruments are reported together with the fair value changes in the underlying transactions that result from the interest rate risk, under gains or losses on hedging transactions (hedge accounting).

(13) Financial investments

Financial investments consist mainly of debt securities and other fixed-income securities that are part of the "hold and sell" business model and do not have SPPI-harming characteristics. The bonds and other fixed-income securities are therefore categorised as FVOCIM. The interest-rate-induced measurement result is recognised in the revaluation reserve. Credit-rating-related fair value adjustments are recognised in the income statement under provisions for losses on loans and advances in the statement of comprehensive income. Premiums and discounts are amortised through profit or loss in the net interest income.

Equities and other non-fixed-income securities are also reported under financial investments. These are equity instruments that are allocated to the FVPLM category. Financial investments also include units in a fund categorised as FVPLM because it is detrimental to the SPPI criterion. Other financial investments are also allocated to the FVPLM category if they relate to equity investments in companies. The measurement result is reported under gains or losses on fair value measurement in the statement of comprehensive income. Other financial investments representing liabilities are allocated to the AAC category.

(14) Securities lending and repurchase transactions

Securities borrowed through securities lending transactions and securities purchased through repurchase agreements are not recognised in the balance sheet if beneficial ownership remains with the lender/repo seller of the securities. Instead, a corresponding receivable from the pension provider was recognised.

Securities lent or sold as part of a genuine securities repurchase agreement are reported in the securities portfolio and measured in line with the assigned portfolio. A corresponding liability to the pension recipient is reported.

Income and expenses resulting from these transactions are taken into consideration in the statement of income under the net commission income.

(15) Property, plant and equipment

Property, plant and equipment encompasses owner-occupied land and buildings, as well as operating and business equipment.

Initial recognition is at cost.

It is measured at amortised cost, i.e. the cost is reduced, in the case of depreciable assets, by straight-line depreciation in accordance with their useful life.

The DKB Group essentially applies the following useful lives:

IT equipment:	3 years
Mainframe computers:	5 years
Furniture:	10 years
Buildings:	50 years

Assets with a cost of up to EUR 250 are recognised immediately as an expense.

If an impairment arises, this is recognised as an impairment expense. If the reasons for the impairment no longer apply, attributions are made up to the amount of the amortised cost as a maximum.

Subsequently incurred acquisition or manufacturing costs are recognised as assets if they increase the commercial benefit of the property, plant and equipment. Maintenance costs are recognised in the relevant financial year as an expense.

Depreciation on property, plant and equipment is reported under administrative expenses. Write-ups are shown in other income and expenses.

(16) Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance, which is used to provide services or for administrative purposes. These primarily include licences and purchased software.

The development costs of internally generated intangible assets are capitalised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the costs can be measured reliably. Research costs are not capitalised, but rather are recognised in profit or loss.

Acquired intangible assets are initially recognised at their acquisition cost.

Intangible assets are amortised on a straight-line basis over their useful life, with standard software being amortised over a period of three years and customised software over five years.

Write-downs are recorded if there is an impairment or if an inflow of future economic benefits is no longer expected. Write-ups are made if the reasons for impairment no longer apply, up to a maximum of amortised cost.

Depreciation and impairments are posted in administrative expenses. Write-ups are shown in other income and expenses.

(17) Non-current assets or disposal groups held for sale

This balance sheet item comprises non-current assets classified as held for sale in accordance with IFRS 5.

The requirements for classification as held for sale are met if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the non-current asset is available for immediate sale in its present condition and the sale is highly probable. This requires a management decision to sell the asset, the expectation being that the sale will be completed within the next twelve months.

Non-current assets held for sale are recognised on the balance sheet date at the lower of the carrying amount and fair value less costs to sell, unless there is a measurement exception in accordance with IFRS 5.

(18) Other assets

Assets that cannot be assigned to any of the other asset items are posted under other assets. Measurement is based on the regulations that apply to the asset concerned.

(19) Liabilities

Bank loans and overdrafts and liabilities to clients as well as securitised liabilities are accounted for at amortised acquisition costs (LAC category). Premiums and discounts are distributed over the term in accordance with the effective interest method and included through profit or loss in the net interest income.

(20) Trading liabilities

Trading liabilities include derivatives entered into with our clients as well as derivative financial instruments with negative fair values entered into for hedging purposes, which are not designated as hedging instruments within the framework of hedge accounting in accordance with IAS 39. Measurement is at fair value in accordance with the FVPLM category.

(21) Negative fair values from derivative financial instruments (hedge accounting)

This balance sheet item contains derivative financial instruments (interest rate swaps) with negative market values that are included in hedge accounting within the meaning of IAS 39. The derivative instruments (FVPLM category) are measured at fair value. The fair value changes in the hedging instruments are reported together with the fair value changes in the underlying transactions that result from the interest rate risk, under gains or losses on hedging transactions (hedge accounting).

(22) Provisions

Provisions are formed for current legal or constructive obligations arising from an event in the past that will probably lead to an outflow of resources embodying economic benefits. It must be possible to make a reliable estimate of the amount of the outflow of resources. Provisions with a term of more than one year are discounted at a stipulated Group-standard interest rate that complies with the regulations of IAS 37.47.

Where the possibility of an outflow of resources on fulfilment is not unlikely (likelihood of occurrence less than 50%), we refer to the Notes on contingent liabilities (Note 56 "Contingent liabilities and other obligations").

Provisions for pension obligations and long-term employee benefits

The defined-benefit obligations of the DKB Group include the following retirement benefit plans:

All active employees of DKB AG and all former employees with a starting date as of 2 April 1995 receive an age-based modular plan as a capital commitment. The sum total of the capital modules acquired in the individual calendar years yields the pension capital, which is converted into a capital payment when benefits become due. Former employees who joined the company before 2 April 1995 are entitled to life-long pension payments.

In addition, members of the Board of Management have been granted life-long pension commitments based on their final salary. The commitments are financed partly by reinsurance policies.

The regulatory framework for pension provision is provided by the pension schemes concluded on the basis of works agreements as well as the German Act on Company Pension Plans (BetrAVG).

Moreover, an employee-funded benefit plan exists for the employees of the DKB Group. This plan gives employees the opportunity to convert parts of their remuneration claims into pension capital. The pension benefit comprises a capital payment on reaching the defined retirement age or, if required, at an earlier point in time due to invalidity or death. Interest is paid on the pension capital at a rate of 3.5% p.a.

Pension obligations and long-term employee benefits (partial retirement plan), long-term accounts, etc. are determined using actuarial expert reports issued by Mercer Deutschland GmbH (Mercer). The direct benefit-oriented pension obligations are measured, whereby the existing plan assets are compared with these obligations. The calculation is performed using the projected unit credit method.

The following assumptions/parameters underlie the calculation:

Actuarial interest rate	3.6% (previous year: 4.18% or 3.5%)
Duration	13.0 years (previous year: 12.7 years)
Salary progression	2.25% to 2.5% (previous year: 2.25% to 2.5%)
Pension progression	2.0% (previous year: 2.0%)
Retirement age	64 to 65 years (previous year: 64 to 65 years)
Staff turnover	2.0% to 7.0% (previous year: 4.0% to 7.0%)
Calculation base	"2018 G actuarial tables" of Prof. Klaus Heubeck (as in the previous year)

When defining the actuarial interest rate, the DKB Group uses the interest rate recommended by Mercer. Mercer uses the Mercer Pension Discount Yield Curve Approach.

Effects from the revaluation of defined-benefit pension plans, such as actuarial profits and losses from the pension obligation and the plan assets, which occur due to the difference between the expected and actual values or due to changed assumptions, are recognised in the period in which they occur, without an impact on profit or loss, in other income and expenses, and are reported as part of retained earnings in the balance sheet capital and analogously in the pension reserves. A past service cost resulting from a retroactive plan change is recognised in staff costs.

The DKB Group has partly covered its pension obligations with plan assets. The qualifying insurance contracts used to cover the pension obligations are measured at fair value at the balance sheet date. If the plan assets exceed the pension obligations, the resulting asset is generally reported in the balance sheet item "Other assets".

The risks associated with the defined-benefit obligations are the customary actuarial risks, particularly:

- Inflation risks: inflation risks can lead to an increase in defined-benefit obligations due to the direct or indirect influence of rate of salary increase and rate of pension progression.
- Interest rate risks: the amount of the net obligation is materially influenced by the level of the discounting interest rates.

Provisions in the lending business

For contingent liabilities and other obligations for which a default risk exists, provisions are formed in the lending business at the level of the individual transaction as well as at portfolio level.

Provisions for legal expenses

The provisions for legal expenses essentially include the provision for litigation risks that have arisen in the lending business in the retail clients segment from the development of jurisprudence in this area in recent years.

The formation of such provisions can itself be subject to the risk of incorrect estimations. This can relate both to the estimation of the prospects of success and to the amount of legal expenses incurred (risk of over/underestimation), while the level of the respective risks in this method can generally be quite accurately assessed.

The provision is formed and amount determined, taking into consideration a qualified estimate, both in relation to the prospects of success as well as in relation to the provisional legal expenses and litigation risks, whereby the estimate is performed individually for each proceeding.

In order to minimise potential estimate risks, the estimates issued are regularly reviewed and adjusted based on already-received information.

Restructuring and transformation provision

The restructuring and transformation provision is set up for post-employment benefits in accordance with IAS 19 and obligations resulting from contracts in accordance with IAS 37. The restructuring and transformation provision is based on a detailed formal plan for the planned measures in accordance with the requirements set out in IAS 19.167.

(23) Other liabilities

Liabilities that cannot be assigned to any of the other liability items are posted under other liabilities. Measurement is based on the regulations that apply to the liability concerned.

(24) Subordinated capital

Subordinate promissory note loans and other subordinate loans as well as the participation certificates issued by the DKB Group are reported under subordinated capital. The entire portfolio is assigned to the AAC category. The subordinated capital is accounted for at amortised acquisition costs. Premiums and discounts are distributed over the term in accordance with the effective interest method and recognised through profit or loss in the net interest income.

(25) Lease transactions

Lessees

Under IFRS 16, lessees must account for rights of use from leases entered into as assets from a right-of-use asset.

At the DKB Group, the right-of-use asset to be recognised is capitalised from the date on which the underlying asset is made available to the DKB Group for use (provision date) in the amount of the expected cash flows from the right-of-use asset discounted at the incremental borrowing rate. On the liabilities side of the balance sheet, the right of use is matched by a lease liability which corresponds to the capitalised right of use in the initial recognition.

The capitalised rights of use are reported under property, plant and equipment, and the lease liabilities under other liabilities.

Lease payments made before the provision date are capitalised in the amount of these payments and are reported under other assets.

The obligations from lessee relationships existing in the DKB Group relate in particular to lease agreements for office buildings, some of which have extension options of up to 15 years. The extension options are taken into account in line with the respective estimates.

The DKB Group makes use of both the accounting option not to capitalise lease agreements for low-value assets (up to EUR 5,000) and the accounting option not to capitalise short-term contractual relationships (up to 12-month terms) as leases.

Lessors

Under IFRS 16, lessors must continue to distinguish between finance leases and operating leases. Leases are classified as finance leases if they substantially transfer all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Currently there are no operating or finance lease agreements for which the DKB Group acts as the lessor.

(26) Revenue from contracts with clients

The DKB Group generates income from contracts with clients from a wide range of services. Revenue from time-based service obligations is recognised when the service is rendered. Time-based benefit obligations are recognised in accordance with the stage of completion. This is determined using the contractual basis, according to which a uniform stage of completion is generally achieved over the period of performance. The amount of revenue recognised corresponds to the consideration contractually agreed by the client for the transfer of the services. As a rule, the promised consideration can be clearly allocated to the individual performance obligations contained in the contract.

The DKB Group generates commissions and fees primarily from the following services:

- In the **credit card business**, revenue from the issue of credit cards and services associated with credit cards is recognised. The DKB Group charges both time-based fees, such as foreign deployment fees and cash service fees, as well as period-based fees, such as cardholder fees. The DKB Group acts as an agent for the brokerage of insurance benefits and other ancillary services in the credit card business. In these cases, the revenue is not recognised by the DKB Group.
- In the **lending business**, proceeds are primarily received from the provision of guarantee credits and from the processing and administration of loans. To the extent that the fees in the lending business are not subject to the provisions of IFRS 9, processing and brokerage fees are recognised on a time-related basis and income from recurring services, such as the provision of guarantees, is recognised on a period-related basis.
- In **payment transactions**, income is mainly recognised from account management, the processing of bank transfers and the collection and redemption of direct debits. Account management fees are shown periodically, and payment transaction services are shown at a given date.

Revenues from contracts with clients represent commission income and are presented in Note 31.

The commissions and fees received by the DKB Group within the framework of IFRS 15 are either time-based or have a maximum performance period of one year. Disclosures on the transaction prices of remaining performance obligations in accordance with IFRS 15.120 are therefore not required due to IFRS 15.121 (a).

Costs incurred in initiating contracts are not capitalised by the DKB Group, but recognised as an expense in accordance with IFRS 15.94.

(27) Taxes

Actual (current) income tax assets and liabilities were calculated at the currently valid tax rates. Income tax receivables or liabilities are recognised to the extent that a remuneration or a payment is to be expected.

Deferred income tax assets and liabilities result from different, temporary valuations of a recognised asset or obligation and the actual tax value. Provisional income tax burden and relief effects will result from this in the future. These were measured for every company included in the consolidated financial statements at the respective applicable income tax rates, the validity of which is expected to remain for the period of the reversal of the temporary differences on the basis of tax laws already in force or which have already been adopted.

Deferred tax assets on existing tax loss carryforwards and deductible temporary differences are only recognised insofar as it is probable in the future that sufficient taxable profits will be generated to be able to use these tax benefits. Where, for Group companies that generated a tax loss in the current or previous financial year, the loss carryforwards and deductible temporary differences exceed the taxable temporary differences, the amount of recognised deferred tax assets was determined on the basis of a tax forecast for the respective company or – if a fiscal unit exists – for the respective controlling company.

There is no discounting of deferred taxes. Deferred income tax assets and liabilities are formed and amortised through profit and loss if the underlying issue was handled through profit or loss, and are formed and amortised without an impact on profit or loss in the corresponding equity item, if the underlying issue was handled without an impact on profit or loss.

Deferred tax assets and liabilities were offset in full at the level of the individual taxable reporting units and in the DKB AG fiscal unit, as the relevant tax regulations allow actual tax liabilities to be offset against actual tax assets.

The income tax expense/income attributable to the result from ordinary activities is recognised under income taxes in the DKB Group's consolidated statement of comprehensive income. Other taxes that do not relate to income are shown in the item "Other income and expenses".

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published the Pillar Two model rules (Global Anti-Base Erosion Proposal or GloBE) to reform international corporate taxation. Following implementation within the EU, the German legislative process was completed with the promulgation of the German Minimum Tax Act (MinStG) in the Federal Law Gazette on 27 December 2023. This means that the Minimum Tax Act will apply as of 1 January 2024. DKB AG and the subsidiaries included in DKB's consolidated financial statements are all domiciled in Germany. Had the provisions of the Minimum Tax Act already been applicable in 2023, DKB assumes, based on the data available, that the minimum tax would not have had any significant impact. Please refer to the disclosures in the notes to the financial statements of BayernLB for information on the effects of DKB's membership of the Group on BayernLB.

Segment reporting

(28) Segment reporting

Segment reporting is performed in accordance with the regulations of IFRS 8 and provides information on the different business areas of the DKB Group.

The segmentation reflects the bank's strategic segments, which are the basis of the internal control, organisational and reporting structures.

Consolidated profit is generated almost entirely in Germany. The Group has therefore not opted to undertake any regional differentiation.

The segment reporting is divided into four segments as explained below:

- DKB's business involving retail clients and individual clients is combined in the retail clients segment. The main products in this segment are the retail current account and DKB-Business, mortgage lending and personal loans, investment products as well as the credit card business (including co-branding) and the brokerage business. The companies DKB Grund GmbH (brokerage of financial services and real estate), FMP Forderungsmanagement Potsdam GmbH (servicing and collecting loans and advances, predominantly from the retail clients business) and Bayern Card-Services GmbH (service processor in the development, launch and issue of credit card products and in the end-to-end processing of credit card business for DKB and other clients), which support the client groups, are also assigned to this segment. This segment also includes the strategic investment in Visa Inc., USA, which supports the client groups.
- The business clients segment includes business with clients in the following selected industries: housing, new energies, local authorities and social infrastructure, energy and utilities, agriculture and food, tourism and administrators. The key products are loans, on-lending loans, term loans and current account overdrafts, guarantees, deposit business and the management of business accounts, including payment services. The leasing and syndicate business, as well as the business with Group subsidiaries, is also included in this segment. The subsidiaries DKB Finance GmbH and MVC Unternehmensbeteiligungs GmbH, which support client groups through corporate and venture capital investments and via property investments as part of the development of commercial real estate, are also assigned to this segment. This segment also includes the strategic investment in Swiss Fintech AG, Switzerland, which supports the client groups.

- The financial markets segment includes treasury activities. These mainly include capital-market-oriented refinancing, managing interest rate risk, deposit business with institutional clients and transactions with BayernLB to manage liquidity. Proprietary investments in securities (custody account A business) are also assigned to this segment. These mainly relate to the management of the regulatory liquidity portfolio and the consolidated DKB retail funds (DKB Nachhaltigkeitsfonds European Green Deal, DKB Nachhaltigkeitsfonds Klimaschutz, DKB Nachhaltigkeitsfonds SDG). In the interests of ensuring clear presentation, these are presented in the financial markets segment, including the consolidation effects. In addition, the gains or losses on hedging transactions are assigned to the financial markets segment.
- The "other" segment contains cross-divisional transactions and contributions to earnings which cannot be allocated to the segments according to source. These include central administrative expenses, investment income from other subsidiaries, bank levies, expenses for the deposit guarantee scheme and supervisory fees, the restructuring and transformation result, the companies DKB Service GmbH and DKB Immobilien GmbH, and special effects. The key areas of activity of DKB Service GmbH are handling downstream processes for the DKB Group, handling standardised bulk business for DKB products and supplying services for Group companies. The real estate activities for the entire DKB Group are bundled in DKB Immobilien GmbH. The non-core business segment bundles all the business that no longer complies with our business strategy, which is being reduced as part of the higher-level restructuring concept of the BayernLB Group. This also includes selected client portfolios.

The segment information is based on the internal contribution margin accounting system used for business administration purposes and data from the external accounting system.

In principle, with the exception of the effects from the retail funds, all consolidation effects within the DKB Group are shown in a reconciliation column. For the result of the current reporting period, these are in the net interest income, and include, in particular, consolidation entries from the offsetting of results between Group companies and the consolidation items between DKB AG and DKB Service GmbH. The administrative expenses, other income and expenses and net commission income items in particular were significantly affected by the consolidation of DKB Service GmbH, both in the "other" segment and in the reconciliation/consolidation. Overall, these effects are of minor significance for the Group's earnings. In the result of the current reporting period, there are no further reconciliation items requiring explanation.

Intra-segment transactions are only reported under the net interest income item in the "other" and business clients segments and relate to the lending and deposit business of the respective Group subsidiaries. This relates to client receivables totalling EUR 82.6 million, without significant intra-segment earnings. There are no dependencies on major clients as defined in IFRS 8.34.

The net interest income of DKB AG is collated on the basis of partial bank balance sheets for the internal management of the business areas and reconciled to the market interest method for the purposes of client group management. The subsidiaries' interest income and expenses are shown in the segment to which they have been allocated in each case.

In line with IFRS accounting, net commission income was allocated to the segments in accordance with the origin of the business.

The risk result, gains or losses on fair value measurement, hedging transactions and financial investments, as well as other income and expenses, are determined in accordance with IFRS principles. The administrative expenses of the respective segments include all directly assignable staff costs and other administrative expenses, allocated indirect administrative expenses (in particular central sales and IT costs) and allocations of overhead costs.

Client receivables and client deposits are reported at their nominal values. The differences of EUR 298.8 million (31 December 2022: EUR 281.6 million) for client receivables and EUR 10.2 million (31 December 2022: EUR 22.4 million) for client deposits are reported in the reconciliation column.

The average commercial equity is determined on the basis of the regulatory Tier 1 capital and is assigned in line with the average allocated risk items in accordance with the regulatory reporting codes for the single entity report (risk assets for credit risk, market risk and operational risk).

The return on equity (ROE) is determined as the ratio between profit/loss before taxes and the allocated average equity. The cost/income ratio (CIR) represents the ratio of administrative expenses to the total of the income items of net interest income, net commission income, gains or losses on fair value measurement, gains or losses on hedging transactions, gains or losses on financial investments, other comprehensive income and the result from the disposal of AAC-category financial instruments (as part of the risk result). The KPIs are collated for all market-relevant business areas. These KPIs are not collated and disclosed for the "other" segment due to their limited informative value.

In order to leverage synergies, reduce complexity and set up the structures for new challenges, the infrastructure and corporate clients segments were merged to form one organisational unit, the business clients segment, in 2023. The adjustment to the internal control system was made as of 1 January 2023. The comparative figures for the previous year are shown based on the new structure.

in EUR million	2023					
	Retail clients	Business clients	Financial markets	Other	Reconciliation/ Consolidation	Group
Net interest income	760.0	1,069.3	123.6	8.0	–23.8	**1,937.0**
Risk result	–105.2	36.6	0.0	5.3	–	**–63.3**
Net commission income	72.5	47.6	–5.2	4.1	11.1	**130.1**
Gains or losses on fair value measurement	8.1	–1.4	32.0	–0.2	–	**38.5**
Gains or losses on hedging transactions	–	–	–54.4	–	–	**–54.4**
Gains or losses on financial investments	–	–	–25.0	–	–	**–25.0**
Administrative expenses	–429.9	–301.7	–12.1	–261.0	209.4	**–795.3**
Expenses from bank levies, deposit guarantee scheme and banking supervision	–	–	–	–100.5	–	**–100.5**
Other income and expenses	–22.2	1.0	0.0	228.3	–206.3	**0.7**
Restructuring and transformation result	–	–	–	–66.0	–	**–66.0**
Profit/loss before taxes	**283.3**	**851.4**	**58.8**	**–182.0**	**–9.6**	**1,001.8**
Client receivables	20,857.5	73,667.4	–	31.6	218.9	**94,775.3**
Client deposits	80,217.9	19,924.6	2,224.1	8.1	–61.4	**102,313.2**
Risk positions	12,178.5	19,399.2	452.6	124.4	–	**32,154.8**
Average commercial equity	1,422.9	3,522.4	57.2	28.8	–	**5,031.3**
Return on equity (ROE)	19.9%	24.2%	>100.0%			**19.9%**
Cost/income ratio (CIR)	52.9%	27.0%	17.1%			**39.3%**

	2022					
in EUR million	Retail clients	Business clients	Financial markets	Other	Reconciliation/ Consolidation	**Group**
Net interest income	481.4	697.9	136.0	26.4	–28.8	**1,312.9**
Risk result	–46.7	27.1	–	4.0	–	**–15.6**
Net commission income	41.5	36.6	–5.3	–3.9	19.3	**88.1**
Gains or losses on fair value measurement	11.0	–4.5	–42.3	–2.6	–	**–38.3**
Gains or losses on hedging transactions	–	–	–175.1	–	–	**–175.1**
Gains or losses on financial investments	–	–	–3.1	–	–	**–3.1**
Administrative expenses	–395.7	–274.7	–11.1	–265.0	211.2	**–735.4**
Expenses from bank levies, deposit guarantee scheme and banking supervision	–	–	–	–85.0	–	**–85.0**
Other income and expenses	–2.0	3.9	0.1	224.3	–220.7	**5.6**
Restructuring and transformation result	–	–	–	1.4	–	**1.4**
Profit/loss before taxes	**89.5**	**486.4**	**–100.8**	**–100.5**	**–19.1**	**355.6**
Client receivables	19,345.7	69,696.7	–	49.0	166.7	**89,258.1**
Client deposits	61,506.6	19,972.3	3,813.0	13.3	–73.1	**85,232.3**
Risk positions	11,790.7	29,739.9	426.2	384.4	–	**42,341.3**
Average commercial equity	1,268.6	3,260.2	47.3	50.9	–	**4,626.9**
Return on equity (ROE)	7.1%	14.9%	>–100.0%			**7.7%**
Cost/income ratio (CIR)	74.8%	37.5%	–12.4%			**61.9%**

Notes to the consolidated statement of comprehensive income

(29) Net interest income

Interest from financial instruments calculated using the effective interest method

in EUR million	2023	2022
Interest income	**3,378.7**	**1,715.5**
Interest income from lending and money market transactions	2,777.0	1,581.4
Interest income for hedge accounting derivatives	391.9	–
Interest income from debt instruments and other fixed-income securities	105.0	28.6
Other interest income	104.7	105.5
Positive interest expenses	**0.7**	**162.9**
Interest expenses	**–1,448.6**	**–428.4**
Interest expenses for liabilities to banks and clients	–1,156.9	–228.6
Interest expenses for hedge accounting derivatives	–	–103.3
Interest expenses for securitised liabilities	–57.8	–35.8
Interest expenses for subordinated capital	–112.2	–46.3
Other interest expenses	–121.6	–14.5
Negative interest income	**–0.3**	**–156.2**
Total	**1,930.4**	**1,293.8**

The increase in interest income and interest expenses is primarily due to the turnaround in interest rates implemented by the ECB.

The interest income from lending and money market transactions includes income from impaired receivables (unwinding effect) of EUR 3.2 million (previous year: EUR 4.4 million).

Other interest income includes the net effect from the amortisation of the portfolio hedge adjustment (EUR 263.7 million; previous year: EUR 103.0 million) and the pull-to-par effect of corresponding hedging instruments (EUR 161.5 million; previous year: EUR 0.3 million) in the amount of EUR 102.2 million. In the previous year, the positive balance of EUR 103.3 million was reported under other interest income.

Other interest

Other interest not calculated using the effective interest method totalled EUR 6.6 million (previous year: EUR 19.2 million). Other interest income includes income from shares in non-consolidated subsidiaries of EUR 0.2 million (previous year: EUR 0.2 million).

(30) Risk result

The risk result includes the effects on profit or loss of credit-rating-related valuation changes as part of risk provisioning and modifications. The risk result also includes the results from the disposal of AAC financial instruments.

in EUR million	2023	2022
Risk provisions result	**–58.9**	**–12.5**
Income from the reversal of balance sheet and off-balance-sheet risk provisions	477.5	506.9
Expenses from the addition of balance sheet and off-balance-sheet risk provisions	–538.2	–528.6
Expenses from direct write-offs	–18.8	–13.7
Income from receipts on receivables written off	20.4	22.7
Result from non-significant credit-rating-induced modifications	0.0	0.1
Result from the disposal of AAC-category financial instruments	**–4.3**	**–3.0**
Modification income from significant modifications	2.4	5.0
Modification expenses from significant modifications	–7.7	–9.6
Disposal gains	1.0	1.7
Total	**–63.3**	**–15.6**

The risk provisions result includes an effect from the addition to our post-model adjustment (PMA) of EUR –16.1 million (previous year: EUR –9.4 million).

The risk result is allocated to the **segments** of the DKB Group as follows:

in EUR million	2023 Retail clients	Business clients	Financial markets	Other	Reconciliation/ Consolidation	Group
Risk provisions result	–98.9	36.4	0.0	3.5	–	**–58.9**
Result from the disposal of AAC-category financial instruments	–6.3	0.2	–	1.8	–	**–4.3**
Total	**–105.2**	**36.6**	**0.0**	**5.3**	**–**	**–63.3**

in EUR million	2022 Retail clients	Business clients	Financial markets	Other	Reconciliation/ Consolidation	Group
Risk provisions result	–43.6	27.5	0.0	3.5	–	**–12.5**
Result from the disposal of AAC-category financial instruments	–3.1	–0.3	–	0.5	–	**–3.0**
Total	**–46.7**	**27.1**	**0.0**	**4.0**	**–**	**–15.6**

(31) Net commission income

	Income		Expenses		Result	
in EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Card business	275.2	253.0	–161.9	–170.9	113.2	82.1
Securities business	52.8	62.1	–42.9	–47.8	9.9	14.3
Lending business	45.2	45.4	–72.4	–72.6	–27.2	–27.2
Payments	78.3	44.0	–51.2	–53.4	27.0	–9.3
Other net commission income	8.4	31.7	–1.3	–3.4	7.1	28.2
Total	**459.9**	**436.2**	**–329.8**	**–348.1**	**130.1**	**88.1**

In addition to revenue from contracts with clients recognised in the form of fees, net commission income in the lending business also includes, in particular, processing or brokerage fees that are directly related to the issue or acquisition of a financial instrument and form an integral component of the effective interest rate.

The card business and payments items reflect our measures regarding the introduction of the debit card, as well as an adjusted scope of services for account and card packages.

Other net commission income in the previous year was characterised by commission income relating to other periods (including from the reversal of provisions) of EUR 19.6 million (reporting year: EUR 0.0 million).

Commission income is allocated to the **segments** of the DKB Group as follows:

	2023					
in EUR million	Retail clients	Business clients	Financial markets	Other	Reconciliation/ Consolidation	**Group**
Card business	300.5	–	–	–	–25.3	**275.2**
Securities business	51.0	0.6	1.3	–	–	**52.8**
Lending business	16.0	31.3	–	0.2	–2.3	**45.2**
Payments	50.1	28.2	–	–	–	**78.3**
Other commission income	6.8	0.3	–	22.1	–20.8	**8.4**
Total	**424.4**	**60.3**	**1.3**	**22.3**	**–48.3**	**459.9**

	2022					
in EUR million	Retail clients	Business clients	Financial markets	Other	Reconciliation/ Consolidation	**Group**
Card business	281.9	–	–	–	–28.9	**253.0**
Securities business	59.5	1.7	1.0	–	–	**62.1**
Lending business	21.9	28.8	0.1	0.2	–5.6	**45.4**
Payments	23.5	20.5	–	–	–	**44.0**
Other commission income	29.0	0.5	–	36.8	–34.6	**31.7**
Total	**415.7**	**51.5**	**1.1**	**37.0**	**–69.1**	**436.2**

(32) Gains or losses on fair value measurement

in EUR million	2023	2022
Net trading income	**–2.0**	**5.5**
Interest-related transactions	–3.7	1.5
Currency-related transactions	1.7	4.1
Gains or losses from the fair value option	**–32.2**	**34.0**
Fair value result from FVPLM financial instruments	**72.7**	**–77.8**
Financial instruments of the DKB sustainability funds	67.3	–81.1
Investments	6.9	3.2
Other fair value result from FVPLM financial instruments	–1.4	0.0
Total	**38.5**	**–38.3**

Ongoing gains or losses from the derivatives in commercial hedging relationships are reported in net interest income.

Gains or losses from the fair value option result from the measurement of liabilities to non-Group shareholders of the DKB sustainability funds.

(33) Gains or losses on financial investments

The gains or losses from financial investments result primarily from sales of securities of EUR 126 million (nominal amount) to optimise our own portfolio of bonds.

(34) Administrative expenses

in EUR million	2023	2022
Staff costs	**–415.9**	**–379.0**
Wages and salaries	–342.1	–306.2
Social security contributions	–58.5	–54.2
of which employer share for statutory pension insurance	–29.4	–27.8
Expenses for pension scheme and support	–15.3	–18.6
of which expenses for defined-benefit plans	–9.0	–9.1
Other administrative expenses	**–313.8**	**–302.3**
IT costs	–170.0	–145.3
Contributions, legal and consultancy costs	–37.7	–35.8
Advertising	–28.4	–32.3
Building costs (non-investment properties)	–10.4	–13.7
Communication and other selling costs	–39.7	–50.8
Miscellaneous administrative expenses	–27.6	–24.4
Depreciation and impairments on property, plant and equipment and intangible assets	**–65.6**	**–54.1**
Total	**–795.3**	**–735.4**

Personnel expenses increased in particular as a result of collective pay scale and non-pay-scale salary adjustments. Other administrative expenses are mainly affected by price increases due to inflation.

(35) Expenses from bank levies, deposit guarantee scheme and banking supervision

in EUR million	2023	2022
Bank levies	–34.9	–42.5
Deposit guarantee scheme	–58.3	–36.6
Banking supervision	–7.3	–5.8
Total	**–100.5**	**–85.0**

Expenses for bank levies decreased due to the reduced target volume of the Single Resolution Fund (SRF) compared to the first half of the previous year.

Expenses for the deposit guarantee scheme increased due to higher contributions to the voluntary protection scheme of the Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands e. V.)

(36) Other income and expenses

in EUR million	2023	2022
Other income	**37.4**	**33.1**
Income from the reversal of provisions	0.1	12.9
Miscellaneous other income	37.4	20.2
Other expenses	**–36.8**	**–27.5**
Expenses from claims	–21.0	–11.8
Miscellaneous other expenses	–15.7	–15.7
Total	**0.7**	**5.6**

The increase in miscellaneous other income is due primarily to income from the sale of real estate of EUR 20.2 million (previous year: EUR 0.0 million).

(37) Restructuring and transformation result

In summer 2023, we launched our Group-wide efficiency programme "Fit4Growth". The aim of the transformation programme, which will run until the end of 2025, is to optimise DKB's operating model in the long run, lay the foundation for further growth and, in doing so, ensure our long-term profitability.

At the start of the programme, we reviewed our internal processes, organisational structures, services and products, the aim being to identify areas in which we can make improvements to enhance our position on the competitive stage. As a result, we have identified various fields for action (particularly in our market segments, our central organisation and our IT landscape, as well as in cost management) that offer potential for optimisation.

These fields for action form the basis of cross-company module teams that are developing measures aimed at achieving DKB's long-term transformation into a more streamlined and scalable operating model. We are focusing in particular on leaner processes, simplified workflows and clearer responsibilities. This will come hand-in-hand with improved product and service quality that better meets the needs and demands of our clients. The measures will also serve to stabilise our administrative expenses at the current level.

As a result of the measures introduced by "Fit4Growth" to boost effectiveness, and specifically to optimise, simplify and digitalise numerous processes, products and services, we anticipate lower personnel requirements by 2025. As a result, the programme will also involve job cuts and measures to part ways with some of our employees. The corresponding expenses led to a transformation and restructuring provision of EUR 73.5 million as of 31 December 2023. The addition to this provision and the consultancy costs incurred as part of the programme led to a restructuring and transformation result of EUR –66.0 million in 2023 (previous year: EUR 1.4 million), taking into account the provisions already set up.

The expenses associated with the F4G programme are not allocated to the operating activities of the DKB Group, but are reported separately within the restructuring and transformation result due to their significance and extraordinary nature.

(38) Income taxes

in EUR million	2023	2022
Tax income	**1,353.4**	**1,416.4**
Actual tax income	0.2	8.8
of which for prior periods	0.0	8.4
Deferred tax income	1,353.2	1,407.6
of which for prior periods	1.7	8.1
Tax expense	**–1,662.2**	**–1,548.9**
Actual tax expense	–301.5	–142.5
of which for prior periods	–1.9	0.0
Deferred tax expense	–1,360.7	–1,406.4
of which for prior periods	–0.2	–12.8
Total	**–308.8**	**–132.5**

The actual tax expense of EUR 290.6 million (previous year: EUR 138.7 million) results from the actual income taxes recognised for the companies in DKB's fiscal unit for income tax purposes for the reporting year.

The deferred tax income and expense is attributable to temporary accounting differences.

The effective income tax expense reported in the reporting year was EUR 0.2 million (previous year: EUR 23.0 million) higher than the expected income tax expense. The factors determining this deviation are shown in the table below:

in EUR million	2023	2022
Profit/loss before taxes	**1,001.8**	**355.6**
Group income tax rate in % (rounded)	30.8	30.8
Expected income tax expense	**308.5**	**109.5**
Impact of different local tax rates	–20.0	27.1
Impact of taxes from previous years recognised in the financial year	0.4	–0.9
Impact of non-deductible foreign withholding tax	0.1	0.1
Impact of the fiscal unit (non-consolidated companies in the fiscal unit)	2.6	2.2
Impact of non-deductible business expenses	12.6	14.4
Impact of tax-exempt income	–4.1	–9.3
Impact of permanent accounting effects	8.6	–10.9
Other effects	0.0	0.3
Effective income tax expense	**308.8**	**132.5**
Effective income tax rate in % (rounded)	**30.8**	**37.3**

The effect of different local tax rates is mainly due to the tax exemption of the fully consolidated international retail funds.

The bank levy paid in the reporting year had a significant impact on non-deductible operating expenses.

The tax-exempt income mainly relates to the inflation compensation bonuses paid to employees by DKB subsidiaries in the reporting year, which were reimbursed by DKB AG and therefore treated as tax-neutral.

The permanent accounting effects mainly relate to investment fund shares in fully consolidated funds and shares in consolidated and non-consolidated subsidiaries.

Notes to the consolidated balance sheet

(39) Cash reserves

in EUR million	31 Dec. 2023	31 Dec. 2022
Cash in hand	1.3	8.0
Credit balances with central banks	1,097.8	1,037.2
Total	**1,099.0**	**1,045.2**

The cash reserves consist exclusively of financial instruments in the AAC **category**.

(40) Loans and advances to banks

in EUR million	31 Dec. 2023	31 Dec. 2022
Loans and advances to domestic banks	35,289.7	25,757.8
Loans and advances to foreign banks	103.1	3.7
Total	**35,392.8**	**25,761.5**

EUR 30.0 billion (previous year: EUR 23.1 billion) of the loans and advances to banks resulted from the investment of amounts payable on demand with the European Central Bank.

Loans and advances to banks are broken down by maturity as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
On demand	30,203.7	23,209.3
With agreed maturities		
Up to 3 months	632.7	8.9
From 3 months to 1 year	1,035.7	1,527.7
From 1 to 5 years	1,510.5	12.7
More than 5 years	2,010.2	1,003.0
Total	**35,392.8**	**25,761.5**

Loans and advances to banks consist exclusively of financial instruments in the AAC **category**.

The **risk provisions** for loans and advances to banks are allocated exclusively to Stage 1 and amounted to EUR 3 thousand as of the balance sheet date (previous year: EUR 3 thousand). There were no transfers between stages in the reporting year.

Loans and advances to banks did not contain any financial instruments with impaired creditworthiness (POCI) at the time of acquisition, nor any receivables that had not been significantly modified.

(41) Loans and advances to clients

in EUR million	31 Dec. 2023	31 Dec. 2022
Loans and advances to domestic clients	93,690.0	88,249.3
Loans and advances to foreign clients	1,085.3	1,008.8
Total	**94,775.3**	**89,258.1**

There are currently no receivables from finance lease agreements.

Loans and advances to clients are broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
With agreed maturities		
Up to 3 months	4,432.9	4,457.7
From 3 months to 1 year	5,408.0	5,061.7
From 1 to 5 years	24,601.3	23,349.7
More than 5 years	60,122.9	56,186.3
Indefinite maturities	210.2	202.7
Total	**94,775.3**	**89,258.1**

Loans and advances to clients consist of financial instruments in the following **categories**:

in EUR million	31 Dec. 2023	31 Dec. 2022
AAC-category receivables	94,762.6	89,245.3
FVPLM-category receivables	10.3	11.7
FVOCIM-category receivables	2.3	1.1
Total	**94,775.3**	**89,258.1**

The **risk provisions for losses on loans and advances to clients in the AAC category** developed as follows:

	2023				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**–136.1**	**–104.3**	**–126.6**	**–4.4**	**–371.4**
Additions from lending/purchases	–45.8	–14.5	–27.5	–1.5	–89.3
Reversals from disposal/repayment/sale	34.9	101.7	39.8	1.4	177.7
Credit-rating-related changes	29.2	–181.2	–24.7	1.0	–175.7
Usage/depreciation	0.0	0.1	54.8	1.4	56.3
Reallocation to Stage 1	–12.6	12.6	–	–	–
Reallocation to Stage 2	13.3	–25.5	12.2	–	–
Reallocation to Stage 3	8.5	50.6	–59.1	–	–
Unwinding	–	–	3.1	–0.1	3.0
As of 31 Dec.	**–108.5**	**–160.6**	**–128.1**	**–2.1**	**–399.4**

	2022				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**–112.1**	**–110.6**	**–164.7**	**–6.8**	**–394.2**
Additions from lending/purchases	–48.7	–12.2	–25.0	–1.1	–87.0
Reversals from disposal/repayment/sale	18.8	108.3	52.5	3.4	183.0
Credit-rating-related changes	7.3	–120.0	–23.6	–1.7	–138.0
Usage/depreciation	0.0	0.0	59.1	2.0	61.1
Reallocation to Stage 1	–11.4	11.4	–	–	–
Reallocation to Stage 2	4.9	–12.8	7.9	–	–
Reallocation to Stage 3	5.1	31.6	–36.7	–	–
Unwinding	–	–	4.0	–0.1	3.9
As of 31 Dec.	**–136.1**	**–104.3**	**–126.6**	**–4.4**	**–371.4**

The **gross carrying amount of loans and advances to AAC clients** comprises the following:

	2023				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**86,295.9**	**2,482.7**	**419.2**	**47.5**	**89,245.3**
Lending/purchases	22,653.9	411.0	36.0	8.4	23,109.3
Disposal/repayment/sale	–16,859.6	–516.0	–193.9	–10.1	–17,579.5
Usage of risk provisions/depreciation	0.0	0.0	–6.9	–0.6	–7.5
Non-significant modifications	–4.0	–0.2	0.0	–0.8	–5.0
Reallocation to Stage 1	2,142.4	–2,103.2	–39.2	–	–
Reallocation to Stage 2	–2,545.5	2,609.7	–64.2	–	–
Reallocation to Stage 3	–85.1	–448.9	534.0	–	–
As of 31 Dec.	**91,598.1**	**2,435.1**	**685.0**	**44.5**	**94,762.6**

	2022				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**81,561.6**	**2,068.3**	**473.7**	**52.9**	**84,156.5**
Addition in connection with first-time consolidation	10.4	–	–	–	10.4
Lending/purchases	25,788.8	471.1	37.4	20.8	26,318.0
Disposal/repayment/sale	–20,520.8	–477.8	–201.7	–21.2	–21,221.6
Usage of risk provisions/depreciation	0.0	0.0	–10.7	–1.9	–12.6
Non-significant modifications	–2.2	–0.2	0.0	–3.1	–5.5
Reallocation to Stage 1	2,179.7	–2,156.2	–23.5	–	–
Reallocation to Stage 2	–2,701.6	2,736.7	–35.1	–	–
Reallocation to Stage 3	–20.0	–159.1	179.1	–	–
As of 31 Dec.	**86,295.9**	**2,482.7**	**419.2**	**47.5**	**89,245.3**

The **impairment losses on loans and advances to clients in the FVOCIM category** relate exclusively to financial instruments with impaired credit ratings (POCI) at the time of acquisition and amounted to EUR –0.7 million as of the balance sheet date (previous year: EUR –0.7 million). There were no transfers between stages in the reporting year.

In the reporting year, the total amount of undiscounted expected credit losses in the initial recognition of financial instruments with impaired credit ratings (POCI) amounted to EUR 8.0 million (previous year: EUR 8.5 million).

For financial instruments for which the contractually agreed cash flows were modified in the year under review and whose value adjustment was measured in the amount of the expected credit losses over the term, the amortised cost before modification amounted to EUR 40.7 million (previous year: EUR 76.6 million).

The gross carrying amount of financial instruments that were modified at a time when the value adjustment was measured at the amount of the expected credit loss over the life of the financial instrument and for which the allowance was adjusted to the amount of the expected twelve-month credit loss in the year under review was EUR 1.1 million at the balance sheet date (previous year: EUR 0.7 million).

(42) Risk provisions

in EUR million	31 Dec. 2023	31 Dec. 2022
Stage 1	–108.6	–136.1
Stage 2	–160.6	–104.3
Stage 3	–128.1	–126.6
POCI	–2.1	–4.4
Total	**–399.4**	**–371.4**

The development of the risk provisions in the reporting year is shown under loans and advances to banks (Note 40) and loans and advances to clients (Note 41).

In line with the requirements set out in IFRS 9, we check the extent to which our risk provisions are also appropriate from a macroeconomic perspective on a regular basis. This involves examining whether, in addition to historical loss information, current economic developments and forward-looking information are adequately reflected and – if necessary – recognise a corresponding post-model adjustment (PMA), which is reflected in the risk provisions set up.

For the purposes of this analysis, we use various probability-weighted scenarios that simulate the effects of the expected development in macroeconomic variables on risk provisions. As of 31 December 2023, the PMA is based on the "baseline case", "global economic crisis" and "real estate crisis" scenarios.

The **"baseline case"** scenario is based on the following key assumptions:

- As inflation is expected to remain high and the risk of a wage-price spiral has not yet been averted, central banks will take their time before starting to cut interest rates. As the situation regarding the start of the easing process becomes clearer, market volatility should decrease and more favourable financing conditions should contribute to a revival of the real economy. It will, however, take some time for interest rates to fall back from their current plateau and they will not end up back where they started, as inflation rates will only start moving towards the central bank targets after stopping to take a breather.
- Meanwhile, geopolitical uncertainty continues to mount and will keep policymakers, the economy and financial markets on tenterhooks in the coming years. As a result, forecasts remain highly uncertain, even if we do not expect to see any escalation of the wars in Ukraine and Israel.
- A robust labour market will allow the working population to enforce wage increases to compensate for the loss of purchasing power.
- The world's geopolitical blocs will reduce their reliance on each other. New "secure" value chains will create price pressure. Hopes of a sharp uptick in productivity as a result of further developments in artificial intelligence will only materialise to a limited extent between now and 2028.
- Looser monetary policy will help the economy recover as we move towards 2025. Together with reduced production capacities due to a lack of investment, this will translate into rising raw materials prices.
- Compared to the other G7 countries, Germany has lost a lot of ground in terms of real economic output since the pandemic. Germany is being hit harder by factors that put a damper on the economy in the short term, making it more difficult to address long-term issues. In addition, Germany is affected to a greater degree by the challenges of the "four Ds" (digitalisation, decarbonisation, deglobalisation and demographic change) than other countries due to its ageing population, geographical location and specific corporate structures.
- The real estate sector remains under pressure due to the new interest rate environment. Prices are still falling due to higher financing costs and the decreased appeal for institutional investors. The office segment stands out as a negative example due to structural changes. While the German residential property market is performing slightly better, prices are also headed south.

The main parameters will develop as follows:

in %	2024	2025	2026	2027	2028
Real GDP growth	0.3	1.3	0.8	0.8	1.0
Price increase (consumer prices)	2.7	2.2	2.1	2.1	2.3
Unemployment rate	5.6	5.2	4.8	4.7	4.6
Residential real estate prices in Germany	–3.5	–1.5	0.0	0.0	0.0

The **"global economic crisis"** scenario is based on the following key assumptions:

- The economy, which is gradually recovering from the COVID-19 pandemic, comes under pressure again due to external shocks. These could, for example, result from an escalation of the overall geopolitical conditions in the context of a confrontation between two major powers, the US and China, and the emergence of bloc confrontation. US sanctions prohibit countries and companies seeking to trade with the US from exporting a vast range of goods to China. This creates a substantial demand shock to begin with. While imports from China are not directly affected, the two blocs start to move apart, a trend that poses a risk to supply chains that have only just been restored, with a knock-on effect on the supply side, too.
- In this scenario, there is also an acute risk of (cyber) attacks targeting critical infrastructure and utilities. Potential attacks on the energy and gas supply pose challenges for energy suppliers and energy-intensive industries.
- Due to the very limited monetary and fiscal policy leeway in many regions, the crisis is unusually prolonged. Together with a sharp decline in business and consumer confidence, this is causing turbulence on the financial market.
- At the beginning of the crisis, central banks take fewer supportive measures in a historical comparison due to the increased level of inflation and new inflationary pressures. Key interest rates are lowered, but are no longer pushed into negative territory. Additional QE measures are resumed to a moderate extent. Fiscal policy takes expansionary measures that contribute to an increase in deficits and debt ratios.

The main parameters will develop as follows:

in %	2024	2025	2026	2027	2028
Real GDP growth	–3.7	–1.2	–0.2	0.3	1.0
Price increase (consumer prices)	1.5	0.2	0.6	0.8	1.6
Unemployment rate	6.5	6.7	6.8	6.8	6.7
Residential real estate prices in Germany	–6.0	–1.5	1.0	1.5	1.5

The **"real estate crisis"** scenario is based on the following key assumptions:

- The "real estate crisis" scenario is generally based on the same assumptions as the "global economic crisis" scenario.
- In addition, the macroeconomic environment for the real estate market proves challenging. The gloomier economic situation and, most importantly, the much higher interest rates trigger a general decline in demand, pushing prices for residential and commercial properties down considerably.
- Due to the tense economic situation faced by many companies and the simultaneous expiry of a large number of office lease agreements, companies push for a considerable increase in the current working from home rates. As a result, the general demand for office space drops significantly. As the space can now be vacated, unlike during the COVID-19 crisis, there is a clear trend towards office tenants starting to move into smaller, modern office space. As a result, large and older office buildings in particular suffer hefty value losses due to higher vacancy rates, high energy consumption and a lack of ESG certification. This development triggers a massive slump in property valuations as early as 2024.

– As this office property crisis is very specific, residential properties are less affected by the price declines. Nevertheless, the high numbers of employees who are now instructed to work from home, a policy that companies are now seeking to pursue for years, lead to unprecedented levels of planning security for employees. The willingness to pay for owner-occupied apartments and houses in major cities drops immediately. Significant migration to the suburbs of major cities and to rural areas begins in the course of 2024. The previously expected substantial rent increases are also no longer plausible, resulting in negative valuation effects as early as 2024. This pushes residential property prices down.

The main parameters will develop as follows:

in %	2024	2025	2026	2027	2028
Real GDP growth	–3.7	–1.2	–0.2	0.3	1.0
Price increase (consumer prices)	1.5	0.2	0.6	0.8	1.6
Unemployment rate	6.5	6.7	6.8	6.8	6.7
Residential real estate prices in Germany	–20.0	2.5	2.5	5.0	5.0

Due to the particular impact of the current overall economic conditions, especially with regard to the inflation and interest rate trend, the energy crisis and the supply chain problems, we have also analysed individual scenarios for our credit exposures in the areas of food and municipal utilities companies in the "global economic crisis" and "real estate crisis" scenarios on the basis of expert estimates, and have taken them into account accordingly in the PMA.

On this basis, we calculated a PMA of EUR –154.0 million as of 31 December 2023:

		31 Dec. 2023
in EUR million	Weighting	**PMA**
Baseline case	55%	–21.1
Global economic crisis	30%	–86.5
Real estate crisis	15%	–46.4
		–154.0

A change in the weighting by 10 percentage points would have the following effects:

		31 Dec. 2023
in EUR million	Change Weighting	**Change PMA**
Baseline case	+/– 10 pp	–/+ 3.8
Global economic crisis	+/– 10 pp	–/+ 28.8
Real estate crisis	+/– 10 pp	–/+ 30.9

As of 31 December 2022, the PMA was based on the following two scenarios:

- Against the backdrop of the current geopolitical situation and the energy crisis, the **"baseline case"** scenario assumed a low growth path and continued high but lessening inflationary pressure. This results in a loss of purchasing power and falling real wages.
- The **"global economic crisis"** scenario assumed external shocks – for example, the outbreak of a new resistant virus variant or a further escalation of geopolitical conflicts with Russia or China. This results in a prolonged economic shock leading to a severe recession. Inflation falls significantly due to the dramatic collapse in demand that followed the economic shock. Unemployment rises rapidly in the first two years and remains at this level over the forecast horizon. Overall, the real wage losses are even more pronounced than in the "baseline case" scenario. Due to the very limited monetary and fiscal policy leeway, the crisis is unusually prolonged. Central banks scale back their tightening measures at the beginning of the crisis, although interest rates in the eurozone no longer fall into negative territory due to the recent inflation experience.

Due to the particular impact of the current overall economic conditions, especially with regard to the inflation and interest rate trend, the energy crisis and the supply chain problems, we have analysed individual scenarios for our credit exposures in the areas of tourism, food and municipal utilities companies in the "global economic crisis" scenario on the basis of expert estimates, and took them into account accordingly in the PMA.

On this basis, we calculated a PMA of EUR –137.9 million as of 31 December 2022:

		31 Dec. 2022
in EUR million	Weighting	**PMA**
Baseline case	60%	–14.3
Global economic crisis	40%	–123.6
		–137.9

A change in the weighting by 10 percentage points would have had the following effects:

		31 Dec. 2022
in EUR million	Change Weighting	**Change PMA**
Baseline case	+/– 10 pp	–/+ 2.4
Global economic crisis	+/– 10 pp	–/+ 30.9

The risk provisions for losses on loans and advances to clients in the AAC category developed as follows:

in EUR million	As of 1 Jan. (thereof PMA)	Net additions/ reversals excl. PMA[1]	Net additions/ reversals from PMA	Utilisation	As of 31 Dec. (thereof PMA)
2023	–371.4 (–137.9)	–68.2	–16.1	+56.3	–399.4 (–154.0)
2022	–394.2 (–128.5)	–28.8	–9.4	+61.1	–371.4 (–137.9)

[1] Including unwinding.

(43) Assets held for trading

At EUR 10.9 million, (previous year: EUR 3.5 million) assets held for trading included positive fair values from derivatives concluded with our clients and, at EUR 76.9 million (previous year: EUR 103.2 million), positive fair values from domestic derivative financial instruments concluded for hedging purposes that are not designated as hedging instruments within the scope of hedge accounting in accordance with IAS 39.

Assets held for trading also include a day-one profit reserve of EUR 12.2 million (see Note 6).

Assets held for trading as of 31 December 2023 exclusively include interest-related transactions of EUR 75.6 million (previous year: EUR 98.7 million).

Trading assets only include financial instruments in the FVPLM **category**.

Assets held for trading are broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
With agreed maturities		
Up to 3 months	0.2	–
From 3 months to 1 year	0.7	0.1
From 1 to 5 years	5.2	8.4
More than 5 years	69.5	90.2
Total	**75.6**	**98.7**

(44) Financial investments

in EUR million	31 Dec. 2023	31 Dec. 2022
Debt instruments and other fixed-income securities	5,221.3	8,046.3
Equities and other non-fixed-income securities	359.2	289.8
Other financial investments	71.9	65.0
Total	**5,652.4**	**8,401.1**

Financial investments include shares in non-consolidated subsidiaries of EUR 4.5 million (previous year: EUR 5.2 million).

The debt instruments and other fixed-income securities consist exclusively of bonds and debt instruments, with EUR 1,064.1 million (previous year: EUR 3,345.9 million) due in the following year (including pro rata interest).

The equities and other non-fixed-income securities mainly include the shares held by the DKB sustainability funds.

Financial investments consist of financial instruments in the following categories:

in EUR million	31 Dec. 2023	31 Dec. 2022
FVOCIM-category financial investments	5,221.3	8,046.3
FVPLM-category financial investments	431.2	354.8
Total	**5,652.4**	**8,401.1**

The **valuation allowances** deducted from the carrying amount for the financial investments in the category FVOCIM are allocated exclusively to Stage 1 and amounted to EUR 0.3 million as of the balance sheet date (previous year: EUR 0.4 million). There were no transfers between stages in the reporting year.

In the reporting year, financial investments did not contain any financial instruments with impaired creditworthiness (POCI) at the time of acquisition, nor any receivables not significantly modified.

Financial investments are broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
With agreed maturities		
Up to 3 months	332.2	1,086.1
From 3 months to 1 year	753.1	2,259.8
From 1 to 5 years	2,185.2	3,979.6
More than 5 years	1,972.0	742.3
Indefinite maturities	409.9	333.4
Total	**5,652.4**	**8,401.1**

(45) Income tax assets

in EUR million	31 Dec. 2023	31 Dec. 2022
Actual income tax assets	8.5	7.6
Deferred income tax assets	47.9	115.4
Total	**56.3**	**123.0**

The actual income tax assets relate mainly to the 2021 tax year, which has not yet been assessed, and are attributable primarily to the exercise of the option granted in the letter from the Federal Ministry of Finance dated 22 February 2022 to write intangible assets off for tax purposes in full in the year of acquisition.

Deferred income tax assets are calculated based on temporary differences between the carrying amount of assets/liabilities in the balance sheet and the value recognised for tax purposes.

Deferred taxes are recognised to the extent that there is no ban on their recognition and they are measured based on the income tax rates that are expected to apply in the period when the temporary differences are reversed based on tax legislation that is already in force or has been adopted (currently corporate income tax of 15.825% and trade tax of 14.974%). There is no discounting of deferred taxes.

The following recognised deferred tax assets and liabilities are attributable to recognition and measurement differences in the individual balance sheet items and to tax loss carry-forwards:

	31 Dec. 2023		31 Dec. 2022	
in EUR million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Off-balance-sheet items				
Tax loss carryforwards	–	–	0.9	–
Balance sheet items				
Loans and advances to banks and clients, including risk provisions	73.5	91.0	283.5	308.7
Portfolio hedge adjustment on the assets side	804.6	–	1,158.5	–
Assets held for trading	–	23.2	–	30.1
Positive fair values from derivative financial instruments (hedge accounting)	–	805.1	–	1,110.9
Financial investments	30.7	0.9	95.2	0.9
Property, plant and equipment	0.5	22.3	1.9	–
Intangible assets	–	38.9	0.0	32.3
Other assets	1.0	1.2	1.0	–1.2
Liabilities to banks and clients	4.0	0.1	736.0	722.7
Securitised liabilities	–	0.1	0.0	–
Trading liabilities	26.3	–	30.5	–
Negative fair values from derivative financial instruments (hedge accounting)	35.4	–	–	1.9
Provisions	42.7	0.0	23.6	0.0
Other liabilities	24.3	12.1	3.4	12.7
Subtotal	**1,042.9**	**995.1**	**2,334.5**	**2,219.1**
Less netting	–995.1	–995.1	–2,219.1	–2,219.1
Deferred taxes after netting	**47.9**	**–**	**115.4**	**–**

Deferred tax assets and liabilities were offset in full at the level of the individual taxable reporting units and in the DKB fiscal unit for income tax purposes, as the relevant tax regulations allow actual tax liabilities to be offset against actual tax assets.

The balance between deferred income tax assets and liabilities (excess assets) fell by EUR 67.5 million compared to the previous year. The decrease is reflected in the deferred tax expense of EUR 7.5 million and in the change in deferred taxes recognised in other comprehensive income of EUR –60.0 million (EUR 2.1 million from the reserve for defined-benefit pension plans and EUR –62.1 million from the revaluation reserve for debt instruments).

The total amount of temporary differences in connection with investments in fully consolidated international retail funds, for which no deferred tax liability was recognised in accordance with IAS 12.39, amounted to EUR 7.2 million (previous year: EUR 1.2 million).

The tax loss carryforwards and the corresponding deferred tax assets recognised/not recognised are shown in the table below:

in EUR million	31 Dec. 2023	31 Dec. 2022
Corporation tax		
Loss carryforwards	3.9	6.8
Loss carryforwards for which deferred tax assets were recognised	–	2.9
Loss carryforwards for which no deferred tax assets were recognised	3.9	3.9
Can be utilised for an unlimited period of time	3.9	3.9
Trade tax		
Loss carryforwards	1.6	4.5
Loss carryforwards for which deferred tax assets were recognised	–	2.9
Loss carryforwards for which no deferred tax assets were recognised	1.6	1.6
Can be utilised for an unlimited period of time	1.6	1.6

The recognition of deferred tax assets on loss carryforwards is based on a tax forecast for the company concerned. None were recognised for companies in the fiscal unit.

(46) Other assets

in EUR million	31 Dec. 2023	31 Dec. 2022
Prepaid expenses	19.1	24.9
Other assets	214.9	200.5
Total	**233.9**	**225.4**

(47) Liabilities to banks

in EUR million	31 Dec. 2023	31 Dec. 2023
Liabilities to domestic banks	15,495.4	22,623.4
Liabilities to foreign banks	630.6	703.3
Total	**16,126.0**	**23,326.6**

Liabilities to banks consist exclusively of financial instruments in the LAC category.

Liabilities to banks are broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
On demand	192.5	123.4
With agreed maturities		
Up to 3 months	371.5	569.6
From 3 months to 1 year	978.7	826.2
From 1 to 5 years	4,827.5	13,213.1
More than 5 years	9,755.8	8,594.4
Total	**16,126.0**	**23,326.6**

(48) Liabilities to clients

in EUR million	31 Dec. 2023	31 Dec. 2022
Savings deposits	**186.8**	**313.2**
With agreed notice period of 3 months	186.8	313.2
Other liabilities	**102,126.4**	**84,919.1**
On demand	96,431.1	78,414.7
With agreed term or notice period	5,695.3	6,504.4
Total	**102,313.2**	**85,232.3**

in EUR million	31 Dec. 2023	31 Dec. 2022
Liabilities to domestic clients	100,239.5	83,545.3
Liabilities to foreign clients	2,073.7	1,687.0
Total	**102,313.2**	**85,232.3**

Liabilities to clients consist exclusively of financial instruments in the LAC **category**.

Liabilities to clients are broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
On demand	96,431.1	78,414.7
With agreed maturities		
Up to 3 months	1,170.9	3,837.5
From 3 months to 1 year	1,551.3	264.1
From 1 to 5 years	1,628.5	1,208.6
More than 5 years	1,531.4	1,507.4
Total	**102,313.2**	**85,232.3**

(49) Securitised liabilities

in EUR million	31 Dec. 2023	31 Dec. 2022
Bonds and notes issued		
Mortgage Pfandbriefs	2,705.2	1,993.5
Public-sector Pfandbriefs	1,162.4	1,660.7
Other bonds and notes	1,000.4	999.7
Total	**4,868.0**	**4,653.9**

Securitised liabilities consist exclusively of financial instruments in the LAC **category**.

As in the previous year, no public Pfandbriefs (bearer instruments) were issued in the reporting year. EUR 500.0 million in public Pfandbriefs was repaid (previous year: EUR 0.0 million).

A nominal amount of EUR 50.0 million (previous year: EUR 58.0 million) in mortgage Pfandbriefs was repaid and EUR 750.0 million (previous year: EUR 500.0 million) was issued.

Securitised liabilities are broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
With agreed maturities		
Up to 3 months	149.3	18.8
From 3 months to 1 year	1,300.6	549.7
From 1 to 5 years	1,654.2	2,569.2
More than 5 years	1,763.8	1,516.2
Total	**4,868.0**	**4,653.9**

(50) Trading liabilities

At EUR 70.0 million, (previous year: EUR 94.2 million) trading liabilities included negative fair values from derivatives concluded with our clients and, at EUR 15.4 million (previous year: EUR 5.2 million), negative fair values from domestic derivative financial instruments concluded for hedging purposes that are not designated as hedging instruments within the scope of hedge accounting in accordance with IAS 39.

Trading liabilities as of 31 December 2023 exclusively include interest-related transactions of EUR 85.4 million (previous year: EUR 99.4 million).

Trading liabilities consist exclusively of financial instruments in the FVPLM **category**.

Trading liabilities are broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
With agreed maturities		
Up to 3 months	0.0	–
From 3 months to 1 year	0.7	0.1
From 1 to 5 years	5.1	8.9
More than 5 years	79.5	90.4
Total	**85.4**	**99.4**

(51) Provisions

in EUR million	31 Dec. 2023	31 Dec. 2022
Provisions for pensions and similar obligations	**73.0**	**66.2**
Other provisions	**132.6**	**79.5**
Provisions in the lending business	20.7	22.9
Miscellaneous provisions	111.8	56.6
Total	**205.5**	**145.8**

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations include the obligations to provide retirement benefits. The DKB Group uses the implementation method of direct commitment (unfunded plan). The defined-benefit obligation (DBO) was determined as the present value of all retirement benefits as of the balance sheet reporting date, already proportionately earned as of the reporting date.

The value shown in the balance sheet for **pension provisions** developed as follows:

	Present value of the pension obligation		Fair value of plan assets		Asset value from defined-benefit plans		Pension provision recognised	
in EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
As of 1 Jan.	**79.3**	**109.9**	**–21.4**	**–19.8**	**8.4**	**–**	**66.2**	**90.1**
Changes in the group of consolidated companies	–	0.3	–	–	–	–	–	0.3
Current service cost	3.3	6.2	–	–	–	–	3.3	6.2
Interest expense (+) / interest income (–)	3.2	1.5	–0.9	–0.3	–	–	2.3	1.2
Changes from the revaluation	5.8	–36.3	0.8	0.2	–	–	6.7	–36.1
Employee contributions to the plan	0.0	0.1	–	–	–	–	0.0	0.1
Employer contributions	–	–	–1.8	–1.6	–	–	–1.8	–1.6
Paid benefits	–3.0	–2.4	–	–	–	–	–3.0	–2.4
Reclassifications/other changes	–	–	–	–	–0.9	8.4	–0.9	8.4
As of 31 Dec.	**88.8**	**79.3**	**–23.3**	**–21.4**	**7.5**	**8.4**	**73.0**	**66.2**

The changes from the revaluation encompass the actuarial gains/losses from the change in the present value of the pension obligations and in plan assets. The changes from the revaluation are recognised without an impact on profit or loss in equity under the retained earnings.

The main measurement parameters have the following **sensitivities**:

in EUR million	**Increase by 0.5 percentage points**	**Decline by 0.5 percentage points**
Discounting interest rate	–5.3	5.9
Salary increases	0.4	–0.4
Pension progression	2.3	–2.1

The extension of life expectancy (biometry) by one year would cause an effect of EUR 1.4 million.

Fair value of plan assets

The plan assets to secure the pension obligations do not contain any price quotations on active markets. They are invested as a debt instrument in reinsurance policies that are protected against insolvency and are not accessible to other creditors. As of 31 December 2023, the fair value of the plan assets came to EUR 23.3 million.

In the reporting year, the following **expenses** were recognised in the income statement for pension obligations:

in EUR million	31 Dec. 2023	31 Dec. 2022
Current service cost (administrative expense)	3.3	6.2
Net interest expense from pension provisions (interest expense) and plan assets	2.3	1.2
Total	**5.7**	**7.4**

For the 2024 financial year, the expected payments to beneficiaries under the pension plans at the DKB Group are estimated at EUR 2.7 million.

Other provisions

Provisions in the lending business reflect the credit risks in the off-balance-sheet lending business:

in EUR million	31 Dec. 2023	31 Dec. 2022
Provisions for loan commitments and financial guarantees	**20.7**	**20.8**
Provisions for loan commitments and financial guarantees – Stage 1	6.6	7.0
Provisions for loan commitments and financial guarantees – Stage 2	7.0	5.9
Provisions for loan commitments and financial guarantees – Stage 3	7.1	7.9
Provisions for POCI loan commitments and financial guarantees	0.0	0.0
Provisions for other contingent liabilities	**–**	**2.1**
Total	**20.7**	**22.9**

The development of provisions for loan commitments and financial guarantees in accordance with IFRS 9 in the reporting year is presented under contingent liabilities and other commitments (Note 56).

Other provisions developed as follows:

in EUR million	1 Jan. 2023	Additions in connection with first-time consolidation	Utilisation	Additions	Reversals	Rebookings	31 Dec. 2023
Provisions for litigation expenses and legal risks	6.3	–	–2.4	9.6	–1.1	–	12.3
Human resources	10.5	–	–8.3	9.0	0.0	0.7	11.8
Restructuring	26.0	–	–6.1	73.5	–18.5	–1.3	73.5
Archiving costs	5.2	–	–0.7	0.8	0.0	–	5.2
Other	8.6	–	–3.9	4.6	–0.3	–	9.0
Total	**56.6**	**–**	**–21.6**	**97.4**	**–20.0**	**–0.7**	**111.8**

in EUR million	1 Jan. 2023	Additions in connection with first-time consolidation	Utilisation	Additions	Reversals	Rebookings	31 Dec. 2022
Provisions for litigation expenses and legal risks	14.0	–	–0.2	4.8[1]	–12.3	–	6.3[1]
Human resources	11.9	0.0	–10.1	–2.1	–0.8	11.5	10.5
Restructuring	33.4	–	–4.9	–1.4	–	–1.1	26.0
Archiving costs	5.6	0.1	–0.8	0.4	–0.1	–	5.2
Other	20.8	–	–6.9	2.8[1]	–8.1	–	8.6[1]
Total	**85.6**	**0.1**	**–23.0**	**4.6**	**–21.2**	**10.4**	**56.6**

[1] Previous year's figures adjusted.

The discounting of other provisions resulted in an expense of EUR 1.7 million in the financial year (previous year: income of EUR 0.2 million). The change in the discounting rate led to a provision increase of EUR 1.4 million (previous year: reduction of EUR 10.5 million).

Of the other provisions, EUR 47.1 million (previous year: EUR 32.7 million) fall due after more than twelve months.

(52) Income tax liabilities

in EUR million	31 Dec. 2023	31 Dec. 2022
Actual income tax liabilities	158.2	68.6
Deferred income tax liabilities	–	–
Total	**158.2**	**68.6**

Actual income tax liabilities mainly relate to the 2023 tax year and can be attributed primarily to the year-on-year improvement in the result of the DKB AG fiscal unit.

(53) Other liabilities

in EUR million	31 Dec. 2023	31 Dec. 2022
Deferred debts	202.3	95.7
Lease liabilities from right-of-use assets	73.1	90.5
Minority interests	159.6	125.7
Other obligations	132.2	177.7
Total	**567.2**	**489.5**

On 9 March 2021, the DKB Group concluded a 15-year lease agreement with CA Immo Berlin Upbeat GmbH & Co. KG for an office building complex located on Heidestrasse in Berlin. This is where the DKB Group will build its future headquarters (the DKB Campus). The lease is expected to start in 2025. The future lease payments from this non-cancellable lease agreement amount to EUR 3.8 million for 2025 and EUR 15.1 million for the years that follow.

The minority interests relate to the financial liabilities of the DKB Group to the non-Group shareholders of the consolidated DKB sustainability funds.

(54) Subordinated capital

in EUR million	31 Dec. 2023	31 Dec. 2022
Subordinated liabilities	3,429.6	1,163.4
Additional regulatory Tier 1 capital	722.2	612.7
Profit participation capital	–	28.6
Total	**4,151.8**	**1,804.7**

The subordinated capital consists exclusively of financial instruments in the LAC **category**.

The subordinated liabilities must be arranged contractually such that, in the event of insolvency or the liquidation of DKB, a reimbursement does not take place until all non-subordinate creditors are first satisfied. A premature repayment obligation at the creditor's request cannot arise. The prerequisites for attribution to the regulatory equity in accordance with Section 72 CRR are fulfilled at DKB for a portfolio of nominally EUR 1.85 billion.

In the reporting period, the profit participation rights in the amount of EUR 28.6 million were repurchased in full and additional regulatory Tier 1 capital of EUR 100.0 million (nominal) was raised.

From 1 January 2024, DKB will be subject to its own minimum requirement for own funds and eligible liabilities (iMREL) in accordance with Articles 92, 429 and 429a CRR. Within this context, a portfolio of eligible liabilities (iMREL) with a nominal value of EUR 2.251 billion was created in the reporting period.

The **interest expense** for subordinated capital is broken down as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
Subordinated liabilities	53.9	28.3
Additional regulatory Tier 1 capital	57.4	16.9
Profit participation capital	1.0	1.1
Total	**112.2**	**46.3**

The subordinated liabilities include pro rata interest of EUR 28.6 million (previous year: EUR 13.4 million).

No unsecured subordinated registered bonds pursuant to Article 62 CRR were issued during the financial year.

All of the eligible liabilities (iMREL) were issued as promissory note loans in the reporting period.

Subordinated capital is broken down by **maturity** as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
With agreed maturities		
Up to 3 months	150.8	26.1
From 1 to 5 years	2,201.0	250.0
More than 5 years	1,100.0	900.0
With indefinite maturity	700.0	628.6
Total	**4,151.8**	**1,804.7**

(55) Equity

in EUR million	31 Dec. 2023	31 Dec. 2022
Equity excluding non-Group shares	**6,026.4**	**5,202.1**
Subscribed capital	339.3	339.3
Statutory nominal capital	339.3	339.3
Capital reserve	2,814.4	2,814.4
Retained earnings	2,120.3	2,003.3
Statutory reserve	242.4	242.4
Reserve from the revaluation of defined-benefit pension plans	–7.1	–2.5
Other retained earnings	1,885.0	1,763.3
Revaluation reserve	–59.2	–198.7
Consolidated net retained profits/net accumulated losses	811.6	243.8
Minority interests	**12.4**	**10.9**
Total	**6,038.8**	**5,212.9**

The **subscribed capital** represents the share capital of DKB AG in accordance with its Articles of Association and is divided into 130.5 million no-par value shares, all of which are held by BayernLB.

The payments made by shareholders into equity are included in the **capital reserve**.

The amounts that were assigned mainly to the reserves from the profits of previous years and from the profit of the current year are reported under **retained earnings**. They are broken down into the statutory reserve and other retained earnings.

The reserve from the revaluation of defined-benefit pension plans contains the valuation results from the revaluation of defined-benefit pension plans not affecting net income.

The increase in retained earnings by EUR 117.0 million is due in particular to the allocation of the consolidated balance sheet profit from the previous year, less the withdrawals from retained earnings in the reporting year.

The increase in the **revaluation reserve** of EUR 139.6 million mainly results from the fair value measurement of FVOCIM financial instruments and the effects of deferred taxes.

The impairments for FVOCIM financial instruments shown in the revaluation reserve in addition to the fair value measurement are shown under loans and advances to clients (Note 41) and financial investments (Note 44).

(56) Contingent liabilities and other obligations

in EUR million	31 Dec. 2023	31 Dec. 2022
Contingent liabilities in accordance with IFRS 9	**1,519.3**	**1,403.4**
Financial guarantees	1,519.3	42.7
Other liabilities from guarantees and indemnity agreements	–	1,360.7
Contingent liabilities from legal disputes	**1.7**	**1.2**
Other liabilities	**21,424.6**	**22,050.1**
Irrevocable loan commitments	5,282.8	6,318.5
Revocable loan commitments	16,141.9	15,731.7
Total	**22,945.7**	**23,454.7**

The **provisions for loan commitments and contingent liabilities in accordance with IFRS 9** developed as follows:

	2023				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**7.0**	**5.9**	**7.9**	**0.0**	**20.8**
Additions from lending/purchases	9.1	5.1	2.3	0.2	16.7
Reversals from disposal/repayment/sale	–9.4	–17.9	–3.9	–0.3	–31.5
Credit-rating-related changes	–0.3	14.7	–1.1	0.1	13.5
Reallocation to Stage 1	0.3	–0.3	–	–	–
Reallocation to Stage 2	–0.2	0.4	–0.2	–	–
Reallocation to Stage 3	–0.2	–1.1	1.2	–	–
Unwinding	–	–	–0.2	0.0	–0.2
Other changes in value not recognised in profit or loss	–0.3	–0.2	–1.0	0.0	–1.4
As of 31 Dec.	**6.6**	**7.0**	**7.1**	**0.0**	**20.7**

	2022				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**6.6**	**7.7**	**4.9**	**0.0**	**19.2**
Additions from lending/purchases	10.9	6.8	7.0	0.0	24.7
Reversals from disposal/repayment/sale	–9.9	–24.6	–5.5	–0.1	–40.2
Credit-rating-related changes	–0.6	17.4	0.7	0.0	17.5
Reallocation to Stage 1	0.4	–0.4	–	–	–
Reallocation to Stage 2	–0.3	0.4	–0.1	–	–
Reallocation to Stage 3	0.0	–1.4	1.4	–	–
Unwinding	–	–	–0.5	0.0	–0.5
As of 31 Dec.	**7.0**	**5.9**	**7.9**	**0.0**	**20.8**

In the reporting year, there were no undiscounted expected credit losses in the initial recognition of financial instruments with impaired credit ratings (POCI) (previous year: EUR 2.6 million).

The **exposure to loan commitments and contingent liabilities in accordance with IFRS 9** developed as follows:

	2023				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**21,711.4**	**357.9**	**23.0**	**0.6**	**22,092.9**
Lending/purchases	12,914.0	326.1	30.7	1.5	13,272.3
Disposal/repayment/sale	–13,584.8	–282.9	–18.7	–1.7	–13,888.1
Reallocation to Stage 1	244.9	–244.2	–0.7	–	–
Reallocation to Stage 2	–359.3	359.6	–0.3	–	–
Reallocation to Stage 3	–1.9	–5.0	6.9	–	–
Other changes	1,426.1	36.0	4.9	–	1,467.0
As of 31 Dec.	**22,350.4**	**547.5**	**45.7**	**0.3**	**22,944.0**

	2022				
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As of 1 Jan.	**25,144.4**	**400.3**	**16.1**	**0.5**	**25,561.2**
Lending/purchases	14,456.1	352.7	17.1	0.3	14,826.2
Disposal/repayment/sale	–17,809.0	–466.9	–18.4	–0.3	–18,294.6
Reallocation to Stage 1	513.1	–510.1	–2.9	–	–
Reallocation to Stage 2	–590.5	596.6	–6.2	–	–
Reallocation to Stage 3	–2.6	–14.8	17.4	–	–
Other changes	–	–	–	–	–
As of 31 Dec.	**21,711.4**	**357.9**	**23.0**	**0.6**	**22,092.9**

Disclosures relating to financial instruments

(57) Fair value and measurement hierarchies of financial instruments

Fair value of financial instruments[1]

	Fair value		Carrying amount	
in EUR million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Assets				
Cash reserves	1,099.0	1,045.2	1,099.0	1,045.2
Loans and advances to banks	35,392.5	25,733.2	35,392.8	25,761.5
Loans and advances to clients[2]	86,731.8	77,642.7	92,162.9	85,495.7
Assets held for trading	87.7	106.7	75.6	98.7
Positive fair values from derivative financial instruments (hedge accounting)	0.7	0.1	0.7	0.1
Financial investments	5,652.4	8,401.1	5,652.4	8,401.1
Other assets	1.2	1.0	1.2	1.0
Total	**128,965.6**	**112,930.0**	**134,384.7**	**120,803.3**
Liabilities				
Liabilities to banks	15,408.0	22,055.3	16,126.0	23,326.6
Liabilities to clients	102,075.0	82,303.0	102,313.2	85,232.3
Securitised liabilities	4,653.3	4,265.2	4,868.0	4,653.9
Trading liabilities	85.4	99.4	85.4	99.4
Negative fair values from derivative financial instruments (hedge accounting)	2.7	1.1	2.7	1.1
Other liabilities	159.6	125.7	159.6	125.7
Subordinated capital	4,100.9	1,719.5	4,151.8	1,804.7
Total	**126,484.9**	**110,569.3**	**127,706.7**	**115,243.7**

[1] For the current financial instruments shown under other assets and liabilities, the respective carrying amount is a reasonable approximation of fair value. As a result, the fair value is not disclosed in accordance with IFRS 7.29 (a).
[2] The carrying amounts stated include the portfolio hedge adjustment on the assets side.

Financial instruments measured at fair value

Over the course of the reporting year, transfers took place between the hierarchy stages for the financial instruments that were measured at fair value. The end of the reporting year is used as the transfer date.

	31 December 2023			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Loans and advances to clients	–	–	12.6	12.6
Assets held for trading	–	79.9	7.8	87.7
Positive fair values from derivatives (hedge accounting)	–	0.7	–	0.7
Financial investments (debt instruments)	1,893.8	3,328.7	21.3	5,243.8
Financial investments (equity instruments)	358.0	–	50.6	408.6
Other assets	–	–	1.2	1.2
Total	**2,251.8**	**3,409.3**	**93.7**	**5,754.8**
Liabilities				
Trading liabilities	–	85.0	0.3	85.4
Negative fair values from derivatives (hedge accounting)	–	2.7	–	2.7
Other liabilities	–	159.6	–	159.6
Total	**–**	**247.3**	**0.3**	**247.7**

	31 December 2022			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Loans and advances to clients	–	–	12.7	12.7
Assets held for trading	–	106.3	0.4	106.7
Positive fair values from derivatives (hedge accounting)	–	0.1	–	0.1
Financial investments (debt instruments)	2,805.5	5,242.3	21.5	8,069.3
Financial investments (equity instruments)	288.3	–	43.5	331.8
Other assets	–	–	1.0	1.0
Total	**3,093.8**	**5,348.7**	**79.1**	**8,521.7**
Liabilities				
Trading liabilities	–	98.8	0.7	99.4
Negative fair values from derivatives (hedge accounting)	–	1.1	–	1.1
Other liabilities	–	125.7	–	125.7
Total	**–**	**225.6**	**0.7**	**226.3**

Based on the review of the Level 1 allocation as of 31 December 2023 with regard to the parameters to be met cumulatively (such as number of price determinations), bonds amounting to EUR 858.3 million (previous year: EUR 621.8 million) were reclassified from Level 1 to Level 2 and bonds of EUR 256.9 million (previous year: EUR 432.4 million) were reclassified from Level 2 to Level 1.

Changes in fair values determined on the basis of non-observable market data (Level 3)

in EUR million	2023 Financial investments	Loans and advances to clients	Assets held for trading	Other assets	Total
As of 1 Jan.	**65.0**	**12.7**	**0.4**	**1.0**	**79.1**
Additions in connection with first-time consolidation	–	–	–	–	–
Effects recognised through profit or loss	6.9	–0.9	7.6	0.3	13.9
of which gains or losses on fair value measurement	6.9	–1.4	7.6	0.3	13.4
of which risk provisions	–	0.5	–	–	0.5
Change in the revaluation reserve	–	–0.1	–	–	–0.1
Purchases	0.0	1.0	–	–	1.0
Sales	–	–	–	–	–
Settlements	–	–0.2	–	–	–0.2
Reclassifications from Levels 1 and 2 to Level 3	–	–	0.0	–	0.0
Reclassifications from Level 3 to Levels 1 and 2	–	–	–	–	–0.2
Reclassifications	–	–	–0.2	–	–0.2
As of 31 Dec.	**71.9**	**12.6**	**7.8**	**1.2**	**93.7**
Effects recognised through profit or loss for financial instruments in the portfolio on 31 December	6.9	–0.9	7.6	0.3	13.9
of which gains or losses on fair value measurement	6.9	–1.4	7.6	0.3	13.4
of which risk provisions	–	0.5	–	–	0.5

in EUR million	2022 Financial investments	Loans and advances to clients	Assets held for trading	Other assets	Total
As of 1 Jan.	**112.4**	**13.5**	**2.0**	**1.5**	**129.4**
Additions in connection with first-time consolidation	0.0	–	–	–	0.0
Effects recognised through profit or loss	3.2	–0.6	0.3	–0.6	2.3
of which gains or losses on fair value measurement	3.2	–0.8	0.3	–0.6	2.1
of which risk provisions	–	0.2	–	–	0.2
Change in the revaluation reserve	–	0.0	–	–	0.0
Purchases	0.1	–	–	–	0.1
Sales	–48.2	–	–	–	–48.2
Settlements	–	–0.1	–	–	–0.1
Reclassifications from Levels 1 and 2 to Level 3	–	–	–	–	–
Reclassifications from Level 3 to Levels 1 and 2	–	–	–1.8	–	–1.8
Reclassifications	–2.5	–	–0.2	–	–2.7
As of 31 Dec.	**65.0**	**12.7**	**0.4**	**1.0**	**79.1**
Effects recognised through profit or loss for financial instruments in the portfolio on 31 December	6.6	–0.6	0.4	–0.6	5.7
of which gains or losses on fair value measurement	6.6	–0.8	0.4	–0.6	5.5
of which risk provisions	–	0.2	–	–	0.2

Significant non-observable parameters (Level 3) and their sensitivities

Loans and advances to clients (receivables acquired on the non-performing loan market and secured with real estate)

Significant non-observable parameters	Bandwidth (average)	Change in parameters	Change affecting net income	Change recognised in equity
Realisation value	EUR 0 thousand to EUR 460 thousand (EUR 31 thousand)	+5.0% –5.0%	EUR +103.5 thousand EUR –103.5 thousand	– –
Realisation period	1 month to 30 months (8 months)	+6 months –6 months	EUR –29.8 thousand EUR +24.8 thousand	– –
Interest rate	2.96% to 4.08% (3.87%)	+0.5% –0.5%	EUR –15.4 thousand EUR +15.7 thousand	– –

Loans and advances to clients (loans measured at fair value [category: FVPLM])

Significant non-observable parameters	Bandwidth (average)	Change in parameters	Change affecting net income	Change recognised in equity
Valuation spread	0.08% to 1.64% (0.66%)	+10 BP –10 BP	EUR –42.0 thousand EUR +42.0 thousand	– –

Financial investments (shares in Visa Inc.)

Significant non-observable parameters	Weighted average	Change in parameters	Change affecting net income	Change recognised in equity
Subscription ratio of the Visa Inc. ordinary shares	48.64%	+10.0% –10.0%	EUR +3,296.0 thousand EUR –3,296.0 thousand	– –

Financial investments (other equity interests in companies)

Significant non-observable parameters	Weighted average	Change in parameters	Change affecting net income	Change recognised in equity
Company-specific market risk premium	7.0%	+50 BP –50 BP	EUR –108.0 thousand EUR +119.4 thousand	– –

Financial investments (other outside equity interests in companies)

Significant non-observable parameters	Weighted average	Change in parameters	Change affecting net income	Change recognised in equity
Company-specific market risk premium	0.02%	+25 BP –25 BP	EUR –53.1 thousand EUR +53.1 thousand	– –

Other assets (receivable from the sale of an investment)

Significant non-observable parameters	Weighted average	Change in parameters	Change affecting net income	Change recognised in equity
Subscription ratio of the Visa Inc. ordinary shares	48.64%	+10.0% –10.0%	EUR +242.6 thousand EUR –242.6 thousand	– –

Derivatives

Significant non-observable parameters	Bandwidth (average)	Change in parameters	Change affecting net income	Change recognised in equity
Default risk (Rating)	0.17% to 2.86% (0.98%)	+1 notch[1] –1 notch	EUR –325.5 thousand EUR +267.9 thousand	– –
Loss given default	17.00% to 63.07% (30.07%)	+10.0%[2] –10.0%	EUR –423.2 thousand EUR +423.2 thousand	– –

[1] Improvement of the rating score by one notch (–1 notch) or deterioration of the rating score by one notch (+1 notch).
[2] Increase in LGD by 10 percentage points (+10.0%) or reduction in LGD by 10 percentage points (–10.0%).

The measurement methods used are customary and appropriate for the asset to be measured in each case.

Financial instruments measured at amortised cost

	31 December 2023			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash reserves	–	–	1,099.0	1,099.0
Loans and advances to banks	–	–	35,392.5	35,392.5
Loans and advances to clients	–	–	86,719.2	86,719.2
Total	**–**	**–**	**123,210.8**	**123,210.8**
Liabilities				
Liabilities to banks	–	–	15,408.0	15,408.0
Liabilities to clients	–	–	102,075.0	102,075.0
Securitised liabilities	3,149.1	1,504.2	–	4,653.3
Subordinated capital	–	–	4,100.9	4,100.9
Total	**3,149.1**	**1,504.2**	**121,583.9**	**126,237.2**

	31 December 2022			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash reserves	–	–	1,045.2	1,045.2
Loans and advances to banks	–	–	25,733.2	25,733.2
Loans and advances to clients	–	–	77,629.9	77,629.9
Total	**–**	**–**	**104,408.3**	**104,408.3**
Liabilities				
Liabilities to banks	–	–	22,055.3	22,055.3
Liabilities to clients	–	–	82,303.0	82,303.0
Securitised liabilities	3,016.1	1,249.1	–	4,265.2
Subordinated capital	–	–	1,719.5	1,719.5
Total	**3,016.1**	**1,249.1**	**106,077.9**	**110,343.0**

Day-one profit or loss

In the reporting period, the day-one profit or loss reserve developed as follows:

in EUR million	2023	2022
As of 1 Jan.	**8.0**	**3.4**
New transactions (additions)	4.7	5.3
Reversals recognised in profit or loss	–0.6	–0.6
As of 31 Dec.	**12.2**	**8.0**

The day-one profits are attributable exclusively to derivative financial instruments.

(58) Reclassification of financial assets

There were no reclassifications of financial assets in the reporting year.

(59) Financial instrument measurement category

in EUR million	31 Dec. 2023	31 Dec. 2022
Assets		
Financial assets measured at fair value through profit or loss (FVPLM)	517.0	465.2
Loans and advances to clients	10.3	11.7
Assets held for trading	75.6	98.7
Financial investments	431.2	354.8
Financial assets measured at fair value through other comprehensive income (FVOCIM)	**5,223.6**	**8,047.4**
Loans and advances to clients	2.3	1.1
Financial investments	5,221.3	8,046.3
Financial assets measured at amortised cost (AAC)	**131,254.4**	**116,052.0**
Cash reserves	1,099.0	1,045.2
Loans and advances to banks	35,392.8	25,761.5
Loans and advances to clients	94,762.6	89,245.3
Financial investments	–	–
Positive fair values from derivative financial instruments (hedge accounting)	**0.7**	**0.1**
Liabilities		
Financial liabilities measured at fair value through profit or loss (FVPLM)	**85.4**	**99.4**
Trading liabilities	85.4	99.4
Financial liabilities designated at fair value through profit or loss (FVPLD)	**159.6**	**125.7**
Other liabilities	159.6	125.7
Financial liabilities measured at amortised cost (LAC)	**127,459.1**	**115,017.5**
Liabilities to banks	16,126.0	23,326.6
Liabilities to clients	102,313.2	85,232.3
Securitised liabilities	4,868.0	4,653.9
Subordinated capital	4,151.8	1,804.7
Negative fair values from derivative financial instruments (hedge accounting)	**2.7**	**1.1**

(60) Net results from financial instruments

in EUR million	2023	2022
Financial assets measured at fair value through profit or loss or financial liabilities (FVPLM)	**81.7**	**–61.3**
Net interest income	11.0	11.1
Gains or losses on fair value measurement	70.7	–72.3
Financial liabilities designated at fair value through profit or loss (FVPLD)	**–32.2**	**34.0**
Gains or losses on fair value measurement	–32.2	34.0
Financial assets measured at fair value through profit or loss or financial liabilities (FVO-CIM)	**80.6**	**12.2**
Net interest income	105.0	15.2
Risk result	0.5	0.1
Gains or losses on financial investments	–25.0	–3.1
Changes in the revaluation reserve	–	–
Financial assets measured at amortised cost (AAC)	**3,683.7**	**–2,628.7**
Net interest income	2,879.2	1,580.1
Gains or losses on hedging transactions (hedge accounting)	886.3	–4,173.0
Risk result	–81.9	–35.8
Financial liabilities measured at amortised cost (LAC)	**–1,444.9**	**–158.8**
Net interest income	–1,444.9	–158.8
Derivative financial instruments in hedging relationships (hedge accounting)	**392.7**	**–142.5**
Net interest income	392.7	–142.5

(61) Hedging relationships (hedge accounting)

Underlying and hedging transactions

Information on the hedging relationships of the DKB Group is provided below. This includes information on portfolio hedges in the broader sense, hedged items and hedging instruments.

In the portfolio hedge in the broader sense, client loans are designated at their repayment cash flows in the amount of EUR 18,924.1 million (previous year: EUR 17,903.4 million). The hedged items are reported under loans and advances to clients.

The hedge adjustment of interest-rate-hedged loans and advances in the fair value hedge portfolio amounted to EUR –2,612.4 million (previous year: EUR –3,762.4 million). Of this amount, EUR –2,562.4 million (previous year: EUR –3,702.6 million) relates to hedging relationships still in existence at the balance sheet date and EUR –49.9 million (previous year: EUR –59.7 million) to hedging relationships already terminated. The hedge adjustment is reported under the balance sheet item "Portfolio hedge adjustment attributable to assets".

Hedge adjustments are offset on the liabilities side by negative fair values from derivative financial instruments (hedge accounting) and on the assets side by positive fair values from derivative financial instruments (hedge accounting).

in EUR million	31 Dec. 2023	31 Dec. 2022
Positive fair values from fair value hedges (portfolio hedges)	0.7	0.1
Negative fair values from fair value hedges (portfolio hedges)	2.7	1.1

Derivatives are broken down by **maturity** as follows:

	Nominal value		Positive fair value		Negative fair value	
in EUR million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
With agreed maturities						
Up to 3 months	100.0	–	0.0	–	–	–
From 3 months to 1 year	20.0	–	0.0	–	–	–
From 1 to 5 years	1,300.0	1,420.0	0.0	0.1	–	0.0
More than 5 years	18,100.0	16,775.0	–0.7	–	2.7	1.1
Total	**19,520.0**	**18,195.0**	**–0.7**	**0.1**	**2.7**	**1.1**

Gains or losses on hedging transactions (hedge accounting)

in EUR million	**31 Dec. 2023**	**31 Dec. 2022**
Measurement gains/losses from fair value hedges (portfolio hedges)		
Underlying transactions	886.3	–4,173.0
Hedging instruments	–940.7	3,997.9
Total (hedge ineffectiveness)	**–54.4**	**–175.1**

The gains or losses on hedging transactions (hedge accounting) of EUR –54.4 million are offset by positive effects from the amortisation of the portfolio hedge adjustment and the pull-to-par effect of corresponding hedging instruments of EUR 102.2 million.

(62) Derivative transactions

The following tables present the as-yet-unsettled interest-rate-related and foreign-currency-related derivatives and the other forward transactions. The derivative transactions predominantly comprise interest rate swaps, which are used to manage the interest rate risk.

	Nominal value		Positive fair value		Negative fair value	
in EUR million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Interest rate risks						
Interest rate swaps	23,117.6	20,960.3	2,802.3	3,677.5	216.6	105.8
Options on interest rate swaps	20.0	20.0	–	–	0.0	1.1
Total	**23,137.6**	**20,980.3**	**2,802.3**	**3,677.5**	**216.6**	**106.8**

In accordance with the European Market Infrastructure Regulation (EMIR), derivatives subject to clearing requirements with negative fair values of EUR 131.2 million (previous year: EUR 7.4 million) and positive fair values of EUR 2,714.6 million (previous year: EUR 3,570.8 million) were offset against cash collateral deposited or received.

The derivatives for the management of the interest rate risk are attributable in their entirety to banks in the OECD.

Derivatives are broken down by **maturity** as follows:

	Nominal values Interest rate risks	
in EUR million	**31 Dec. 2023**	**31 Dec. 2022**
Residual maturities		
Up to 3 months	140.0	–
From 3 months to 1 year	74.0	13.1
From 1 to 5 years	1,552.8	1,662.1
More than 5 years	21,370.9	19,305.2
Total	**23,137.6**	**20,980.3**

(63) Offsetting of financial assets and liabilities

The DKB Group concludes framework agreements with its business partners as part of its activities in specific types of business. Netting arrangements for mutual claims and liabilities can be part of these framework agreements. Examples of such framework agreements include the German framework agreement for futures contracts and the German framework agreement for securities repurchase transactions. The clearing conditions of Eurex Clearing AG are also agreements with netting arrangements. In addition to the framework agreements, collateral agreements are concluded with the business partners to secure the net claim or liability resulting after netting.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if the DKB Group has a current legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. This relates to the netting of current accounts in accordance with §10 RechKredV and the netting of the fair value and associated collateral of derivatives that are settled via a central counterparty (clearing).

The DKB Group has also entered into agreements which do not meet the netting criteria, but which allow the amounts concerned to be offset under certain circumstances. This relates to derivative transactions with banks not included in the clearing and a netting arrangement with BayernLB, which, under certain conditions, provides for the offsetting of all balance sheet receivables and liabilities, including the fair values from derivative transactions.

A reconciliation of the gross amounts before netting with the net amounts after netting is given below. The reconciliation contains information on the effects of netting on the consolidated balance sheet and on possible effects from legally enforceable master netting agreements or similar arrangements (assets or liabilities eligible for netting, collateral).

Offset financial assets and financial assets with underlying netting or similar arrangements

in EUR million	2023 Gross amount before netting	Offset amount	Balance sheet disclosure	Liabilities that can be netted	Collateral	Net amount
Other financial instruments	**5,158.4**	**91.1**	**5,067.3**	**163.1**	**–**	**4,904.2**
Loans and advances to banks	5,061.4	–	5,061.4	163.1	–	4,898.3
Loans and advances to clients	97.0	91.1	5.9	–	–	5.9
Derivative transactions	**2,802.3**	**2,713.8**	**88.5**	**16.1**	**–**	**72.4**
Assets held for trading/positive fair values from derivative financial instruments (hedge accounting)	2,802.3	2,713.8	88.5	16.1	–	72.4
Total	**7,960.7**	**2,805.0**	**5,155.8**	**179.2**	**–**	**4,976.6**

in EUR million	2022 Gross amount before netting	Offset amount	Balance sheet disclosure	Liabilities that can be netted	Collateral	Net amount
Other financial instruments	**2,663.9**	**116.0**	**2,547.9**	**191.7**	**–**	**2,356.2**
Loans and advances to banks	2,534.7	–	2,534.7	191.7	–	2,343.0
Loans and advances to clients	129.2	116.0	13.2	–	–	13.2
Derivative transactions	**3,677.5**	**3,570.6**	**106.8**	**5.3**	**–**	**101.5**
Assets held for trading/positive fair values from derivative financial instruments (hedge accounting)	3,677.5	3,570.6	106.8	5.3	–	101.5
Total	**6,341.4**	**3,686.6**	**2,654.7**	**197.0**	**–**	**2,457.7**

Offset financial liabilities and financial liabilities with underlying netting or similar arrangements

in EUR million	Gross amount before netting	Offset amount	Balance sheet disclosure	Assets eligible for netting	Collateral	Net amount
	2023					
Other financial instruments	**285.0**	**91.1**	**193.9**	**163.1**	**–**	**30.8**
Liabilities to banks	163.1	–	163.1	163.1	–	–
Liabilities to clients	121.9	91.1	30.8	–	–	30.8
Derivative transactions	**216.6**	**128.6**	**88.0**	**16.1**	**1.9**	**70.0**
Liabilities held for trading/negative fair values from derivative financial instruments (hedge accounting)	216.6	128.6	88.0	16.1	1.9	70.0
Total	**501.6**	**219.7**	**281.9**	**179.2**	**1.9**	**100.8**

in EUR million	Gross amount before netting	Offset amount	Balance sheet disclosure	Assets eligible for netting	Collateral	Net amount
	2022					
Other financial instruments	371.7	116.0	255.8	191.7	–	64.1
Liabilities to banks	191.7	–	191.7	191.7	–	–
Liabilities to clients	180.1	116.0	64.1	–	–	64.1
Derivative transactions	**106.8**	**6.3**	**100.5**	**5.3**	**1.0**	**94.2**
Liabilities held for trading/negative fair values from derivative financial instruments (hedge accounting)	106.8	6.3	100.5	5.3	1.0	94.2
Total	**478.6**	**122.3**	**356.3**	**197.0**	**1.0**	**158.3**

(64) Financial assets transferred to third parties as collateral as well as other transferred financial assets without derecognition

The collateral for liabilities or contingent liabilities was provided within the framework of open-market transactions with the European System of Central Banks, through refinancing loans from investment and development banks, through Pfandbrief issues and through securities repurchase transactions. In principle, all the opportunities and risks associated with ownership of the transferred assets remain with the DKB Group.

The **carrying amounts of the assets transferred to third parties as collateral without derecognition** are allocated to:

in EUR million	31 Dec. 2023	31 Dec. 2022
Loans and advances to clients	41,290.7	38,122.2
Financial investments	5,087.9	7,891.4
Total	**46,378.6**	**46,013.6**

These transactions are performed at customary market conditions. The transferred financial assets are offset by liabilities in the amount of EUR 7,366.2 million (previous year: EUR 16,123.6 million).

In the reporting year, there are no carrying amounts of the other financial assets transferred without derecognition.

(65) Collateral received which can be re-sold or re-pledged

In the DKB Group, no assets are held as collateral which may be re-sold or re-pledged even if the party furnishing the collateral does not default.

(66) Assets and liabilities in foreign currency

in EUR million	31 Dec. 2023	31 Dec. 2022
Foreign currency assets	**399.9**	**318.1**
USD	257.4	202.5
CHF	55.9	49.4
Other currencies	86.5	66.2
Foreign currency liabilities	**73.2**	**74.4**
USD	47.0	49.5
Other currencies	26.3	24.9

(67) Subordinated assets

In the reporting year, subordinated assets in the amount of EUR 21.9 million (previous year: EUR 24.3 million) are included in full in the loans and advances to clients.

(68) Risks from financial instruments

The disclosures in the Notes supplement the notes on the DKB Group's risk management and the qualitative economic disclosures, which are presented in the risk report. Their aim is to help provide a more detailed insight into the structure of the risks incurred.

Default risk

The **maximum default risk**[1] is broken down as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
Cash reserves	1,099.0	1,045.2
Loans and advances to banks	35,392.7	25,761.5
Loans and advances to clients	94,375.9	88,886.7
Financial investments	5,580.5	8,336.1
Derivatives	76.3	98.8
Suretyships	1,517.7	–
Loan commitments and financial guarantees	22,944.0	22,092.9
Total	**160,986.2**	**146,221.2**

[1] For balance sheet assets the gross carrying amount is given, for off-balance-sheet items the exposure.

Collateral is held in the DKB Group to reduce default risks. The main principles governing the individual types of collateral are set out in a guideline on collateral policy in the lending business.

The main collateral in the DKB Group consists of mortgages – primarily on domestic residential real estate. In addition, declarations of obligations under the law of obligations are also used as collateral, primarily including guarantees and assignments, cessions and liens. The extent to which collateral is required for loans granted depends on the economic circumstances of the debtor and their commercial and entrepreneurial skills. The duration of the loan, the structure of the transaction, the general economic situation and the sector situation also play a role. Collateral is not valued under going-concern aspects, but always on the basis of the liquidation value, which corresponds to the expected proceeds of collateral within the framework of an orderly realisation. The liquidation value is determined taking into account the fair value of the collateral and an expected recovery rate specific to each type of collateral.

There were no significant changes in the quality of the collateral held by the DKB Group as a result of a deterioration or changes in the collateral policy in the year under review.

Stage 3 financial instruments and POCI financial instruments are covered by valuation allowances and eligible collateral as follows:

	Maximum default risk		Valuation adjustments		Eligible collateral	
in EUR million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Loans and advances to clients	731.8	467.7	130.3	131.0	369.6	141.3
Loan commitments and financial guarantees	46.1	23.6	7.2	8.0	0.0	2.5
Total	**777.9**	**491.3**	**137.4**	**139.0**	**369.6**	**143.8**

As of the balance sheet date, the DKB Group held receivables in the amount of EUR 35.7 billion (previous year: EUR 32.7 billion) for which no value adjustment was recognised due to collateral.

For financial instruments that were written down in the reporting year but were still subject to a levy of execution, the amount outstanding under contract law amounted to EUR 1.1 million at the balance sheet date (previous year: EUR 4.7 million).

The **distribution of the default risk in default rating grades 16 to 18** between Stage 3 financial instruments and POCI financial instruments is as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
Rating 16	**321.6**	**45.6**
Stage 3	321.6	45.6
POCI	0.0	0.0
Rating 17	**291.5**	**318.6**
Stage 3	282.6	305.6
POCI	8.9	13.0
Rating 18	**130.3**	**94.1**
Stage 3	126.6	91.0
POCI	3.7	3.1
Total	**743.4**	**458.4**

Forborne exposure

Forbearance measures are generally defined as concessions to a debtor in a situation of financial difficulty. The aim of such concessions is to put the borrower in a position where they can meet their obligations under the loan agreement.

Concessions can be made either through modifying existing conditions to benefit the debtor or by granting partial or complete refinancing measures. Among other measures, modifications to the term, interest rate and repayment schedule count as forbearance measures, as do debt waivers or capitalisation of arrears.

The **forborne exposure** developed as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
Loans and advances to clients	194.2	219.1
Contingent liabilities	3.5	3.7
Commitments	9.9	4.9
Total	**207.6**	**227.7**

Market price risk

DKB AG divides market risks for the bank as a whole (banking book and custody account A) into the risk factors of interest, equities, credit spread, volatility and foreign currency. The **risk capital requirement** for the bank as a whole developed as follows:

	2023			2022		
in EUR million	**31 Dec. 2023**	**Maximum**	**Minimum**	**31 Dec. 2022**	**Maximum**	**Minimum**
Interest	1,469.3	2,019.1	447.1	692.3	1,098.5	476.4
Equities	75.0	122.1	68.8	115.6	131.4	85.5
Credit spread	326.5	327.8	32.1	117.5	155.3	19.0
Foreign currency	15.9	20.5	11.2	18.8	23.1	4.8
Volatility	308.5	579.0	219.4	511.4	617.1	431.3
Correlated overall risk	**1,376.2**	**1,956.5**	**643.4**	**882.2**	**1,363.9**	**516.2**

The **securities portfolio** has the following structure:

	Banks		Non-banks		Public-sector issuers		Total	
Fair value in EUR million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Bonds	1,951.5	5,308.4	37.2	56.0	3,232.6	2,681.9	5,221.3	8,046.3
Funds	–	–	1.2	1.5	–	–	1.2	1.5
Equities	10.8	10.8	277.5	277.5	–	–	288.3	288.3
Total	**1,962.3**	**5,319.2**	**315.9**	**334.9**	**3,232.6**	**2,681.9**	**5,510.8**	**8,336.1**

The **regional breakdown of the securities portfolio** by fair value changed as follows:

	31 Dec. 2023		31 Dec. 2022	
	in EUR million	**%**	**in EUR million**	**%**
Germany	3,272.6	59.4	6,833.7	82.0
Europe/EU	1,886.8	34.2	1,204.0	14.4
Europe/Non-EU	173.7	3.2	149.5	1.8
US	108.0	2.0	108.0	1.3
Other	69.7	1.3	40.9	0.5
Total	**5,510.8**	**100.0**	**8,336.1**	**100.0**

Liquidity risk

The breakdown of liabilities and off-balance-sheet items of the DKB Group by contractual maturity is as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
Up to 1 month	**97,594.2**	**80,795.9**
Financial liabilities	97,571.5	80,777.4
Liabilities from derivatives	21.1	17.0
Lease liabilities	1.6	1.5
More than 1 month and up to 3 years	**1,328.3**	**2,496.4**
Financial liabilities	1,295.9	2,469.4
Liabilities from derivatives	29.3	24.1
Lease liabilities	3.1	3.0
More than 3 months and up to 1 year	**4,312.8**	**1,879.4**
Financial liabilities	4,076.9	1,691.7
Liabilities from derivatives	222.5	174.3
Lease liabilities	13.4	13.4
From 1 to 5 years	**9,137.9**	**14,539.2**
Financial liabilities	8,068.2	13,605.8
Liabilities from derivatives	1,034.8	883.4
Lease liabilities	34.9	50.0
More than 5 years	**6,462.3**	**6,969.4**
Financial liabilities	6,404.2	4,919.9
Liabilities from derivatives	34.9	2,024.0
Lease liabilities	23.2	25.5

Irrevocable commitments fell from EUR 6,813.5 million to EUR 5,282.8 million, with revocable commitments rising from EUR 15,731.7 million to EUR 16,141.9 million. Contingent liabilities increased to EUR 1,519.3 million as of the balance sheet date (previous year: EUR 1,403.4 million).

The reduction in financial liabilities in the “from 1 to 5 years” maturity band is due to the TLTRO repayment.

Other disclosures

(69) Fiduciary transactions

Fiduciary transactions break down as follows:

in EUR million	31 Dec. 2023	31 Dec. 2022
Trust assets	**22.6**	**25.0**
Loans and advances to clients	22.5	25.0
Other	0.0	0.0
Fiduciary exposures	**22.6**	**25.0**
Liabilities to banks	22.5	25.0
Other	0.0	0.0

(70) Other financial obligations

In the DKB Group, there are obligations arising from service contracts, which relate particularly to the areas of IT operations and facility management.

DKB Finance GmbH is a limited partner in TEGES Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG. The limited partnership contribution in the amount of EUR 4.4 million (previous year: EUR 4.4 million) is outstanding and must be paid in cash at the request of TEGES GmbH. The outstanding limited partnership contribution was not requested in 2023.

There are also other financial obligations in the form of secured payment claims from the collection of contributions for the bank levy of EUR 46.1 million (previous year: EUR 36.0 million), from the collection of contributions to the Deposit Protection Fund of the Association of German Banks in the amount of EUR 84.8 million (previous year: EUR 68.4 million) and from the collection of contributions to the deposit guarantee fund of the Compensation Scheme of the Association of German Public Banks in the amount of EUR 6.1 million (previous year: EUR 3.6 million).

(71) Other guarantees and other commitments

DKB has, in accordance with Section 11 (8) of the articles of association of the deposit guarantee fund of the Association of German Public-Law Banks, Berlin, undertaken to provide additional contributions in the event of default, if required. The additional contribution obligation is limited, for every member institution and irrespective of the term of membership of the deposit guarantee fund and the number of cases of default, to the share of the amount stipulated in Section 9 (1) of the articles of association attributable to the member, reduced by all the contributions made by it during the term of membership, including additional contributions already made in accordance with this paragraph, but excluding administrative expense contributions in accordance with Section 11 (6) of the articles of association.

(72) Shareholdings

Notes regarding Sections 285 No. 11 and 313 HGB or in accordance with IFRS 12.2 (b), 12.4 in conjunction with IFRS 12.B4 and B6 and 12.10 (a) in conjunction with 12.12 on the consolidated financial statements

As of 31 December 2023, DKB has the following associated companies:

Subsidiaries included in the consolidated financial statements

Name and registered headquarters	DKB shareholding in %	Equity in EUR million	Gains/losses in EUR million
Bayern Card-Services GmbH – S-Finanzgruppe, Munich[2]	50.1	25.2	8.6
DKB Finance GmbH, Berlin[1, 2]	100.0	16.5	6.3
DKB Grund GmbH, Berlin[1, 2]	100.0	0.3	2.5
DKB Immobilien GmbH, Berlin[1, 2]	100.0	3.7	1.0
DKB Service GmbH, Potsdam[1, 2]	100.0	9.3	–13.8
FMP Forderungsmanagement Potsdam GmbH, Potsdam[1, 2]	100.0	13.0	8.2
MVC Unternehmensbeteiligungsgesellschaft mbH, Berlin[2]	100.0	7.7	0.0
PROGES EINS GmbH, Berlin[2]	100.0	9.9	12.4
DKB Nachhaltigkeitsfonds European Green Deal, Luxembourg[2]	72.7	118.5	16.8
DKB Nachhaltigkeitsfonds Klimaschutz, Luxembourg[2]	41.8	163.7	36.4
DKB Nachhaltigkeitsfonds SDG, Luxembourg[2]	59.1	78.3	14.0

[1] Profit transfer agreement and controlling agreement.
[2] IFRS package 31 December 2023.

Subsidiaries not included in the consolidated financial statements

Name and registered headquarters	DKB shareholding in %	Equity in EUR million	Gains/losses in EUR million
Bauland GmbH, Baulandbeschaffungs-, Erschließungs- und Wohnbaugesellschaft, Munich[1, 2]	94.5	0.0	2.7
DKB Campus GmbH, Berlin[1, 2]	100.0	0.5	0.0
DKB Code Factory GmbH, Berlin[1, 2]	100.0	0.8	0.0
DKB Immobilien Beteiligungs GmbH, Potsdam[2]	100.0	2.2	0.2
DKB Stiftung für gesellschaftliches Engagement, Löwenberger Land OT Liebenberg[2, 3, 4]	–	16.4	–0.1
DKB STIFTUNG Jugenddörfer gemeinnützige GmbH Fürth[2, 5]	–	0.5	0.2
DKB Stiftung Liebenberg gGmbH, Löwenberger Land OT Liebenberg[2, 5]	–	0.2	–0.2
DKB Wohnen GmbH, Berlin[1, 2]	100.0	0.0	0.0
GbR Olympisches Dorf, Potsdam[2]	100.0	0.0	0.0
Oberhachinger Bauland GmbH, Wohnbau- und Erschließungsgesellschaft, Munich[2]	100.0	0.0	0.0
Potsdamer Immobiliengesellschaft mbH, Potsdam[2]	100.0	0.1	0.0
PROGES ENERGY GmbH, Berlin[2]	100.0	1.2	0.1
PROGES Sparingberg GmbH, Berlin[2]	100.0	0.6	0.0
PROGES VIER GmbH, Berlin[2]	100.0	0.2	0.0
PROGES ZWEI GmbH, Berlin[2]	100.0	4.5	0.1
TEGES Grundstücks-Vermietungsgesellschaft mbH, Berlin[2]	100.0	0.0	0.0
TEGES Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG, Berlin[2]	94.0	–5.4	0.3

[1] Profit transfer agreement and controlling agreement.
[2] Adopted annual financial statements 31 December 2022.
[3] Structured entity.
[4] Company name in accordance with the articles of association.
[5] Control exercised by structured entity of the Group.

Other joint ventures

Name and registered headquarters	DKB shareholding in %	Equity in EUR million	Gains/losses in EUR million
AKG ImmoPlus GmbH, Berlin[1]	50.0	1.5	0.4
CommuniGate Kommunikationsservice GmbH, Passau[1]	50.0	3.8	–1.1
DKB Stiftung Schloss Liebenberg GmbH, Fürth[1]	48.0	0.1	0.1
s-Karten-Service-Management GmbH – Saarbrücken-Munich, Munich[1]	50.0	0.1	0.0

[1] Adopted annual financial statements 31 December 2022.

Other shareholdings

Name and registered headquarters	DKB shareholding in %	Equity in EUR million	Gains/losses in EUR million
DKB Wohnimmobilien Beteiligungs GmbH & Co. KG, Potsdam[1]	5.1	36.7	2.5
GESO Gesellschaft für Sensorik, Geotechnischen Umweltschutz und mathematische Modellierung mbH Jena i.l., Jena[2]	43.1	–0.4	0.0
JFA Verwaltung GmbH, Leipzig[1]	10.7	0.0	0.3
Neue Novel Ferm Verwaltungs GmbH, Berlin[3]	49.0	0.0	0.0
Novel Ferm Brennerei Dettmannsdorf GmbH & Co. KG, Berlin[3]	49.0	–6.6	0.0
Swiss Fintech AG, Zürich (CH)[4]	11.9	4.7	–3.8
TAG Wohnungsgesellschaft Berlin-Brandenburg mbH, Hamburg[1]	5.2	26.5	0.3
Visa Inc., San Francisco (USA)[5]	<1.0	38,733.0	17,273.0

[1] Adopted annual financial statements 31 December 2022.
[2] Adopted annual financial statements 31 December 2012.
[3] Adopted annual financial statements 31 December 2021.
[4] Annual financial statements 31 December 2022 in CHF.
[5] In USD, according to U.S. GAAP and annual financial statements as of 30 September 2023.

Associated companies

Name and registered headquarters	DKB shareholding in %	Equity in EUR million	Gains/losses in EUR million
DKB BayernImmo Beteiligungs GmbH & Co. KG, Munich[1]	50.0	0.0	0.0

[1] Adopted annual financial statements 31 December 2022.

Structured entities not included in the consolidated financial statements

Name and registered headquarters	DKB shareholding in %	Equity/fund assets in EUR million	Gains/losses in EUR million
BGV Bayerische Grundvermögen III SICAV-FIS (i. L.), Luxembourg[1, 2, 3]	3.5	112.3	19.5

[1] Capital share as at 31 December 2023 (unit value according to balance confirmation divided by net asset value based on financial reporting of December 2023)
[2] Fund assets (net asset value) as at 31 December 2021 (fund assets as at 31 December 2022 not yet definitively confirmed).
[3] Annual result as of 31 December 2021 (annual financial statements are prepared in EUR, in accordance with Luxembourg laws and regulations and in line with generally accepted accounting principles).

Remarks:

The voting share of DKB corresponds to the capital share, unless otherwise specified. Unless otherwise specified, third parties hold the remaining voting share.

The capital share of the subsidiaries included in the consolidated financial statements in the DKB Group corresponds to the previous year's value, with the exception of the sustainability funds. As of the previous year's reporting date of 31 December 2022, the capital shares in the sustainability funds were 72.8% (DKB Nachhaltigkeitsfonds European Green Deal), 42.6% (DKB Nachhaltigkeitsfonds Klimaschutz) and 59.2% (DKB Nachhaltigkeitsfonds SDG).

(73) Related parties

The DKB Group's related parties as specified in IAS 24 comprise the following groups:

- Sole shareholder (BayernLB)
- Non-consolidated subsidiaries
- Joint ventures
- Associated companies
- Other related parties – this includes the subsidiaries, joint ventures and associates of the BayernLB Group, the Free State of Bavaria and companies controlled by the Free State of Bavaria or which the latter jointly manages or over which it has significant influence, as well as the Sparkassenverband Bayern and companies controlled by the Sparkassenverband Bayern or which the latter jointly manages
- Members of the Board of Management and the Supervisory Board of DKB as well as of the Board of Management and the Supervisory Board of BayernLB, and their close family members

The DKB Group maintains a range of commercial relations with related parties. Essentially, these relationships include typical bank services, for example in the deposit, lending and money market business.

Business dealings with related parties are concluded within the framework of normal business activities and are subject to fair market conditions, terms and collateralisation.

The scope of transactions with related parties (excluding consolidated transactions) is shown below:

in EUR million	31 Dec. 2023	31 Dec. 2022
Loans and advances to banks	**5,061.4**	**2,534.7**
Parent company	5,061.4	2,534.7
Loans and advances to clients	**57.1**	**63.5**
Non-consolidated subsidiaries	51.5	56.9
Joint ventures	5.6	6.6
Other related companies	0.0	0.0
Risk provisions	**0.0**	**0.1**
Non-consolidated subsidiaries	0.0	0.1
Joint ventures	0.0	–
Other related companies	0.0	0.0
Assets held for trading	**76.8**	**103.2**
Parent company	76.8	103.2
Financial investments	**4.9**	**3,814.7**
Parent company	–	3,814.7
Non-consolidated subsidiaries	4.5	–
Associated companies	0.0	–
Joint ventures	0.3	–
Other assets	**17.4**	**16.8**
Parent company	16.2	15.3
Non-consolidated subsidiaries	0.8	1.4
Joint ventures	0.0	0.1
Other related companies	0.3	0.0
Liabilities to banks	**351.5**	**411.3**
Parent company	163.1	191.6
Other related companies	188.4	219.8
Liabilities to clients	**49.4**	**1,331.0**
Non-consolidated subsidiaries	16.4	16.1
Associated companies	0.0	0.1
Joint ventures	3.0	2.5
Other related companies	30.0	1,312.4
Securitised liabilities	**51.1**	**49.7**
Parent company	8.8	7.3
Other related companies	42.3	42.4
Trading liabilities	**15.3**	**5.2**
Parent company	15.3	5.2

in EUR million	31 Dec. 2023	31 Dec. 2022
Provisions	**0.0**	**0.5**
Non-consolidated subsidiaries	0.0	0.5
Joint ventures	0.0	–
Other related companies	0.0	0.0
Other liabilities	**63.1**	**71.5**
Parent company	62.8	71.1
Non-consolidated subsidiaries	0.2	0.1
Joint ventures	0.1	0.3
Subordinated capital	**4,151.8**	**1,776.1**
Parent company	4,151.8	1,776.1
Contingent liabilities	**1.5**	**0.5**
Non-consolidated subsidiaries	0.5	0.5
Joint ventures	1.0	–
Other related companies	0.0	0.0

Loans, advances and deposits

Transactions with related parties include loans, advances and deposits to members of the Board of Management and Supervisory Board of DKB AG as well as members of the Board of Management and Supervisory Board of BayernLB and their close family members. Loans were granted at standard market conditions and terms.

in EUR million	31 Dec. 2023	31 Dec. 2022
Loans and advances[1, 2]		
Members of the Board of Management of DKB	1.2	2.4
Members of the Supervisory Board of DKB	1.2	1.3
Members of the Board of Management of BayernLB	1.4	1.5
Members of the Supervisory Board of BayernLB	0.1	0.1

[1] Multiple entries are possible. In addition to Board members, the disclosures also include their close family members.
[2] The loans and advances are largely collateralised.

in EUR million	31 Dec. 2023	31 Dec. 2022
Deposits[1]		
Members of the Board of Management of DKB	3.0	1.6
Members of the Supervisory Board of DKB	2.7	1.4
Members of the Board of Management of BayernLB	1.8	1.0
Members of the Supervisory Board of BayernLB	0.4	0.6

[1] Multiple entries are possible. In addition to Board members, the disclosures also include their close family members.

Salaries of the members of the Board of Management and the Supervisory Board of the DKB Group

in EUR million	31 Dec. 2023	31 Dec. 2022
Members of the Board of Management of DKB	**4.6**	**5.7**[1]
Current employee benefits	3.2	2.9
Benefits after the working relationship has ended (service cost)	0.5	2.0[1]
Other non-current employee benefits	0.9	0.8
Members of the Supervisory Board of DKB	**0.5**	**0.5**
Current employee benefits	0.5	0.5
Former members of the Board of Management of DKB and their surviving dependants	**1.3**	**1.2**
Pension reserves formed for members of the Board of Management of DKB	**11.3**	**9.1**
Pension reserves formed for former members of the Board of Management of DKB and their surviving dependants	**24.0**	**22.8**

[1] Previous year's figures adjusted.

The other non-current benefits due to members of the Board of Management include variable remuneration that is subject to the approval of the Supervisory Board at the time the annual financial statements were prepared.

A regular salary was furthermore due to the employee representatives in the Supervisory Board within the framework of their employment contract. This is based on the collective agreement or results from an individual agreement and corresponds to a remuneration that is commensurate with the respective role or activity in the company.

Close family members of the Board of Management and of the Supervisory Board have no influence on the business decisions of the DKB Group.

(74) Non-consolidated structured companies

The DKB Group maintains business relationships with structured entities. These involve contractual and non-contractual business relationships with companies that are arranged such that these are not controlled by voting rights or similar rights; instead the voting rights only relate to administrative tasks. The actual relevant activities of the structured entities are controlled by contractual agreements.

Investment funds

The DKB Group invests in a real estate fund launched by an investment entity. The purpose of the fund is to participate in the development of the real estate markets. The fund is financed by the issuing of share certificates, by way of credit financing or by issuing debt and equity instruments. The financing is matched by the assets of the fund. The scope of the investment fund with which the DKB Group maintains business relationships is determined by its fund assets. The fund assets amount to EUR 112.3 million as of 31 December 2021.

Other financing

The DKB Group provides financing funds for a structured entity, which maintains a number of different assets. This structured entity was established as a foundation. The purpose of the foundation is to promote the preservation of historical monuments, art and culture and to support education projects. The financing is offset by the assets held. The total assets of the structured entity amount to EUR 25.4 million as of the reporting date of 31 December 2022.

Balance sheet assets and liabilities from shares in non-consolidated structured entities

	Investment funds		Other financing		Total	
in EUR million	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**	**31 Dec. 2023**	**31 Dec. 2022**
Assets						
Loans and advances to clients	–	–	6.8	8.7	6.8	8.7
Risk provisions	–	–	0.0	0.0	0.0	0.0
Financial investments	1.2	1.5	–	–	1.2	1.5
Total	**1.2**	**1.5**	**6.8**	**8.7**	**8.0**	**10.2**
Liabilities						
Liabilities to clients	–	–	0.1	1.1	0.1	1.1
Provisions	–	–	–	0.0	–	0.0
Total	**–**	**–**	**0.1**	**1.1**	**0.1**	**1.1**

The maximum risk of loss to which the DKB Group is exposed through its business activities with structured entities is determined by the lending business for receivables and, for financial investments, from their balance sheet carrying amount. These carrying amounts do not reflect the economic risk of the DKB Group from these shares, as they do not take account of collateral or hedging relationships.

As in the previous year, there were no other obligations from shares in non-consolidated structured entities in the reporting year.

Obligations from shares in non-consolidated structured entities

	Investment funds		Other financing		Total	
in EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net interest income	0.1	0.1	0.2	0.2	0.3	0.3
Risk result	–	–	0.0	0.1	0.0	0.1
Gains or losses on fair value measurement	–0.3	0.3	–	–	–0.3	0.3
Total	**–0.2**	**0.4**	**0.2**	**0.3**	**0.0**	**0.7**

(75) Seats held on statutory supervisory bodies of major corporations or financial institutions

As of the balance sheet reporting date of 31 December 2023, the following mandates were held by members of the Board of Management and by employees of DKB on statutory supervisory bodies of major corporations, including financial institutions:

Board of Management:

Tilo Hacke
Bayern Card-Services GmbH, Munich

Jan Walther
Bayern Card-Services GmbH, Munich

Arnulf Keese
Bayern Card-Services GmbH, Munich

Authorised representative:

Karsten Traum
BayernInvest Kapitalverwaltungsgesellschaft mbH, Munich

(76) Auditor's fee

The following auditor's fees were incurred for DKB AG and its subsidiaries in the financial year:

in EUR million	2023[1]
Audit services for the financial statements	3.2
Other auditing services	0.2
Tax consultancy services	–
Other services	0.0
Total	**3.3**

[1] Excluding VAT (net).

The auditor's fee includes the audit of the consolidated financial statements and the annual financial statements of DKB, the annual financial statements of other Group companies, including statutory contract extensions, and the review of the HGB and IFRS half-yearly financial report. The other confirmation services mainly relate to the audit pursuant to Section 89 WpHG. Other services relate to "agreed upon procedures" engagements.

(77) Employees

Average employee capacities during the financial year:

	2023	2022
Full-time staff (excluding apprentices)	**3,889**	**3,842**
Female	1,828	1,794
Male	2,061	2,048
Part-time staff (excluding apprentices)	**851**	**835**
Female	654	654
Male	197	181
Apprentices	**1**	**4**
Female	1	4
Male	–	–
Total	**4,741**	**4,681**

The working hours of the part-time staff were converted to those of full-time staff.

(78) Shareholders

DKB is a wholly owned subsidiary of Bayerische Landesbank Anstalt des öffentlichen Rechts, Munich (BayernLB). It is owned (indirectly via BayernLB Holding AG) by the Free State of Bavaria and the Association of Bavarian Savings Banks. The BayernLB notification was issued to DKB in accordance with Section 20 (4) AktG.

The DKB Group is included in the consolidated financial statements of BayernLB. The consolidated financial statements of BayernLB will be published, as will the consolidated financial statements of DKB, in the electronic Federal Gazette.

(79) Events after the balance sheet date

There were no events of particular significance for the DKB Group after 31 December 2023.

Time of release for publication

The Board of Management of Deutsche Kreditbank AG prepared the consolidated financial statements on 14 March 2024 and released them for submission to the Supervisory Board. The Supervisory Board has the task of auditing the consolidated financial statements and of declaring whether it approves the consolidated financial statements.

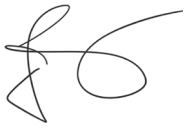
Berlin, 14 March 2024

Deutsche Kreditbank AG

The Board of Management

Stefan Unterlandstättner

Tilo Hacke



Jan Walther

Arnulf Keese

Kristina Mikenberg

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Responsibility statement by the Board of Management

We declare that, to the best of our knowledge and in accordance with the applicable accounting principles, these consolidated financial statements, in accordance with generally accepted accounting principles, provide a true representation of the Group's net assets, financial position and performance, and that, in the combined management report, the business result including the gains/losses and the position of the Group are represented such as to provide a true picture of the actual situation, and that the material opportunities and risks of the expected development of the Group are described.

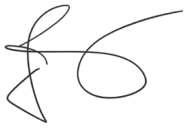
Berlin, 14 March 2024

Deutsche Kreditbank AG

The Board of Management

Stefan Unterlandstättner

Tilo Hacke



Jan Walther

Arnulf Keese

Kristina Mikenberg

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents to be audited) to which the separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Company Register.

Independent auditor's report

To Deutsche Kreditbank Aktiengesellschaft, Berlin

Report on the audit of the consolidated financial statements and of the Group management report

Audit Opinions

We have audited the consolidated financial statements of Deutsche Kreditbank Aktiengesellschaft , Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Deutsche Kreditbank Aktiengesellschaft , which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Risk Provisions in the customer lending business**
2. **Provision for the "Fit4Growth" transformation and restructuring programme**

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Risk Provisions in the customer lending business

1. In the company's consolidated financial statements, loan receivables amounting to € 94.775 million (70.5% of the total assets) are reported under the balance sheet item "Loans and advances to customers". As at 31 December 2023, the loan portfolio is subject to risk provisions consisting of specific and portfolio loan loss provisions. The measurement of risk provisions in the customer lending business is determined in particular by the structure and quality of the loan portfolios, macroeconomic factors and the estimates of the legal representatives with regard to future loan defaults. The amount of the specific valuation allowances for customer receivables corresponds to the difference between the outstanding loan amount and the lower value to be attributed to it on the reporting date. Existing collateral is taken into account. The company has recognised post-model adjustments when forming risk provisions. These exist for receivables in the customer lending business in affected sectors that are not individually impaired and serve to take into account the increased uncertainties that currently exist, also as a result of the current macroeconomic conditions. The value adjustments in the customer lending business are highly significant for the company`s net assets and results of operations in terms of their amount and also involve considerable discretionary judgement by the legal representatives. In addition, the valuation parameters applied, which are subject to significant uncertainties, have a significant influence on the recognition and amount of any necessary valuation allowances. In the light of these factors this matter was of particular significance during our audit.

2. As part of our audit, we first assessed the organisation of the company`s relevant internal control system. In doing so, we considered the business organisation, the IT systems and the relevant valuation models. In addition, we assessed the valuation of receivables from customers, including the appropriateness of estimated values, on the basis of random samples of credit exposures. In doing so, we assessed, among other things, the company`s available documentation regarding the economic circumstances and the recoverability of the corresponding collateral. In the case of property collateral for which the company has provided us with valuation reports, we obtained an understanding of the underlying initial data, the valuation parameters applied and the assumptions made, critically assessed these and evaluated whether they are within a reasonable range. In addition, we assessed the calculation methods applied by the company and the underlying assumptions and parameters in order to evaluate the specific and portfolio valuation allowances recognised. We questioned the necessity of recognising post-model adjustments, assessed the consideration of uncertainties resulting from the macroeconomic environment in the recognition of post-model adjustments and assessed the amounts of these adjustments. Based on our audit procedures, we were able to satisfy ourselves of the reasonableness of the assumptions made by the executive directors when testing the recoverability of the loan portfolio and the appropriateness of the controls implemented by the company.

3. The company's disclosures regarding the risk provisions in the customer lending business are contained in "Note 9, "Note 30", "Note 41" and "Note 42" of the Notes.

2. Provision for the "Fit4Growth" transformation and restructuring programme

1. In the reporting year, the company decided on a comprehensive transformation and restructuring programme ("Fit4Growth") to, increase efficiency and stabilise administrative costs. Among other things, the number of employees is to be reduced as part of this programme. In the 2023 financial year, the company reached an agreement with the employee committees on a programme for severance offers (voluntary programme) and recognised a restructuring provision of € 73.5 million under "Provisions" in this context. The prerequisite for recognising a restructuring provision is that the general recognition criteria for provisions in accordance with IAS 37.14 are met, which are further specified for restructuring measures within the meaning of IAS 37.10 by the regulations in IAS 37.70 et seq. If the provision includes employee termination benefits, the recognition and measurement requirements of IAS 19 must be applied. In our view, this matter was of particular significance for our audit, as the recognition of restructuring provisions is based to a large extent on estimates and assumptions made by the executive directors.

2. As part of our audit, we assessed the existence of the individual recognition criteria and the appropriate measurement of the restructuring provision. For this purpose, we obtained appropriate evidence from the legal representatives of the company and evaluated it. We were able to satisfy ourselves that this matter and the estimates and assumptions made by the executive directors for the recognition and measurement of the provision for the "Fit4Growth" transformation and restructuring programme are sufficiently documented and substantiated. The valuation is carried out within what we consider to be reasonable ranges.

3. The company's disclosures relating to the provision for the "Fit4Growth" transformation and restructuring provision are contained in "Note 22" and "Note 37" to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards) as an unaudited part of the group management report.

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file DKB_AG_KA+KLB_ESEF-2023-12-31_DE.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 March 2023. We were engaged by the supervisory board on 26 July 2023. We have been the group auditor of the Deutsche Kreditbank Aktiengesellschaft , Berlin, without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter– use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Peter Goldschmidt.

Berlin, 14 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Peter Goldschmidt	Michael Quade
Auditor	Auditor

Contact and legal notice

Our contact details

Deutsche Kreditbank AG
Taubenstraße 7–9
10117 Berlin
Germany
info@dkb.de
Tel.: +49 30 120 300 00
www.dkb.de

Postal address
Deutsche Kreditbank AG
10919 Berlin
Germany

Deutsche Kreditbank AG is a company of BayernLB.

Points of contact

Press
Tobias Campino-Spaeing
Head of Press Office
Tel.: +49 30 120 30-8333
presse@dkb.de

Investor Relations
Rico Noack
Fachbereichsleiter Funding & Investor Relations
Tel.: +49 30 120 30-2928
investorrelations@dkb.de

Sustainability
Dr Andreas Gruber
Chief Sustainability Officer
Tel.: +49 30 120 30-3378
nachhaltigkeit@dkb.ag

Additional information
Further information on our company can be found at www.dkb.de.

Notice
This Annual Report published by Deutsche Kreditbank AG contains forward-looking statements. These statements reflect the current views of the company's management and are thus based on estimates and expectations. They are therefore not to be regarded as guarantees that these expectations will also be met.

The information provided in the Annual Report was carefully selected and originates from credible sources, although we did not check the veracity of the information.

The DKB Annual Report 2023 is also available in German. In the event of any discrepancy, the German version shall prevail.

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Deutsche Kreditbank AG
Taubenstraße 7–9
10117 Berlin
Germany
info@dkb.de
Tel.: +49 30 120 300 00

www.dkb.de

DKB
Deutsche Kreditbank AG